Navigating Retailer's Differentiated Promotional Practices: Examining Consumer Fairness Perceptions Across Online and Offline Channels

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Abstract

In today's technology-intensive landscape, retailers must rethink and effectively execute their marketing strategies across online and offline channels to stay competitive. Despite the several potential benefits of omnichannel retailing, the decision to unify or differentiate promotional practices across channels remains a controversial topic among researchers and practitioners, potentially impacting their business performance. Building upon fairness theory, this multi-experimental research project investigates consumer fairness perceptions of such retailers' channel-based (un)differentiated promotional strategies. Study 1 provides preliminary evidence of consumers' aversion to channel-based promotion differentiation. Study 2 examines the time-limited promotional constraints (i.e., high vs. low time pressure of a promotional deal) on consumer fairness perceptions and provides empirical evidence that short, time-limited promotional deals create a greater sense of urgency among consumers, negatively affecting their fairness perceptions. Study 3 further delves into consumers' cognitive processes and reveals that consumer fairness perceptions are predominantly driven by perceived convenience, perceived reactance and perceived other consumers' ability to make use of a promotional deal. Such insights offer retailers clear strategic guidelines to tailor their promotional approaches and to, ultimately, enhance consumer fairness perceptions.

Keywords: Omnichannel Retailing, Differentiated Promotional Practices, Consumer Fairness Perceptions, Retailers' Marketing Mix Decisions, Online and Offline Channels.

1. Introduction

Technology blurs the line between online and offline channels (Brynjolfsson et al., 2013). As a result, omnichannel retailing has become a current strategic priority for retailers to achieve strong competitive advantages (Ratchford et al., 2022). The decision to unify or differentiate marketing decisions across channels remains, however, a controversial topic among both researchers and practitioners (Homburg et al., 2019). On the one hand, customer experience (CX) literature emphasizes the importance of providing consumers with consistent information, such as promotions, across online and offline channels (e.g., Hossain et al., 2019). This aligns with consumer expectations, as 61% anticipate a retailer's online promotions to match in-store deals (Samuel, 2013). On the other hand, the marketing mix literature suggests that channel-based differentiated marketing practices (i.e., online- and offline-exclusive promotions) can also positively affect multichannel retailers' performance (Timoumi et al., 2022). These practices would allow retailers to optimize their profitability while meeting cost structure requirements (Vogel & Paul, 2015). In line with this, an Accenture (2013) study found that channel-based promotion differentiation is prevalent, with more than 27% of retailers adopting such promotional practices.

Building upon fairness theory, this multi-experimental study aims at bridging these two fields of research by focusing on consumer fairness perceptions of channel-based promotion differentiation. Consumer fairness in a transaction context is defined as a judgment of whether an outcome and/or the process to reach an outcome are reasonable, acceptable, or just. Price fairness judgments are guided by cognitive attributions based on the comparison between a price and reference point(s) to assess whether this price is fair or unfair (Bolton et al., 2003). Academic literature highlights the central role of fairness in consumer 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 et al., 2007).

Extant research has covered the effects of channel-based *price* differentiation on consumer and firm outcomes (e.g., Homburg et al., 2019). Yet we still know little about the effects of channel-based *promotion* differentiation. Unlike price differentiation, the time-limited nature, the validity period and the discount size of promotions create a sense of urgency, encouraging quicker consumer decisions and potentially altering their perceptions of fairness (Ahmetoglu et al., 2014). While emergent work has provided valuable insights into consumer responses to promotion differentiation, we identify three key shortcomings (see Table 1). First, although consumers may perceive differentiated practices differently due to heterogeneous channel preferences or inherent channel characteristics (e.g., Wolk & Ebling, 2010), previous studies often fail to assess the relative effects of online- versus offline-exclusive promotional practices. Second, prior studies rarely account for the promotional-related conditions under which a promotional strategy can be effectively introduced without hurting fairness perceptions. Third, prior work rarely examines the processes underlying fairness perceptions or the reasons why an online-exclusive deal might be perceived differently from an equivalent offline-exclusive deal or an undifferentiated promotion. Understanding these mechanisms would enable retailers to design their promotional strategies to enhance fairness perceptions. Three main questions arise from extant research and managerial debate around channel-based promotion differentiation:

RQ1. *Do consumers' perceptions of fairness differ between differentiated (i.e., online- and offline-exclusive) and undifferentiated promotional practices?*

RQ2. *Do time-limited promotional constraints (i.e., high vs. low time pressure of a promotional deal) affect the impact of channel-based promotion differentiation on consumers' perceptions of fairness?*

RQ3. *Why do consumers' perceptions of fairness differ across channel-based promotional differentiation practices?*

TABLE 1: Summary of research on consumer reactions to channel-based price and promotion differentiation.

		Channel-based differentiation strategy			**Model variables (uniformly renamed)**		
Authors	**Retail mix dimension**	*Online-based differentiation*	*Offline-based differentiation*	*Undifferentiated across online and offline channels*	*Mediator(s)*	*Moderator(s)*	*Outcome(s)*
Choi & Mattila (2009)	Price	X	X	X		Communication and social-related	Perceived fairness
Fassnacht & Unterhuber (2016)	Price	X	X			Product, price and communication-related	Perceived fairness, Purchase and loyalty intentions
Homburg et al. (2019)	Price	X		X	Perceived fairness	Communication, purchase and service-related	Purchase intention
Schneider & Zielke (2021)	Price	X		X	Perceived fairness		Purchase intention
Keller, Vogelsang, and Totzek (2022)	Price & Promotion	X		X	Perceived transparency, value and fairness	Promotion-related (discount level)	Purchase intention
Chung et al. (2022)	Promotion	X		X	Customer experience, satisfaction and perceived convenience		Purchase intention
Darke & Dahl (2003)	Promotion		X		Perceived value and fairness	Promotion and social-related	Satisfaction
Kim & Lee (2020)	Promotion			X		Brand-related	Purchase intention
Mookherjee Lee, and Sung (2021)	Promotion	X	X		Emotions (regret & disappointment)		Product return and loyalty intentions
Vogel & Paul (2015)	Promotion	X			Perceived value, fairness and self-determination		Loyalty intention and relationship quality
This essay	*Promotion*	*X*	*X*	*X*	*Perceived convenience, reactance, and other consumers' ability*	*Promotion-related (time pressure)*	*Perceived fairness*

2. Study 1: Is channel-based promotion differentiation (un)fair?

Prior research on channel-based price differentiation strategies provides empirical evidence that differentiated practices lead to perceptions of unfairness, negatively impacting consumer retention outcomes (e.g., Homburg et al., 2019). According to the fairness theory, consumers assess whether a price is fair by comparing it with reference point(s) (Bolton et al., 2003). Price in one channel can thus act as external reference point for cognitive evaluations to shape their fairness perceptions of the discounted price in the other channel (Schneider & Zielke., 2021).

> **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).*

Method. Study 1 investigates consumer fairness perceptions of promotional strategies by using a single-factor (channel-based promotion differentiation: 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 electronic 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 Evangelidis' (2023) procedures, participants rated whether the promotional practice was fair or unfair (binary variable: 1 = fair, 0 = unfair). Participants were additionally asked to briefly explain, in their own words, why they perceived the promotional practice as fair (or unfair) in an open-ended box to explore the underlying mechanisms explaining their perceptions of fairness and uncover the reasons why consumers perceive differences in fairness between differentiated (i.e., online- and offline-exclusive promotions) and undifferentiated promotional practices.

Test of hypothesis. Study 1 provides preliminary evidence of consumer aversion to channel-based promotion differentiation. Results show an asymmetry in fairness perceptions depending on the promotional strategy ($\chi^2 2 = 6.02$, $p = 0.049$). Consumers perceive an undifferentiated promotional deal as fairer than an online-exclusive ($\chi^2 1 = 5.85$, $p = 0.016$) or an offline-exclusive deal ($\chi^2 1 = 4.14$, $p = 0.042$), in support of H1. Fairness perceptions of online- and offline-exclusive promotional strategies do not differ significantly ($\chi^2 1 = 0.15$, $p = 0.695$).

Qualitative findings. Participants' explanations were coded following a thematic content analysis (Neuendorf, 2018). 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, such that 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*"). Finally, participants explained that fairness perceptions would also depend on promotional-related features, such as the discount level (e.g., "*It depends on the discount level, which isn't mentioned"*) or the time pressure they feel to make use of the deal (e.g., "*The pressure is high due to the short time the deal is on*"). Specifically, respondents express that short time-limited promotional constraints contribute to their unfair perceptions (e.g., "*Perhaps a longer promotion would be fairer*").

3. Study 2: The moderating role of time pressure

Study 2 investigates the temporal conditions under which a differentiated promotional strategy can be effectively introduced without hurting perceptions of fairness. Specifically, fairness perceptions of time-limited practices are associated with the length of the promotional validity period. According to Swain & Hanna (2006), short time-limited deals create a greater sense of urgency among consumers, increasing their purchase intentions. However, when the validity period is considered too short, perceptions of inconvenience arise, negatively affecting consumers' evaluations of the deal and purchase intentions. Therefore, we hypothesize:

> **H2.** *The effect of the retailer's (un)differentiated promotional strategy on consumer fairness perceptions is moderated by the time pressure of the promotional deal (high vs low).*

Method. Study 2 uses a 3 (channel-based promotion differentiation: online-exclusive, offline-exclusive, both online and offline) x 2 (time pressure of the promotional deal: high, low) scenario-based, between-subjects experiment. A U.S. gender-balanced sample (n = 356; 55,06% female; M_{age} = 41) was recruited from Prolific and randomly assigned to one condition. The procedure and manipulation were kept identical to that of Study 1, with slight differences. Participants were informed that they needed to purchase a new laptop. In addition, this study specified the deal as a 50% discount, consistent with prior research (e.g., Hardesty & Bearden, 2003). As regards manipulation of the time pressure, the promotional deal lasted either one day (high time pressure) or one month (low time pressure). Participants judged the fairness of the promotional deal using a 3-items, seven-point Likert scale adapted from Bolton et al. (2010).

Test of hypothesis. A two-way ANOVA revealed a significant main effect for both factors: time pressure of the deal ($F(1, 354)$ = 10.05, p = 0.0017) and channel-based promotion differentiation ($F(2, 353)$ = 6.52, p = 0.0017), supporting H1. Post hoc tests using Tukey method show that consumers perceive the undifferentiated deal (M = 6.52, SD = 0.79) as fairer than the offline-exclusive deal (M = 6.05, SD = 1.26; p = 0.0011). Fairness perceptions do not differ significantly between the undifferentiated deal (M = 6.52, SD = 0.79) and the online-exclusive deal (M = 6.27, SD = 1.15; p = 0.1759), as well as between the online-exclusive deal (M = 6.27, SD = 1.15) and the offline-exclusive deal (M = 6.05, SD = 1.26; p = 0.2492). Moreover, a low time pressure (i.e., one-month deal) (M = 6.46, SD = 0.93) is perceived as fairer than a high time pressure (i.e., one-day deal) (M = 6.11, SD = 1.19; p = 0.0017). The interaction effects between the two factors are not significant ($F(2, 353)$ = 1.20, p = 0.3023); H2 is not supported.

4. Study 3: The mediating role of perceived convenience, perceived reactance and perceived other consumers' ability to make use of a promotional deal.

Study 1 revealed that offline-exclusive promotional practices are considered unfair as consumers must dedicate more time and effort to make use of the deal compared to an equivalent undifferentiated promotional deal. Prior studies show that undifferentiated practices across online and offline channels enhance convenient consumer shopping decisions (e.g., Emrich et al., 2015; Chung et al., 2022). In addition, as Berry et al. (2002) suggest, convenience perceptions are likely to affect consumer overall evaluation of a marketing practice, including consumer satisfaction and perceived fairness. Thus, we hypothesize:

> **H3.** *The effect of the retailer's (un)differentiated promotional strategy on consumer fairness perceptions is mediated by perceived convenience.*

Exploratory results show that promotion differentiation would trigger perceptions of reactance among consumers, and ultimately perceptions of unfairness. The theory of reactance suggests that consumers experience negative psychological reactions, often manifesting as anger or frustration, when they feel threat(s) to their freedom of behavior (Miron & Brehm, 2006). Channel-based differentiation practices are likely to evoke stronger reactance than undifferentiated practices, as they restrict consumer autonomy to purchase freely according to their own preferences (Vogel & Paul, 2015). In addition, prior work related to promotions argues that consumers perceive such tactics as attempts by retailers to change their behaviors to make use of an offered reward (i.e., making use of a discounted price) (Dholakia, 2006; Melancon et al., 2011). Therefore, we hypothesize:

> **H4.** *The effect of the retailer's (un)differentiated promotional strategy on consumer fairness perceptions is mediated by perceived reactance.*

Finally, this research reflects an altruistic perspective by examining consumers' empathy for the behavior and reactions of other consumers to marketing practices (Davis, 1983) and by emphasizing the importance of collective equity. According to the social exclusion theory, consumers may feel excluded when they face structural barriers, preventing them from fully participating in a marketplace (Pantano et al., 2022). For instance, geographical constraints (e.g., Nakata et al., 2019), age-related issues (e.g., Dennis et al., 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 this perspective, 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. Thus, we hypothesize:

> **H5.** *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.*

Method. Study 3 uses a single-factor (channel-based promotion differentiation: 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. The procedure and manipulation were kept identical to that of Study 1, with slight differences. Participants were asked to imagine watching a TV advertisement from a travel agency, offering a promotional deal on their vacation packages. They were asked to assess the fairness of the deal using a 3-items, seven-point Likert scale adapted from Bolton et al. (2010), before rating their perceived convenience, reactance and ability of other consumers on scales developed by Emrich et al. (2015), Dillard & Shen (2005) and Meuter et al. (2005), respectively.

Test of hypothesis. Study 3 reveals disparities in fairness perceptions based on the promotional condition (F (2,243) = 13.21, $p < 0.000$). Consumers perceive an undifferentiated promotional deal ($M = 5.65$, $SD = 1.28$) as fairer than an offline-exclusive deal ($M = 4.63$, $SD = 1.63$; $p < 0.000$). This study also shows that an online-exclusive promotional deal ($M = 5.62$, $SD = 1.33$) is perceived as fairer than an equivalent offline-exclusive deal ($M = 4.63$, $SD = 1.63$; $p < 0.000$). However, fairness perceptions of online-exclusive ($M = 5.62$, $SD = 1.33$) and undifferentiated promotional practices ($M = 5.65$, $SD = 1.28$; $p = 0.985$) do not differ significantly.

Then, to further delve into the underlying mechanisms, Study 2 demonstrates that consumer fairness perceptions are predominantly driven by perceived convenience ($p = 0.0298$), perceived reactance ($p < 0.000$) and perceived ability of other consumers to make use of the deal ($p < 0.000$). Specifically, the offline-exclusive deal is perceived as less convenient ($M = 3.89$, $SD = 1.57$) than the undifferentiated ($M = 5.13$, $SD = 1.23$; $p < 0.000$) and the online-exclusive deal (*M* = 5.49, *SD* = 0.96; $p < 0.000$). In addition, consumers perceive more reactance when they make use of an offline-exclusive deal (*M* = 3.54, *SD* = 1.67) relative to an undifferentiated promotional deal (*M* = 3.14, *SD* = 1.45; $p = 0.0356$). Finally, the deal available both online and offline is perceived as less discriminatory (*M* = 5.44, *SD* = 0.77) than the online-exclusive (*M* = 5.07, *SD* = 1.07; $p = 0.0200$) and the offline-exclusive deal (*M* = 4.80, *SD* = 1.07; $p < 0.0001$). 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 ability of other consumers, supporting H3, H4 and H5.

5. General Discussion

By investigating consumer fairness perceptions of channel-based promotion differentiation, this multi-experiment research reveals consumer aversion to differentiated practices and provides three main contributions. First, unlike prior studies that mainly examined either online- or offline-exclusive promotional practices (e.g., Homburg et al., 2019; Darke & Dahl., 2003), this research assesses the relative effects of promotional differentiated strategies and presents significant differences in consumer fairness perceptions. Second, this paper addresses the time-limited promotional conditions under which a deal can be effectively introduced without hurting perceptions of fairness and finds that shorter, time-limited promotional deals create a greater sense of urgency, prompting consumers to make quicker decisions and negatively affecting their perceptions of fairness. Third, prior research on channel-based promotion differentiation provides limited findings into the reasons why consumers may perceive such promotional practices differently. This research reveals that fairness perceptions of such (un)differentiated promotional strategies are predominantly driven by perceived convenience, reactance and other consumers' ability to make use of the promotional deal. From a managerial perspective, such insights offer retailers clear strategic guidelines to understand whether and when they should engage in a customer journey model that intentionally features differentiated promotional cues to, ultimately, enhance consumer fairness perceptions.

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