Determinants of brand switching: the role of consumer inferences, brand commitment, and perceived risk

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Abstract

Previous research in the area of price discounts has generated a rich, but diverse and mixed body of literature. This research examines the role of consumer's brand commitment and product category risk in influencing the nature as well as valence of the inferences generated by consumers in response to price discounts. Our results provide insights regarding how consumers’ responses to competitor inducements vary depending upon their brand commitment for the incumbent brand and perceived risk. Furthermore, we show that higher commitment consumers could resist an inducement from a competitor when they are able to generate negative, marketer-related inferences. Our research suggests that consumers’ inferences are critical than pure economic benefits in determining the effectiveness of discounts.

Introduction

Companies often use promotional offers to induce consumers to switch to their brands. A widely used promotion used toward this end is price discounts. These discounts may take the form of sales, rebates, price reductions, or coupons with the objective of attracting both switchers and consumers who prefer an alternative brand.

Past research in the area of price discount-oriented sales promotions has generated a rich, but diverse and mixed body of literature. Furthermore, recent research suggests that consumers are likely to generate a variety of inferences in response to promotional offers, ranging from economic to hedonic and informational (Chandon, Wansink, & Laurent, 2000; Raghubir, Inman, & Grande, 2004). Persuasion outcomes (or switching) occur as a result of the consumer inferences generated.

Our research provides a new perspective for classifying and understanding the impact of these inferences on switching behavior. Specifically, based on past research in the area of persuasion knowledge model (e.g., Campbell, 1999; Friestad & Wright, 1994) and consumer inferencing (e.g., Ahluwalia, Burnkrant, & Unnava, 2000; Alba & Broniarczyk, 1994; Schwarz, 2004), we focus on two types of consumer inference: those that focus on the benefits/costs of the consumer; and those that deal with persuasion strategies, tactics, and motivation of the marketer. We propose that the former type of inference (consumer focused) is easier to generate and more likely to spontaneously occur when elaboration likelihood is relatively low. The latter type of inference is metacognitive in nature, which is more effortful to generate, and thereby expected to dominate when the consumer’s elaboration likelihood is relatively high. Furthermore, we argue that compatibility between type of inference generated and other informational inputs (e.g., consumer’s goal) will determine the likelihood of switching. We present empirical evidence from two experiments that support our central thesis.

Conceptualization

Consumer inferences in response to price discounts

Past research suggests that consumers are likely to generate a variety of different inferences in response to price discount information. These inferences can vary from being negative in nature (e.g., discount offered because the product quality is lower, Della Bitta, Monroe, & McGinnis, 1981; Lichtenstein, Netemeyer, & Burton, 1990; Monroe, 1979) to being positive (e.g., lowers risk of trying the product, Raghubir, 1998; Raghubir et al., 2004) toward the discounted brand. They can focus on the marketer’s motivation (e.g., pushing an unsuccessful product, getting the consumer to try a new product) as well as consumer’s costs (e.g., satisfaction of a deal, lowering search costs).

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Elaboration of promotional messages

Consumers can either interpret persuasive information (e.g., ads, promotions, discounts) provided by marketers literally, that is, from the perspective of the benefit it offers to them (e.g., “price discount reduces my purchasing risk” or “will make the decision easy for me” or “is cheap and makes me look cheap”), or engage in higher order cognitions such as “the marketer is trying to get rid of a slow selling item” or “the marketer is very competitive.” Consumer cognitions of the former type are typically focused on themselves. Such thoughts are typically easy and less effortful to generate, given the high accessibility of the self-schema (Burnkrant & Unnava, 1995). They are likely to be a consumer’s first response to a persuasive message or offer, when their elaboration is low to moderate, or they are not motivated or able to engage in high level of elaboration of the promotional offer.

On the other hand, the second type of response requires the generation of higher order metacognition that focuses on the marketer. Past research suggests that people are likely to generate metacognitive thoughts under conditions that allow higher levels of elaboration (Briñol, Petty, & Tormala, 2004). Interestingly, several studies in consumer behavior have demonstrated that enhanced elaboration (opportunity or motivation) often results in consumers generating higher order responses focusing on the marketer motivation and persuasion tactics (e.g., Ahluwalia & Burnkrant, 2004; Campbell, 1999; Friestad & Wright, 1994; Shiv, Edell, & Payne, 1997). Therefore, when consumers are motivated and/or able to engage in deeper level cognitions related to the promotional offer, we expect them to engage in higher level metacognitive thoughts—attempting to understand “why” the marketer is offering this discount.

Brand commitment

Although consumers may generate a variety of inferences regarding the promotion, depending upon the level of elaboration they engage in, the direction of these inferences is likely to be determined by the strength of consumer’s commitment for the incumbent brand (from which the consumer is being induced to switch). Commitment is expected to induce consistency-based processing (Chaiken, Giner-Sorolla, & Chen, 1996; Rusbult & Johnson, 1989), such that the stronger the commitment, the greater the likelihood of processing competitive inducements in a defensive as opposed to more open manner (Ahluwalia, 2000). Simply stated, the stronger the consumer’s brand commitment for an existing brand in the category, the more he/she is likely to attempt “resisting” the discounts offered by competitors. The resistance process is likely to involve generation of negative inferences corresponding to the more literal (e.g., “it cheapens the brand”) as well as the higher order interpretations (”company must not be able to sell it at regular price”) of the discount.

Additionally, past research suggests that people are likely to pay more attention to preference-inconsistent as compared to preference-consistent information (Ditto & Lopez, 1992). As such, they are more likely to accept preference-consistent information at face value, while engaging in deeper cognitions of the preference-inconsistent information (Ditto & Lopez, 1992). These findings imply that consumers with strong brand commitment are also likely to engage in a higher level of elaboration of the promotional offer than those with low brand commitment. In summary, the higher the brand commitment, the greater the likelihood of higher level cognitions focusing on marketer motivations and the greater the likelihood of these cognitions being negative in nature (e.g., unfavorable to the discount).

Perceived risk

We use perceived risk in the product category as an independent variable in our research because of its utility for testing our theory. Specifically, it provides a unique context for testing our hypotheses, given that consumers are likely to generate higher versus lower order inferences of opposite valence in different risk settings. For instance, high-risk situations are likely to aid in the generation of negative higher order, marketer-motivation-oriented inferences for discounts (e.g., poor quality of the product). Thus, the use of perceived risk as a variable in our research allows us to make deductions about the type of consumer inferences that subjects generate in response to competitor discounts in the different conditions.

Hypotheses

Higher brand commitment

Recall that, based on past research, we expect consumers with higher commitment for an incumbent brand to be motivated to resist a competitor discount by engaging in negative inferences. Furthermore, they are also expected to engage in higher order marketer-tactics-related cognitions for interpreting the discount.
High risk

Since high-risk categories are likely to be especially conducive for generating negative marketer-tactics-related inferences, we expect these consumers to be able to easily resist the competitive discounts by engaging in such inferences, irrespective of the size of the discount. In other words, we do not expect either large or small competitive discounts to be able to induce switching behavior for these consumers.

Low risk

However, their responses to competitive discounts are likely to differ in the low-risk product categories, based upon the size of the discount. This is because unlike in the high-risk situation, the compatibility between the valence of feasible inferences and consumer goals may vary depending upon the size of the inducement. As such, when the inducement size is small, it is relatively easy for the consumer to generate negative inferences regarding the discount, compatible with their resistance goal (e.g., the size of the inducement is too small, the marketer is trying to “trick” consumers with the small discount). However, when the inducement size is large, it is more difficult to generate negative marketer-oriented inferences for large inducements under low-risk setting (e.g., Why is such a big discount being offered? Something must be wrong with the product!). This is because the product category risk is low, implying that most products are of reasonably similar/high quality (reducing feasibility of negative product-quality-related inferences). We suggest that under this condition, the perceived benefits from a large inducement are likely to overshadow negative marketer-related inferences.

Lower brand commitment

Recall that we expect consumers with lower commitment for an incumbent brand to exhibit only a very weak consistency bias when faced with a competitor discount. Furthermore, we expect them to elaborate on the offer and its implications to a lesser extent, engaging primarily in lower order consumer-benefit-focused cognitions.

High risk

Since discounts are typically viewed as a mechanism for reducing the customer’s risk and lowering search costs (e.g., Raghubir, 1998; Raghubir et al., 2004), we expect the high-risk setting to be especially conducive for the generation of such positive customer-benefit-focused inferences. This is likely to be especially true when the inducement size is large because such inferences are more meaningful in this condition. However, when the discount size is relatively small, it may not be perceived as being adequate for reducing risk associated with the purchase and for lowering search costs. Thus, while we expect the large discount to be perceived very positively and result in brand switching, the small discount is likely to be less effective in this regard.

Low risk

The inferences discussed above, however, lose some of their face validity in the low-risk situation, even with the large discount. This is because, given the already low level of perceived risk in the product purchase, risk reduction and search cost reduction are not seen as potential benefits of the discount. This might lead the consumers to consider other not-so-obvious benefits/costs associated with the discount. Past research suggests two possible avenues here. The consumers could process the discount at face value and perceive it as “deal,” enjoying the positive affect that comes with such a perception (Raghubir et al., 2004). On the other hand, they could perceive the discount as “cheapening” of the brand, and as a consequence stay away from it (Della Bitta et al., 1981; Monroe, 1979). Both these effects are more likely to occur when the discount size is large. At this point, we are unable to predict, a priori, which of these effects is more likely. However, given that both are possible, we suggest that brand switching would be less likely in the low-, as compared to high-risk categories, for consumers who have weak preferences. This is a counterintuitive prediction.

Furthermore, our rationalizing above suggests that if a consumer resists switching in this scenario, it is likely because he/she has generated negative inferences (e.g., competitor brand is cheap). Since generation of these inferences is consistent with their current preference, they are not likely to face dissonance as a consequence of resisting the discount. Thus, unlike their high-preference strength counterparts, we do not expect these consumers to exhibit a further weakening of their preferences as a result of exposure to and resistance of the competitor discount.

Summary

It is noteworthy that our pattern of predictions is very different for the lower and higher commitment groups. Specifically, while we predict large inducements to be more effective in the low- (as compared to high-) risk settings for consumers who are higher in commitment, we expect the reverse for consumers with a weak commitment (i.e., large inducements are likely to be less persuasive in low- as compared to high-risk categories). This reversal is attributed to the nature of inferences (higher order marketer tactics vs. lower order consumer benefit focused) we expect the strong vs. weak preference consumers to engage in.
Experiment 1

Method

Design

Hypotheses were tested using a 2 (brand commitment: higher vs. lower) × 2 (perceived risk in the product category: high vs. low) × 2 (size of inducement: high vs. low) between subject factorial design. Four control groups (one for each combination of preference strength and perceived risk) in which subjects were not offered any economic inducement were also run. A total of 252 undergraduate students at the Midwestern University participated in the study for an extra credit.

Procedure

On their arrival, subjects were handed a packet of materials. First, they read a Consumer Reports article about a Global Positioning Satellite (GPS), which discussed evaluations of seven brands. The data were constructed to ensure that one brand (Garmin) dominated the others, so that most subjects would be likely to choose the same brand. The brand chosen by the subject at this point (Time 1) is henceforth referred to as the “incumbent brand.” Perceived risk of the product category was manipulated via the brand-related information contained in this article. Subjects were asked to make a choice from the brands presented in the article and to justify their preference (form brand commitment). In the higher commitment condition, subjects were provided with a chance to justify and explain the reasons behind their choice, whereas subjects were not given such an opportunity in the lower brand commitment condition.

After completing these tasks, subjects were exposed to information about a new fictitious brand in the same product category (Pegasus, henceforth referred to as the “competitor brand”), which presumably had been introduced in the market after the publication of the Consumer Reports article. In the control condition, subjects viewed an ad about the Pegasus brand. In the inducement conditions, they viewed the ad followed by either a small or a large discount offer. They completed a questionnaire (“Time 2” measures), were debriefed, and quizzed for potential hypothesis guessing.

Independent variables

Perceived risk

This was manipulated via the text as well as the data provided in the Consumer Reports article. Our manipulation was based on performance risk and economic risk, which are two major dimensions of perceived risk (Woodside, 1974). In the low- (high-) risk condition, subjects were informed that there was a low (high) level of variance in the quality of the offerings and the average quality in this product category was relatively high (mediocre). The brand rating data presented in the table were consistent with these observations. In a pretest conducted to assess the risk manipulation, as expected, subjects who viewed the high-risk version of the article reported higher perceived risk in the product category compared to those who viewed the lower risk version (Ms = 22.22 vs. 15.57, F(1, 43) = 5.01, p < .05).

Brand commitment

For the lower brand commitment condition, the experimenter asked subjects to make a choice among the presented brands. In the high-brand commitment condition, subjects viewed the same information and made the same choice; however, they were asked to state their evaluation of each brand before they stated their final choice. Additionally, after making their choice, they were asked to write down the rationale for their decision. The mental rehearsal and justification of this rationale as well as greater elaboration of the decision are expected to enhance brand commitment. In a pretest, subjects in the higher brand commitment condition reported significantly stronger preference for the chosen brand than those in the lower brand commitment condition (Ms = 4.77 vs. 4.10, F(1, 44) = 4.09, p < .05), although they did not report any significant differences in knowledge of the alternatives or the product category (ps > .20).

Size of inducement

The inducements were provided in the form of discounts. Based on past research (Della Bitta et al., 1981), the small inducement was set at $20 whereas the large discount was $100 (list price of Pegasus brand disclosed as $294).

Dependent variables

Brand choice

Subjects were asked to provide their brand choice at two different points in the experiment. First, they were asked to choose one brand (from the seven presented) after they viewed the Consumer reports article (Time 1). They made their second choice (Time 2) in the product category at the end of the experiment, after viewing all the information in the Consumer Reports as well as after reading the materials related to the competitor brand and its promotional offer (Pegasus).

We computed brand switching by comparing subject’s brand choices in Time 1 to Time 2. We also noted whether the subject switched to the competitor brand (Pegasus) or to a different brand.

1The product category was selected on the basis of a pretest which revealed that students in the subject pool were somewhat interested in it (M = 3.62/7).
Preference strength toward the incumbent brand was measured in Time 1 and Time 2 by the question, “how would you rate your chosen brand compared to the next best alternative?” (7-point scale, anchored by “very inferior/very superior”). Based on these data, we computed a change in preference strength measure for each subject who did not switch in Time 2. A 2-item, 7-point, brand loyalty measure, based on Beatty, Homer, and Kahle (1988), was administered to assess the subject’s loyalty toward the brand chosen in Time 2.

Finally, subjects’ knowledge of the current brand offerings in the GPS product category was assessed on a 3-item, 7-point scale. Subjects were asked the extent to which they engaged in analyzing the information provided (7-point scale).

Results

Manipulation and confound checks

None of the groups varied in terms of their knowledge of the brand offerings in GPS product category (all effects, p > .05). Subjects in the higher brand commitment condition reported being more engaged in analyzing the information than subjects in the lower brand commitment condition (Ms = 4.98 vs. 4.46, $F(1, 478) = 23.83, p < .01$).

Brand switching

We hypothesized that when subjects had formed a lower brand commitment in Time 1, large discounts would be more effective than small discounts in inducing brand switching at Time 2, irrespective of the risk associated with the product category. However, when consumers had formed a higher brand commitment in Time 1, we expected large discounts to be more effective in inducing switching in only the low-risk scenarios. In the high-risk scenarios, we expected subjects to engage in negative metacognition relating to “why” the brand was offering a discount, lowering the likelihood of a brand switch.

The data were analyzed using logistic regression models with the log odds of brand switching as the dependent variable and dummies for brand commitment, perceived risk, inducements from a new brand, and a three-way interaction as the independent variables. The logistic regression results indicated a main effect of the inducement ($\chi^2 = 26.47, df = 1, p < .01$) on brand switching and a marginally significant three-way interaction ($\chi^2 = 2.82, df = 1, p < .1$). Follow-up comparison analyses were conducted.

In the lower brand commitment condition, a large inducement was more likely to lead to brand switching than a small inducement and no inducement in both the high- and low-risk conditions (all $p < .01$). Interestingly, in the lower brand commitment conditions, the small discount was no more effective than no inducement (or control condition) in promoting brand switching. Only the large inducement helped. Please refer to Table 1 for the cell means.

When consumers had formed a strong brand commitment in Time 1, their response to the inducements varied depending upon the risk level in the product category. When risk was high, size of the inducement did not matter. Neither the large nor the small inducement was more effective than no inducement in encouraging brand switching, all $p > .05$. However, when the perceived risk was low, large inducements were more persuasive than small inducements and no inducements ($p < .01$). These results were consistent with the hypotheses (Table 1).

Competitor choice

The pattern of results obtained with choice for the competitor brand (Pegasus) mirrors the brand switching findings, as expected. Please refer to Table 2 for the cell means. These results suggest that most of the subjects, who switched to Time 2, chose the competitor brand.

Change in preference strength

Next, we examined the change in preference strength for the incumbent brand (i.e., brand chosen in Time 1) for consumers who were able to resist the inducement in Time 2. Two measures of preference strength had been used in our study: a difference score (Time 1 preference – Time 2 preference) and

| Table 1 | Experiment 1: Brand Switching (Proportion of Subjects Who Switched to Time 2) |
|---------|----------------------------------|----------------------------------|
|         | Higher brand commitment          | Lower brand commitment           |
|         | Low risk                         | High risk                        | Low risk                         | High risk                        |
| No inducement | .10 (.30)                          | .23 (.42)                          | .38 (.49)                          | .26 (.44)                          |
| Small inducement | .20 (.40)                        | .23 (.42)                          | .33 (.47)                          | .25 (.44)                          |
| Large inducement | .48 (.51)                          | .38 (.49)                          | .68 (.47)                          | .80 (.41)                          |

Note. Standard deviations are presented in parentheses.
a 2-item measure of loyalty toward the chosen brand used in Time 2. Please refer to Table 3 for the cell means.

The one notable finding that emerges consistently across two measures for the lower brand commitment subjects is that the large inducement has a greater and reverse impact in the high-risk as compared to the low-risk condition. In particular, a noteworthy finding is that consumers who are able to resist the large inducement in the high-risk condition show a dramatic drop in their preference strength for the incumbent brand. That is, even though they have been able to resist the inducement effectively in this time period, they might have been rendered more likely to switch in the future (given their lowered preference strength). The consistent pattern of data across the two measures adds confidence to these findings.

Another interesting finding for the lower brand commitment was that the opposite pattern of data was obtained with large inducements in the low-risk condition. That is, people who were able to resist large inducements in the low-risk condition emerged with stronger (rather than weaker) preference for the incumbent brand. Thus, their current resistance was likely to render them even less susceptible to subsequent inducements. Although the pattern of data was not consistent across the two measures, the difference between the control group and large inducement group emerged as marginally significant ($p < .05$) with one measure (loyalty).

As expected, the pattern of results obtained with the higher brand commitment consumers was the reverse of that obtained for the lower brand commitment consumers. Specifically, consumers who were able to resist the large inducement in the high-risk condition did not exhibit any decline in their preference strength. In fact, for these consumers, small inducements appear to be at least as, if not more, effective as the large inducements. The difference score measure revealed a significantly greater drop in preference strength with the small inducement, as compared to the large inducement as well as the control group.

However, those who resisted the large inducement in the low-risk condition demonstrated a significant lowering of their preference for the incumbent brand as compared to those in the control condition (all $ps < .01$). Recall that these consumers were able to resist the large inducement much better than their lower brand commitment counterparts.

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Table 2  Experiment 1: Competitor Choice (Pegasus)

<table>
<thead>
<tr>
<th></th>
<th>Higher brand commitment</th>
<th></th>
<th>Lower brand commitment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low risk</td>
<td>High risk</td>
<td>Low risk</td>
<td>High risk</td>
</tr>
<tr>
<td>No inducement</td>
<td>.10 (.30)</td>
<td>.23 (.42)</td>
<td>.38 (.49)</td>
<td>.15 (.37)</td>
</tr>
<tr>
<td>Small inducement</td>
<td>.20 (.40)</td>
<td>.23 (.42)</td>
<td>.28 (.45)</td>
<td>.18 (.38)</td>
</tr>
<tr>
<td>Large inducement</td>
<td>.48 (.51)</td>
<td>.38 (.49)</td>
<td>.63 (.49)</td>
<td>.75 (.44)</td>
</tr>
</tbody>
</table>

Table 3  Experiment 1: Change in Preference Strength of the Incumbent Brand by Consumers Who Did Not Switch

<table>
<thead>
<tr>
<th></th>
<th>Higher brand commitment</th>
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<th>Lower brand commitment</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Low risk</td>
<td>High risk</td>
<td>Low risk</td>
<td>High risk</td>
</tr>
<tr>
<td>Measure 1: Preference difference score</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No inducement</td>
<td>.42 (.69)</td>
<td>.19 (.91)</td>
<td>.28 (1.06)</td>
<td>.45 (1.09)</td>
</tr>
<tr>
<td>Small inducement</td>
<td>.12 (.86)</td>
<td>.74 (1.09)</td>
<td>.37 (.93)</td>
<td>.79 (.88)</td>
</tr>
<tr>
<td>Large inducement</td>
<td>.81 (.87)</td>
<td>.32 (.63)</td>
<td>.08 (.49)</td>
<td>1.5 (93)</td>
</tr>
<tr>
<td>Measure 2: Loyalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No inducement</td>
<td>4.94 (0.96)</td>
<td>4.64 (1.21)</td>
<td>3.36 (1.47)</td>
<td>4.91 (1.47)</td>
</tr>
<tr>
<td>Small inducement</td>
<td>4.52 (1.14)</td>
<td>4.42 (1.22)</td>
<td>3.85 (1.11)</td>
<td>3.70 (1.61)</td>
</tr>
<tr>
<td>Large inducement</td>
<td>3.57 (1.24)</td>
<td>4.94 (1.55)</td>
<td>4.38 (.68)</td>
<td>2.63 (.44)</td>
</tr>
</tbody>
</table>
That is, even though they were able to effectively resist inducements in this instance, they are likely to be more susceptible to switching in the next time period, since their preference strength or attachment to the brand has been lowered. Also, note that the small inducement did not seem to provide any additional benefit in this regard over the no inducement condition (all ps > .05).

Experiment 1 showed that individuals’ switching behaviors are influenced by brand commitment toward an incumbent brand, size of the inducements offered by a competing brand, and perceived risk. Consumers with a higher brand commitment, who are likely to be defense motivated, are expected to engage in a higher level of elaboration of the promotional offer than those with a lower brand commitment with a view to resisting the competitor discount. The enhanced motivation to elaborate (because of their defense motivation) is likely to facilitate the generation of higher level negative metacognition focusing on marketer motivations, which are typically more effortful and necessitate higher level of elaboration, allowing the consumer to resist these discounts. It would follow then that if the ability of the higher commitment consumers to elaborate on competitive discounts was constrained, their resistance to large discounts, as demonstrated in this experiment, could be attenuated, since they would be unable to engage in the higher level marketer-focused metacognition, which allowed them to resist the discount.

Exhibiting such a reversal for the higher commitment consumers in constrained elaboration conditions will enhance confidence in our proposed mechanism as well as provided direct evidence of the role of elaboration likelihood in our framework. Additionally, more direct empirical evidence of the type of inferences generated under different conditions would be desirable. Experiment 2 was designed to address these issues and to help deepen our understanding of the process underlying the findings of Experiment 1 as well as to more clearly delineate the role of elaboration likelihood in our framework.

**Experiment 2**

The high-risk and large inducement conditions from Experiment 1 were chosen for replication in a design where elaboration likelihood (constrained vs. unconstrained) and brand commitment (higher vs. lower) were manipulated. Additionally, measures of higher (marketer focused) and lower order (consumer cost benefit focused) inferences were also included in this study. High-risk and large inducement conditions were chosen since they are likely to provide the strongest test of the underlying mechanism: (a) Both the strongest resistance to discounts (by higher commitment consumers) as well as strongest persuasion and switching by discounts (for lower commitment consumers) emerged in this cell. (b) Since the resistance by higher commitment (and not the persuasion by lower commitments) was based on higher order inferences, our theorizing would imply constraining elaboration ability would attenuate the effects for the higher but not lower commitment groups.

Specifically, we predict that higher commitment consumers are likely to resist an inducement in a high-risk situation by generating negative marketer-related inferences (e.g., marketer is trying to push a product to consumers, something must be wrong with this product as this deal is too good to be true) that require a considerable amount of processing resources. Therefore, when we constrain their ability and opportunity to elaborate, the extent to which they can resist a discount offer from a competitor brand is likely to abate. To impose a constraint on resources available for elaboration, we included a manipulation focused at depleting the processing resources of the participant, adapted from Shiv and Fedorikhin (1999). Experiment 2 used a two-factor (processing resources: high vs. low) and two (brand commitment: higher vs. lower) between-subjects design.

**Procedure**

A total of 190 undergraduate students were randomly assigned one of the four conditions. Subjects were provided with instructions that stated the study was about the consumers’ decision making. As in Experiment 1, first, subjects were asked to read a *Consumer Reports* article about a GPS, which discussed evaluations of seven brands, and then they were asked to make a choice from the brands presented in the article. The brand chosen by the subject at this point (Time 1) is referred to as the “incumbent brand.” Then, brand commitment was manipulated as in Experiment 1.

After completing these tasks, one group of subjects was asked to memorize a seven-digit number (low processing resource condition) and another group was requested to memorize a two-digit number (high processing resource condition) (Shiv & Fedorikhin, 1999). Subjects were asked to read a segment from a *Wall Street Journal* article regarding “rising retail sales” while rehearsing the number given to them. After reading a paragraph, they were asked to write down the number they had been asked to memorize. This exercise of reading an excerpt while simultaneously memorizing a seven-digit number was expected to deplete the participants’ processing resources. However, this depletion effect was not expected for the subjects assigned to the easy two-digit number condition. Next, they were exposed to information about a new fictitious brand (Pegasus). They viewed the ad followed by a large discount offer ($50 off of $155), and they were asked to make a second choice (“Time 2” measures).
Independent variables

**Brand commitment**

Brand commitment was manipulated as in Experiment 1.

**Processing resource**

As described in the procedure, processing resource was manipulated based on Shiv and Fedorikhin (1999).

Dependent variables

**Brand choice**

As in Experiment 1, subjects were asked to provide their brand choice at two different points in Experiment 2. First, they were asked to select one brand (from the seven presented) after reading the Consumer Reports article (Time 1). Then, they made a second choice (Time 2) at the end of the experiment, after reading all the information in the Consumer Reports as well as the materials related to the new competitor brand and its promotional offer (Pegasus). We computed brand switching by comparing subject’s brand choices in Time 1 to Time 2.

Inferences generated after choosing one brand among all available brands including Pegasus was measured immediately after Time 2 choice. We measured negative marketer-oriented inferences using four items: “The company provides this discount to consumers because it cannot sell their product at a regular price,” “The quality of this product seems to be low,” “The discount cheapens the brand,” “The quality of this product may not be very good” (7-point scale, anchored by “strongly disagree/strongly agree”) (Cronbach’s $\alpha = .71$), whereas positive consumer-benefit-related inferences were assessed using four items such as “The discount eases my purchase decision,” “The discount saves my search effort for other brands,” “By offering this discount, the company is trying to pass on the savings to consumer,” “This promotional offer is a great deal.” (Cronbach’s $\alpha = .73$) (7-point scale, anchored by “strongly disagree/strongly agree”). Finally, subjects’ involvement in brand offerings in GPS product category was assessed based on a 3-item, 7-point scale.

Results

**Manipulation and confound checks**

None of the groups varied in terms of their involvement of the brand offerings in GPS product category (all effects, $p > .05$).

**Brand switching**

When higher commitment consumers were stripped of the opportunity for a high level of elaboration by engaging in a cognitively depleting task, we expected they would be more likely to switch to a competitor brand offering a large discount, as they would be less likely to engage in negative metacognition relating to “why” the brand was offering a discount. However, we did not expect any differences in the lower commitment conditions, since we did not expect them to engage in the resource intensive higher order inferences.

The data were analyzed using logistic regression models with the log odds of brand switching as the dependent variable and dummies for brand commitment and processing resource, and a two-way interaction as the independent variables. The logistic regression results for switching indicated a main effect of the brand commitment ($\chi^2 = 5.858, df = 1, p < .05$) and the processing resources ($\chi^2 = 6.26, df = 1, p < .05$). Planned contrasts revealed that when consumers had formed a strong brand commitment in Time 1, their response to an inducement from a competitor brand in Time 2 varied depending upon their level of processing resources available. A large inducement from a competitor brand was significantly less effective when subjects’ processing resources were not constrained (vs. constrained), and hence they were able to elaborate on the marketer’s strategies and motivations. That is, subjects in the high processing resource condition were less likely to switch than those in the low processing resource condition ($Ms = .05$ vs. .26, $z = 2.256, p < .05$). On the other hand, when brand commitment was lower, there was no significant difference in switching likelihood in the two processing conditions ($Ms = .25$ vs. .38, $z = 1.00, p > .05$) (Table 4). The finding indicates that even higher commitment consumers may switch to a competitor with a substantial monetary incentive under the conditions where they do not (or are not allowed to) allocate processing resources to elaborate on the implications of the competitive offer.

Furthermore, we predicted that subjects in the higher commitment condition would be able to generate more negative marketer-tactics-focused inferences when their processing capacity is not constrained compared to when it is. That is, the higher the brand commitment toward an incumbent brand, the greater the likelihood of higher level negative metacognition focusing on marketer motivations. Support for our conceptualization was obtained by analyzing measures that tapped into the type of inferences subjects generate.
A significant interaction effect emerged for the marketer-tactics-focused inferences, $F(1, 153) = 10.185, p < .05$. Consistent with our conceptualization, the results indicate that subjects in the higher brand commitment condition were more likely to generate negative marketer-tactics-focused inferences when processing resources were not constrained than when the processing resources were constrained, and hence elaboration was less likely to occur ($M_s = 4.71$ vs. $4.18$, $F(1,76) = 7.45$, $p < .05$). On the other hand, there were no such differences between processing resource conditions for the subjects in the lower brand commitment condition (Table 5).

In addition, we also analyzed the data for the positive consumer-benefit-focused inferences. Results of the ANOVA reveal significant main effects of brand commitment, $F(1, 153) = 11.46$, $p < .01$, and processing resources, $F(1, 153) = 7.48$, $p < .01$, but no significant two-way interaction of brand commitment with processing resources, $F(1, 153) = .616$, $p > .05$. The findings show that the subjects were more likely to generate positive consumer-benefit-related inferences when processing resources were constrained, and hence elaboration likelihood was lower, whereas people generated higher order inferences more when processing resources were not constrained, and hence elaboration likelihood was higher (Table 6).

Overall, the pattern of results provided evidence that the interesting finding of higher resistance to large discounts in high-risk markets by higher commitment consumers, uncovered in the first study, was due to the likelihood of these consumers generating the relatively high resource consuming and effortful metacognitive marketer-related inferences. When their capacity to generate these inferences was constrained, they were unable to demonstrate this resistance effect.

### General discussion

Our results provide interesting insights regarding how consumers’ responses to competitor inducements vary depending upon their brand commitment for the incumbent brand and perceived risk in the product category. Our data suggest that depending upon these factors, consumers might make positive or negative inferences relating to the same-sized discount. Our research adds to the emerging stream of research in consumer behavior which suggests that consumers’ inferences may be more important than pure economic benefits in determining the effectiveness of discounts (e.g., Raghubir et al., 2004).

The findings also indicate that any discount in a high-risk product category is likely to be ineffective in wooing consumers who have formed strong brand commitment, unless the processing capacity of these consumers is severely constrained. In contrast, large discounts tend to be extremely effective for the lower brand commitment consumers or “switchers” in the high-risk categories. It is important to note that even the “higher” brand commitment groups in our study represented relatively “moderate” brand commitment groups compared to the marketplace where consumers are likely to have past experience as well as more information and interaction with their preferred brands. Therefore, the results suggest that in high-risk situations, discounts are only likely to motivate “switchers.” And that too, only large discounts, since our data demonstrated the ineffectiveness of the small discounts in this condition.

With regard to the low-risk conditions, it appears that discounts (only large ones) are likely to be effective in inducing consumers who prefer a competitive brand to switch. More importantly, even when consumers do not switch in response to the discount, the process of being exposed to it in itself is likely to reduce the strength of their brand commitment for their chosen brand. In essence, large discounts are likely to leave these consumers more vulnerable to switching in response to future inducements. Price discounts, however, do not seem to be as effective for the “switcher” segment in the low-risk condition (as compared to the “high risk” condition). Importantly, the lower brand commitment consumers who are able to resist these discounts are not rendered any more likely to switch in the future.

Taken together, we argue that the effect of price promotions may not be as straightforward as manufacturers or retailers usually believe. Large price cuts are frequently employed to help consumers switch to a new or a competitor brand. However, depending on the consumers’ interpretations of the price cuts, a price cut with a minor price promotion could be more effective than a large price cut. In the current research, we propose that perceived risk and brand commitment of customers can be considered the factors that affect consumers’ perceptions of the price cuts.
Dodson, Tybout, and Sternthal (1978) argue that for the purchase on promotion, consumers tend to attribute their purchase to the external reasons such as presence of promotion rather than other reasons such as high quality of the brand. This often leads to lowered evaluation of the brand or cheapens the brand image. On the other hand, purchasing the brand off promotion is believed to result in stronger brand loyalty as compared to purchase of the brand on any promotion offers. Our data showed this is the case by showing that subjects whose brand commitment is higher in the high-risk situation displayed stronger preference toward the brand after resisting price discount offers from a new competitor brand. It appears that high-risk situation helps individuals who had already formed a strong brand commitment become more brand loyal after they are able to resist an inducement from a competitor brand.

Experiment 2, which was intended to show the underlying process of the findings of Experiment 1, showed that the higher commitment consumers resist an inducement from a competitor because they are able to generate marketer-related inferences. The results demonstrate that people generate more negative marketer-related inferences such as “The quality of this product may not be very good.” “The company provides this discount to consumer because it cannot sell their product at a regular price,” and less positive, consumer related inferences such as “By offering this discount, the company is trying to pass on the savings to consumer.” However, when their ability to elaborate was constrained, they were susceptible to an inducement from a competitor brand, as their ability to generate the higher order marketer-focused inferences was constrained, and hence were more likely to switch. Our data suggest that higher order inferences are likely to take up a larger amount of processing resources and elaboration than the lower order consumer-based inferences.

Our findings indicate that nature (e.g., marketer tactics focused or consumer benefits) and valence (negative or positive) of the consumers’ inferences are more critical in determining the effectiveness of discounts than the size of inducements. People’s switching likelihood may not depend merely on the size of inducements from a competitor brand and even brand commitment for an incumbent brand. Rather, consumers’ level of cognitive elaboration and nature and valence of inferences may be a more pivotal factor for switching decision.

There are several limitations in the present research. First, the cell sizes were relatively small in the large inducement conditions because of a great number of subjects who switched in these conditions. Second, our results show evidence of metacognition in switching behavior but the findings could have been more convincing with having more evidence of metacognition. We leave this to future research as well. Future studies may extend or deepen current findings by examining the role of consumer inferences on the susceptibility to price discounts from competitor brands more thoroughly.

References


