

# The effect of deal exclusivity on consumer response to targeted price promotions: A social identification perspective

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## Abstract

Discounts offered selectively to consumers are commonplace in the market and reflect the assumption that individuals will respond positively to targeted discounts. We consider whether exclusive deals evoke more positive responses than inclusive offers, an outcome referred to as a deal exclusivity effect. Contrary to the intuition that targeted promotions will always be evaluated more favorably than inclusive offers, we show that deal exclusivity effects (1) can be attenuated based upon factors influencing the extent to which recipients identify with other deal recipients and (2) are mediated by the offer's ability to enable the recipient to engage in self-enhancement.

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## Introduction

Extant research in consumer psychology demonstrates a general tendency for consumers to favorably evaluate price promotions (e.g., Darke & Dahl, 2003; Naylor, Raghunathan, & Ramanathan, 2006; Schindler, 1998). In developing promotional strategies, marketers are increasingly leveraging customer transaction histories in order to offer discounts on a more selective basis, e.g., by limiting deals to their “best” customers (Acquisti & Varian, 2005; Simonson, 2005; Zhang & Wedel, 2009). By virtue of their being available to some customers (i.e., recipients of the offer who, collectively, comprise the deal target group), but not others (i.e., non-recipients), targeted deals by definition constitute an exclusive form of price promotion. Examples of exclusive discounts abound and are offered from a range of marketers that include major department store companies (e.g., Youngers), international hotel chains (e.g., Marriott), and specialty retailers (e.g., Borders bookstores). As specific examples of this type of tactic, Kohl's provides its most valued store card holders “exclusive savings” beyond those

available to the general public and Borders offers “special educator savings” that are limited to teachers.

Presumably, this increased reliance on exclusive price discounts reflects the greater effectiveness of such offers vis-à-vis traditional, across-the board sales promotions (cf. Krishna, Feinberg, & Zhang, 2007). This improved consumer response expected for targeted discounts may be due in part to traditional deal characteristics such as those typically examined in research on price promotions (e.g., depth, frequency, and duration; see Inman, Peter, & Raghuram, 1997; Silva-Risso, Bucklin, & Morrison, 1999; Zhang & Krishnamurthi, 2004; Zhang & Wedel, 2009). However, consumer psychologists have recently begun to explore how deal evaluations may be influenced by a wider range of variables than considered in prior work. As an example, Coulter and Norberg (2009) observed that consumer evaluations of discounts were affected not only by the monetary difference between the regular and sales price but also by the horizontal distance or space separating the presentation of these two prices.

In a somewhat similar vein, the present research augments earlier work focusing on non-social deal parameters (e.g., discount depth) by examining whether evaluations of customized discounts may be influenced by social considerations that center on how consumers perceive being a member of the group receiving an exclusive offer (i.e., the deal target group). In doing so, we explicitly

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examine whether consumer response for exclusive deals will be heightened relative to those that are more inclusively available in the marketplace. We define a recipient's preference for targeted discounts as the deal exclusivity effect and systematically examine if this effect is contingent upon whether inclusion in an exclusive deal target group evokes positive feelings that subsequently influence evaluations of a targeted discount.

In particular, the current inquiry investigates whether the presence and magnitude of deal exclusivity effects are contingent upon several factors that impact the extent to which consumers identify with, and therefore value being a member of, the deal target group. Research of this nature is important insofar as relatively little consumer research has explored the role of social identity on choice and preferences for marketing offers (cf. Oyserman, 2009a; Shavitt, Torelli, & Wong, 2009). An initial experiment examines how consumers' tendencies to diverge from or conform to groups in general (i.e., their need for uniqueness) can shape their response to exclusive deals. Two additional experiments subsequently explore the role of moderating factors that specifically relate to consumers' identification with the deal target group: consumer attitudes towards belonging to the particular group receiving a targeted offer (experiment 2) and the level of effort consumers must expend in order to receive customized price promotions (experiment 3). We also provide mediational evidence substantiating that deal exclusivity effects arise via the ability of targeted offers to enable recipients to engage in self-enhancement (experiment 3). These findings demonstrate that, counter to the common assumption that exclusive deals will be valued more highly than inclusive offers, this superiority can under certain conditions either be attenuated (experiment 2) or eliminated (experiments 1 and 3).

### **When and why exclusivity should influence consumer evaluations of targeted deals: a social identification perspective**

One way to view recipients of a promotion—and, indeed, for them to perceive themselves—is as members of a deal target group. This seems particularly likely with regards to promotions offered on the basis of a consumer's membership in a formal group (as in affinity marketing, e.g., Waldenbooks' "educator savings" promotion) or as a consequence of the consumer's transactional history with a firm, e.g., deals offered to a firm's preferred or loyal customers (Drèze & Nunes, 2009; Feinberg, Krishna, & Zhang, 2002; Krishna et al., 2007). Even when not prompted by a marketing offer to consider their membership in a formal deal target group, consumers may still imagine themselves as part of a more amorphous group of promotion recipients (cf. Bolton & Reed, 2004; Lau, 1989), for example, as someone who has received a "good deal" (Darke & Dahl, 2003; Schindler, 1998).

When membership in a group is salient, subsequent evaluations may be influenced by group identification effects (cf. Oyserman, 2009a; Shavitt et al., 2009). In addition, as the level of self-group identification increases so too should the salience of any relevant group characteristic—in this case, the relative exclusivity associated with the deal target group—thereby amplifying its influence on consumer judgments such as

deal evaluations (Ellemers, Spears, & Doosje, 2002; Oyserman, 2009a; Reed, 2004). Thus, individuals experiencing lower (higher) levels of identification are less (more) likely to factor group considerations into their judgments (Ellemers et al., 2002; Kelman, 1961; Reed, 2004).

These findings hold implications for the likelihood that deal exclusivity will impact consumer evaluations of targeted price promotions. When promotional recipients experience low levels of identification with the deal target group, they should view themselves more as individuals than as group members (Brewer & Gardner, 1991; van Vugt & Hart, 2004). As a consequence, their evaluations should be relatively unaffected by characteristics related to this group (Ellemers et al., 2002). Under such circumstances, the exclusivity of the deal target group should not be salient to recipients as they evaluate the price discount, particularly in comparison to other relevant inputs, e.g., those that directly bear on the value associated with the promotion. When consumers' identification with the deal target group is low, then, exclusivity should be relatively unlikely to factor into their evaluations of targeted price promotions.

Conversely, when promotion recipients more strongly identify with the deal target group, they may be prone to viewing themselves as group members rather than individuals (van Vugt & Hart, 2004). In this instance, information regarding the self-group relationship, particularly the distinctiveness or exclusivity associated with the group (Brewer, 1991; Ellemers et al., 2002; Tajfel & Turner, 1979), should become salient, increasing its potential to influence judgment and decision making (Oyserman, 2009a,b; Shavitt et al., *in press*). Thus, the evaluations of consumers who strongly identify with the deal target group should reflect group-relevant inputs, especially those involving the offer's exclusivity. Given that group exclusivity is, in general, positively valued (Tajfel & Turner, 1979), high identification consumers should therefore more favorably evaluate deals that are exclusive rather than inclusive in nature (cf. Drèze & Nunes, 2009).

To summarize, in the present context, self-group identification reflects the level of connectedness a consumer experiences with regards to other recipients of a promotional offer who, collectively, comprise the deal target group. Self-group identification is important given that the strength of this bond should be positively related to the salience of group characteristics (i.e., its exclusivity) on evaluations of a discount that is targeted to this group. An important question unexplored to this point in our conceptualization of deal exclusivity effects, however, concerns factors that may influence the strength of this relationship. In fact, the level of self-group identification experienced by an individual may be a function of many considerations. As noted by Oyserman (2009a,b; see also Ellemers et al., 2002), which identity is most salient at a given point in time is a function of both the individual (i.e., identities that are chronically accessible) and the social context at hand (i.e., identities prompted by situational cues). In this way, while broader social identities (e.g., race) are generally more likely to be activated than are narrow identities (e.g., educator), the salience of a given identity may be shaped by specific contextual characteristics present in the environment (Oyserman, 2009a).

To this end, a particular judgment may be influenced by social identity considerations at varying levels of abstraction. At a relatively general level, for example, the extent to which individuals identify with a group may be contingent upon their chronic tendency to desire to conform to the standards embodied by a group or, conversely, to eschew group membership at all, i.e., their need for uniqueness (Simonson & Nowlis, 2000; Snyder & Fromkin, 1977; Tian, Bearden, & Hunter, 2001). More specific group identification effects may involve how the bond a consumer experiences with regards to other recipients of a targeted deal varies in accordance with one's attitude towards that specific group (Kelman, 1961; Lau, 1989) as well as the investment or effort required to acquire (and/or maintain) membership in the deal target group (Brewer & Kramer, 1986; van Vugt & Hart, 2004). Accordingly, we next conceptualize how consumers' evaluations of customized price promotions may be moderated, respectively, by their need for uniqueness, their attitude toward the deal target group, and the level of effort required for them to become a recipient of an exclusive offer.

#### *The role of need for uniqueness*

Consumers may vary in terms of how much they value exclusivity. For example, Americans are likely to value independence and uniqueness to a greater degree than do individuals from other cultures (e.g., Asians), who instead prefer interdependence and conformity (Kim & Markus, 1999). Even within cultures (or other social groups), individuals differ with regards to their desire for uniqueness (Berger & Heath, 2007; Simonson & Nowlis, 2000; Snyder & Fromkin, 1977; Tian et al., 2001). Thus, consumers can differ in terms of whether they desire to deviate from or conform to norms associated with certain groups (Simonson & Nowlis, 2000; Tian et al., 2001).

Individuals may therefore vary in terms of the favorability they attach to any social group—and, subsequently, to any related social identity (Oyserman, 2009a)—to the point where they may experience negative emotions when they perceive themselves to be too similar to others (Berger & Heath, 2007). This relative propensity of an individual to engage in behaviors that promote differentiation from others is captured by the concept of need for uniqueness. Some individuals seek uniqueness and to avoid similarity in order to derive feelings (e.g., being unique and special) that provide them with a basis for self-enhancement (Brewer, 1991; Nail, 1986; Snyder & Fromkin, 1977). Because they devalue what is common and value what is not (Tian et al., 2001), uniqueness-seeking consumers should respond to marketing offers that help satisfy their goal of being different from groups (Berger & Heath, 2007). In the context of customized price promotions, then, these individuals should exhibit a preference for deals that are exclusive (i.e., that are associated with relatively small deal target groups) over those that are inclusive. By comparison, low need for uniqueness consumers are less likely to place such a premium on uniqueness; as a consequence, these consumers should not exhibit as strong a preference for exclusive deals as is expected for their high need for uniqueness counterparts.

Based on the preceding discussion, we offer the following hypothesis, which is tested in experiment 1:

**H1.** Stronger deal exclusivity effects will be observed for recipients who are higher (versus lower) in need for uniqueness.

While H1 considers how a consumer's general predisposition towards belonging to groups can impact the effects of promotional exclusivity on deal evaluations, the social identity literature typically emphasizes individuals' feelings concerning membership in specific groups. Accordingly, we next examine how the level of identification a consumer experiences in relation to other recipients of a customized price discount can influence the presence and magnitude of exclusivity effects. We do so by considering two factors likely to impact a promotion recipient's identification with the deal target group. In the next section, we conceptualize how consumers' attitudes about belonging to the deal target group can influence the extent to which they identify with other recipients of the discount and, ultimately, the degree to which their promotional evaluations reflect the exclusivity associated with the deal. In a subsequent section, we address how self-group identification and deal evaluations may be affected by the amount of effort recipients are required to expend (e.g., via their past patronage) in order to receive a targeted discount.

#### *The role of consumer attitudes toward the deal target group*

As noted earlier, one way to view recipients of sales promotions is as members of a deal target group. Importantly, the feelings an individual experiences with respect to, and the attitudes they hold for, this collective should be reflected in the level of self-group identification that characterizes their relationship with the group (Kelman, 1961; Lau, 1989). In particular, individuals possessing favorable attitudes toward a group should exhibit a stronger tendency to perceive themselves in terms of group membership than should those who hold the group in a less favorable light (Ellemers et al., 2002; van Vugt & Hart, 2004). Individuals' attitudes toward a group should consequently be related to the degree to which characteristics associated with the group influence their decisions (Oyserman, 2009a; Reed, 2004; Shavitt et al., 2009).

In the present context, deal target groups should be defined, at least in part, by characteristics that include those perceived to trigger receipt of the offer, e.g., membership in a formal group such as "educators" for affinity marketing programs, viewing oneself as a "valued customer" for preferred customer programs, and so on (Drèze and Nunes, 2009; Oyserman, 2009a). As one's attitude toward being included in the deal target group increases, so too should the level of group identification; this, in turn, should amplify the salience and influence of relevant group characteristics (such as the exclusivity of being a member of the deal target group) on consumer judgments (Bolton & Reed, 2004; Ellemers et al., 2002; Reed, 2004).

Accordingly, consumers with a positive attitude towards the deal target group should be highly sensitive to the exclusivity associated with targeted promotions they receive (cf. Ellemers et al., 2002; Reed, 2004). As exclusivity is positively valued (e.g., Cialdini, 2007; Tajfel & Turner, 1979), these consumers

should more favorably evaluate deals that are selective in nature relative to those that are more inclusively available in the marketplace. Conversely, group characteristics should not be as influential with respect to the evaluations of promotion recipients who experience lower levels of self-group identification as a result of holding less favorable attitudes towards the deal target group (Ellemers et al., 2002; Oyserman, 2009a; Shavitt et al., 2009). Weaker deal exclusivity effects should therefore be expected for these consumers relative to those who view the deal target group in a more favorable light. Based on the preceding discussion, we offer the following hypothesis, which is examined in experiment 2.

**H2.** Stronger deal exclusivity effects will be observed for recipients who hold more (versus less) favorable attitudes toward the deal target group.

#### *The role of customer effort to gain membership in the deal target group*

One's prior investments in achieving and maintaining membership in a social group should also promote the level of identification experienced by individual members (van Vugt & Hart, 2004). For this reason, efforts of this nature will be positively related to the extent that group characteristics are salient to members, thereby increasing the likelihood that such features (e.g., exclusivity) will impact relevant evaluations (Ellemers et al., 2002; Oyserman, 2009a; Shavitt et al., in press). Accordingly, a deal's exclusivity should exert a stronger impact on evaluations for recipients who have made greater investments in order to receive the deal (e.g., via their past purchases) than for consumers who have made little effort in this regard (e.g., by their infrequent patronage of the firm).

In summary, the level of effort that characterizes the customer–company relationship should positively influence the level of self-group identification the consumer experiences with respect to other recipients of the targeted offer. Characteristics of the deal target group, including its relative exclusivity, should therefore be more likely to affect promotional evaluations for consumers who have expended greater effort (via their transactional history) in establishing a relationship with the firm offering the customized discount. The following prediction (investigated in experiment 3) captures this relationship.

**H3.** Stronger deal exclusivity effects will be observed when a high (versus low) amount of effort is required in order for recipients to merit a targeted price promotion (i.e., to gain membership in the deal target group).

#### *Self-enhancement as a mediator of deal exclusivity effects*

Prior research on non-targeted sales promotions indicates that receipt of a price discount can engender positive feelings (Darke & Dahl, 2003; Schindler, 1998). Insofar as individuals generally prefer membership in smaller versus larger groups (e.g., Brewer, 1991; Oakes & Turner, 1986; Pickett &

Brewer, 2001), one might anticipate that these feelings should become particularly pronounced in response to highly exclusive, targeted deals vis-à-vis across-the-board price promotions that are available to all consumers in the market. The receipt of such exclusive deals should enable the recipient to experience feelings of belongingness that enable self-enhancement (Baumeister & Leary, 1995), particularly for individuals who tend to adopt independent self-construals that emphasize feelings of uniqueness, e.g., Western consumers (Markus & Kitayama, 1991). Accordingly, to the degree that a deal target group's exclusivity is salient to deal recipients (i.e., under those conditions specified in H1–H3), the receipt of a customized discount should evoke positive feelings, with these feelings mediating the impact of exclusivity on deal evaluations, a prediction tested in experiment 3.

**H4.** The influence of exclusivity on deal evaluations will be mediated by its impact on the level of self-enhancement consumers experience in response to receiving a targeted deal.

### **Experiment 1: The role of need for uniqueness**

#### *Method*

Three hundred and twenty-five undergraduate business students participated in the study in exchange for course credit. The study employed a 2 (exclusivity salience: low, high) × 2 (academic major: marketing, non-marketing) × 2 (need for uniqueness: low, high) between-subjects design. Participants were informed they would be making a choice involving a product sold at most campus bookstores. They were further told that these retailers commonly offered products at a discounted price, and that, to help manage demand for their products, these deals were sometimes offered only to certain groups of customers. After reading this information, participants encountered a choice set involving two fictitious brands (A and B) of MP3 digital music players. The two options possessed similar performance levels on an initial attribute (memory/storage capability) but alternated superiority on two remaining non-price attributes. Both products shared the same regular price (\$299.99) and deal price (\$249.99).

The deal exclusivity manipulation centered on varying the salience of the relative exclusivity associated with the deals for the two featured brands. In the high exclusivity salience condition, the availability of the deals offered for the two brands differed such that the promotion for the focal brand (brand A) was limited to marketing majors while the discount for brand B was presented to all students (i.e., both marketing and non-marketing majors alike). In this condition, then, the deal for brand A was more exclusive than was the discount for brand B. In the low exclusivity salience condition, however, promotions for the two brands were both exclusive in nature; that is, for each brand, the deal was targeted to the same group of students, marketing majors. Thus, one group of participants (marketing majors) was presented with a discount for both brands, while the remaining group (non-marketing majors) was excluded from both promotions. Comparing the preferences of marketing

majors across these two conditions therefore provides an assessment of deal exclusivity effects. Specifically, any deviation in preferences for brand A provided by marketing majors observed across the two conditions can be attributed only to the effects of the greater selectivity associated with the deal for brand A vis-à-vis that for brand B in the high (versus low) exclusivity salience condition.

### Procedure

After processing the cover story and choice set materials, participants provided their preferences regarding the two brands on a nine-point scale (1 = strongly prefer brand B; 5 = indifferent between brands A and B; 9 = strongly prefer brand A). Thus, higher (lower) numbers on this measure reflect a stronger preference for the brand with the exclusive (inclusive) deal in the high exclusivity salience condition. The impact of the exclusivity manipulation was then gauged via responses to four items (“The sales promotion was:” 1 = available to many customers, 9 = available to very few customers; 1 = inclusive, 9 = exclusive; 1 = not at all restricted, 9 = restricted; and 1 = not at all selective, 9 = selective) that were averaged (for brand A,  $\alpha = .85$ ; for brand B,  $\alpha = .92$ ) to form an index of deal exclusivity, with higher means reflecting greater exclusivity. Participants also completed eight items developed by Tian et al. (2001) to measure consumers’ avoidance of similarity, a dimension of need for uniqueness that focuses specifically on one’s interest in marketplace offers that are non-normative and unique. Responses were average ( $\alpha = .94$ ) to form an index of participants’ need for uniqueness, with higher scores reflecting greater need for uniqueness. H1 was tested using a continuous version of this variable; however, a median split was conducted to create low and high need for uniqueness groups to determine if the observed interaction comported with that predicted. Participants also indicated their academic major, coded as either marketing or non-marketing.

### Results

As expected, in the low exclusivity salience condition (where each brand’s discount was available only to marketing majors), the deals for both brands were seen as equally exclusive (for brand A:  $M = 6.68$ , for brand B:  $M = 6.72$ ,  $F(1, 323) < 1$ ,  $p > .3$ ). Also as anticipated, in the high exclusivity salience condition, the deal for brand A (which was limited to marketing majors) was seen as more exclusive ( $M = 6.75$ ) than the discount offered with respect to brand B, which was available to all majors ( $M = 3.08$ ,  $F(1, 323) = 481.80$ ,  $p < .001$ ).

We next consider results on the preference measure to evaluate H1’s prediction that need for uniqueness will moderate deal exclusivity effects. Specifically, H1 predicts a stronger preference for exclusive price promotions among participants who were high in their need for uniqueness. We begin by outlining our expectations for marketing majors. Given their desire to attain unique offers, high need for uniqueness marketing majors should report stronger preferences for brand A in the high exclusivity salience condition (where the relative

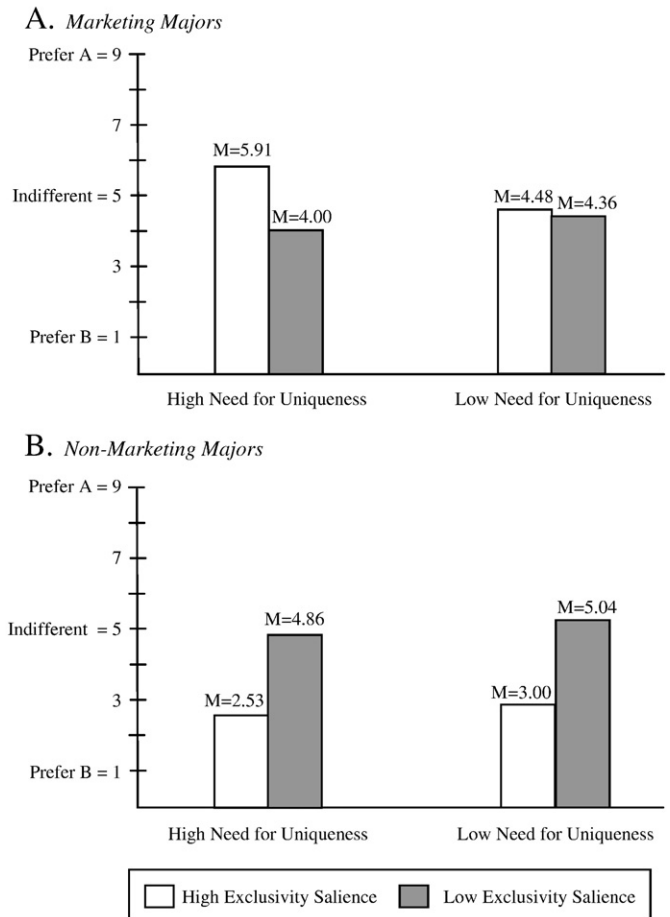


Fig. 1. Study 1. Observed effects—need for uniqueness (H1).

exclusivity of the offer for this brand was emphasized) than in the low exclusivity salience condition (where it was not). Conversely, low need for uniqueness marketing majors should prove less sensitive to the relative salience of the exclusivity associated with the deal offered for brand A across the two conditions. Rather, given that they received equivalent discounts for each brand in both conditions, these participants should in general be indifferent between the two options. Non-marketing majors should also be indifferent between the two brands in the low exclusivity salience condition regardless of their need for uniqueness level, given that they were excluded from the deal for both products. However, because non-marketing majors in the high exclusivity salience condition were included in the deal target group for brand B only, we expected these participants to prefer brand B across both need for uniqueness levels.

Collectively, these expectations suggest a three-way interaction involving major, deal exclusivity salience, and need for uniqueness. We submitted the preference data to a hierarchical regression that included all main and interaction effects involving these three factors using the continuous version of the need for uniqueness variable, which was mean-centered to help reduce multi-collinearity with its associated interaction terms (Aiken & West, 1991; Cohen, Cohen, West, & Aiken, 2003). In the hierarchical regression, all main effects were

entered in stage 1, all two-way interactions in stage 2, and the focal three-way interaction in stage 3. The  $R^2$  changes associated with the stage 2 and stage 3 models were significant ( $p < .05$ ); most critically, the analysis also yielded the predicted three-way interaction ( $\beta = -0.58$ ,  $t = -2.51$ ,  $p < .05$ ).

This interaction also materialized treating need for uniqueness as a dichotomized variable and analyzing preferences using a 2 (exclusivity salience)  $\times$  2 (major)  $\times$  2 (need for uniqueness: lower, higher) ANOVA ( $F(1, 324) = 20.44$ ,  $p < .01$ ). Cell means are presented in Fig. 1. We also conducted tests against the scale midpoint (which reflects indifference between the two choice options) to garner additional evidence for our framework (see Lo, Lynch, & Staelin, 2007 for a similar approach). The analysis revealed a pattern of preferences for marketing majors that was consistent with H1 (see Fig. 1A). Reflecting a deal exclusivity effect, when the exclusivity of the discount for brand A was salient, high need for uniqueness marketing majors exhibited a preference for this brand ( $M = 5.91$ ) that significantly differed from the scale midpoint ( $t = 3.74$ ,  $p < .01$ ) and that was stronger than that expressed by high need for uniqueness marketing majors in the low salience condition ( $M = 4.00$ ,  $F(1, 324) = 56.42$ ,  $p < .001$ ). In contrast, the preferences of low need for uniqueness marketing majors did not vary across the high ( $M = 4.48$ ) and low ( $M = 4.36$ ) salience conditions ( $F(1, 324) < 1$ ,  $p > .9$ ). These results are consistent with the expectations outlined earlier for participants who were recipients of the exclusive offer (i.e., marketing majors).

The findings associated with the non-marketing majors were also as anticipated (see Fig. 1A). In the low exclusivity salience condition, these participants were excluded from the deals available for both brands; accordingly, they provided similar preferences across both need for uniqueness levels ( $M_{\text{high}} = 4.86$ ,  $M_{\text{low}} = 5.04$ ;  $F(1, 324) < 1$ ,  $p > .6$ ) that reflected an indifference between the two options (for both comparisons against the scale midpoint,  $p > .5$ ). In the high exclusivity salience condition, where non-marketing majors received a deal only for brand B, their preferences favored that brand (for both midpoint comparisons,  $p < .001$ ) and did not depend on need for uniqueness level ( $M_{\text{high}} = 2.53$ ,  $M_{\text{low}} = 3.00$ ;  $F(1, 324) = 1.97$ ,  $p > .15$ ).

### Discussion

Results from this study support the prediction made in H1 that need for uniqueness moderates the magnitude of deal exclusivity effects on consumer evaluations of targeted discounts. In particular, the presence of such effects was limited to participants who were high in need for uniqueness and who, accordingly, valued targeted deals offered on a selective basis to consumers in the market. Conversely, deal exclusivity effects were not manifested in the preferences provided by recipients of the exclusive discount who did not value the uniqueness associated with customized price promotions.

These findings demonstrate that consumers' general propensities toward membership in social groups (in the form of their need for uniqueness) can impact their responsiveness to a targeted deal. In doing so, such results indicate that broadly conceptualized social identities can attain sufficient salience to

influence evaluations of customized price promotions. Findings of this nature are important given that broader social identities are commonly activated in social contexts. However, the salience of social identities may also be contextually derived, creating the potential for more specific identities to be activated sufficiently to influence consumer evaluations (Oyserman, in press-a). To examine this possibility, experiment 2 investigates whether exclusivity effects may be moderated by the specific feelings consumers have with respect to membership in the deal target group (H2).

### Experiment 2: How consumer attitudes toward the deal target group influences identification

#### Method

One hundred and sixty-six undergraduate business students participated for course credit in the study, which employed a 2 (academic major: marketing, non-marketing)  $\times$  2 (attitude toward major: low, high) between-subjects design. Each session began with a "warm-up task" similar to that employed in other consumer research examining the influence of self-group relationships (e.g., Reed, 2004). As part of this exercise, participants identified their primary academic major and completed measures (subsequently described) assessing their attitudes toward that major, a design factor required for testing H2. Following this task, participants were informed they would be making a choice involving a product sold at most campus bookstores under the same set of assumptions referenced in experiment 1. After reading this information, participants encountered a choice set involving two fictitious brands (E and F) of MP3 digital music players. The two options possessed similar performance levels on an initial attribute (memory/storage capability) but alternated superiority on four additional non-price attributes. While both products shared the same regular price (\$299.99) and deal price (\$249.99), a critical distinction involved the groups representing the targets of the deal price available for each brand. For one option (brand E), the discount was exclusive and offered only to marketing majors at the university, while the sale price for the remaining option (brand F) was inclusive such that it was available to all students at the university regardless of major.

Participants then provided their preferences regarding the two brands on a nine-point scale (1 = strongly prefer brand F; 5 = indifferent between brands E and F; 9 = strongly prefer brand E). Thus, higher (lower) numbers on this measure reflect a stronger preference for the brand with the exclusive (inclusive) deal. Participants also indicated their perceptions regarding the exclusivity of the price discount for each brand on a separate nine-point scale (1 = inclusive, 9 = exclusive). As alluded to above, each participant's major area of study provided the basis for a design factor (hereafter, "major") that classified participants in terms of whether they were recipients of the exclusive deal (marketing majors) or not (non-marketing majors). A second design factor ("attitude") involved participants' attitudes toward their major, which were measured on

four nine-point scales (1=bad, 9=good; 1=unfavorable, 9=favorable; 1=undesirable, 9=desirable; and 1=unimportant, 9=important;  $\alpha=.91$ ). A continuous version of this variable was employed for testing the interaction predicted in H2, although low and high levels of this factor were created using a median split in order to determine if the pattern of observed effects is consistent with the expected interaction.

### Results

Participants viewed the deal that was limited to marketing majors (brand E;  $M=5.59$ ) as more exclusive than the price discount provided to all students (brand F;  $M=4.12$ ,  $t(165)=6.39$ ,  $p<.001$ ). We next examine H2's prediction that the effects of promotional exclusivity would be moderated by participants' attitudes toward being a member of the deal target group. Evidence consistent with a deal exclusivity effect would entail participants who received the targeted deal for brand E (marketing majors) to prefer this option over brand F; even though marketing majors could purchase both products at the same deal price, we anticipated (consistent with the notion of a deal exclusivity effect) that they would prefer the exclusive offer for brand E over the inclusive offer for brand F. Most germane to a test of H2, preferences for the exclusive option (brand E) should be heightened for marketing majors holding more (versus less) favorable attitudes toward being a member of that deal target group. Given that a discount was offered to non-marketing majors for brand F only, we expected these participants to prefer this option regardless of the attitude they expressed towards their major.

We therefore anticipated an interaction involving the major and attitude factors, such that marketing majors would exhibit stronger preferences for the option associated with the exclusive deal (Brand E) than would non-marketing majors, with this preference being most prominent for marketing students with a stronger affinity for their major. Additionally, marketing students should, in general, prefer brand E (for which they received a deal) to a greater extent than should non-marketing students (who were excluded from the price discount for this option). To test these expectations, preferences were analyzed using a regression that included major, attitude, and the major  $\times$  attitude interaction as design factors, treating attitude as a continuous variable.

The analysis yielded the predicted interaction ( $\beta=-1.16$ ,  $t=-2.58$ ,  $p<.05$ ), which was also confirmed in a 2 (major)  $\times$  2 (attitude) ANOVA employing the dichotomized version of the attitude variable ( $F(1, 162)=10.96$ ,  $p<.01$ ; cell means are presented in Fig. 2). Indicative of a deal exclusivity effect, midpoint tests revealed that marketing majors (who were recipients of targeted discounts for both brands E and F) preferred the option associated with the more exclusive deal, brand E ( $M=6.80$ ,  $t=7.94$ ,  $p<.001$ ); additional midpoint tests confirmed this effect for both levels of the attitude variable (in the lower attitude condition,  $t=2.57$ ,  $p<.05$ ; in the higher attitude condition,  $t=11.57$ ,  $p<.001$ ). Most relevant to a test of H2, the preference for brand E was more pronounced among

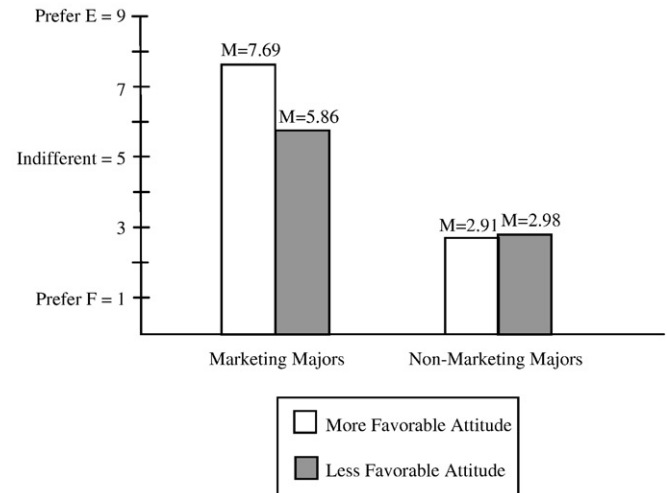


Fig. 2. Study 2. Observed effects—attitude toward deal target group (H2).

marketing students reporting more (versus less) favorable attitudes toward their major ( $F(1, 162)=18.77$ ,  $p<.001$ ).

Preference results observed for participants who were non-marketing majors were also as anticipated. Mid-point tests revealed a preference of non-marketing majors for brand F over brand E ( $M=2.94$ ,  $t=-10.34$ ,  $p<.001$ ) that was substantiated for both attitude levels (in the lower attitude group,  $F(1, 162)=73.61$ ,  $p<.001$ ; in the higher attitude group,  $F(1, 162)=41.02$ ,  $p<.001$ ). A comparison across attitude levels further indicated that the magnitude of this preference was similar for both groups of non-marketing majors ( $F<1$ ,  $p>.8$ ).

### Discussion

While results from experiment 1 reflect the role that consumers' feelings about belonging to groups in general (via their need for uniqueness) have on promotion evaluations, findings from the current study indicate that the magnitude of deal exclusivity effects is related to the specific feelings participants have about being included in the deal target group associated with the offer. Thus, while exclusivity effects were observed for recipients of an exclusive offer holding relatively unfavorable attitudes toward the deal target group, a significantly stronger impact of deal exclusivity was documented among those possessing more favorable attitudes with respect to this group.

Similar to experiment 2, experiment 3 continues this inquiry into the contingencies associated with deal exclusivity by considering the potential moderating role played by the level of effort required to attain membership in the deal target group. As suggested earlier, higher levels of effort are likely to increase self-group identification which should, in turn, increase the salience of the deal's exclusivity as consumers consider a targeted promotion (see H3). In testing this expectation, experiment 3 employs a methodology designed to overcome a potential criticism associated with that used in experiment 2. In the prior study, participants completed a measure of attitudes toward the deal group (i.e., their academic major) prior to

evaluating the promotion. This procedure may have inadvertently primed or sensitized participants to the potential causal role that these attitudes were posited to play with regard to self-group identification, perhaps artificially inflating a bond that was conceptualized to moderate the magnitude of deal exclusivity effects. In experiment 3, a methodology is employed in which the efficacy of a manipulation designed to vary the salience of the social identity associated with the deal target group is assessed after participants evaluated the promotional offer. Thus, the following experiment provides a stronger test of the extent to which self-identification mechanisms may spontaneously be activated as consumers appraise a targeted price promotion than is afforded by experiment 2. Another important objective of this study was to provide evidence germane to the mediational role accorded to deal-related self-enhancement in H4.

### Experiment 3: How the effort required to receive a targeted deal influences identification

#### Method

One hundred and forty-two undergraduate students were assigned randomly to the cells of a 2 (deal exclusivity: lower, higher)  $\times$  2 (deal effort: lower, higher) between-subjects factorial design. A different manipulation of deal exclusivity was utilized than was employed in the prior two experiments. Specifically, exclusivity was varied by modifying a price promotion inviting consumers to a special, one-day sale being held by a consumer electronics retailer. In the exclusive deal condition, the announcement stated that very few customers were invited to the sales event; conversely, in the inclusive deal condition, participants were informed that many customers had received an invitation to the sale.

Prior to receiving this promotion, participants encountered the deal effort manipulation: in the high (low) effort condition, participants were instructed to assume that they were frequent (infrequent) customers of the retailer (cf. Brewer & Kramer, 1986; van Vugt & Hart, 2004). Providing this information at the start of the experimental session, along with the use of a fictitious retailer, is consistent with our conceptualization that the amount of effort required to attain membership in the deal target group influences the extent to which consumers identify with that group. Participants then evaluated the promotional event using three nine-point measures (“My opinion of this sales promotion is:” 1=bad, 9=good; 1=negative, 9=positive; and 1=unfavorable, 9=favorable) that were averaged ( $\alpha=.97$ ) to form the primary dependent variable, deal evaluation. The impact of the deal exclusivity manipulation was then assessed using the same four items employed in experiment 1 ( $\alpha=.91$ ).

We also included measures in the main study to assess the effects of the deal effort manipulation. Under equity theory (Adams, 1965), consumer appraisals may be contingent upon both the outcomes that one receives as well as the related efforts needed to obtain these outcomes. Holding the outcome constant (e.g., the receipt of a targeted deal), any changes in perceived effort should be reflected in shifts in equity perceptions, with the promotion

being viewed as more warranted in response to higher (versus lower) effort levels. Accordingly, the deal effort manipulation check involved three items ( $\alpha=.97$ ) that assessed equity perceptions related to deal receipt (“Compared to this retailer’s other customers, my being invited to this sales promotion event was:” 1=Less Deserved, 9=More Deserved; 1=Less Warranted, 9=More Warranted; 1=Less Justified, 9=More Justified). Finally, to assess the extent to which receipt of the promotional offer provided a basis for self-enhancement, participants completed two measures (1=strongly disagree, 9=strongly agree) gauging their agreement that receiving the offer made them feel good about themselves and made them feel special ( $r=.83$ ).

#### Pre-test

To determine if the deal effort manipulation was capable of influencing group identification in the presumed manner, we also conducted a pretest in which participants ( $n=61$ ) were exposed to one of the two effort inductions described earlier and then responded to the three-item measure ( $\alpha=.96$ ) of deal effort detailed above. Participants also completed five measures adapted from van Vugt and Hart (2004) that were averaged ( $\alpha=.94$ ) to form an index of group identification (“How important is it for you to be included in the group of consumers being invited to this special sale?” 1=Not at all Important; 9=Very Important; “To what extent do you identify with other consumers who have been invited to this sales event?” 1=Not at all; 9=Very Strongly; “How much do you relate to other consumers who have been invited to this sales event?” 1=Not at all; 9=Very Much So; “How much do you value being included in the group of consumers who receives this price promotion?” 1=Not at all; 9=Very Much So; and “How attractive to you is being a member of the group of consumers receiving this invitation?” 1=Not at all; 9=Very Much So). Participants assigned to the high effort group ( $M=6.12$ ) felt that their inclusion in the deal target group entailed greater levels of investment ( $F(1, 57)=44.49, p<.001$ ) than did those in the low effort group ( $M=3.04$ ). More critically, the results also indicated that participants in the high effort condition ( $M=6.71$ ) reported higher levels of identification ( $F(1, 57)=65.89, p<.001$ ) with the deal target group than did low effort participants ( $M=3.75$ ).

#### Results

Responses to the exclusivity check manipulation were analyzed using a 2 (deal exclusivity)  $\times$  2 (deal effort) ANOVA. As desired, participants in the exclusive deal condition ( $M=6.39$ ) viewed the offer as more exclusive ( $F(1, 138)=33.75, p<.001$ ) than did those assigned to the inclusive deal condition ( $M=4.37$ ); the deal was also seen as more exclusive in the high ( $M=5.86$ ) versus low ( $M=4.88$ ) effort condition ( $F(1, 138)=6.91, p<.05$ ; for the exclusivity  $\times$  effort interaction,  $p>.05$ ). Further, higher levels of effort were reported by participants when they were in the high ( $M=6.71$ ) versus low ( $M=3.89$ ) effort condition ( $F(1, 138)=104.68, p<.001$ ; for all other effects,  $p>.3$ ).

To evaluate H3, we submitted participants’ deal evaluations to a 2 (deal exclusivity)  $\times$  2 (deal effort) ANOVA. The analysis

yielded the anticipated two-way interaction ( $F(1, 138)=6.16$ ,  $p<.05$ ; see Fig. 3 for a graphical depiction of the cell means). Additional analyses examined the role of exclusivity within each effort condition. As predicted, participants in the high effort condition provided more favorable deal evaluations for the exclusive versus inclusive offer ( $F(1, 138)=5.62$ ,  $p<.05$ ), while the exclusivity manipulation failed to significantly impact deal evaluations in the low effort condition ( $F(1, 138)=0.41$ ,  $p>.5$ ).

Finally, we examined whether this effect of deal exclusivity was mediated by the level of self-enhancement reported by participants in response to receiving the promotional offer (H4). An initial analysis ascertained whether an interaction similar to that observed on deal evaluations also characterized self-enhancement. A  $2 \times 2$  ANOVA revealed a significant exclusivity  $\times$  effort interaction ( $F(1, 138)=4.61$ ,  $p<.05$ ; see Fig. 3 for cell means). While reported levels of self-enhancement were unaffected by deal exclusivity in the low effort condition ( $F(1, 138)=0.08$ ,  $p>.7$ ), participants expressed greater self-enhancement in response to receipt of the promotion in the exclusive versus inclusive condition ( $F(1, 138)=7.35$ ,  $p<.01$ ). Including self-enhancement as a covariate ( $F(1, 138)=48.19$ ,  $p<.001$ ) rendered the exclusivity  $\times$  effort interaction reported earlier for deal evaluations nonsignificant ( $F(1, 138)=2.60$ ,  $p>.1$ ) and correspondingly reduced the effect size associated with this

interaction by more than 50% (from the ANOVA,  $\eta^2=.043$ ; from the ANCOVA,  $\eta^2=.019$ ). Additionally, Sobel's test was significant ( $Z=-2.17$ ,  $p<.05$ ). Similar analyses were conducted within each level of deal effort. When effort was low, the effect size for deal exclusivity was trivial irrespective of whether ( $\eta^2=.014$ ) or not ( $\eta^2=.015$ ) self-enhancement was utilized as a covariate. However, in the high effort condition, incorporating self-enhancement in this manner attenuated the deal exclusivity effect from .101 (from the ANOVA) to .023 (from the ANCOVA). Collectively, these results support H4's prediction that deal exclusivity effects are mediated by self-enhancement.

## General discussion

Through the increased use of customer relationship management strategies, targeted price promotions are becoming more common in the market. Underlying this heightened use of targeted deals is the assumption that consumers will respond more favorably to such promotions than they will to undifferentiated (i.e., across-the-board) offers. Thus, conventional wisdom in the marketplace suggests that exclusive deals will, *ceteris paribus*, be preferred over offers that are more widely available. The primary goal of this paper was to demonstrate that this intuition is not always borne out via the study of variables that moderate the influence of deal exclusivity on consumer evaluations of targeted price promotions.

In deriving relevant factors to consider in terms of establishing conditional boundaries to this presumed superiority of targeted deals, we drew upon the social identification literature (see, e.g., Oyserman, 2009a,b). In doing so, the present research takes a decidedly different perspective than prior investigations into consumer receptivity to customized deals, most of which have focused on traditional promotional characteristics such as the depth and frequency of the offer. In contrast, we consider social aspects surrounding the receipt of exclusive discounts that are capable of shaping deal response. While work examining the negative reactions of non-recipients in response to being excluded from a targeted promotion has implicated the role of social comparisons (Feinberg et al., 2002), to date, consumer researchers have yet to empirically consider how such issues may factor into the evaluations of consumers who have received customized offers.

The influence of self-group identification on targeted deal evaluations was assessed in several ways. An initial study examining the role of need for uniqueness investigated whether such responsiveness depends on how consumers feel, in general, to being associated with others who have received a targeted promotion (i.e., the deal target group). Experiment 2 considered how the specific feelings or attitudes consumers have with respect to membership in the deal target group may moderate the magnitude of deal exclusivity effects. A final investigation explored how the level of effort consumers must invest in order to obtain a targeted offer affects the extent to which they identify with the deal target group and consequently, their evaluations of customized price promotions. Results from experiment 3 also provided process evidence by establishing

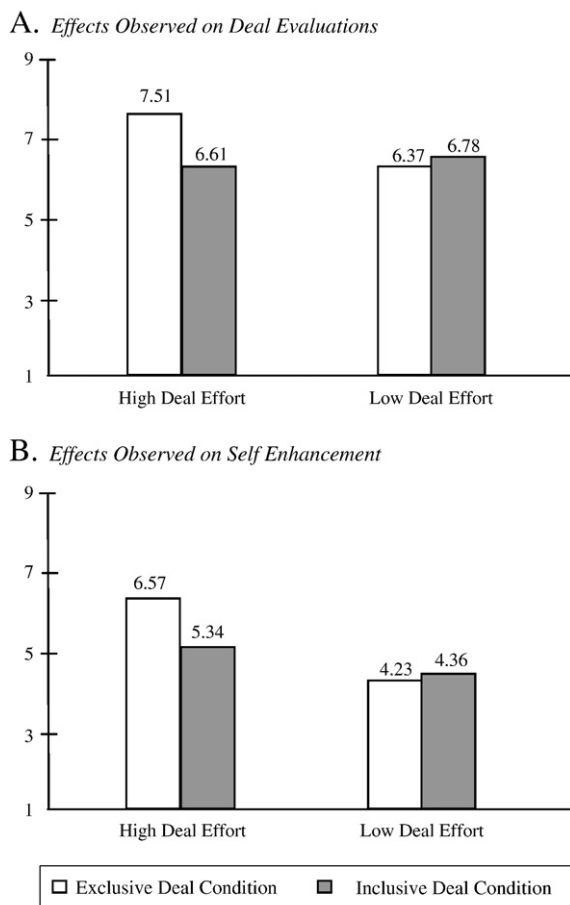


Fig. 3. Study 3. Observed effects—deal effort (H3 and H4).

that exclusivity effects on deal evaluations were mediated by the offer's ability to allow the recipient to engage in self-enhancement. Collectively, these findings demonstrate that, counter to the typical intuition that exclusive deals will be valued more highly than inclusive offers, this superiority can either be attenuated (experiment 2) or eliminated (experiments 1 and 3), contingent upon the presence of factors that impinge upon social identification processes associated with the receipt of customized price promotions. Evidence regarding deal exclusivity effects and relevant conditional boundaries was also provided with regards to both product-level (experiments 1 and 2) and retailer-level (experiment 3) targeted deals.

In addition to providing some much needed insight into when and why exclusive deals are preferred over those that are more widely available, our findings extend several other literatures as well. For example, while extant research on deal restrictions has focused on promotional limitations such as quantity, time, and minimum purchase requirements (Inman et al., 1997; Kivetz & Simonson, 2003), our studies provide insight into an understudied form of deal restriction (exclusivity) that is becoming increasingly important with the continued growth of targeted promotions. The present research similarly offers a contribution with respect to research on group identification and social identity processes. Consumer research on social identification has not yet considered the potential for consumers to factor membership in deal target groups into their evaluations of price promotions. This omission may be attributable to deal target groups representing social categories that are rather nebulous in comparison to those typically examined in consumer research on social identity, e.g., those based on culture, ethnicity, family, gender, or membership in formal reference groups (Bolton & Reed, 2004; Reed, 2004). Yet perceptions associated with the exclusivity of the deal target groups associated with the price discounts examined in this research significantly and systematically affected participants' evaluations of these offers.

Thus, deal target recipients constitute reference groups of both theoretical and practical import in further understanding a basic issue studied by marketing researchers—how price promotions affect consumer response. Our findings are also informative with respect to research demonstrating that membership in more exclusive groups is favored over that associated with more inclusive groups (e.g., Brewer, 1991; Pickett & Brewer, 2001). Specifically, the evidence provided in experiment 1 qualifies this conclusion; while a preference for offers provided to more exclusive deal target groups was observed for high need for uniqueness participants, this inclination was not observed with respect to low need for uniqueness participants who presumably did not attach the same level of value to targeted deals.

The findings from experiment 1 also provide additional insight into the role of need for uniqueness in shaping consumer response to marketplace offers. A review of the literature revealed two studies germane to this issue in the context of pricing and sales promotions. In support of the notion that high need for uniqueness consumers will place a greater value on unique product offerings, Tian et al. (2001) provide correla-

tional evidence indicating that such consumers preferred differentiated products that were priced higher (versus lower) than undifferentiated products. Similarly, arguing that sales promotions represent a common influence tactic, Simonson and Nowlis (2000) found that high need for uniqueness consumers asked to justify their choice were less sensitive to the presence of a price promotion than were low need for uniqueness consumers. Both investigations indicate that consumers who seek uniqueness will be insensitive to sales promotions and related efforts to reduce price. Such a conclusion seems at odds with the notion that because targeted promotions approach uniqueness and in extreme instances can be limited to an individual customer, high need for uniqueness consumers should exhibit a stronger preference for exclusive deals than should consumers who are low in need for uniqueness. However, it is important to note that neither Simonson and Nowlis (2000) nor Tian et al. (2001) manipulated the exclusivity of the price (promotion) in exploring need for uniqueness effects on this aspect of marketing strategy. Consequently, results from experiment 1 provide an initial demonstration regarding how consumers differing in need for uniqueness will respond to targeted promotions that vary in their exclusivity.

### Future research suggestions

Given the dearth of research on how the relative exclusivity of a promotion impacts the evaluations of those consumers receiving a targeted deal, future research could unfold in a number of directions. At a general level, additional work is needed that explores the impact of a greater range of deal exclusivity than considered here. In this regard, the experiments presented here focused on manipulations of exclusivity that involved only two levels. It would therefore be interesting to see how deal evaluations change in accordance with a greater number and perhaps more refined shades of exclusivity than those explored in our research. Thus, in terms of experiments 1 and 2, an unanswered question is how deal recipients (marketing majors) would respond to an offer targeted only to them vis-à-vis being included in increasingly more expansive deal target groups (e.g., all students in their college, all business people, all consumers, etc.). While one might expect progressively stronger exclusivity effects as the deal target group gets smaller, there may be points at which no further gains in exclusivity yield evaluative benefits.

In a similar way, it may also be worthwhile to conduct research capable of providing greater nuance into the role of the variables examined here. As an example, experiment 1 indicated that consumers who are high in their need for uniqueness will respond particularly favorably to discounts offered to relatively exclusive deal target groups. However, if membership in such groups is somehow perceived negatively by deal recipients (e.g., if it is perceived in some way as a movement towards conformity), these consumers may actually devalue an exclusive offer relative to other consumers, providing a reversal of the effects we observe with respect to the role of need for uniqueness. Also, while findings from

experiment 3 demonstrate that greater effort required to attain a customized deal promoted higher levels of deal target group identification, additional work could explore the potential for group identification to impact the amount of effort consumers are willing to undertake in order to receive an exclusive offer.

Research could also explore how consumer response to exclusive deals is impacted by other variables with social identity implications than those investigated here, for instance, self-monitoring (Snyder & DeBono, 1985). In this regard, one might anticipate stronger deal exclusivity effects for consumers who are high rather than low in their self-monitoring tendencies (cf. Shavitt et al., 2009). It might also be worthwhile to consider how scarcity (Cialdini, 2007) may over-ride identification considerations during deal evaluation. Specifically, highly exclusive promotions (e.g., a deal offered to only one consumer) may trigger perceptions of scarcity that inflate evaluations without regard to the individual's need for uniqueness, attitudes towards being included in the deal target group, or amount of effort expended in order to receive the discount.

Finally, additional work is needed to further illuminate the nature of the mediational mechanisms underlying deal exclusivity effects. Though results from experiment 3 support the notion that deal exclusivity effects on evaluations arise via a self-enhancement, the measure employed does not clearly disentangle the feelings a consumer may experience from being part of a selective deal target group vis-à-vis those that arise from receipt of an exclusive deal. Additionally, future work could explore whether deal exclusivity effects can occur through mediational processes other than those implicating self-enhancement. For example, a common assumption underlying the efficacy of promotions is that such offers, when based on information included in a customer's prior transactional history with a firm, should be highly relevant to the recipient. Accordingly, another way in which deal exclusivity might facilitate the evaluations of customized promotions is via their capability to trigger perceptions that the offer is more suitable or relevant to a recipient than are undifferentiated, across-the-board discounts provided to a greater number of consumers in the marketplace.

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