

# The effect of deal exclusivity on consumer response to targeted price promotions: A social identification perspective

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## Abstract

Discounts offered selectively to consumers are commonplace in the market and reflect the assumption that individuals will respond positively to targeted discounts. We consider whether exclusive deals evoke more positive responses than inclusive offers, an outcome referred to as a deal exclusivity effect. Contrary to the intuition that targeted promotions will always be evaluated more favorably than inclusive offers, we show that deal exclusivity effects (1) can be attenuated based upon factors influencing the extent to which recipients identify with other deal recipients and (2) are mediated by the offer's ability to enable the recipient to engage in self-enhancement.

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## Introduction

Extant research in consumer psychology demonstrates a general tendency for consumers to favorably evaluate price promotions (e.g., Darke & Dahl, 2003; Naylor, Raghunathan, & Ramanathan, 2006; Schindler, 1998). In developing promotional strategies, marketers are increasingly leveraging customer transaction histories in order to offer discounts on a more selective basis, e.g., by limiting deals to their “best” customers (Acquisti & Varian, 2005; Simonson, 2005; Zhang & Wedel, 2009). By virtue of their being available to some customers (i.e., recipients of the offer who, collectively, comprise the deal target group), but not others (i.e., non-recipients), targeted deals by definition constitute an exclusive form of price promotion. Examples of exclusive discounts abound and are offered from a range of marketers that include major department store companies (e.g., Younters), international hotel chains (e.g., Marriott), and specialty retailers (e.g., Borders bookstores). As specific examples of this type of tactic, Kohl's provides its most valued store card holders “exclusive savings” beyond those

available to the general public and Borders offers “special educator savings” that are limited to teachers.

Presumably, this increased reliance on exclusive price discounts reflects the greater effectiveness of such offers vis-à-vis traditional, across-the board sales promotions (cf. Krishna, Feinberg, & Zhang, 2007). This improved consumer response expected for targeted discounts may be due in part to traditional deal characteristics such as those typically examined in research on price promotions (e.g., depth, frequency, and duration; see Inman, Peter, & Raghuram, 1997; Silva-Risso, Bucklin, & Morrison, 1999; Zhang & Krishnamurthi, 2004; Zhang & Wedel, 2009). However, consumer psychologists have recently begun to explore how deal evaluations may be influenced by a wider range of variables than considered in prior work. As an example, Coulter and Norberg (2009) observed that consumer evaluations of discounts were affected not only by the monetary difference between the regular and sales price but also by the horizontal distance or space separating the presentation of these two prices.

In a somewhat similar vein, the present research augments earlier work focusing on non-social deal parameters (e.g., discount depth) by examining whether evaluations of customized discounts may be influenced by social considerations that center on how consumers perceive being a member of the group receiving an exclusive offer (i.e., the deal target group). In doing so, we explicitly

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examine whether consumer response for exclusive deals will be heightened relative to those that are more inclusively available in the marketplace. We define a recipient's preference for targeted discounts as the deal exclusivity effect and systematically examine if this effect is contingent upon whether inclusion in an exclusive deal target group evokes positive feelings that subsequently influence evaluations of a targeted discount.

In particular, the current inquiry investigates whether the presence and magnitude of deal exclusivity effects are contingent upon several factors that impact the extent to which consumers identify with, and therefore value being a member of, the deal target group. Research of this nature is important insofar as relatively little consumer research has explored the role of social identity on choice and preferences for marketing offers (cf. Oyserman, 2009a; Shavitt, Torelli, & Wong, 2009). An initial experiment examines how consumers' tendencies to diverge from or conform to groups in general (i.e., their need for uniqueness) can shape their response to exclusive deals. Two additional experiments subsequently explore the role of moderating factors that specifically relate to consumers' identification with the deal target group: consumer attitudes towards belonging to the particular group receiving a targeted offer (experiment 2) and the level of effort consumers must expend in order to receive customized price promotions (experiment 3). We also provide mediational evidence substantiating that deal exclusivity effects arise via the ability of targeted offers to enable recipients to engage in self-enhancement (experiment 3). These findings demonstrate that, counter to the common assumption that exclusive deals will be valued more highly than inclusive offers, this superiority can under certain conditions either be attenuated (experiment 2) or eliminated (experiments 1 and 3).

### **When and why exclusivity should influence consumer evaluations of targeted deals: a social identification perspective**

One way to view recipients of a promotion—and, indeed, for them to perceive themselves—is as members of a deal target group. This seems particularly likely with regards to promotions offered on the basis of a consumer's membership in a formal group (as in affinity marketing, e.g., Waldenbooks' "educator savings" promotion) or as a consequence of the consumer's transactional history with a firm, e.g., deals offered to a firm's preferred or loyal customers (Drèze & Nunes, 2009; Feinberg, Krishna, & Zhang, 2002; Krishna et al., 2007). Even when not prompted by a marketing offer to consider their membership in a formal deal target group, consumers may still imagine themselves as part of a more amorphous group of promotion recipients (cf. Bolton & Reed, 2004; Lau, 1989), for example, as someone who has received a "good deal" (Darke & Dahl, 2003; Schindler, 1998).

When membership in a group is salient, subsequent evaluations may be influenced by group identification effects (cf. Oyserman, 2009a; Shavitt et al., 2009). In addition, as the level of self-group identification increases so too should the salience of any relevant group characteristic—in this case, the relative exclusivity associated with the deal target group—thereby amplifying its influence on consumer judgments such as

deal evaluations (Ellemers, Spears, & Doosje, 2002; Oyserman, 2009a; Reed, 2004). Thus, individuals experiencing lower (higher) levels of identification are less (more) likely to factor group considerations into their judgments (Ellemers et al., 2002; Kelman, 1961; Reed, 2004).

These findings hold implications for the likelihood that deal exclusivity will impact consumer evaluations of targeted price promotions. When promotional recipients experience low levels of identification with the deal target group, they should view themselves more as individuals than as group members (Brewer & Gardner, 1991; van Vugt & Hart, 2004). As a consequence, their evaluations should be relatively unaffected by characteristics related to this group (Ellemers et al., 2002). Under such circumstances, the exclusivity of the deal target group should not be salient to recipients as they evaluate the price discount, particularly in comparison to other relevant inputs, e.g., those that directly bear on the value associated with the promotion. When consumers' identification with the deal target group is low, then, exclusivity should be relatively unlikely to factor into their evaluations of targeted price promotions.

Conversely, when promotion recipients more strongly identify with the deal target group, they may be prone to viewing themselves as group members rather than individuals (van Vugt & Hart, 2004). In this instance, information regarding the self-group relationship, particularly the distinctiveness or exclusivity associated with the group (Brewer, 1991; Ellemers et al., 2002; Tajfel & Turner, 1979), should become salient, increasing its potential to influence judgment and decision making (Oyserman, 2009a,b; Shavitt et al., *in press*). Thus, the evaluations of consumers who strongly identify with the deal target group should reflect group-relevant inputs, especially those involving the offer's exclusivity. Given that group exclusivity is, in general, positively valued (Tajfel & Turner, 1979), high identification consumers should therefore more favorably evaluate deals that are exclusive rather than inclusive in nature (cf. Drèze & Nunes, 2009).

To summarize, in the present context, self-group identification reflects the level of connectedness a consumer experiences with regards to other recipients of a promotional offer who, collectively, comprise the deal target group. Self-group identification is important given that the strength of this bond should be positively related to the salience of group characteristics (i.e., its exclusivity) on evaluations of a discount that is targeted to this group. An important question unexplored to this point in our conceptualization of deal exclusivity effects, however, concerns factors that may influence the strength of this relationship. In fact, the level of self-group identification experienced by an individual may be a function of many considerations. As noted by Oyserman (2009a,b; see also Ellemers et al., 2002), which identity is most salient at a given point in time is a function of both the individual (i.e., identities that are chronically accessible) and the social context at hand (i.e., identities prompted by situational cues). In this way, while broader social identities (e.g., race) are generally more likely to be activated than are narrow identities (e.g., educator), the salience of a given identity may be shaped by specific contextual characteristics present in the environment (Oyserman, 2009a).

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