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Deal Deception – How Stores Trick You into Making Impulse Purchases

Have you ever purchased an unnecessary item solely because it was on sale? Discounts, built on the foundation of sales, are incentives to make consumers take a second look at items. They could lead to impulse, or unnecessary, purchases driven by the thought of saving money. The idea of discounting has inundated the shopping industry for as long as it has existed. Starting in the late 1800s, Coca-Cola kickstarted coupon usage through free beverage tickets (Tuttle par. 2). Coupons also became largely popular during the Great Depression, when saving money was vital for Americans (Tuttle par. 3). Today, discounts can be found almost everywhere, through the internet or in stores, and many pursue these deals. Almost every shopper has stopped to look at the big red tag with bold white letters offering an additional benefit to their purchase. This has been commonplace in stores for years, encouraging customers to spend their well-earned money on a seemingly cheaper product. Many believe that the promise of a lower price from such a high amount is too good to be true. This is mostly because it is. Though many argue the validity of discounts because of company risk and customer naivety, the shopping industry has been actively working to manipulate their patrons through changing discount types, luring consumers, and price framing. This can encourage impulse purchases, causing buyers to spend more money than they need on items of negligible importance. Companies should avoid lying to consumers for profit, seeking to build a relationship for long-term benefit instead. Also, buyers should be more conscious about shopping to prevent unnecessary purchases in the future.

Discount types, whether dollar-off or percent-off, are overwhelmingly successful in tricking customers. Kacy Kim in "Dollar-Off or Percent-Off? Discount Framing, Construal Levels, and Advertising Appeals" evaluates differing levels of consumer appeal towards certain discount types. Customers have different reactions when exposed to certain types of discounts paired with advertising. Kim determined that "Dollar discounts rather than percentage discounts are easier to process" (315). Having a simple "$ off" a product instead of a "% off" can certainly appeal to customers that are less willing to calculate the percent deduction. Companies know that many consumers are lazy when it comes to calculating prices, so they opt for tricking them with more appealing deals. Typically, in a store, shoppers would be more inclined to dollar off than percent-off discounts because percentages are generally more complex than whole number subtraction. Taking this into account, companies can entice more customers and impulse buyers by utilizing the more attractive deal of the two. Kim also dives into the relationship between certain discounts with advertising types. She found that "Dollar-off discounts enhanced the overall effectiveness of advertising that highlighted product attributes" while "percent-off discounts enhanced the overall effectiveness of advertising that highlighted product benefits" (Kim 321). Knowing that dollar-off discounts and percent-off discounts pair with certain advertising methods can be detrimental. This gives companies another tool to further influence their patrons into purchasing items. For example, advertisements claiming that shoes will make buyers run faster pair better with percent-off discounts. Alternatively, ads about how a product is made of 100% silk pair better with dollar-off discounts. By taking advantage of these advertising techniques, businesses can increase the likelihood of unnecessary purchases. Choosing between percent discounts and dollar discounts can make a large difference when selling products. The article "When Do Amount-off Discounts Result in More Positive Consumer Responses?"

explores the effect of discounts on consumer satisfaction. This article is an accumulation of studies on discounts as well as customer response to investigate the influence of discounts on consumer experience. In the article, Yuan describes the impact of large numbers on consumers. It was found that "20% off seems larger than $8 off for a $40 item, and $200 off seems larger than 20% off for a $1000 item" when appealing to customers (48). This analysis of consumer price perception shows that shoppers are attracted to larger numbers even if they are identical in value. Using this information, discount types could be easily manipulated to appear as a better deal to naïve customers. For instance, using large numbers to appeal to a sale on necklaces can make a customer more inclined to make a purchase. This can be a catalyst for impulse buying, fooling the buyer into thinking they obtained a bigger bargain on necklaces than they thought.

Luring customers by employing ideal, sometimes unethical, discount strategies is another tactic utilized to trick naïve shoppers. Gerard Cachon explains in "Price Commitments with Strategic Consumers: Why It Can Be Optimal to Discount More Frequently … Than Optimal" that companies need to take advantage of certain pricing strategies. More specifically, companies should utilize a strategy that comprises of discounting frequently. Cachon determines that "By offering discounts sufficiently often… the firm provides the motivation needed for consumers to visit, thereby increasing the firm's demand, which in turn leads to the maximum revenue" (405). This shows that businesses use discounts to lure consumers for maximum potential short-term revenue. This could allow for more shopper impulse purchases since many of the stores using this strategy do not sell necessities. Attraction to saving money is a natural trait in a shop-heavy culture, and the fact that stores are implementing strategies to manipulate customers into needless purchases shows how they are willing to exploit their patrons for more money. A tactic to further exploit consumers is through tracking their data. In "The Daily You: How the New

Advertising Industry Is Defining Your Identity and Your Worth," Joseph Turow discusses the growth of online advertising and privacy on the internet. He explains how advertisers are using the population's information to appeal to specific needs or desires. Turow mentions that "you may find you're getting better or worse discounts on products than your friends" and "ads seem to follow you around the internet" (265). The reason that discounts differ from individual to individual is that online advertisers follow users and create ads based on their information. This tactic is an easy way to influence impulse purchases, as using someone's information to find weaknesses against them can cause unnecessary consumption. Imagine a customer that likes to spend their leisure time looking at new shoes that release every month. That information paired with the user's other search tendencies can allow advertisers to target specific ad desires the user might have. One software that utilizes user information for discounts is Groupon. In "To Groupon or not to Groupon: The profitability of deep discounts," Benjamin Edelman describes the digital discount market, analyzing the success of Groupon's growth as a digital coupon service and examining the profitability of online discounts for companies. He also discovers how online coupons can be an effective way of attracting potential customers. Edelman observed that "Voucher discounts, a form of discounted initial pricing, may encourage consumers to try experience goods they otherwise would have ignored" (42). Online discounts are another type of bait that draws customers into the trap of impulse buying. These discounts typically increase business more than in-person advertisements for products because of availability and ease of use. With online discounts being more popular than ever, it allows for this trickery to reach an even broader audience. Remaining in the realm of online shopping, some businesses commit various unethical acts to trick buyers into making a purchase. Alicia Adamczyk, in "These Are the 'Potentially Unlawful' Tactics Retailers Use to Trick Customers into Spending More Money," describes the immoral deception that online businesses employ. Along with the growth of online stores, there have risen many new forms of deception to make shoppers buy items, many times unethical. Adamczyk found after an analysis of thousands of websites, that they “trick people into signing up for recurring subscriptions and buying things they don’t want,” with some websites even “add[ing] items to a customer’s cart without their knowledge” (par. 2, 5). Essentially, online stores are using shopper information to add products, without consent, making them think, “did I add that?” This is shocking because this is a very powerful tool to make consumers second-guess their own choices and cause unnecessary purchases. Imagine the manager of a store putting products into a customer’s shopping cart when they aren’t looking. How would they respond to that?

Although stores are clearly attempting to trick customers into making unreasonable purchases, others claim that it could be avoided and that stores are not at fault. Some argue that the company is not to be held accountable and that naïve customers are to blame. In “Price Commitments with Strategic Consumers: Why It Can Be Optimal to Discount More Frequently … Than Optimal,” Cachon brings insight into different types of consumers. He differentiates strategic consumers, those who are making better shopping decisions and “strategically waiting for a discount”, from nonstrategic consumers (Cachon 399-400). The main point is that everyone should be strategic consumers, avoiding the discount deception in stores. Naïve consumers are allowing stores to trick them, and they should learn how to find a way around it. This argues that if a customer is in a store and is fooled by a discount perceived as a bargain when it isn’t, then the customer is at fault. If the shopper realizes the tricks employed by stores, it can pose issues for business. Fengyan Cai, in “Boomerang Effects of Low Price Discounts: How Low Price Discounts Affect Purchase Propensity,” looks at factors affecting purchase tendencies and how stores attempt to use low discounts against consumers. Within this analysis, he describes the scenario where customers realize store dishonesty. Cai, when mentioning company attempts to deceive consumers, explains that it “could induce feelings of being tricked, and consumers might feel upset, hurt, and even angry, and they might judge the seller as opportunistic” (809). When shoppers notice the blatant lies in front of them, it could reduce a business’s total number of customers. This makes discounting a dangerous move for companies, as trickery may cause dissatisfied customers. For instance, if shoppers find out that a company is lying to them, they will most likely look at the business as untrustworthy and refrain from purchasing their products. In addition to angry customers, negative company outcomes are a large factor in discount risk. In “Why Discounting is Bad for Business (and Why Simple Alternatives are Better),” the Sales Xceleration Team goes over why discounts are unfavorable for companies when promoting their products. Instead of using a risky discount strategy, they propose other ways to promote items and expand a business. The Sales Xceleration Team explains that discounting “lessens the perceived value of your product” and “it squeezes your profit margin unnecessarily.” Along with other dangers of discounting, these risks show how putting lower prices can reduce income and lower product value. With lower pricing from discounting, consumers will expect low prices and businesses will likely suffer from it. For example, if consumers are accustomed to buying shoes for 40% off of $100, they will likely resent paying the full $100 for shoes in the future. Though it may seem that businesses are not to blame for the risks they are taking, it ultimately does not constitute the deception of their patrons. Even though it is a risky move that can constitute a high reward for the company, it is still commonplace and will continue to incessantly plague the shopping industry.

Discount framing, or changing costs to make prices look better, is the most effective way to deceive naïve consumers. In “Boomerang Effects of Low Price Discounts: How Low Price Discounts Affect Purchase Propensity,” Fengyan Cai also analyzes the effect of minor price discounts against no price discounts when weighing consumer purchase tendencies. Cai describes that “With a low discount, the seller may be trying to trick consumers into believing they are getting a deal, although the discount does not translate into significant savings” (809). Stores have been tricking consumers into thinking they are getting a bargain for a long time and do not plan to stop any time soon. Viewing something as a deal can increase purchase tendencies and cause impulse purchases based on the perception of a good deal. For example, seeing a product for 5% off is more appealing than no discount, even though the 5% may be a minimal reduction in many cases. Along with price perceptions of a deal, stores trick customers with price perceptions of product value as well. Mark Armstrong and Yongmin Chen explain in “Discount Pricing” that consumer perceptions of products can be changed when looking at certain discounts on those products. This is effective for businesses because consumers can be misled into viewing discounts as a lower price on a higher quality item when they are not. Armstrong and Chen propose that if “consumers are naïve and believe a firm’s false claims, these consumers may be induced to pay more for the product than they would otherwise” (1615). This describes the relationship between company misinformation and its impact on sales. Companies that lie to their consumers have a better chance of getting more money from them compared to companies that are honest about pricing. If a business convinced its customers about their products being 100% all-natural, even if it was all lies, patrons would be willing to pay more for the company’s items. As Armstrong and Chen further examined this subject, they observed an unethical “fake discount” strategy. They found that, for two products, companies “double the regular price, and then… stick a ‘2 for the price of 1’ label on them, which keeps the unit price the same but adds the appearance of a bargain” (1625). This is a common practice in the shopping world. Bundling items and applying a discount while keeping the same price is a widely used trick to mislead naïve consumers that are prone to impulse buying. For example, getting two $3 bags of chips and promoting them for $6 as “2 for the price of 1” is an easy trap for consumers to fall into. This can cause them to buy more than they want just because it is seen as a good bargain when it is the same price.

As seen here, though some side with business attempts to discount their products and trick customers, companies are ultimately manipulating them through discount typing, luring, and price perception strategies. The ability to increase purchase likelihood by choosing dollar or percent discounts, enticing customers with online trickery and strategy, and making a product seem more valuable is a powerful tool to make customers reconsider. It is important to understand this deception so it can be widely recognized and challenged in the future. Removing discount tricks will compel businesses to practice honest advertising, building a community with its consumers instead of actively tricking them. For years, by proposing favorable dollar vs percent discounts, adding items to an online shopper’s cart without permission, and resorting to faking discounts, stores have been betraying their own patrons. This betrayal should not go unnoticed, and shoppers need to retaliate against this disservice. Consumers should seek to be more conscious shoppers, understanding that businesses are looking to make as much money as possible. Taking a more informed approach when entering a store can save money and prevent impulse purchases that may be unnecessary or of minimal importance. In the future, all discounts should be closely observed to prevent getting caught in the discount trap.

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