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Executive Summaries

This section provides a concise, nontechnical summary of each article in the current issue of JR focusing on its strategic implications for management.

The Impact of Store-Price Signals on Consumer Search and Store Evaluation

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Retail stores use a variety of pricing tactics to attract customers and motivate them to buy. Frequently used tactics for signaling competitive store prices include "always low price" (ALP) and "low price guarantee" (LPG). The focus in ALP is on informing customers of their everyday low store prices. ALP is popular among discount stores such as Wal-Mart and Costco. In contrast, when using LPG (also known as price-matching guarantee), retailers are obliged to match or beat competitor prices if customers can prove that lower prices are available elsewhere, either before or after the purchase. Some well-known stores using this tactic include Best Buy and Staples. Retailers use ALP and LPG to create a favorable store-price image and to discourage consumers from comparing prices across stores. While extant literature provides rich insights into how consumers respond to LPG under different competitive environments and policy characteristics, no study has yet examined whether and how consumers' responses to LPG differ from those to other store-price signals such as ALP. Previous research has also not investigated the effects of ALP on consumer search.

This research addresses three important but previously unexamined issues related to store-price signals: (1) the differing responses of consumers to ALP and LPG in terms of store visits and store evaluations; (2) how consumer search costs moderate such responses; and (3) consumers' differing responses to store-price signals that are credible or non-credible. We propose that consumers will visit more stores if retailers use LPG than if they use ALP, and that they will visit more stores if the LPG store credibly reflects the lowest market price. In addition, we suggest that consumers are more likely to believe that LPG retailers are less self-serving, more customer-oriented and have greater integrity than ALP retailers. Retailers whose price signals are confirmed as credible are also seen as less self-serving and as having greater integrity.

The research examines these issues by observing consumers' responses in a computer-simulated shopping environment. Participants are instructed to shop for a particular computer model (study one) or high-definition television (study two) in a market that resembles their metropolitan area. The simulated market consists of retailers offering the product at different price levels and making dissimilar advertising claims. In the simulation, participants can sequentially access various stores to find out about their offers but there is a cost associated with each extra store visit. This mimics the costs associated with shopping in the real market. Participants (382 and 350 respectively for studies one and two) were recruited from an online panel that is representative of the demographic characteristics of a large metropolitan area.

Results of the shopping simulations show that, as expected, when search costs are relatively low, ALP discourages consumers from visiting more stores whereas LPG triggers continued search. They also confirm that consumers tend to evaluate ALP stores less favorably (as having lower integrity and higher self-serving intentions) than LPG stores, even when both signals appear to be credible. These findings suggest that LPG is a superior tactic for creating a favorable store image while ALP is more effective in discouraging consumer search. The results also indicate that consumers are less inclined to continue their search when they encounter a defaulting (non-credible) LPG than when the LPG appears to be a credible signal of lowest market price. This is because they are either motivated to claim discounts or refunds at the non-credible LPG store or purchase at the competing store instead of continuing their search. In addition, the results show that even though consumers can gain financial benefits from claiming refunds at a non-credible LPG store, they still evaluate them unfavorably relative to a credible LPG store.

When Shelf-Based Scarcity Impacts Consumer Preferences

JEFFREY R. PARKER, DONALD R. LEHMANN

Imagine shopping for a product from a category in which you have no strong preferences. You find multiple prices, various package sizes, and numerous ingredient or component configurations, as well as assorted packaging shapes and designs from which to choose. How do you make a choice in this situation? Potentially, you could choose on the basis of price ("Choose the cheapest/most expensive."), brand names

("Choose a brand I know."), or other attributes (e.g., "Choose the biggest/smallest one."). In this paper, we examine if a subtler cue – how well-stocked each of the brands is – impacts consumers' choices. For example, in the situation described above, would you be more or less likely (if either) to choose a brand whose stocking level is noticeably more depleted (i.e., its shelf is less fully stocked) than the other brands?

We refer to stocking-level depletion as "shelf-based scarcity." The more depleted a given brand's stocking level is, the "scarcer" it is. While there has been a great deal of research examining how consumers respond to scarcity (answer: typically people prefer scarce products), almost none of it has examined how consumers respond to scarcity in retail environments; that is, shelf-based scarcity. Accordingly, we examine if shelf-based scarcity affects what consumers choose and, if so, how and when this happens. Importantly, there are two main reasons to expect that shelf-based scarcity will not affect what consumers choose: (1) consumers have no idea why one brand is scarcer (more depleted) than another in retail environments (i.e., they do not know the cause of the scarcity), and (2) there are many other cues they could use to make their choice (e.g., price, brand name). Nonetheless, across five studies, we find that consumers often prefer scarcer brands in retail environments.

Our first study demonstrates that (1) consumers are much more likely to choose a brand when it is the scarcer (vs. more-abundant) brand, and (2) this occurs because they believe scarcer brands are more popular and of higher quality than more-abundant brands. Specifically, we show that popularity and quality inferences are the reason shelf-based scarcity affects what consumers choose (i.e., these inferences drive the effect).

Studies 2 and 3 investigate what happens when consumers are given explicit popularity or quality information, respectively. Study 2 produces two important findings. First, it is found that shelf-based scarcity has the same effect when choices are made for oneself or for others. Second, the positive effect of being the scarcer brand persists even when consumers are told the sales rankings of the various brands. Thus, it is better to be the scarcer brand regardless of your relative sales ranking. Study 3 follows up on this by showing that being scarcer is [not] helpful when a brand is of objectively higher [lower] quality than its competitor(s) and that consumers strongly prefer scarcer brands even when quality ratings indicate all brands are of equal quality.

Study 4 tests the impact of shelf-based scarcity when choices are being made from categories with well-known brand names and when the choices are real (i.e., the participants choose products which they pay for). In both instances, scarcer brands are significantly more preferred. Finally, Study 5 finds that consumers do not care about the relative scarcity of the brands they are choosing from when either (1) they already have a strong preference for a brand within the product category, or (2) one or more of the brands in the category is on sale (i.e., has a reduced price).

The paper concludes by discussing the implications of these findings. Importantly, it suggests that while retailers may find it to be an appealing way to influence their customers' choices, care must be taken before manipulating shelf-based scarcity, as this tactic may backfire. For instance, using shelf-based scarcity in multiple product categories may leave the store looking unorganized and unappealing to customers. Still, it appears that by leaving certain brands less fully stocked than others, retailers can shift demand and, hence, increase profits.

Temporal Reframing of Prices: When Is It Beneficial?

SILKE BAMBAUER-SACHSE, DHRUV GREWAL

The temporal reframing of prices (e.g., advertising car insurance for "less than $1 a day," though the charges span a longer period) is a common price information presentation format that encourages consumers to perceive a better deal. Previous research shows that this price presentation technique does not consistently produce positive effects. We examine the boundary conditions that might moderate the role of temporally reframed prices: those within the control of the marketer (price ending and price level), industry-specific (normal reference period), and individual differences (calculation affinity). These variables are integrated within a model in which perceived price attractiveness and a consumer's feeling of being misled by the price presentation mediate the relation between the price presentation technique and product evaluations/purchase intentions.

With regard to the moderating effect of the price ending, we argue that reframed prices with an even ending lead to positive product evaluations and heightened purchase intentions, whereas odd price endings should lead to negative product evaluations and lower purchase intentions. We examine these predictions using a 2 (price presentation: aggregate versus reframed) $\times$ 2 (price ending: even versus odd) between-subject experiment with 400 participants. The results show that for even price endings, reframed prices are more advantageous, whereas for odd price endings, aggregate prices are better.

Regarding the moderating effect of the price level, we assume that in the case of lower priced products, benefits get extremely discounted and thus underestimated, whereas costs are only weakly reduced, which produces negative consumer reactions. However, if the products indicate higher prices, benefits get weakly discounted, and costs are considerably discounted, which produces positive consumer reactions. We test these predictions using a 2 (price presentation: aggregate versus reframed) $\times$ 2 (price level: low versus high) between-subject experiment with 160 respondents. The results indicate that at low price levels, aggregate prices are more beneficial, whereas for high price levels, reframed prices provide benefits in terms of product evaluations and purchase intentions.

With regard to the reference period of a price, we argue that temporal reframing that refers to a comparatively long period—and thus requires the division of the price into many single prices—likely provokes very negative evaluations. For a short aggregate price period though, the temporal reframing of a moderate price should lead to comparatively positive evaluations and