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RESEARCH IN PROGRESS: THE SNOB AND BANDWAGON EFFECTS ON CONSUMERS' PURCHASE INTENTION UNDER DIFFERENT PROMOTION STRATEGIES

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Abstract

The snob and bandwagon effects on online purchase intention has been studied for years. However, little research has focused on their interaction effects under different promotion strategies. This study proposes a model with eye-tracking data to explore consumers' interests in different promotions. The ultimate purpose of this paper is to investigate the way consumers view information and make purchase decisions on online promotion websites. Drawing on the theory of consumers' behaviour and research on the snob and bandwagon effects, it's hypothesized that the number of previous purchase will influence consumers' purchase intention through snob and bandwagon effects. Moreover, there will be a negative effect of previous purchase numbers on consumers' purchase intention for high involved products, and a positive one for low involved products. It's also assumed that the effect of different promotion strategies (coupons, price discount, cash return) on consumers' price perception can be moderated by the previous purchase number claim.

Keywords: snob and bandwagon effects, promotion strategy, price perception, purchase intention

1 INTRODUCTION

With the popularity of online shopping, more and more online websites adopt price promotions to attract users. Price promotions are varied on many platforms such as Taobao, Tmall, Jingdong and so on. Consumers are physically limited in experiencing products in the pre-purchase stage especially for online shopping (Lee & Kozar, 2006; Wang, Beatty, & Foxx, 2004). Primarily due to the information asymmetry between consumers and marketers, consumers use “observable” product information (e.g., advertising) to arrive at their subjective judgments of the key “unobservable” attributes of products (e.g., product quality). Marketers use a variety of “observable” online persuasion claims (e.g., product price, purchase number by previous consumers, or product reviews) to gain consumers’ positive responses (Kurata & Bonifield, 2007). In spite of the growing importance of various online persuasion claims (Hausman & Siekpe, 2009; Lee & Kozar, 2006), little research has been conducted to examine their effects.

Previous research has identified 8 kinds of price promotion strategies including discount, cash return, coupons, free gifts, two for one and so on, but little focusing on the difference of consumer’s perceived utility when the price promotions are shown by coupons, price discount or cash return. For previous purchase claims, scholars have studied effects of social popularity and deal scarcity on consumers’ purchase intention. Cheng Yi et al. (2014) examine individual and interaction effects of social popularity and deal scarcity as well as how such effects change as consumers’ shopping goals become more concrete. In another paper, they also examine how social popularity and deal scarcity of a product influences consumers’ purchase behaviour on e-commerce websites and how the influence varies across cultures. Tucker C & Zhang J (2011) find out that narrow-appeal products tend to receive more visits than equally popular broad-appeal products after the introduction of popularity information. Kurata H & Bonifield C M (2007) examine effect of item availability information and Erica van Herpen (2005) identifies two distinct routes through which scarcity can increase product choices. According to the previous research, purchase number affects consumers' utility from two aspects, namely conformity and exclusive. Conformity means providing large quantities of goods to attract a large number of consumers, and exclusive means taking hunger marketing by providing a shortage of goods. This paper will explore the snob and bandwagon effect from conformity and exclusive aspects of purchase number claim.

2 THEORETICAL BACKGROUND

According to the signal model, product quality and value can be delivered to customers through observable variables. Online shopping is virtual with information asymmetry, consumers tend to evaluate product quality through observable information such as price and sales volume. This study will focus on online purchase behaviour regarding characteristics of promotion websites. We will conduct an eye movement experiment and use questionnaires to collect data for empirical analysis. The goal of this research is to identify influence of purchase number and price promotions on consumers' purchase intention and purchase behaviour.

2.1 promotion

The popularity of online shopping makes the market increasingly competitive. Particularly, as consumers usually can't access the product, the price promotion has been the main way for businesses to attract consumers. There are a variety of promotion strategies for the merchant across different online websites. Scholars have studied some commonly used price promotions. However, there are conflicting findings obtained in numerous studies. For example, Lichtenstein et al. (1993) examine the use tendency of eight kinds of promotion strategies including discount, cash return, coupons, free gifts and study their effect on consumers' purchase behaviour. They further explore whether it is necessary to classify the market according to consumers' preferences to different types of promotion strategies. Chen et al. (1998) investigate the influence of generally discounts and coupons promotion on consumers' price perception and purchase intention under the same discount range. They find that consumers' price perception can be improved when merchants provide coupons promotion. Munger & Grewal (2001) choose three promotion strategies (free gifts, discounts, cash return) to carry out the experiment. They study the impact of different promotions on consumers' perceived value, perceived quality, price acceptance and purchase intention. The results show that consumers perceived free gifts the best and regard cash return as the worst under the same price discount rate. Laroche et al. (2003) select two promotion strategies (coupons, two for one) and their result suggests the importance for retailers to understand the influence of individual traits on promotion process.

Apart from promotion method, the academic also identifies the difference in price discount presentation which are based on the amount and percentage of the discount, consumers' perceived value and purchase intention (Liao Gang H, 2008). Through the experimental study, he finds that consumers' perceived value and purchase intention are higher when the discount is presented in amount under normal circumstances. Li Z (2007) studies effect of discount percentage on original price and absolute reduction rate promotions. The results show that for expensive items, there is no significant difference between price discount expressions and customer perceived willingness to buy.

In order to better understand different promotion strategies, other researchers introduce adjustment variables such as time and effort to get the discount or consumers' interested level of promotional activities. (Folkes & Wheat, 1995; Hardesty & Bearden, 2003). But the results remain to be different in previous research for different promotion methods and price discount presentations. Obviously consumers are willing to pay a lower price for a discounted product, further increasing consumers' purchase intention. However, the problem that which price promotion is long-term or short-term beneficial under the same discount is still a research gap for future studies.

2.2 Snob and bandwagon effect

Economically, the snob effect is a phenomenon referring to the situation where the demand for a certain good by individuals of a higher income level is inversely related to the demand for the good by individuals of a lower income level. The bandwagon effect is a phenomenon whereby the rate of uptake of beliefs, ideas, fads and trends increases the more that they have already been adopted by others. In other words, the bandwagon effect is characterized by the probability of individual adoption increasing with respect to the proportion who have already done so. Thus it can be seen that previous purchase claim can provide important information for consumers shopping online.

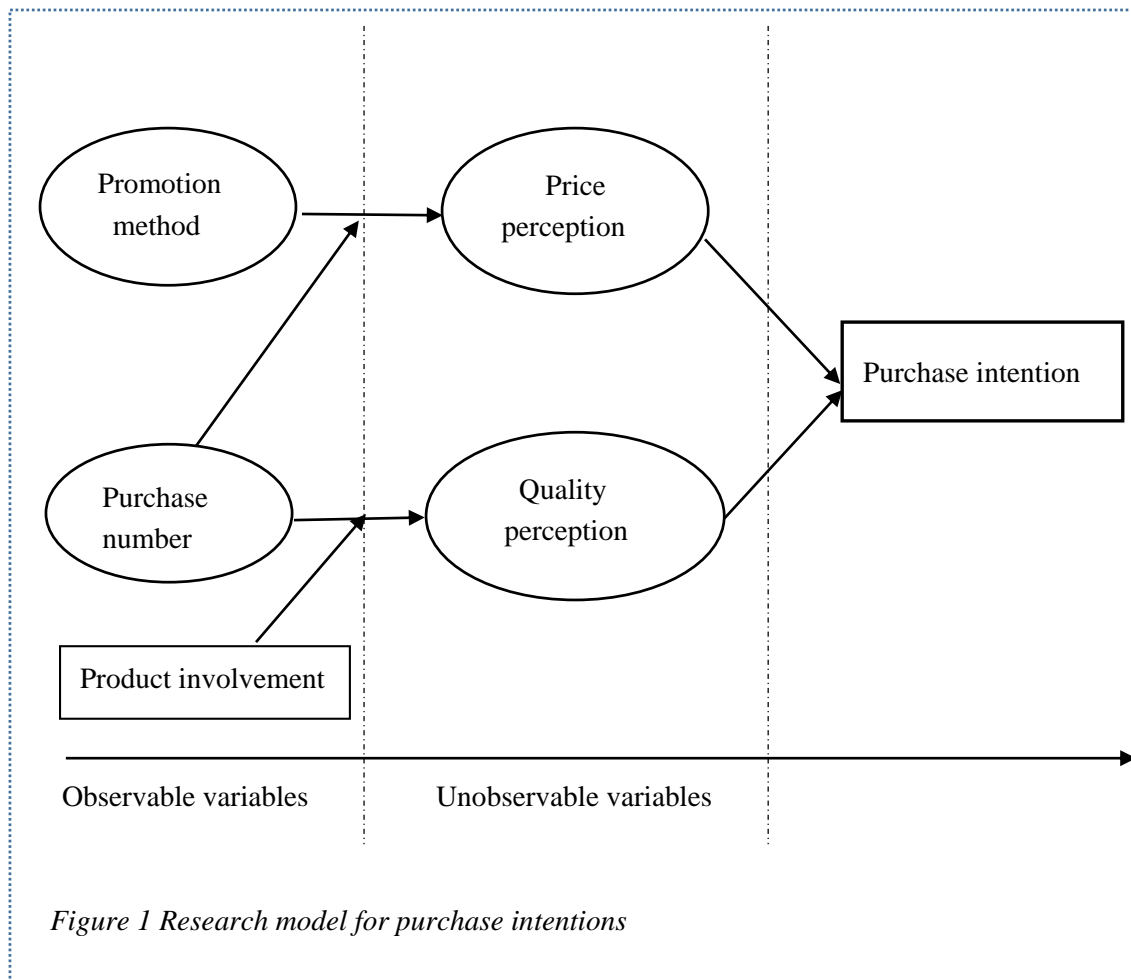
Keith S. Coulter (2012) proposes that providing previous-buyer-number information can have a positive effect on consumers' online purchase intention. Hyun Ju Jeong (2012) conduct an experimental study to evaluate effectiveness of two online persuasive claims: limited product availability (e.g., only 3 items left) and product popularity (e.g., 94% of consumers buy this product after viewing this site). They find that product popularity can enhance quality perception and attribute the findings into bandwagon effect. The focus of this paper is to examine whether being told how many people have already purchased the item influences a shopper's choice. In particular, this research seeks to examine whether there was a bandwagon (those who wish to conform) or snob effect (those who do not wish to conform) when the number of previous purchases are shown. Prior literature has shown the existence of bandwagon and snob effects in online shopping environment. However, little study investigates these two concepts on a daily deal website, and less study in particular measures purchase intention based on these two concepts. This study seeks to fill up this gap by examining shoppers' purchase behavior which attributed into snob or bandwagon effect when exposed to a high, low or no number of previous purchases on a promotion website.

2.3 Product involvement

Drawn on the theory of consumers' behaviour, the snob effect will outweigh the bandwagon effect as product involvement increases. Product involvement refers to the level of a consumer's interest in purchasing a certain product type and how committed they are to purchasing a given brand. It reflects the importance of a product class. Product involvement tends to be greater for goods that have a higher cost and are bought after considerable research, such as cars and computers. Product involvement, as an explanatory or moderating variable with respect to consumer behaviour, has long been a topic of significant interest to marketers. It has been viewed to be able to exert a considerable influence over consumers' decision processes (Laurent & Kapferer, 1985). Scholars have studied the effect of situational involvement, perceived risk and trust expectation on consumer's choice. Researchers have also typically analysed the influence of product involvement on consumers' attitudes, brand preferences, and perceptions, for the purpose of assisting market segmentation (Brisoux & Cheron, 1990; Celsi & Olson, 1988; Park & Young, 1986).

3 HYPOTHESES DEVELOPMENT

We can find a variety of promotion strategies whether shopping online and offline. Consumers' perception price can be different when facing with different price promotions. This research investigates the effects of previous purchase numbers and price promotion strategies (coupons, price discount, cash return) on consumers' purchase intention, and how their influence will differ across different product types such as high involved products and low involved ones.



According to the research on price promotions, consumers are easy to be tempted by the discounted information as their perceived price is lower. Specifically, different discount strategies can have different impacts on consumers' purchase intention (Chen et al, 1998; folkes,1995; Munger & Grewal ,2001; Laroche et al. 2003). Price discount is widely used as the comparison between original price and discount price which is directly preferential to consumers. Coupons and cash return are also popular strategies for merchants to promote their products. Consumers' price perception can be different in coupons, price discount, and cash return.

H1: There is significant difference for the effects of different price promotions (coupons, price discount, cash return) on consumers' perception price.

H2: The effect of promotions on perceived product price will be carried over to the purchase intention (i.e., the mediating effect of perceived product price).

The previous purchase number is usually claimed as important information for online shopping websites (Ali H A, 2013; Coulter K S & Roggeveen A, 2012), whose effect can be explained through bandwagon effect or snob effect (Jeong H J, Kwon K N). Large number of previous purchase may attract more shoppers when they are uncertain about the quality. For snob effect, consumers evaluate the exclusivity of possessing rare products, and may regard these products as means to emphasize their uniqueness. When exposed to a high, low or no number of previous purchases on a daily deal website, consumers'

purchase intention can be significantly different.

Particularly, if previous purchase number and price promotions can influence consumers' purchase behaviour, it is possible that there will be an interaction effect between purchase number and promotion strategies. Qiuzhen W, Qian Y, Ying Y (2014) conclude that sales volume acts as a significant moderator of the relationship between price discount and a sense of arousal. When the sales volume is larger, the influence of price discount on arousal is stronger. Furthermore, there can be difference when it comes to the product involvement. According to the theory of consumer behaviour, the bandwagon effect is decreasing along with product involvement, thus the snob effect will be more significant. In other words, the and purchase of high involved product can be easily affected by high number of previous purchase, and the purchase of low involved product can be easily affected by a low number of previous purchase. To explain, consumers usually value the exclusivity of possessing rare products, and may see these products as a mean to emphasize their uniqueness.

H3: For high involved product, there will be a negative effect between previous purchase numbers and consumers' quality perception. For low involved product, there will be a positive effect between previous purchase numbers and consumers' quality perception.

H4: The effect of previous purchase number claim on perceived product quality will be carried over to the purchase intention (i.e., the mediating effect of perceived product quality).

H5: The effect of different promotion strategies on consumers' perceptive price and purchase intention can be strengthened or weakened by the previous purchase number claim.

4 RESEARCH METHODOLOGY

With a conceptual grounding in the theory of consumer behaviour, Signaling model, scarcity effects (Cialdini, 1985; Lynn, 1991) and bandwagon effects (Leibenstein, 1950; Nelson, 1970), we conduct three experimental studies to test the theoretical model. Study 1 investigates the effects of limited availability claim and the popularity claim on product quality perception and purchase intention, along with the moderating role of the product involvement. Product quality perception is further examined as a mediator in the relationship between these two claims and purchase intention. Study 2 investigates effects of different promotion strategies on product price perception and purchase intentions. Study 3, which is built on the findings of Study 1 and study 2, attempts to provide further insights by investigating the interaction effect between purchase number claim and price promotions on consumers' purchase behavior. The findings of three experiments will provide theoretical explanations for the effects of online persuasion claims, and managerial implications for online marketers.

5 IMPLICATIONS

This research tries to extend current literature on online persuasion claim. We aim to investigate how consumers view information on online promotion websites. Prior research has found that consumers are sensitive to the product information when shopping online. This research focus on the promotion strategies which are varied on online market. Also it sheds light on the interaction effect between price

promotions and previous purchase number claim. Prior findings have proven their effects separately on consumer behavior, ignoring their combined influence on consumers' purchase intentions from the perspective of snob and bandwagon effects.

Finally, this study will provide practical implications for markets to better design their shopping websites. Consumers are bothered by the information load as it is not easy for them to make purchase decisions when confronted with all kinds of information. It is extremely important to provided simple website design with mostly needed information. Thus, consumers will have better shopping experience and marketers can maximize their products' probability to be purchased.

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