

Size doesn't matter (to everyone) when discounting pre-orders

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Introducing new products through pre-order price promotions is a time-honored strategy, but how deep should those discounts be and what factors induce consumers to make the leap of faith needed to plunk down money for a brand-new model? A trio of researchers provides some answers in "Regular Price \$299; Pre-order Price \$199: Price Promotion for a Pre-ordered Product and the Moderating Role of Temporal Orientation," appearing in the *Journal of Retailing's* March 2017 issue.

Marketing Professors Amaradri Mukherjee and Ronn J. Smith of the Walton College of Business at University of Arkansas and Subhash Jha of the Indian Institute of Management in Udaipur explored how [consumers](#) with different mindsets react to pre-order price promotions. Specifically, the authors designed a series of studies to assess the purchase behavior of people who were future-oriented versus those who focused on the present and to gauge how third-party ratings might also affect their buying decisions.

Their initial two studies showed that deep [discounts](#) appealed more to present-oriented people but appeared to generate skepticism in more future-minded buyers. In a third study, the authors probed the ratings factor through a mock advertisement for a new smartphone that was to be released in one week. Both small and large discounts (e.g., 10 percent or 50 percent) were offered, with third-party ratings introduced as another variable. The results showed that both present- and future-oriented consumers reacted positively to the combination of quality

ratings and discounts. A final study, involving tablet computers, showed that in the absence of quality ratings, a higher-image brand such as Apple fared better than a lower-image brand like Dell in regard to pre-purchase intentions.

The studies showed that solely relying on an exaggerated discount might not be an effective pricing strategy in all cases, as it largely appeals to present-oriented consumers. More cautious future-oriented consumers, as well as present-focused buyers, value third-party product quality ratings to help mitigate uncertainty related to long-term concerns, so a careful calculation of the two strategies would appeal to a broader spectrum. "Our findings will allow marketers to devise more effective promotional communications, thereby minimizing negative exposure of exaggerated discounts in promotional messages to future-oriented consumers," the authors conclude.

More information: Amaradri Mukherjee et al, Regular Price \$299; Pre-order Price \$199: Price Promotion for a Pre-ordered Product and the Moderating Role of Temporal Orientation, *Journal of Retailing* (2016). [DOI: 10.1016/j.jretai.2016.11.001](https://doi.org/10.1016/j.jretai.2016.11.001)

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