

Reference

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A Research of the Effect of Gift Promotion and Its Spillover Effect

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Gift promotion is taken as a common technique in most industry for a long time. However, the exact effect of gift promotion is nearly neglected by most managers as well as scholars, because it is believed that the higher the gift price is, the more successful gift promotion works. But, must it be true? In this study, the author questioned that the effect of gift promotion does not necessarily show a positive relationship with the gift price. In other words, if the gift price is much higher, even equal to the main product, consumer may think this is unreasonable, and then more possibly give a negative evaluation to the promotion deal. Thus, the purpose of this study was to deeply examine the effect of gift promotion.

In this study, gift promotion was defined as “buy A, get a free gift B”; that is, A and B were different products. Furthermore, promotion depth was taken as a main independent variable and defined as a percentage of gift price by main product price (eg. If an ad says: “Buy a Pair of Nike Running Shoes NT\$2000, Get a Free Gift—a Casio Watch (Market Value NT\$200)”, the promotion depth is 10%; that is NT\$200/NT\$2000). By experiment design, promotion depth was manipulated as ten groups (10%, 20%,..., 100%), and brand images of main product and gift were chosen to be two moderators in this study.

Before main studies, a preliminary study was conducted in order to make sure the existence of turning-point of gift-promotion depth. Therefore, an one-factor experimental design (ten groups of gift-promotion depth) was conducted. The finding was that the turning-point of gift-promotion depth did exist. Following, an 10x2x2 between subject design was further held, and totally 975 valid questionnaires was gathered from two collages in Taipei city.

Three themes were arranged to further investigate effects of gift promotion. Inferences and discussions were based on literature of reference price and anchor-adjustment theory. In the first research theme, it is proposed that there is a turning point in promotion depth—50% of promotion depth, and the turning point was fluctuant in accordance with brand image. If the brand image was high, the turning point was 50%; however, if the brand image was low, the turning point was downward to 40% under low brand image of main product and downward to 20% under low brand image of gift. Based on these findings, promotion depth was divided into two categories—reasonable (depth before turning point) and exaggerated (depth after turning point) promotion depth—in order to do further investigations.

The second research theme focused on the effect of reasonable or exaggerated promotion depth and its interaction with brand image of main product and gift. Findings were (a) In the range of reasonable promotion depth, the deeper the promotion depth was, the higher the perceived value of product bundle was (eg. positive relationship). However, in the range of exaggerated promotion depth, negative relationship was exhibited. (b) The deeper the promotion depth was, the higher the price perception of gift was. In the range of reasonable promotion depth, as the depth increased, value-adding level of gift decreased. In the range of exaggerated promotion depth, as the depth increased, value-discounting level of gift increased. (c) The brand image of main product and gift did show significant moderating effect.

The third research theme was going to investigate whether the discounting perception toward gift would spill to other products with the same brand of the gift, or spill to the same product with other brand. In this study, we defined the phenomenon as a “spillover effect” of gift promotion. Findings were: (a) No matter in the range of reasonable or exaggerated promotion depth, gift promotion did cause discounting of perceived value toward other products with the same brand of the gift and to the same product with other brand. That is, spillover effect did exist. (b) As the promotion depth increased, the spillover effect would first go downward then upward. In other words, the relationship between promotion depth and spillover effect showed a type of U-shape. Findings of this study will enrich literature of promotion as well as offer practical suggestions to managers implementing strategies of gift promotions.

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