

Background

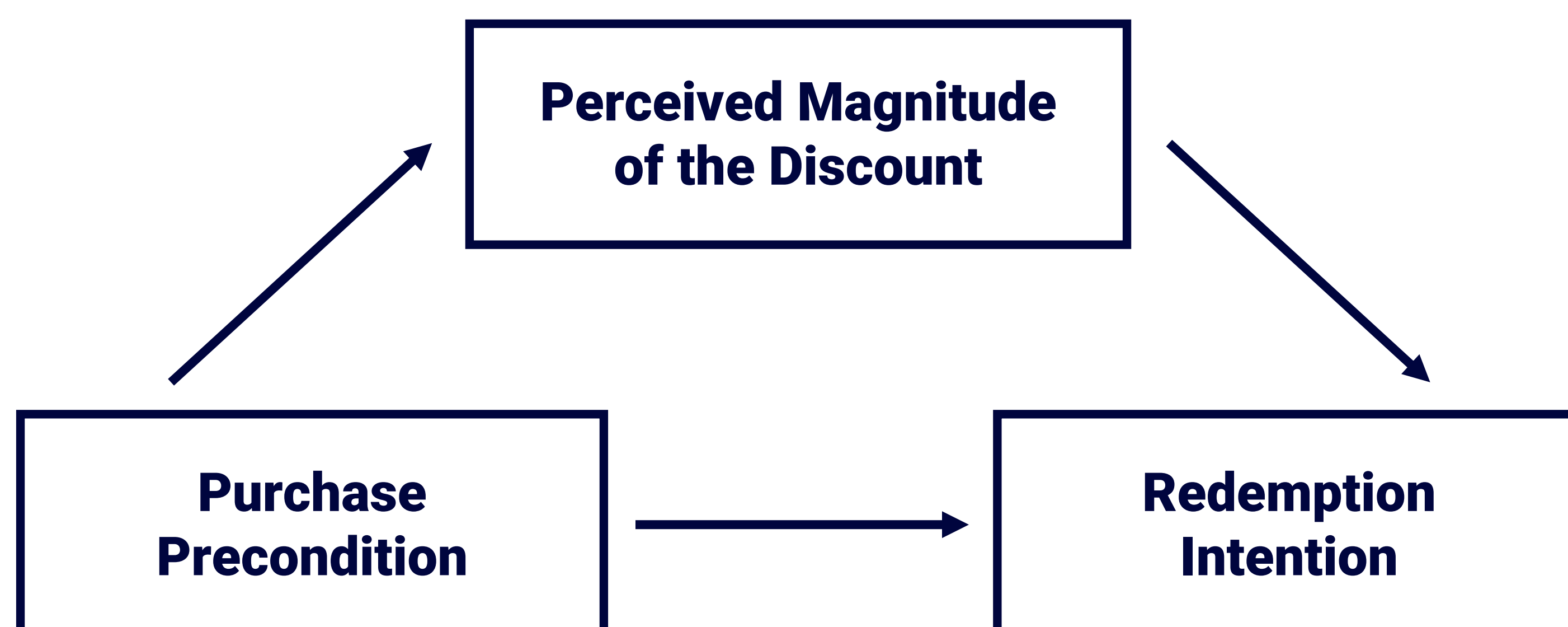
Coupons with purchase preconditions require consumers to spend a certain amount before they qualify for the discount (e.g., "\$2 off if spending \$5 or more"). The limited research on such restrictions has been contradictory regarding their impact on consumer behavior (e.g., Gneezy, 2005; Inman, Peter, & Raghurir, 1997). When and why do consumers sometimes prefer restrictions?

The Current Research

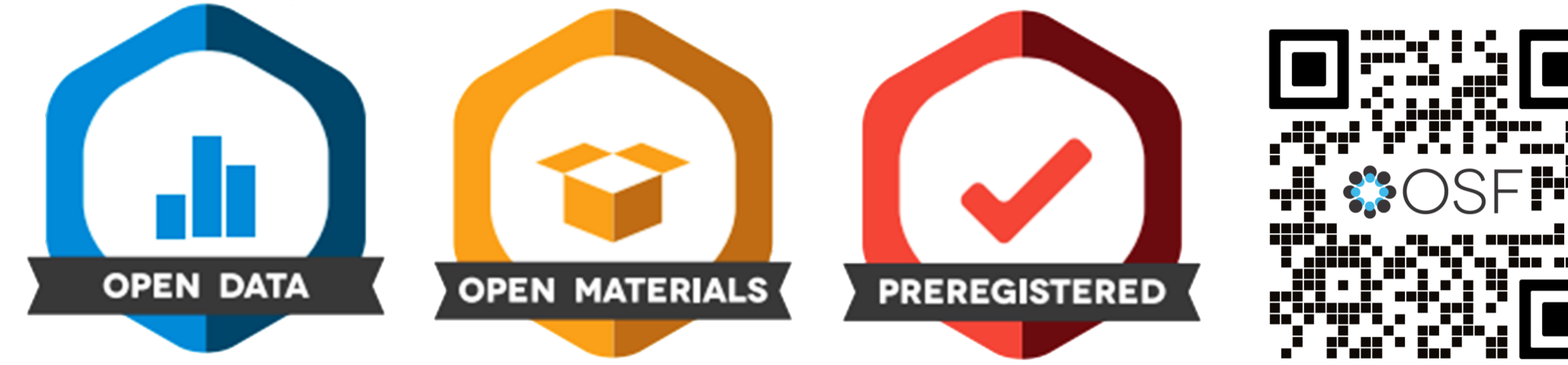
We seek to understand when and why these restrictions affect consumers' assessments of coupons. We find that a purchase precondition acts as an external reference point that can override consumers' prior internal reference point which is developed from past experiences.

For example, consider a "\$2 off" coupon for a supermarket. When the coupon is restriction-free, consumers will compare \$2 to an internal reference point, such as the amount they typically spend at the supermarket.

According to a pre-test survey, U.S. consumers report typically spending around \$13 at the supermarket, so a "\$2 off" coupon would be compared to \$13 and feel like a 15% off discount ($\$2/\$13 = 15\%$). Conversely, when the "\$2 off" coupon requires a \$5 minimum purchase, consumers might compare the \$2 discount to the \$5 minimum purchase and perceive the discount as 40% off ($\$2/\$5 = 40\%$). Due to this change in reference point, a purchase precondition alters the perceived magnitude of a discount, which in turn affects redemption intentions.



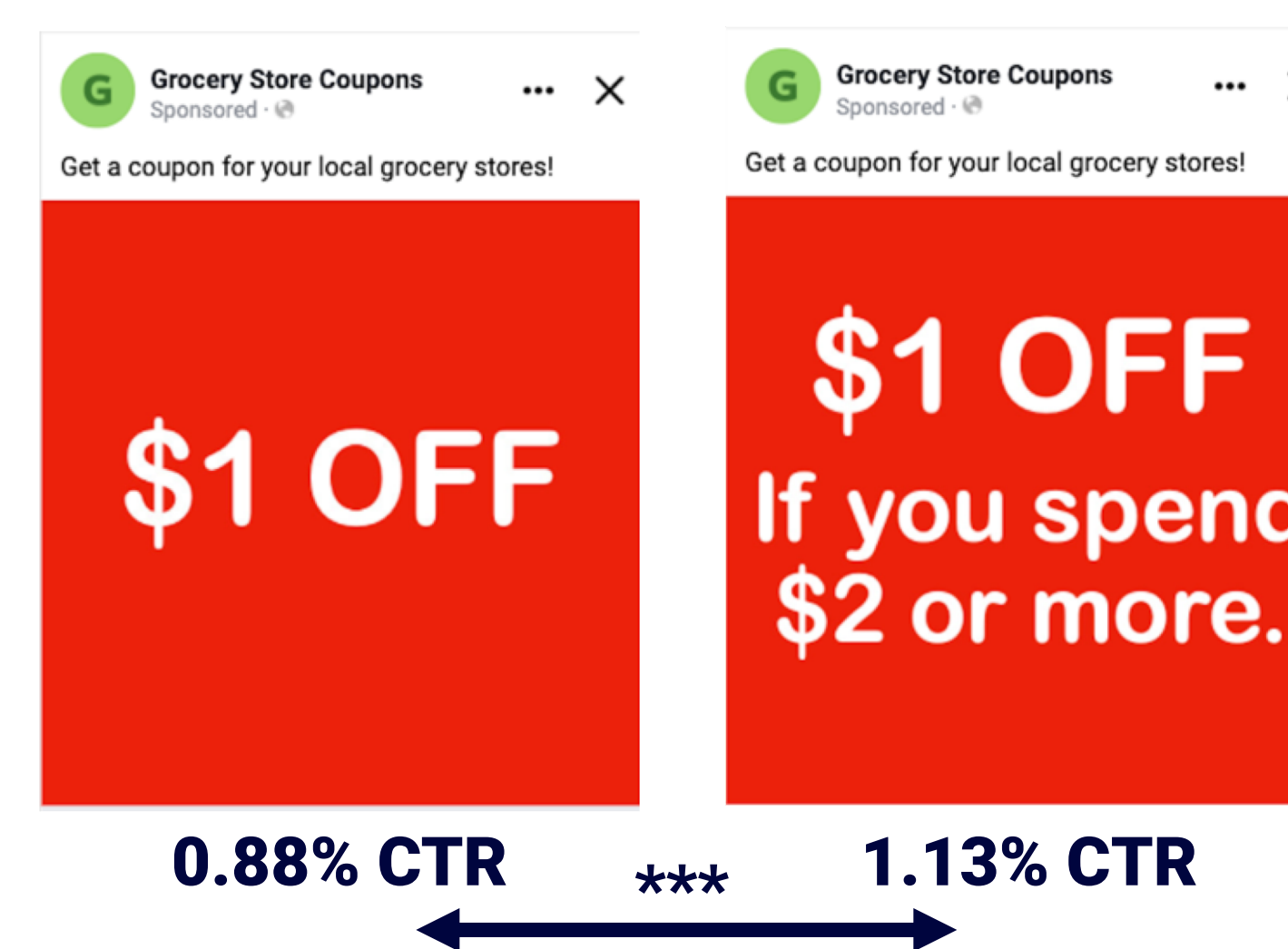
Methods



To gauge consumers' internal reference points, we conducted a pre-test survey and asked Prolific respondents how much a typical purchase at a grocery store, supermarket, and department store would cost them. The smoothed mode (identified using the maximum kernel density estimate) of participant reports was used to identify the most common internal reference point in each context.

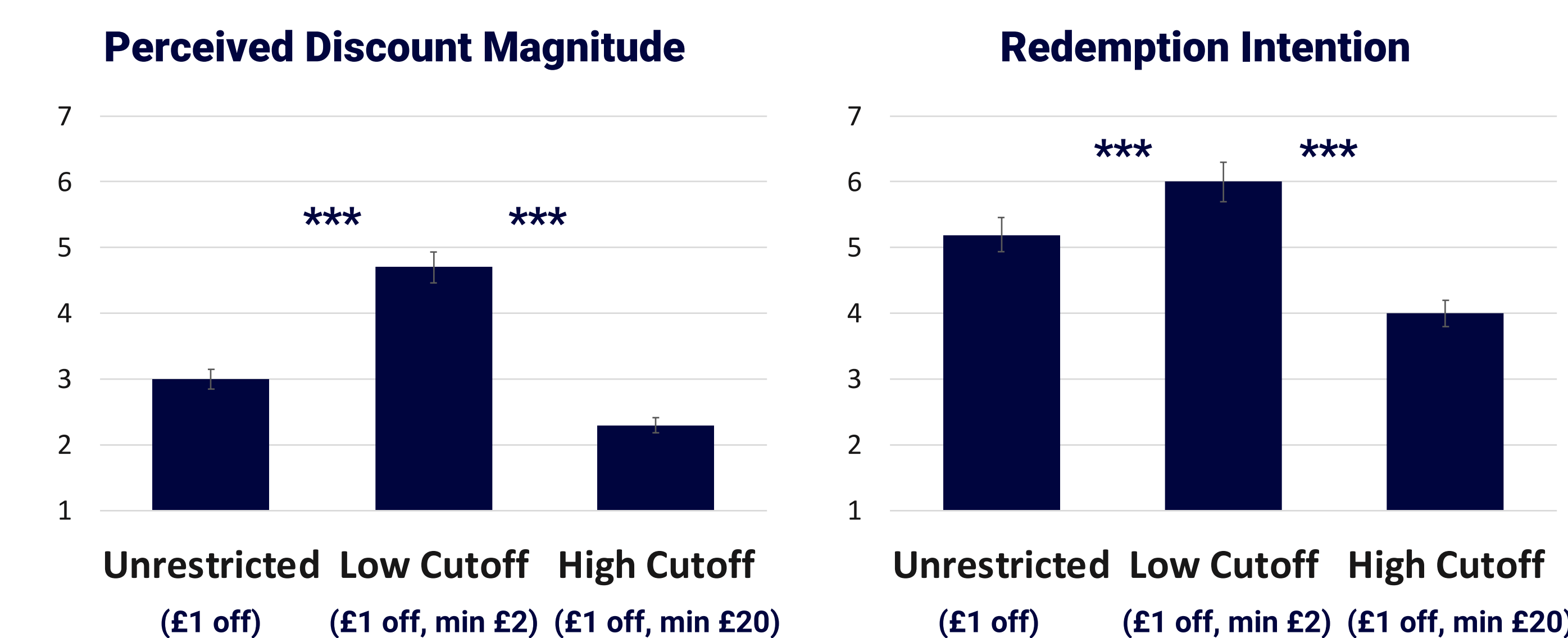
Findings (Figures show means with 95% CIs)

Study 1: Purchase precondition can increase CTR on Facebook



Study 2: Purchase precondition alters perceived discount magnitude

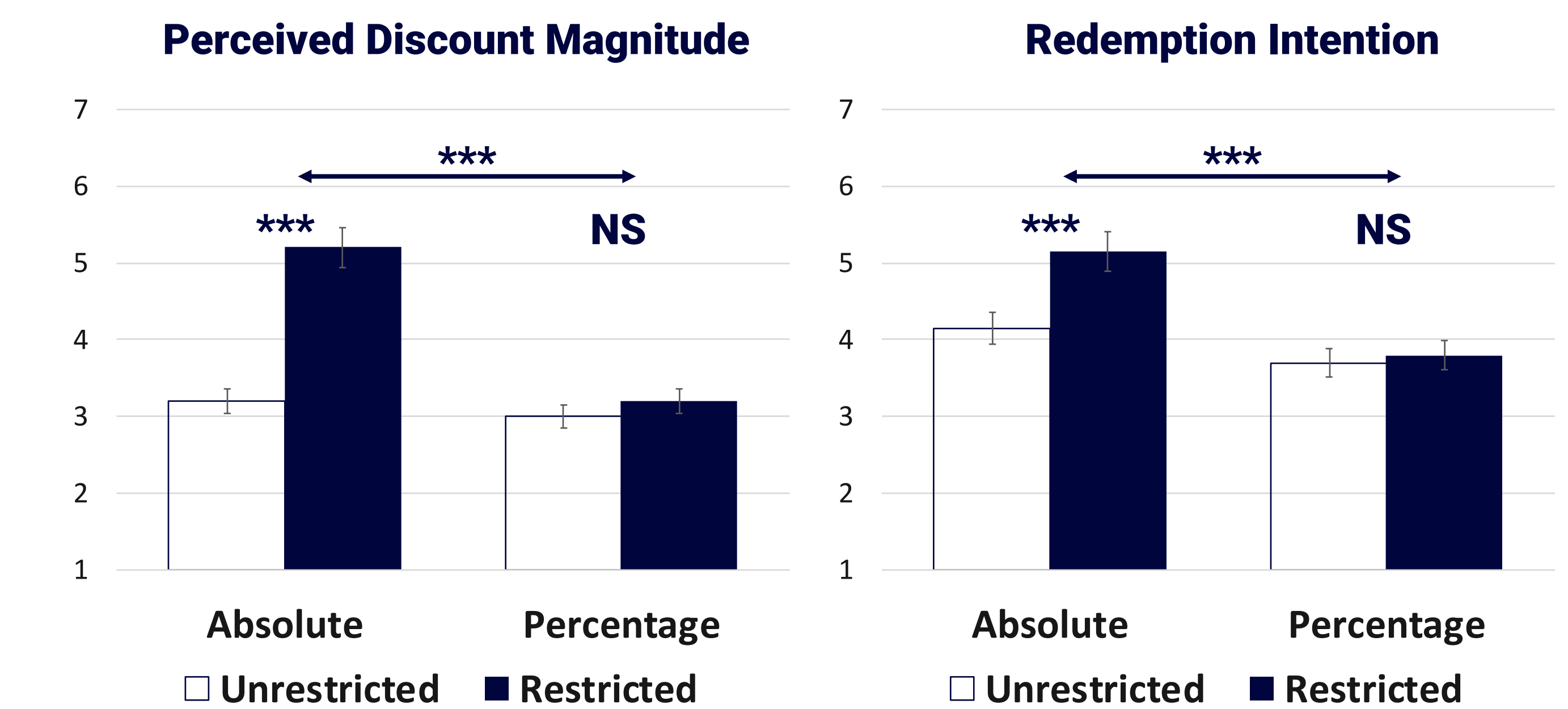
Participants evaluated a supermarket coupon (£1 off) in a between-participants design. We manipulated the external reference point: unrestricted vs. below the internal reference point (min £2) vs. above the internal reference point (min £20).



Study 3: The effect dissipates when the discount magnitude is explicit

Participants evaluated a department store coupon in a 2 × 2 between-participants design

- Absolute format (10% off any purchase) vs. Percentage format (£2 off any purchase)
- Unrestricted vs. Restricted (min £3)



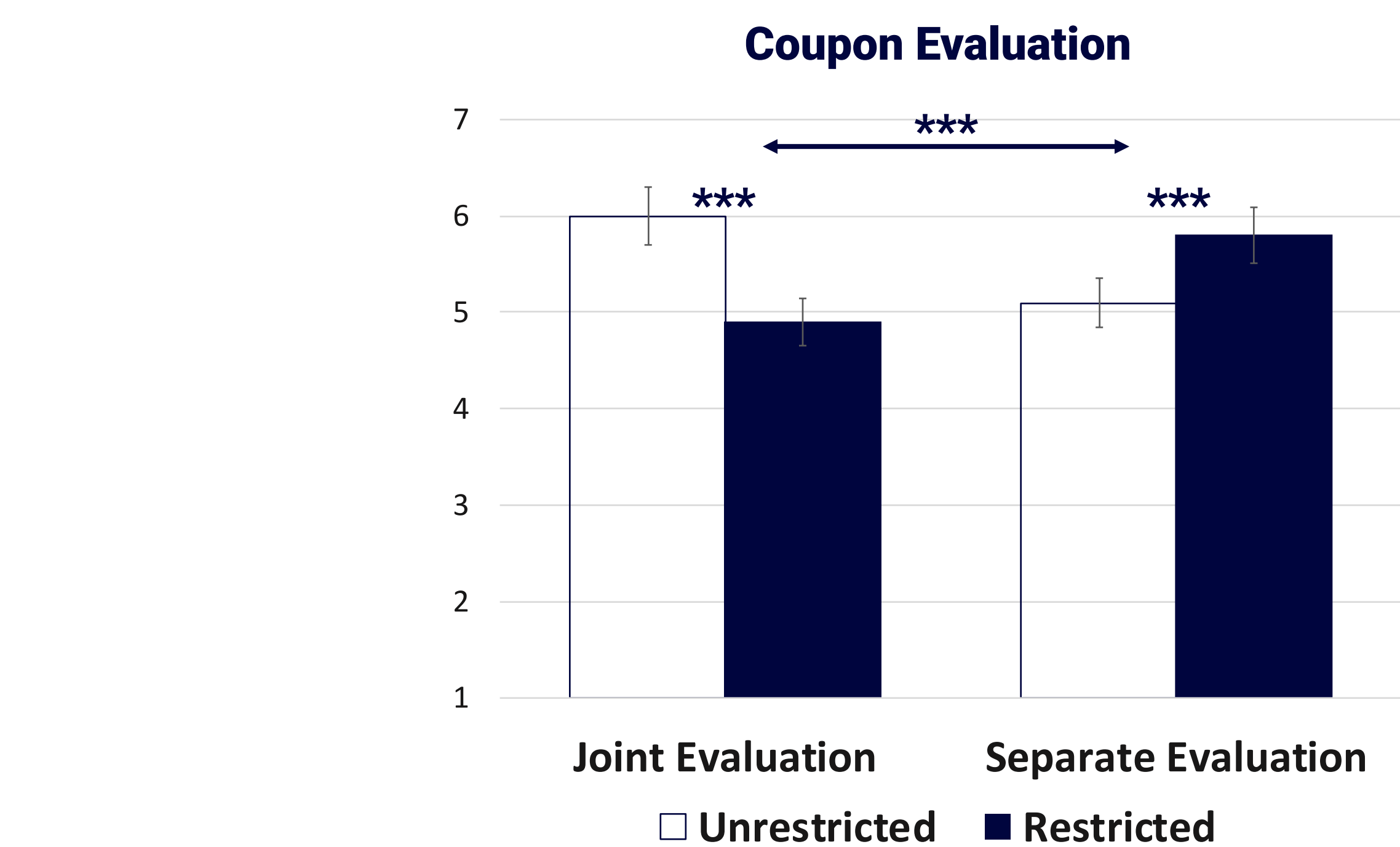
Absolute format: significant indirect effect, 95% CI = [1.22, 1.91]

Percentage format: no indirect effect, 95% CI = [-.05, .47]

Study 4: Purchase precondition can even make a coupon that offers a lower dollar discount more appealing

Participants evaluated a supermarket coupon

- \$2 off with no restrictions vs.
- \$1 off with a \$2 min purchase



Please direct your comments and questions regarding this project to Guanzhong Du (guanzhong.du@sauder.ubc.ca).