



Article Title

Effect of price discount frames and levels on consumers' perceptions in low-end service industries

Citation

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Abstract

The purpose of this study is to investigate the effects of price discount frames and price discount levels on consumer perceptions about the quality of the service product, the value of the discount, their purchase intentions and their willingness to spread the word of mouth about the discount savings across different types of services.

Methods

The study uses an experiment design method using three interesting variables: discount format, discount level and service industry type. The experiment included four different types of low- end price service levels: restaurants, hotels, mailing services, and retail services.

Results

The findings indicate that price discount frames and discount levels do affect consumers' perceptions on the value of the discount, the quality of the service, their intention to purchase and their willingness to engage in WOM advertising.

Conclusion

From the current findings, it is evident that both the discount frames and discount levels were critical factors on how consumers evaluate price discounts. The evaluations were dependent on the following factors: the type of service in relation to the value of the discount, the quality of the service, the consumers' purchase intentions and the consumers' willingness to engage in WOM advertising. Results from the current study indicate that the price discount frames (the “dollar- off” and “percentage- off”) were not influential components on consumer perceptions of the value of the discount. Thus, the hypothesis, *H1a*: consumers evaluate price discount frames (\$- off and percentage- off) differently when evaluating price discount value, was not supported. This finding suggests that consumers were likely to have discerned that the savings from the “dollar- off” and the “percentage- off” discount frame were the same for the four types of low- end services. This can be explained by the fact that price points were at a low level, and consumers were able to quickly calculate the real dollar value in spite of the type of presentation format (“dollar- off” vs “percentage off”). This was not the case with the high- end services as reported by [Yoon et al. \(2008\)](#). In high- end service, there were significant differences between the presentation formats among the four types of services. Although the

findings of this study indicate that the price discount frames were not influential components on consumers' perceptions on the value of the discount, they do show that consumers' perceived the value differently depending on the type of service. Consumers preferred the "dollar- off" discount frame in QSRs and the regular mail service, while they preferred the "percentage- off" discount frame in the retailer service.