Navigating Differentiated Promotional Practices: Examining Consumer Fairness Perceptions in Omnichannel Retail

Abstract:

In today's connected world, retailers must rethink and effectively execute their marketing strategies across channels to stay competitive. Despite the several benefits of omnichannel retailing, whether to unify or differentiate promotional practices across online and offline channels remains a controversial topic among researchers and practitioners, potentially impacting business performance. Building upon fairness theory, this multi-experiment research first investigates consumer responses to these promotional strategies and highlights consumers' aversion to differentiated promotional practices across channels. Secondly, authors delve into consumers' processes to uncover the reasons why consumers perceive a promotional deal available both online and offline differently from an equivalent online-exclusive or an offline-exclusive deal. Such insights offer retailers clear strategic guidelines to tailor their promotional approaches without hurting consumers' fairness perceptions.

Keywords: differentiated marketing decisions, promotional practices, fairness perceptions.

Track: Pricing and Promotions.

1. Introduction

Omnichannel retailing has become a strategic priority for retailers to stay competitive in today's technology-intensive landscape (Ratchford, Soysal, Zentner, and Gauri, 2022). Whether to unify or differentiate marketing decisions across channels, however, remains a controversial topic among both researchers and practitioners (Homburg, Lauer, and Vomberg, 2019). While some studies emphasize the importance of providing consumers with consistent information across channels (e.g., Hossain, Akter, Kattiyapornpong, and Dwivedi, 2019), others suggest that differentiated marketing practices, such as online- or offline-exclusive promotional deals, can also positively impact business performance (Timoumi, Gangwar, and Mantrala, 2022). These practices would allow retailers to tailor their strategies to target specific audiences while meeting cost structure requirements (Vogel & Paul, 2015). Consistent with this observation, a study by Accenture (2013) shows that differentiated promotional practices are prevalent, with more than 27% of retailers adopting such practices. This contrasts with consumer expectations, as the majority (61%) anticipate that a retailer's online promotional deals will be the same as its in-store promotions (Samuel, 2013).

Given the growing prevalence of channel-based promotional differentiation, prior research demonstrates that pricing differentiation practices may lead to consumer unfairness perceptions, as the product remains equal across consumers, but the price differs, depending on channel (e.g., Vogel & Paul, 2015). This multi-experiment paper aims at (1) investigating consumer fairness perceptions and at (2) understanding why consumers may perceive a promotional deal available both online and offline differently than an equivalent online- or offline-exclusive promotional deal. According to Bolton, Warlop, and Alba (2003), consumer fairness in a transaction context is defined as a judgment of whether an outcome (e.g., a product's selling price) and/or the process to reach an outcome is reasonable, acceptable, or just. Price fairness judgments are guided by cognitive attributions regarding the comparison between a price and reference point(s) (e.g., competitor prices, past prices and costs of goods sold) to assess whether this price is fair or unfair (Bolton et al., 2003). Academic literature highlights the central role of fairness in customers' decision-making process and in our economy (Evangelidis 2023), establishing the boundaries for permissible actions by firms when they encounter changes in their cost structure (Haitao Cui, Raju, and Zhang, 2007).

Extant research has covered the effects of channel-based *pricing* differentiation practices on both consumer and firm outcomes (e.g., Homburg et al., 2019; Xia, Monroe, and Cox, 2004). Yet we still know little about the effects of channel-based *promotional* differentiation practices. The time-limited nature, the length of the validity period as well as the discount size of promotional deals creates a sense of urgency, prompting consumers to make quicker decisions and potentially altering their beliefs about fairness (Ahmetoglu, Furnham, and Fagan, 2014). Scant research focused on promotion differentiation shows that these practices often lead to consumer unfairness perceptions which negatively affect consumer retention outcomes (e.g., Vogel & Paul, 2015; Chung, Oh, and Kim, 2022). Nevertheless, these studies typically do not assess the relative effects of online- versus offline-exclusive promotional practices. Moreover, they often fail to explore consumers' cognitive processes and the reasons why consumers perceive such differentiated promotional practices differently. Table 1 provides a summary of existing findings from related literature streams and shows omissions relevant when considering channel-based promotion differentiation. Two main questions specifically arise from extant research and current managerial debate around differentiating promotions across channels:

RQ1. *To what extent do consumers' perceptions of fairness differ between differentiated (i.e., online- and offline-exclusive) and undifferentiated promotional practices?*
RQ2. *Why do consumers' perceptions of fairness differ across channel-based promotional differentiation practices?*

Articles	Retail mix element	Underlying mechanisms	Omnichannel retailer strategy
Vogel & Paul (2015)	Discount, Promotion, Clearance, Service fee	Perceived value, Price unfairness, Limited self-determination	Online channel-based differentiated practices
Homburg et al. (2019)	Price	Perceived price fairness of the offline price	Undifferentiated practices across channels and online channel-based differentiated practices
Chung et al. (2022)	Promotion (coupon)	Positive and negative experience, Perceived service convenience, Satisfaction	Undifferentiated practices across channels and online channel-based differentiated practices
Mookherjee Lee, and Sung (2021)	Price discount	Emotional responses linked to purchase dissatisfaction (regret and disappointment)	Online and offline channel-based differentiated practices
Fassnacht & Unterhuber (2016)	Price	Perceptions of price fairness across channels, Purchase intention, Intention to word-of mouth (WOM)	Online and offline channel-based differentiated practices
Schneider & Zielke (2021)	Price	Price fairness perception, Showrooming behavior, Offline purchase	Undifferentiated practices across channels and online channel-based differentiated practices
Darke & Dahl (2003)	Discount (bargain)	Price fairness perceptions	Offline channel-based differentiated practices

Keller, Vogelsang, and Totzek (2022)	Dynamic and static pricing strategies; Price discount (displays)	Perceived pricing transparency, Perceived price fairness, Perceived value	Undifferentiated practices across channels and online channel-based differentiated practices
This research project	Promotional deal	Perceived fairness, Perceived convenience, Perceived reactance, Perceived other consumers' ability	Undifferentiated promotional practices across channels; Online and offline channel-based differentiated practices

Table 1. Overview of prior research on channel-based price and promotion differentiation

2. Exploratory Study 1

2.1. Method

Study 1 uses a single-factor (promotion availability: online-exclusive, offline-exclusive, both online and offline) scenario-based, between-subjects experiment. A U.K. gender-balanced sample (n = 132; 45,45% female; M_{age} = 41) was recruited from Prolific and randomly assigned to one condition. Participants were asked to imagine receiving an electronics retailer's postal direct mail at home, revealing a promotional deal for its entire smartwatch assortment. Respondents were told that the deal was either exclusively available online, exclusively available offline, or available both online and offline. Following the procedures in Evangelidis (2023), participants judged whether the retailer's action was fair versus unfair. They were also asked to briefly explain, in their own words, why they perceive the promotional practice they were exposed to as fair (or unfair), in an open-ended box.

2.2. Results

Study 1 provides preliminary evidence of consumers' aversion toward differentiated promotional practices. Results show an asymmetry in fairness perceptions depending on the promotional strategy (χ^2_2 = 6.02, p = 0.049). Consumers perceive a promotional deal available both online and offline as fairer than an online-exclusive (χ^2_1 = 5.85, p = 0.016) or an offline-exclusive deal (χ^2_1 = 4.14, p = 0.042). Fairness perceptions of online- and offline-exclusive promotional strategies do not differ significantly (χ^2_1 = 0.15, p = 0.695).

Participants' explanations (open-ended question) were coded following a thematic content analysis. Three main explanations commonly occurred in the data: differentiated promotional deals were considered as unfair because (1) it is less convenient for consumers to make use of the deal (e.g., "It may be less convenient for someone who is working, busy, or unable to easily get to the store"); (2) such practices would force consumers to choose a specific channel rather than allowing them to choose according to their own preferences - their freedom to choose the channel is threatened/restrained (e.g., "It sort of pushes you to make a decision"); and (3) it would discriminate against the other consumers who do not have the necessary skills or confidence to use the channel where the promotional deal is exclusively available (e.g., "It should be available online too, especially to consider the disabled, mentally unwell, and others unable to make it in a physical store"; "Offering the deal is unfair because it is based on consumer ability and willingness to use the technology").

3. Theoretical Framework

Figure 1 illustrates our conceptual framework. Specifically, Study 1 provides initial evidence, supporting prior findings on consumers' aversion to pricing differentiation practices and its negative impact on fairness perceptions (e.g., Homburg et al., 2019). Study 1 extends these insights by revealing converging effects in the context of (un)differentiated promotional strategies, showing that online- and offline-exclusive promotional practices lead to consumers' perceptions of unfairness. Building on these results, Study 2 further explores this phenomenon by investigating the underlying mechanisms explaining fairness perceptions.

> **H1:** *Undifferentiated promotional strategy (i.e., promotional deal available both online and offline) is perceived as a fairer practice than retailer's channel-based differentiated promotional strategies (i.e., online-exclusive and offline-exclusive promotional deals).*

First, Study 1 reveals that offline-exclusive promotional practices are considered unfair as consumers must dedicate more time and effort to make use of the promotional deal compared to an equivalent undifferentiated promotional deal. Prior studies reveal that integrated marketing practices across online and offline channels enhance convenient consumer shopping decisions (e.g., Emrich, Paul, and Rudolph, 2015). In addition, in line with Berry, Seiders, and Grewal's (2002) seminal work, perceived convenience is positively associated with fairness perceptions of marketing practices such that the more convenient the marketing strategy is, the fairer it is perceived to be. Therefore, we hypothesize:

> **H2:** *The effect of the retailer's promotional strategy on consumer fairness perceptions is mediated by perceived convenience.*

Then, according to Study 1, differentiated promotional practices would trigger perceptions of reactance among consumers, and ultimately perceptions of unfairness. The theory of reactance suggests consumers experience negative psychological reactions, often manifesting as anger or frustration, when they feel threats to their freedom of behavior (Miron & Brehm, 2006). Differentiated practices across channels (e.g., online-exclusive and offline-exclusive promotional strategies) are likely to evoke stronger reactance than undifferentiated practices, as they restrict consumer autonomy to purchase freely through their preferred channel (Vogel & Paul, 2015). Prior research related to promotions argue that consumers perceive such tactics as attempts by retailers to change their behaviors to make use of an offered reward (Dholakia, 2006; Melancon, Noble, and Noble, 2011). Thus, we hypothesize:

H3: *The effect of the retailer's promotional strategy on consumer fairness perceptions is mediated by perceived reactance.*

Finally, consumers may feel excluded when they face structural barriers, preventing them from fully participating in a marketplace (Pantano, Viassone, Boardman, and Dennis, 2022). For instance, geographical constraints (e.g., Nakata et al., 2019), age-related issues (e.g., Dennis, Alamanos, Papagiannidis, and Bourlakis, 2016), technological ability (e.g., Pantano et al., 2022) and disability conditions (e.g., Dennis et al., 2016) shape consumers' sense of inclusion during their shopping activities. In line with social exclusion theory, Study 1 reveals that undifferentiated promotional strategies are perceived fair because they require fewer specific skills or resources from other consumers to make use of the promotional deal compared to differentiated promotional practices. Therefore, we hypothesize:

H4: *The effect of the retailer's promotional strategy on consumer fairness perceptions is mediated by consumers' perceived ability of other consumers to make use of the deal.*

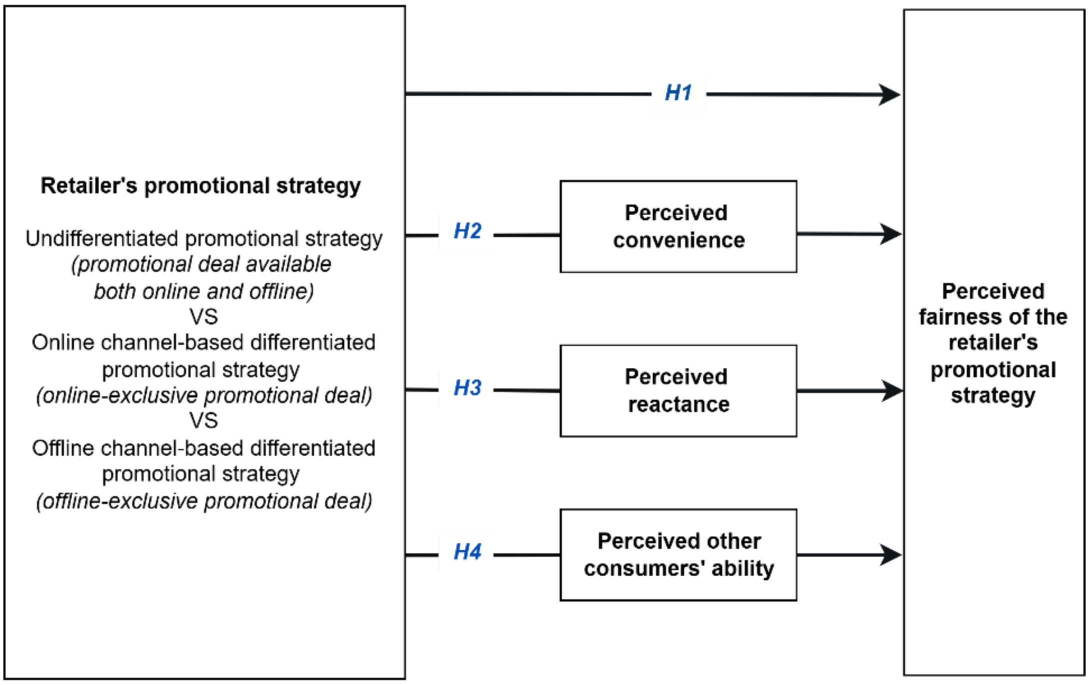

Figure 1. Conceptual framework

4. Study 2: Process Evidence

4.1. Method

Study 2 uses a single-factor (promotion availability: online-exclusive, offline-exclusive, both online and offline) scenario-based, between-subjects experiment. A U.K. gender-balanced sample (n = 246; 52,85% female; M_{age} = 42) was recruited from Prolific and randomly assigned to one condition. Participants were asked to imagine watching a TV advertisement from a travel agency, offering a promotional deal on their vacation packages. Respondents were told that the promotional deal was either exclusively available online, exclusively available in physical offices, or available both online and offline. To enhance robustness, participants judged the fairness of the promotional practice differently, on seven-point Likert scale adapted from Bolton et al. (2010). They also rated perceived convenience, perceived reactance and perceived ability of the other consumers on scales developed by Emrich et al. (2015), Dillard & Shen (2005) and Meuter, Bitner, Ostrom, and Brown (2005), respectively. The order of these measures was randomized. Finally, the customer-oriented perspective-taking (Dietvorst et al., 2009) was measured as a control variable, on a scale adapted from Axtell, Parker, Holman, and Totterdell (2007).

4.2. Results

Study 2 exposes converging empirical evidence, revealing disparities in fairness perceptions based on the promotional deal consumers were exposed to (F (2,243) = 13.21, $p <$ 0.000), partially supporting H1. Specifically, consumers perceived a promotional deal available both online and offline as fairer than an offline-exclusive deal ($M_{fairness}$ = 5.65 > 4.63; $p < 0.000$). This study also shows that an online-exclusive promotional deal is perceived as fairer than an equivalent offline-exclusive promotional deal ($M_{fairness}$ = 5.62 > 4.63; $p <$ 0.000). However, fairness perceptions of online-exclusive and undifferentiated promotional practices do not differ significantly (p = 0.985). This can be explained by consumers' significant preference for booking their trips online (78.05%).

To delve into the underlying mechanisms, results demonstrate that consumer fairness perceptions are predominantly driven by perceived convenience (p = 0.029), perceived reactance ($p < 0.000$) and perceived other consumers' ability to make use of the promotional deal ($p < 0.000$). Specifically, the offline-exclusive promotional deal is perceived as less convenient than the undifferentiated ($M_{convenience}$ = 3.89 < 5.13; $p < 0.000$) and the online-exclusive promotional deal ($M_{convenience}$ = 3.89 < 5.49; $p < 0.000$). In addition, consumers perceive more reactance when they make use of an offline-exclusive promotional deal relative to an undifferentiated promotional deal ($M_{reactance}$ = 3.54 > 3.14; p = 0.036). Finally, the promotional deal available both online and offline is perceived as less discriminatory than the online-exclusive ($M_{ability}$ = 5.44 > 5.07; p = 0.020) and the offline-exclusive promotional deal ($M_{ability}$ = 5.44 > 4.80; p < 0.000). All the other effects were not significant. In conclusion, the effect of the promotional strategy on fairness perceptions is mediated by perceived convenience, reactance and other consumers' ability, supporting H2, H3 and H4.

5. Study 3: Moderation Analysis

5.1. Research objective

Study 3 seeks to provide empirical evidence that short, time-limited promotional deals amplify the negative impact of differentiated promotional practices on consumer fairness perceptions. According to Swain & Hanna (2006), consumers' experiential responses to time-limited promotional practices are associated with the perceived duration of the deal. Indeed, short time-limited promotional deals create a greater sense of urgency among consumers, thereby increasing their purchase intentions. However, when the promotion validity period is considered as too short, perceptions of inconvenience arise, negatively affecting consumers' evaluations of the deal and their purchase intentions (Swain & Hanna, 2006). Against this backdrop, consumers may experience higher reactance when they encounter such practices while considering short time-limited deals as more discriminatory than longer time-limited promotions, potentially hurting their fairness perceptions. Accordingly, Study 3 aims at investigating the moderating role of time-limited promotional constraints on the relationship between (un)differentiated promotional strategies and consumer fairness perceptions.

5.2. Method

Study 3 will adopt a 3X2 (promotion availability: online-exclusive, offline-exclusive, both online and offline; promotion validity period: short, long) scenario-based online, between-subjects experiment. A U.S. gender-balanced sample will be recruited from Prolific and will be randomly assigned to one condition. Participants will be asked to imagine a time-limited promotional deal of 50% off, either exclusively available online, exclusively available offline, or available both online and offline. In addition, depending on the promotion validity period condition, the promotional deal lasts either one day (short validity period condition) or one month (long validity period condition). This section reflects our current progress in this project. Data collection is ongoing.

6. General Discussion

This multi-experiment paper addresses two main research questions: (RQ1) "*To what extent do consumers' perceptions of fairness differ between differentiated (i.e., online- and offline-exclusive) and undifferentiated promotional practices?*"; (RQ2) "*Why do consumers' perceptions of fairness differ across channel-based promotional differentiation practices?*". By building upon fairness theory (Bolton et al., 2003), this research identifies disparities in fairness perceptions between differentiated and undifferentiated promotional practices. While previous research on channel-based differentiation has primarily focused on price (e.g., Homburg et al., 2019), Studies 1 and 2 provide converging empirical evidence, confirming that consumers perceive promotional deals available both online and offline as fairer than online- or offline-exclusive promotional deals. Then, this paper investigates the mechanisms underlying these fairness perceptions, revealing that consumer fairness perceptions are predominantly driven by perceived convenience, perceived reactance, and by perceived other consumers' ability to make use of the promotional deal. These findings support prior work on convenience (Berry et al., 2002) and reactance (Miron & Brehm, 2006), showing that differentiated promotional strategies reduce convenience perceptions and increase negative psychological reactance. Additionally, this research project introduces a novel perspective by investigating consumers' ability to consider others' behavior and reactions (Davis, 1983), highlighting the mediating role of perceived other consumers' ability to make use of the promotional deal. Unlike prior studies, which have mainly examined either online- or offline-exclusive promotional practices, this research presents significant differences in consumers' perceptions between these promotional differentiated strategies across online and offline channels. While providing valuable theoretical insights, further research is needed to investigate these effects in a long-term perspective and to better understand how promotional practices affect consumer decision-making over time. From a managerial perspective, such insights provide multichannel retailers with clear strategic guidelines to tailor their promotional approaches to, ultimately, enhance consumer fairness perceptions.

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