THE IMPACT OF STORE IMAGE, FREQUENCY OF DISCOUNT, AND DISCOUNT MAGNITUDE ON CONSUMERS' VALUE PERCEPTIONS AND SEARCH INTENTION

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A study was conducted to determine if perception of an advertised discount is affected by the magnitude of the discount, frequency of store discounting and store image. Results indicate that the higher the discount, the greater perceived value and interest in the product/brand. There is little indication that stores that have a more prestigious image and those that infrequently discount gain any significant advantage in terms of perceived value, interest in, level of search, or purchase intentions for products/brands over stores that frequently discount or whose image is less prestigious. Discussion and implications are presented.

INTRODUCTION

In the '90s, the economy was booming, the stock market was rising and "value investing" was perceived as passe (Ferliel 2002). The same attitude permeated many consumers' daily purchasing behaviors in which value was often not considered the most salient purchase criterion. In late 2000, however, the stock market and the economy tumbled. Now, value investing is back in vogue and so is the importance of value in the minds of consumers when making household purchases. In response to this newly emerged consumer conscience, various retail stores are busy offering discounts and slashing prices in the hope that consumers will perceive value out of all these offers and stop searching for the next best buy (Murane 2002). Will the various types of discount/incentive offers be sufficient to provide the price value perception so badly needed by the consumers? The purpose of the current research is to answer this question. Specifically, this study investigates the impact of price discounts on a number of dependent variables including perceived value, interest in the product, intent to search for information, and willingness to purchase.

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THEORETICAL BACKGROUND

Value

While consumers often search for products with low prices, they do not always seek the lowest priced product. Consumers often use their perceptions of value to qualify products that they are considering purchasing. This "value equation" involves both price and perceptions of desired quality. Specifically, value is a function of quality over price (Q/P).

It is generally accepted that consumers use various surrogate measures to assess the quality of products in addition to direct evaluation. Commonly used measures are brand name (Li, Monroe, and Chan 1994), store name (Dawar and Parker 1994), country of origin (Morganosky and Lazarde 1987), and price (Lichtenstein and Burton 1989; Petroshius and Monroe 1987; Gerstner 1985). Although each of the above measures has been examined in previous research, the interaction effects of several of these measures has received scant attention. Specifically, a price discount lowers the price, increases the Q/P ratio and, therefore, presumably enhances the value perception. However, price being a surrogate measure of quality, a lower price may signify a lower quality, and renders the Q/P ratio unchanged or even lower if the decrease in quality perception is larger

than the reduction in price. Whether the negative reaction to a price discount will take place or not may depend on the magnitude of the discount and the range of acceptable discounts. This, in turn, depends on the contextual information present, such as the frequency of discounts, the reputation of the retail store offering the discount, and the brand name of the product being discounted. A 15 percent discount by Tiffany's (which seldom discounts, if ever) goes a longer way than a 20 percent discount by Kmart. Similarly, a discount by Sony will be valued much more than the same discount on a little known brand from China. The point is borne out by Gupta and Cooper's statement (1992) "...the discounting of discounts and changes in purchase intention depend on the discount level, store image, and whether the product advertised is a name brand or a store brand."

Anchoring and Adjustment

Consumers use an anchoring and adjustment process to form judgments about the goodness/badness and relative value of products (Kahneman and Tversky 1973). They first anchor their judgment based on some initially formed value. As more experience and information is gained, new anchor values emerge. Consequently, the nature of the initial anchor (framing) greatly affects how consumers will react to new stimuli.

Consumers' reactions to price stimuli are no different from their responses to other stimuli. Monroe (1979), applying Helson's Adaptation-Level theory (1964), asserts that consumers carry with them an internal reference price for a given product category against which current prices are judged. This reference price point is influenced by the context in which the product is seen (Adval and Monroe 2002). In addition, various research has been devoted to examine the evolvement of the internal reference price and the factors which affect it (Bell and Bucklin 1999; Kalyanaram and Winer 1995; Lichtenstein, Burton, and Karson 1991; Niedrich, Sharma, and Wedell 2001; Urbany, Bearden, and Weilbaker 1988; Vaidyanathan and Aggarwal 2001).

Range Theory

In contrast to the single-standard view implicit in the adaptation-level based anchoring process, Volkmann (1951) proposes that it is the range of possible values of the stimuli to be judged that determines the perceived value of a similar stimulus. In other words, the endpoints ("dual-standard") which affect subjects' judgment. Range theory has been substantiated in psychology literature (Mellers and Cooke 1994) as well as in marketing literature. For example, Janiszewski and Lichtenstein (1999) found that "variance in the width of the evoked price range affects price attractiveness judgments in the absence of any variance in the internal reference price." Similar price range results were observed in Petroshius and Monroe's study (1987).

Credibility and Message Acceptance

Numerous studies have shown that the greater the perceived credibility of the source, the greater is the likelihood receivers will accept the message (Craig and McCann 1978; MacKenzie and Lutz 1989; Watts and McGuire 1964). There are two general routes to achieve source credibility: expertise and trustworthiness (Ohanion 1991). As a special type of source credibility, corporate/store credibility can be viewed as the perceived trustworthiness of a firm/store. If company/store credibility is lacking, the promotional message the firm/store presents to the public may produce an unfavorable response (LaBarbera 1982). For example, Goldberg and Hartwick (1990) found that subjects had the worst product evaluation when a firm with a negative reputation made an extreme claim about the product. However, when the same extreme claim was made by a company with a positive reputation, a relatively positive product evaluation was obtained. Thus, it appears that the reputation (credibility) of the company serves to moderate (under positive reputation condition) or accentuate (under negative reputation condition) the negative impact of an extreme claim.

Information Search

The classic discussion of "information" refers to its ability to reduce uncertainty about the state of nature (Reilly and Conover 1983). Greater uncertainty will lead to greater search efforts. Uncertainty can be further divided into knowledge uncertainty (KU) and choice uncertainty (CU). KU represents consumers' lack of knowledge about product features, functions, and performance, while CU reflects an uncertainty associated with the choice set available in the marketplace. Prior research has shown that choice uncertainty "increase search while knowledge uncertainty had a weaker negative effect on search" (Urbany, Dickson, and Wilkie 1989).

A further refinement of the "uncertainty reduction" notion is the concept of incremental costs vs. incremental benefits. Although uncertainty reduction is beneficial, there are costs associated with the efforts engaged in the information search. The law of diminishing returns applies to the gain (benefits) from uncertainty reduction. Therefore, a consumer is likely to continue his/her search efforts until the cost associated with additional search catches up with the diminishing benefits expected.

HYPOTHESES

All other things being equal, a stated offer with a higher price discount will increase the perceived value of the offer due to the fact that a reduction in P (price) without a correspondent change in Q (quality) in the V = Q / P equation will lead to a higher Value perception. As value perception increases, the potential gain from an additional information search will be substantially reduced and the incentive to make a firm purchase decision will increase. Thus, it is hypothesized that:

H_1: Differences in the magnitude of price discounts offered in an advertisement should:

a. produce greater perceptions of offer value as the percentage discount from the regular price increases.

b. produce less intent to search as the percentage discount from the regular price increases.

c. produce greater interest in the product/brand as the percentage discount from the regular price increases.

d. produce greater willingness to purchase the product/brand as the percentage discount from the regular price increases.

Because a lack of credibility would seriously limit consumers' acceptance of advertised messages, any price discount has to be perceived as credible to achieve the value judgment sought by the advertisers. Similar sentiments have been indicated by Monroe (1977) who suggested that other contextual cues, such as brand name and store image may affect consumers' reactions toward the price cue. In a more general sense, perhaps the inclusion of store image will enhance the use of price as an information cue regardless of the behavioral response measured (i.e., perception of value, intent to purchase, etc.). Morever, well-known store names (in essence, corporate credibility) will enhance the quality perception in the value equation and at the same time increase the believability of the price discount. Research has indicated that perceived store image positively influences perceived product quality and purchase intention (Grewal et al. 1998). Barnes (1975) also found that respondents gave higher believability to more prestigious store names. Thus, the nature of the interaction between price and store image may be that with a high-image store perceived value of a discount may be greater than for a low-image store and, subsequently, will result in less intent to search, greater interest in the product, and greater willingness to purchase. Thus, it is hypothesized that:

H_2: An advertisement of a price discount from a high-image store should:

a. produce greater perceptions of offer value than an advertisement from a low-image store.

b. produce less intent to search than an advertisement from a low-image store.

c. produce greater interest in the product/brand than an advertisement from a low-image store.

d. produce greater willingness to purchase than an advertisement from a low-prestige store.

Since adaptation-level theory suggests that an individual's perception of price depends not only on the price of the product but on the individual's adaptation level or reference price, it can be expected that an individual's judgment of a price cue is dependent on what the individual has become accustomed to. Subsequently, one would expect that stores that frequently discount prices lower the individual's adaptation level for the products sold by that store (Alba et al. 1999). As such, consumers come to expect the discount policy and, therefore, perceive the discounted offer as of less value than if the offer came from a store that discounted products from a regular price less frequently. Thus, it is hypothesized that:

H_3: An advertisement of a price discount from a store that is perceived as infrequently discounting its products should:

a. produce greater perceptions of offer value than an advertisement from a store that is perceived as frequently discounting its products.

b. produce less intent to search than an advertisement from a store that is perceived as frequently discounting its products.

c. produce greater interest in the product/brand than an advertisement from a store that is perceived as frequently discounting its products.

d. produce greater willingness to purchase than an advertisement from a store that frequently discounts its products.

METHOD

Preliminary Study

Prior to the actual experiment, a preliminary study was conducted to select product categories that subjects use and have knowledge of, as well as to have subjects rate specific stores on store image and perceived frequency of discounting. Forty-three students were asked to rate ten stores on store image and frequency of discounting. The ten stores consisted of national chain stores, regional stores and local stores. The mean score for each store on the store-image variable was then used to determine the "high-" and "low-" image stores for the experiment. Similarly, the mean score for each store on the "discount frequently" and "many sales" items was employed to decide the "high" and "low" frequency of discounts. This resulted in the selection of four stores to represent the four "store" treatments as shown in Table 1.

T-tests revealed significant differences between the high and low stores ($p < .05$), as well as significant differences between the mean frequency of discounts *within* high- and low-image stores ($p < .05$) only. That is, 4.702 is significantly different from 3.244 and 3.403 is significantly different from 2.125. However, there is not a significant difference between 3.244 and 3.403. Therefore, it appears that perceptions of the frequency of discounting of a store are not totally independent of store image.

In addition to these results, the preliminary study indicated that student subjects were familiar with the following products that were subsequently chosen for the experiment: calculators, jeans, and portable tape players.

Experimental Design

The objective of the experiment was to assess whether an individual's perception of an advertised discount is affected by the frequency of discounting and store image, in addition to the magnitude of the discount. Therefore, a 2x2x4 between-subjects factorial design was conducted with 14 people in each cell, resulting in a total sample size of 224. The

TABLE 1
Results of Preliminary Study

		Store Image: High	Store Image: Low
Discount Frequency	High	(2.747)* Hi Image/Hi DF (3.244)**	(4.229) Lo Image/Hi DF (2.125)
	Low	(2.545) Hi Image/Lo DF (4.702)	(4.697) Lo Image/Lo DF (3.403)

* Mean score on store image; measured on a seven-point scale; the higher the number, the more prestigious the store.
** Mean score on discount frequency; measured on a seven-point scale; the lower the number, the higher the frequency of discounting.

independent variables were: price discount (15 percent vs. 24 percent vs. 35 percent vs. 45 percent), store image (high vs. low) and frequency of store discounting (high vs. low). Since previous research (Della Bitta and Monroe 1980) has indicated that 15 percent is the minimum threshold level for a price discount to have a noticeable effect, 15 percent was used as the lower bound for the price discount. Since brand name is one source of information that influences consumers' product evaluations and may moderate the effects of discount magnitude, discount frequency, and store image on consumers' value perceptions and purchase intentions (Dodds, Monroe, and Grewal 1991; Gupta and Cooper 1992), only well-known brand names were used to control the effect of brand name. Sony and Levi were the two brands that served as replicates of each other.

As previously stated, the dependent variables were: perception of offer value, intent to search, interest in the product/brand, and willingness to purchase. Based on reviews of existing literature (Monroe 1979), fifteen items were adopted to measure the dependent variables as shown in Table 2. Six items were used to measure consumers' perceived values, four items for intent to search, three items for willingness to buy, and two items for interest in product/brand.

RESULTS

Manipulation Check

To determine the success of the manipulation (discounting frequency and store image), ten items were used to measure respondents' perceived store image and discounting frequency. The ten questions were subjected to factor analysis. As expected, two factors emerged using the principal axis factoring method (PAF) with oblique rotation (Sharma 1996, 107-8; Hair et al. 1995, 384) and eigenvalues no less than one criterion (Hair et al. 1995, 377). As shown in Table 3, the first factor is the image dimension, while the second is the frequency dimension. All the variables loaded highly on the respective factors, except the item dealing with unlimited selections. As a result, this item was deleted from further analysis. The remaining items associated with each factor were then subjected to a separate reliability check to assess internal consistency (Churchill 1979). The overall Cronbach coefficient alpha for both measurement scales was .84 or higher, greater than the .70 to .82 range that most marketing studies report (Peterson 1994). However, one item (unreasonable prices for the value) associated with the frequency factor had only a .41 correlation coefficient with the main item (discount merchandise frequently), and was subsequently removed from the factor. The removal of the item did not affect the overall coefficient alpha of the discounting frequency scale.

TABLE 2
Items Used to Measure Dependent Variables

Perceived Value Measure	
A purchase at the indicated sale offer would yield	1=Extremely large saving; 7=No saving
The offer in the advertisement is	1=Very acceptable; 7=Very unacceptable
At this sale offer this brand is:	1=Very good value for the money; 7=Very poor value for the money
I would consider these products to be a good buy:	1=Strongly agree; 7=Strongly disagree
These products appear to be a bargain:	1=Strongly agree; 7=Strongly disagree
Compared to the sales discount usually offered for these products, this discount is:	1=Very high; 7=Very low
Intent to Search Measure	
I tend to suspect the truthfulness of this advertisement:	1=An extremely large amount; 7=Not at all
The likelihood that I would continue searching for a lower price for this brand is:	1=Very high; 7=Very low
The likelihood that I would continue searching for other brands is:	1=Very high; 7=Very low
The likelihood that this store will offer a larger discount than advertised for this brand in the near future is:	1=Very high; 7=Very low
Willingness to Purchase Measure	
The likelihood that I would purchase this advertised brand is:	1=Very high; 7=Very low
At the discount offered, I would not buy one of these products.	1=Strongly agree; 7=Strongly disagree
The likelihood that I would take advantage of the sale ad is:	1=Very high; 7=Very low
Interest Measure	
The products featured in this advertisement are probably of:	1=Very good quality; 7=Very poor quality
The degree to which the advertisement would interest me enough to seek more information about this brand is:	1=Very high; 7=Very low

TABLE 3
Oblique Rotated Image and Discounting Frequency Scale Component Matrix

Item Descriptions	Pattern Loadings	
	1	2
Pleasant atmosphere	(.820)	.061
Has well-known brands	(.763)	.132
Attracts upper-class customers	(.817)	- .211
Has relatively low prices	- .391	(.616)
High quality product	(.707)	- .104
Has an unlimited selection	.100*	.421
Has many sales on products	- .086	(.723)
Is prestigious	(.765)	- .209
Unreasonable prices for the value	- .042	(.609)
Discounts merchandise frequently	- .198	- .198
Sum of Squared Loadings	4.245	3.310

Factor correlation between factor 1 and factor 2 is - .451. Factor I : Image dimension.
Factor II: Discounting frequency dimension. * Deleted from further reliability analysis.

To test the success of the manipulation, the items in each scale (image and discounting frequency) were added together and then divided by the corresponding number of items to derive a mean value for each (Churchill 1979, 69). Table 4 presents the mean scale values for each of the four stores. For store image, an ANOVA test revealed significant main effects for both image and frequency, but no significant interaction effect. As expected, the two high-image stores were perceived to have a higher image than the two low-image stores. In addition, the two low discount frequency stores also had a higher perceived image than the more frequently discounted stores, reconfirming the interdependency between image and discounting frequency revealed in the preliminary study. A similar pattern emerged on the discount frequency dimension. That is, the stores that discount frequently were perceived to discount significantly more often than the stores that discount less frequently. There also existed significant interdependency between image and discounting frequency.

Dependent Measures

A factor analysis was also conducted on the fifteen dependent variable items previously shown in Table 2. It was expected that each dimension would yield one factor. Items which did not load highly (.5 or higher) on the dominant factor were removed from further analysis. Cronbach's coefficent alpha was then calculated on the remaining items. As shown, with the exception of the item dealing with unlimited selections, which was removed from further analysis, all the variables loaded highly on the respective factors. For the remaining items, items associated with each factor were subjected to a separate reliability check to assess internal consistency (Churchill 1979). As expected, all six items measuring perceived value loaded highly on one single factor, with an overall Cronbach's coefficient alpha of .86. The four items measuring the intent to search also generated one factor. However, one item (item 4 in Table 2) had a very low loading (.07) on the factor, and was removed from the list.

TABLE 4
Manipulation Check: Image and Discounting Frequency

		Store Image: High	Store Image: Low
Discount Frequency	High	(2.397)* Hi Image/Hi DF (3.864)**	(4.590) Lo Image/Hi DF (2.344)
	Low	(1.924) Hi Image/Lo DF (4.906)	(4.443) Lo Image/Lo DFl (2.553)

* Mean score on store image; measured on a seven-point scale; the higher the number, the more prestigious the store.
** Mean score on discount frequency; measured on a seven-point scale; the lower the number, the higher the frequency of discounting.

The remaining three items had an overall Cronbach's coefficient alpha of .69. The three items measuring purchase intent also all loaded highly on the one dominant factor, with alpha coefficients of .83. Finally, the two items measuring consumers' interest in the product had an unacceptable alpha of .48 and an inter-item correlation of .33. After re-examining the wording of the item, it was decided to use only one item (item 6 in Table 2). This item was judged to best capture the essence of consumers' interests. To test the three hypotheses, the items in each scale (perceived value, intent to search, willingness to buy, and interest in product/brand) were added together and then divided by the corresponding number of items to derive a mean value for each scale (Churchill 1979, 69).

RESULTS

Hypothesis Tests

To test the hypotheses, analyses were performed on Sony Walkman and Levi Jeans separately. Separate ANOVA analyses were also performed on each dependent scale value. The results of ANOVA analyses are presented in Table 5 (Sony Walkman) and Table 6 (Levi Jeans).

Hypothesis 1 suggests that as the magnitude of the discount increases, the perceived value of the offering will increase, intent to search further will decrease, interest in the offering will increase, and intent to purchase will increase. As shown in Table 5, the main effect of discount magnitude for Sony Walkman is significant for perceived value ($p<.00$) and interest ($p<.05$), but not for search intent ($p<.12$) and purchase intent ($p<.12$). For Levi Jeans, the results presented in Table 6 reveal that the main effect of discount magnitude is significant for all dependent measures: perceived values, search intent, interest, and purchase intent ($p<.00$). As shown in Figure 1, the impact of discount magnitude on perceived values, search intent, interest, and purchase intent are all in the direction hypothesized. Thus, Hypothesis 1 is partially supported for Sony Walkman and fully supported for Levi Jeans.

Hypothesis 2 states that an advertisement of a price discount from a high-image store should produce greater perceived value of the offering, less intent to search further, and higher interest in and intent to purchase the offering. The results revealed no significant differences in search intent, interest, and purchase intent for both Sony Walkman as well as Levi Jeans. There were no significant differences, as well, in perceived value for Levi Jeans. However, as shown in Table 7, there is a significant difference ($p=.06$) in the perceived value of the Sony Walkman in the direction opposite to what was hypothesized (Table 7).

Hypothesis 3 states that an advertisement of a price discount from a store which is perceived as infrequently discounting its products should produce greater perceived value of the offering, less intent to search further, and higher interest in as well as intent to purchase the offering.

TABLE 5
Impact on Perceived Value, Search Intent, Interest, and Purchase Intent: Sony Walkman

	Perceived Value		Search Intent		Interest		Purchase Intent	
	F value	P value	F value	P value	F value	P value	F value	P value
Discount	14.27	.00*	1.98	.12	2.74	.05*	2.02	.12
Image	3.60	.06*	1.27	.26	.20	.65	1.75	.19
Frequency	0.00	.98	.03	.87	.88	.35	2.25	.14
D x I	1.71	.17	.25	.86	1.10	.36	3.00	.04*
D x F	.27	.84	.47	.71	1.04	.38	.66	.58
I x F	1.45	.23	.79	.38	.20	.65	.00	.95
D x I x F	.34	.80	.37	.78	.57	.64	.76	.52

D: Discount magnitude
F: Frequency of Discounting
I: Image of Store
* statistically significant @ alpha = .06

TABLE 6
Impact on Perceived Values, Search Intent, Interest, and Purchase Intent: Levi Jeans

	Perceived Value		Search Intent		Interest		Purchase Intent	
	F value	P value	F value	P value	F value	P value	F value	P value
Discount	29.33	.00*	11.94	.00*	7.39	.00*	8.89	.00*
Image	.18	.67	.28	.60	.04	.84	.02	.90
Frequency	.03	.87	2.10	.15	.96	.33	.10	.75
D x I	.11	.95	.36	.78	.59	.64	.20	.90
D x F	2.35	.08	.18	.91	1.24	.30	.31	.82
I x F	3.38	.07	.18	.67	1.27	.26	2.87	.09
D x I x F	.60	.62	1.17	.32	.14	.94	.56	.65

D: Discount magnitude
F: Frequency of Discounting
I: Image of Store
* statistically significant @alpha = .00

TABLE 7
Mean Values* Under Different Discount Frequency, Store Image Conditions

Sony Walkman

		Perceived Value	Search Intent	Interest	Purchase Intent
Image	*High*	5.11*	3.99	4.63	4.62
	Low	5.54	3.74	4.96	5.04
Discounting Frequency	*High*	5.34	3.88	4.97	5.02
	Low	5.27	3.85	4.51	4.52

Levi Jeans

		Perceived Value	Search Intent	Interest	Purchase Intent
Image	*High*	5.40	3.52	4.74	4.92
	Low	5.29	3.54	4.80	4.80
Discounting Frequency	*High*	5.32	3.41	4.54	4.79
	Low	5.38	3.68	4.84	4.94

* Based on a seven-point scale. The original value has been reverse-coded so that a higher value represents a higher perceived value, higher search intent, higher interest and higher purchase intent.

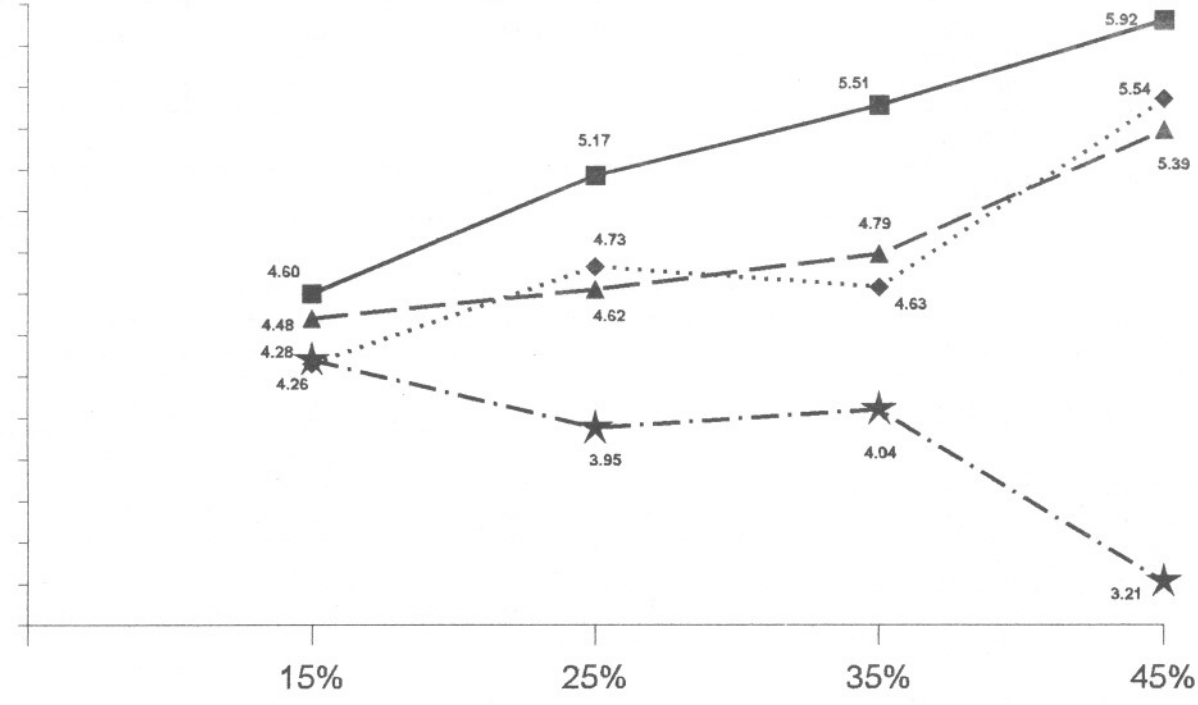
As shown in Tables 5 and 6, this hypothesis is not supported. There were no significant differences in perceived value, search intent, interest, and purchase intent for both the Sony Walkman and the Levi Jeans.

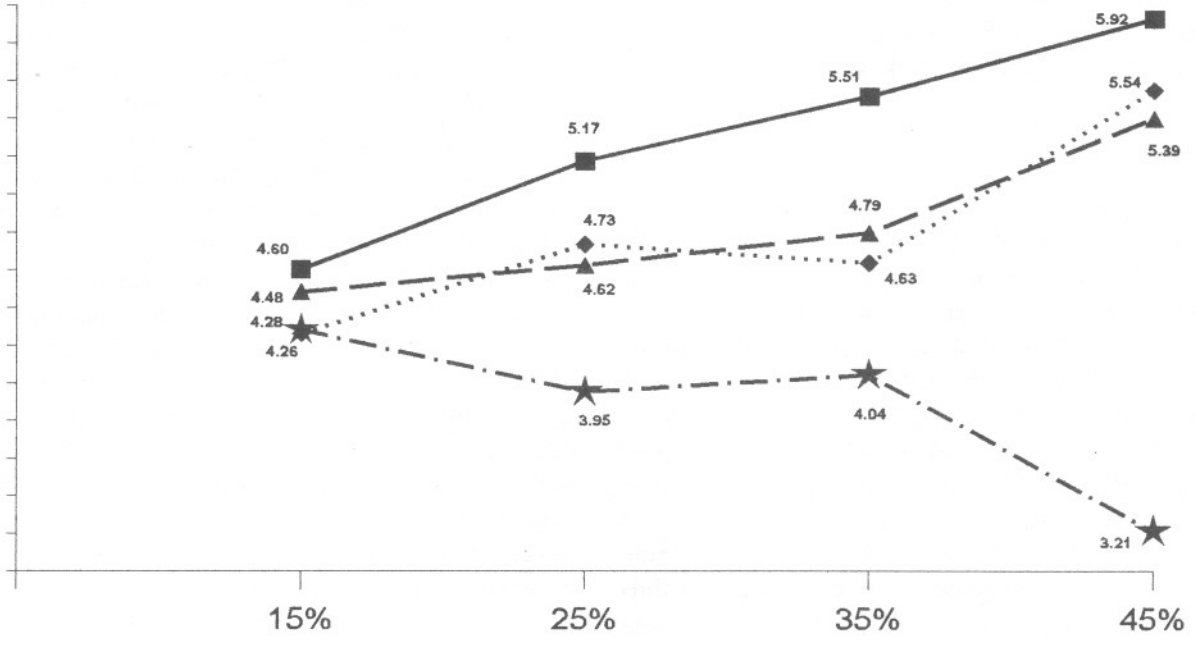
Discounting Frequency of *Most Stores*

The lack of impact of frequency of store discounting is somewhat perplexing. To further examine this issue, the data was analyzed from the perspective of the consumer's perception of how frequently the advertised product was discounted by *most stores*, rather than by the perception of the frequency of discounting of the store which advertised the discount. Respondents were asked to indicate on a seven-point scale, ranging from very frequently (1) to very infrequently (7), " In general, how often do you perceive most stores having sales of Sony Walkmans?" Responses were combined into three categories: high frequency (1 and 2 of the original scale values), moderate frequency (3, 4, and 5 combined), and low frequency (6 and 7 combined). Discounting frequency by most stores was found to have significant main effects (p=.004), as well as interaction effects with discount magnitude significantly impacting consumers' intent to search for (p=.000) and interest in (p=.053) Sony Walkman. Specifically, the more often respondents perceive most stores having sales of Sony Walkman, the less likely the respondents will engage in further search. Furthermore, as indicated in Figure 2, for those respondents who perceived Sony Walkman being discounted by most stores infrequently, their interest in the product increased as the discount magnitude increased (Figure 2). However, respondents' interest in searching further also increased (Figure 3). On the other hand, for those who perceived that the Sony Walkman has been discounted very frequently by most stores, their interest in the product rises as discount magnitude increases (Figure 2) and the intent to search declines (Figure 3).

FIGURE 1
Mean Value of Perceived Value, Search Intent, Interest and Purchase Intent at Different Discount Levels

Sony Walkman

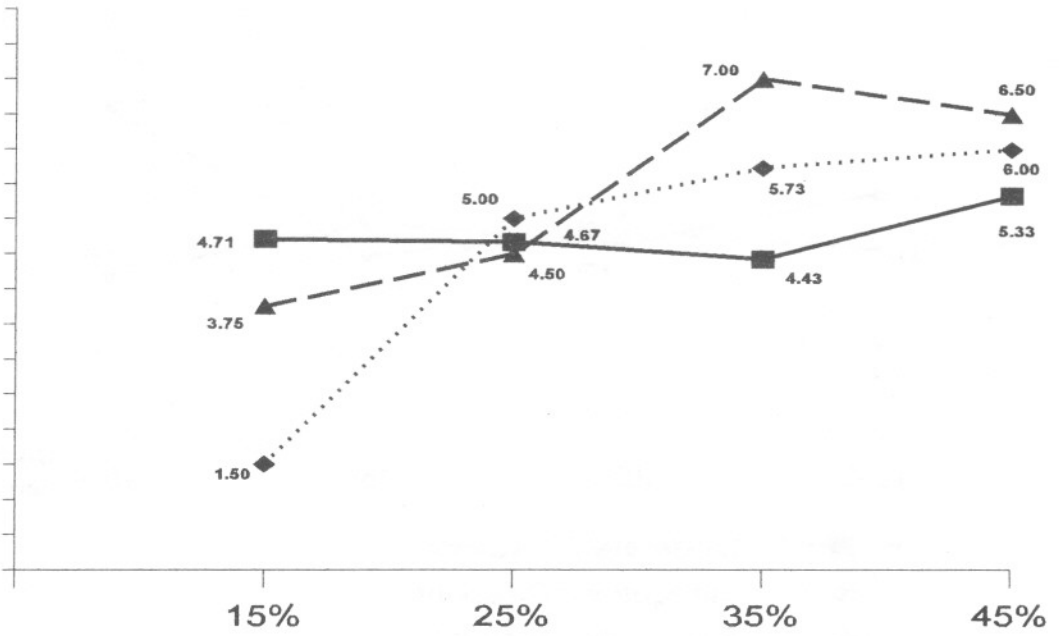




Levi Jeans

FIGURE 2
The Impact of Discounting Frequency by Most Stores on Interest in the Product

(a) Sony Walkman



Levi Jeans

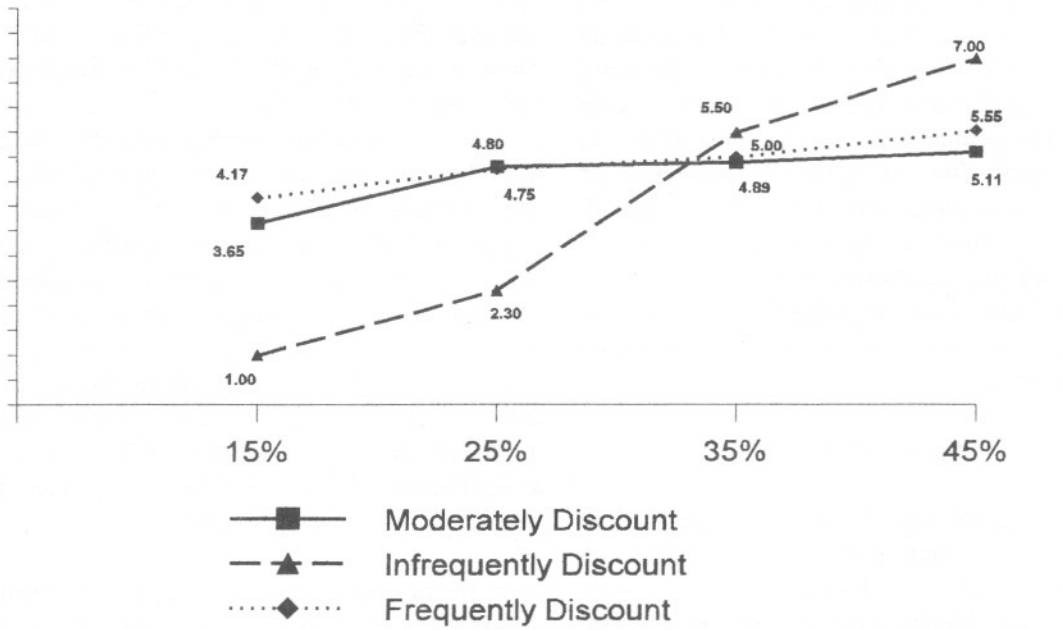
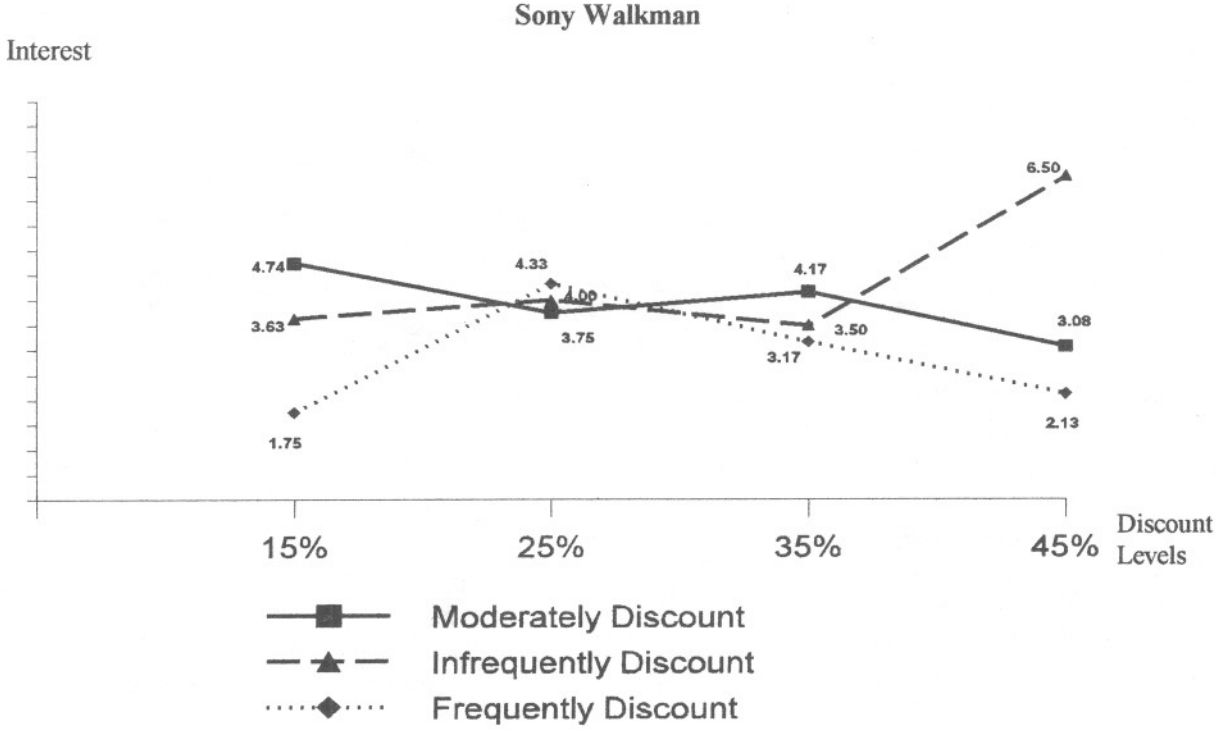


FIGURE 3
The Impact of Discounting Frequency by Most Stores on Intent to Search Further for the Product



Similarly, discounting frequency by most stores was found to have a significant (p=.001) main effect on consumers' intent to search for Levi Jeans. Discount frequency significantly interacted (p=.085) with discounting magnitude with respect to interest in Levi Jeans. Specifically, as perceived frequency of discount by most stores increased, intent to search also increased. Furthermore, as discount magnitude increased, all groups showed a marked increased interest in Levi Jeans, especially for those who perceive that Levi Jeans are infrequently discounted by most of stores.

DISCUSSION

The present study found that the magnitude of discount had a significant positive effect on respondents' perceived values and interest in Sony Walkman. In addition to perceived value and interest, it also found that the magnitude of discount had significant negative effects on intent to search and a positive effect on intent to purchase Levi Jeans. These results are similar to those reported by Gupta and Cooper (1992) within the discount range (15 percent to 45 percent). Furthermore, the results are partially consistent with the findings of Della Bitta and Monroe (1980) where they found that respondents did not perceive significant savings between 30 percent and 50 percent discount levels. In the present study, there were no significant differences in the perceived values between 25 percent to 35 percent (p=.263) and 35 percent to 45 percent (p=.118) for Sony Walkman and between 25 percent to 35 percent for Levi Jeans (p=.097), but there was a significant difference between 35 percent to 45 percent (p=.007) for Levi Jeans.

The present study failed to find support for the notion that respondents would perceive a prestigious store's offer as being of higher value. Further, respondents

expressed less interest in the offering, less intent to purchase, and less intent to search for further information. This result is consistent with Gupta and Cooper's (1992) study that also failed to find support for the hypothesis that respondents would perceive a higher discount for an offer from a high-image store than from a low-image store. Similarly, the study failed to support the hypothesis that the perceived frequency of discounting by the *advertised store* has a negative effect on perceived value, interest in, and intent to purchase the advertised product, but had a positive impact on the intent to search further. Since store image, discounting frequency of the *advertised store,* and brand name all serve as surrogate measures for credibility of the advertised claim, the fact that Sony and Levi, two very well-known brands to the college students, were used in the current study may well overshadow the effect of both store image and discounting frequency. Had the study employed one well-known and one lesser-known or fictitious brand, the overpowering effect of brand name may have been assessed. The situation is similar to the earlier single-cue studies that found price as an indicator of quality (Lamber 1972). However, as multiple cues were introduced into the studies, the impact of price was greatly reduced (Rao and Monroe 1989; Dodds, Monroe, and Grewal 1991). Since consumers are not limited to buying a product from a particular store, the perceived discounting frequency of a particular store may have less relevancy to consumers' evaluations of the product than the perceived discounting frequency of the product by *most* stores.

CONCLUSION

As expected, as the amount of the discount increases, perceptions of value and interest in the product also increases. However, perceptions of value, interest, and purchase intentions are no greater when more prestigious stores advertise a price reduction than a price reduction from a less prestigious retailer. In fact, in the case of the Sony product, value perceptions are negatively affected when a high-image store discounts. Finally, those stores that infrequently offer price discounts seem to gain no additional benefit over stores that frequently discount when they do provide a price break. Consequently, one may argue that today's savvy consumers have become so price conscious and knowledgeable about competitive pricing that the image of the store and past discounting practices have no effect on their price points and value equations. This may be bad news for prestigious retailers who often assume that the image of the store translates into the ability to charge more for similar products and who expect to gain greater mileage out of price reductions.

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