Sales Promotion: The Role of Equity Sensitivity

Journal:	<i>Asia Pacific Journal of Marketing and Logistics</i>
Manuscript ID	APJML-04-2021-0249.R2
Manuscript Type:	Research Paper
Keywords:	Sales promotion, equity sensitivity, purchase experience

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Structured Abstract

Purpose – This paper explores how consumer psychographics impact responses to sales promotions, and specifically whether equity sensitivity (ES) moderates attitudes towards sales promotion in retail purchase experiences.

Design/methodology/approach – The study examines data from a survey of 284 Hong Kong consumers, using a shopping mall-intercept method. Every third person walking past the researchers was asked to participate in the survey. After obtaining their permission, those agreeing to take part in the study were surveyed either inside or outside of the shopping complex. The face-to-face intercept surveying method also increases confidence in sample and response reliability.

Findings – The study finds that equity sensitivity has a significant positive relationship with evaluations of the retail purchase experience. Consumers identified as ‘Benevolents’ were significantly more positive towards sales promotions and reported significantly higher satisfaction with the purchase experience. In contrast, consumers identified as ‘Entitled’ were less positive towards sales promotion, and less satisfied with the purchase experience. In addition, non-cash sales promotions significantly positively influenced Benevolents’ purchase experience.

Research limitations/implications – The current study extends and expands equity theory, and equity sensitivity research, by applying these concepts to consumer sales promotions. The study is limited to an examination of common consumer purchases, across different product categories and sales promotion types. While this allows us to examine the relationship between sales promotion attitudes, equity sensitivity, and purchase satisfaction, future comparisons

between individual sales promotion techniques and specific consumer profiles are recommended.

Practical implications – From a retail perspective, it is important to understand individual differences and what influences and motivates the consumers' retail purchase experience. Retail managers are advised to track customer purchases and satisfaction levels linked to sales promotions as this would allow for the identification of which customers are more likely to fit the Entitled or Benevolent psychological profiles, and predict their likely responses to sales promotion offers.

Originality/value – To date there has been little research on individual psychological differences between consumers when offered sales promotions at retail stores. The current study contributes to the marketing literature by extending the price fairness equity model to the retail purchase experience, thereby addressing a prominent gap in the literature.

Keywords Sales promotion; retail; consumer perceptions; equity sensitivity; purchase experience

Paper type Research paper

This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.

Sales promotion: The role of equity sensitivity

Introduction

Over the last few decades, producers of consumer products have increasingly focused their promotional budget on sales promotion in favor of mass market advertising. This shift in strategy is notable; past research has criticized sales promotions as lacking brand-building capability, particularly with regard to developing brand equity. However, increasingly crowded marketplaces and price-conscious consumers are forcing manufacturers and retailers to accept sales promotion costs as a necessary part of business in consumer products markets (Dawes, 2004; Valette-Florence, Guizani, and Merunka, 2011; Yang, Cheung, Henry, Guthrie, and Fam, 2010; Fam, Brito, Gaddekar, Richard, Jargal, and Liu, 2019).

Sales promotions are an offer of value or reward to consumers as a result of their purchase; thus, consumers with different satisfaction or pleasure motivations will respond differently to the purchase experience (McNeill, 2013; Peng, Zhang, Wang, and Liang, 2019). Previous empirical research that examines sales promotion effectiveness has tended to focus on the impact of customer demographic variables (e.g. age, gender, and ethnicity) on their satisfaction with sales promotions (Chandon, 1995; Ndubisi, and Moi, 2005). This approach assumes a certain level of homogeneity in consumer responses to sales promotion based on their demographic profile, and does not consider individual differences in perceptions of sales promotion within these demographic cohorts. Indeed, literature that examines the impact of particular demographic segmentation approaches, such as by ethnicity, finds that, at the group level, demographics do not have a significant impact on responses to sales promotion (Jallow and Dastane, 2016; Kwok and Uncles, 2005). In this regard, extant theory points towards a need to examine sales promotion uptake beyond demographic segmentation; for example, the literature shows that coupon proneness and value consciousness rather than just demographics

are distinct constructs which drive coupon redemption behavior (Lichtenstein, Netemeyer, and Burton, 1990). However, the psychographic examination of sales promotion responses is a significant gap in modern sales promotion theory.

In the past two decades, research has not kept pace with the use of sales promotion tools in consumer goods markets (Akram, Hui, Khan, Tanveer, Mehmood, and Ahmad, 2018). While the trade literature provides summaries of sales promotion types, and the impact of their use on market share, there remains limited academic investigation of customer motivation towards sales promotions – particularly in regard to behavioral response patterns and their drivers (McNeill, Fam, and Chung, 2014). Consumer responses to sales promotion can be logically linked to satisfaction and pleasure, such as in the context of impulsivity stimulation via anticipated reward (Liao, Shen, and Chu, 2009). Further, the consumption goal orientations of the consumer (e.g., hedonistic vs. utilitarian) is likely to stimulate uptake of the sales promotion offer (Liao et al., 2009), as well as moderate overall satisfaction with the sales promotion experience (Kivetz and Zheng, 2017; Zheng and Kivetz, 2009). In regard to goal orientations, relevant sales promotion literature has examined the effect of consumers personal value motivations on both behavioral intention and satisfaction (Weng and de Run, 2013), as well as consumer perceptions regarding price and sales promotion ‘fairness’ (Xia, Kukar-Kinney, and Monroe, 2010). As the concept of ‘fairness’ is inextricably linked to the final price perceptions of the consumer, it is important to consider how notions of price fairness may be formed in relation to sales promotion offers.

A discount of the ‘normal’ price of a good can be viewed as a reward received by the consumer for their purchase choice or patronage. Historically, reward theory has used equity sensitivity as a measure of behavioral difference in response to referent conditions; behavior, in response to consumer perceptions of reward equality or inequality, can be predicted as a

function of demographic and psychographic profiles (Adams, 1963, 1965). In the consumer goods literature, equity sensitivity has been applied to investigations of consumer perceptions of price fairness, with negative judgements of price leading to negative word-of-mouth or product switching (e.g. Xia, Monroe, and Cox, 2004). With respect to sales promotions, equity sensitivity provides a potential measure of customer perceptions of sales promotion fairness; it takes into account the effort to obtain sales promotions, and the related effort-benefit reward (King and Miles, 1994). Equity theory thus offers a promising means to further academic understanding of the role of individual consumer psychographics in predicting behavioral response to sales promotion – critical in the ever-crowded consumer goods marketplace. To date there has been little research on individual psychological differences between consumers when offered sales promotions at retail stores; the current study contributes to marketing literature by extending the price fairness equity model to the retail purchase experience (cf. Xia et al., 2010). Using data collected from HK consumers, this study explores ES as a moderation of attitudes towards sales promotion in the retail purchase experience and extends knowledge of equity sensitivities in consumer goods marketing.

Conceptual framework and hypotheses

Sales promotion and purchase experience

Sales promotions are described as ‘special offers’ or activities that provide extra value to consumers, retailers, and resellers; they are designed to encourage customers to purchase a product or service. Sales promotions exclude all paid media advertising, but include techniques such as coupons, sampling, discounts, self-liquidating offers, bargain packages, gifts/premiums, contests/sweepstakes, loyalty programs, and point of purchase promotions and displays (Peattie, 1998). In general, a consumer-focused sales promotion is a short-term incentive aiming to

stimulate demand and encourage quick sales during the period in which it is set (Peattie and Peattie, 1995). Sales promotions assist marketers to smooth out sales in periods of low demand and to enable retailer support during promotional campaigns.

In principle, the benefits of sales promotions to the retailer and manufacturer include attracting new customers (often from competitors), reducing the length of the consumer decision process, or simply encouraging existing customers to purchase more volume (Liao et al., 2009). However, criticisms of sales promotions include erosion of brand equity, decreased loyalty, and increased price sensitivity of consumers (Low and Mohr, 2000). Further, sales promotions are said to lose effectiveness if overused, especially when customers begin to expect a bonus or price discount, and simply wait for a promotion to start before they make a purchase. In recent years, heavy use of sales promotion in consumer channels, in the form of price discounting, has meant that consumers have become increasingly cynical as to whether sales promotions offer any tangible value (Tan and Chua, 2004). Despite these drawbacks, sales promotion has long been seen as a primary tool in consumer goods markets, particularly that of fast-moving consumer goods (FMCG) (Simpson, 2006). Modern FMCG marketplaces are increasingly promotion 'noisy', and sales promotions applied without clear strategic intent will lose effectiveness in such crowded spaces.

Traditionally, studies of sales promotion effectiveness have focused on price-based techniques (e.g. Dhar and Hoch, 1996; Hoch, Drèze, and Purk, 1994). However, non-price sales promotion techniques appear just as frequently in the marketplace (Kwok and Uncles, 2005). In academic literature, sales promotions are generally categorized in two ways: utilitarian techniques, which focus on functional, tangible benefits to the consumer; and hedonic techniques, which are more experiential (Chandon, Wansink, and Laurent, 2000). Price-based promotions are therefore seen as primarily utilitarian, and non-monetary promotions are seen

as primarily hedonic (albeit with notable outliers to these broad categories, such as coupons, which may provide both sets of benefit) (Kwok and Uncles, 2005).

The overarching outcomes of each of these two forms of sales promotion have been said to depend on the nature of the individual consumer and their response to the sales promotion at hand. For example, rational consumers are likely to process the value of the product and associated promotion in an objective way (Solomon, 1992; Yang, and Mattila, 2020), prioritizing aspects of the offer such as economy. In contrast, more emotional consumers may be more impulsive in response to offers in the marketplace (Hanna and Wozniak, 2001). Furthering this concept of rational versus emotional processing of sales promotion offers, Michel Laroche, Pons, Zgolli, Cervellon, and Kim (2003) find that more cognitive focused sales promotions appeal to certain types of consumers, whereas Shi, Cheung, and Prendergast (2005) find that other consumers find these promotion types to be too complex.

Equity Sensitivity

Equity theory, with its roots in social comparison, exchange, and dissonance theories, enables predictions to be made around behavior in specific relationship scenarios (Adams, 1963, 1965). Equity theory posits that individuals evaluate relationships by assessing the ratio of their input to outcome (effort-reward): the greater perceived ratio inequality, the more likely the individual will undertake to restore balance in the relationship by altering inputs, reviewing outcomes, or ending the relationship (Huseman, Hatfield, and Miles, 1987). Equity theory has been applied in several areas of the marketing literature, including examining buyer-seller exchanges (Huppertz, Arenson, and Evans, 1978), customer complaints (Lapidus and Pinkerton, 1995), software piracy (Glass and Wood, 1996), and insurance fraud (Tseng and Kuo, 2014).

Equity sensitivity, as a construct of equity theory, suggests that the likelihood of perceptions of inequality (and thus moderation of relationship actions) is dependent on the

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3 extent to which an individual is accepting of an unfavorable (Benevolent), equal (Equity
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5 Sensitive), or favorable (Entitled) input/outcome ratio (Huseman et al., 1987; Weick, Bougon,
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7 and Maruyama, 1976). In relation to sales promotions, and understanding consumer preference
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9 and response to sales promotion offers, equity sensitivity offers a framework for predicting the
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11 likely success or failure of a chosen sales promotion device, dependent on the individual
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13 consumer's sensitivity to an input-reward stimulus. Of those scholars to apply equity theory to
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15 sales promotion, Xia et al. (2010) conduct a series of experiments based on the concepts of
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17 equity theory and social justice. The authors find that expectation of a lower price, and the
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19 effort required to obtain a lower price, influence the consumer's perceived entitlement and
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21 satisfaction with promotions and retailers. In the experimental scenarios, perceived effort (e.g.,
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23 collecting coupons, UPC codes, etc.) increased a consumer's feeling of entitlement towards the
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25 promotional price offered. This finding is consistent with smart-shopper theorems, where some
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27 shoppers are said to enjoy making an effort to obtain lower prices, which invokes higher levels
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29 of purchase satisfaction through smart-shopper feelings (Schindler, 1998).
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37 Equity sensitivity is "an individual difference that characterizes how individuals react
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39 to over-reward or under-reward situations" (O'Neill and Mone, 1998, p. 806). From the general
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41 perspective of equity theory, individuals seek a balance between their input (I) and output (O)
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43 (Adams, 1965). That is, individuals seek to balance what they put into a relationship
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45 (transaction) and what they get out of the relationship (transaction). Equity sensitivity extends
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47 this theory by highlighting a preference by some individuals for their input/outcome ratio to be
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49 unbalanced – either tolerating less outcomes than others for similar inputs ($I > O$) or expecting
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51 and accepting greater outcomes than others for similar inputs ($I < O$) (King, Miles, and Day,
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53 1993). Under the classical equity sensitivity spectrum, individuals are thus classified into three
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55 types: (1) Benevolents, (2) Equity Sensitives, or (3) Entitleds (see Figure 1).
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Note: I = inputs (what is put into a relationship); O = outputs (what is received from a relationship). Points reflect the potential minimum and maximum scores from the Equity Sensitivity Instrument (ESI).

Figure 1.
Sensitivity continuum for equity (adapted from Huseman, Hatfield, and Miles, 1985)

Benevolent individuals in the equity sensitivity model have greater tolerance for under-reward, report higher satisfaction when under-rewarded, and believe that the transaction relationship is most important. Entitled individuals are focused on beneficial outcomes, less tolerant of under-reward, more attuned to receiving rewards, and have little regard for equity exchange in the relationship. Equity Sensitive individuals show a preference for balance in a give/receive relationship (Huseman et al., 1985, 1987).

As well as expectation of reward, equity sensitivity can be logically linked to the reward experience. For example, in a crowded market, sales promotions may be expected as part of the normal transaction process; hence, there is less chance of the promotion itself being a ‘pleasant surprise’, and more emphasis thus on the nature of the promotion itself to please the customer. This is in contrast to transaction utility theory, which posits that satisfaction and pleasure with a purchase process is likely to be enhanced when a promotion is unexpected (Kahn and Louie, 1990; Krishna, Currim, and Shoemaker, 1991). When equity sensitivity is considered, if Benevolents are more likely than Entitleds to report greater satisfaction with low or under-reward situations, one can theorize that Benevolents may have an overall lower expectation of reward in relationships (and consequently may be truly ‘pleasantly surprised’

by any reward). Conversely, Entitleds may have greater expectation of reward (or, indeed, over-reward), thus could be more likely to critically evaluate any rewards that do not meet these expectations. This aspect of equity sensitivity theory, applied to sales promotions, indicates strategic potential in situations where sales promotions are seen as the 'norm' of the market. There is opportunity to capitalize on the propensity of Benevolent consumers to expect less (lower value) rewards than Entitled consumers, and, in the case of Equity Sensitive consumers, the promotional value only needs to meet the market norms to satisfy this group.

Prior tests of equity sensitivity and behavioral action indicate clear differences in the way each of the three individual types of consumers respond within relationships. Equity sensitives will adjust their input to achieve balance in any relationship, Entitleds will minimize their input regardless of balance, and Benevolents will increase their input to a relationship to favor less input from others (Truong and O'Leary, 2018). The unique equity sensitivity of individuals may influence reactions to particular sales promotion techniques in any market relationship situation, which in turn will impact their perception of the overall purchase experience (and their intention to maintain a relationship with the retailer or producer of goods). Essentially, the personality factors of certain customers (or customer groups) could impact on the success of sales promotion initiatives (i.e., certain types of promotions may be more appropriate for consumers with certain equity sensitivity features). If this is the case, equity sensitivity of the individual may be linked to demographic variables in such a way that the overall equity perceptions (and thus sales promotion stimulus response) can be predicted for groups of customers with similar characteristics. This proposition, however, remains untested in the literature.

Sales promotions provide a variety of rewards or benefits; and the type of sales promotion help emphasize the significance and worthiness of the purchase, however, a large

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discount may detract from brand prestige. When a sales promotion technique fails to align with or fulfil consumers’ expectations, it is expected that consumers will react more negatively to the purchase experience – reflected in their subsequent purchase intention (Bhatti, 2018). Equity theory suggests, however, that regardless of the consumer’s attitude towards any specific sales promotion technique, consumer equity sensitivity may moderate the perception of the sales purchase experience. This suggests there is an interaction between attitude towards sales promotion techniques (ASPT) and equity sensitivity (ES) which significantly effects the purchase experience. For more Benevolent consumers, who have a positive attitude towards sales promotion techniques, participating in a non-cash sales promotion, such as a tangible or intangible gift, may lead to a significantly more positive purchase experience than more Entitled customers who have a positive attitude towards sales promotion techniques.

In this study, we empirically assess two questions about how equity sensitivity affects the retail purchase experience. First, are consumers with high levels of Benevolence (low outcome expectations) more likely to report a better overall purchase experience with regard to a sales promotion? Second, does consumer equity sensitivity positively or negatively affect their attitude towards sales promotion techniques more generally? Overall, this study attempts to address the call for additional empirical research in the areas of equity sensitivity and sales promotion, and extend Xia et al.’s (2010) price fairness equity model.

Conceptual framework

Figure 2.
Conceptual model

Prior studies indicate that equity sensitivity affects the expectation of reward and subsequent reward experience, and that Benevolents report greater satisfaction than Entitleds when faced with a lower-than-expected reward (Bhatti, 2018; O'Neill and Mone, 1998). If equity sensitivity does play a role in reward expectation, equity sensitivity is likely to moderate the relationship between consumer attitude towards sales promotion techniques and the consumer's overall purchase experience (see Figure 2). Interpreting these relationships within sales promotion, the following hypothesis is proposed:

H₁: *The positive effect of attitude towards sales promotion techniques (ASPT) on purchase experience (PE) is stronger when subjects are Benevolent than when subjects are Entitled.*

Previous equity-based research indicates that some consumers consider the ratio of effort and returns influence their satisfaction with retail promotions and the purchase process in general (Adams, 1965; Vogel, Evanschitzky, and Ramaseshan, 2008). In particular, the model presented by Xia et al. (2010) regarding the impact of entitlement on promotion fairness

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implies that sales promotions requiring effort (e.g., non-cash sales promotions) would be less attractive to Entitled (or highly equity sensitive) consumers. In this case, one would expect Entitled consumers to gravitate towards a low effort-high output ratio, and hence would prefer purchases that include cash discounts over purchases that include sales promotions requiring effort (such as a rebate on subsequent purchases). The findings presented by Xia et al. (2010) suggest that feelings of entitlement, the effort involved in obtaining a promoted price, and the perception of promotion fairness, all influence feelings of overall purchase satisfaction. Therefore, we hypothesize a significant difference between the appeal of cash promotions and non-cash promotion groups, in particular:

H₂: *The positive effect of equity sensitivity (ES) on purchase experience (PE) is stronger when the sales promotion (SP) is non-cash than when the sales promotion is cash.*

Materials and methods

Sample

We draw on a sample of consumers located in Hong Kong. We chose this location given the high-density population, high number of visitors from mainland China, the variety of retail opportunities, the high disposable income, and characteristics of consumers known to prefer high quality products sold at competitive process. Over 74% of the population are aged between 15 and 64, with a relatively high disposable income (HKExnews, 2017), and Hong Kong consumers look for, and appreciate, high-quality products sold at competitive prices (Santander, 2019). Further, consumer confidence is generally high, as is the demand on retails on meeting consumer expectations (Nielsen Insights, 2017).

A Chinese market research agency was employed to collect data using a retail mall-intercept method to obtain valid and reliable responses from consumers (Bush and Hair, 1985; Sarstedt, Bengart, Shaltoni, and Lehmann, 2018). This form of sampling is valuable for retail data collection as it occurs in the retail setting; this is particularly important when asking consumers to evaluate the influence of sales promotions on their purchase decisions (Calvo-Porrall and Lévy-Mangin, 2018). The face-to-face aspect of intercept surveying also increases confidence in sample reliability (Blair, Czaja, and Blair, 2014; Rice and Hancock, 2005). Every third person walking past the researchers was asked to participate in the survey. After obtaining their consent, individuals were surveyed either inside or outside the retail center. Refusal by the potential respondent resulted in intercepting the next potential respondent until a respondent agreed to participate in the survey. After a positive response, the intercept process returned to every third respondent. The data was collected on one Saturday afternoon between 3pm and 6pm. Inclusion criteria for the study was that the potential participant had just made a purchase; therefore, the buying process and the sales promotion were fresh in their mind.

A total of 284 valid survey responses were collected, consisting of 153 (54%) female and 131 (46%) male respondents, aged between 25 and 55 years old. The majority (64.8%) of the sample were employed, 10.9% were students, and 18.7% were unemployed (a further 5.6% did not indicate their occupation). More than half of the respondents (56.7%) had secondary-level education, 33.1% had tertiary-level education, and 10.2% had primary-level education.

Measures

Attitude towards sales promotion techniques

Respondent attitude towards the most recent sales promotion techniques was measured using six bipolar scales adapted from existing measures (Biswas and Burton, 1993; Lichtenstein and Bearden, 1989). For each of the six items, participants were asked to indicate their attitudes

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3 towards the use of sales promotion techniques (ASPT) during their purchase on 6-point
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5 semantic differential scales, anchored with “unfavorable/favorable”, “dissatisfied/satisfied”,
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7 “unattractive/attractive”, “displeased/pleased”, “worthless/valuable”, “did not like/liked” (see
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9 Appendix A). Therefore, a respondent’s attitude towards the use of sales promotion techniques,
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11 from the summated ASPT scale, could range from a negative attitude (1) to a positive attitude
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15 (6).

16 17 18 *Purchase experience*

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21 To measure participant responses to a sales promotion purchase experience, we adapt an
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23 existing six-item scale (Arnould and Price, 1993; Fisher and Price, 1991). The measures are
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25 shown in Appendix A. The participants were asked to describe their most recent purchase
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27 experience which included a sales promotion. Experience, in this sense, was defined as the
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29 complete purchasing process. Sample items include: “had many unique or special moments”,
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31 “had a special meaning to me”, “was as good as I expected”, “was satisfying to me”, “stands
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33 out as one of my best experiences”, and “was worth my effort”. Participants were asked to
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35 indicate their purchase experience using a six-point Likert scale (1= ‘strongly disagree’; 6=
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37 ‘strongly agree’).
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43 *Equity sensitivity*

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46 The equity sensitivity of each participant was measured using the five-item Equity Sensitivity
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48 Instrument (ESI) (Huseman et al., 1985; King and Miles, 1994) (Appendix A). The ESI is a
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50 forced-distribution index in which each item has two anchor points, one representing Entitleds
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52 and the other representing Benevolents. Each participant allocates 10 points between the two
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54 anchor points of Benevolent and Entitled. For example, item one is: “It would be more
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56 important for me to: (A) get from the organization; (B) give to the organization”. The premise
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58 of this instrument is that respondents with a Benevolent orientation will allocate a larger
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percentage of their 10 points to the Benevolent response (in the above case B). Those respondents with an Entitled orientation would allocate a larger percentage of their 10 points to response A (Entitled response); and those respondents with neither a Benevolent nor Entitled orientation (Equity Sensitives) would divide their ten points more evenly between the two responses. The ESI requires points to be allocated across all five items in order to create the index and determine equity sensitivity.

To score the instrument, the points allocated to the benevolent responses were summed in each of the five items. Thus, scores can range from 0 to 50, with 50 being highly benevolent and 0 being highly entitled. While prior equity sensitivity research uses ESI as categorical variables for analysis, King and Hinson (1994) suggest treating the ESI index as a continuous variable in research in order to fully utilize the richness of the instrument. Following King and Hinson (1994), this study used the ESI scale as a continuous measure ranging from 0–50 for the multiple regression analysis to test H_1 and H_2 .

Control variables

While a number of researchers find demographic characteristics (such as marital status, education and age) influence consumer sales promotion preference, the overall results are inconclusive (Blattberg and Neslin, 1990; Chandon et al., 2000; Laroche, Bergeron, and Barbaro-Forleo, 2001). For example, Yang et al. (2010) finds that in contrast to single consumers, married consumers prefer quick and convenient sales promotions such as price or monetary rewards. The authors also find that older consumers prefer cash savings and less time-consuming promotion interactions, while younger consumers perceive little value with “price-pack” or “advertising specialties”. Kwon and Kwon (2007), when examining 3,021 panel data responses from a lifestyle survey, find that more educated consumers prefer to use coupons, and that women used coupons more than men; this appears contrary to findings

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presented by Lichtenstein, Burton, and Netemeyer (1997) which show younger consumers and less educated consumers are more likely to prefer sales promotions. Given the mixed findings, and to add richness to this study, we collect demographic data to test whether responses vary by demographic characteristics.

Common method bias

Harmon’s single factor test results with an unrotated factor solution indicate no significant common method bias (CMB); the total variance explained by a single factor is 42.42%, less than the 50% criteria (Conway and Lance, 2010; Podsakoff, MacKenzie, Lee, and Podsakoff, 2003). Our single-factor model shows a poor data fit (CFI = 0.847; NFI = 0.765; IFI = 0.858; TLI=0.753; and RMSEA = 0.064), which confirms the non-existence of CMB.

Finally, we use a common latent factor (CLF) test and compare the standardized regression weights of all items for models with and without CLF. The differences in these regression weights are very small ($< .070$), which confirms that CMB is not a major issue in our data (Gaskin, 2016; Serrano Archimi, Reynaud, Yasin, and Bhatti, 2018).

Internal consistency and construct validity

Internal reliability and construct validity of the constructs are assessed through a confirmatory measurement model. The analyses were run using LISREL 8.70 (Jöreskog and Sörbom, 1996). Model parameters were estimated using the maximum likelihood method. The confirmatory factor analysis model was conducted with two latent constructs: attitudes towards the use of sales promotion techniques (ASPT) and purchase experience (PE), refer to Table 1. The ESI index scale was evaluated separately, analogous to assessments reported by Huseman, Hatfield, and Miles (1985) and King and Miles (1994). Cronbach's coefficient α and composite reliability was used to evaluate internal consistency of the constructs (Bagozzi and Yi, 2012). In line with

the original scales, the Cronbach's alpha (α) and composite reliability of ASPT and PE were greater than 0.80 indicating that the constructs have acceptable internal consistency (Bagozzi and Yi, 2012; Hair, Babin, and Krey, 2017). Although the ESI moderator variable Cronbach's coefficient was marginal ($\alpha = .643$), the Composite Reliability (CR) of .880 exceeded the minimum criteria (.70) which supported the use of ESI as a moderator (Peterson and Kim, 2013).

Table 1.

Constructs, item descriptions, internal consistency and construct validity

Construct		SRW	Cronbach's α	Composite reliability (CR)
Item description				
<i>Attitude towards sales promotion techniques (ASPT)</i>				
ASPT1	Unfavorable ... Favorable	0.800	0.908	0.945
ASPT2	Dissatisfied ... Satisfied	0.860		
ASPT3	Unattractive ... Attractive	0.820		
ASPT4	Displeased ... Pleased me	0.910		
ASPT5	Worthless ... Valuable	0.800		
ASPT6	I did not like the tool at all ... I liked it very much	0.970		
<i>Purchase experience (PE)</i>				
PE1	had many unique or special moments	0.700	0.864	0.935
PE2	had a special meaning to me	0.770		
PE3	was as good as I expected	0.890		
PE4	was satisfying to me	0.880		
PE5	stands out as one of my best experiences	0.930		
PE6	was worth my efforts	0.850		
Chi-Square	312.34, df = 116			
RMSEA	0.079			
SRMR	0.055			
NNFI	0.94			
CFI	0.95			
NFI	0.92			
Note: SRW = Standardized Regression Weights				
Moderator				
<i>Equity Sensitivity Instrument (ESI)</i>		Loading	0.643	0.880

ES1	It would be more important for me to: b) give to the organization	0.770
ES2	It would be more important for me to: a) help others	0.940
ES3	I would be more concerned about: b) what I contributed to the organization	0.950
ES4	The hard work that I do should: a) benefit the organization	0.550
ES5	My general philosophy in dealing with the organization would be: b) it's better for me to give than to receive	0.620

The CFA model’s goodness-of-fit was assessed with chi-square tests, the root mean square error of approximation (RMSEA), the standardized root mean square residual (SRMR), the non-normed fit index (NNFI), the comparative fit index (CFI), and the normed fit index (NFI). Evaluation of model fit results indicate that the model fit the data well; $\chi^2 = 312.34$, $df=116$, $p < 0.001$, $RMSEA = 0.079$, $SRMR = 0.055$, $NNFI = 0.94$, $CFI = 0.95$, $NFI = 0.92$ (Bagozzi and Yi, 2012). Discriminant validity was demonstrated across the two reflective constructs using the Fornell and Larcker (1981) method, see Table 2.

Table 2: Discriminant validity

	ASPT	PE
AVE	0.744	0.706
ASPT	0.862	
PE	0.439	0.840

Note: Square root of AVEs is in bold along the diagonals. The correlation is less than the corresponding square root of the AVEs, Fornell and Larcker (1981).

Results

Figure 3 shows the ESI scale distribution. The ESI scores in this sample range from 7–40 ($M = 24.28$, $SD = 4.79$), which are similar to ESI scores reported by King et al. (1993) (range 1–43, $M = 27.16$, $SD = 5.53$) and King and Hinson (1994) (range 6–43, $M = 27.67$, $SD = 5.45$).

Figure 3.
Frequency distribution along the Equity Sensitivity Instrument scale

The variable means and standard deviations (frequencies for age, marital status and education level) are reported in Table 3. As Table 3 shows, Purchase Experience (PE) is positively correlated with Equity Sensitivity (ES) and attitude towards sales promotion techniques (ASPT). However, there is no significant correlation between Equity Sensitivity and ASPT.

Table 3.
Descriptive statistics and correlations

Age	Under 25	25–34	35–44	45–55	Over 56
	28	88	45	73	50
Marital status	Single	Married	Divorced	Other	
	119	159	5	1	
Education level	Primary	Secondary	Tertiary		
	29	161	94		

Variable	M	SD	ES	ASPT	PE
Equity Sensitivity (ES)	24.28	4.79	1		
Attitude towards Sales Promotion (ASPT)	3.94	0.90	0.015	1	
Purchase Experience (PE)	3.34	0.91	0.151*	0.439**	1

Notes: N=284; ** $p < 0.01$, * $p < 0.05$

Cash discount was identified by survey participants as the most frequently used sales promotion technique (Table 4).

Table 4.
Sales promotion techniques reported

	Frequency	Percent
Cash discount	194	68.3
Patronage reward	21	7.4
Novelty	14	4.9
Price pack	12	4.2
Premium	12	4.2
Coupon	9	3.2
Point-of-purchase	6	2.1
Sweepstakes	5	1.8
Advertising specialty	4	1.4
Tie-in	3	1.1
Cash Refund	2	0.7
Sample	2	0.7
Total	284	100.0

To test the hypothesis (H_1), that the relationship between attitude towards sales promotion techniques (ASPT) and purchase experience (PE) is moderated by equity sensitivity (ES), a hierarchical moderated regression model was conducted (cf. Aiken and West, 1991). Although multicollinearity is not a concern in this research, equity sensitivity and attitude towards sales promotion techniques scales were standardized (Z scores) before testing the interaction (Aiken and West, 1991; Diamantopoulos and Winklhofer, 2001).

Following Huseman et al. (1987), control factors and main effect factors were entered into the regression equation in Step 1. Although age, marital status and education level are non-significant predictors, these initial five factors accounted for a significant 21.7% of the variance in the purchase experience ($R^2 = 0.217$, $F(5, 278) = 15.43$, $p < .001$). In Step 2, the two-way interaction term, attitude towards sales promotion techniques by equity sensitivity was added

to the regression equation; this accounted for a significant additional 1.2% of the variance in the purchase experience ($\Delta R^2 = 0.012$, $\Delta F(1, 277) = 4.46$, $p = 0.036$). Table 5 reports the standardized regression coefficient (β), t -value, R^2 , and *Adjusted* R^2 , when the main effects and interaction terms have been separately entered into the regression model.

Table 5.
Hierarchical regression results for Variables Predicting Purchase Experience (N = 284)

	Step 1		Step 2	
	β	t-value	β	t-value
Step 1: Control Variable				
- Age ^a	0.06	0.78	0.06	0.87
- Marital Status ^b	-0.01	-0.09	-0.01	-0.18
- Education ^c	0.06	1.05	0.06	1.02
Main Effects				
- Attitude to Sales Promotion Techniques (ASPT)	0.44***	8.21	0.45***	8.37
- Equity Sensitivity (ES)	0.15**	2.76	0.14**	2.58
Step 2: Moderating Effects				
- ASPT $\times$ ES			0.11*	2.11
R^2	0.217		0.230	
Adjusted R^2	0.203		0.213	
ΔR^2			0.012*	
Overall F for equation	15.43***		4.46*	

Note: ^a Age was divided into 5 categories in 5-year increment (1 = under 25 years of age, 5 = over 56 years of age). ^b Marital status was divided into 4 categories (1 = single, 2 = married, 3 = divorced, 4 = other). ^c Education level was divided into 3 categories (1 = Primary school, 2 = Secondary school, 3 = tertiary).

β is the standardized regression coefficient from the full equation with all predictor variables. Increments for variables entered at the ΔR^2 significance levels are based on F test for that step. Step 2 includes the moderating effect, ASPT $\times$ ES. *** $p < .001$, ** $p < .01$, * $p < .05$.

In combination, the six predictor variables explain 23.0% of the variance in the purchase experience ($R^2 = 0.230$, adjusted $R^2 = 0.213$, $F(6, 277) = 13.76$, $p < 0.001$). Following Cohen (1988), a combined effect of this magnitude is considered 'large' ($f^2 = 0.30$).

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The results of the first regression support H₁; equity sensitivity moderates the relationship between attitude towards sales promotion and perception of purchase experience. As reported in Table 5, the coefficient for this interaction term is significant and positive ($\beta = 0.11, p = 0.036$). Moreover, although the effect size is small ($f^2 = 0.012$) the addition of the interaction terms increases the R^2 significantly with an incremental change of 0.012 ($p < 0.05$), in support of the significant moderating effects of equity sensitivity. We apply procedures developed by Aiken and West (1991) to decompose the interactions in order to fully understand this interaction effect. We compare the impact of attitude towards sales promotion techniques on purchase experience at low (Entitleds) and high (Benevolents) levels of equity sensitivity. Conceptual breakpoints and score percentiles (e.g., equal thirds) were used to divide the sample into Benevolent and Entitled persons (Huseman et al., 1985). With 24.28 considered to be the midpoint, respondents scoring less than 22 (lower third) were labeled Entitled ($n = 106$), and those greater than 26.5 (upper third) were labeled Benevolent ($n = 90$). Simple slope analysis was conducted on the two anchor points of equity sensitivity (Entitleds and Benevolents). The results of the simple slope analyses are plotted in Figure 4.

Figure 4.

Interaction effects of equity sensitivity and attitude towards sales promotion techniques on purchase experience

To further investigate the results from the multiple regression analysis, results from an independent *t*-test show that a positive attitude towards sales promotion has a significantly stronger positive effect on purchase experience for Benevolent consumers ($M = 3.99$, $SD = 0.848$) than for Entitled consumers ($M = 3.56$, $SD = 0.862$), of $t(139) = -2.85$, $p = 0.005$. Cohen's (1988) $d = 0.86$ denotes a large effect. On the other hand, a negative attitude towards sales promotion indicates no significant difference on purchase experience between Benevolent consumers ($M = 3.08$, $SD = 0.877$) and Entitled consumers ($M = 2.71$, $SD = .896$), of $t(44) = -1.17$, $p = 0.247$. These results again support H_1 , that the level of equity sensitivity has a direct impact on purchase experience as more Benevolent consumers report significantly greater purchase experience satisfaction than the more Entitled consumers.

To investigate H_2 , that equity sensitivity has a direct positive effect on overall purchase satisfaction for non-cash sales promotions, a multiple regression group comparison analysis was conducted. The multiple regression analysis compared the results between cash discount and non-cash promotions, reported in Table 6.

Table 6.

Group comparison hierarchical regression results: Cash discount vs non-cash sales promotion techniques (SPT) Purchase Experience

	Cash Discount		Non-cash SPT	
	β	t-value	β	t-value
Step 1				
- Age ^a	0.224*	2.53	-0.172	-1.37
- Marital status ^b	-0.142	-1.65	0.172	1.35
- Education ^c	0.108	1.53	-0.006	-0.05

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- ASPT	0.510***	8.03	0.438***	4.31
- Equity Sensitivity (ES)	0.114	1.79	0.200*	2.05
Step 2				
- ASPT × ES	0.058	0.93	0.211*	2.09
R ²	0.276		0.245	
Adjusted R ²	0.253		0.189	
ΔR ²	0.003		0.041*	
Overall <i>F</i> for equation	12.00***		4.37**	

Note: ^a Age was divided into 5 categories in 5-year increment (1 = under 25 years of age, 5 = over 56 years of age). ^b Marital status was divided into 4 categories (1 = single, 2 = married, 3 = divorced, 4 = other). ^c Education level was divided into 3 categories (1 = Primary school, 2 = Secondary school, 3 = tertiary).

β is the standardized regression coefficient from the full equation with all predictor variables. Increments for variables entered at the ΔR² significance levels are based on *F* test for that step. Step 2 includes the moderating effect, ASPT x ES. Cash discount model, N=196; Non-cash SPT model, N=88. ****p* < 0.001, ***p* < 0.01, **p* < 0.05

The multiple regression analysis results indicate that the purchase experience is not significantly influenced by equity sensitivity when a cash discount is offered (β = 0.118, *p* > 0.05); however, the purchase experience is positively influenced by equity sensitivity when non-cash SPTs are used (β = 0.219, *p* < 0.01). The ASPT x ES interaction term is only significant for the non-cash SPT condition (β = 0.211, *p* < 0.05), providing support for H₂.

Although there are no significant differences between cash and non-cash SPT means (see Table 7), ES is a significant predictor of PE for the non-cash SPT. In particular, the more Benevolent the person is on the ES scale, the more positive their purchase experience with non-cash promotions is likely to be.

Table 7:
Difference between cash discount and non-cash SPT means

	Mean			<i>t</i> -value	<i>p</i> value
	Cash	Non-cash	Δ		
Purchase Experience	3.355	3.309	0.047	0.376	0.707
Attitude (ASPT)	3.948	3.915	0.033	0.289	0.773
Equity Sensitivity (ES)	24.464	23.875	0.589	0.958	0.339
ASPT $\times$ ES	96.802	93.176	3.626	0.964	0.336

Notes: Cash Discount model, N=196; Non-cash SPT model, N=88.

Discussion

The purpose of this study was to understand role of individual consumer psychographics in predicting behavioral responses to sales promotions. Equity theory, specifically the equity sensitivity construct, is used as a frame within which to model consumer responses to different forms of sales promotion techniques, and the overall impact of these responses on reported satisfaction with the retail purchase experience. Our study fills a critical gap in extant theory regarding sales promotion, by testing and extending the price fairness equity model within the retail sales setting. Prior to this study, researchers have been unable to explain how individual differences in equity sensitivity interact with attitudes towards price and non-price sales promotion techniques. The results of this study indicate that the personality dimension of equity sensitivity has a significant positive relationship with total purchase experience, while also moderating satisfaction with the purchase experience (supporting H₁). In addition, those consumers who identified as Benevolent (who are more tolerant of being under-rewarded) had a significantly higher overall purchase satisfaction than their Entitled and Equity Sensitive counterparts. This supports the proposition that individual differences in equity sensitivity moderates the relationship between existing attitudes towards sales promotions and consumers overall evaluation of the transaction. Specifically, regardless of the sales promotion technique used, Benevolent consumers have a higher purchase satisfaction than other consumers. A novel and unique finding of our study, that equity sensitivity is a significant predictor of purchase

satisfaction for non-cash sales promotion techniques (H_2), supports and extends the price fairness equity model proposed by (Xia et al., 2010).

From a retail managerial perspective, it is important to understand individual differences and what influences and motivates consumers' retail purchase experiences – a prominent gap in existing sales promotion literature (McNeill et al., 2014). In this study, examining and understanding sales promotion techniques with respect to consumer equity sensitivity contributes to the broader field of sales promotion knowledge, and also to understanding price-equity perceptions specifically. The findings detailed here indicate that consumers considered highly Benevolent have a lower expectation for rewards, do not feel aggrieved if under-rewarded, and are therefore more satisfied with their purchase experience when a sales promotion is available. Benevolent consumers are also more attracted to non-cash sales promotions as they evaluate the effort/reward ratio more positively and view this as a required aspect of relationship building. Benevolent consumers gain inherent enjoyment or pleasure from their effort to gain a lower price and consider themselves a “smart shopper”. By contrast, Entitled consumers view sales promotions as normalized rewards for purchases, rather than an extra offer of value, and are therefore concerned with whether they are under-rewarded in transactions without any promotion attached.

As more Benevolent consumers are generally more positive than Entitled consumers towards any form of reward, the Benevolents show higher satisfaction with transactions including any form of sales promotion, even if the sale promotion is of a lower value than is expected in the market. Thus, managers would be advised to track customer purchases and satisfaction levels linked to sales promotions through their customer management and customer service systems (including customer research). This would allow sales and marketing managers to identify which customers are more likely to fit the Entitled or Benevolent psychological

profiles, and predict their likely responses to sales promotion offers. For example, when dealing with Entitled consumers, one potential strategy is to develop more spontaneous, surprising sales promotion activities, since a constant (or consistent) price promotion will lose its effectiveness with this group. Entitleds learn to expect regular offers as a normal aspect of purchasing, while Benevolents would simply lose interest. Creating a variety of promotional rewards, with random announcements of price discounts, competitions, or special gifts, should lessen the entitlement effect, capture the attention of customers, and potentially provide higher satisfaction to both Entitled and Benevolent consumers.

From a theoretical perspective, this study is an important application of equity theory in the fields of retail consumer behavior and sales promotion success. The current study extends and expands equity theory, and equity sensitivity research, by applying these concepts to consumer sales promotion. The study used established constructs that were both valid and reliable, and the findings presented offer useful points of integration for a better understanding of the role of equity sensitivity in the success of retail sales promotion strategies. It is hoped that this study will encourage the further use of equity theory and equity sensitivity in marketing, and more specifically in retail research. The results of this study demonstrate that equity sensitivity can be used to assist in understanding a consumer's retail behavior in relation to sales promotion.

Conclusion

This study introduces several areas for potential future research. Since this study was conducted in Hong Kong, it is recommended that subsequent studies be conducted in other countries, with the possibility of cross-cultural understanding of equity sensitivity in relation to a retail purchase situation. A limitation identified from the results is the less-than-ideal ESI Cronbach's

alpha and poor loading on ES4 (“The hard work that I do should”). Considering the majority of ESI research has been undertaken in North American contexts, it is possible that people with a collectivist orientation may consider some of the equity sensitivity items differently. This suggests additional research is required to examine the sensitivity of ESI in different cultures, emerging markets, and economic settings.

The study is also limited to an examination of common consumer purchases (with varied participant ages and purchasing abilities), across different product categories and sales promotion types. While this allows an examination of the relationship between sales promotion attitudes, equity sensitivity, and purchase satisfaction in general sales promotion scenarios, future comparison between individual sales promotion techniques and specific consumer profiles is recommended. For example, generational cohorts may have different propensity towards Benevolence or Entitledness in their psychological profiles, which in turn would impact the recommended forms of value-adding promotions applied to target these groups. In addition to extending and supporting the price fairness equity model developed by Xia et al. (2010), the results also provide a framework for continued investigation of individual differences impacting sales promotions and perceptions of price fairness. Finally, the current study confirms the relationship between equity sensitivity, attitudes towards sales promotions, and satisfaction with the purchase experience, which provides a useful basis to further explore and discuss the nature of that relationship in different consumer-promotion scenarios.

Appendix A

Attitude towards sales promotion techniques survey

Demographics and criteria questions

Criteria 1:

Made at least 2 purchases at department stores or supermarkets WITH PROMOTIONAL OFFERS (excluding promotional offers/ sales on foods and beverages) within the last 3 months.

Criteria 2:

[Show card] Please look at this list of sales promotion tools. I would like you to indicate to me which of them are your TOP 5 most preferred sales promotions tools in general.

Criteria 2:

Now let's talk about the promotion purchases that you have made in the past 3 months. We are going to talk about the THREE most recent (last 3) promotion purchases you have made. Please try to recall as much as you can.

We are talking about the purchases at shops, department stores or supermarkets (excluding food and beverage items) that you have made in the past three months. In your recall, please try to remember the product, the brand, the price you paid, and where you bought it?

Category: [SHOW CARD]

Apparel
Accessories
Leather goods
Jewelry
Gifts for others
Cosmetics and skin care
Home furniture
Home electrical appliances
- HDTV
- HDTV decoders
Personal electronics
- Personal computer
- Mobile phone
Nutritional supplements (vitamins, etc.)
Luxury Chinese nourishing food
Personal consumption items
Household consumption items
Others (specify – no food/ beverage)
DO NOT RECALL

Most recent	2nd most recent	3rd most recent
Purchase A	Purchase B	Purchase C
1	1	1
2	2	2
3	3	3
4	4	4
5	5	5
6	6	6
7	7	7
8	8	8
9	9	9
10	10	10
11	11	11
12	12	12
13	13	13
14	14	14
15	15	15
16	16	16
17	17	17
99	99	99

(Terminate if Purchase A or B = 99)

For each purchase you have mentioned above, please tell me which of the following sales promotion tools on the SHOW CARD did you enjoy in your purchase. (If more than one, please indicate so.)

1 So which tool was the most important in driving you to make the purchase?: [Write in number
2 in the relevant box per purchase.]

3
4
5
6 **Attitude measure**

7 We would like to know your attitudes towards the sales promotion tools driving you to make
8 each of the recent purchases with sales promotion.

9
10 Using a scale of 1–6, please tell me for each of the purchases you recently made with a sales
11 promotion, how well or poorly you found that sales promotion.

12
13 Let's start with your most recent purchase which included a sales promotion tool.

14
15 How would you rate your attitude towards that sales promotion tool...?

16 ASPT1 Unfavorable ... Favorable

17 ASPT2 Dissatisfied ... Satisfied

18 ASPT3 Unattractive ... Attractive

19 ASPT4 Displeased ... Pleased me

20 ASPT5 Worthless ... Valuable

21 ASPT6 I did not like the tool at all ... I liked it very much

22
23
24
25
26 **Recent purchase experience**

27 How would you describe your recent purchase experience of _____? Experience
28 means the whole purchasing process. Please look at this card with 6 statements.

29
30 Please use 1 to 6 to indicate your opinions whereby 6 means you strongly agree, and 1 means
31 you strongly disagree with each of these statements in describing your experience.

32
33 The purchase experience

34
35 PE1 had many unique or special moments

36 PE2 had a special meaning to me

37 PE3 was as good as I expected

38 PE4 was satisfying to me

39 PE5 stands out as one of my best experiences

40 PE6 was worth my efforts

41
42
43 **Equity sensitivity instrument**

44 Now let's play a game. You have on hand 10 chips which you can allocate to two statements
45 each time. You can allocate more chips to the statement that you agree with, less to the
46 statement that you disagree with. You can even allocate equally among the two choices or
47 allocate zero to one of the choices that you totally disagree with.

48
49 The statements deal with the organizations that you belong to – either the company (or
50 organization) you work at, or the school where you study.

51
52 Let's start now.

53
54 ES1 It would be more important for me to:

55 a) get from the organization

56 b) give to the organization

57 ES2 It would be more important for me to:

58 a) help others

59 b) watch out for my own good

60

ES3 I would be more concerned about:

- a) what I received from the organization
- b) what I contributed to the organization

ES4 The hard work that I do should:

- a) benefit the organization
- b) benefit me

ES5 My general philosophy in dealing with the organization would be:

- a) if I don't look out for myself, nobody else will
- b) it's better for me to give than to receive

To score the instrument, sum the points allocated to the benevolent response (i.e., items ES1B, ES2A, ES3B, ES4A and ES5B). Possible score range 0–50.

ESI					
	Mean	SD		N	N
	24.28	4.79	Ben 1SD	36	90
				212	117
			Ent 1SD	36	77
Benevolent	29.07	1SD			
Entitled	19.49	1SD			
Benevolent	26.68	1/2SD			
Entitled	21.89	1/2SD			

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