

## **Seminar Review**

Topic: PRICE SENSITIVITY ON FOOD APPLICATIONS

By: Pemika Timsuwan 6004640022

### **The summary of the paper**

Since the COVID-19 outbreak situation, which resulted in the lockdown of work from home policies and the need for restaurants to stop serving in-store dining services, all of which play an important role in the food delivery business. Nowadays, consumer decisions are made via online food ordering-delivery platforms that represent a part of digital culture, which the consumers tend to be influenced by environmental factors, while also determining alternatives from psychological factors such as Sales promotion tools that including price discount, coupons, buy one get one, etc. Also, food delivery applications have become more significant because there are more people order the foods via food delivery applications due to cost saving such as transportation cost, time-saving and very low food price from huge discount coupons during the pandemic. So, this study would like to study the price sensitivity of food applications and the impact of coupons on purchase decision behavior. There are 3 main questions for this study,

1. Do the promotion coupons result in a change in consumer behavior?
2. Dose the design of food applications plays a significant role on consumer's price sensitivity?
3. Which food categories do the consumers tend to wait for the promotion coupon?

For the theoretical Framework, there are 3 theories that can support this study. The first theory is that Intertemporal Choice theory, refers to the decisions, such as "Spending habits" that made in the present and can affect the future financial opportunities, which The consumers are required to the trade-off between the current consumption with a higher cost but receive the goods right away and the future consumption with less cost from discounts and promotions. The second theory is the 4Ps Marketing Mix, a strategy for marketing decision-making which comprises Product, Price, Place, and Promotion, which these used to answer the effect of coupons on consumers' price sensitivity behavior. The third theory is the Price Elasticity, used to evaluate changes in consumer demand due to changes in product or service prices and this theory used to answer the food types that are sensitive to sales promotion.

For the methodology part, there are 3 groups of hypotheses. The first group relates to the short term and direct effects of price promotions. The second group relates to long term effects of price promotions on consumers' engagement on a platform after the promotion period. The third group considers how price promotions alter strategic behavior in the long run. For the significant part of our primary sources, the surveyed method (Online survey) using questionnaires would be conducted in order to get the regular and non-regular online food ordering consumers' opinions in Thailand for 400 respondents in order to study the impacts of launching promotion coupons and price sensitivity on consumer behavior. After collecting the data from all respondents, the data needed to be transformed into numerical form to be able to analyse using the STATA program, which there are 4 groups of categories of independent variables which are demographic factors, ordering food behaviors, categories preference and promotional tools. This study used Probit Regression due to the categories for the dependent variable, which is the decision made by individuals before the Double-Digit Day campaign comes. Since the focus is on the behavior and decision to wait for the Double-Digit Day campaign of online shoppers, the most critical decision is whether to wait for the campaign and discount or not.

For the result and conclusion part, from the data collection and the analyzing of the data by using the STATA program, the research found out that gender, income, occupation, once-a-month of frequency of ordering, spending amount, food category, and some promotional tools such as minimum spend, and User-interface (UI variables), are significant factors affecting consumers' decision to wait for coupons. However, most of the food categories that the consumers are interested in have a significant influence on their waiting decisions for coupons. Also, most of the respondents believe that promotion coupons would be conducted not continuously in the future which affects the consumption behavior in the way that consumers are afraid of missing out. They tend to spend on other food while the coupon is not available and sometimes bring forward their consumption for future meals due to promotion coupons. However, the platforms have launched coupons to boost sales and hit targets, while also aiming to collect big data from these opportunities.

## **Review part**

However, based on my opinion there are some weaknesses in this seminar paper. The first one is the theoretical part, I think that there has another theory that could explain and support this study, which is “Utility Theory”, which explain behavior of individuals based on the premise people can consistently rank order their choices depending upon their preferences. Each individual will show different preferences and also explain the individuals’ observed behavior and choices. Individual buyers will spend their income on goods that will offer the greatest satisfaction, depending on their taste and the relative prices of other goods, which in the equilibrium, the marginal utility of money must be equal to the marginal utility of expenditure. The second weakness is the connection between question and conclusion of this paper. There are 3 main questions for this study, which consist of

1. Do the promotion coupons result in a change in consumer behavior?
2. Dose the design of food applications plays a significant role on consumer’s price sensitivity?
3. Which food categories do the consumers tend to wait for the promotion coupon?

For me, I think that this paper did not answer the second question, just answer the first and the third question. In the part of finding and analyzing results of this Seminar paper did not mention or analyze anything about the design of the food application that affect to consumer’s price sensitivity but represent just the promotional tools that can influence the waiting for coupon behaviors. So, my suggestion is that the second question should be changed in to “What should be the most important promotional tools that the food delivery application should give attention in order to influence and change consumer behavior (waiting for coupon behaviors)?”

For the methodology part, there are 4 parts in the online survey platform, which are Demographic factors, Ordering food behavior, Categories preference factors, and Promotional tools factors. And there are 400 respondents who live in Thailand. For me, in the Categories preference factor part, in the survey the consumers have to choose that they interest or not interest in the give categories of food, which there is total 37 foods categories, which are Assorted meat, Bakery and Pastries, Yakiniku/BBQ, Breakfast & Brunch, Bubble tea, Burgers, Catering, Chinese, Coffee-Tea, Cooked to order, Dim-sum, Drinks, Esan, Fast Food, Fried Chicken, Frozen yogurt & Ice cream, Healthy food, Hot pot, Indian, International, Italian, Japanese, Juice & Smoothies, Korean, Noodles, Northern, Pizza, Ramen, Rice bowls, Seafood, Shaves ice, Small bites/ Snacks, Southern, Steak, Street Food, Sushi, and Western. I think that there are too much categories that I have to choose and also some are unnecessary. I think that the researcher should make it’s clearer. For example, “Sushi” should be categorized in the “Japanese food”, “Burger/ Fried chicken” should be categorized in “Fast food”, “Dim-sum” should be categorized in “Chinese food”, “Bubble tea/ Coffee-tea/ Juice & Smoothies” should be categorized in the “Drinks”, “Pizza”

should be categorized in the “Italian food”, etc. So, in my opinion, the food categories in this part of the survey are not reasonable and not suitable.

However, this paper did a very good job in the Literature Review part, there are three streams of literature which connect to this paper, which consists of the effect of coupons on consumers’ price sensitivity, Food types that is sensitive to sales promotion, and Food delivery application design attributes and the effect upon user-perceived value. According to Heilman et al. (2002), the effect of coupons on consumers’ price sensitivity, coupons act as stimulants that improve the mood of customers and induce them to increase their spending. From above statement, I think that It’s very connected with the objective of the study and also the conclusion of this seminar paper that the consumer tend to spend on other food while the coupon is not available and sometimes bring forward their consumption for future meals due to promotion coupons.

