THE LONG AND SHORT-TERM EFFECTS OF ONLINE SALES PROMOTION TYPES AND FIT IN HOTELS

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ABSTRACT

The purpose of this study is to investigate the short and long-term effects of online hotel sales promotion types and promotion fit based on need for cognition and deal proneness. This study will utilize 2 (sales promotion type: monetary vs. non-monetary) x 2 (sales promotion fit: presence vs. absence) between subjects experimental design. Data will be collected through an online consumer panel. A MANOVA will be performed to test the direct effects of sales promotions and promotion context on outcome variables. PROCESS model will be used to test the indirect and conditional effects of independent variables.

Key words: Sales promotion, sales promotion fit, need for cognition, brand image, resource matching theory.

INTRODUCTION

In the industries with intense competition, marketing activities are highly important for gaining consumer attention and developing favorable brand related attitudes [3][55]. Sales promotions are one of those marketing activities based on taking actions to directly influence consumer behavior, add value to products and differentiate them among the competitors’ offerings [7][14]. According to the previous studies, 20% of the sales of a product category is attributed to sales promotions [52][56]. Sales promotions tend to create and develop consumers’ long term and short term behavioral intentions [21]. The long-term effects represent the more permanent behaviors such as brand related behaviors, whereas the short-term effects indicate immediate effects of consumers, such as purchase intention [61]. Specifically, hospitality industry has been adopting sales promotions for their both long and short-term effects including increasing demand and occupancy in slow periods and developing positive brand related attitudes and perceptions [49].

Consumer attitudes and behaviors show differences based on the type of sales promotions used such as monetary and non-monetary [38][60]. The findings demonstrate that monetary sales promotions lead to short term effects such as purchase intention, whereas non-monetary sales promotions lead to long term effects such as brand attitudes and perceptions [19][21]. The fit between the offered promotion and the product is another factor that leads to different effects on consumers [20][41][44]. It was found that when the promotion is related or in the same context with the product, the promotion has more positive effects on purchase intention [41] and brand attitudes [44]. Furthermore, consumers differ in their motivations to process any type of appeal [62], such as need for cognition and deal proneness. These tendencies influence the effects of sales promotion types on consumer behavior [42][16].
The purpose of this empirical study is to investigate the effects of online sales promotion types and promotion fit on consumer long-term and short-term behaviors based on need for cognition and deal proneness (Figure 1). With this in mind, this study attempts to fill the gap in the literature as follows. Firstly, the sales promotion studies are rare in hospitality literature and specifically in hotel context [6][17][18][51]. This research attempts to understand the effects of different sales promotions in hotel domain. Secondly, little research has been devoted to investigate the effects non-monetary sales promotions and the comparison of monetary and non-monetary sales promotions on consumer behavior and brand related behaviors [19][42][44][61]. Our research tests the effects of monetary vs. non-monetary sales promotions on brand image, and purchase intention. Thirdly, there is no study that tests the effects of the promotion fit on consumer behavior. This research examines how hotel promotion fit influences consumers’ behavioral intentions and perceptions. Finally, all these relationships will be tested within the levels of consumer motivations and traits including need for cognition and deal proneness.

Figure 1. The effects of sales promotion types and fit on consumer behavior based on need for cognition and deal proneness

LITERATURE REVIEW

Sales promotions

Sales promotions are the marketing communication tools employed for a certain period, which are used for generating immediate sales of products and brands [56]. These tools offer some type of incentive which encourages customers to purchase [18]. There are two main categories of sales promotions: monetary and non-monetary [11][36]. Monetary sales promotions are price based deals aimed at reaching short-term goals including increasing purchase intention and generating immediate sales [31][61]. Price discounts, rebates, and coupons are among the monetary sales promotions. Non-monetary sales promotions are non-price based deals which are used to obtain long-term results such as developing a positive brand image and brand attitudes [61].
Due to the perishable characteristic of hotel offerings and high fixed costs of the industry, hotels have been adopting sales promotions for increasing demand of their products such as unused inventory during low periods [61][58] and developing customers’ brand image perceptions [37][43]. Extra points for loyalty programs and price discounts for room rates [27] are some of the sales promotions adopted by hotels. As Internet has been used actively by many consumers, the industry members take advantage of web-based marketing strategies [4][48][57] and communicate their sales promotions either through their brand websites [33] or online travel agencies’ websites [50].

Purchase behaviors are among the important benefits of sales promotions to hotels. These behaviors differ based on the type of promotion used [21]. Monetary sales promotions are based on utilitarian benefits such as price discounts and immediate incentives. Thus, they increase consumers’ willingness to buy and an increase in sales in the short term. These promotions are simple and easy to understand with its direct communication of the deal and its value compared to non-monetary sales promotions [9]. Thus, we propose:

\[ H1: \text{Sales promotion type has an influence on purchase intention such that monetary vs. non-monetary sales promotion will lead to higher purchase intention.} \]

**Fit between the sales promotion and the product**

There are several aspects of sales promotions that determine their effectiveness such as the fit between the sales promotion and the product [20][41]. The fit can be described as relatedness of the promotion to the product in terms of its functional relation or the complementing aspect for the use of the product. Consumers appreciate the fit between the promotion and the product promoted even for unattractive promotions. When these patrons are exposed to a promotion which fits with the product, they are likely to avoid misunderstanding the value of the promotional offer [41]. When the sales promotion offered by the hotel is related to the hotel product, hotel room in case of this study, the information in the promotion falls into the context of hotel, which is expected by the consumer [25][44]. Thus, we propose:

\[ H2: \text{Sales promotion fit has an influence on purchase intention such that the presence of the fit between the sales promotion and the hotel room will lead to higher purchase intention than absence of the fit.} \]

**Brand image**

Sales promotions are an important marketing communication tool in developing brand related perceptions [9][54]. When consumers are exposed to a specific promotional campaign, they might develop feelings, thoughts, and behaviors about the brand [5][24][53] which in turn, lead to favorable purchase behaviors. As an example, price-oriented promotions were found to resulting in unfavorable brand related attitudes and behaviors by reducing the quality perceptions about the product [19]. As a result, consumers are less likely to purchase the product promoted. On the other hand, non-monetary promotions have become popular among marketers for differentiating their products and brands, due to their ability of building favorable brand behaviors, [2][19]. These promotions add value to the product and uniqueness to the brand, in turn, they increase the brand choice and intent to purchase the product promoted [12]. Thus, we propose:

\[ H3: \text{Brand image will mediate the relationship between sales promotion type and purchase intention.} \]
Furthermore, when there is a fit between the promotion and the product promoted, it is more likely that consumer responses will be more favorable towards the promotion. When the consumption and the usage of the promotion and the product are complementary, it helps the brand to communicate the product offerings and benefits when used. So, consumers are more likely to purchase the product [19][47]. Thus, we expect:

\[ H4: \text{Brand image will mediate the relationship between sales promotion fit and purchase intention.} \]

**Resource matching theory (RMT) and need for cognition (NFC)**

This research builds on RMT which has been adopted by advertising studies [8][16][29][35][45]. Grounded in Elaboration Likelihood Model (ELM), RMT is based on the assumption that the persuasiveness of a stimulus increases, when there is a match between the individual’s cognitive resources allocated to process the message and the demand for processing the message [1][15]. In other words, the match between the individual’s resources and those required by the message is the key to persuasive argument in advertising [13]. Individuals differ based on their tendencies of engaging in information processing and allocating resources for the processing task [13]. RMT specifies that the individual’s internal motivation such as need for cognition is among the determinants of these resources used for information processing [22].

NFC is an individual motivation to engage in and enjoy effortful cognitive activity [10][16]. Individuals low in NFC do not have a tendency in performing effortful thinking and avoid information processing when exposed to complex messages [46]. Appeals such as sales promotions, require information processing which results in polarized evaluations [39][40]. Monetary sales promotions are easy to process and communicate the value of the promotion [9]. Conversely, non-monetary promotions do not provide a clear understanding of the deal’s value and makes it more complicated to discount the deal’s value from the product price [42]. Thus, individuals low in need for cognition are more likely to evaluate monetary sales promotions more favorably and process them easily than those high in need for cognition.

\[ H5: \text{The relationship between sales promotion type and purchase intention differs across the levels of need for cognition such that for those low vs. high in need for cognition, monetary sales promotion will lead to higher purchase intention than non-monetary sales promotion.} \]

When consumers are exposed to a promotion which is far from their fit expectancy, they need to use more cognitive resources and elaborate more. On the other hand, the promotion related to the product’s context communicates product related deals and meets the expectations of consistent and predictable benefits, of individuals [44]. Thus, we propose:

\[ H6: \text{The relationship between sales promotion fit and purchase intention differs across the levels of need for cognition such that for those low vs. high in need for cognition, the presence of the fit between the promotion and the hotel room will lead to higher purchase intention than the absence of the fit.} \]
Deal proneness:

Deal proneness is a general tendency to respond to promotions which offer deals [34]. It represents a psychological propensity to make a purchase rather than to make an actual purchase [23]. This tendency has a positive influence on consumers’ evaluations of sales promotions [20] [30] and purchase intention [28]. They usually have more positive attitudes toward price based deals [32][37].

H7: The relationship between sales promotion type and purchase intention differs across the levels of deal proneness such that for those high vs. low in deal proneness, monetary sales promotion will lead to higher purchase intention than non-monetary sales promotion.

H8: The relationship between sales promotion fit and purchase intention differs across the levels of deal proneness such that those high vs. low in deal proneness, the presence of the fit will lead to higher purchase intention than the absence of the fit.

METHODOLOGY

Sample and design

This study will employ 2(sales promotion type: monetary vs. non-monetary) x 2(sales promotion fit: presence vs. absence of the fit) between subjects experimental design. Need for cognition, deal proneness, purchase intention, attitude toward the hotel and attitude toward the brand will be measured with multi-item scales. Both sales promotion types will be manipulated in two different presentation forms: Monetary sales promotion type as percentage vs. dollar and non-monetary type as free and value adding reward. To test the hypotheses, data will be collected through an online consumer marketing panel from 520 participants. Those who are 21 years of age and older will be eligible to participate to this study. A fictitious brand name, “The Hotel Las Vegas”, will be used in sales promotion stimuli in order to avoid triggering brand associations and emotions that could lead to biased responses [15].

Stimulus manipulations and procedure

The participants will be asked to read the scenario below that describes the sales promotions of The Hotel Las Vegas, published in its brand website.

“You are planning a trip to Las Vegas and need to book a hotel room for 2 to 3 nights. You search the internet for hotels in town and find a hotel offering various promotions. You look at the hotel’s brand website. Hotel LV has different types of promotions based on $135 per night for its standard room category. Below you will see the sales promotion for the standard room category of Hotel LV.”

Then, the participants will be randomly shown one of the 8 sales promotion manipulations (APPENDIX A). Each 65 participants will be exposed to one sales promotion design. Based on the information they read, they will respond to the questions related with their purchase intention, brand image perception, brand attitude, hotel attitude, need for cognition, and deal proneness.
**Statistical method**

*Pre-test:* Experiment manipulation checks will be evaluated in order to ensure the efficacy of 8 scenarios. A manipulation check will be conducted on 10% of the total sample size through an online consumer panel. The participants will be asked to rate the manipulations along two dimensions: first the extent to which promotion type is perceived as monetary and second the extent to which promotion has a fit with the hotel room. The participants will be asked the following statements [59]: “The promotion I saw was offering a price-based discount” and “The promotion I saw was related to the hotel room of The Hotel Las Vegas.” After ensuring the effectiveness of the manipulation, the sales promotions will be sent to a professional graphic designer to make them realistic and professional. Then, the main study will be conducted. A MANOVA will be performed to test the direct effects of sales promotions and promotion fit on outcome variables. PROCESS model will be used to test the indirect and conditional effects of independent variables on outcome variables [26].

**DISCUSSION**

The purpose of this research is to examine the differences in the effects of sales promotion types and sales promotion fit based on traveler motivations and traits. Based on the literature findings, the following results are expected. The conceptual model test the main effects of sales promotion types and sales promotion fit on purchase intention, brand image, and brand and hotel attitudes. Monetary sales promotion type would lead to higher purchase intention than non-monetary sales promotion. Within monetary types, dollar discount is expected to have stronger main effect on purchase intention than percentage discount. Within non-monetary forms, free reward is expected to lead to more favorable consumer responses than value adding reward. However, monetary sales promotion might not result in favorable long term effects including brand image perceptions, and brand and hotel attitudes. It is expected that non-monetary sales promotion will create more value for customers and lead to more positive brand image and brand and hotel related attitudes than monetary counterparts. Specifically, free reward could have stronger effects on these perceptions and attitudes than value adding reward. The presence of the fit between the promotion and the hotel room is likely to be perceived more favorable and could lead to higher purchase intention, more favorable brand image and brand and hotel related attitudes. Specifically, presence of the fit in monetary form might increase purchase intention compared to that in non-monetary form. So, it is expected that the presence of the fit in monetary form would have stronger short term effects on travelers. On the other hand, presence of the fit in non-monetary form would have long term effects on travelers including a more favorable brand image, brand attitude and hotel attitude. When it comes to the interaction effects, monetary sales promotion and presence of the fit are expected to lead to higher purchase intention for individuals low in need for cognition and high in deal proneness. On the contrary, non-monetary sales promotion and absence of the fit are expected to lead to higher purchase intention for individuals high in need for cognition and low in deal proneness. From all above, monetary sales promotion is likely to have stronger short term effects including purchase intention, whereas non-monetary sales promotion could generate favorable long-term effects such as brand image, brand attitude and hotel attitude. As non-price based deals are focused on not generating an immediate sales by reducing the prices but developing a long-term relationship with the customer, they help to create a favorable brand image and positive attitudes in travelers’ minds. Promotions related with the product in the deal are perceived more positive as they complement the usage of the product and add more value to the product in financial and functional terms.
### APPENDIX A

#### Monetary Sales Promotions

<table>
<thead>
<tr>
<th>Percentage Discount</th>
<th>Dollar Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Stay two nights, save 20%!&quot;</td>
<td>&quot;Stay two nights and save $27 per night!&quot;</td>
</tr>
<tr>
<td>Get 20% off per night on our standard room rate, when you stay two consecutive nights in The Hotel Las Vegas.</td>
<td>Get $27 off per night on our standard room rate, when you stay two consecutive nights in The Hotel Las Vegas.</td>
</tr>
<tr>
<td>Terms and conditions:</td>
<td>Terms and conditions:</td>
</tr>
<tr>
<td>- Complete your stay by any dates between April 1st-June 30th, 2020.</td>
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</tr>
<tr>
<td>- Reservation must be guaranteed with a valid credit card.</td>
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</tr>
<tr>
<td>- Savings per night are excluding taxes, resort/service fees, incidentals, gratuities that may be imposed.</td>
<td>- Savings per night are excluding taxes, resort/service fees, incidentals, gratuities that may be imposed.</td>
</tr>
<tr>
<td>- Not valid with any other offer.</td>
<td>- Not valid with any other offer</td>
</tr>
<tr>
<td>- Blackout dates apply.</td>
<td>- Blackout dates apply.</td>
</tr>
</tbody>
</table>

#### Free Reward

"Stay two nights, get one night free!"

Get the third night free in our standard rooms, when you stay two consecutive nights in The Hotel Las Vegas.

Terms and conditions:
- Complete your stay by any dates between April 1st-June 30th, 2020.
- Reservation must be guaranteed with a valid credit card.
- Free room night is exclusive of incidentals, gratuities that may be imposed.
- Not valid with any other offer.
- Blackout dates apply.

#### Value Adding Reward

"Get a free room upgrade!"

Get a free room upgrade upon check-in for our standard rooms, when you stay two or more consecutive nights in The Hotel Las Vegas.

Terms & conditions:
- Complete your stay by any dates between April 1st-June 30th, 2020.
- Upgraded room type assigned at check-in depending on hotel’s availability.
- Reservation must be guaranteed with a valid credit card.
- Not valid with any other offer.
- Blackout dates apply.
### Presence of the Fit Between the Promotion and the Hotel Room

#### Monetary

**“Stay two nights and earn a food & beverage discount card!”**

Get 15% discount on all food & beverage in the restaurants and room service of The Hotel Las Vegas, when you stay two consecutive nights in The Hotel Las Vegas.

**Terms & conditions:**
- Complete your stay by any dates between April 1st - June 30th, 2020.
- Reservation must be guaranteed with a valid credit card.
- The promotion is valid till your check out date/ duration of your stay.
- Not valid with any other offer.
- Blackout dates apply.

#### Non-monetary

**“Stay two nights and earn complimentary dinner for two!”**

Get complimentary dinner for two in one of our restaurants, when you stay two consecutive nights in The Hotel Las Vegas.

**Terms & conditions:**
- Complete your stay by any dates between April 1st - June 30th, 2020.
- Reservation must be guaranteed with a valid credit card.
- Dinner voucher is valid for one time use.
- Beverages are not included in the voucher.
- Not valid with any other offer.
- Blackout dates apply.

### Absence of the Fit Between the Promotion and the Hotel Room

#### Monetary

**“Stay two nights and get discount tickets for any of the shows in Las Vegas for two!”**

Get discount tickets for any of the shows in Las Vegas for two, when you stay two or more consecutive nights in the Hotel Las Vegas.

**Terms & conditions:**
- Complete your stay by any dates between April 1st - June 30th, 2020.
- Reservation must be guaranteed with a valid credit card.
- Special offer does not include front section show tickets and is subject to availability.
- Not valid with any other offer.
- Blackout dates apply.

#### Non-monetary

**“Stay two nights, get free tickets for any of the shows in Las Vegas for two!”**

Get free tickets for any of the shows in Las Vegas for two, when you stay two or more consecutive night in the Hotel Las Vegas.

**Terms & conditions:**
- Complete your stay by any dates between April 1st - June 30th, 2020.
- Reservation must be guaranteed with a valid credit card.
- Special offer does not include front section show tickets and is subject to availability.
- Not valid with any other offer.
- Blackout dates apply.
REFERENCES


