

Using a narrative in sales promotions: An online vignette study

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Abstract. This paper examines how using a narrative in premium-based sales promotions influences consumers' evaluation of and willingness to participate in such promotions. The results of online survey-based experiment support the notion that using a narrative may be considered as a valid tool to improve consumer response to premium-based sales promotions. In particular, the study shows that communicating a sales promotion in the form of a story increases hedonic and utilitarian value which in turn positively influences premium attractiveness and willingness to participate.

Keywords: Premium-based sales promotions, Premium attractiveness, Gamification, Narrative, Grocery retailing.

1 Introduction

Nowadays grocery retailers massively use premium-based sales promotions to engender customer repeat visits, increased spending and loyalty to the store. Premium-based sales promotion offer customers a premium in the form of a good or service free of charge or at a relatively low price in return for the purchase of one or many products or services [7]. Notoriously, the premiums offered by retailers are not always relevant and attractive for customers. Besides, the ubiquity and similarity of modern premium-based sales promotions result in their devaluation in the eyes of the consumer and make consumers less responsive to premiums.

To rise to the challenge, marketers attempt to engage consumers by imbuing promotional offers with various affordances (such as badges, points, narratives, avatar, character, virtual identity etc.) that create gameful experiences [15]. Earlier studies on the use of gamification techniques in marketing predominantly examined on in-game advertising, advergames, and advertising in social network games [25]. Only recently scholars have paid attention to gamified loyalty programs [16], gamification marketing activities in the context of e-commerce [14], and gamified information presentation of product innovations [20]. Still, there are many unexplored marketing contexts where gamification is applied, but its effectiveness is still questionable. Particularly, various

gamification techniques are used in the context of sales promotions to stimulate consumer purchases, but there is only scarce evidence regarding the effectiveness of such promotions [16].

Marketing activities have distinct objectives and seek to affect diverse aspects of consumer behavior. For instance, image advertising seeks to convey the product advantages to a consumer and improve brand image, and hence gamification studies in advertising domain focus on how gamification impacts such constructs as brand attitude, brand love or brand attachment [25]. Retail loyalty programs seek to motivate long-term customer-firm relationships, and hence gamification studies in that domain focus on such constructs as intention to participate in the loyalty program, attachment to the loyalty program, attitudinal and behavioral loyalty to the store [16]. Therefore, the application of findings on gamification effectiveness from one marketing context to another is not always feasible. Indeed, once the objectives of distinct marketing activities differ, gamification effectiveness should be evaluated against those specific objectives at hand. Additionally, various game design elements exert different psychological and behavioral effects on individuals [22]. For instance, a narrative can stimulate different attitudinal and behavioral outcomes than badges or other affordances. Therefore, the analysis of how distinct affordances affect the effectiveness of a marketing tool should be not only context-specific, but affordance-specific as well.

In the context of premium-based sales promotions, the one of the most critical outcomes is incremental sales above those that would happen without sales promotion. However, consumers often become skeptical of promotional offers and are reluctant to join them due to low economic value that such promotions offer. Hence the intermediary objective of sales promotions is to generate consumers' interest and make them join the program in the first place. As it is not always reasonable for retailers and manufacturers to spur consumer interest through a bigger discount, because it can merely make a sales promotion offer unprofitable, the usage of non-monetary techniques such as storytelling becomes more and more relevant. Reframing a sales promotion in form of a story can be done with a relatively low-cost effort. While the effects of using a narrative has been studied in various marketing contexts including advertising, branding, adoption of innovative products [20], it has never been examined in the context of premium-based sales promotions, to the best of our knowledge. Therefore, there is no empirical support whether storytelling can guarantee a higher interest toward a program and what mechanisms mediate those effects (if any).

The objective of this paper is to test how using a narrative in premium-based sales promotions influences consumers' evaluations of such promotions and examine the underlying psychological processes. The study aims to contribute to the literature on sales promotions, gamification and storytelling. It checks and explains the impact of a narrative on the effectiveness of sales promotions. Firstly, the key theoretical concepts and hypothesized relationships among them are introduced, then the hypotheses are tested using an online vignette experiment with a between-group design. The results demonstrate how the usage of a narrative in a premium-based sales promotion influences premium attractiveness and willingness to join a promotional program. The paper ends up with a brief discussion of findings and managerial implications.

2 Theoretical background and hypotheses development

The studies of premium-based sales promotions date back to 1960s [23]. A successful premium-based sale promotion can strengthen consumer-firm relationships, encourage continued repeat purchases, and create an emotional connection with consumers [7, 8]. Consumers participate in sales promotions because of the perceived value attached to the sales promotion experience, which can include both promotion exposure (e.g., seeing a promotion on a product) and usage (e.g., redeeming a coupon or buying a promoted product) [6]. Despite promotional offers are usually considered as a means to monetarily stimulate consumers to buy more, prior studies show that consumers' benefits generated by promotional offers go far beyond utilitarian and include opportunities for value expression, entertainment, and exploration [6]. Therefore, perceived value comprises both utilitarian and hedonic components. Hsu and Chen [14] define utilitarian value as an overall assessment of functional benefits and sacrifices that sales promotions offer, and hedonic value as an overall assessment of experiential benefits and sacrifices.

The narrative embedded into an activity is designed to provide motivation for realizing that activity, because it gives a sense of purpose to actions of a participant "through the plot, as a premise to story, characters and sequence of events, which give a dramatic unity to the participant's interactions and journey" [21, p. 98]. In the context of educational activities, narrative passages are claimed to be easier to read and are less likely to be perceived as instructional materials, but more as an entertaining element [3]. Prior studies suggest that ads with stories can be inherently engaging, entertaining, and enjoyable [17]. The usage of game design elements has been claimed to heighten its hedonic value through raising intrinsic motivation to participate in marketing activities [14]. Analogously, consumers may perceive a narrative in sales promotions predominantly as a game-like element, which can drive a hedonic value of the promotional offer. Thus, we posit that:

H1. *Narrative [versus non-narrative] sales promotions will result in greater hedonic value.*

The savings benefits of sales promotions can be tentatively classified as utilitarian [6]. Prior research shows that how the price offering is presented to consumers affects consumer evaluation of the product offering and associated savings [18]. Grewal, Marmerstein, and Sharma [13] state that the evaluation of price depends on the level of processing evoked by the marketing stimulus: elaborate information processing results in a more critical evaluation of an offer and may decrease the perception of savings if the absolute savings are low. According to Kim, Ratneshwar, and Thorson [17] consumers are less likely to engage in the type of critical thinking needed for generating counterarguments to narrative ads when compared to non-narrative ads. Hence, we posit that:

H2. *Narrative [versus non-narrative] sales promotions will result in greater utilitarian value.*

The premium represents an object that is offered free or at a reduced price in return for the purchase of a product. Customers perceive utilitarian value by comparing product or service quality with the money spent to get that product [14]. We expect that a higher utilitarian value will translate into a higher premium attractiveness due to a greater perceived profitability of the deal. According to Seipel [23], premium attractiveness is not governed exclusively by a consumer need for the premium and the quantity offered, but premiums involve some sort of object or entertainment offered by the company that is not characteristic of its regular services or discounts. The narrative context offers consumers meaning beyond the mere quest for points and achievements [22]. Thus, when the premium is incorporated into the narrative context, it gets additional meaning and becomes more attractive to the customer through a higher hedonic and utilitarian value. Thus, we posit that:

H3. *The hedonic value of sales promotion positively influences premium attractiveness.*

H4. *The utilitarian value of sales promotion positively influences premium attractiveness.*

A value-based approach implies that consumers positively respond to sales promotions, because of the value they represent which comprise hedonic and utilitarian components [6]. Both hedonic and utilitarian dimensions of consumer attitude are shown to be important predictors of behavioral intentions to adopt new products, new loyalty programs and other marketing innovations [1, 14]. Hence, we posit the following:

H5. *Hedonic value positively influences willingness to participate in sales promotions.*

H6. *Utilitarian value positively influences willingness to participate in sales promotions.*

Prior studies show that premium attractiveness is a significant driver of consumer motivation to participate in premium-based sales promotions [4, 8]. When the premium is unattractive, consumers are even more likely to make the inference that some kind of marketing gimmick has been put in place and a promotion offer has lower chances to be accepted by a consumer [7, 24]. Thus, we posit that:

H7. *Premium attractiveness positively influences willingness to participate in sales promotions.*

The conceptual model that summarizes the above reasoning is presented in Figure 1. In addition to the core constructs, the model includes a number of control variables. Age and gender were controlled in the study, based on research indicating that both can influence consumer response to gamified services [26]. Premium product involvement conceptualized as the perceived relevance of a product category to an individual consumer, based on his or her inherent values, needs, and interests [27] was controlled,

based on the research showing that it is a significant determinant of consumer evaluations of promotional offers [7, 8, 17]. We also controlled for rule clarity conceptualized as the degree to which the promotional offer is perceived as easy to understand, to learn and to use, because the willingness is lower, if it is difficult for consumers to comprehend how a promotional scheme functions, how points are collected, and how and when they will be rewarded [10]. Prior experience with sales promotions was also controlled to account for the impact of consumer predispositions towards sales promotions [9].

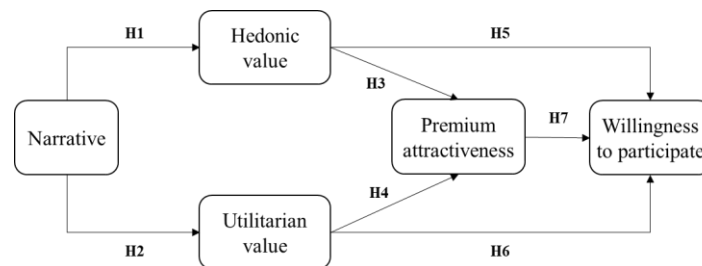


Fig. 1. Conceptual model

3 Methodology

3.1 Sample

Study sample was based on an online survey of 210 respondents of 18-55 years old (80% female) who were recruited from the online panel. Respondents are citizens of two Russian metropolitan cities (Moscow and St. Petersburg) who are responsible for making grocery shopping in their households.

3.2 Stimulus

A between-subject experimental design with two groups (No narrative vs Narrative) was used. Respondents in the no-narrative condition were presented with a description of a fictional premium-based sales promotion campaign that could be launched by a large retail chain located near the respondent's place of residence. The stated promotion rules implied that the potential consumer would be given 1 point for each 400 rubles spent in the fictional grocery store, and the collection of 20 points would give the consumer an opportunity to buy an exclusive tea-set with an 88% discount. The tea-set was depicted on a vignette that resembled a real-life sales promotion leaflet. The narrative condition was the same with only difference in the sale promotion communication: there appeared the fictional character (a hedgehog Schtrudel), and customers were asked to help him collect 20 «berries» (instead of points) to prepare for the winter. No changes in the visual design of the tea-set or vignette were done except the change of wording. Afterwards respondents were asked to evaluate the proposed sales promotion

program based on a set of parameters and provide general information on their consumption habits.

3.3 Measures

All measures except prior experience with sales promotions are based on existing sources (see Table 1). Premium attractiveness and premium product relevance are measured as semantic differentials. The other latent constructs are rated on 5-point Likert scales.

3.4 Data analysis

Confirmatory factor analysis using Stata 14 evaluated the measurement model with all latent constructs included. The scales were purified according to procedures described by Anderson and Gerbing [2] in order to develop valid and reliable measures. Due to their negative effect on reliability and validity, some items out of the original ones were dropped in all scales. The global fit indices suggested that the model adequately represented the data ($\chi^2(98) = 130.097$, CFI = 0.991, RMSEA = 0.039 (pclose = 0.833), SRMR = 0.039). Factor loadings of the observed variables for each latent variable in both samples were significant ($p < 0.05$) and above 0.6, confirming convergent validity [2]. The composite reliabilities of the constructs exceeded the cut-off value of 0.70 [12]. The extracted variance of constructs was over the suggested value of 0.50, indicating that a large portion of the variances is explained by the constructs [12]. Discriminant validity is established as the square root of AVE for each construct is greater than the inter-construct correlation corresponding with diagonal correlations of the construct to their latent variables. Table 1 presents standardized factor loadings, composite reliability (CR), and average variance extracted (AVE) for all latent constructs.

Then, the items of latent constructs were averaged, and a set of t-tests was run to check the significance of group differences in hedonic value, utilitarian value, premium attractiveness, and willingness to participate between no-narrative and narrative conditions.

To test the underlying effects of a narrative on willingness to participate in the sales promotion, the structural equation model that resembles the conceptual model (see Figure 1) was examined with control variables (premium product involvement, prior experience and rule clarity). The structural model showed good fit to the data ($\chi^2(128) = 163.449$, CFI = 0.990, RMSEA = 0.036 (pclose = 0.923), SRMR = 0.036).

Table 1. Description of latent constructs

Constructs and items	Factor loadings	CR	AVE
Utilitarian value (adapted from [11])		0.89	0.79
This promotion offers significant financial benefits	0.84		
Reward from participation in the promotion is what I need	0.93		

Hedonic value (adapted from [19])		0.96	0.92
Participation in this promotion seems fascinating to me	0.97		
Participation in this promotion could entertain me	0.94		
Premium attractiveness (adapted from [27])			
How do you evaluate the tea set in the described promotional offer?		0.93	0.80
Bad – Good	0.86		
I don't like – I like	0.92		
Unattractive – Attractive	0.89		
Willingness to participate (adapted from [5])		0.95	0.73
I am ready to start collecting points to participate in this promotion	0.94		
I would try to collect the maximum number of points	0.95		
Control variables:			
Premium product involvement (adapted from [27])			
What is your personal attitude toward a tea set as a product in general?		0.88	0.72
Not important – Important	0.91		
Irrelevant – Relevant	0.83		
Not valuable - Valuable	0.80		
Rule clarity (adapted from [10])		0.73	0.58
It is not difficult for me to understand the rules of this promotion	0.57		
I understand the benefits of participating in this promotion	0.97		
Prior experience		0.89	0.73
I often take part in grocery stores' promotions involving coupons	0.83		
I often participate in promotions for collecting stickers or chips held in grocery stores	0.85		
I often participate in contests and lotteries held in grocery stores	0.87		

3.5 Findings

One-tailed t tests showed that respondents rated narrative sales promotion higher than no-narrative sales promotion on hedonic value ($M_{\text{non-narrative}} = 2.66$, $M_{\text{narrative}} = 3.07$, $t = -1.96$, $p < 0.05$), utilitarian value ($M_{\text{non-narrative}} = 2.50$, $M_{\text{narrative}} = 2.83$, $t = -1.70$, $p < 0.05$), premium attractiveness ($M_{\text{non-narrative}} = 3.23$, $M_{\text{narrative}} = 3.58$, $t = -2.08$, $p < 0.05$), and willingness to participate ($M_{\text{non-narrative}} = 2.77$, $M_{\text{narrative}} = 3.14$, $t = -1.73$, $p < 0.05$). There were no statistically significant differences between conditions in premium product involvement, prior experience and rule clarity that have been used as controls.

The results of structural equation modeling (see Table 2) show that the presence of a narrative positively affects only hedonic value ($b = 0.09$, $p < 0.05$), while the effect

of a narrative on utilitarian value is only marginally significant ($b = 0.08$, $p < 0.1$). Both hedonic and utilitarian value increases product attractiveness. However, it is only the hedonic value ($b = 0.80$, $p < 0.001$) that increases consumers' willingness to participate in the sales promotion, while the effect of utilitarian value and product attractiveness are insignificant. The total effect of a narrative proved to be significant only for product attractiveness ($b = 0.24$, $p < 0.05$), but not for willingness to participate ($b = 0.25$, $p < 0.1$).

Table 2. Structural equation modelling results

Independent variables	Dependent variables			
	HV	UV	PA	WP
Narrative (N)	0.09*	0.08†	0.05	0.00
Hedonic value (HV)	-	-	0.39**	0.80**
Utilitarian value (UV)	-	-	0.44**	0.15
Premium attractiveness (PA)	-	-	-	0.05
Control variables:				
Product involvement	0.47**	0.60**	0.15	-0.04
Rule clarity	0.25**	0.26**	0.00	0.03
Prior experience	0.32**	0.22**	-0.15*	-0.02
Age	-0.05	0.00	0.09†	0.00
Gender	-0.03	-0.05	-0.04	0.04

** $p < 0.01$, * $p < 0.05$, † $p < 0.1$.

Abbreviations: Narrative (N), Hedonic value (HV), Utilitarian value (UV), Premium attractiveness (PA), Willingness to participate (WP).

4 Discussion and conclusions

The study results show that communicating promotional offers in the form of a story increases the hedonic value of premium-based sales promotions that in turn positively affects premium attractiveness and willingness to participate. The effect of a narrative is more pronounced for premium attractiveness than for willingness to participate. It implies that the usage of narrative sales promotions is more likely to improve consumers' attitudinal response to sales promotions than to stimulate behavioral intentions. Still narratives can be used by marketers to increase the entertainment value of sales promotions.

The current findings are compatible with the results of extant studies on narrative advertising that show that hedonic value is a significant driver of consumer attitudes and behaviors towards brands [17]. However, it extends the results to the context of simple non-branded products and shows that using a narrative can change the attitude toward a product offered as a premium (and not only an attitude toward a brand that is more intangible and complex).

The extant study has a number of limitations. It measures consumers' behavioral intentions rather than real behavior, and there has been shown to be a gap between what consumer plan to do and actually do. An online vignette experimental design may also decrease the realism of the study and bias the results. Additionally, we didn't check

whether respondents noticed that the story was used, while the awareness of game design elements has been shown to be crucial for consumer to have gameful experiences and should not be assumed per se [22].

Further studies may examine additional mediating and moderating effects of a narrative on various types of consumer response. For instances, it may be worthwhile to study whether the effectiveness of narrative sales promotions differ among consumers with different shopping orientation, deal proneness, or persuasion knowledge. It may also be of interest to investigate the role of story compatibility with the promoted product and story attractiveness on consumer evaluation of sales promotions.

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