

Discount or Disclosure? Investigating Effective Price Promotion Strategies of Ethical Fashion Brands through the Elaboration Likelihood Model

Sojin Jung, Kyung Hee University, South Korea
Min Jung Kim, Texas Tech University, USA

Keywords: price promotion strategies, price fairness, moral equity, purchase intention

Introduction: In spite of a growing interest in efficient inventory management in the fashion industry, markdown is inevitable to remove unsold items. While offering price discounts is one of the effective ways to encourage sales, heavy discounts may be regarded as reflecting a compromised product quality, working conditions, etc., and/or reflecting that the initial markup was inappropriately high. For fashion brands that strive to operate in an ethical manner (ethical fashion brands, henceforth), this negative association would likely be greater, and thus this study posited that effective price promotion strategies are critical for ethical fashion brands. Recently, a number of fashion brands (e.g., Everlane) have voluntarily disclosed their markups. By revealing a much lower markup (200-300%) than the general industry standard (500-800%), these brands effectively communicate a reasonable sense of pricing to consumers (Singh, 2015). Therefore, this study aimed to explore perceived price fairness to the ‘discount’ and ‘disclosure’ strategies of ethical fashion brands with an experimental design. Then, built on the Elaboration Likelihood Model (ELM), we sought to determine how this perception leads to purchase intentions through central and peripheral routes.

Hypotheses: ELM proposed two routes in the consumer persuasion process (Petty et al., 1983): central and peripheral. Whilst the central route of persuasion involves the merit of the messaging factors (i.e., product-related attributes), the peripheral route includes the other contexts surrounding the message (i.e., source attractiveness). With the price promotion message, we argued that purchase intention can be induced directly by product-related attributes such as price fairness, as well as forming indirectly according to the source of the message’s attributes, such as the brand’s moral equity. Thus, the followings were proposed.

H1. Price fairness will differ according to the price promotion condition.

H2. Price fairness will increase the brand’s moral equity perception.

H3. Moral equity perception will increase purchase intention.

H4. Price fairness will increase purchase intention.

Method: This study developed a between-subjects experimental design with two sets of stimuli in which a mock ethical fashion brand promoted its pricing by price discount and disclosure strategies, respectively. For the discount strategy, the discount rate was manipulated as being high (70%) vs. low (10%) based on pre-test. For the disclosure strategy, three different types of price information were developed based on actual cases (e.g., Grana): *type 1*-retail price only, *type 2*-retail price + markup, *type 3*-retail price + markup + conventional markup. An online survey was developed in which price fairness (Martin et al., 2009), the brand’s moral equity (Kim et al., 2019), and purchase intentions (Sweeney et al., 1999) were measured on a 7-point Likert scale. An online research firm

recruited a total of 436 Korean consumers ages 18 and above. Being randomly assigned to one of five conditions (85-89 subjects per condition), they were asked to read the assigned price information and answer the questionnaires. All measurements were deemed reliable considering the Cronbach's α values. Also, CFA ensured construct reliability and validity of the measurement model, and multigroup CFA confirmed the configural and measurement equivalence between the discount and disclosure groups, and thus this study could compare responses of the five conditions.

Results: The results of ANOVA confirmed that the extent of price fairness perception was different by the price promotion conditions ($F= 19.23, p < .001$). Specifically, the high discount group (70%) and the type 3 disclosure group (retail price + markup + conventional markup) revealed higher extents of price fairness than the others ($M_{70\%}= 3.73, M_{type3}= 3.27, M_{10\%}= 2.49, M_{type1}= 2.45, M_{type2}= 2.41$), supporting H1. H2-H4 were tested using structural equation modelling (SEM) in Amos 26.0. The results revealed that perceived price fairness increased moral equity ($\beta= .46, p < .001$), which in turn enhanced purchase intentions ($\beta= .25, p < .001$). Therefore, H2 and H3 were supported. Perceived price fairness ($\beta= .61, p < .001$) also promoted purchase intentions directly, in support of H4 (see Figure 1).

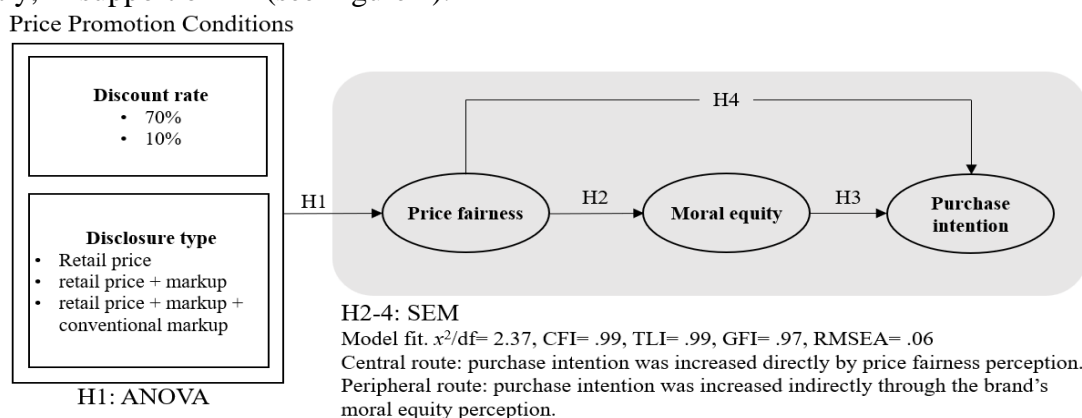


Figure 1. Hypotheses Testing Results

Conclusion: The findings empirically confirmed the process of persuasion through the central and peripheral routes, following ELM (Petty et al., 1983). As core merits of message attributes, price fairness perception directly led to purchase intentions, and such intentions were encouraged via a source of message factoring, which is the brand's moral equity in this study. This study also provided affluent managerial implications. The findings suggested that both the discount and disclosure strategies were effective in enhancing price fairness perceptions. Notably, disclosing conventional markup along with the firm's markup showed the same effect on price fairness perceptions as that of a 70% discount. This implied that fashion brands which particularly emphasize ethical principles in products may choose to unveil their markup strategically, instead of compromising it. By adopting the disclosure strategy, the brands can keep the original markup, as well as they can minimize the side effects of heavy discounts while encouraging

sales. This point is unique and valuable which can help ethical fashion brand management establish effective price promotion strategies.

Acknowledgement: This work was supported by the Ministry of Education of the Republic of Korea and the National Research Foundation of Korea (NRF-2022S1A5A8053944).

Reference

- Kim, S., Krishna, A., & Dhanesh, G. (2019). Economics or ethics? Exploring the role of CSR expectations in explaining consumers' perceptions, motivations, and active communication behaviors about corporate misconduct. *Public Relations Review*, 45, 76-87.
- Martin, W. C., Ponder, N., & Lueg, J. E. (2009). Price fairness perceptions and customer loyalty in a retail context. *Journal of Business Research*, 62(6), 588-593.
- Petty, R. E., Cacioppo, J. T., & Schumann, D. (1983). Central and peripheral routes to advertising effectiveness: The moderating role of involvement. *Journal of Consumer Research*, 10(2), 135-146.
- Singh, N. (2015). What's behind the price tag: Understanding cost transparency? *European Journal of Marketing*, 49(11/12), 1987-1991.
- Sweeney, J. C., Soutar, G. N., & Johnson, L. W. (1999). The role of perceived risk in the quality-value relationship: A study in a retail environment. *Journal of Retailing*, 75(1), 77-105.