

## When Discounting Backfires: Promotional Favors and Consumer Spending

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### *ABSTRACT*

Promotional favors are an increasingly popular but seldom researched form of price promotion, where the receipt of the saving depends on an action by consumers that is unrelated to the content of the purchase—such as completing a questionnaire, making a referral, or transacting online. This paper shows that the tactic can backfire, in the sense that consumers exposed to a promotional favor choose cheaper or fewer options—they spend less—than they do in response to a standard discount. We document this effect across five experiments. Study 1 is a field test conducted with a large supermarket chain. Studies 2 to 5 replicate the result in more controlled settings, trace it to a process of psychological reactance, and address the alternative that promotional favors are simply less appealing. Finally, we relate our work to three literatures in marketing research and offer practical advice to businesses.

Keywords: Promotional favors, psychological reactance, price promotion, behavioral backlash, pricing.

Marketing actions often prompt resistance from consumers, at times even causing a response that is opposite to the one intended. One familiar example is the study by Fitzsimons and Lehmann (2004), in which consumers intentionally contradicted the unsolicited advice of experts and intelligent agents. Other instances involve identity-marketing messages (Bhattacharjee, Berger, and Menon 2014), explicit slogans (Laran, Dalton, and Andrade 2011), stockouts (Fitzsimons 2000), warning labels (Bushman and Stack 1996), and product enhancements (Simonson, Carmon, and O'Curry 1994).

When the action in question is a price promotion, the case for behavioral backlash is complicated by the fact that resistance comes at the expense of saving money, and for many the lure of a good deal is sufficient to crowd out the urge to disobey (Kivetz 2005). Cai, Bagchi, and Gauri (2016) and Briley, Danziger, and Li (2018) demonstrated that consumers exposed to price deals do reject offers under certain specific conditions. However, it is more common for people to pursue the saving and correct some downstream behavior. For example, in Dholakia (2006) "firm-determined" customers who joined a bank in response to an introductory discount held less accounts and were more likely to churn than "self-determined" customers who initiated the relationship. In Kivetz (2005), students mitigated the restrictions imposed by a loyalty program by claiming rewards that match the type of effort demanded from them. Finally, Kristofferson et al. (2016) showed that scarcity promotions activate actual aggression among shoppers.

This paper documents a similar phenomenon in the context of promotional favors. Promotional favors are an increasingly popular but seldom researched form of price promotion, where the receipt of the discount depends on an action by consumers that is unrelated to the content of the purchase. Typical "favors" include completing a questionnaire, making a referral, transacting online, or registering for direct debit. The popularity of the tactic coincides with the

rise of digitalization in marketing, with firms eager to push online surveys and reviews, mobile payments, sharing, and so on. It also stems from the belief that promotional favors are more discreet than, say, demanding a minimum purchase quantity—indeed, firms often use the labels “rewards” or “bonuses” rather than “conditions.” However the very fact that promotional favors do not control what or how much one buys implies that consumers can “act out” by choosing cheaper or fewer options—by spending less—than they do in response to a standard discount.

The following sections document this effect across five experiments. Study 1 is a field test. Studies 2 to 5 replicate the result in more controlled settings and trace it to a process of psychological reactance—a common explanation in the literature on behavioral backlash. The general argument is that individuals who perceive a persuasion attempt often experience a state of arousal directed at restoring autonomy (Brehm 1966; Miron and Brehm 2006). Naturally, people are drawn to (deterred by) whatever course of action is taken from (pushed on) them—the “direct restoration of freedom” described by Brehm and Brehm (1981). But such disobedience can be costly, in which case reactance manifests as hostility and aggression toward the source of the restriction (Clee and Wicklund 1980; Rains and Turner 2007; Worchel 1974). In the same way, consumers are attracted to promotional favors by the opportunity to save money yet aggravated by the demand imposed on them. The impulse is to reject the offer, but doing so implies sacrificing the saving. Accordingly, consumers conform but limit their spending.

Study 2 reports a serial mediation model in which perceived threat-to-freedom and feelings of anger and frustration account for the effect of promotional favors on spending. Independently, we also measured and controlled for changes in perceptions of fairness across experimental conditions. As Rains and Turner (2007) stressed, an apparent threat to one’s freedom is necessary to establish the causal role of reactance, but it is not sufficient: “It should

be noted that a perceived threat is a necessary condition for reactance to occur, but it is not reactance itself” (p. 244). At the same time, anger and frustration are common responses to a relevant threat in one’s environment, and they typically trigger behaviors such as rejecting and attacking as a means to restore autonomy (Dillard and Peck 2001).

In turn, Studies 3, 4, and 5 measure or manipulate factors inherent to consumers or at the discretion of the firm that moderate a process of reactance. One argument in the literature is that the likelihood and intensity of an attempt to restore autonomy depends on whether the restriction imposes a behavior that deviates from what the individual would otherwise do (Brehm 1966; Brehm and Mann 1975). Study 3 leveraged this logic. Second, people naturally differ in the tendency to react: some individuals are more likely to perceive and act on an experience of reactance than others are (Briley et al. 2018; Fitzsimons and Lehmann 2004; Kivetz 2005). We measured trait reactance in Study 4. Finally, Brehm (1966) posited that a threat to freedom is less likely to provoke reactance if the affected party believes it is justified or legitimate. We manipulated the legitimacy of a promotional favor in Study 5.

An alternative explanation for our finding is that promotional favors place a higher burden (in effort, time, etc.) on consumers than do standard discounts, making them less appealing. From this perspective, any impact on spending comes from selection (the consumer who purchases despite the added hassle is likely sensitive to price) or a simple spillover (the consumer who dislikes the promotional favor carries this perception to the purchase). In response, we stress that this account is limited to the link between promotional favors and spending, not the results of the serial mediation or the different moderators. Second, note that selection is an issue only in the field test—but the initial analysis controls for price consciousness, and we observe similar results when we use a statistical matching technique.

Third, while it is not clear why the attractiveness of a deal affects product choices but not the prior decision to purchase, Studies 3 and 4 included measures to check this perception across experimental groups. Finally, Study 5 varied the presentation of the promotional favor but not its characteristics, which allows us to draw conclusions about the role of reactance independent of the burden placed on consumers.

We relate our work to three literatures in marketing research. First, despite the many articles that address the discounting habits of firms, note that few tackle conditional discounts in general, and only one focuses on promotional favors. For example, there are studies on price deals that tie the receipt of the saving to an external event such as a game of chance, the outcome of a sports fixture, or even the weather. Scholars have questioned whether this uncertainty can be appealing, and importantly whether it is sufficiently appealing to overcome a lower expected payoff (Ailawadi et al. 2014; Goldsmith and Amir 2010). In our research, however, any uncertainty about the saving is a byproduct of the fact that consumers may reject an offer; it is not an end in itself.

There are also studies testing how coupons, rebates, and quantity or spending targets influence the rate of redemption or the composition of the shopping basket. The classic explanation is that these “purchase requirements” are a mechanism for price discrimination (Blattberg and Neslin 1990), but this is not always the case. For example, rebates can be used to force incremental purchases (Raju, Dhar, and Morrison 1994), or to exploit the cognitive shortcomings that cause “slippage” among consumers (Gilpatric 2009). Quantity targets convey a sense of scarcity when other sources of information are missing or harder to process (Inman, Peter, and Raghubir 1997), and they also serve as anchors for purchase quantity decisions when mental effort is low (Wansink, Kent, and Hoch 1998).

Promotional favors are different because the goal of the firm is to stimulate future revenue or limit operating costs rather than to influence the immediate purchase. To our knowledge, this paper is only the second after a recent study by Blanchard, Carlson, and Hyodo (2016) that attempts to fill the gap between the popularity of promotional favors in marketing practice and the lack of interest in the topic in marketing research. Blanchard et al. (2016) found that a request to post a positive review increases the probability that a consumer accepts the accompanying price offer, but this occurs only when the deal is first perceived as unique and personal—as these qualities prime reciprocity. Similar to these scholars, we argue (and show in Study 3) that a common, public promotional favor has no impact on purchase incidence. Our contribution lies in identifying that promotional favors influence consumer behavior later in the purchase process, and that this influence is detrimental to a business. This effect is not obvious.

Second, despite the many articles in social psychology that examine processes of reactance, the theory has a modest history in marketing relative to the range of plausible applications and the popular belief that much of the discipline entails the exercise of persuasion (Clee and Wicklund 1980). In our case, we were encouraged by Inman et al.'s (1997) observation that price promotions can “curtail the consumer’s freedom to attain a market offering” (p. 69), but unlike the authors we took the statement to imply that the tactic intends to influence behavior and, therefore, has the potential to provoke reactance. We continue the adoption of this perspective in the field, and hope that the focus on a familiar topic such as price promotion helps to demonstrate its prevalence.

Third, we return to the question of behavioral backlash. The research in this space uses not only reactance to explain how and why consumers resist to marketing actions, but also related concepts such as self-determination (Deci, Koestner, and Ryan 1999) and persuasion

knowledge (Friedstad and Wright 1994). In our mind, it is important to expose effects that run counter to the underlying intentions of a business that, in all likelihood, spends significant resources toward a certain outcome, in particular when the action in question is something as common as a price promotion.

Finally, from a substantive standpoint we believe that the current understanding of promotional favors is incomplete. As is the case with any discount tied to a condition, promotional favors make sense to the extent that the benefit of imposing a demand on consumers outweighs the loss from those who decide not to bother. Yet our experiments point to an effect that complicates this calculus. The impact that we see on spending is striking because promotional favors are not the type that firms instinctively believe can provoke resistance. In addition, to the extent that a purchase comprises several related decisions, it is not straightforward that the restoration of freedom “skips” purchase incidence yet influences product choices. As mentioned, with the rise of digitalization firms are increasingly turning to promotional favors. Against this backdrop, one can think of the implications of our findings keeping in mind the possibility of reactance and the type of design elements that, if included in a campaign, may mitigate backlash.

#### *STUDY 1: EVIDENCE FROM A SUPERMARKET CHAIN*

We conducted this experiment in collaboration with a large supermarket chain operating in Central and Eastern Europe. At the time of the experiment, this firm generated revenue of approximately €3 billion from more than 1,000 stores. The objective was to test whether a

promotional favor, in this case a discount subject to completing a questionnaire, affected the spending behavior of patrons.

*Procedure.* The firm helped us identify two stores in the same urban location that are similar in clientele (according to standard demographic information), footprint (smaller in comparison to the average in the chain), annual turnover, product assortment (approximately 20,000 stock-keeping units), size of staff, and physical layout. The experiment took place on a weekday and counted with the help of eight assistants.

The assistants stationed at the entrance of the stores intercepted 293 customers (49% female, on average 42 years old) and handed them a flyer offering a 5% instant saving on their purchase. The instructions were to shop as normal and then report to a booth located prior to checkout. At this booth, customers exchanged the flyer for a voucher redeemable at the cash register. The flyer served to manipulate one factor, Price Promotion, across three between-subjects levels. Specifically, patrons assigned to the standard discount (SD) condition saw the offer as described. Patrons assigned to the short questionnaire (SQ) or long questionnaire (LQ) conditions read instead that the offer was subject to completing a 10-minute or 20-minute market study at the booth, respectively. We ran two promotional favor conditions because we did not have consent from the firm to calibrate the magnitude of the restriction in the field prior to the experiment.<sup>1</sup>

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<sup>1</sup> At the same time, an online test ( $n = 38$ ) suggested that filling out a 20-minute survey is a more demanding request in exchange for a 5% discount than filling out a 10-minute survey ( $M_{20} = 5.78$  vs.  $M_{10} = 4.04$ ;  $F(1, 36) = 17.05$ ,  $p < .001$ ). In this test, we described the setting of the field experiment and presented in random order either of the two promotional favors. We then asked respondents to rate two statements, “I am asked to do a lot in exchange for the 5% discount” and “This supermarket's request in exchange of 5% discount imposes significantly on me,” on the same 7-point scale (1 = “strongly disagree” to 7 = “strongly agree”) ( $r = .760$ ).

In reality, the firm surveyed everyone who returned the flyer. Customers in the SD condition received questions related to price sensitivity (the five-item scale in Lichtenstein, Ridgway, and Netemeyer 1993), shopping habits, and demographic information. Those in the SQ and LQ conditions saw the same, longer survey that included questions related to price sensitivity, shopping habits, demographic information, and factors that might determine one's choice of supermarket.

The main dependent variable is the amount spent, which we observed from the receipts issued at the cash register. These receipts included the flyer and voucher codes, which we used to trace customers back to an experimental group. We also observed the basket size (number of items) and estimated the time spent shopping by taking the difference (in minutes) between receiving and returning the flyer. A concern is that people tend to allocate a fixed amount of time to shopping, and that the prospect of completing a survey therefore prompted a faster journey across the aisles. The data do not support this claim, as we did not observe a significant difference in time elapsed across conditions:  $M_{SD} = 15.48$  vs.  $M_{SQ} = 13.87$  vs.  $M_{LQ} = 16.13$ ;  $F(2, 233) = 1.75, p = .176$ .

*Results.* Table 1 reports the split of the sample across stores and conditions, the number of patrons who opted out upon receiving the flyer or later at the booth, and selected mean scores. It also reports the average expenditure and basket size for a random group of 100 people who visited the same stores on the same day but did not take part in the experiment.

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 Insert Table 1 about here  
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A one-way ANOVA with Spend as the dependent variable, Price Promotion as the independent variable, and Shopping Time and Price Sensitivity as covariates indicates a

significant effect of Price Promotion:  $F(2, 231) = 4.53$ ,  $p = .012$ ,  $\eta_p^2 = .038$ . The analysis controls for price sensitivity because it is possible that the manipulation of Price Promotion shifted the effort perceived by consumers. Given the difference in the number of people who rejected the offer across the three conditions, this measure alleviates the problem of selection.<sup>2</sup> Moreover, note that we calculated Spend from regular (undiscounted) prices to avoid the trivial and arbitrary effect of discount percentage on spending: reducing every price by the same proportion impacts, in absolute terms, expensive options more than it does cheap options, thereby making any shift in preference across experimental conditions harder to detect. Finally, we carried out a square root transformation of the values to correct for skewness in the distribution—a procedure that we repeated across all the experiments reported in this paper (Hair et al. 2009).

Next, we conducted several contrasts to explore the result. First, we compared the mean expenditure in the SD group ( $M_{SD} = \text{€}21.01$ ) to the average expenditure of the remaining groups ( $M_{AVE} = \text{€}18.32$ ). This contrast is the most appropriate given the nature of the experiment, and we found that the presence of a promotional favor indeed diminished spending ( $t(233) = 2.53$ ,  $p = .012$ ,  $\eta_p^2 = .027$ ).<sup>3</sup> Second, we compared the SD group separately to the SQ ( $M_{SQ} = \text{€}19.28$ ) and LQ ( $M_{LQ} = \text{€}17.36$ ) groups. The contrast is marginally significant in the first case ( $t(233) = 1.72$ ,  $p = .087$ ) and significant in the second ( $t(233) = 2.94$ ,  $p = .004$ ). Third, we used a polynomial contrast to check for a linear relationship between Spend and Price Promotion. The

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<sup>2</sup> The same analysis without covariates yields results that are qualitatively similar. In addition, we used Propensity Score Matching (PSM) to determine how customers responded to our treatment after matching them by these observable covariates. The treatment effects estimated from PSM yield very similar results, confirming that the effect on spending was driven by our manipulation rather than shopper heterogeneity (Rubin 2006).

<sup>3</sup> We conducted the same tests using basket size as the dependent variable, finding marginal support:  $M_{SD} = 11.18$  vs.  $M_{AVE} = 10.04$ ;  $t(233) = 1.68$ ,  $p = .095$ ,  $\eta_p^2 = .012$ .

data reveal a significant linear trend ( $F(1, 233) = 9.18, p = .003$ ), which is consistent with the argument in the literature that the greater the magnitude of a restriction, the higher the likelihood of experiencing reactance and, therefore, also the intent to restore autonomy (Rains and Turner 2007). This last result is a first indication that the effect of promotional favors on spending can be traced to reactance, which is a specific goal of the remaining experiments.

### *STUDY 2: RENTING A CAR*

The goals of the second experiment were to replicate the effect of promotional favors on spending shown in the field and provide direct evidence of the causal role of reactance. We specified a serial mediation model including perceived threat-to-freedom and hostile feelings to tackle the latter. Independently, we measured and controlled for perceptions of fairness. People typically go to great lengths to obtain and reestablish fairness, especially in the context of pricing decisions, and our experimental manipulation may play a role. Albeit the notions of threat to freedom and fairness are related (Buboltz Jr et al. 2003), we wanted to account for possible differences.

*Participant Sample.* We surveyed 124 members (56% female) of the Amazon Mechanical Turk online panel in exchange for the standard nominal fee. At the time of the experiment, the average age of the participants was 37 years old.

*Scenario and Measures.* The scenario describes the rental of a car. In particular, participants read that the rental agency at destination offers a choice of three types of car (compact, regular, and premium) and up to eight accessories. The types of car differ on familiar features (e.g., maximum number of passengers, transmission, and navigation system) and price,

and the accessories include options such as 24-hour roadside assistance and a high-speed multi-charger (see Table 2). Following this information, we manipulated one factor, Price Promotion, such that one group faced a standard discount of 40% and the other a promotional favor of 40% “...subject to clients picking up the vehicle from a different location in the city.”

Participants indicated their choice of car and accessories, if any. This information served to calculate the overall expenditure. In addition, participants rated the extent to which the deal made them feel “like their choices were being taken away,” “like they didn’t have any freedom,” and “trapped” on a 0 (“not at all”) to 100 (“a lot”) sliding scale (Cronbach’s  $\alpha = .918$ ). Third, they responded to two questions assessing feelings of anger and frustration (1 = “not at all” to 7 = “a lot”) ( $r = .885$ ). These questions were adapted from Rains and Turner (2007). Finally, participants evaluated the fairness of the offer (1 = “unfair” to 7 = “fair”). In the data, participants in the promotional favor (PF) condition rated the offer as less fair than participants in the standard discount (SD) condition ( $M_{PF} = 5.38$  vs.  $M_{SD} = 5.97$ ;  $F(1, 122) = 5.71$ ,  $p = .018$ ,  $\eta_p^2 = .045$ ), but the results below hold when we controlled for this effect.

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*Results.* Table 3 reports summary statistics. Participants in the PF condition planned to spend less overall than participants in the SD condition:  $M_{PF} = \$63.86$  vs.  $M_{SD} = \$75.23$ ;  $F(1, 122) = 3.86$ ,  $p = .052$ ,  $\eta_p^2 = .031$ . At a more granular level, we observe a marginal effect for the choice of vehicle ( $\chi^2(2) = 5.79$ ,  $p = .061$ ,  $V = .213$ ). For example, a multinomial logistic regression shows that the presence of the promotional favor had a marginal positive impact on the choice of the inexpensive compact car (Wald  $\chi^2(1) = 3.60$ ,  $p = .058$ ), and a significant positive impact on the choice of the middling standard car (Wald  $\chi^2(1) = 5.01$ ,  $p = .025$ )—both

relative to the expensive premium car. In addition, while we did not observe a significant difference in the number of the accessories that were chosen ( $F(1, 122) = 1.66, p = .200$ ), we found that participants in the PF condition selected cheaper options than their counterparts in the SD condition:  $M_{SD} = \$12.28$  vs.  $M_{PF} = \$9.25, F(1, 122) = 4.07, p = .046, \eta_p^2 = .032$

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Importantly, a one-way ANOVA reveals a significant effect of Price Promotion on Threat-to-Freedom ( $F(1, 121) = 4.41, p = .038, \eta_p^2 = .035$ ) and Hostile Feelings ( $F(1, 122) = 3.93, p = .050, \eta_p^2 = .031$ ). Specifically, participants exposed to the promotional favor perceived the offer as a greater threat to their freedom ( $M_{PF} = 18.94$ ) and experienced more anger and frustration ( $M_{PF} = 1.68$ ) than participants exposed to the standard discount ( $M_{SD} = 11.80$  and  $M_{SD} = 1.32$ , respectively).

Accordingly, we used a serial mediation model (Model 6 of the PROCESS macro; Hayes 2013) to test the causal path: Price Promotion  $\rightarrow$  Threat to Freedom  $\rightarrow$  Hostile Feelings  $\rightarrow$  Spend. This specification follows from the structural models developed by Dillard and Shen (2005) and Rains and Turner (2007). A bootstrap analysis with 5,000 samples indicates that the full model is significant (indirect effect =  $-.044, SE = .03, 95\% CI = -.142$  to  $-.007$ ; Figure 1), while the indirect pathways involving only threat to freedom or hostile feelings yield confidence intervals that include zero. At the same time, the opposite path Price Promotion  $\rightarrow$  Hostile Feelings  $\rightarrow$  Threat to Freedom  $\rightarrow$  Spend is not statistically significant (indirect effect =  $.005, SE = .02, 95\% CI = -.030$  to  $.067$ ). These results suggest that reactance is a causal explanation for the effect of promotional favors on spending.

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### *STUDY 3: SUBSCRIBING TO A MAGAZINE*

The likelihood and intensity of an attempt to restore autonomy depends on whether the restriction imposes a behavior that deviates from what the individual would otherwise do (Brehm 1966; Brehm and Mann 1975). Accordingly, in this experiment participants indicated whether they currently use direct debit to pay for several common expenses. We then computed a measure of “novelty of direct debit” and checked whether it moderates the effect of the promotional favor (a discount subject to registering for direct debit) on spending. Separately, the experiment also included measures to check whether the experimental manipulation affected the attractiveness of the price offer, as this may lead to a similar shift in spending to the one that we predict.

*Participant sample.* We surveyed 52 graduate students at a business school in the United Kingdom. At the time of the experiment, the average age of the participants was 34 years old and the average work experience was 11 years. Participants were not compensated for their time.

*Scenario and measures.* The scenario describes the purchase of a subscription to The Economist, a popular news magazine. Participants read that The Economist offers three subscriptions (basic, premium, and prestige), each renewable on a yearly basis but charged in monthly instalments, and six extras (e.g., industry reports, podcasts, and company financials). Table 4 provides the details. They also read that The Economist currently advertises a discount of 30% on new subscriptions. We manipulated one factor, Price Promotion, such that participants

in the standard discount (SD) condition saw only this information, and participants in the promotional favor (PF) condition read the additional text "...conditional on the customer registering for direct debit. To do this, the customer must supply the relevant bank details during checkout."

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We collected five measures. First, participants reported how likely they are to subscribe to The Economist (1 = "not at all likely" to 7 = "very likely"). Second, they chose a subscription. Third, they selected the extras and estimated the quantities consumed across the year. Fourth, participants indicated whether they currently incur several common expenses (council tax, water, electricity, gas, telephone, internet, cable/satellite television, rent/mortgage, credit card expenses, and "other charges") and, if so, whether they pay via direct debit. Fifth, participants rated the attractiveness of the deal presented to them (1 = "extremely unattractive" to 7 = "extremely attractive"), and how appealing it is to purchase a magazine such as The Economist at a reduced price (1 = "extremely unappealing" to 7 = "extremely appealing"). It is important to check whether the experimental manipulation affected these perceptions because either can spill over to product choices: a price promotion that is not appealing may discourage people from spending. We found no significant difference across conditions:  $F(1, 50) = .05$ ,  $p = .822$  and  $F(1, 50) = .12$ ,  $p = .734$ , respectively.

*Results.* As anticipated, while we observe no effect of Price Promotion on purchase incidence ( $M_{PF} = 5.42$  vs.  $M_{SD} = 5.65$ ;  $F(1, 50) = .33$ ,  $p = .571$ ), participants in the PF condition intended to spend less overall than participants in the SD condition:  $M_{PF} = \text{£}169.92$  vs.  $M_{SD} =$

£242.40;  $F(1, 50) = 12.58$ ,  $p = .001$ ,  $\eta_p^2 = .201$  (Table 5). This result replicates what we observed in the two prior experiments.

Specifically, the manipulation affected the choice of subscription ( $\chi^2(2) = 9.64$ ,  $p = .008$ ,  $V = .431$ ). For example, a multinomial logistic regression shows that the promotional favor had a significant impact on the choice of the inexpensive basic subscription relative to the expensive prestige subscription (Wald  $\chi^2(1) = 7.99$ ,  $p = .005$ ), with the corresponding shares shifting from 7.70% and 53.80% in the SD group to 38.50% and 19.20% in the PF group. The experimental manipulation also affected the choice and quantity of extras: participants in the PF condition chose fewer ( $M_{PF} = 9.65$ ) and cheaper ( $M_{PF} = \text{£}10.22$ ) options than participants in the SD condition ( $M_{SD} = 19.38$ ,  $F(1, 50) = 7.59$ ,  $p = .008$ ,  $\eta_p^2 = .132$  and  $M_{SD} = \text{£}20.57$ ,  $F(1, 50) = 25.02$ ,  $p < .001$ ,  $\eta_p^2 = .334$ , respectively).

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Next, we regressed Spend on Novelty of Direct Debit (NDD), Price Promotion, and the corresponding interaction term. Spend comprises subscription and extras. NDD is the mean-centered proportion of the expenses that participants reported paying by means *other* than direct debit. The variable ranges from 0 to 1, and the raw mean is .41. We reasoned that the promotional favor would have a greater impact on participants who do not use direct debit widely (a high NDD score) than participants who do (a low NDD score). Finally, Price Promotion is the contrast-coded indicator of promotional favor (-1) or standard discount (1).

The regression shows a negative effect of Price Promotion ( $\beta = -.48$ ,  $p < .001$ ) and a significant interaction ( $\beta = -.26$ ,  $p = .045$ ). The slope of NDD is significant and negative among participants in the PF condition ( $\beta = -.43$ ,  $p = .027$ ), but not significant among participants in the

SD condition ( $\beta = .14$ ,  $p = .482$ ). Consistent with our prediction, a spotlight analysis (Spiller et al. 2013) at one standard deviation below and above the mean level of NDD shows a significant simple effect of Price Promotion only in the second case. Participants who use direct debit infrequently manifested the predicted cut in spending ( $\beta = -.74$ ,  $p < .001$ ). However, participants who use direct debit frequently were not affected ( $\beta = -.21$ ,  $p = .240$ ). Additionally, we used the Johnson-Neyman technique to identify the range of values of NDD for which the simple effect of Price Promotion is statistically significant (Spiller et al. 2013). We observed that .20 (.21 mean centered) is the point beyond which the inclusion of the promotional favor reduced spending (Figure 2).

We conducted two final analyses to further verify that our results are not accounted by differences in the (perceived) attractiveness of the price offer across experimental groups. First, we ran an ANCOVA on Spend with covariates for each of the questions asking participants to assess the desirability of the deal. In this instance, the effect of Price Promotion remained significant:  $F(1, 48) = 11.98$ ,  $p = .001$ ,  $\eta_p^2 = .200$ . Similarly, when we regressed Spend on NDD, Price Promotion, the corresponding interaction term, and the two covariates, we found that the interaction term remained significant ( $\beta = -.28$ ,  $p = .031$ ).

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#### *STUDY 4: JOINING A HEALTH CLUB*

Research also indicates that expressions of reactance are susceptible to individual differences in the tendency to react. In fact, several studies claim that exploiting this factor is the

most direct means to establish causality (Fitzsimons and Lehmann 2004; Kivetz 2005).

Logically, in our context the expectation is that the effect of promotional favors on spending is stronger (weaker) for consumers with a relatively high (low) propensity to react. This prediction is the focus of Study 4.

*Participant sample.* The sample comprised 73 members (58% female, 87% completed undergraduate education) of a subject pool managed by a business school in the United States. At the time of the study, the median age in the sample was 26 years old. For their contribution, participants received a \$5 gift certificate.

*Scenario and measures.* The scenario describes the decision to join a health club. Participants read that the club offers three memberships (express, lifestyle, and gold) and seven services (e.g., personal training, sauna, and locker rental). The memberships differ in the number of gyms accessible across the network and the blackout periods in a given week. For example, while the express option grants entry only to the home gym during off-peak weekday hours and weekends, the gold option is unrestricted. Moreover, each membership can be contracted for one, four, or 12 months at a time. Table 6 summarizes this information and the respective prices.

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The experimental manipulation involved a standard discount (SD) or a promotional favor (PF). In particular, participants in the first condition learned that the club currently advertises new memberships at a 50% discount, while those in the second condition learned that the same offer is "...conditional on joining with a second person."

Following this information, participants indicated their preferred membership and contract period, and then selected the services and estimated the quantities consumed in an

average month. They also completed the 11-item Hong reactance scale (Hong and Faedda 1996—for recent applications in marketing, see Bhattacharjee et al. 2014; Laran et al. 2011), which uses statements such as “I consider advice from others to be intrusion,” “I resist attempts of others to influence me,” and “I become frustrated when I am unable to make free and independent decision” to measure the degree to which an individual is likely to experience reactance (each captured on a five-point “completely disagree” to “completely agree” scale; Cronbach’s  $\alpha = .872$ ). Finally, to check whether the experimental manipulation affected the perceived attractiveness of the offer (and then, presumably, spending), participants rated the effective prices at the health club (1= “extremely unattractive” to 7 = “extremely attractive”). Again, we found no difference:  $F(1, 71) = .01, p = .945$ .

*Results.* Table 7 reports mean scores for the main dependent measures. An initial ANOVA shows that participants in the PF condition intended to spend less overall than participants in the SD condition ( $M_{PF} = \$648.15$  vs.  $M_{SD} = \$1,474.21$ ;  $F(1, 71) = 6.62, p = .012, \eta_p^2 = .085$ ). As in Study 4, the effect of Price Promotion remained significant after controlling for the possible differences in the attractiveness of the deal ( $F(1, 70) = 4.39, p = .040, \eta_p^2 = .059$ ). While Spend is derived from the choice of membership (type and duration) and services (type, quantity, and duration of each), the result is driven primarily by the average duration of the membership, which dropped from 9.05 months among participants in the SD condition to 5.74 months among participants in the PF condition ( $F(1, 71) = 11.39, p = .001, \eta_p^2 = .138$ ).

For example, a multinomial logistic regression shows that adding the condition to the price promotion had a significant impact on the choice of the single-month contract relative to the yearlong contract, with the corresponding shares shifting from 0.00% and 63.16% in the SD group to 25.71% and 31.43% in the PF group. At the same time, a second regression shows that

the promotional favor had a marginally-significant impact on the choice of the inexpensive express membership relative to the expensive gold membership (Wald  $\chi^2(1) = 3.10, p = .078$ ), with the corresponding shares shifting from 23.68% and 26.32% in the SD group to 31.43% and 8.57% in the PF group. Finally, we did not observe a significant difference in the number ( $F(1, 71) = 2.04, p = .157$ ) or average price ( $F(1, 71) = .07, p = .787$ ) of the services chosen in a given month.

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 Insert Table 7 about here  
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We predicted that the negative effect of the promotional favor on spending is moderated by trait reactance. Accordingly, we regressed Spend on Trait Reactance, Price Promotion, and the corresponding interaction term. Spend comprises membership and services, as explained. Trait Reactance consists of the mean-centered composite scores from the five-item scale. In the data, the variable varies between 1 and 4.20, with mean 2.98. Price Promotion is the contrast-coded indicator of promotional favor (-1) or standard discount (1).

The regression shows a negative effect of Price Promotion ( $\beta = -.31, p = .008$ ) and a marginally significant interaction ( $\beta = -.22, p = .054$ ). The interaction continues to be marginally significant when we included the perceived attractiveness of the offer as a covariate ( $\beta = -.21, p = .072$ ). The slope of Trait Reactance is significant and negative among participants in the PF group ( $\beta = -.41, p = .014$ ), but not significant among participants in the SD group ( $\beta = .12, p = .469$ ). Importantly, we conducted a spotlight analysis of the effect of Price Promotion at one standard deviation below and above the mean level of Trait Reactance. While the data show no significant simple effect of Price Promotion among participants with low (one standard deviation below the mean) trait reactance ( $\beta = -.09, p = .595$ ), the effect is significant and negative among

participants with high (one standard deviation above the mean) trait reactance ( $\beta = -.54$ ,  $p = .002$ ). This is consistent with the prediction. Moreover, the Johnson-Neyman technique shows that the negative effect of introducing the promotional favor on Total Spend reaches statistical significance at the trait reactance level of 2.75 (-.24 mean centred; Figure 3).

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Insert Figure 3 about here  
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### *STUDY 5: SUBSCRIBING TO CABLE TELEVISION*

The final experiment leveraged an insight first expressed by Brehm (1966), who suggested that a threat to freedom is less likely to provoke reactance when the instigator frames it as a benefit to the affected party. That is, a threat to freedom is less aggravating if it is justified or made legitimate in some way. Accordingly, if promotional favors reduce spending through a process of reactance, then the framing of the discount should act as a moderator. This is what we tested, holding the characteristics of the promotional favor constant across experimental conditions but varying how it was presented. In so doing, the manipulation allowed us to draw conclusions about not only the role of reactance, but also the merit of this explanation relative to the alternative based on a difference in effort—this experiment did not include a standard discount condition, which makes effort irrelevant.

*Participant sample.* We recruited 97 participants from the same subject pool used in Study 2. Participants were not compensated for their time.

*Scenario and measures.* The stimulus described the purchase of cable TV and internet service. Participants were asked to imagine that they moved to a new apartment and decided to

contact a provider called Homechoice. They were then presented with information on two cable TV packages (Base Pack and Max Pack), three possible internet connection speeds (2MB, 4MB, and Max Speed), and several extras. This information is displayed in Table 8.

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 Insert Table 8 about here  
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The experimental manipulation involved a regular prices (RP) group and two promotional favor groups. All the participants exposed to the promotional favor read that Homechoice offered a one-time discount of £15 for subscriptions initiated online. However, while participants in the low-justification (LJ) condition learned simply that this campaign intended to “generate traffic to the website,” participants in the high-justification (HJ) condition learned that “transactions over the internet are cheaper to process, which allows Homechoice to pass the saving to users.” We reasoned that the second description would portray the promotional favor in a more positive light than the first, as it framed the request as an opportunity to help customers. Participants selected a package and connection speed bundle. We also asked if they wanted to add telephone service to the contract. From these decisions we derived the expenditure.

*Results.* A one-way ANOVA with Spend as the dependent variable and Price Promotion as the independent variable shows a significant effect:  $F(2, 94) = 4.56, p = .013, \eta_p^2 = .089$ . As expected, spending was significantly lower in the LJ group ( $M_{LJ} = £35.55$ ) than in the HJ group ( $M_{HJ} = £44.08; t(94) = 2.97, p = .004$ ). That is, the promotional favor triggered less spending among participants exposed to a generic explanation for the discount than participants who read that the offer relates to their wellbeing. In addition, while spending in the LJ group was marginally lower than in the baseline RP condition ( $M_{RP} = £41.24; t(94) = 1.97, p = .052$ ), there

was no difference between this last group and the HJ group:  $t(94) = -.99, p = .325$ . These results are reflected in the likelihood of choosing the expensive Max Pack over the inexpensive Base Pack (Wald  $\chi^2(1) = 4.35, p = .037$ ), with the share of the former increasing from 43.75% among participants in the LJ condition to 69.69% among participants in the HJ condition. It is also reflected in the likelihood of adding the telephone service (Wald  $\chi^2(1) = 4.59, p = .032$ ), with adoption increasing from 53.12% in the LJ group to 78.78% in the HJ group.

### *DISCUSSION*

A common ploy among firms that use price promotion is to tie the receipt of the saving to some behavior by consumers that is independent of the content of the purchase. While logic dictates that any such request simply helps the business discriminate between those in the market who are encouraged by low prices and those who are not, our message is different: promotional favors also aggravate consumers and, as a result, they can create the motivation to spend less.

The basis for this idea is a theory of reactance. Consumers expect a certain measure of freedom in their purchase decisions and are motivated to restore autonomy when someone or something challenges this prerogative. The intuitive response is to think or act in a contrary way—the direct restoration of freedom. But in the context of a price promotion disobedience carries a (monetary) cost, which introduces the possibility that consumers conform to access the saving yet retaliate by correcting some downstream behavior. If the price promotion is a promotional favor, then it is plausible that consumers “act out” with a cut in spending.

The paper reports five experiments that consistently support this prediction. In fact, we conducted a post-hoc meta-analysis across the first four experiments (those that included

standard discount and promotional favor conditions) to understand the overall strength of the impact of promotional favors, yielding a weighted-average Cohen's  $d$  of -0.48 (95% CI = -0.73 to -0.24). This statistic reflects the difference between the two means divided by the pooled standard deviation, and the negative value implies that the effect is negative.

The experiments also tested the causal role of reactance. First, Study 2 reports a serial mediation model in which perceived threat-to-freedom and hostile feelings account for the effect of the promotional favor on spending. Second, Studies 3, 4, and 5 confirmed the moderating role of several variables already present in the literature on reactance: the overlap between the behavior demanded from customers and how they typically act, trait reactance, and the perceived legitimacy of the restriction. Third, we addressed the alternative that promotional favors are simply less appealing than standard discounts: one experiment measured and controlled for price consciousness, two experiments included measures to check whether the experimental manipulation affected the attractiveness of the price offer, and one experiment varied the presentation of the promotional favor but not its characteristics.

Overall, this evidence makes three contributions to marketing research. First, we start to bridge the gap between the frequent use of promotional favors among firms and the limited interest in this topic among academics. To our knowledge, the current paper is only the second effort after the recent article by Blanchard et al. (2016) to discuss promotional favors, and indeed the first to argue and show that the tactic (a) impacts behavior beyond purchase incidence, and (b) the impact is detrimental to firms. More broadly, our research is only the second after Kristofferson et al. (2016) to consider on the downside of conditional discounts in general.

Second and third, we add to a small but growing body of work that studies cases of behavioral backlash, and in particular to research that promotes reactance as the underlying

mechanism. The motivation to study promotional favors from this perspective came from two sources. Inman et al. (1997) suggested that price promotions can curtail the freedom of consumers to attain market offerings, yet pursued a different theoretical approach. At the same time, businesses are turning to promotional favors in response to the rise of digitalization in marketing and the heightened interest in online surveys and reviews, mobile payments, sharing, and so on. They are also turning to promotional favors because they appear more discreet than, say, demanding that consumers purchase a minimum quantity. We found this contrast interesting and worth exploring, in particular given the surprising dearth of research on the topic.

With respect to marketing practice, the first point to stress is that expressions of reactance by nature are not conservative (Clee and Wicklund 1980). The results of our experiments merit attention for this reason and, in particular, if we believe that a business may not sense that promotional favors lead to episodes of reactance or carry consequences beyond a consumer's initial decision to accept or reject the offer. The second point is that a firm is likely to judge promotional favors—or any sales promotion for that matter—by weighing the incremental benefit of imposing a demand on consumers against the loss from those who decide not to bother. It turns out that the tactic is more complicated than figuring out how much to squeeze consumers without losing their interest. The effect that we report may or may not be sufficient to tip the scale against the use of promotional favors. The answer depends on the specific case and context. However, the broader point is that businesses should exercise care.

The third point to remember is that reactance is not an all-or-nothing phenomenon. Three of the experiments in this paper show that the impact on consumers varies in magnitude. That is, there are factors that a business can control—or at least measure—that moderate the relationship between promotional favors and spending. This realization broadens the scope for action, and it

is worthwhile for firms to think about their options to enjoy the benefit of a given campaign while minimizing the downside.

Consistent with this remark, in our mind a useful starting point for future research is to test other ways in which one can manage the subjective experience of reactance. We tested one factor, which is the framing of the offer. Logically, two other options are to vary the magnitude of the restriction while holding constant the saving offered to consumers, or conversely to vary the saving but maintain the magnitude of the restriction. Similarly, it is interesting to test whether giving consumers the opportunity to choose between a standard discount and a promotional favor alleviates the sensation that freedom is threatened.

A second approach to future research is to explore other relevant manifestations of reactance. We focused on what and how much consumers purchase because of the immediate link to firm performance. However, it may also be that promotional favors influence loyalty, brand attitudes, recommendations, word of mouth, and other desirable outcomes. Thus, it would be interesting to get a better sense of the breadth of the phenomenon and the possible relations between different consequences.

Finally, one can build on our work by taking a step back and checking the theoretical principles of reactance. The literature is clear that reactance is possible only if individuals expect a certain freedom to begin with, and if they perceive a threat to that freedom (Miron and Brehm 2006). This paper does not tackle the first criterion. There are likely to be situations where the reputation of a firm or the general practice in an industry sets expectations for a freedom to be present or not. First, a business known for competing on price and operating on tight margins may elicit less reactance from promotional favors than a business known for its quality and profits. Second, the fact that most firms in a sector already use promotional favors, and perhaps

have for some time, may make consumers more tolerant. That is, it is possible that norms establish over time and what appeared restrictive in the past is now entirely acceptable.

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TABLE 1

*Study 1: Participation and Mean Scores for Selected Measures.*

	Price Promotion			
	Regular Prices	Standard Discount	Short Questionnaire	Long Questionnaire
Patrons, Store 1	50	49	47	50
Patrons, Store 2	50	50	48	49
Opted Out, Flyer		2	4	4
Opted Out, Booth		9	15	23
Spend (€)	16.28	21.01	19.28	17.36
Products (Units)	8.95	11.18	10.37	9.71
Time (Minutes)		15.48	13.87	16.13

TABLE 2

*Study 2: Details on Types of Car and Extras.*

	Type of Car		
	Compact	Standard	Premium
Price (Day)	\$35.69	\$46.18	\$53.20
Air Conditioning	Yes	Yes	Yes
Number of Adult Passengers	4	5	5
Transmission	Manual	Manual, Automatic	Manual, Automatic
AM/FM stereo	Yes	Yes	Yes
CD Player		Yes	Yes
Electric Windows		Yes	Yes
Navigation System			Yes
Premium Audio System			Yes
Extras:			
High-Speed Multi-Charger		\$4.00	
Radar Detector		\$8.00	
GPS Audio Tour		\$10.00	
24-Roadside Assistance		\$12.50	
Advanced First Aid Kit		\$17.00	
7-Inch Portable DVD Player		\$34.99	
Mobile Hotspot (5GB)		\$59.00	
Roof Rack		\$70.00	

TABLE 3

*Study 2: Mean Scores for Selected Measures.*

	Price Promotion	
	Standard Discount	Promotional Favor
Spend (\$)	75.23	63.86
Spend on Rental (\$)	44.94	43.71
Choice of Compact Car (%)	25.40	27.70
Choice of Standard Car (%)	54.20	66.20
Choice of Premium Car (%)	20.30	6.20
Extras (\$/Unit)	12.28	9.25
Extras (Units)	1.90	1.63

TABLE 4

*Study 3: Details on Magazine Subscriptions and Extras.*

	Subscriptions		
	Basic	Premium	Prestige
Price (Year = 52 Issues)	£96.00	£110.00	£137.00
Online Access	Yes	Yes	Yes
Audio Edition	Yes	Yes	Yes
Community Access	Yes	Yes	Yes
Unlimited Access to Article Library		Yes	Yes
Tablet and Smartphone Edition		Yes	Yes
Print Edition			Yes
Technology Quarterly			Yes
The World Today			Yes
Extras:			
Industry and Regional Reports (Digital)		£4.00/Each	
Industry and Regional Reports (Print)		£7.00/Each	
Weekly Podcasts		£3.99/Each	
Complete Company Financials		£9.99/Query	
Tablet and Smartphone Applications		£5.99/Each	
Intelligent Life (Print)		£7.50/Issue	

TABLE 5

*Study 3: Mean Scores for Selected Measures.*

	Price Promotion	
	Standard Discount	Promotional Favor
Spend (£)	242.40	169.92
Spend on Subscription (£)	123.46	109.81
Choice of Basic Subscription (%)	7.70	38.50
Choice of Premium Subscription (%)	38.50	42.30
Choice of Prestige Subscription (%)	53.80	19.20
Extras (£/Unit)	20.57	10.22
Extras (Units)	19.38	9.65

TABLE 6

*Study 4: Details on Health Club Memberships and Services.*

	Membership		
	Express	Lifestyle	Gold
Price (Month), Monthly Contract	\$37.99	\$47.99	\$57.99
Price (Month), Four-Month Contract	\$32.99	\$42.99	\$52.99
Price (Month), Yearly Contract	\$27.99	\$37.99	\$47.99
Services:			
Personal Training	\$50.00/Session		
Advanced Fitness Class	\$10.00/Class		
Massage	\$24.99/Half Hour		
Sauna	\$9.99/Day		
Indoor Squash	\$15.00/Half Hour		
Wireless Internet	\$7.00/Day		
Locker Rental	\$12.99/Month		

TABLE 7

*Study 4: Mean Scores for Selected Measures.*

	Price Promotion	
	Standard Discount	Promotional Favor
Spend (\$)	1,474.21	648.15
Spend on Membership (\$)	358.65	219.03
Choice of Express Membership (%)	23.68	31.43
Choice of Lifestyle Membership (%)	50.00	60.00
Choice of Gold Membership (%)	26.32	8.57
Contract Length (Months)	9.05	5.74
Services (\$/Unit)	14.83	14.06
Services (Units)	7.84	4.09

TABLE 8

*Study 5: Details on Cable TV and Internet Bundles.*

Base Pack						
Internet Connection	TV Channels	Kids TV Pack	Music TV Pack	Video on Demand	Anytime Calls	Price (Month)
Max Speed	35	£6/month	£6/month	-	£5/month	£27.99
4MB	35	£6/month	£6/month	-	£5/month	£22.99
2MB	35	£6/month	£6/month	-	£7/month	£17.99
Max Pack						
Internet Connection	TV Channels	Kids TV Pack	Music TV Pack	Video on Demand	Anytime Calls	Price (Month)
Max Speed	85	Included	Included	Included	£5/month	£47.99
4MB	85	Included	Included	Included	£5/month	£42.99
2MB	85	Included	Included	Included	£7/month	£37.99

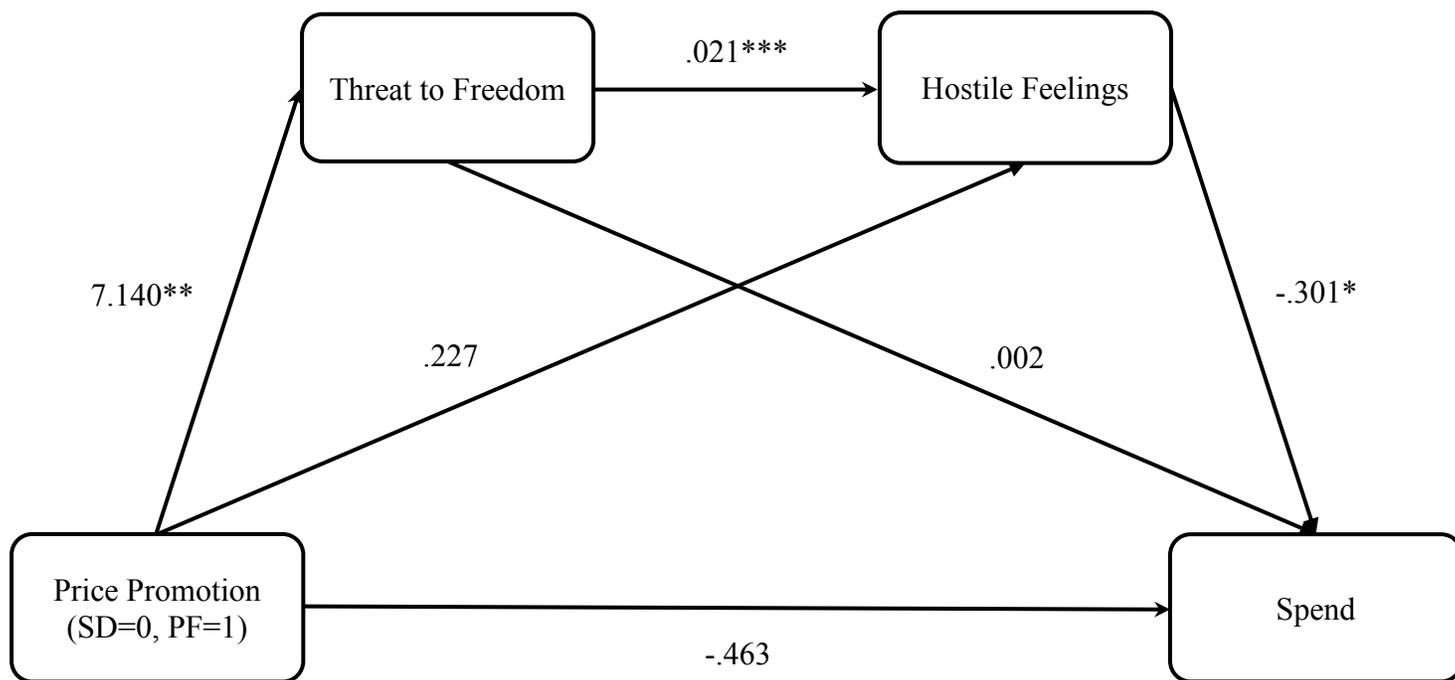
TABLE 9

*Study 5: Mean Scores for Selected Measures.*

	Price Promotion		
	Regular Prices	High- Justification Promotional Favor	Low- Justification Promotional Favor
Spend (£)	41.24	44.08	35.55
Choice of Max Pack (%)	59.37	69.69	43.75
Choice of Base Pack (%)	40.63	30.31	66.25
Choice of 2MB(%)	9.37	9.09	18.75
Choice of 4MB(%)	25.00	21.21	37.50
Choice of Max Speed (%)	65.63	69.70	43.75
Opt In, Telephone Service (%)	68.75	78.78	53.12

FIGURE 1

Study 2: The Mediating Effect of Threat to Freedom and Hostile Feelings.



\*\*\* $p < .01$ ; \*\* $p < .05$ ; \* $p < .10$

FIGURE 2

*Study 3: The Moderating Effect of Novelty of Direct Debit.*

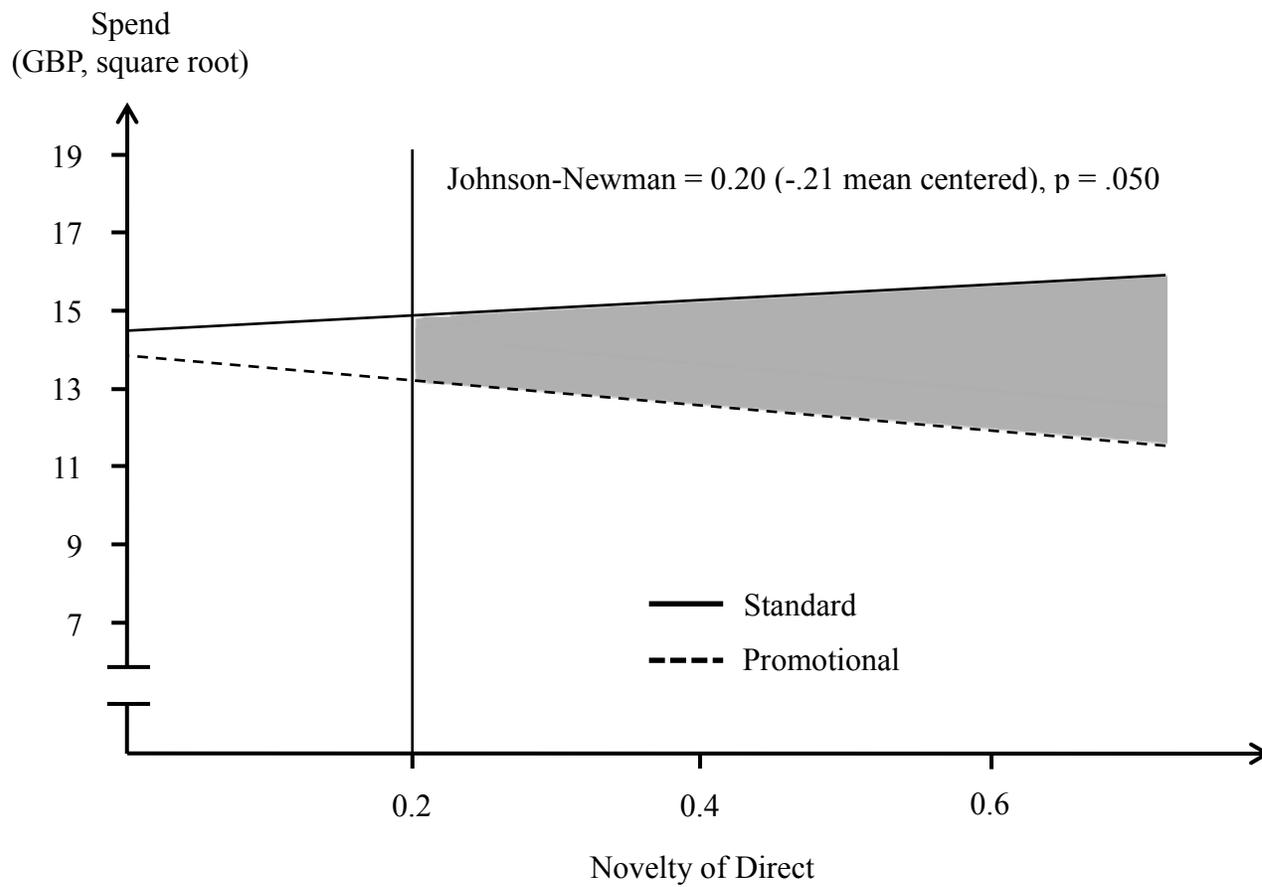


FIGURE 3

*Study 4: The Moderating Effect of Trait Reactance.*

