Consumer Engagement Through Conditional Promotions: An Exploratory Study

Achint Nigam, Birla Institute of Technology and Science, Pilani, India
https://orcid.org/0000-0003-2191-789X
Prem Prakash Dewani, Indian Institute of Management, Lucknow, India

ABSTRACT

This paper investigates consumer response to conditional promotions (CP) offered in an offline retail store. Using qualitative research inquiry, the authors decipher the consumer decision-making process by finding the linkages between ‘pre-cart’ and the ‘post-cart’ add-on purchases. Thematic analysis of qualitative data (focus groups and personal interviews) resulted in four themes (i.e., criticality of product utility, mode of payments, loss aversion by consumers, and inability to think out-of-box by the consumers). The authors add value to the existing marketing literature by finding the relationship between products purchased in ‘pre-cart’ (i.e., without the knowledge of CP) and ‘post-cart’, defined as add-on products added to the cart to avail the CP offer while purchasing in an offline retail store. Further, they find that consumer willingness to avail CP varies with different relative distances from the target purchase cart value (high vs. low) and mode of payments (cash vs. digital). They discuss the theoretical and managerial implications of the research.

KEYWORDS
Conditional Promotion, Consumer Behavior, Engagement, Mode of Payment, Retailing

1. INTRODUCTION

Marketers’ quest to understand how Conditional Promotion (CP) triggers additional products’ purchases has created a significant academic research body by linking rewards to specific order value goals (Sheehan et al. 2019; Sokolova & Li, 2021). We define CP as “A special type of sales promotion used by sellers, in which the benefit is contingent on the attainment of a pre-determined threshold cart value by the buyer.” (Chen & Wang, 2016; Kulkarni & Yuan, 2012; Zhou et al., 2009).

Retailers of all formats extensively use price-based CPs to increase their market share and revenue, altering consumers’ purchase behavior (Ahlulwalia, 2016; Bertini & Aydinli, 2018, 2020). CP allows retailers to increase the consumers’ cart value, increase grocery consumption of consumers by 18 to 25 percent, and increase household inventory levels of products (Ailawadi & Neslin, 1998; Euromonitor, 2016; Sheehan et al. 2019). Promotional offers such as free shipping or cash rewards on reaching a particular order value also fall under CP (Koukova et al., 2012; Kulkarni & Yuan, 2012). An understanding of consumers’ response to CPs may help retailers efficiently targeting consumers.
Knowledge of the price sensitivity of the consumers helps retailers segment the market. It will also help in product assortment in stores, increasing consumers’ total cart value and profitability at the retail outlet (Ailawadi et al., 2014; Briley et al., 2018; Inman et al., 1997; Lee & Ariely, 2006). CPs are a pervasive marketing strategy for retailers. It is different from bulk discounts structurally and procedurally (Kulkarni & Yuan, 2012). The advantages and extensive use of CPs in various marketing contexts make it an important choice for researchers to explore further. Previous literature on marketing has pointed out multiple parameters which make the classification perceived differently (Lee & Ariely, 2006; Mcneill, 2006; Shah, 2015). The prior studies in the CP domain have dealt with the role of timing in CP’s effectiveness, how scarcity is a useful tool in CP, and modes of payment influencing CP redemption (Lee & Ariely, 2006; Kulkarni & Yuan, 2012; Shah, 2015; Bertini & Aydinli, 2018). We investigate the consumer decision-making process in response to CP using a qualitative inquiry. We explore the linkages between pre-cart (purchases made before the knowledge of CP) and post-cart (purchases made to avail CP). We also investigate what are the factors motivating consumers to avail CP.

We first discuss the relevant literature on CP and the research gap. Secondly, we discuss the research setting and qualitative methodology used. Thirdly, we discuss the findings and the interpretations along with their managerial and theoretical implications. We conclude the paper by providing limitations of this research and future research directions.

2. LITERATURE REVIEW AND THEORETICAL SUPPORT

CPs trigger the purchase of additional products by linking rewards to goals such as specific order value. Promotional offers such as free shipping or cash rewards on reaching a certain order value fall under CPs (Kulkarni & Yuan, 2012). Consumer perceives cash rewards as gains (positive) based on the psychological value function. In contrast, the consumer perceives the charges to deliver the product as losses (negative) (Kahneman & Tversky, 1979; Koukova et al., 2012). As per the prospect theory, the loss function is steeper. Given the same initial cart value, respondents facing charges to avail a service would like to avoid loss, they will have a higher search likelihood for more products to get the service for free, compared to respondents under cash reward (Kahneman & Tversky, 1979; Kulkarni & Yuan, 2012; Scriven et al., 2017; Thaler, 1985).

Further, customers seek CPs when the shopping goals are nearer, as per the goal gradient hypothesis (Amornpetchkul et al., 2018; Hull, 1932; Lee & Areily, 2006). The consumer behavior changes depending upon the distance (remaining cart value) to be covered and the offer’s framing. In an experiment, it was found that when the monetary distance (the difference between current purchase value and the value needed to avail the offer) is significantly larger (40% or more of the transaction value), the search likelihood for additional products increases when the consumer has cash reward (discount) as an incentive on reaching the goal. Alternately, when the monetary distance is small (25% or less of the transaction), the consumer’s search likelihood for an additional product increases when free shipping is offered (Kulkarni & Yuan, 2012).

Shopping Momentum theory explains consumer behavior while purchasing. It is defined as purchasing a product providing a psychological impulse to purchase another unrelated product (Dhar et al., 2007). As per the shopping momentum effect, a consumer can be in two mindsets – ‘deliberative’ and ‘implemental.’ Under the deliberative mindset, the consumer weighs the pros and cons of her actions (purchase). In contrast, under the implemental mindset, the focus changes to the timing and sequence of actions. When the consumer purchases one relevant product, she automatically shifts from deliberative to the implemental mindset that drives the next purchase. For example, in one of the studies, the initial purchase of educational CD (driver; high purchase likelihood in scholar context) led to the significantly higher purchase of a key chain (unrelated - target item). In comparison, when the initial purchase was a light bulb (low purchase likelihood in scholar context) or there was no initial
purchase as in the control group, the purchase likelihood of keychain was not significantly higher (Amornpetchkul et al., 2018; Dhar et al., 2007; Gollwitzer, 1990; Lee & Ariely, 2006).

Further, social psychology literature also suggests that consumers’ shopping momentum is affected by different payment methods. Shopping momentum can also be interrupted if there is a feeling of pain of paying and guilt after purchasing the product. In the case of indulgent/hedonic products (e.g., candy, liquor, etc.), this effect is noticeable compared to the purchase of utilitarian or functional products (e.g., umbrella, school stationery, etc.) (Burnett & Lunsford, 1994; Fishbach et al., 2003; Kivez & Simonson, 2002; Shiv & Fedorikhin, 1999).

Further, impulse buying also affects consumer behavior while shopping. “Impulse buying occurs when a consumer experiences a sudden, often powerful, persistent urge to buy something immediately. The impulse to buy is hedonically complex and may stimulate emotional conflict. Also, impulse buying is prone to occur with diminished regard for consequences” (Rook, 1987). Stern (1962) classified impulse buying into four types - 1) Pure impulse buying (products purchased for the first time on emotional appeal; hedonic product) 2) Reminder impulse buying (prior knowledge of product exists but purchase intention is generated after seeing the product) 3) Suggestion impulse buying (no previous knowledge of the product evaluation exits, the purchase is made at the same time; utilitarian product) 4) Planned impulse buying (visit shop with an intent to buy but final purchase is made based on the offers and promotions available).

Previous researchers have worked on the product categories that fall under impulse buying, and impulse items form what percentage of the cart (Clover, 1950; Chen & Wang, 2016; West, 1951). Findings revealed that impulse product categories include jewelry, food items, and cosmetics. Items purchased under impulse form 40% of consumers’ shopping cart on a particular shopping trip (Bayley & Nancarrow, 1998, Clover, 1950; West, 1951; Yi & Baumgartner, 2011; Xia et al., 2019).

Further, consumers’ shopping goals differ in their level of concreteness. CP can moderate the level of concreteness (Lee & Ariely, 2006). Shopping is divided into two stages as per shopping goals theory. In the first stage, the consumers have ill-defined shopping goals in quantitative and monetary terms. In this stage, the consumers are more susceptible to external influences as they finalize their shopping goals. In stage two, the consumers have established their shopping goals, and they adhere to these goals. Hence, in stage two, the buyers become less susceptible to external influences like CPs. Unless the offers provide significant savings, the consumers will avoid them in the second phase (Gollwitzer, 1990, 1999; Lee & Ariely, 2006; Payne et al., 1993; Sheehan et al. 2019; Trope & Liberman, 2003, 2010).

The mode of payment also affects the consumer decision-making process. Different modes consist of cash, debit card, credit cards, and other digital means. Compared to cash, using other modes of payments, there is a delay before consumer notices, the bank balance’s actual decrease. Hence, the consumer’s shopping focus changes with different payment modes (construal-level theory) (Chen et al., 2017; Trope & Liberman, 2003, 2010). Compared to paying cash, credit cards increase consumer’s propensity to spend on additional purchases (Feinberg, 1986; Hirschman, 1979; Prelec & Simster, 2001; Raghubir & Srivastava, 2008). When paying with cash, the consumers think more concretely about their purchases (Schwarz, 2002; Wegner & Vallacher, 1986). One of the reasons can be cash being a more transparent form of payment that is high on salience compared to opaque credit cards form of payment where people tend to think less while making payments (Raghubir & Srivastava, 2008; Soman, 2003). In credit cards, the actual payment is made in the future and hence decoupled from purchase, reducing the pain of payment (Ding & Zhang, 2020; Lin & Chen, 2017; Prelec & Loewenstein, 1998; Raghubir & Srivastava, 2008; Thaler, 1999; Tokunaga, 1993).

Credit cards increase the consumers’ propensity to buy a product - credit card premium. When a consumer pays via credit card, her focus shifts from the cost incurred to the purchase benefits. Consumers become inclined to make high-value purchases, i.e., upgrade to the minimum requirement (Ariely, 2013; Chatterjee & Rose, 2011). Further, credit card payments allow the consumer to feel less guilty for high-value purchases. Chatterjee and Rose (2011) reported that payments through
credit cards result in the purchase of goods high on hedonic features and unhealthy food items (impulsive purchases). On the other hand, if the credit card payments in the past had incurred some punishments for the consumer, then the credit card premium effect is reduced to a greater extent for future transactions. Cost and benefit analysis is more important in consumers’ purchase decision than the mode of payment (Chatterjee & Rose, 2011; Thomas et al., 2010)

According to impulse buying theory, a buyer who is shopping on an impulse will continue to buy a second or a third product on impulse on the same shopping occasion unless an external force like the pain of paying or guilt in shopping comes into effect (Chen & Wang, 2016; Dallas & Morwitz, 2018; Stern, 1962). External forces, when induced, results in the realization of the pain of paying by the consumers. In response, consumers may abort the shopping activity to reduce such pains. Alternatively, other external forces, i.e., coupons, etc., alter the buyer’s mental budgeting and boost consumers for impulse buying (Chen & Wang, 2016; Fong et al., 2021; Heilman et al., 2002; Hu et al., 2019; Sokolova & Li, 2021; Yi & Baumgartner, 2011; Zhang et al., 2020). We argue that CP also acts as an external force and may induce a psychological push to the consumer to buy further under that impulse. We further conjecture that, in the same shopping impulse, it is very likely that consumers’ choices under the impulse of CP are related to the choices of products already added by the consumer in their cart (before realizing boost of CP or knowledge of CP). The extent marketing literature is silent about the relationship between add-on purchases made under CP and pre-cart purchases made before CP’s knowledge. We address this research gap by using qualitative research.

3. RESEARCH DESIGN

3.1 Sampling and Data Collection

Qualitative research inquiry suits best when the study deals with “culturally derived and historically situated interpretations of the social life-world” (Crotty 1998, p.67). Qualitative analysis is suitable for everyday events that take place in “real life settings”; with the emphasis lying on the subjects’ “lived experience”. It also allows the understanding of how an individual constitutes her every day, the intersubjective world (Miles & Huberman 1994; Schwandt, 1994). This study also followed a similar line of thought. First, we scanned two prominent newspapers in India, based on their subscriber base—for three months from 1st October 2019 to 31st December 2019, which had approximately 120 advertisements of CPs by multiple retailers. We used a random sample of the advertisements focus group discussions (FGD). All the FGD were audio and video recorded.

Forty participants (8 participants per focus group) aged between 22 and 58 participated in this study. We tried to maintain adequate representation from all the age groups and both the genders (male and female). Overall, in all the focus groups, we had 18 males and 22 females. Each focus group lasted for 80 to 95 minutes. The focus group was better suited for this study because it allowed exploring complex behaviors and participants’ motivations by explicitly using group interactions (Carson et al., 2001). Since this was an exploratory study, our interest lay in gaining new insights that often come up in group discussions because spontaneous interactions among the focus group participants can generate new insights (Hartman, 2004; Morgan, 1998; Stewart et al., 2007). We reached to the “theoretical saturation” after five focus group discussions (Strauss & Corbin, 1998). The idea behind conducting these focus group discussions was to increase our understanding of consumers’ responses to CPs.

We recruited participants using a mix of snowball and purposive sampling processes. All five focus groups had 8 participants from the different demographic configurations.

1. Scholars from premier business schools (aged between 23 – 31 years)
2. Government employees (aged between 31 – 54 years)
3. Working managers (aged between 31 – 56 years)
4. Homemakers of B-school employees (aged between 34 – 56 years)

We conducted FGD in two phases. In the first phase, we conducted three FGD in offline mode. Participants were scholars from premier business school (focus group – 1), government employees (focus group – 2), and working managers (focus group – 3). In the second phase, we conducted two more FGD using digital mode. Participants were scholars from another premier b-school from a different geographical location in the same country (focus group – 4) and homemakers of employees from both the business schools (focus group – 5). In all the focus groups, the participants’ initial screening was done based on their understanding of CPs. We were mainly looking for respondents who were not overtly prone to avail themselves the CPs all the time, but at the same time, they did consider it as part of shopping activity. To minimize the self-reporting bias at the time of the screening process, we informed the respondents that we want to have participation from people who redeem conditional offers and those who do not. We communicated with reminder messages during FGD to ensure a neutral stance towards CPs so that the participants were comfortable discussing their actual shopping behavior. At the beginning of the focus group discussion, we also informed participants that we were interested in understanding why consumers avail CPs. We also used projective techniques in aiding participants in their responses. For example, we asked questions like, “What factors, in your opinion, will influence you in decision-making in this case?” Using this method was very helpful for us, as projection techniques “provide participants with the facility to project their thoughts and feelings on to another person or object … [and] can enable research participants to express feelings and thoughts they would otherwise find difficult to articulate” (Ramsey et al., 2006, p.554).

We maintained respondent homogeneity within FGD groups in social-demographics when deciding the participants in each focus group discussion. We intend to follow research triangulation techniques suggested by Creswell and Clark (2011). Further, we conducted 54 personal interviews post completion of FGD. The personal interviews helped us explore specific insights, which we were unable to capture via the FGDs. We conducted all the interviews in a semi-structured manner, in three phases. In phase 1, we conducted ten interviews. Phase 1 allowed us to process and fine-tune our questionnaire. Following this, we conducted 38 interviews offline (phase 2) and six interviews online (phase 3). Like the focus group, the participants of the interviews had varied demographic variability.

We sent approximately 570 e-mails to respondents explaining the purpose of this study. 138 participants provided their consent to participate in the survey. We conducted a small Skype conversation with 94 of these participants, in that we asked screening questions similar to our focus group study.

We prepared a semi-structured guide for moderating the FGD and conducting interviews as per the method suggested by Johnstone and Tan (2015). To facilitate the discussion process, these guides consisted of a set of discussion-based questions. The first few questions were generic, enquiring about general shopping behavior. The following questions specifically inquired about the participants’ reactions to the CPs (our study’s focus). We did not present a pre-determined fixed shopping scenario but allowed the moderator to develop different shopping scenarios from the participants’ examples during the discussion. Taking real examples, as experienced by participants, would help us to capture actual consumer behavior.

3.2 Research Tools and Preliminary Analysis

We used NVivo for storing and analyzing the verbatim transcript. We did data analysis via thematic analysis. The transcripts were systematically read, interpreted under thematic analysis, and finally, pieces of data were placed under theme-based patterns (Braun & Clarke, 2006; Spiggle, 1994). The main advantage of using thematic analysis is its iterative methodology. It allows initial shuffling categorization per set of textual data (Dittmar & Drury, 2000). The purpose of thematic analysis is to find themes present in the data and commonalities across multiple sets of textual data (Kellehear,
1993). It is different from other text analyzing tools because it “seeks to assess subjects’ feelings, perceptions and understandings of themselves and social relations” (Dittmar & Drury, 2000, p.119).

We used Morse’s (1994) three-step approach for analyzing texts – comprehension, synthesizing, and theorizing. The first step involves understanding the study’s context, which will help understand the respondents’ texts. The second step of synthesizing involves merging texts. In this, we applied thematic analysis to identify the commonalities in the individual experiences. Lastly, the final step for completing the analysis is to theorize the findings (Morse, 1994). Overall, we used an adapted version of the hermeneutic framework, wherein there were concurrent part-to-whole and whole-to-part exchanges. The repetitive approach allowed us to understand the purchase behavior as explained by the participants and the similarities and differences, which appeared across the focus groups and interviews of different demographic segments (Thompson, 1997).

To establish trustworthiness for this study, we followed Lincoln and Guba (1985) suggestion that qualitative studies require different criteria compared to social sciences and other positivist modes of research. Therefore, we used multiple techniques like “descriptive validity” (Wolcott, 1990), “interpretative validity” (Maxwell, 1992), and “credibility” (Patton, 2002). To ensure that we do not commit errors related to descriptive validity, we rigorously compared the transcripts with transcripts. We also tested for “interpretive validity” as regular instances by using the hermeneutic circle technique of part-to-whole and whole-to-part process. We also hired two coders to ensure that the findings and conclusions are logical and ensure its credibility. The coders worked independently in coding the data. Later they compared their results and accepted the ones that were agreeable to both of them.

4. DISCUSSION OF RESULTS

Four themes emerged from thematic analysis of FGD and PI –

I. ‘Criticality of Product Utility,’
II. ‘Mode of Payment,’
III. ‘Loss Aversion by Consumers,’ and
IV. ‘Inability to Think Out of Box by Consumers.’

Each theme has sub-themes under them as discussed below in detail.

4.1. Criticality of Product Utility

One of the strongest themes that emerged from the analysis of transcripts was ‘Criticality of Product Utility,’ which can influence the ultimate decision of availing CP or not. One participant said:

“So if suppose I am not able to reach the cart value; I will try to increase the cart by buying something I need. I will … think about what I need.” (FG1F1, 23)

The purchase of additional products involves additional money and time spent inside the store by the consumers. They tend to use their money wisely and carefully. Respondents noted, they were in an active search mode for additional products and preferred to add products that were high in utility aspect. Under the ‘Criticality of Product Utility’ theme we found three more sub-themes –

i. ‘Under time pressure, add-on products have lesser utility,’ and
ii. ‘Product return/exchange intention is higher for add-on purchases under CP.’
iii. ‘Higher utility for add-on products in offline shopping versus online shopping,’
4.1.1. ‘Under time pressure, add-on products have lesser utility.’

Participants shared due to the time limit imposed on them, they made a swift decision to add something to the purchase cart. They felt these new add-on products provided them less utility, as they generally would stockpile something of regular use, which may not be of immediate use. Time pressure can come up when there is a queue behind, the store is approaching closing time, or some other event consumers need to attend.

“...It has happened in the past that the store was closing soon, so I just added more of the same stuff I already purchased. But this gave me lesser utility. This was just an additional inventory that I would need to store...” (FG3M5, 56)

Near the counter, products are standard options to choose from, but limited options can be stacked. The stores generally stock those items that the shoppers easily pick up. But sometimes, the choices made at the counter are not preferable post-purchase.

“I recall, once I was in a long queue at Reliance store, at checkout, I came to know about this offer. Though I wanted to fetch something better, I bought a pack of chocolate near the counter. At that time, I was dieting; I had to gift it to one of my friends” (FG1F2, 24).

Choices made under limited time availability may be due to store timings, consumer limitations, etc., do not turn up the best options. Consumers make quick decisions by either increasing the purchased quantity of the same items they have bought or decide from items that were visible to them at the point of sale. Such choices lead to lesser satisfaction of the consumer when the consumer evaluates her decisions at the end.

4.1.2. ‘Product return intention is higher for add-on purchases under CP.’

As the utility from the add-on products decreased, return/exchange intention for such products increased. The lesser utility gives post-purchase regret for these add-on products. To reduce such guilt and regret, consumers try to exchange the product for some other product, as the return/refund is not generally possible.

“... When I entered the store, I saw a banner mentioning this deal of 5kg wheat flour-free if cart total is more than 7,000 INR. At the checkout, ... I was about 1,000 INR short of a total of 7,000 INR. As I was in a hurry, I added some Basmati rice and availed the offer. The next day, I saw that there was already a lot of Basmati rice stored in a container at home. So, in the evening I went back to the store and requested them for exchange...” (FG2G3, 34)

4.1.3. ‘Higher utility for add-on products in offline shopping versus online shopping.’

Being pushed to add more products or having a lesser idea of what the store carries also influences the utility derived. Consumers find salespeople a bit intervening in their decision-making process, but still, they prefer availing conditional offers in offline stores. In online stores, consumers start with a specific product to purchase and do not browse the whole site to finalize their products. In comparison, they do have a fair amount of idea of the offline store-stocked products while deciding which products to add to their carts. During their purchases of initial intended items, the consumer crosses and gets informed of the other available things at the store.
“When I availed CPs in an offline store, I had already covered most of the store, so I knew what else is available in the store and where it was, compared to online purchases where the search for add-on products takes more effort” (FG2M3, 43)

On the contrary, to encourage the consumers to add more products, the online store has a recommendation system to suggest related products to the current purchase. While deciding to add more products, such suggestions do influence their decision-making process.

“In online purchases, I see product suggestions and generally add those items, but in offline store due to no such suggestions popping up … add products that would provide me higher utility in the long run” (FG1M4, 30)

Therefore, the decision process for add-on products in offline and online stores is different. For the consumer, this difference is initiated from the start of the purchase process. The consumer needs to pass through various isles, to reach the desired space in-store where the required items are stacked. In comparison, during online purchases, consumers directly search for the required product.

4.2. Mode of Payments

The mode of payment turned out to be a critical factor in availing CP. Cash consumers witnessed ‘pain of paying’ (Ariely, 2013). Also, they expressed that cash may be a limiting factor for them when deciding to avail CP or not, as they would carry limited cash with them and would have a pre-determined mental allocation of where to use it (Thaler, 1985).

“I carry limited cash while offline shopping… I generally would not take the pain to go and withdraw more money from the nearby ATM.” (FG2M2, 54)

The cash limitation was mostly found with older consumers, as they were more comfortable using cash than cards. These participants go shopping with a pre-determined budget but sometimes evaluated CP as a good deal but skipped availing it because of limited cash availability during that particular purchase occasion.

“I am not comfortable using the card much. I remember once I was in the big bazaar, and there was a sale going on… buy for 5,000 INR gets a 500 INR coupon for next time use. I had shopped around 4,000 INR that day. Seeing this deal, I got tempted, but then I recalled I need cash with me for some sweet shopping. I still repent that day…” (P53, Female, 56)

Further, if consumers pay via non-cash modes, it depends on whether they are paying via debit card or credit card. Having adequate balance in the debit account and incurring an immediate decrease in bank balance was also a limitation to avail the CP (pain of paying – Ariely, 2013; Ariely, & Silva, 2002). The time remaining for the salary to be credited to their account also influenced the likelihood to purchase more to reach the CP threshold value. This phenomenon gives three sub-themes –

i. ‘Use of Non-Cash Payment Modes Enhances CP Proneness’
ii. ‘Timing of CP is Critical’ and
iii. ‘Proximity to Threshold Value Influences the Decision to Avail the Offer.’
4.2.1. ‘Use of Non-Cash Payment Modes Enhances CP Proneness’

Using non-cash modes for payment provided flexibility to stretch the budgets. “I may go for the offer if I am paying via credit card” (P26, Male, 42). In accordance with previous research for the pain of paying, credit cards are the least painful in payment, followed by debit cards and other non-grace period modes of payments. While paying via a credit card in a store, buyers are more likely to avail the CP offer (Ariely, 2013).

“I am a frequent shopper. I use my credit card for shopping. Though for sure, I do have a rough idea of how much credit limit is there and how much I have used it. When I am getting a CP offer, I am very flexible in availing it provided the end benefit is significant.” (P21, Female, 23)

Debit cards are more painful than credit cards, and the most severe form being cash (Ariely, 2013; Shah, 2015). Customers experience the pain of paying effect in the case of CP offers as well.

“See, the problem with a debit card is I will lose money in the same instant. It can also happen that there would be very little money in my account on that day.” (FG4M4, 26)

With the use of a credit card, the payment is separated from the transaction. The future liability to make a payment and the saving under CP make consumers prone to avail CP while using a credit card. With more painful means of payment, even like a debit card and cash, even for availing CP, consumers pay more attention to CP’s use.

4.2.2. ‘Timing of CP is Critical.’

Besides the festive period deals, CP deals are spaced evenly around the year with major offline retailers. Apart from a festive season like Eid, Holi, Diwali, and Christmas, where they extend their shopping budget significantly against the non-festive season, consumers become cautious about any promotional offer. When they get deals during the beginning of the month, that is when they are generally out for their monthly shopping, and they have higher preferences towards availing CP compared to another period of the month.

“I am a salaried employee. I go with my wife …reliance store every month. After receiving the salary, I become slightly lenient in my expenses and would avail such deals. Had it been towards the end of the month, I would try to avoid such deals” (P27, Male, 44)

If the consumers have significantly utilized their credit limit or are very close to the credit billing cycle, they tend to avoid availing CP to minimize the credit card billing amount.

“See for such deals I first check my credit limit. I would see how much far away the billing date is, am I getting my salary before that and how much credit limit I have already exhausted.” (P34, Male, 39)

The flexibility with the budget needs to match the month of the year when the deal is offered. The salary days, festive periods, and the credit card billing cycle influence consumer decisions.

4.2.3. ‘Proximity to Threshold Value Influences the Decision to Avail the CP Offer.’

As consumers need to spend more money to avail benefits of CP and reach the threshold value, if the distance to reach the goal where they can avail CP is more than 20-25% of total cart value, they would be less motivated to shop more (Hull, 1932). For example, for a threshold value of 5,000 INR, if current purchases do not total around 4,000 INR, I would give the offer a pass (P43, Female, 25).
Further, forced purchases of a more substantial amount lessen their utility and shopping satisfaction. Theoretically, we get support from the goal gradient hypothesis. Individuals are more motivated to complete a task at hand when they realize that the end goal is within a reasonable distance (Hull 1932; Lee & Ariely, 2006).

“I regret a purchase under this offer. I was somewhere around 1,700 INR, and the offer was at 3,000 INR. I added a pair of shoes as they looked attractive to me. I was guilty of an unnecessary purchase” (FG4M2, 27)

Consumers tend to measure the purchase made under CP by the extra amount they spend to reach the CP threshold value. When the difference is significantly more substantial, and the CP was still available, the consumers find themselves less satisfied with such purchases.

4.3. Loss Aversion by Consumers

Consumers, in general, are more averse to losses than gains (Kahneman & Tversky, 1979). Consumers perceived ‘Not availing CP’ as a loss when they were near to the offer value, compared to when they were distant from the offer value (Hull, 1932; Lee & Ariely, 2006). When consumers were closer to the threshold value, they are tempted more to avail themselves the CP and added more products to their cart even if it meant buying products that were of no immediate need or offered lesser utility.

“You know, it becomes tempting to avail any offer for me. When I get such conditional offers, I buy more rather than thinking and regretting later that I should have availed the offer” (P47, Female, 31).

In line with the loss aversion theory, we found two sub-themes emerge from the discussion.

i. ‘Store Familiarity Increases the Propensity to Avail CP’ and
ii. ‘Maximizing Value from CP.’

4.3.1. ‘Store Familiarity Increases the Propensity to Avail CP.’

Store familiarity (prior purchase experience) is essential for consumers to avail CP. Buying from a new store is risky in itself, and consumers in general perceived that buying more products for some more additional savings was not worth taking the risk. When the store is unfamiliar, and the offered product is not of standard quality, the consumers find it challenging to evaluate the offer and the benefit.

“I recently shifted to Lucknow. I went to a nearby (Pappu) store. There was this scheme ... Though I was very near the threshold value, I still refused the offer. Had this been a regular store where I visited frequently, I would have taken the risk to go for this promotion” (FG1M2, 31)

Loyalty programs at the store provide double benefits. Along with the CP benefit, the consumers also get additional loyalty points for the add-on products purchased. This interaction allows the consumer to perceive CP as a more lucrative offer, which will have immediate benefit in terms of cash/gift reward and long-term benefit of more loyalty points.

“I am a regular visitor at shoppers’ stop, and I am enrolled in their loyalty program as well. Often I am given offers... often I add more products as the gift items are of high quality and can be easily used by myself or someone in my family” (FG5F5, 38)
4.3.2. ‘Maximizing Value from CP.’

In concurrence with earlier works, prior knowledge of CPs limits consumer shopping expenditures. If consumers know about the CP threshold value beforehand, they plan their shopping list as per the threshold value. Especially if there are many items, they will prioritize the list and add those products to their cart on the top priority list. By doing this, they ensure the cashback/discount they receive gives maximum utility to them. It will provide them with maximum shopping satisfaction. With frequent visits to the same store, the consumers tend to learn the stores’ promotion patterns and plan their purchases accordingly.

“I shop around the threshold value may be plus INR 300-400 but not more than that. I postpone other non-critical purchases to another promotion period” (FG3M2, 33)

Consumers do a quick mental accounting. They quickly checked the saving for the purchase value. They like to have the maximum benefit, even if it means cutting their shopping list.

“You see if you are getting a discount of 10% for 5,000 INR cart value and maximum discount being 500 INR, then you are saving 10% only when your cart value is closest to INR 5,000... the closer you are to the threshold value, the better saving you have.” (FG4M1, 27)

Consumers do not like to overspend from the threshold value. When the consumers fall short of the threshold value, they try to keep the purchases to the minimal amount and keep the cart value as close as possible to the threshold value. Significantly overspending above the threshold value is not preferable.

“I don’t overspend the offer value much, especially if I am on the lower side with my planned purchases. I will try to meet the minimum required order value … I won’t shop more than INR 200-300 above threshold value” (FG3F2, 49)

4.4. ‘Inability to Think Out of Box by Consumers’

In this study, we were also interested in knowing what products consumers add to their purchase cart when they decide to avail the CP. Add on products depends on factors like – (i) is the CP offer provided in a single category store, or a multi-product category store, (ii) is the CP offer a low priced like 50-100 INR off or 2 Kg. sugar on purchase of goods worth INR 1,000 or higher value, i.e. 10-15% off on purchase of products worth INR 5,000/7,500, (iii) type of product they have been purchasing, i.e., referring to hedonistic or utilitarian dimensions (Voss et al., 2003). Consumers do not have a dominant view. Results revealed that subgroups of participants who held one perspective and other subgroups had a slightly different perspective. This mixed phenomenon resulted in three sub-themes –

i. ‘Choice of Add-on Product is Store Specific;’
ii. ‘Initial Cart Assortment Influences Choice for Add-on Purchases’, and
iii. ‘There Exist Gender Differences in Selection of Add-on Products.’

4.4.1. ‘Choice of Add-on Product is Store Specific.’

CP is ubiquitous in the retail context. It may be either a single category store or a multi-product category store. Under the impression of CP, the discount is the same, within the range of 10-15% irrespective of the store type. The minimum threshold value may vary slightly as per the store type, i.e., a functional store may offer lesser threshold value than premium branded stores where the
threshold value is higher. Further, if you are in a niche store or a variety store, add-on products will be as per the store.

“Once I was in wills lifestyle, I had a coupon, so I decided to shop more. But later, I felt it was kind of forced choices that I made as the products were limited with them.” (FG3F3, 31).

In a multi-product category store like Big Bazaar, Reliance, Mega Mart in India, etc., buyers are more likely to avail CP and add different products. In multi-product category stores, the buyers have many more choices to look for and fulfill their needs by unplanned purchases. While deciding on the new products, consumers rely on reminder impulse buying to add more products (Stern, 1962). Shopping momentum theory supports the addition of unrelated products (Dhar & Khan, 2007).

“I am very comfortable with these CP deals in a Big Bazaar store. I can add anything ...see the choices are endless... there is no harm to pull up a future tentative purchase to today. In the end, I will feel more useful compared to the niche store.” (FG4M3, 42).

4.4.2. ‘Initial Cart Assortment Influences Choice for Add-on Purchases’

The initial purchases made by the consumers do influence in deciding add-on products purchase. Especially in the case of high-value purchases. Consumers availing CP offer do not shift to different product categories if the initial purchase is high involvement. If there is a significant gap in the threshold value, consumers get swayed by product suggestions of related products (continuous impulse buying theory) (Chen & Wang, 2016).

‘If I am buying shoes, say of 4,000-4,500 INR or so, and the CP 10% off at INR 5,000, even if I know that I am in a multi-product category store, I will still buy a pair of socks or a bathroom slipper ... Unless I have some pending purchase, it would be very painful for me to go to another side of the store and see something else I need” (FG3F3, 31)

This behavior is not valid if the difference from threshold value is small, and there are products sold in that monetary range in other product categories. Theoretical support for this behavior comes from the shopping momentum effect (Dhar et al., 2007). Consumers do not like to move to a significantly higher amount than the threshold price. There were situations when the consumers could not find a suitable item without overshooting the threshold value significantly. In such cases, consumers shift to other product categories, which may not be of any use to them, but still, it fulfills the monetary requirements.

“There is a difference between adding utility products for INR 1,500 than INR 50-100. For such a small amount (INR 50-100), I would not like to waste much time searching for a product .... I will just put a bar of chocolate or a pack of biscuits and check out” (P45, Male, 29).

4.4.3. ‘There Exist Gender Differences in Selection of Add-on Products’

Female consumers were more inclined to purchase hedonic products compared to their male counterparts. Even during the purchase of functional products, discounts prompted females to add on hedonic products compared to males, who were more inclined to add functional products in similar situations.
“If I need to fill the cart to say 5,000 INR and I have a cart value around 4,000 INR I will hop into the cosmetics section of the store as I know that I would be able to use these products on a later day anyhow” (FG2F1, 31).

“If I am stuck and have no clue what to add to my cart, I will call my roommate and ask him is there something he needs that I can buy. Buying anything unnecessary is not my style” (P9, Male, 27)

5. CONCLUSION

We extend the CP domain by discussing multiple factors that influence consumers’ decision-making while availing CP. We summarize the results into four themes - 1) ‘Criticality of Product Utility’ – consumer tend to avoid purchases that give them lesser utility, they try to maximize their gains as well as make value purchases under CP; 2) ‘Mode of Payment’ - as in other researches done the payment mode does moderate the consumers’ decision to avail CP or not; 3) ‘Loss Aversion by Consumers’ – the gains from CP are perceived as losses if the CP is not availed and consumer look to minimize their losses; and 4) ‘Inability to Think Out of Box by Consumers’ – consumers’ search intentions do tend to revolve around the products they were shopping before availing CP. These themes do not work independently but are interrelated to each other. They influence the consumer simultaneously while she decides on her response to CP.

6. LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

We use diverse respondents with demographic variability but are limited to a specific geographical location. For instance, this study was done in the Indian sub-continent where offline retailers face stiff competition from online channels. In comparison, interacting with international scholars, we understand that in Europe/America, the markets are very different in terms of their offering. The offline consumers appeared to be less tempted by such offers and were not interested in increasing their cart value significantly. This research furthers needs validations in different geographies of various creeds and cultures to see if there is a difference in consumer behavior towards CP. In the future, this research needs validation by using multiple research methods for triangulation. We call for using quantitative methods to verify the findings of this study and test the proposed theory. Effect of other variables, i.e., store layout, mood, product category involvement, purchase category involvement, mental fatigue of the consumers, unfamiliarity with the product, etc., can also be studied in the near future.

7. IMPLICATIONS OF THE STUDY

7.1. Theoretical Implications

We extended the literature on impulse buying, continuous impulse buying, shopping momentum theory, the pain of paying but studying them concerning CP. We found that for availing CP, consumers generally rely on reminder impulse buying compared to pure impulse buying (Stern, 1962). Consumers usually do not purchase new products or are uncertain about their utility at the time of purchase.

Regarding mode of payment, credit cards act as a positive catalyst in consumer decisions towards CP. The timing of CP is crucial, as consumers want to have free cash for additional spending. Consumers do not want to expand their cart when under budget constraints like the end of the month or near the credit billing date. Consumer guilt affects the choices of add-on products. When the consumer feels regret, the respondents expressed purchasing utilitarian items.

7.2. Managerial Implications

The practical implication for managers comes from this study’s findings that consumers seek utility even when redeeming an offer. Instead of stocking non-utility items near the counter, the sellers
should consider increasing utility items near the counter. This change will help the sellers in reducing product return/exchange intentions.

With distance to threshold value possibly influencing add-on product choices, having recommendations based on the remaining value to avail CP can increase CP’s likelihood. Further, we found gender differences exist for purchases of add-on products. Females purchase hedonic products more frequently as add-on items compared to males. Managers can push more hedonic items to females who are far from the threshold value compared to males. This strategy can allow managers to earn more profits.

Timing the CP offers around paydays when customers can have extra cash to spend can increase customers’ probability of availing CP during non-festive months. Problems can arise with CP’s effectiveness if the consumers start expecting it regularly. The sellers will face difficulty in generating sales if the CP becomes a norm, and a consumer adjusts the shopping when such an offer comes. The sellers should use CP but may look into its overuse in the long run. The consumers should think that CP is scare, and studies have shown scarcity is valued more and opted by consumers quickly.
REFERENCES


