

The Impact of Presentation Format on Consumers' Perceptions of Price Promotion Offers

Igor Makienko (University of Nevada, Reno, United States)

Price promotions are one of the most frequently used sales promotion tool in the marketplace (Kim and Kramer, 2006) and warrant close attention from researchers. One intriguing question that has been extensively researched in price promotion literature is the impact of presentation format on consumers' evaluations of economically identical deals. Identical value may be presented in a variety of formats: with price reduction in percentage or in dollar units (Chen et al., 1998), with reference price at regular or exaggerated level (Biswas and Blair 1991; Urbany et al., 1988), with or without time or quantity restrictions (Inman et al., 1997), with semantic cues comparing in-store or out-of-store prices (Krishnan, Biswas and Netemeyer 2006; Lichtenstien and Burton 1991), with gain frame (e.g. 25% off the regular price) or loss avoidance frame (e.g. pay 75% of the regular price) (Kramer and Kim, 2007) etc. For comprehensive review see Compeau and Grewal (1998) and Krishna et al. (2002).

However, one research question in this area remains unanswered. How the salience of elements of price promotion presentation (reference price, discount and sale price) affects consumers' evaluations of price promotion offers. For example, a retailer may choose to show only reference price and sale price (Was...Now...) or reference price and discount (Was...Save...). When a retailer is not providing full information (which is very typical in retailing domain), consumers' evaluations may be influenced by a presentation format. In some cases consumers are likely to infer the "hidden" element, in others – they may focus more on the salient element/s.

Building on prior findings that individuals prefer to see their gains separately rather than integrated into a price of the product (Thaler, 1985; Diamond and Campbell, 1989), we expect consumers' evaluations to be higher for formats where savings are presented directly in the form of discount (Was...Save or Now...Save) than for the format where discount is absent (Was.. Now...). Additionally, in formats where discount is present we expect that consumers may react more favorably when they see reference price that they do not require to pay (Was...Save...) than when they see a sale price that may evoke some sense of losses (Now...Save...).

Results of the analysis partially support our hypotheses. When advertisement contained reference price and sale price, respondents' attitudes toward the deal and their perceived value of the deal were significantly lower than when advertisement contained reference price and discount.