Plausible vs. Implausible Tensile Price Claim: Selective Accessibility Model Approach

Jung Eun Lee, Virginia Tech, USA

Keywords: tensile price claim, selective accessibility model, price discount

Introduction and Theoretical Background

The retail industry uses "save up to X%" price discount ads to lure consumers. This type of ad is called a "tensile price claim" (TPC), which presents a range of price discounts that are applied in the discounted category. The TPC literature has found consistently that the higher the discount percentage presented, the greater consumers perceive the savings: e.g., greater perceived savings for the "Save up to 40%" than "Save 10% or more" or "Save 10 to 40% (e.g., Biswas & Burton, 1994). However, this point of view does not consider whether high price discounts shown in TPCs will increase consumers' expected price discount (EPD).

Traditional anchoring and adjustment theory indicates that individuals use initial starting points as anchors for judgment, and that adjustments of these anchors reflect their judgment (Tversky & Kahneman, 1974). Different from anchoring theory, Strack and Mussweiler (1997) suggested the selective accessibility model, in which individuals do not use the value fully to adjust their starting point for implausible values. If the initial value is extreme, they question and ignore the validity of the value given (Wegener *et al.*, 2001).

Given three types of TPCs (i.e., Save X% or more, Save up to Y%, and Save X-Y%), when Y is a plausible discount, consumers use it to adjust the starting point, which results in increased EPD. Then, when they encounter a product with an actual price discount that is lower than their EPD, they perceive the actual price discount as one that is less fair and offers a lower level of savings. Thus, consumers would perceive higher savings and fairness for "Save X% or more" than "Save X–Y%," and "Save up to Y%." In contrast, when the Y% is implausible, consumers ignore the max price discount stated in the TPC or use their own existing standard. In this case, the consumers' EPD would not be adjusted depending on the TPC, resulting in no difference in perceptions of price discount across the different types of TPCs.

H_1: *With a plausible max price discount, customers' max EPD is lower and perceptions of savings and price fairness are higher for the TPC stating a min savings than one that states a max savings or a range of savings.*

H_2: *With an implausible max price discount, customers' max EPD, perceived savings, and price fairness do not differ among the types of TPCs.*

Methods and Results

Methods. Studies 1 and 2 consisted of online experiments. Study 1 (plausible TPC) used a between-subjects design with three conditions: "Save 30% or more," "Save 30–60%," and "Save up to 60%," while Study 2 (implausible TPC) used "Save 30% or more," "Save 30–90%," and "Save up to 90%." The process and measurements were identical in the two studies. The product was a pair of jeans and 30% was used as the actual price discount. First, the max EPD was measured after providing an assigned TPC, product, and retail price. Next, participants were asked to imagine that they were considering purchasing a pair of jeans of their favorite brand.

Then, they were presented with a realistic online store webpage, including a fictitious retailer, product brand names and details, retail price, price discount, and selling price. Respondents were asked to indicate their perceptions of savings and price fairness on 7-point Likert scales.

Study 1 Results: Plausible TPC. 170 usable responses were collected through MTurk, and ANOVAs and LSD post-hoc comparisons were used to test hypotheses. The results showed that TPC had significant influences on max EPD ($F_{(2, 167)}$=6.27, p=.002), perceived savings ($F_{(2, 167)}$= 3.68, p=.02), and price fairness ($F_{(2, 167)}$=3.80, p=.02). LSD post-hoc comparisons revealed that the "Save 30% or more" (M=45.89) had a significantly lower max EPD than the "Save up to 60%" (M=53.43, p=.02) and "Save 30–60%" (M=50.84, p=.001). Further, the "Save 30% or more" had higher perceived savings and perceived fairness than did the "Save 30–60%" (perceived savings: $M_{Save\ 30\%\ or\ more}$=4.73, $M_{Save\ 30–60\%}$=4.06, p=.02; perceived fairness: $M_{Save\ 30\%\ or\ more}$=5.24, $M_{Save\ 30–60\%}$=4.71, p=.01) and "Save up to 60%" (perceived savings: $M_{Save\ up\ to\ 60\%}$=3.97, p=.01; perceived fairness: $M_{Save\ up\ to\ 60\%}$=4.79, p=.03). In contrast, the differences between "Save 30–60%" and "Save up to 60%" were not significant with respect to max EPD (p=.23), perceived savings (p=.76), and price fairness (p=.70). Therefore, H_1 was supported.

Study 2 Results: Implausible TPC. We collected 132 total usable responses using MTurk. In support of H_2, TPC effects on max EPD, perceived savings, and perceived fairness were not statistically significant (max EPD: $F_{(2, 129)}$ = .93, p=.40, $M_{Save\ 30\%\ or\ more}$=45.36, $M_{Save\ 30–90\%}$=50.47, $M_{Save\ up\ to\ 90\%}$=48.40; perceived savings: $F_{(2, 129)}$ =.02 , p=.98, $M_{Save\ 30\%\ or\ more}$=4.80, $M_{Save\ 30–90\%}$=4.77, $M_{Save\ up\ to\ 90\%}$=4.76; perceived fairness: $F_{(2, 129)}$ = 1.33, p=.27, $M_{Save\ 30\%\ or\ more}$=4.94, $M_{Save\ 30–90\%}$=4.94, $M_{Save\ up\ to\ 90\%}$=4.55).

Discussion and Implications

The results demonstrated that in generating consumer perceptions of higher savings, when the stated max saving is plausible, TPCs that state a max savings or range of savings are less effective than are those that state minimum savings. An ad that promotes a TPC stating a max savings may attract customers to visit stores and look at the items promoted. However, shoppers are unlikely to perceive the discount as a good and fair deal when the actual price discount is not as high as the max price discount stated in the TPC. This result differs from that in Biswas and Burton's (1994) study, as they did not consider the changes in customers' EPD because of the TPC, and the effect of EPD on customers' perceptions for a given actual price discount.

In contrast, Study 2 showed different results, as consumers' perceptions of savings, price fairness, and purchase intentions did not differ significantly depending on the type of TPC. This may be because consumers ignore implausible max price discounts shown in TPCs, and do not adjust their starting point to evaluate the actual price discount. The results of both Studies 1 and 2 supported the selective accessibility model that anchoring effects occurred for the plausible max price discount in TPC, while no anchoring or adjustment occurred for the implausible max price discount in TPC.

If high and plausible discount percentages are used in a TPC and only a few products are discounted at that high level, this may decrease overall sales per customer for the majority of the products with lower discounts. Thus, marketers should select appropriate price promotion ads carefully so that they attract customers, but not increase customers' discount expectations.

References will be provided upon request.