

# MISQ Archivist

## Designing Promotional Incentive to Embrace Social Sharing: Evidence from Field and Online Experiments

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### Abstract

Despite the increasing connectivity between consumers and the large volume of social shares supported by digital technologies, there is an absence of research systematically investigating how firms can design promotional incentives that jointly consider their consumers as both purchasers and sharers. In this study, we examine whether and how firms can leverage consumers' social connections and engage consumers to share promotional incentives. In collaboration with a leading online deal platform, we report a large-scale randomized field experiment to test the effectiveness of different incentive designs (varying in the *shareability* and *scarcity* of promotion codes) in driving social sharing senders' purchases and successful referrals. We find that the different incentive designs have distinct impacts on the purchase and referral outcomes. Specifically, providing senders with one non-shareable promo code significantly increases their own purchase likelihood, compared to the other experimental groups. In contrast, the senders who receive one shareable promo code are less likely to purchase themselves yet are more likely to make successful referrals. Surprisingly, the incentive design with two promo codes containing one non-shareable code and one shareable code increases neither the senders' purchase nor their successful referrals. Managerially, we estimate that although the one non-shareable promo code group derives the highest net revenue for the experimental period, the one shareable promo code group derives the highest customer lifetime value for the firm from the new customers acquired through the successful referrals. We further conducted two online experiments on Amazon Mechanical Turk that replicate the field experiment's findings and explore the underlying mechanisms of the observed relationships. We find that exclusivity perception and social motives triggered by the incentive designs with one promo code mediate their effects on senders' self-purchases and successful referrals, respectively, and explain the ineffectiveness of two promo codes. Our study contributes to the bodies of literature on IT-enabled social sharing and social promotions, providing implications for firms on how to design promotional incentives that accommodate the dual role of consumers as purchasers and sharers.

**Keywords:** Social sharing, incentive design, social promotion, randomized field experiment, online experiments