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# When a Promotion is Denied: The Effects of Decision Stage on Perceptions of Promotion and Price Fairness

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# WHEN A PROMOTION IS DENIED: THE EFFECTS OF DECISION STAGE ON PERCEPTIONS OF PROMOTION AND PRICE FAIRNESS

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**ABSTRACT:** *Marketers frequently use promotions to enhance sales and increase consumers' perceptions of value. However, most promotions usually come with restrictions, such as time expiration, quantity or product model restriction, etc. In the present research, the effect of the stage in the purchase process when the consumer finds out about the restriction is investigated. The findings indicate that the later in the purchase process the consumer discovers the restriction, the greater is the perception that the effort invested into the purchase is wasted, consequently resulting in lower promotion and price fairness. This effect is mediated through the feeling of entitlement to the promotional price and the inferred negative retailer's motive for the promotion. Theoretical and managerial implications are also discussed.*

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**Keywords:** *promotion restrictions; effort; price fairness; promotion fairness; retailing*

**JEL Classification:** M37, L81, P42

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## INTRODUCTION

Marketers use various forms of price promotions to enhance perceptions of value, attract customers, and increase store traffic, sales and profits (Grewal et al., 1998; Walters and MacKenzie, 1988). Such promotions, irrespective of their medium, provide a set of cues to facilitate these perceptions: price or discount cues, semantic cues to enhance the perception of value, and any restrictions or limitations associated with the price promotion (Della Bitta et al., 1981; Sinha et al., 1999). The restrictions may specify the requirements that buyers must meet, or the products for which the promotion applies, while the

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limitations may indicate the time period of the promotion as well as whether quantities are limited (Inman et al., 1997). Therefore, consumers' overall perceptions of and evaluations of a promotion will be based on how they integrate these individual cues. Restrictions associated with the promotion may induce extra effort, inconvenience, or a binding commitment and thus have a negative effect on the evaluations. However, quantity restrictions or other cues that signal scarcity may actually accentuate value perceptions and therefore exert a positive effect on promotion evaluations (Inman et al., 1997).

Although marketers are obliged to disclose the details of promotion restrictions, in many promotions such restrictions are presented in the form of fine print toward the bottom of the printed advertisement or sign. Consumers joke about these fine print disclosures and sarcastically refer to them as "weasel words". Moreover, they may not pay much attention to them. However, if consumers do not attend to (or misunderstand) the stipulations of price promotions, serious consequences to them may result, including financial loss, stress, and psychological trauma (Sinha et al., 1999). Consumers may attribute the cause of these losses and negative feelings to the retailers or manufacturers, thereby enhancing perceptions of unfairness of both the promotion tactics and prices. The later in the purchase process consumers learn the restrictions the more severe may be the potential negative consequences and the stronger their unfairness perceptions.

This research evaluates how the stage of the purchase process when consumers learn about the restrictions associated with the promotion of the product of interest influences their perceptions of the effort that was wasted, and consequently, their price and promotion fairness evaluations. By proposing a perceived effort wasted construct, we add a construct not yet investigated in the literature to date. This construct focuses on the negative effect of consumers' perceptions of losses associated with spending time and effort to obtain a promotional price. In addition to providing theoretical contributions to the price fairness literature, the present research also offers important managerial implications, and should thus be relevant to marketing and consumer behavior researchers and retail managers alike.

## LITERATURE BACKGROUND

Price restrictions come in various forms. Some may specify that not all customers are eligible for the price reduction and some may indicate that not all products in a category are included in the promotion. Consequently, it is possible that different consumers will pay different prices for basically the same product. Indeed, it is recognized that price promotions are a form of price discrimination (Dhar and Hoch, 1996), or more politically correct, a form of dynamic pricing. Such a price discrepancy may induce perceptions that the promotion is unfair especially among customers who are not eligible to receive the benefits of the lower price (Xia et al., 2004). Research indicates that consumers may be offended particularly by restrictions that tend to mislead them, entail binding commitments, or create inconvenience (Sinha et al., 1999). Such unfairness perceptions may trigger perceptions that the promotion tactic and/or product price is unfair, and may

further influence consumer purchase and store patronage intentions (Kukar-Kinney et al., 2007). Previous research indicates that unfairness price perceptions reduce consumer purchase intentions and increase negative word-of-mouth communications (Bolton et al., 2003; Campbell, 1999).

Consumer fairness perceptions of different types of price promotion tactics vary. Some tactics require more effort to obtain the extra value than others. For example, to take advantage of a price promotion, consumers sometimes do not have to exert additional effort, they just have to buy the product during the promotional time period, and the promotion is automatically applied. Alternatively, such as when buying online, consumers may need to remember and enter the promotional code while checking out in order to be eligible for the promotion. On the other end of the effort spectrum, to take advantage of a price-matching promotion, one has to search for and compare competitive prices and return to the store with a proof of lower competitive price.

Some price promotional tactics also have a higher potential to trigger unfairness perceptions than others. For example, a price-matching policy that applies only to a small selection of products within the store as opposed to one that applies to most store products (Kukar-Kinney et al., 2007), or coupons with a very short as opposed to long expiration period, may be perceived as less fair.

While such fairness perceptions are based on the characteristics of the price promotion tactics, in our research we examine the effects of the stage of the purchase process during which consumers learn the restrictions or limitations of the promotion on consumers' fairness perceptions.

To present the context of this research consider the following scenarios. First, suppose customer A is buying yogurt in a grocery store and finds that his favorite brand of yogurt is on promotion; however, the promotion applies only to one yogurt flavor. He selects a couple of other flavors knowing that he will not receive the reduced price because the promotion does not apply to his selections. Customer B is also buying yogurt and notices that a specific yogurt brand is on promotion, but he does not realize that only a specific flavor is being promoted. He only finds out at the checkout counter that he cannot receive the reduced price on his selections. Customer C is in the same situation as B, but he does not learn that he did not receive the reduced price until he gets home and looks at his receipt. All three customers experience the same outcome – they do not receive the promoted price. In addition, the amount of information search and the purchase process are the same. The research question is who will perceive the promotion as unfair and what will be the intensity of their unfairness perceptions?

In the present research, we examine the influence of the purchase stage in which consumers learn about the promotion restrictions on their fairness judgments. We propose that since a promotion restriction may prevent customers from obtaining a reduced price, at what purchase stage the consumers learn about the restriction will influence their perceptions of promotion fairness as well as price fairness without any changes in

the characteristics of the promotion per se. A second objective of the present research is to investigate the underlying mechanism(s) that produce(s) this phenomenon.

## CONCEPTUAL MODEL

### Hypotheses

As illustrated in the above scenarios, each purchase episode can be segmented into several stages: pre-choice, choice, purchase transaction (i.e., checkout) and post-purchase. Customers visit a store and locate the product category of interest. They choose a brand and/or product to buy. Next, they pay for their selections at the check out and leave the store. This particular purchase episode is completed unless they decide to return the product to the store for some reason.

For many consumers, when they choose a product and place it in the shopping cart there is cognitive closure in that they made the choice based on the information available. Research on need for closure suggests that there is a crystallization point (formation of preference or choice) in the decision making process (Vermeir et al., 2002). People are motivated to search for information before crystallization, but avoid information search after crystallization, especially those who have a predisposition for a higher need for closure (Kruglanski et al., 1993). Once a choice is made, consumers have little motivation to search for more information even though they have not paid for the product and they potentially can still change their mind. In the context of a price promotion, once consumers have chosen a product based on the assumption that the promotion is applicable, it is likely that mentally they will close on the purchase task even before checking out and paying for the selected products. When they learn that the promotion is not applicable after they have “closed the account”, they will need to reopen the previous choice episode and decide whether to keep the product and thus forgo the expected saving, or return to the product area (or store) to make another selection.

Whatever they decide, the later in the purchase process consumers learn that the promotion is not applicable to their selections, the more effortful it will be to re-think the purchase that has been cognitively closed. Moreover, if they decide to revise their choice based on the new information, they have to go through the decision and selection process again, which means that the effort they exerted to make the previous selection is wasted. The later they learn the new information, the more effort they have wasted. We define perceived effort wasted as the extent to which consumers feel that the effort invested into obtaining the promotional price was spent in vain. Therefore, we hypothesize:

H1: The later in the purchase process consumers find out the promotion restriction, the greater their perceptions of the effort wasted.

This perception of effort wasted will lead to a perceived increase in their input to the purchase or the exchange process with the seller, creating a perceived imbalance in their eq-

uity ratio (Homans, 1961) relative to the seller. The desire to restore the equity ratio to a balanced state would enhance their beliefs that they are entitled to the reduced price. Entitlement is an expectation that one should or ought to receive something (Singer, 1981), based on “who they are or what they have done” (Lerner 1987, p. 108). In the present case, the consumers exerted mental and physical effort to first select the product based on the promotion they believed applied to their selection, then to proceed through the store to conclude the purchase process. The more effort they invested into this process (and hence wasted), the more they should feel that they are entitled to the promotional price. Research shows that when consumers feel they invested extensive effort into a purchase task, such as clipping and collecting coupons, their perception of entitlement to receiving the promotion increases (Xia et al., 2010). Hence,

H2: The greater the consumers’ perception of the effort wasted, the greater the feeling of entitlement to the lower price.

However, when consumers do not receive the reduced price, such as when the promotion is restricted to other products, their feeling of entitlement to the lower price will be violated (Xia et al., 2010). This violation of entitlement should consequently lead to a decrease in consumers’ fairness perceptions (Kahneman et al., 1986). Previous research shows that when forming a fairness judgment, consumers consider both outcome and procedure that leads to the outcome (van den Bos et al., 1997). In the present case, the promotion with its restrictions can be seen as a procedure and the price they pay as an outcome of this procedure. Therefore, we propose that when the consumers’ feeling of entitlement is violated, they will perceive the promotion and the price they pay to be unfair. Specifically,

H3: The greater the feeling of entitlement to the reduced price, the greater the consumers’ perception that the promotion is unfair.

H4: The greater the feeling of entitlement to the reduced price, the greater the consumers’ perception that the price they have to pay is unfair.

In addition, when consumers cannot obtain the discount or savings due to the promotion’s restrictions (i.e., unexpected negative information), they are likely to seek an explanation for the negative outcome (Vaidyanathan and Aggrawal, 2003). When it is ambiguous as to *why* an unexpected incident has occurred and *who* is responsible for it, having an explanation provides one with a feeling of control over one’s environment and serves as an adaptive function (Folkes, 1990). People tend to attribute internally when the outcome is positive but attribute externally when the outcome is negative (Weiner, 1990). Hence, when they obtain savings offered by the promotion, consumers may attribute it to the fact that they are smart shoppers (Schindler, 1998). But when they cannot obtain the savings and perceive that their previous effort in purchasing the product is wasted, they may attribute the cause externally.

One possible attribution is the seller’s motive for offering the promotion. *Inferred motive* refers to the consumers’ interpretation of the retailer’s reason for offering the promotion.

This motive may be positive (e.g., the retailer is customer-oriented) or negative (e.g., the retailer wants to increase its profits at the expense of consumers). For example, research has shown that fine-print disclaimers on advertised offers often induce suspicion in the minds of some consumers that they are being duped by the sellers (Foxman et al., 1988; King, 1990). Therefore,

H5: The greater the consumers' perception of the effort wasted, the more negative the inferred retailer's motive for the promotion.

Research on fairness indicates that inferred motive is a mediating variable influencing perceived price unfairness when a price discrepancy exists (Campbell, 1999). If the consumers perceive that the retailer's motive for the promotion is negative, such as that the retailer offers the promotion to profit from its customers, they are also likely to perceive that the promotion, and as a result, the price they have to pay are unfair. Therefore,

H6: The more negative the inferred retailer's motive for the promotion, the greater the consumers' perception that the promotion is unfair.

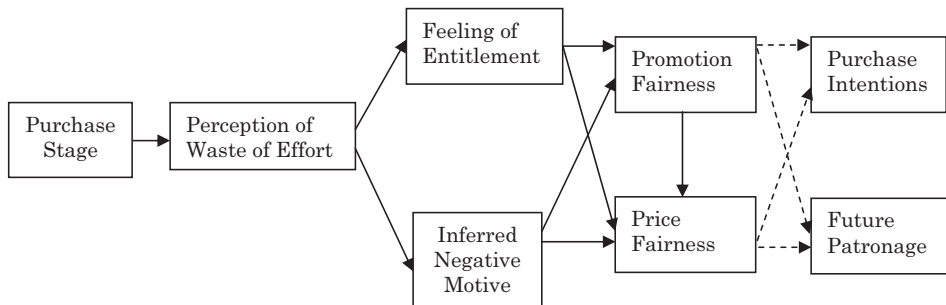
H7: The more negative the inferred retailer's motive for the promotion, the greater the consumers' perception that the price they have to pay is unfair.

Finally, based on the fair process effect (Collie et al., 2002), when the procedure is perceived fair, the outcome should be perceived fair as well. In the pricing context, previous research showed that the perceptions of the fairness of a price-matching policy promotion increased perceptions of the price fairness (Kukar-Kinney et al., 2007). Note that the promotion is a procedure that specifies how the price the consumer pays is derived and under what circumstances. Thus, a positive relationship should exist between the consumers' promotion fairness perceptions and consequent price (outcome) fairness perceptions. Specifically,

H8: The greater the consumers' perceptions that the promotion is fair, the greater their perceptions that the price they have to pay is fair.

Existing research has shown that fairness perceptions are an important driver of current and future purchase intentions (Bolton et al., 2003; Campbell, 1999; Kukar-Kinney et al., 2007). Hence, both promotion fairness and price fairness perceptions should be positively related with purchase intention and future store patronage intent. Given that the focus of the present research is on investigating the mechanism leading to formation of fairness perceptions (i.e., their antecedents), we do not formally test these fairness outcomes. Nevertheless, we acknowledge the relationship between fairness and outcomes, such as purchase and patronage intentions in our conceptual model, which is consistent with existing literature.

Figure 1: *The Underlying Mechanism of the Influence of Purchase Stage on Fairness Perceptions*



Note: - - - indicates that the path was not formally tested in the present research

In summary, for a promotion with restrictions, we hypothesize that the further the consumers are in the purchase process when they learn that their choices are not eligible for the lower price, the more negative will be the effects. These negative effects include stronger perceptions of promotion unfairness, price unfairness, and lower purchase intentions. Further, we examine the underlying mechanisms of the effects of purchase stage on fairness perceptions (see Figure 1). We hypothesize that the underlying mechanism for the effect of purchase stage on fairness perceptions is due to the consumers' perceptions of effort wasted that lead to feelings of entitlement being violated and inferred negative sellers' motives. In addition, since the final price paid for the product is directly influenced by the promotion tactics, we hypothesize that perceived unfairness of promotion tactics positively influences perceptions of price unfairness. Two studies were conducted to test these hypotheses.

## METHOD

### Study 1

The promotion context used in study 1 was that of a selective promotion. Selective promotion refers to the promotion tactic where only a particular variety within a product line is being promoted. For example, only a particular yogurt flavor or a particular package size within the yogurt product line of the same brand is promoted.

The design of study 1 was a one-factor between-subjects experimental design, in which we manipulated the purchase stage at which the participants found out the promotion restrictions. A scenario-based approach was used, a method regarded as suitable in fairness-related research (Huppertz et al., 1978; Collie et al., 2002). Participants first read a shopping scenario involving the purchase of a pair of Nike running shoes. They were told that their running shoes were worn out and they needed to buy a new pair. They went to a shoe store and noticed a \$20 off promotion on Nike shoes. Then, they were randomly



assigned to one of the four conditions in which the purchase stage at which they learned about the promotion restriction (i.e., that promotion applied only to selected styles) was manipulated in the following way: 1) participants noticed the promotion restriction before making a selection, 2) they noticed the restriction after selecting a pair of shoes, 3) they were told at the checkout after shopping at the entire store, and lastly, 4) they noticed they had not received the promoted price after they had purchased the shoes when examining their receipt in the parking lot. Group size ranges from 57 to 61. In all four scenarios, participants were told that they selected a pair of shoes not eligible for promotion. The amount of information search, as well as the price of the selected shoes (\$85), was kept constant across the experimental conditions. Further, in all four scenarios, participants did not get the promotion and had the choice of buying or not buying (or returning) the shoes they had selected.

After reading the scenario, 237 student participants were given a questionnaire measuring their intention to purchase/keep the shoes they selected, future intention to purchase at this particular store again, perceptions of fairness of the promotion tactic, perceptions of fairness of the price of the product, perceived store motive for the promotion, perception of the effort wasted, and feeling of entitlement. The majority of measures were developed based on existing literature (Campbell 1999; Kukar-Kinney et al., 2007; Xia et al., 2010), with exception of the measure of the perceived effort wasted, which was newly developed. Table 1 displays all items and their measurement properties.

## Study 1 Results

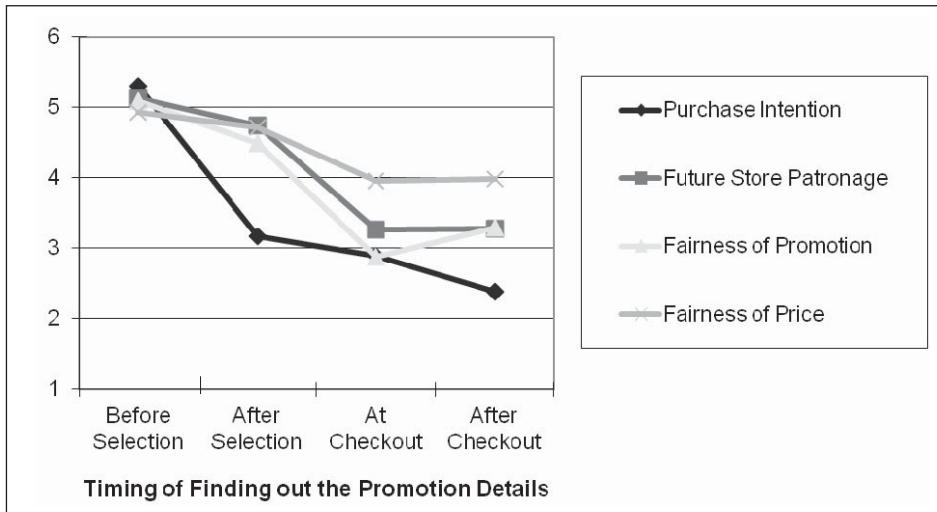
### *Influence of purchase stage manipulation*

We first conducted a one-way ANOVA analysis using the manipulation as a fixed factor. Results showed that the purchase stage when respondents learned about the promotion restriction influenced their current purchase intentions ( $F(3,233) = 38.49, p < 0.001$ ), future purchase intentions from the store ( $F(3,233) = 29.9, p < 0.001$ ), perceptions of fairness of the promotion tactic ( $F(3,233) = 25.78, p < 0.001$ ), and price fairness perceptions ( $F(3,233) = 14.82, p < 0.001$ ). Moreover, all the linear trends were significant at  $p < 0.001$  (see Figure 2). The later that the participants found out the promotion restriction, the more they perceived both the promotion and the prices to be unfair. In addition, current and future purchase intentions also demonstrated a decreasing linear trend, which could be due to the influence of perceived fairness. This result is consistent with existing literature.

Table 1: *Measures and Reliability*

Measures	Study 1		Study 2	
	SR	IR	SR	IR
<b>Purchase intention</b>				
I will purchase the shoes I selected as I had intended	$r = 0.87$		$r = 0.92$	
I will not purchase the shoes I selected (R)				
<b>Future Purchase Intention</b>				
I will not buy from this store in the future	$\alpha = 0.96$		$\alpha = 0.93$	
The likelihood that I will continue to shop at this store is low				
It is likely that I will not buy from this store in the future				
<b>Fairness of the Promotion Tactic</b>				
Unfair	$\alpha = 0.96$	0.92	$\alpha = 0.94$	0.91
Unreasonable		0.98		0.92
Unacceptable		0.94		0.90
<b>Fairness of the Price</b>				
Unfair	$\alpha = 0.97$	0.95	$\alpha = 0.96$	0.89
Unreasonable		0.97		0.93
Unacceptable		0.95		0.96
Unsatisfactory		0.91		0.90
<b>Inferred Store Motive</b>				
I think the store offers the promotion to mislead consumers	$\alpha = 0.85$	0.88	$\alpha = 0.82$	0.83
I think the store wants to get more sales by fooling consumers		0.87		0.88
I think the store is sincere in offering this promotion (R)		0.70		0.66
<b>Feeling of Entitlement</b>				
I feel that I am entitled to the promotion saving	$r = 0.93$		$r = 0.86$	
I feel that I deserve the promotion saving				
<b>Effort wasted</b>				
This promotion wasted my effort	$\alpha = 0.82$		$\alpha = 0.77$	
Because I did not learn the details of the promotion earlier makes me feel that I wasted a lot of effort				
I felt it was a loss to me				
<b>Attributions</b>				
I think it is the store's responsibility to be clear about their promotions	$r = 0.79$		$r = 0.70$	
The store should make the "fine print" associated with their promotions clearer to customers				

SR = scale reliability; IR = item reliability

Figure 2: *The Influence of Purchase Stages (Study 1)*

### *The underlying mechanisms*

Next, we used latent variable structural equation modeling (LVSEM) analysis to examine the underlying mechanism driving the influence of purchase stage (see Table 2). The model showed a good fit ( $\chi^2(71) = 159.67$ ,  $p = 0.001$ , CFI=0.97, NFI = 0.96, RMSEA = 0.07). The results support hypothesis 1 predicting that the purchase stage at which participants learned the details of the promotion influenced their perceived waste of effort. The later in the purchase process they found out that the promotion does not apply to their selection, the greater was the perceived effort wasted ( $\beta = .51$ ,  $p < .001$ ). Since the participants involuntarily had to forgo the savings, in addition to processing the information about the promotion restriction, which resulted in additional cognitive effort, they treated such effort as an input into their purchase. Consequently, the greater the perceived effort wasted, the greater feelings of entitlement they experienced ( $\beta = .75$ ,  $p < .001$ ), in support of hypothesis 2. Further, the feeling of entitlement negatively influenced both promotion ( $\beta = -.51$ ,  $p < .001$ ), and price fairness perceptions ( $\beta = .18$ ,  $p < .05$ ), supporting hypotheses 3 and 4.

Table 2: *Testing the Underlying Mechanism of the Influence of Purchase Stage on Fairness Perceptions*

Path from → to	Study 1 (N= 237)		Study 2 (N = 239)	
	Standardized estimate	p-value	Standardized estimate	p-value
<b>Hypothesized Paths:</b>				
Purchase stage → Perception of effort wasted	0.51	0.001	0.38	0.001
Perception of effort wasted → Feeling of entitlement	0.75	0.001	0.54	0.001
Perception of effort wasted → Negative motive	0.76	0.001	0.54	0.001
Feeling of entitlement → Promotion fairness	-0.51	0.001	-0.16	0.001
Feeling of entitlement → Price fairness	-0.18	0.02	0.09	0.92
Negative motive → Promotion fairness	-0.35	0.001	-0.57	0.001
Negative motive → Price fairness	-0.16	0.05	0.01	0.26
Promotion fairness → Price fairness	0.32	0.001	0.41	0.001
<b>Additional non-hypothesized paths significant in study 2:</b>				
Perception of effort wasted → Price fairness			-0.38	0.001
Purchase stage → Negative motive			0.23	0.001
Negative motive → Feeling of entitlement			0.17	0.03
<b>Goodness-of-Fit Statistics</b>				
Chi-square (d.f.)	159.67 (71)		165.5 (68)	
TLI	0.97		0.95	
CFI	0.96		0.96	
NFI	0.95		0.93	
RMSEA	0.07		0.07	

On the other hand, the negative promotion information (i.e., promoted price cannot be obtained) and perception of effort wasted triggered an external attribution of negative motive for the promotion. As expected in hypothesis 5, as the perception of effort wasted increased, so did the inferred negative retailer's motive for the promotion ( $\beta = .76$ ,  $p < .001$ ). Further, the negative motive attribution exerted a negative impact on promotion ( $\beta = -.35$ ,  $p < .001$ ) and price fairness perceptions ( $\beta = -.16$ ,  $p < .05$ ), in support of hypotheses 6 and 7. Finally, as predicted in hypothesis 8, promotion fairness positively influenced price fairness perceptions ( $\beta = .32$ ,  $p < .001$ ). In sum, all hypotheses outlining the mechanism of the effects on fairness perceptions were supported.

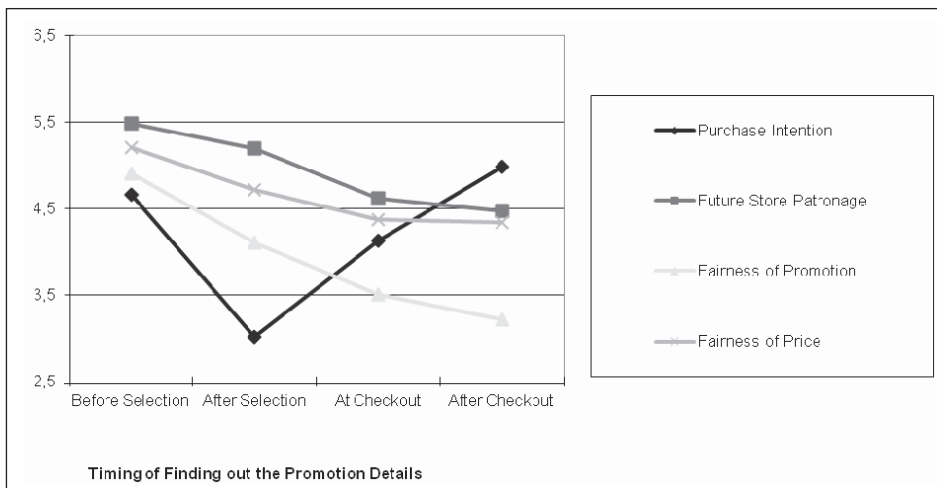
## Study 2

The purpose of study 2 was to replicate the findings of study 1 using another product category. In study 1, the purchase of a pair of Nike shoes required a moderate involvement, a substantial amount of information search and hence, effort. In addition, the amount of

saving (\$20) may have been perceived as substantial for student participants. Therefore, we wanted to examine whether the observed effect of the purchase stage manipulation could be replicated in a scenario in which a less involving and less effortful purchase would be considered.

Yogurt was chosen as the target product. Buying groceries is a comparatively low involving task and the absolute amount of savings involved in a promotion is usually not substantial. The same selective promotion tactic as in study 1 was used. The 239 student participants were told that they were grocery shopping and had noticed that yogurt was on sale for 20¢ off the regular price of 85¢ (to maintain the same relative promotion magnitude as in study 1). However, this promotion applied only to one particular yogurt flavor, and the flavor the respondents chose was not on sale. The stage of the purchase process at which the respondents noticed the promotion restriction was manipulated as in study 1 (i.e., before selection, after selection but before check out, at the check out, after the check out) and the participants were randomly assigned to one of the experimental conditions based on this manipulation. Group size ranges from 59 to 61. Participants chose five containers of yogurt for a total possible saving of \$1. Same measures as in study 1 were used, except that any reference to the product was changed from Nike shoes to yogurt.

Figure 3: *The Influence of Purchase Stages (Study 2)*



## Study 2 Results

### *Influence of purchase stage manipulation*

One-way ANOVA analysis showed that the purchase stage manipulation influenced current ( $F(3,235) = 11.57, p < 0.001$ ) and future purchase intentions from the store

( $F(3,235) = 10.12, p < 0.001$ ), perceptions of the promotion tactic fairness ( $F(3,235) = 12.83, p < 0.001$ ) and price fairness perceptions ( $F(3,235) = 4.44, p = 0.005$ ). All the linear trends except for the current purchase intentions were significant at  $p < 0.001$  (see Figure 3). The later in the purchase process the participants found out the promotion details, the more they perceived both the promotion and the prices as unfair. Future purchase intentions demonstrated a similar linear trend, as we expected and is consistent with existing literature. However, the linear effect on *current* purchase intentions was not significant. If participants found out after selection but while at the shelf, they were likely to return the yogurt to the shelf. However, if they found out at checkout or after the purchase, they kept their selections. This difference is understandable given that the \$1 saving on five yogurt containers is substantially smaller than \$20 in the case of Nike shoes. It was not likely that participants would not buy or return the yogurt because of \$1 lost savings.

### *The underlying mechanisms*

The structural equation model showed a good fit with the data ( $X^2(68) = 165.50, p < 0.001, TLI = .95, CFI = 0.96, NFI = 0.93, RMSEA = 0.07$ ). The tests of individual hypotheses are discussed next. As proposed in hypothesis 1, the purchase stage at which the promotion restriction was found increased the perception of the effort wasted ( $\beta = .38, p < .001$ ). Perception of effort wasted consequently led to increased feeling of entitlement to the promotional price (hypothesis 2:  $\beta = .54, p < .001$ ) and more negative inferred retailer's motive for the promotion (hypothesis 5:  $\beta = .54, p < .001$ ). The feeling of entitlement to the promotional price reduced perceptions of the promotion fairness ( $\beta = -.16, p < .001$ ), supporting hypothesis 3, but had no significant effect on perceived price fairness ( $\beta = .09, p > .10$ ). Hypothesis 4 is thus not supported. In a similar manner, the inferred negative motive reduced perceptions of the promotion fairness ( $\beta = -.57, p < .001$ ), supporting hypothesis 6, but had no effect on the perceived price fairness ( $\beta = .01, p > .10$ ). Lastly, perceived promotion fairness had a positive effect on perceived price fairness ( $\beta = .41, p < .001$ ), in support of hypothesis 8.

## DISCUSSION

Results of the two studies are mostly consistent (see Table 2). The stage of the purchase process manipulation induced perceptions of waste of effort, thereby increasing participants' feelings of entitlement. Moreover, perceptions of waste of effort triggered external attributions and led to inferred negative seller's motives. Finally, both feeling of entitlement and inferred motive had a negative impact on perceived promotion fairness as well as price fairness.

Some differences between the two studies were observed. First, unlike study 1, neither feeling of entitlement nor perceived negative motive exerted a significant influence on price fairness perceptions in study 2. Since the amount of savings involved was trivial

(20¢ per product and \$1 in total) in study 2, such a small price difference did not result in lower price fairness.

We also tested whether any additional significant paths exist in the model that we did not hypothesize in the conceptual model. Indeed, we found some that were significant in study 2 (but not in study 1). First, in comparison with study 1, in study 2 we also observed a non-hypothesized direct effect of purchase stage manipulation on negative motive ( $\beta = .23, p < .001$ ), in addition to the hypothesized indirect effect of purchase stage on negative motive through perception of the effort wasted. Further, we observed a significant influence of negative motive on the feeling of entitlement ( $\beta = .17, p < .05$ ). This link is understandable given that the negative motive suggests that the retailer should be responsible for the consumers' loss, hence the feeling of deservingness. A possible explanation for the presence of this link in study 2, but not study 1, is that consumers may be more used to common product promotions across all flavors of a particular brand in a yogurt purchase context used in study 2, and a limited flavor promotion may trigger more skepticism about the retailer's motive for the promotion. On the other hand, common promotions across all products of the same brand may be less frequent in a shoe context. Hence, the role of negative motive may be more pronounced in a less typical promotion context.

The two studies demonstrate that the purchase stage when consumers discover the promotion restrictions affects their perceptions of promotion and price fairness when the promotion, due to its restrictions, does not apply to the specific purchase. More importantly, the studies showed that the underlying mechanisms of the effect are through perceptions of effort wasted, feelings of entitlement, and inferred negative motives. Although we did not specifically hypothesize the effect of promotion fairness and price fairness on purchase intentions, our results are consistent with existing research which showed that the decrease in fairness perceptions are accompanied by decrease in future patronage intentions.

## CONTRIBUTIONS AND LIMITATIONS

Our research offers important theoretical contributions to the study of fairness. Existing research has been primarily based on price discrepancies and factors studied have focused on the sellers' actions or characteristics of the reference party or transaction (Bolton et al., 2003; Campbell, 1999). Our research demonstrates that in addition to promotion characteristics the stage of the consumer purchase process also contributes to promotion fairness perceptions. We further show that the stage of the purchase process is closely linked with the amount of effort that consumers perceive they have invested into the purchase, especially for purchases with higher involvement. The later stage in the purchase process, the more physical and/or mental effort is invested in to the purchase, and hence perceived as wasted when the promotion does not apply to the purchase.

The present research also has important implications for retailers and manufacturers. While deal restrictions often are intended to protect advertisers from legal and regulatory challenges, it is insufficient to just present the restrictions to the customers without bringing their attention to them. Our research suggests that sellers need to be concerned as to whether consumers are actually paying attention to these restrictions. While consumers may ignore much of the fine print disclaimers early in the purchase process, they may eventually discover those restrictions, and react negatively to them. This reaction may be especially likely when the product involvement is higher and the potential savings offered by the promotion are substantial (such as in the Nike shoe study as opposed to the yogurt purchase).

Although retailers may use such tactics strategically to enhance sales, the negative effect of learning about the restrictions late in the purchase process on fairness perceptions and future purchase intentions may cause more damage than the immediate benefit of increased sales. Therefore, it is important that retailers clearly communicate the promotion message and any relevant promotion restrictions to consumers early in their purchase process. Specifically, sales associates communicating with customers before the time of purchase as well as signage near product placement within the store should alert consumers to any existing restrictions. Further, to prevent customers' dissatisfaction and anger when consumers are not aware of the restrictions at the time of purchase, the front line employees should be empowered to potentially grant the consumers the discount regardless of the existing restrictions, but at the same time caution them to pay more attention to the restrictions in the future.

While the present research offers important contributions, it does have some limitations. Even though scenario-based research has been deemed appropriate in fairness research, it is not as realistic as when consumers are actually undergoing a purchase process. Therefore, we suggest that in the future, a field experiment is conducted to replicate the present findings. In a more realistic setting, the effect of additional factors such as consumer experience, price knowledge, and retail store reputation can be examined. We also suggest examining the generalizability of findings to other consumer populations and other promotional contexts. Another interesting addition would be to further explore consumer emotions that may occur when a consumer is denied a promotion and feeling of entitlement is violated. Such emotions, for example, anger, feelings of betrayal or dissatisfaction, likely will influence consumers' fairness perceptions. Lastly, in our studies we manipulated the stage in the purchase process at which the consumers learn about the restrictions associated with a promotion. Purchase stage could be a proxy of physical and/or mental effort investment. When consumers learn that the promotion does not apply to their purchase, all the effort is wasted. Therefore, perceived effort wasted could be manipulated at the same time. Future research could try to identify additional factors influencing perceived effort waste or explore other consequences of different purchase stages.



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