Impact of Premium and Price Cuts on Consumer Purchase Intention: Comparison Between Taiwan and Indonesia

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ABSTRACT

This study aims to compare the price cut and premium promotion with study moderators are discount depth size, product type, premium characteristics, and country effect (Indonesia and Taiwan). The experiment was designed as (promotional discount / price cut) x 2 (discount depth size: high / low) x 2 (product type: hedonic / utilitarian) x 2 (country effect: Indonesia / Taiwan) and (promotional discount / premium promotion) x 2 (discount depth size: high / low) x 2 (product type: hedonic / utilitarian) x 2 (premium characteristics: related / unrelated) x 2 (country effect: Indonesia / Taiwan). A total of 12 groups of experimental design, verified by 808 valid questionnaires were studied (420 from Indonesia and 387 from Taiwan). The results revealed that the impact of price cut on purchase intention is systematically more than that of equivalent premium promotion between Indonesia and Taiwan. Furthermore, when the discount depth size is low and product type is hedonic, the premium promotion could lead to higher purchase intention than price cut.

KEYWORDS
Country Effect, Discounts, Premium Promotion, Price Cut, Product Type

1 INTRODUCTION

Promotional discounts such as premium promotion and price cut may have a great impact on consumer willingness to buy and this kind of promotion being popular nowadays. Product promotions are an important element to attract consumers (Gauri, Ratchford, Pancras, & Talukdar, 2017), and the use of price promotion has risen steadily (DelVecchio, Krishnan, & Smith, 2007). To analyse the impact of promotion, most researches has focused on using price framing (Khan & Dhar, 2010; Mishra & Mishra, 2011; Darke & Chung, 2005), some of them focused on the promotion discounts (Krishna, Briesch, Lehmann, & Yuan 2002; Burman & Biswas 2004) and also on premium promotion (d’Astous & Jacob, 2002; Chang, 2009). Promotional frames increased consumers perceptions of the deal value (Darke & Chung, 2005), alternative price frames are evaluated differently by consumers because the perceived promotion value influences the consumers to deal reaction (Krishna et al., 2002). Discount framing interacts to differentially affect both the immediate value and persistence of consumers price estimates (DelVecchio, Lakshmanan, & Krishnan, 2009).

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As price promotion becoming more popular, then every manufacturer needs to set a strategy targeting consumer attention to buy their products. Companies are continuously seeking opportunities to reach new customers more effectively (Kim, Natter, & Spann, 2014). Price discounts are quite costly to use, and marketers need to adjust what consumers want and what promotion is suitable (Palazon & Delgano-Ballester, 2009). In line with previous research, the impact of premiums on purchase behavior is systematically lower than that of equivalent price cuts; also, premiums can be more profitable for manufacturers because the cost is smaller (Foubert, Breugelmans, Gedenk, & Rolef, 2018). In the development of promotion, managers not only learn how to make decisions in the discount depth but also how to frame it whether it is on monetary (such as price discounts or price cuts) or nonmonetary (such as sampling or free gift) promotion because it influences to the way consumers react to the product (DelVecchio, Krishnan, & Smith, 2007). Price discounts are by far the most usual form of sales promotion employed by marketers, and their use has steadily increased in recent years (Darke & Chung, 2005).

Past research indicated that there is a relationship between culture and marketing (Lim & Ang, 2008), also between culture and product choice (Veeck & Burns, 2005), but not for promotional discount and culture, so this study examines the effect of culture on promotional discounts (premium promotions and price cuts). For example, in Taiwan, price discounts are useful for functionally positioned products while premium strategy may be considered for symbolically positioned products (Li, Yang, & Liang, 2015). ‘Blibli.com’ is one of popular online shopping in Indonesia, as they celebrate birthday together with customers, they provide a promotion program that is a gift with the purchase, point rewards, and flash sale on a purchase of gadget, fashion, electronics (Detiknews, 2015). Postmodern consumer different country brings to existing understanding that increasing in the consumption experiences which are grounded into structural frames (Skandalis, Byrom, & Banister, 2019). Studying the influence of cultural conditioning is instructive as marketers become more attuned to the influence of country effect on marketing, such knowledge is especially important for marketers targeting consumers from diverse countries (Ang & Lim, 2006).

Theoretically, studies on brand personality perceptions of hedonic versus utilitarian products have been conducted (Ang & Lim, 2006). Country differences affect consumer behaviors, such as spreading new products, and product and service usage (Zaichkowsky & Sood, 1989). Because of the continuing trends toward expanding global markets, the massive growth of new products around the world, the topic of the global consumer is important for research to new developments (Laroche & Teng, 2019). Multi-ethnic attached marketing provide more effective access for global consumer (Licsandru & Cui, 2019). Also, the role of country in the consumer decision making process is an important part of the trends toward global markets and the global consumer (Cleveland, 2007), and the ensuing marketing strategies (Laroche & Park, 2013).

The objective of this study is to understand country effect (Taiwan and Indonesia) promotion in premium promotions and price cuts on consumer’s purchase intention, also comparing and determining what type of promotion is most effective in different countries. So, consumers from two countries are studied, and this study examines these moderators: discount depth size, product type, premium characteristics, and country effect. In sum, this study explores new findings and contributions in marketing and contributes to the literature in many ways; the results help researchers broaden the understanding of the effect of country on promotional discount from a theoretical standpoint and have implications for both marketers and manufacturers regarding how to take advantage of promotional discount in different country to increase profit.

This study initially provides a literature review of promotional discount, relevant background theories, and hypotheses and discusses methodology, data collection, and experiment design. Lastly, analysis, results are followed by its discussion study’s contributions and its implications, and opportunities for future research.
2 LITERATURE REVIEW AND HYPOTHESES

2.1 Promotion and Promotional Discount

Promotion strategy can increase consumer attention and sales of a product (Lee & Yi, 2018), while price promotion has the best way to make the perceptions of the discount maximize (Guha, et al., 2018). The effect of price promotion encourages consumers to buy more and differentiate between brand choice effects and quantity effects (Foubert & Gijsbrechts, 2007).

Nielsen (2017) finds that many companies have been achieved good results by using promotion strategies for their brands. In addition, a research has explored a promotion that reduce customer’s risk by non-price promotions, such as sampling that can be effective to increase sales in a period of time (Kim, Natter, & Spann, 2014). Companies can influence consumer’s purchase behavior in the short-term and long-term within the sales promotion period (Bawa & Shoemaker, 2004). Sales promotions contribute multi benefit on consumers, which are monetary savings, improving shopping convenience, consumer being smart shoppers because sales promotions can gain self-perception, and need of information and exploration can be fulfilled (Chandon, Wansink, & Laurent, 2000).

Framing is a way to promote a product that will result in different effects on consumers. DelVecchio, Krishnan, and Smith (2007) discovered that frame a promotion in percentage off and cents off generates the effect on perceptions of the promotion value and also affect consumers perception of product price. For example, for an item priced at NTD$550, a discount of NTD$110 was perceived as more valuable than a discount of 20% (González, Esteva, Roggeveen, & Grewal, 2016). Raghubir and Celly (2011) suggest that consumers may look at the discount offers from manufacturers based on the visual size of the free gift vs. the promoted product. the past research shows that monetary promotion e.g. price cut can be considered as a loss because reduce the price and nonmonetary promotion e.g. premium promotion can be considered as a “gain” because it increases the quantity obtained (Leeflang & Bijmolt, 2017; Palazon & Delgano-Ballester, 2009). Also, consumers attitudes toward the product can be impacted by promotional methods, giving price discounts for functionally positioned brands is way more effective to consumers than a premium promotion (Li, Yang, & Liang, 2015).

2.2 Premium Promotion and Free Gift

Consumers receive a free gift when purchase a product is called premium promotion, it is when retailers and manufacturers rely on non-price promotion techniques and comparing the premium to that of price cuts with comparative premium effectiveness as moderator, and premium promotion produces smaller effects than the price cuts (Foubert et al., 2018; Chen and Chang, 2016). Premium promotion is a free gift promotion, when consumers purchase the core product will offer a free product and it may not the same product as the purchased product (d’Astous & Jacob, 2002). Yet, the value of the premium and the consumer’s perceived value may not be equal, that the differences in promotions perceived value caused the differences of effectiveness between price cut and premium (Chandran & Morwitz, 2006; Darke & Chung, 2005; Nunes & Park, 2003).

The premium promotion can increase the value to customers and seem effective to maintain customer perception of product quality (Darke & Chung, 2005). Premium promotion is one of the nonmonetary promotions, this research (Chandon, Wansink, & Laurent, 2000) presented that premium promotion can be more hedonic benefits and fewer utilitarian benefits. A free gift promotion can be seen to customers as an increase in the quantity (Leeflang & Bijmolt, 2017). In the previous study, Raghubir and Celly (2011) proposed that the larger the visual size of the gifts leading customers perceptions to lower product quality and when consumers assume that the discount percentage is high then the value that consumers perceived will be lower. Then, premium promotions are more difficult to process and require more effort because this promotion is not presented in monetary (Palazon & Delgano-Ballester, 2009). This study mainly investigates the relationship between premium promotion and price cuts that lead to consumer’s purchase intention.
2.3 Price Cut

The price of the product is decreased to compete with other suppliers is a technique that is used to attract consumers (Furman, 2017). Previous research has found that monetary promotion impact choice along the promotion period and a lot of research has studied and shown that price cut has a large cost for manufacturers but it’s profitable to consumers, so it yields greater purchase (Foubert et al., 2018). In the other hand, monetary promotions such as price discounts, price cut, and coupons are a way to offer a promotion, some research found that offering a discount can impact consumer perception of product quality and brand equity negatively, then, another alternative is non-monetary promotion such as free gifts may help to strengthen the brand equity (Montaner, De Chernatony, & Buil, 2011). Because the monetary promotion reduces the purchase price, it is possible to consider it as a “loss”, when a nonmonetary promotion is considered as a “gain” in the transaction. Previous work has found that when consumers face a promotion, monetary promotions gave consumers more utilitarian benefits than on its hedonic benefits, then consumers will be less influenced by nonmonetary promotion than monetary promotions (Chandon, Wansink, & Laurent, 2000). Frequent price discounts or price cuts may have a great impact on a product’s profitability and retailers need to use other price promotion strategy to bring the price cut or price discounts such as price cuts as a coupon is actually can reduce consumers point of view to the price (Grewal, Krishnan, Baker, & Borin, 1998).

2.4 Purchase Intention

The influence of perceived quality and perceived value of a product impact on consumers’ willingness to buy (Kumar, Lee, & Kim, 2009). Describing the price into a bundle, price framing, and the familiarity with the brand will influence purchase intention in general, and higher purchase intention depends on the price level, and different presentation format (Harlam, Krishna, & Lehmann, 1995). The sales increases when the promotion framed as “was X% higher” (vs. “now Y% lower”) and increase in discount depth perceptions (Guha et al., 2018). When the discount depth is high, a percentage-off promotion led to a higher price expectation than the cent-off promotion (DelVecchio, Krishnan, & Smith, 2007).

2.5 Discount Depth Size

Discount depth affects consumer evaluations because higher discount size increased deal value (Biswas, Bhowmick, Guha, & Grewal, 2013), reframing the discount depth also can increase discount depth perceptions and increase purchase intention (Guha, et al., 2018). When the discount depth is high, a percentage-off promotion led to a higher price expectation than the cent-off promotion (DelVecchio, Krishnan, & Smith, 2007).

In previous research, specifically between direct online and daily deal discount context that discount size is increasing, the perceived credibility of the discounts is decreasing, and also decrease in purchase intention indirectly (Carlson & Kukar-Kinney, 2017). Especially, in the daily deal context, discount credibility reduces discounting of discounts on purchase intention than indirect online store purchase context. For present-oriented consumers, large discounts have a positive impact, the perceived
quality of the product will not affect because consumers use price discounts as a sign of financial gain. For future-oriented consumers, discount size is used to form the product quality perceptions (Mukherjee, Jha, & Smith, 2017). When a discount level is high, and the consumers have highly price-conscious, a consumer can try to go through the deal that is offered, then if consumers attract to the deal, consumers will go back to purchase (Alford & Biswas, 2002). Discount size influences consumer’s price perceptions and deals evaluations (Alba, Mela, Shimp, & Urbany, 1999), and larger discounts are typically more attractive (Monika & Carlson, 2015). In the previous study, Guha, et al., (2018) indicate that high discount depth size (30% or greater) is more effective in increasing consumer purchase intention than low discount depth size (about 10%) because the discount not large enough.

Accordingly, this study considered two discount depth levels, 35% for high discount depth size and at low discount depths, the promotion discount is 10%. Therefore, this study proposed that a higher discount level has a greater influence on the relationship between promotion and consumer’s purchase decisions than a lower discount level. Hence, this study pose:

H2a: At high discount depth size, a price cut has a greater influence on purchase intention than premium promotion.
H2b: At low discount depth size, a premium promotion has a greater influence on purchase intention more than price cut.

2.6 Product Type

Generally, hedonic products provide more pleasure, fantasy, excitement and are usually consumed for luxury intention (e.g., wine, luxury bag, sports cars, etc.) and utilitarian products are more functional and practical uses (e.g., gas mileage). Suggests that for pricing and promotion in a hedonic product compared with utilitarian products in a market shares depends on the frame promotion to evaluate these products (Dhar & Wertenbroch, 2000). In addition, the highly valued hedonic products are better to engage in price premium or sales promotion than utilitarian products (Chandon, Wansink, & Laurent, 2000).

In other research, hedonic products are great for limited edition cues, then utilitarian products are great for best seller cues (Das, Mukherjee, & Smith, 2018). Utilitarian products suggest being promoted on functional benefits and previous study proposed that promotion may have a positive effect on a hedonic purchase than a utilitarian purchase if the product framed in more hedonic, and consumer goal is more on hedonic products than utilitarian products (Lim & Ang, 2008). And purchase of a framing promotion is increasing when its hedonic items than utilitarian items (Khan & Dhar, 2010). Hedonic product can increase the consumer intention when it’s free gift promotion (Leeflang & Bijmolt, 2017).

This study thus proposes that hedonic products will influence premium promotion than utilitarian products. Accordingly, the following hypothesis proposed:

H3a: Compared with price cut, premium promotion has more positive influence on purchase intention when consumers’ dominant product type is hedonic product.
H3b: Compared with premium promotion, price cut has more positive influence on purchase intention when consumers’ dominant product type is utilitarian product.

2.7 Premium Characteristics

Previous premium research found that premium’s intrinsic value attracts consumers because premium has a high functional relatedness with the product category (Foubert et al., 2018). The functional relatedness is high when the premium and the promotion product are complements or likely to be used together (Aaker & Keller, 1990). In such a situation, promotion needs to stand out to draw consumers’ attention, which at least as easy with an unrelated premium (Gijsenberg, 2014). In the
past research the premium research shows that the attitudes towards premiums improved because of the functional relatedness, and for a bundle promotion, consumers prefer the premium products are related or complements rather than substitutes or unrelated products (Harlam, Krishna, & Lehmann, 1995). Also, in prior research discount framing can influence the attractiveness of price promotion in bundle offers has focused on items that are related but differ in their value (Chakravarti, Krish, Paul, & Srivastava, 2002). To sum up, this study expected that related premiums can increase consumers’ willingness to buy on premium promotion than on price cuts. Thus, this study hypothesizes that:

H4a: At the premium product is related, premium promotion is higher than that of price cut.
H4b: At the premium product is unrelated, price cut is higher than that of premium promotion.

2.8 Country Effect
Conditioning the promotion is some kind of forming consumer reactions that lead to marketing. Nowadays, globalization is developing, multinational needs towards a product come to more homogenized (Levitt, 1993). However, in previous research, countries that have more individualistic affected on consumers buying intention, they more potential to purchase product online (Moon, Chadee, & Tikoo, 2008). Along this line, other research has a study between different countries and product choices (Veeck & Burns, 2005), then the differences between the impact on how consumer react to a product (Aaker, 2000). When countries condition more in utilitarian products then they prefer the utilitarian product ads than those on hedonic products (Lim & Ang, 2008).

Suh and Kwon (2002) found that consumers from different countries have different points of view towards the intention to buy a product. For example, in Indonesia, Sociolla website provides free gift promotions for every purchase with a minimum payment of IDR 750,000 – IDR 1,000,000 made consumers increase their expenses (Midtrans, 2016). This study aims to investigate the influence of country effect on consumers purchase intention towards promotional discounts, discount depth size, product type, and premium characteristics on two Asian countries that is Indonesia and Taiwan. Thus, this study hypothesizes that:

H5: Country effect has an influence on promotional discounts.

3 METHODOLOGY

3.1 Research Framework
This study is designed to investigate the effectiveness of promotion discounts between premium promotion and price cuts on purchase intention in online shopping design. Furthermore, this study aims to examine whether discount depth size, product type, premium characteristics, and country effect influence promotional discounts. This study presents the research framework as shown in Figure 1. As the independent variable, promotional discount was divided into premium promotion and price cut. As dependent variable, purchase intention was used as the criterion by which this research was evaluated. Discount depth size (high/low), product type (hedonic/utilitarian product), and premium characteristics (related premium/unrelated premium) were considered as interference. This study investigates the influence of promotional discount, discount depth size, product type, and premium characteristics on purchase intention in online shopping design.
3.2 Questionnaire Design

3.2.1 Pretest

3.2.1.1 Selection of Hedonic and Utilitarian Product

First, this study tested the participants’ knowledge about hedonic products and utilitarian products, proceeded as follows. Respondents were asked to imagine that they have bought the product and to indicate one point that reflects the adjectives that describe the products (dull/exciting, unenjoyable/enjoyable describes hedonic products and not functional/functional, unnecessary/necessary describes utilitarian products), from 1 = strongly disagree to 5 = strongly agree (Kittson, 2013). This study selected 2 of 12 products, and choose the largest difference between hedonic products and utilitarian products. Finally, this study selected a digital watch to substitute for a utilitarian product, and headphones to substitute for a hedonic product. Table 1 lists the overview of hedonic and utilitarian products.

![Research framework in this study](image)
This research focuses on related and unrelated premium with the same perceived value. In the first pretest, respondent will be shown a picture of a premium product (related and unrelated) and questions “How much would you be willing to pay for this product at this moment?” Please rate it based on how you value the product (Foubert, Breugelmans, Gedenk, & Rolef, 2018). The sample consisted of 62 participants who were doing online shopping in Taiwan and Indonesia. A total of 8 from 15 premium products were analyzed under the same perceived value because the other perceived value was too high or too low.

In the next pre-test, this study asked the participants to rate the 13 retained premiums’ relatedness to two categories on a five-point scale (“How likely are people to use [premium item] together with [product category]?”) (Foubert, Breugelmans, Gedenk, & Rolef, 2018). From this pre-test, this study selected one unrelated and related premium with similar perceived values. And the results are shown below in Table 2.
3.2.1.3 Determination of Price Level

This study also conducted a pretest to know the price of each product that participant’s value. In this pretest, respondents will be shown the picture of each product and being asked (“what do you think about the original price of [product category]”) with an option in certain range.

3.3 Sample

This experiment involved a total of 808 participants in Taiwan and Indonesia (421 from Indonesia and 387 from Taiwan) of internet users who had online shopping experience. The participants signed up voluntarily online. Data was generated by respondents using online survey Google forms (https://lihi.cc/aE1sF To encourage participants to complete the valid experimental questionnaire, each was allowed to receive 7-11 coupons worth NT$100 through a random selection of 10 participants’ e-mails. Each subject was randomly assigned 1 of 12 experimental conditions, and each subject could only see one experimental condition group. Most subjects in Indonesia were between 21 to 30 years old; 70.8% of the participants were female, and most subjects in Taiwan were between 21 to 30 years old; 64.6% of the participants were female. Table 3 shows the demographic statistics of respondents, including major factors considered in this study: gender, age, education, occupation, and monthly disposable income in Indonesia and Taiwan.

Table 2. Pretest of Premium Selection

| Country  | Product       | Functionally related premium | Unrelated premium |
|----------|---------------|------------------------------|-------------------|
|          |               | Item                        | Av. perceived value | Relatedness | Item          | Av. perceived value | Relatedness |
| Indonesia| Headphones    | Mp3                         | 2.52              | 3.87        | Reverse umbrella | 2.84          | 2.74        |
| N = 31   | Headphones case | 2.90                   | 4.16              | Lunch box | 3.10         | 2.35          |
| Digital watch | Watch strap | 2.90                   | 4.13              | Stainless steel bottle | 3.16    | 2.71        |
|          | Watch box     | 2.39                   | 3.87              | Portable fan | 2.52  | 2.39        |
| Taiwan   | Headphones    | Mp3                         | 2.77              | 4.29        | Reverse umbrella | 3.29          | 2.35        |
| N = 31   | Headphones case | 2.48                   | 4.16              | Lunch box | 3.52         | 2.06          |
| Digital watch | Watch strap | 2.65                   | 4.45              | Stainless steel bottle | 3.48    | 2.06        |
|          | Watch box     | 2.52                   | 4.23              | Portable fan | 2.32  | 2.29        |
3.4 Material

This study set an online purchase website in which to mimicked realistic online shopping. There was the targeted product, headphones as hedonic product and digital watch as utilitarian product. Mp3
player, reverse umbrella, watch strap, stainless steel bottle, headphones hard case, lunch box, watch box and portable fan as premium product (related and unrelated premium). The information only provided the product’s function only not any other information that will impact their purchase. The information to the subjects on hedonic product was as follows: “Headphones - enter premium sound - soft earpad, comfortable for wearing, noise cancelling perfectly, compatible with MP3, phones, Tablets, computer, DVD, CD players”. The information to the subjects on utilitarian product was as follows: “Digital Watch - Classic Practical Functional - a stylish update of a classic design, this retro timepiece is built for stellar contemporary styling, perfect for everyday and street styling, case diameter: 32mm”. And this study excludes the brand of the product.

3.5 Experiment Design

To study the effects of the different promotions, this study follows the following experimental design. In this experiment, this study employed \( (\text{promotional discount / price cut}) \times 2 \times (\text{discount depth size: high / low}) \times 2 \times (\text{product type: hedonic / utilitarian}) \times 2 \times (\text{country effect: Indonesia / Taiwan}) \times 2 \times (\text{premium characteristics: related / unrelated}) \) design. Table 4 shows the 12 experimental conditions.

3.6 Experimental Procedure

This study imitated the actual shopping website to design the experiments. Subjects were randomly assigned to 1 of 12 experimental conditions. The respondent gave the google form link, at the beginning of the questionnaire survey, first they were asked basic information (gender, age, education, occupation, and income), at the second page they were asked their personal experience with online shopping.

3.7 Measurement

This study regards promotional discount as the level of degree to which consumers intend to buy the products. Table 5 was adopted from prior research that provided a basis for the items to measure.
purchase intention (Dodds et al., 1991; Zeithaml, 1988). Finally, participants were asked to answer the questions measuring their potential purchase intention toward the products using five-point Likert scale (1 = “strongly disagree”; 5 = “strongly agree”).

Table 5. Measurement items of purchase intention

| Variable              | Measurement Items                                                                 | References          |
|-----------------------|----------------------------------------------------------------------------------|---------------------|
| Purchase Intention    | 1. I would consider purchasing this product during the promotion.                 | Dodds et al. (1991); Zeithaml (1988) |
|                       | 2. It is possible that I would purchase this product during the promotion.        |                     |
|                       | 3. I will purchase this product during the promotion.                            |                     |
|                       | 4. Overall, I have high willingness to purchase this kind of product during the promotion. |                     |

4 RESULTS

4.1 Measurement Result

This study used SPSS 23.0 software for data analysis. Table 6 is measurement result of purchase intention, consists of 4 measurement items. The Cronbach’s coefficient of purchase intention is 0.868. According to Cortina’s (1993) suggestion, the Cronbach’s coefficient is greater than 0.7. Therefore, it can be proven that this study’s measurement has internal consistency.

Table 6. Measurement result of purchase intention

| Variable          | Measurement item                                                                 | Mean | Std. Dev | Cronbach’s α |
|-------------------|----------------------------------------------------------------------------------|------|----------|--------------|
| Purchase intention| 1. I would consider to purchase this product during the promotion.               | 3.51 | 0.887    |              |
|                   | 2. It is possible that I would purchase this product during the promotion.       | 3.48 | 0.895    |              |
|                   | 3. I will purchase this product during the promotion.                            | 3.15 | 0.970    |              |
|                   | 4. Overall, I have high willingness to purchase this kind of products during the promotion. | 3.32 | 0.922    | 0.868        |

4.2 Experiment

This study uses an analysis of variance (ANOVA) to test the variable hypotheses, main effects and interaction effects. Table 7 presents the interaction effect between promotional discounts, discount depth size, product type, and premium characteristics in the experiment in Indonesia. The result indicate that promotional discounts significantly influenced purchase intention ($F = 11.247, p = 0.001$). The interaction effect between promotional discounts and discount depth size had significant effect ($F = 18.934, p < 0.001$). Moreover, the interaction between promotional discounts and product type was significant ($F = 5.449, p < 0.05$). Table 8 presents the interaction effect between promotional discounts, discount depth size, product type, and premium characteristics in the experiment in Taiwan. The result indicate that promotional discounts significantly influenced purchase intention ($F = 11.222,$
\( p = 0.001 \), discount depth size significantly influenced purchase intention \( (F = 5.486, p < 0.05) \), and product type significantly influenced purchase intention \( (F = 6.553, p < 0.05) \). Moreover, the interaction effect between promotional discounts and product type had significant effect \( (F = 4.354, p < 0.05) \).

Table 7. Analysis results (ANOVA) of experiment (Indonesia)

| Dependent Variable | Independent variables | df | MS       | F-value   | p-value |
|--------------------|-----------------------|----|----------|-----------|---------|
| Purchase Intention| Promotional discounts | 1  | 6.624    | 11.247*** | 0.001   |
|                    | Discount depth size   | 1  | 0.509    | 0.656     | 0.419   |
|                    | Product type          | 1  | 0.781    | 1.007     | 0.316   |
|                    | Premium characteristics| 1  | 0.616    | 0.804     | 0.371   |
|                    | Promotional discounts \( \times \) discount depth size | 1  | 11.268   | 18.934*** | 0.000   |
|                    | Promotional discounts \( \times \) product type | 1  | 3.001    | 5.449*    | 0.020   |
|                    | Discount depth size \( \times \) product type | 1  | 1.598    | 2.064     | 0.152   |
|                    | Promotional discounts \( \times \) discount depth size \( \times \) product type | 1  | 0.677    | 1.165     | 0.281   |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 8. Analysis results (ANOVA) of experiment (Taiwan)

| Dependent Variable | Independent variables | df | MS       | F-value   | p-value |
|--------------------|-----------------------|----|----------|-----------|---------|
| Purchase Intention| Promotional discounts | 1  | 11.152   | 11.222*** | 0.001   |
|                    | Discount depth size   | 1  | 6.178    | 5.486*    | 0.02    |
|                    | Product type          | 1  | 7.359    | 6.553*    | 0.011   |
|                    | Premium characteristics| 1  | 1.410    | 1.169     | 0.281   |
|                    | Promotional discounts \( \times \) discount depth size | 1  | 1.562    | 1.460     | 0.228   |
|                    | Promotional discounts \( \times \) product type | 1  | 4.168    | 4.354*    | 0.038   |
|                    | Discount depth size \( \times \) product type | 1  | 4.089    | 3.707     | 0.055   |
|                    | Promotional discounts \( \times \) discount depth size \( \times \) product type | 1  | 0.534    | 0.483     | 0.487   |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 9 and Figure 2 support consumers who are exposed to price cut promotion have higher purchase intention than consumers who exposed to premium promotion \( (M_{\text{price cut}} = 3.554 > M_{\text{premium promotion}} = 3.273) F = 11.247, p < 0.001 \). Therefore H1 was supported.
Table 10 supports consumers who are exposed to price cut promotion have higher purchase intention than consumers who exposed to premium promotion ($M_{\text{price cut}} = 3.524 > M_{\text{premium promotion}} = 3.163$) $F(1,367) = 11.222, p < 0.001$). Therefore H1 was supported.

Table 11 shows the promotional discount at price cut results in higher purchase intention when the discount depth size is high (High discount depth size $M_{\text{price cut}} = 3.629 > M_{\text{premium promotion}} = 3.338$) $F = 5.967, p < 0.05$). Thus, H2a was supported.
Table 11. Interaction effect between promotional discounts and high discount depth size (Indonesia)

| Promotional Discounts | Group 1 & 2 Price cut (N=64) | Group 5 - 8 Premium promotion (N=134) |
|-----------------------|-------------------------------|---------------------------------------|
| Mean                  | 3.629                         | 3.338                                 |
| Standard Deviation    | 0.7413                        | 0.8043                                |
| \(F(1,196) =5.967 \)  | \(p < 0.05 \)                |                                       |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 12 shows the promotional discount at premium promotion results in higher purchase intention when the discount depth size is low (Low discount depth size \(M_{\text{price cut}} = 3.25 < M_{\text{premium promotion}} = 3.496, F = 4.124, p < 0.05\)). Thus, H2b was supported.

Table 12. Interaction effect between promotional discounts and low discount depth size (Indonesia)

| Promotional Discounts | Group 3 & 4 Price cut (N=70) | Group 9 - 12 Premium promotion (N=135) |
|-----------------------|-------------------------------|---------------------------------------|
| Mean                  | 3.25                          | 3.496                                 |
| Standard Deviation    | 0.8681                        | 0.7994                                |
| \(F(1, 203) =4.124 \) | \(p < 0.05 \)                |                                       |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 13 shows the promotional discount at price cut results in higher purchase intention when the discount depth size is high (High discount depth size \(M_{\text{price cut}} = 3.638 > M_{\text{premium promotion}} = 3.289, F = 5.440, p < 0.05\)). Thus, H2a was supported.

Table 13. Interaction effect between promotional discounts and high discount depth size (Taiwan)

| Promotional Discounts | Group 1 & 2 Price cut (N=72) | Group 5 - 8 Premium promotion (N=120) |
|-----------------------|-------------------------------|---------------------------------------|
| Mean                  | 3.639                         | 3.289                                 |
| Standard Deviation    | 0.8598                        | 1.0783                                |
| \(F(1,186) =5.440 \)  | \(p < 0.05 \)                |                                       |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 14 shows the promotional discount at premium promotion results in higher purchase intention when the discount depth size is low (Low discount depth size \(M_{\text{price cut}} = 3.114 < M_{\text{premium promotion}} = 3.425, F = 4.662, p < 0.05\)). Thus, H2b was supported.
Table 14. Interaction effect between promotional discounts and low discount depth size (Taiwan)

| Promotional Discounts | Group 3 & 4 Price cut (N=70) | Group 9 - 12 Premium promotion (N=135) |
|-----------------------|-------------------------------|---------------------------------------|
| Mean                  | 3.114                         | 3.425                                 |
| Standard Deviation    | 0.9483                        | 0.88261                               |
| $F(1, 203) = 4.662^*, p < 0.05$ |                                |                                       |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 15 shows the promotional discount at premium promotion results in higher purchase intention when the product type is hedonic (Hedonic product $M_{\text{price cut}} = 3.238 < M_{\text{premium promotion}} = 3.478, F = 5.069, p < 0.05$). Thus, H3a was supported.

Table 15. Interaction effect between promotional discounts and hedonic product (Indonesia)

| Promotional Discounts | Group 1 & 3 Price cut (N=61) | Group 5-6 & 9-10 Premium promotion (N=127) |
|-----------------------|-------------------------------|-------------------------------------------|
| Mean                  | 3.238                         | 3.478                                     |
| Standard Deviation    | 0.7309                        | 0.6637                                    |
| $F(1,188) = 5.069^*, p < 0.05$ |                                |                                           |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 16 shows the promotional discount at premium promotion results in higher purchase intention when the product type is utilitarian (Utilitarian product $M_{\text{price cut}} = 3.439 < M_{\text{premium promotion}} = 3.378, F = 0.224, p < 0.05$). Thus, H3b was not supported.

Table 16. Interaction effect between promotional discounts and utilitarian product (Indonesia)

| Promotional Discounts | Group 2 & 4 Price cut (N=65) | Group 7-8 & 11-12 Premium promotion (N=129) |
|-----------------------|-------------------------------|-------------------------------------------|
| Mean                  | 3.439                         | 3.378                                     |
| Standard Deviation    | 0.8197                        | 0.8507                                    |
| $F(1,192) = 0.224, p < 0.05$ |                                |                                           |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 17 shows the promotional discount at premium promotion results in higher purchase intention when the product type is hedonic (Hedonic product $M_{\text{price cut}} = 3.401 < M_{\text{premium promotion}} = 3.674, F = 3.883, P < 0.05$). Thus, H3a was supported.
Table 17. Interaction effect between promotional discounts and hedonic product (Taiwan)

| Promotional Discounts | Group 1 & 3 Price cut (N=61) | Group 5-6 & 9-10 Premium promotion (N=121) |
|-----------------------|-----------------------------|---------------------------------------------|
| Mean                  | 3.401                       | 3.674                                       |
| Standard Deviation    | 0.8117                      | 0.9105                                      |
| $F(1,180) =3.883^*$, $p < 0.05$ |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 18 shows the promotional discount at premium promotion results in higher purchase intention when the product type is utilitarian (Utilitarian product $M_{\text{price cut}} = 3.375 > M_{\text{premium promotion}} = 3.025$, $F = 5.040$, $p < 0.05$). Thus, H3b was supported.

Table 18. Interaction effect between promotional discounts and utilitarian product (Taiwan)

| Promotional Discounts | Group 2 & 4 Price cut (N=72) | Group 7-8 & 11-12 Premium promotion (N=121) |
|-----------------------|-----------------------------|---------------------------------------------|
| Mean                  | 3.375                       | 3.025                                       |
| Standard Deviation    | 1.0439                      | 1.0505                                      |
| $F(1,191) =5.040^*$, $p < 0.05$ |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 19 shows the promotional discount at premium promotion results in higher purchase intention when premium characteristics is related (Related premium $M_{\text{price cut}} = 3.354 < M_{\text{premium promotion}} = 3.569$, $F = 4.579$, $p < 0.05$). Thus, H4a was supported.

Table 19. Interaction effect between promotional discounts and related premium (Indonesia)

| Promotional Discounts | Group 1 - 4 Price cut (N=140) | Group 5, 7, 9 & 11 Premium promotion (N=133) |
|-----------------------|-----------------------------|---------------------------------------------|
| Mean                  | 3.354                       | 3.569                                       |
| Standard Deviation    | 0.8951                      | 0.7634                                      |
| $F(1,171) =4.579^*$, $p < 0.05$ |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 20 shows the promotional discount at price cut results in higher purchase intention when the premium characteristics is unrelated (Unrelated premium $M_{\text{price cut}} = 3.433 > M_{\text{premium promotion}} = 3.261$, $F = 3.160$, $p < 0.05$). Thus, H4b was not supported.
Table 20. Interaction effect between promotional discounts and unrelated premium (Indonesia)

| Promotional Discounts | Group 1 - 4 Price cut (N=135) | Group 6, 8, 10, & 12 Premium promotion (N=132) |
|-----------------------|--------------------------------|-----------------------------------------------|
| Mean                  | 3.433                          | 3.261                                         |
| Standard Deviation    | 0.8036                         | 0.77648                                       |
| $F(1,254) = 3.160, p < 0.05$ |                                |                                               |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 21 shows the promotional discount at premium promotion results in higher purchase intention when premium characteristics is related (Related premium $M_{\text{price cut}}^R = 3.264 < M_{\text{premium promotion}}^R = 3.502$, $F = 4.215, p < 0.05$). Thus, H4a was supported.

Table 21. Interaction effect between promotional discounts and related premium (Taiwan)

| Promotional Discounts | Group 1 - 4 Price cut (N=125) | Group 5, 7, 9 & 11 Premium promotion (N=122) |
|-----------------------|--------------------------------|-----------------------------------------------|
| Mean                  | 3.264                          | 3.502                                         |
| Standard Deviation    | 0.9121                         | 0.9099                                        |
| $F(1,245) = 4.215*, p < 0.05$ |                                |                                               |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 22 shows the promotional discount at price cut results in higher purchase intention when the premium characteristics is unrelated (Unrelated premium $M_{\text{price cut}}^U = 3.487 > M_{\text{premium promotion}}^U = 3.115$, $F = 8.065, p < 0.01$). Thus, H4b was supported.

Table 22. Interaction effect between promotional discounts and unrelated premium (Taiwan)

| Promotional Discounts | Group 1 - 4 Price cut (N=136) | Group 6, 10, 12 Premium promotion (N=120) |
|-----------------------|--------------------------------|--------------------------------------------|
| Mean                  | 3.487                          | 3.115                                       |
| Standard Deviation    | 0.9459                         | 1.1517                                      |
| $F(1,254) = 8.065***, p < 0.01$ |                                |                                              |

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Table 23 and Figure 3 show the promotional discount difference between country, price cut results higher in purchase intention than the premium promotion in Taiwan ($M_{\text{price cut}}^T = 3.563 > M_{\text{premium promotion}}^T = 3.226$, $F = 8.143, p < 0.01$). Thus, H5 was supported.
5 CONCLUSIONS AND IMPLICATIONS

5.1 Discussion and Conclusion

The findings of this study showed that consumers in Indonesia choose more premium promotions (free gift) when dominant product is utilitarian product, this result is contrary to H3b. The reason for H3b was not consistent with experiment result might because Indonesian people tend to like received free gifts in a promotion, whether the product is hedonic or utilitarian. Previous research demonstrates that premiums may lead to more favorable subjective consumer reactions than price cuts (Darke & Chung, 2005). Another reason for this result might because consumers are attracted by a premium promotion, they like the experience of receiving gift, so it’s do not depend on the functional relationship between premium, product category or product type.

The other finding showed that consumers in Indonesia prefer unrelated premiums when there is premium promotion than the price cut, which is contrary to H4b. This result is in contrast with previous research that shows that related premiums are more favorable and increase more purchase intention than unrelated premiums. The reason for H4b was not supported might be Indonesian people like premium promotion that made them choose free gift whether it is related or unrelated. So, promotion needs to stand out to interest consumer attention, even an unrelated premium (Foubert et al., 2018).

Table 23. Interaction effect between country and promotional discounts

| Promotional Discounts | Group 1 - 12 Indonesia (N=368) | Group 1 - 12 Taiwan (N=353) |
|------------------------|-------------------------------|-----------------------------|
| Mean                   | 3.563                         | 3.226                       |
| Standard Deviation     | 0.7559                        | 0.8550                      |

\( F(1,719) = 8.143\^{* *}, p < 0.01 \)

Note: * is significant at 5% critical level; ** is significant at 1%; *** is significant at 0.1% critical level.

Figure 3. Interaction effect between promotional discounts and country effect
Thus, results of this study proved that countries affect promotion that induces consumers purchase intention. The premium promotion in both countries (Indonesia and Taiwan) has a significant effect on consumers purchase intention, and price cut did significantly have a higher influence than premium promotion. These results support those obtained previously by other authors, who proposed there is a relationship between different countries and marketing (Lim & Ang, 2008), also between different country and product choice (Veeck & Burns, 2005).

The result of this study showed that country effect has a great influence on promotional discount (premium promotion and price cut) on purchase intention. Indonesia and Taiwan’s price cut have greater influence than premium promotion, but still, Taiwan’s price cut result is higher than that of Indonesia, and Indonesia’s premium promotion is higher than that of Taiwan. As the result above, Taiwan’s consumers significantly influence purchase intention on utilitarian products in price cut promotion, but in Indonesia utilitarian products significantly influence purchase intention in premium promotion. Also, In Taiwan, unrelated premium has a significant effect on price cut but in Indonesia, unrelated premium lead to higher purchase intention on premium promotion than price cut. Consumer in different country has different points of view towards the intention to buy a product (Suh & Kwon, 2002).

5.2 Research Implications

From the past up to present, several studies have investigated the impact of promotion, most of research has focused on used price framing (Khan & Dhar, 2010; Mishra & Mishra, 2011; Darke & Chung, 2005), some of them focused on the promotion discounts (Krishna et al., 2002; Burman & Biswas, 2004) and also premium promotion (d’Astous & Jacob, 2002; Chang, 2009). Product promotion is an important element in the competitive market nowadays and so there are lots of studies have investigated promotional discount. The contribution of this study to academic research is to examine the influence of framing the promotional discount on consumer’s purchase intention. Simultaneously investigated whether the product type, discount depth size, premium characteristics, and country effect could moderate the promotional discount.

The main findings of this study are framing promotional discount has significant influence on purchase intention in cross country, while price cut promotion leads to higher purchase intention than premium promotion in both countries Indonesia and Taiwan. Product type, discount depth size, and premium characteristics could moderate the promotional discount greatly and significantly influences consumer’s purchase intention. Another finding of this study is that country effect has a great impact on consumer’s purchase intention toward the promotional discount.

5.3 Managerial Implications

In recent years, it has become popular to use promotion to increase consumer’s purchase intention. Promotional discount has different way in how to frame it, and this study uses premium promotion and price cut to attract consumers. Among so many promotional discounts, how manufacturers and retailers use different forms of promotional discount is the most important thing. The results of this study find that price cut has significantly influenced consumers purchase intention. Discount depth size, hedonic and utilitarian product, premium characteristics, and country effect can moderate framing effect, improve consumers purchase intention. Therefore, this study proposes some managerial implications for manufacturers and retailers.

(1) Company should consider price cut promotion to increase consumer purchase intention

According to the results of this study, price cut promotion results in higher purchase intention than premium promotion in Indonesia and Taiwan. Compared to price cut, premium promotion maybe not compatible, and more consumers disposed of not to choose the gift from the promotion because
consumers think premium product have no value for them. Therefore, premium promotion should be kept from the promotional discount option. Promotional discounts could focus on price cut, like how many percent of the product price manufacturers want to discount.

(2) Company should consider high discount depth size to increase consumer purchase intention in promotional discount (price cut)

According to the results of this study, the higher discount depth size, the higher the purchase intention on price cut; the lower the discount depth size, the higher the purchase intention on premium promotion both in Indonesia and Taiwan. Therefore, a Price cut can be effective for higher discounts because higher price cut on the display can attract more consumers to purchase the promotion product. Premium promotion sometimes can be more profitable for manufacturers because the cost the company needs to issue is lower than consumer’s perceived value, so set the discount depth size in premium promotion can increase cost-effectiveness for manufacturers.

(3) Company should consider hedonic product to increase the promotional discount purchase intention and utilitarian product to increase the promotional discount (premium promotion) in Taiwan

According to the results of this study, the hedonic product caused higher purchase intention on premium promotion, and the utilitarian product caused a higher price cut in Taiwan, but those in Indonesia would not be influenced by the utilitarian product. Therefore, in Taiwan if manufacturers use premium promotion, the product must be hedonic product; if manufacturers use price cut, the product must be utilitarian product because Taiwan’s people tend to price cut than premium promotion, so if manufacturers use premium promotion, so it must be a hedonic product that is more pleasure and excitement product. In Indonesia, whether it’s hedonic or utilitarian product, they tend to premium promotion.

(4) Company should consider related premium product to increase premium promotion and unrelated premium product to increase price cut in Taiwan

According to the results of this study, the more related the premium, the higher premium promotion; the more unrelated the premium, the higher the price cut in Taiwan, but not for those in Indonesia, unrelated premium would not influence the purchase intention. Therefore, premium promotion is higher when the premium and promoted product are considered complements that are likely to be used together, the relatedness of the premium with the product may increase the value toward the combined offer.

(5) Company should consider country effect on promotional discount to increase the purchase intention

According to the results of this study, different company results in different promotional discount form, both in Indonesia and Taiwan higher in price cut, but Taiwan has higher result in price cut than in Indonesia because Indonesian people also have an interest in premium promotion, they are attracted by a premium because of the experience of receiving gift. Marketing managers need to know which type of promotion is more likely to increase sales in different countries.

5.5 Limitations and Future Research

The following limitations of this study should be considered and can be suggestions for future research areas. First, this study only takes discount depth size, product type, premium characteristics, and country effect as moderating role. However, there are other factors that may affect the consumer’s
purchase decision in promotional discount. Future research could consider other factors in real situations such as advertisement or brand. Second, this research investigates only one type of monetary and non-monetary promotion, price cut and premium promotion. However, due to a lot of number of promotional discounts (e.g., bonus packs, bundles, and so on), it is possible that these results may not be generalized to other tools. Therefore, future research is needed to identify how different promotional tools work. And the purpose of this study is to investigate whether the product type affects purchase intention, this study does not see the premium product type whether it is hedonic or utilitarian, people may see the premium type that affects their purchase intention. Therefore, future research is needed to identify the premium (free gift) type whether it is hedonic or utilitarian that may affect the purchase intention.

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