

Controlling the Power of Compromise Effect: Exploiting Discount, Rebate and Premium Strategy

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ABSTRACT: A compromise effect leads a particular product to be more attractive than before. It might happen since a new alternative comes in which its attributes are inferior to one of two existing products. For firms it is a good strategy to intentionally enhance its sales. However, a certain competitor might be unhappy since its sales worsen. The competitor strives hard to increase its sales by executing sales promotions. A good question than arises, can the competitor pulls consumers to prefer its product while they are under compromise effect control? The answer is the purpose of the study. Data are submitted from those who are interested in flash disc, and analyzed by employing Amos 22.0 and SPSS 21.0. The result shows that the promotions particularly discount, rebate and premium can withdraw consumers to favor the product promoted.

KEYWORDS: attitude, behavioral intention, compromise effect, customer sales promotions, subjective norm,

I. INTRODUCTION

The finding of Simonson (1989) about compromise effect allows firms to open their eyes that they can heighten the sale by arranging a particular product between two other products, which are superior and inferior against the particular product. The finding is later on be reinforced by other researches, such as Pan & Lehman (1993), Lehman & Pan (1994), Dhar & Simonson (2003), Pechtl (2009), Wong (2012), Lichters et al. (2016), Ekström (2018) and Santosa (2003; 2005; 2006; 2009a). From the market leader point of view it might happen purposefully. A particular product that supposedly its sale will be enhanced can be positioned between two other products which their attributes are superior and inferior to the particular product. While the same way can be operated as well by market challengers, they might activate the effect in a slight different way. They can position their product between two market leader's products, which the attributes of the first are superior, and the second are inferior against the challenger's product. Santosa (2016a) carries out a study to examine the consumer's choice relating with the compromise effect. He finds that the effect influences the behavioral intention through attitude and subjective norm. He also investigates the role of customer sales promotions on consumers when the attraction effect goes on (2016b). The finding shows that discount and rebate can release consumers from the effect. So, referring to the last, the purpose of the study is to scrutinize the availability of customer sales promotions to control the power of compromise effect. The finding in which it will be in accordance with the researcher's expectation, is in evitable giving an important contribution to science development. It also obviously will be very beneficial in marketing.

Hypotheses

Hypotheses of the study are as follows:

- H1 : Compromise effect (EK) influences attitude (Ab).
- H2 : Compromise effect (EK) influences subjective norms (SN).
- H3 : Discount (Dis) influences attitude (Ab)
- H4 : Discount (Dis) influences subjective norm (SN)
- H5 : Rebate (Rab) influences attitude (Ab)
- H6 : Rebate (Rab) influences subjective norm (SN)
- H7 : Coupon (Kup) influences attitude (Ab)
- H8 : Coupon (Kup) influences subjective norm (SN)
- H9 : Sweepstakes (Sweep) influences attitude (Ab)
- H10 : Sweepstakes (Sweep) influences subjective norm (SN)
- H11 : Premium (Prem) influences attitude (Ab)
- H12 : Premium (Prem) influences subjective norm (SN)
- H13 : Sales promotions of the product promoted will deteriorate the influence of compromise effect (EK) to attitude (Ab)
- H14 : Sales promotions of the product promoted will deteriorate the influence of compromise effect (EK) to subjective norm (SN)

- H15a : The more favorable attitude toward product B (AbB), the more behavioral intention toward product B (BIB) will be.
- H15b : The more favorable attitude toward product A (AbA), the more behavioral intention toward product A (BIA) will be.
- H16a : The more favorable subjective norm toward product B (SNB), the more behavioral intention toward product B (BIB) will be.
- H16b : The more favorable subjective norm toward product A (SNA), the more behavioral intention toward product A (BIA) will be.

II. METHODS

A sample which consists of 100 respondents is taken out through convenience and judgment method (Cooper & Schindler, 2008). The respondents are those who are interested in flash disc. Data are submitted through questionnaires, and analyzed by employing structural equation analysis, particularly AMOS 22.0. The Likert scale is applied using five points scale, which ranges from 1 (= completely disagree) to 5 (= completely agree). To justify the instruments whether they are valid or not, reliable or not, a confirmatory factor analysis and Cronbach's Alpha are operated.

III. RESULTS

Confirmatory Factor Analysis : The confirmatory factor analysis produces output as follows: factor loading of indicators such as AbB *i.e.* b1B, b2B, b3B, and ev1B, ev2B, and ev3B; AbA *i.e.* b1A, b2A, b3A, and ev1A, ev2A, and ev3A; SNB *i.e.* NB1B, NB2B, NB3B and MC1B, MC2B, MC3B; SNA *i.e.* NB1A, NB2A, NB3A and MC1A, MC2A, MC3A are above the upper limit *i.e.* 0.4 (TABLE 1). Thereby, all are valid (Ferdinand, 2006). Except NB3B. However, it will be later on compared with NB3A. While the NB3A is valid, it is likely no problem for the validity of the NB3B since the content of the question is similar. Meanwhile; factor loading of EK, Dis, Rab, Kup, Sweep, and Prem are not detected since the variables are only measured by one indicator.

Table1. Factor Loading of b, ev, NB and MC from Product A and B

Indicators	Factor Loading	Threshold	Criteria
b1B	0.725	0.4	Valid
b2B	0.667	0.4	Valid
b3B	0.741	0.4	Valid
ev1B	0.696	0.4	Valid
ev2B	0.616	0.4	Valid
ev3B	0.754	0.4	Valid
b1A	0.833	0.4	Valid
b2A	0.754	0.4	Valid
b3A	0.856	0.4	Valid
ev1A	0.779	0.4	Valid
ev2A	0.727	0.4	Valid
ev3A	0.849	0.4	Valid
NB1B	0.759	0.4	Valid
NB2B	0.791	0.4	Valid
NB3B	0.338	0.4	Not Valid
MC1B	0.770	0.4	Valid
MC2B	0.820	0.4	Valid
MC3B	0.509	0.4	Valid
NB1A	0.832	0.4	Valid
NB2A	0.847	0.4	Valid
NB3A	0.467	0.4	Valid
MC1A	0.840	0.4	Valid
MC2A	0.835	0.4	Valid
MC3A	0.551	0.4	Valid

Source: Data Analysis

Reliability Test : The reliability of the instruments is measured by Cronbach's Alpha. The result shows as follows:

Table 2. Cronbach.s Alpha of Items

Indicator	Cronbach's Alpha	Cut-off	Criteria
b1B, b2B, b3B, ev1B, ev2B, ev3B	0,790	0,6	Reliable
b1A, b2A, b3A, ev1A, ev2A, ev3A	0,886	0,6	Reliable
NB1B, NB2B, NB3B, MC1B, MC2B, MC3B	0,760	0,6	Reliable
NB1A, NB2A, NB3A, MC1A, MC2A, MC3A	0,831	0,6	Reliable
BI1B, BI2B, BI3B, BI4B	0,078	0,6	Not Reliable
BI1A, BI2A, BI3A, BI4A	0,816	0,6	Reliable

Source: Data Analysis

TABLE 2 indicates that indicators such as b1B, b2B, b3B, ev1B, ev2B, ev3B, NB1B, NB2B, NB3B, MC1B, MC2B, MC3B, b1A, b2A, b3A, ev1A, ev2A, ev3A, NB1A, NB2A, NB3A, MC1A, MC2A, MC3A, BI1A, BI2A, BI3A, BI4A have Cronbach's alpha score more than 0.6. This denotes that the indicators are reliable (Ghozali, 2013). Conversely BI1B, BI2B, BI3B, BI4B have less than 0.6. However, it will later on be compared with BI1A, BI2A, BI3A, BI4A in which the last belong to reliable. Since the content of the question is similar, it is supposed that the unreliability of BI1B, BI2B, BI3B, and BI4B does not matter.

The Structural Equation Model : Indicators of the first model do not indicate a good performance (TABLE 3). It should be modified in accordance with modification indices. The modification leads to the second model (Fig. 1). Its indicators approximately meet the criteria of goodness of fit, particularly Cmin/df, GFI, TLI and RMSEA (TABLE 3). It means that the model's data are in accordance with the structural parameters. As a consequence, the model is worthy of use.

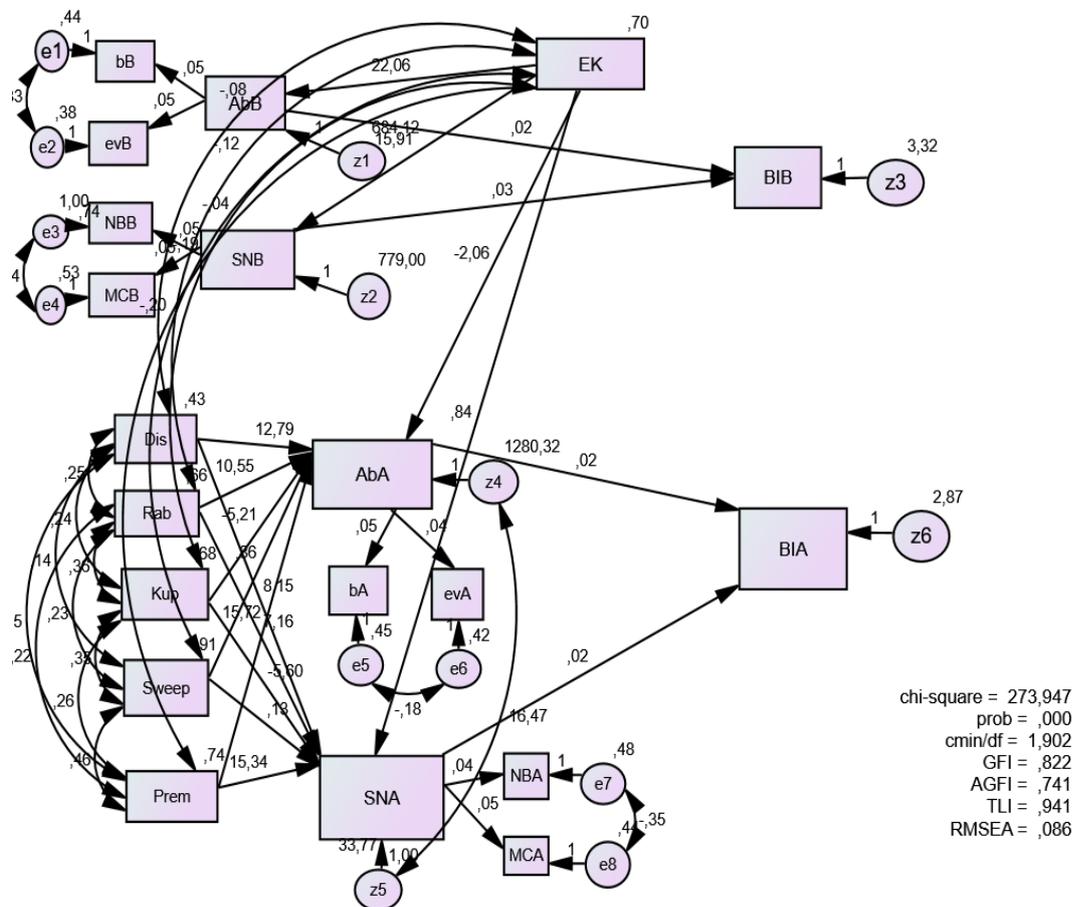


Figure 1. The second model

Table 3. The Indicators of the First and the Second Model

Indicators	1 st Model's Scores	2 nd Model's Scores	Threshold	Criteria of the 2 nd Model
Chi-square/Prob	730,678/0,000	273,947/0,000	65,24722/p>0.001	Not meet the criteria
Cmin/df	4,904	1,902	≤ 5	Meet
GFI	0,719	0,822	High	Supposedly meet
AGFI	0,604	0,741	≥ 0,9	Not meet the criteria
TLI	0,741	0,941	≥ 0,9	Meet
RMSEA	0,178	0,086	0,05 s.d 0,08	Meet

Source: Data analysis

Test of Hypotheses: The influence of exogenous construct to endogenous construct is demonstrated at TABLE 4. It shows that the influence of EK to AbB is significant (p = 0.000). Likewise, the influence of EK to SN (p = 0.000). Therefore, H1 and H2 are empirically supported. The influences of Dis to Ab (p= 0.026) is significant. Likewise Rab ((p = 0.034), and Prem (p = 0.000). On the contrary, the influence of Kup (p = 0.312) and Sweep (p = 0.845), are not significant. The influences of discount, rebate, coupon, sweepstake to subjective norm are not significant, except Prem (p = 0.000). Thereby, H3, H5, H11, and H12 are empirically supported, while H4, H6, H7, H8, H9 and H10 are not (TABLE 4).

The power of sale promotion is also revealed when the compromise effect has no longer control of forming attitude and subjective norm. EK's influence to AbA (p = 0.615) and SNA (p = 0.829) are not significant. Thus, H13 and H14 are empirically supported (Table 4). The influence of whether attitude or subjective norm to behavioral intention is significant. The evidences are denoted by the significantly effect of AbB and SNB to BIB (p = 0.000 and p = 0.000). Also, by the significantly effect of AbA and SNA to BIA (p = 0.000 and p = 0.000). Thereby, H15 and H16 are empirically supported (TABLE 4).

Table 4. Regression Weight among Variables

	Estimate	S.E.	C.R.	P	Label
AbB <--- EK	22,058	2,819	7,825	***	par_6
AbA <--- Dis	12,786	5,750	2,224	,026	par_9
AbA <--- Rab	10,551	4,981	2,118	,034	par_10
AbA <--- Kup	-5,210	5,148	-1,012	,312	par_11
AbA <--- Sweep	,855	4,361	,196	,845	par_12
AbA <--- Prem	15,721	4,754	3,307	***	par_13
SNA <--- Dis	8,149	5,426	1,502	,133	par_14
SNA <--- Rab	7,165	4,700	1,524	,127	par_15
SNA <--- Kup	-5,602	4,858	-1,153	,249	par_16
SNA <--- Sweep	,131	4,115	,032	,975	par_17
SNA <--- Prem	15,339	4,486	3,419	***	par_18
AbA <--- EK	-2,063	4,105	-,503	,615	par_26
SNB <--- EK	15,437	3,173	4,866	***	par_27
SNA <--- EK	,837	3,874	,216	,829	par_43
BIB <--- AbB	,022	,006	4,062	***	par_7
BIB <--- SNB	,024	,005	4,320	***	par_8
BIA <--- SNA	,025	,005	4,999	***	par_24
BIA <--- AbA	,024	,004	5,397	***	par_25

Source: Data analysis

IV. DISCUSSION

The significantly effect of EK whether to Ab or to SN (p = 0.000 and p = 0.000) indicates that H1 *i.e.* Compromise effect influences attitude, and H2, *i.e.* Compromise effect influences subjective norms are really empirically supported. The finding supports Santosa's finding (2016a). Both Santosa's findings actually should be supposedly assumed as a valuable contribution to customer behavior development. Seemingly, the findings

invite the science community to explore further. The trivial influence of EK whether to AbA or to SNA ($p = 0.615$ and $p = 0.829$) denotes that after sales promotions, particularly through discount, rebate and premium, the compromise effect has no longer power of attitude and subjective norm. It likely has not enough power to persuade consumers to choose product enjoying the effect. The finding reminds us to remember what Schiffman & Wisenblit (2015) explicitly say and Santosa's finding (2020) that affective response affects consumer's attitude. Consumer's response toward promotion develops favorable attitude against promoted product. The finding is in line with Misra *et al.* (1993) in which the attractive offers motivate consumers to choose the product promoted. The finding also looks like the study of Hedgcock & Rao (2009) about an excitement that might deteriorate the attraction effect. The finding is also similar with the study of Kim & Hasher (2005) who suggest that there is an influence of interest to an alternative choice. The empirically supported of whether H15 or H16 implies that the influence of attitude and subjective norm to behavioral intention is in accordance with the theory of planned behavior. It is obvious that both are good predictors of behavioral intention. The finding is absolutely appropriate with studies of Jyh (1998), Martin and Kulinna (2004), Wiethoff (2004), Marrone (2005), Kouthouris and Spontis (2005), and Santosa (2008, 2009b, 2011, 2016a).

V. CONCLUSION AND MANAGERIAL IMPLEMENTATION

Conclusion: The study actually comprises of three areas that is, compromise effect, sales promotions and behavior. The first is indicated by the support of H1, H2, H13 and H14. The compromise effect really has an effect to attitude and subjective norm. In addition, sales promotions of the product promoted will deteriorate the influence of compromise effect whether to attitude or to subjective norm. The second is communicated by the confirmation of H3 (Discount influences attitude), H5 (Rebate influences attitude), H11 (Premium influences attitude) and H12 (Premium influences subjective norm). The third denotes to the influence of whether attitude or subjective norm to behavioral intention. It looks like that the good predictors of behavioral intention corroborate the theory of planned behavior.

Managerial Implication: The finding seemingly gives warning to particular firm who wants to utilize compromise effect. The power of compromise effect is not everlasting. Competitors' sale promotion, particularly discount, rebate and premium, can deteriorate the effect. Competitors should always be aware of anything happens in the market. They should be attentive of rival's price and specification. Market intelligence should be operated. When rival's sale grows continuously, and their products' sales are diminishing, it is time to attack the rival by promotions. However, there is still an option of the particular firm. Actually the huge sale needs enough time. A higher sale of 20% or less than previous month is supposedly normal. Competitors will not proclaim yet that the effect has occurred. They might be aware when the rise has happened in several months continuously. It takes time for competitors to sincerely be aware of. In this duration, the firm can arrange counters as an anticipation of competitors' reaction, particularly by strengthening brand equity.

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