Effectiveness of Promotional Premiums: The Moderating Role of Affective State in Different Contexts

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ABSTRACT

This research explores the influence of affective state on ad and product judgments for advertising that features promotional offers of high and low price value. Consistent with expectations, Study 1 found that for happy participants, high-price value premiums generated higher ad believability ratings, which in turn enhanced ad and brand attitudes. For sad participants, however, the positive effects of high-price value premiums were attenuated due to message believability discounting. It is proposed that the moderating influence of affective state on responses to ads featuring premiums should be more likely to emerge when attention to premiums is high, as in situations where ads feature less important product attributes or when consumers plan to purchase a product. Study 2 found that the interaction between affective state and premium value was significant when ads featured less important product attributes, but not when they featured important product attributes. Study 3 found that the interaction was significant for participants who intended to purchase the product in the near future, but not for those who did not have purchase intentions. © 2009 Wiley Periodicals, Inc.

INTRODUCTION

Do "free" gifts accompanying the purchase of a product always make consumers happy and lead to favorable evaluations of the product? The answer is probably not. Indeed, Simonson, Carmon, and O'Curry (1994) found that sales promotions, such as premiums or price-offs, can even reduce purchase probability when consumers perceive the premiums as adding no value. In addition, the promise of an expensive premium may sometimes seem "too good to be true" and thus be discounted by consumers, resulting in reduced perceived value for the overall offer (e.g., Gupta & Cooper, 1992; Mobley, Bearden, & Teel, 1988). Little research attention has been paid to whether certain sales promotions can enhance product evaluations in some contexts but have the reverse effect in other contexts. This research explores this issue with regard to premiums, a commonly applied sales promotion tactic (Engel, Warshaw, & Kinnear, 1994), and compares premiums of high and low price value.

It is argued in this paper that premiums may not always add value to a product. Sometimes premiums are of poor quality or irrelevant to consumers. In such cases, the premiums are often never used or simply thrown out. Because the majority of consumers have some experience with premiums, positive or negative, it is likely that they develop a range of expectations based on experience. Therefore, the experiences that are rendered accessible may influence their interpretations of a premium offer. It is thus argued that ads that inform consumers that a premium will accompany a product purchase, such as point-of-purchase fliers or direct response ads, can have their messages interpreted in divergent ways based on contextual factors and, as a result, can have inconsistent effects.

There are psychological explanations for why premiums and other sales promotion tactics designed to add value to a purchase occasionally backfire (Simonson, Carmon, & O'Curry, 1994). First, consumers discount price-reduction claims that appear "too good to be true" (Shimp & Bearden, 1982). Second, consumers may mistakenly perceive that a promotion signals that a product is of low quality. In other words, consumers may make negative product attributions because they believe that only a low-quality product would need a valuable premium to make it more attractive (Diamond, 1990; Lichtenstein & Bearden, 1986). This kind of negative inference may be even more likely when the price-reduction claims are of high price value because the deal can be interpreted as "too good to be true."

Furthermore, certain contextual factors may moderate the effectiveness of promotion premiums. This research proposes that premium effectiveness can be influenced by the affective state of consumers. Specifically, it is predicted that the relative effectiveness of high-price and low-price value premiums will vary as a function of affective state. High-price value premiums should be effective for happy consumers but are expected to be discounted by sad consumers.

Happy individuals are thought to be more likely to overestimate the possibility of positive events (Wegener, Petty, & Klein, 1994); thus, they may be less likely to make negative inferences or to discount offers that otherwise might appear "too good to be true." As a result, happy individuals should rate high-price value premiums as more believable than low price value premiums, favoring ads and brands that offer high-price value premiums. In contrast, sad participants should view negative outcomes, such as inferior product quality or offers that do not

deliver as promised, as more likely to occur (Johnson & Tversky, 1983; Wegener, Petty, & Klein, 1994). Therefore, sad participants should make negative inferences or attributions when unexpectedly high-price value premiums are offered. In sum, high-price value premiums should have a positive effect on product evaluations for happy participants but not for sad participants. This hypothesis is tested in Study 1.

Furthermore, this research argues that the moderating influence of affective state is more likely to emerge when consumers' attention is drawn to premiums, as in situations where ads feature less important product attributes or when consumers plan to purchase a product. The hypothesis that affective state should moderate the effect of premium price value only when an ad does not feature important product attributes is explored in Study 2. The hypothesis that affective state should moderate the effectiveness of different premium price values only when participants plan to purchase the advertised product in the near future is examined in Study 3.

SALES PROMOTIONS

Sales promotions are generally believed to have positive effects on both product evaluations and purchase probability (e.g., Rothschild & Gaidis, 1981). For instance, it has been shown that premiums enhance product evaluations when they are provided before consumers make their evaluations (Tietje, 2002). Also, sales promotions have been found to motivate consumers to purchase (Cotton & Babb, 1978).

At the same time, promotions can result in adverse effects. For example, sales promotions have been shown to increase brand switching (e.g., Dodson, Tybout, & Sternthal, 1978), reduce brand loyalty and repeat purchase (Shoemaker & Shoaf, 1977), lower expected price (Kalwani, Kim, Rinne, & Sugita, 1990), and increase reluctance to pay high prices (Krishna, 1991). Moreover, promoting brands heavily often results in low brand equity (Kim, 1989).

The undermining effects of sales promotion on brands can be accounted for by consumers' negative inferences that sales promotion gimmicks signal inferior product quality (Simonson, Carmon, & O'Curry, 1994; see also Diamond, 1990). Dodson, Tybout, and Sternthal (1978) also argued that consumers may attribute their purchase behavior more to external factors (sales promotions) than to product quality and therefore value the product itself less.

Most important, consumers learn to protect themselves from deception by discounting the value of sales promotion deals. For example, consumers have been shown to discount reference-price claims (Blair & Landon, 1981) and doubt the credibility of price-reduction offers, particularly when the claimed price reduction in the ad seems too great (Fry & McDougall, 1974). Indeed, discounting and negative inference making are greatest when ad claims appear exaggerated (Gupta & Cooper, 1992; see also Mobley, Bearden, & Teel, 1988) or fall into the "too-good-to be-true" category (Shimp & Bearden, 1982).

These findings suggest that discounting the credibility of promotional offers accounts for the undermining effects of sales promotions deals, including premiums. It is proposed in this paper that affective state will influence the degree of negative inferences and credibility discounting, thereby moderating the effectiveness of promotional premiums of high and low price values.

AFFECTIVE STATE AND LIKELIHOOD ESTIMATES

Because representations of information of the same affective valence are stored together in a network and can be easily activated by the corresponding affect (e.g., Bower & Forgas, 2000; Eich, 1995), affective states render congruent information available and encourage affect-congruent judgments (Forgas, 1994; Forgas, Bower, & Moylan, 1990), a process referred to as affect priming (Bower & Forgas, 2000; Forgas, 1992).

Via a process similar to affect priming, affective states can also bias predictions of the probability of both positive events (DeSteno, Petty, Wegener, & Rucker, 2000; Erber, 1991; Forgas & Moylan, 1987; Wegener, Petty, & Klein, 1994) and negative events (e.g., Johnson & Tversky, 1983). Individuals in positive affective states perceive positive consequences as more likely than negative consequences, whereas those in negative affective states perceive negative outcomes as more likely. The mechanism that underlies the affect-congruent bias is the availability heuristic, according to which positive affective states render positive events more available, increasing estimates of the likelihood of positive events, and negative affective states render negative events more available, enhancing likelihood estimates for negative events. This position has been supported by empirical research using different affect subtypes (DeSteno et al., 2000; Mayer, Gaschke, Braverman, & Evans, 1992) and involving likelihood estimates for a wide variety of events (Mayer et al., 1992). In addition, there is evidence that happy individuals tend to perceive themselves as invulnerable to future negative events, and sad individuals tend to see themselves as vulnerable to such events (Salovey & Birnbaum, 1989).

Drawing upon these findings, this research proposes that affective state will influence interpretations of premium offers. Happy participants, whose positive experiences are activated, should perceive high-price premium offers to be likely and believable and will accordingly view the ads and brands associated with the high-value offers favorably. In contrast, sad participants, whose negative affective state presumably renders negative experiences more available, should view high-price premiums as "too good to be true" and discount their believability. As a result, the positive effects of high-price value premiums on ad and brand attitudes will attenuate for sad participants. Therefore, the following hypothesis is proposed:

> **H1:** The interaction between affective state and premium value will significantly influence ad believability (H1a), ad attitudes (H1b), and brand attitudes (H1c). Consumers in a positive affective state will view high-price value premiums more favorably than low-price value premiums, whereas those in a negative affective state will not.

In addition, a mediation model in which this interaction indirectly influences ad attitudes and brand attitudes via its direct impact on ad believability will also be tested.

> **H2:** The interaction between affective state and premium value will influence ad attitudes (H2a) and brand attitudes (H2b) via ad believability.

STUDY 1

Method

Design. This experiment featured two factors: affective state (positive vs. negative) and premium value (high vs. low).

Participants. Eighty-three participants (49% male) were recruited from a college and randomly assigned to one of the four conditions.

Stimuli. Stimulus ads were created by professionals working at an ad agency. The products used were printers, which college students often purchase and which are commonly advertised with premiums. Visuals and layouts were similar for both ads in order to reduce any possible confounding effects, and information regarding product attributes and functions was also included and held constant across the four conditions. To improve external validity, the ads were inserted between two real filler ads.

Procedures. An autobiographical recall–mood induction technique adapted from Strack, Schwarz, and Gschneidinger (1985) was employed. First, researchers told participants that they were collecting happy and sad life events to assist in creating ad spots for future experiments. Participants were asked to do the professor a favor by writing down a real-life event that they had experienced. They were then handed folders with written instructions stating that, to save time, each participant would be asked to provide only one personal story and that he or she had been randomly assigned to provide a happy or sad story. Participants first read a sample story of the same affective valence and then were instructed to describe an event from their lives of the same valence.

In the second part of the study, participants completed measures assessing their affective states. Then a second coordinator informed them that the primary study was designed to examine the effects of ad layout on views of the ad and brand, in order to discourage them from guessing the real purpose of the study. Participants then read a filler ad followed by the stimulus ad and another filler ad, completed measures assessing their evaluations of the ads and products, and rated the believability of the ads.

Independent Variables

Affective State. Participants rated their affective states on a 3-item, 7-point Likert scale. The three items were selected from Matthews, Jones, and Chamberlain (1990) based on a pretest. The three items that had the highest factor loadings were used: "happy," "satisfied," and "cheerful." Cronbach's alpha for the scale was satisfactory at 0.87, and scores on the items were averaged. As expected, those in the positive affective state condition had higher scores than those in the negative affective state condition ($F_{(1,82)} = 3.93$, $p = 0.05$, $M_{positive} = 4.16$, $SD = 1.35$, $M_{negative} = 3.50$, $SD = 1.66$). Therefore, the manipulation was deemed satisfactory.

Price Value Premiums. A pretest ($N = 21$) asked participants to recall what product premiums they had obtained when purchasing printers. In another

pretest ($N = 52$), the products most frequently mentioned in the first pretest were rated on price value and plausibility. Photo frames and cartridges were selected as the two premiums because they differed significantly on perceived price value ($F_{(1,51)} = 82.34, p = 0.01, M_{frames} = US\$2.85, M_{cartridges} = US\$11.42$).

In addition, it was important to assess whether these high- and low-price value premiums would be perceived as "too good to be true." A pretest ($N = 52$) asked participants to rate high- and low-price value premiums on the "too-good-to-be-true" scale, which included three items: (1) "If an advertiser gives away free photo frames/cartridges with the purchase of a printer, how exaggerated do you perceive the offer to be?" (2) "If an advertiser gives away free photo frames/cartridges with the purchase of a printer, how plausible do you perceive the offer to be?" (reversed); and (3) "When you purchase a printer, if the advertiser gives away free photo frames/cartridges with the purchase of a printer, how credible do you perceive the offer to be?" (reversed). Cronbach's alpha of the scale was deemed satisfactory at 0.92. As expected, high-price value offers obtained higher ratings than low-price offers ($F_{(1, 51)} = 8.71, p = 0.01, M_{frames} = 3.65, SD = 1.44, M_{cartridges} = 4.50, SD = 1.81$).

Dependent Variables

Ad Believability. Participants used a 7-point scale to rate four ad believability items ("believable," "convincing," "reasonable" and "authentic") adopted from Beltramini's (1982) advertising believability scale. Reliability for this scale was satisfactory (Cronbach's alpha = 0.88). Ratings for the four items were averaged.

Ad Attitudes. Five items adopted from Chang (2005a) and rated on a 7-point Likert scale measured how much participants liked the ads. The five items were "interesting," "good," "likable," "favorable," and "pleasant." Reliability for the ad liking scale was deemed satisfactory (Cronbach's alpha = 0.92). Ratings for the five items were averaged.

Brand Attitudes. Brand attitudes were measured with five items scored on 7-point Likert scales and adopted from Chang (2005b): "good," "likeable," "pleasant," "positive," and "high quality." Cronbach's alpha for this scale was deemed satisfactory at 0.90. Scores for the items were averaged.

Results

Because gender and familiarity with printers might affect responses, both were included as covariates. ANCOVA found that the interaction between affective state and premium value on ad believability was significant ($F_{(1, 76)} = 5.12$, $p = 0.03$; see Table 1). Simple effects tests found that, for participants in a positive affective state, the influence of premium value approached significance ($F_{(1,39)} = 3.54, p = 0.07, M_{high\ price} = 4.44, SD = 0.91; M_{low\ price} = 3.75, SD = 1.24$). For participants in a negative state, the influence of premium was not significant ($F_{(1,37)} = 1.41, p = 0.24, M_{high\ price} = 4.04, SD = 1.36; M_{low\ price} = 4.48, SD = 1.22$). Thus, the results of the interaction, but not the results of simple effect tests, were consistent with Hypothesis 1a.

With regard to Hypothesis 1b, the interaction between affective state and premium value on ad attitudes was significant ($F_{(1,76)} = 5.93, p = 0.02$). For

Table 1. ANCOVA Results from Study 1, Study 2, and Study 3.

	Ad Believability		Ad Attitudes		Brand Attitudes	
	F	p	F	p	F	p
Study 1						
Covariate-gender	5.00	0.03	7.81	0.01	6.68	0.01
Covariate-familiarity	0.86	0.36	0.07	0.80	0.25	0.62
Affective state (A)	0.30	0.58	3.80	0.06	0.01	0.91
Premium value (P)	0.41	0.52	0.01	0.94	0.06	0.80
A × P	5.12	0.03	5.93	0.02	4.67	0.03
Study 2						
Covariate-Gender	1.35	0.25	2.80	0.10	0.03	0.86
Covariate-Familiarity	2.66	0.10	0.41	0.53	0.55	0.46
Affective state (A)	2.16	0.12	1.42	0.24	1.09	0.34
Premium value (P)	0.07	0.80	0.54	0.46	0.82	0.37
Argument strength (S)	0.50	0.48	0.01	0.97	0.72	0.40
A × P	1.07	0.35	3.31	0.04	1.54	0.22
A × S	4.34	0.01	4.03	0.02	3.70	0.03
P × S	0.15	0.70	0.19	0.66	0.92	0.34
A × P × S	4.06	0.02	6.63	0.01	2.56	0.08
Study 3						
Affective state (A)	0.25	0.62	1.13	0.27	3.11	0.08
Premium value (P)	0.57	0.45	0.06	0.80	0.07	0.80
Planning to buy (B)	4.79	0.03	6.49	0.01	14.43	0.01
A × P	1.31	0.26	0.76	0.39	1.79	0.18
A × B	1.47	0.23	3.66	0.06	5.43	0.02
P × B	0.37	0.55	0.01	0.94	2.45	0.12
A × P × B	8.89	0.01	9.31	0.01	4.21	0.04

happy participants, the influence of premium value was significant ($F_{(1,39)} = 4.15$, $p = 0.05$, $M_{\text{high price}} = 4.11$, $SD = 0.91$; $M_{\text{low price}} = 3.50$, $SD = 1.32$). For sad participants, as expected, the influence of premium value was not significant ($F_{(1,37)} = 2.82$, $p = 0.14$, $M_{\text{high price}} = 4.03$, $SD = 1.38$; $M_{\text{low price}} = 4.62$, $SD = 1.22$). Therefore, Hypothesis 1b was supported.

The interaction between affective state and premium value on brand attitudes was significant ($F_{(1,76)} = 4.67$, $p = 0.03$). Premium value was significant for happy participants ($F_{(1,39)} = 5.04$, $p = 0.03$, $M_{\text{high price}} = 4.63$, $SD = 1.14$; $M_{\text{low price}} = 4.02$, $SD = 1.29$), but not for sad participants ($F_{(1,37)} = 1.30$, $p = 0.26$, $M_{\text{high price}} = 4.15$, $SD = 1.67$; $M_{\text{low price}} = 4.58$, $SD = 1.20$). Hypothesis 1c was thus also supported.

Regression analyses were conducted to test the mediation hypotheses. According to Baron and Kenny (1986), the following conditions are necessary for mediation: (1) The independent variable significantly accounts for variation in the presumed mediator, (2) variation in the presumed mediator accounts for variation in the dependent variable, and (3) the relationship between the independent and the dependent variables is no longer significant once the variance in the dependent variable accounted for by the mediator is partialed out. Positive affective states were coded "1" and negative affective states were coded "−1." High-price premiums were coded "1" and low-price premiums were coded "−1." Affective state, premium value, and the interaction between them were included as

Table 2. Results of Simple Effect Tests.

	Happy Affective States				Sad Affective States			
	Means (SD)				Means (SD)			
	High Value	Low Value	F	p	High Value	Low Value	F	p
Study 1								
Ad believability	4.44(0.91)	3.75(1.24)	3.54	0.07	4.04(1.36)	4.48(1.22)	1.41	0.24
Ad attitudes	4.11(0.91)	3.05(1.32)	4.15	0.05	4.03(1.38)	4.62(1.22)	2.82	0.14
Brand attitudes	4.63(1.14)	4.02(1.29)	5.04	0.03	4.15(1.67)	4.58(1.20)	1.30	0.26
Study 2: When ad featured less important attributes								
Ad believability	4.03(1.08)	3.38(1.27)	4.32	0.05	3.96(1.07)	4.97(1.10)	6.99	0.01
Ad attitudes	4.30(1.11)	3.39(1.53)	6.51	0.02	3.74(1.14)	5.49(0.71)	19.63	0.01
Brand attitudes	4.19(0.87)	3.80(1.36)	2.10	0.16	3.75(1.28)	5.04(1.28)	7.45	0.01
Study 3: When participants planned to purchase in the near future								
Ad believability	4.75 (0.78)	4.19(1.31)	1.46	0.24	3.56(1.21)	4.68(0.70)	9.22	0.01
Ad attitudes	4.68(0.80)	4.00(1.06)	2.71	0.12	3.36(0.96)	4.17(0.72)	6.63	0.02
Brand attitudes	4.96(0.84)	4.06(1.40)	3.23	0.09	3.53(0.74)	3.93(0.92)	1.72	0.20

Table 3. Regression Results for Hypotheses 2a and 2b.

Hypothesis 2a			Hypothesis 2b		
	β	p		β	p
Dependent variable = Ad believability			Dependent variable = Ad believability		
Affective state	−0.08	0.47	Affective state	−0.08	0.47
Premium value	0.04	0.71	Premium value	0.04	0.71
A × P	0.22	0.04	A × P	0.22	0.04
Dependent variable = Ad attitudes			Dependent variable = Brand attitudes		
Affective state	−0.22	0.04	Affective state	−0.03	0.77
Premium value	−0.01	0.97	Premium value	−0.01	0.84
A × P	0.23	0.03	A × P	0.20	0.07
Dependent variable = Ad attitudes			Dependent variable = Brand attitudes		
Ad believability	0.84	0.01	Ad believability	0.84	0.01
Dependent variable = Ad attitudes			Dependent variable = Brand attitudes		
Affective state	−0.15	0.01	Affective state	0.03	0.68
Premium value	−0.04	0.52	Premium value	−0.01	0.88
A × P	0.05	0.43	A × P	0.03	0.73
Ad believability	0.82	0.01	Ad believability	0.78	0.01

potential predictors in each regression (see Table 3). In the first analysis, the interaction was found to be a significant predictor of ad believability ($\beta = 0.22$, $t = 2.96$, $p = 0.04$). In the second analysis, the interaction significantly predicted ad attitudes ($\beta = 0.23, t = 2.17, p = 0.03$). Next, ad believability accounted for a significant portion of the variance in ad attitudes ($\beta = 0.84$, $t = 13.91$, $p < 0.01$). Finally, when the interaction and ad believability were both included in the model, the interaction was no longer a significant predictor of ad attitudes ($\beta = 0.05$, $t = 0.80$, $p = 0.43$), whereas the effect of ad believability remained significant ($\beta = 0.82$, $t = 13.55$, $p < 0.01$). These results thus supported Hypothesis 2a.

With regard to Hypothesis 2b (see Table 3), the interaction between affective state and premium value only approached significance as a predictor of brand attitudes ($\beta = 0.20, t = 1.82, p = 0.07$). Ad believability accounted for significant variability in brand attitudes ($\beta = 0.78, t = 11.36, p < 0.01$), and when the interaction and ad believability were both in the equation, the interaction was no longer significant ($\beta = 0.03, t = 0.34, p = 0.73$), but ad believability remained significant ($\beta = 0.78, t = 10.81, p < 0.01$). These results thus generally supported Hypothesis 2b.

Discussion

A mediating process in which the interaction between affective state and premium value indirectly influenced ad and brand attitudes via ad believability was clearly established. In addition, the results suggest that affective states can bias judgments of ads and brands when ads feature premiums of different price values. For happy participants, the high-price value premium was more effective than the low-price value premium. In contrast, for sad participants, the effects of high-price value premiums on ad believability and ad and brand evaluations were attenuated.

A logical follow-up question to explore is whether ad content or individual differences can influence the degree to which affective state moderates the effects of high- and low-price value premiums. These questions will be explored in Study 2 and Study 3.

MESSAGE CONTENT AS A MODERATOR

Premiums may draw different levels of attention in various contexts. It is believed that when evaluating a product, consumers rely on available information or cues to judge a product's quality (Rao & Monroe, 1989). Product information varies in its diagnosticity of product quality (Purohit & Srivastava, 2001). Product information that is high in diagnosticity is more likely to be taken into account when evaluating a product (Richardson, Dick, & Jain, 1994). It is reasoned that information regarding a product's attributes is more diagnostic of product quality than whether the product comes with a premium. However, this should apply only for attributes consumers consider to be important. Attributes which consumers do not consider important should not be perceived as diagnostic, and, under such conditions, consumer attention is more likely to be drawn to premiums.

This study argues that when consumers' attention is drawn to premiums, the moderating effect of affective state on consumers' interpretations of a premium offer is more likely to emerge. Prior research also suggests that the influence of affective state on product judgments may vary by message content (e.g., Batra & Stayman, 1990). Batra and Stayman (1990) found that affect-congruent influences on brand evaluations were observed when message arguments were weak, but not when arguments were strong. This suggests that when consumers elaborate on strong arguments, they are less likely to be influenced by their affective states.

In a similar vein, it is proposed in this paper that when ads feature important product attribute information (hereafter strong arguments), processing will focus more on product attribute information than on premiums. Under this situation, premiums do not draw attention and affect-congruent interpretations of premiums will not appear. In contrast, when ads contain only less important product attribute information (hereafter weak arguments), greater attention will be drawn to the premiums. Under such situations, affect-congruent interpretations of premiums are more likely to emerge. As shown in Study 1, an affect-congruent interpretation suggests that happy participants will respond more favorably to high-price value premiums than to low-price value premiums, whereas sad participants will discount the believability of high-price value premiums, rendering them ineffective.

In Study 1, the influence of affect was examined by inducing positive and negative states without direct comparison to those in neutral affective states. In Study 2, this comparison group is included. However, no specific hypotheses are proposed for neutral participants.

H3: There will be a significant three-way interaction between argument strength, affective state, and premium value for ad believability (H3a), ad attitudes (H3b), and brand attitudes (H3c). When strong arguments are featured, the affective state by premium value interaction will not be

significant. However, when weak arguments are featured, participants in a positive affective state will view high-price value premiums more favorably than low-price value premiums, whereas those in a negative affective state will not.

STUDY 2

Method

Design and Procedures. This experiment featured three factors: affective state (positive, neutral, and negative), premium value (high- vs. low-price value), and argument strength (strong vs. weak). Positive and negative affective states were induced using the same procedure as in Study 1. Participants assigned to the neutral condition were asked to write a short paragraph on how drinking water is important for health.

Participants. Two hundred and thirty-four participants (49% male) were recruited from a college and randomly assigned to one of the 12 manipulated conditions.

Stimuli. Stimulus ads were created by professionals working at an ad agency. The products used in this study were t-shirts, which are more commonly purchased by college students than are printers. Visuals and layouts were similar for all ads.

Independent Variables

Affective State. Affective states were assessed by the same scale as in Study 1, and Cronbach's alpha was satisfactory at 0.86. As expected, mood manipulation procedures significantly influenced participants' affective states ($F_{(2,231)} = 7.75, p < 0.01$). The linear contrast was also significant, $p < 0.01$, with means in the expected directions ($M_{positive} = 4.27, SD = 1.32, M_{neutral} = 4.17, SD = 1.30, M_{negative} = 3.45, SD = 1.51$). Therefore, the manipulation was deemed satisfactory.

Price Value Premiums. A pretest ($N = 20$) asked participants to recall what product premiums they had obtained when purchasing t-shirts. In the second pretest ($N = 51$), the products most frequently mentioned in the first pretest were rated on price value and the "too-good-to-be-true" scale. Tattoo stickers and socks were selected to be the premiums, as they differed significantly both on perceived price value ($F_{(1, 50)} = 72.87, p = 0.01, M_{tattoo stickers} = $US\$0.63, M_{socks} = $US\$1.95$) and on "too-good-to-be-true" perceptions ($F_{(1, 50)} = 4.68, p = 0.04, M_{tattoo stickers} = 4.40, SD = 1.29, M_{socks} = 4.78, SD = 1.40$).

Argument Strength. Argument strength was manipulated by altering the product attributes featured in the ads, in a manner similar to that employed by Petty, Cacioppo, and Schumann (1983). Three attributes were included in each ad. The attributes featured in the strong argument condition were rated as significantly more important than those featured in the weak argument

condition ($t_{(232)} = 2.69$, $p < 0.01$). In addition, on a 7-point scale, participants rated the strength of the arguments as well as the degree to which the arguments provided reasons for purchase. The two items were significantly correlated ($r(232) = 0.46$, $p = 0.01$), and scores on them were therefore averaged. ANOVA found that strong arguments generated higher ratings than did weak arguments ($F_{(1, 232)} = 5.41$, $p = 0.02$, $M_{strong} = 4.07$, $SD = 1.54$, $M_{weak} = 3.60$, $SD = 1.42$), which was consistent with expectations. At the same time, strong and weak arguments did not differ in believability ($F_{(1,232)} = 0.18$, $p = 0.67$, $M_{strong} = 3.78$, $SD = 1.52$, $M_{weak} = 3.70$, $SD = 1.40$); comprehension ($F_{(1,232)} = 2.12$, $p = 0.15$, $M_{strong} = 4.79$, $SD = 1.56$, $M_{weak} = 4.50$, $SD = 1.65$); or complexity ($F_{(1,232)} = 0.05$, $p = 0.82$, $M_{strong} = 3.21$, $SD = 1.55$, $M_{weak} = 3.17$, $SD = 1.62$). In sum, strong arguments and weak arguments differed only in argument strength and not on the other dimensions. The manipulation was deemed satisfactory.

Dependent Variables. The same measures for ad believability, ad attitudes, and brand attitudes as in Study 1 were used for Study 2. Cronbach's alphas were satisfactory at 0.89, 0.93, and 0.93, respectively.

Results

As in Study 1, gender and product category familiarity were analyzed as covariates. The responses of four participants who did not specify their gender were dropped from the analyses.

Ad Believability. ANCOVA found the three-way interaction for ad believability to be significant ($F_{(2,216)} = 4.06$, $p = 0.02$; see Table 1). As expected, when arguments were strong, the simple interaction between affective state and premium value was not significant when neutral states were included ($F_{(2,114)} = 0.70$, $p = 0.50$) or when neutral states were not included ($F_{(1,76)} = 1.05$, $p = 0.31$). When arguments were weak, the simple interaction was significant both when neutral states were included ($F_{(2,100)} = 4.74$, $p = 0.01$) and when neutral states were not included ($F_{(1,62)} = 11.23$, $p < 0.01$). Simple effect tests further found that when participants were happy, high-price premiums generated more favorable ratings ($F_{(1,36)} = 4.32$, $p = 0.05$, $M_{high\ price} = 4.03$, $SD = 1.08$; $M_{low\ price} = 3.38$, $SD = 1.27$), but when participants were sad, high-price premiums generated less favorable ratings ($F_{(1,24)} = 6.99$, $p = 0.01$, $M_{high\ price} = 3.96$, $SD = 1.07$; $M_{low\ price} = 4.97$, $SD = 1.10$; see Table 2). Taken together, these findings supported Hypothesis 3a.

Additional analyses indicated that for those in the neutral affective state condition, the simple interaction between premium value and argument strength was not significant ($F_{(1,79)} = 0.06$, $p = 0.81$), but the simple main effect of argument strength was significant ($F_{(1,79)} = 6.69$, $p = 0.01$). There was no simple main effect of premium value ($F_{(1,79)} = 0.01$, $p = 0.91$).

Ad Attitudes. ANCOVA found the three-way interaction for ad attitudes to be significant ($F_{(2, 216)} = 6.63$, $p = 0.01$). As expected, when arguments were strong, the simple interaction between affective state and premium value was not significant when neutral states were included ($F_{(2,114)} = 0.40$, $p = 0.67$) or when neutral states were not included ($F_{(1,76)} = 0.77$, $p = 0.38$). When arguments

were weak, the simple interaction was significant both when neutral states were included ($F_{(2,100)} = 9.23$, $p < 0.01$) and when neutral states were not included ($F_{(1,62)} = 22.41$, $p < 0.01$). Simple effect tests further found that when participants were happy, high-price premiums generated more favorable ratings ($F_{(1,36)} = 6.51$, $p = 0.02$, $M_{\text{high price}} = 4.30$, $SD = 1.11$; $M_{\text{low price}} = 3.39$, $SD = 1.53$), but when participants were sad, high-price premiums generated less favorable ratings ($F_{(1, 27)} = 19.63$, $p = 0.01$, $M_{\text{high price}} = 3.74$, $SD = 1.14$; $M_{\text{low price}} = 5.49$, $SD = 0.71$). The results supported Hypothesis 3b.

Additional analyses indicated that for neutral participants, the simple interaction between premium value and argument strength was not significant ($F_{(1, 79)} = 0.08$, $p = 0.77$), but the simple main effect of argument strength was significant ($F_{(1, 79)} = 3.82$, $p = 0.05$). There was no simple main effect of premium value ($F_{(1, 79)} = 0.19$, $p = 0.67$).

Brand Attitudes. ANCOVA found the three-way interaction for brand attitudes to be significant ($F_{(2,216)} = 2.56$, $p = 0.08$). As expected, when arguments were strong, the simple interaction between affective state and premium value was not significant when neutral states were included ($F_{(2,114)} = 0.25$, $p = 0.78$) or when neutral states were not included ($F_{(1,76)} = 0.09$, $p = 0.77$). As predicted, when arguments were weak, the simple interaction was significant both when neutral states were included ($F_{(2,100)} = 4.15$, $p = 0.02$) and when neutral states were not included ($F_{(1,62)} = 10.59$, $p < 0.01$). Simple effect tests further found that when participants were happy, high-price premiums did not generate more favorable ratings ($F_{(1,36)} = 2.10$, $p = 0.16$), but means were in the expected direction ($M_{\text{high price}} = 4.19$, $SD = 0.87$; $M_{\text{low price}} = 3.80$, $SD = 1.36$). When participants were sad, high-price premiums generated less favorable ratings ($F_{(1,27)} = 7.45$, $p = 0.01$, $M_{\text{high price}} = 3.75$, $SD = 1.28$; $M_{\text{low price}} = 5.04$, $SD = 1.28$). The negative effects of high-price premiums for sad participants when arguments were weak partly supported Hypothesis 3c.

Finally, for neutral participants, the simple interaction between premium value and argument strength was not significant ($F_{(1,79)} = 0.08$, $p = 0.78$), but the simple main effect of argument strength was significant ($F_{(1,79)} = 7.49$, $p < 0.01$). There was no simple main effect of premium value ($F_{(1,79)} = 0.16$, $p = 0.69$).

Discussion

Building upon the findings of Study 1, Study 2 further demonstrated that the interaction between affective state and premium value varied as a function of argument strength. As expected, when arguments were strong, affective state did not differentially influence responses to premiums of high- and low-price values, whereas when the arguments were weak, affect-congruent biases emerged. The neutral affective state did not introduce a premium bias similar to either of the other two states, regardless of argument strength. One possible reason is that neutral individuals are characterized by a systematic message mode of processing that enables them to differentiate between strong and weak messages and make judgments accordingly (Mackie & Worth, 1989). Therefore, for neutral participants only argument strength significantly influenced ad and brand evaluations.

Nevertheless, there remained one limitation in the two experiments: the high- and low-price value premiums featured different products (in Study 1: picture frames vs. cartridges; in Study 2: tattoo stickers vs. socks). Thus, high- and

low-value premiums differed not only on price value but on other characteristics as well, including their fit with the advertised product. Study 3 eliminates this confound by using the same premium but manipulating its stated price in the ads. Study 3 also tests whether participants' plans to purchase the product in the near future moderates the effect of premium value and affective state on their responses to the ads.

PLANNING TO PURCHASE AS A MODERATOR

According to Markman and Brendl (2000), goals increase the value of objects that are instrumental to attaining those goals. Prior research suggests that goals determine how individuals process product information (Lee & Shavitt, 2006) and ad messages (e.g., Pieters & Wedel, 2007). When processing product information, consumers' goals have been shown to direct their attention to goal-relevant information (Huffman & Houston, 1993). When processing ad messages, participants paid attention to different objects in the ads depending on their processing goals (Pieters &Wedel, 2007).

It is predicted that when participants plan to purchase the advertised product in the near future (thus having a specific goal), premiums should be relevant to them and should draw their attention. Under this situation, their affective states should influence the way they interpret the premium offer. On the contrary, if participants do not plan to purchase the product in the near future, they should regard premium offers as less relevant. Under such a situation, they should not be motivated to interpret why a premium is offered or why a premium is of high- or low-price value. As a result, their affective states should not interact with premium value to influence their responses to ads.

> **H4:** There will be a significant three-way interaction between plan to purchase, affective state, and premium value for ad believability (H4a), ad attitudes (H4b), and brand attitudes (H4c). Among participants who plan to purchase the product in the near future, high-price value premiums will generate more favorable responses than low-price value premiums when participants feel happy, but not when they feel sad. Among those who do not plan to purchase the product, this interaction will not emerge.

STUDY 3

Method

Design, Procedures, and Stimuli. This experiment featured three factors: affective state (positive vs. negative), premium value (high vs. low price), and planning to purchase the product in the near future (yes vs. no). Affective states were induced by asking participants to read a happy or sad story. Different from the first two experiments, their affective states were measured after ad exposure. The products used in this study were printers. Visuals and layouts were similar for all ads.

Participants. One hundred and twenty-eight participants (50% male) were recruited from a college and randomly assigned to one of the four manipulated conditions.

Independent Variables

Affective State. Participants' affective states were measured by the 12 items in Matthews, Jones, and Chamberlain's (1990) scale: "pleased," "cheerful," "optimistic," "contented," "satisfied," "happy," "low-spirited"(r), "dissatisfied"(r), "gloomy"(r), "depressed"(r), "sad"(r) and "sorry:(r). Factor analysis only generated one factor with an eigenvalue greater than one. Responses to the positive items and reversed responses to the negative items were averaged. Cronbach's alpha was satisfactory at 0.98. As expected, the mood manipulation procedures significantly influenced participants' affective states ($F_{(1,126)} = 653.23$, $p < 0.01$, $M_{\text{happy}} = 5.83$, $SD = 0.96$, $M_{\text{sad}} = 2.22$, $SD = 0.60$). Therefore, the manipulation was deemed satisfactory.

Price Value Premiums. A pretest ($N = 60$) helped determine what price value premiums might be "too good to be true" when purchasing a printer. A thumb drive with a price value of US$15 and a price value of US$60 were thus selected to be the realistic premium and the "too-good-to-be-true" option. In the main experiment, participants were asked to rate the featured premium on a "too-good-to-be-true" scale using four items: "The premium is too good to be real," "The premium is far beyond my expectations," "The premium does not seem plausible," and "The premium does not seem credible." Cronbach's alpha for the scale was 0.95. As expected, high-price value premiums generated higher ratings ($F_{(1,120)} = 11.55$, $p < 0.01$, $M_{\text{US\$60}} = 3.55$, $SD = 1.87$, $M_{\text{US\$15}} = 2.47$, $SD = 1.16$).

Planning to Purchase in the Future. Participants were asked to indicate whether they were planning to purchase a printer in the near future. Fifty of them indicated that they were planning to purchase a printer in the next six months.

Dependent Variables. The same measures for ad believability, ad attitudes, and brand attitudes as in Study 1 were used for Study 3. Cronbach's alphas were satisfactory at 0.85, 0.89, and 0.89, respectively.

Results

Ad Believability. ANOVA found the three-way interaction for ad believability to be significant ($F_{(1,120)} = 8.89, p < 0.01$; see Table 1). For those who planned to purchase, the simple interaction between affective state and premium value was significant ($F_{(1,46)} = 8.06, p < 0.01$). Simple effect tests found that for those in a positive affective state, the influence of premium value was not significant ($F_{(1, 18)} = 1.46, p = 0.24$), even though the means were in the expected direction ($M_{\text{high price}} = 4.75, SD = 0.78$; $M_{\text{low price}} = 4.19, SD = 1.31$). For participants in a negative affective state, the influence of premium value was significant ($F_{(1,28)} = 9.22, p < 0.01, M_{\text{high price}} = 3.56, SD = 1.21; M_{\text{low price}} = 4.68, SD = 0.70$). Consistent with expectations, for those who did not plan to purchase, the simple interaction between affective state and premium value was not significant ($F_{(1,74)} = 2.03, p = 0.16$.) Except for the happy participants who planned to purchase, the results provided support for Hypothesis 4a.

Ad Attitudes. ANOVA found the three-way interaction for ad attitudes to be significant ($F_{(1,120)} = 9.31$, $p < 0.01$). For those who planned to purchase, the simple interaction between affective state and premium value was significant ($F_{(1,46)} = 8.42, p < 0.01$). Simple effect tests found that for those in a positive affective state, the influence of premium value was not significant ($F_{(1,18)} = 2.71$, $p = 0.12$), even though the means were in the expected direction ($M_{\text{high price}} = 4.68$, $SD = 0.80; M_{\text{low price}} = 4.00, SD = 1.06$). For participants in a negative affective state, the influence of premium value was significant ($F_{(1,28)} = 6.63, p = 0.02$, $M_{\text{high price}} = 3.36, SD = 0.96; M_{\text{low price}} = 4.17, SD = 0.72$). For those who did not plan to purchase, the simple interaction between affective state and premium value was not significant ($F_{(1,74)} = 2.68, p = 0.11$). Except for the happy participants who planned to purchase, the results provided support for Hypothesis 4b.

Brand Attitudes. ANOVA found the three-way interaction for ad believability to be significant ($F_{(1,120)} = 4.21, p = 0.04$). For those who planned to purchase, the simple interaction between affective state and premium value was significant ($F_{(1,46)} = 5.53, p = 0.02$). Simple effect tests found that for those in a positive affective state, the influence of premium value only approached significance ($F_{(1,18)} = 3.23, p = 0.09$), but the means were in the expected direction ($M_{\text{high price}} = 4.96, SD = 0.84; M_{\text{low price}} = 4.06, SD = 1.40$). For participants in a negative affective state, the influence of premium was not significant ($F_{(1,28)} = 1.72, p = 0.20, M_{\text{high price}} = 3.53, SD = 0.74; M_{\text{low price}} = 3.93, SD = 0.92$). For those who did not plan to purchase, the simple interaction between argument strength and premium value was not significant ($F_{(1,74)} = 0.30, p = 0.58$). The results of the simple interactions, but not the simple effect tests, were consistent with the predictions of Hypothesis 4c.

Discussion

Study 3 eliminated the confound of fit between premiums and products by using the same premium with high- and low-price values. Study 3 also examined a potential moderator of the interaction between affective state and premium value: whether or not participants plan to purchase the product in the near future. The results were generally consistent with findings from Study 2. When attention was paid to the premium because of a plan to purchase, the interaction emerged. High-value premiums were rated relatively more favorably than low-value premiums when participants were happy, although these differences were not significant. Instead, in Study 3 the negative biases triggered by negative affective states were more consistent than the positive biases triggered by positive affect. It is important to note that for sad participants, the effect of high-value premiums was attenuated (became nonsignificant) in the first experiment but was reversed (became significantly less favorable) in the second and third experiments. This is probably because participants' negative affective states are more likely to encourage negative discounting of the premium when participants' attention is drawn to the premium.

GENERAL DISCUSSION

Sales promotions play an increasingly important role in the promotion mix. It is often assumed that premiums and other sales promotion tactics add value to

products and make them more attractive. As the findings of the previous experiments suggest, however, premiums do not work equally well under all conditions. The apparent price value of the promotion can be interpreted in negative ways, and its believability can be discounted when consumers are in negative as opposed to positive affective states.

As expected, perceived ad believability was shown to mediate the interactive effect of premium value and affective state on ad and brand attitudes; the less believable a premium offer is perceived to be, the more likely it is to backfire and negatively influence brand attitudes. Moreover, this study demonstrated that the moderating influence of affective state on interpretations of premiums is more likely to emerge when consumers' attention is drawn to the premiums. This research examined two such situations: first, when ad messages featured product attributes that were not important and thus not diagnostic for product judgments; and second, when consumers had a plan to purchase the product in the near future. As expected, when attention was drawn to the premiums, affect-congruent biases on ad and brand evaluations were found.

The findings of these three studies, therefore, should be of practical value to marketers working to design cost-effective sales promotions. Under a situation where discounting of ad believability is encouraged, high-price value premiums not only increase cost but also hurt brand evaluations. When developing sales promotion strategies, extra care should thus be taken to ensure that the potential strategies will not trigger discounting. More research is further warranted to identify other factors besides affective state that may enhance or discourage discounting.

The findings are consistent with the argument that consumers are aware of the psychology of persuasion and the tactics and manipulative intentions of marketers (Friestad & Wright, 1994, 1995). That is, ad perceivers are not passive message processors who simply accept offers at face value—they try to determine why messages are framed as they are by, for instance, consulting past experiences. Thus, the more good experiences from their past are activated by positive affect, the more they perceive high-price premium offers and the corresponding ads as believable. On the contrary, when negative affective states lead consumers to expect negative outcomes, they may discount the believability of the deal and the ad featuring the deal. As a result, high-price premiums can become even less effective than low-price premiums.

There are, however, a variety of sales promotion techniques, not all of which will generate the same negative effects found in this paper. Past research has suggested that deal proneness is best characterized as a domain-specific behavior (Lichtenstein, Netemeyer, & Burton, 1995). It is thus likely that the factors that contribute to discounting of premium offers may not lead to discounting of other types of sales promotion offers. Therefore, whether the findings about product premiums documented in this paper will predict reactions to other types of sales promotion tactics is a worthy topic for further exploration.

Study 3 suggests that individual differences can account for significant variance in affectively biased interpretations of premium offers. Potential buyers were shown to be more sensitive to premium offers. There is also good reason to expect that certain consumer segments may be more cynical of promotion deals than others. Therefore, it is important to conduct small-scale market testing to understand how the target segment will respond to specific promotion tactics. For example, promotion proneness, defined as "a tendency to use sales promotion information as a basis for making retail patronage decisions" (Wakefield & Barnes, 1996, p. 413), may be an important individual factor to explore. Moreover,

switchers, who usually express more favorable responses to price promotions (Kahn & Louie, 1990), may be less likely than loyal customers to engage in discounting when high-price value premiums are offered. Value consciousness (e.g., Lichtenstein, Netemeyer, & Burton, 1990) also appears to be a natural candidate for consideration as a moderator.

In this paper, the effectiveness of promotion premiums was examined in advertising contexts, but information regarding "free" gifts can also be delivered at the point of purchase. Prior work has shown that music played in the store can alter shoppers' affective states, which in turn influences their shopping behavior (Swinyard, 1993). Given that affective states can be easily elicited when consumers are shopping in a retail store, the findings described herein add to this line of literature by suggesting that consumers' responses to on-pack premium offers at stores may also be influenced by music-induced affective states.

Other limitations of the studies deserve attention. First, only two levels of price value were explored. Future studies can extend the investigation by including premiums of more varied value levels. Second, the ads used in the studies did not specify methods of redemption (such as mail-in or on-package); the level of effort required to redeem premiums may influence consumers' attributions of advertisers' motives, after-purchase brand loyalty, and brand switching (Dodson, Tybout, & Sternthal, 1978). Third, the studies used new brands, which may be more likely to evoke a "too-good-to be-true" mentality when the proposed deal appears better than those offered by existing or popular brands (Shimp & Bearden, 1982). Comparing effects for existing and fictitious brands will thus be an important direction for future investigations. Finally, the three studies examined ad and brand evaluations, not purchase intentions. Although brand evaluations appear to be the more meaningful outcome variable, it should be remembered that sales promotion tactics are often employed primarily to increase sales volume. Future research, therefore, can test the same theories by assessing participants' purchase intentions.

In spite of these limitations, however, the findings reported in this paper do constitute an extension of the current literature on affect-congruent judgments to a practical domain within which the effectiveness of sales promotions can be better understood.

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