

## **The Impact of Promotional Tools on Consumer Buying Behavior in Retail Market**

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### **Abstract**

*Retail markets have been one of the most rapid growing markets in the world for the last decade; to stay competitive, retailers use effective sales promotions tools and that become a vital technique for marketers to stimulate consumer buying behavior towards purchasing any product. The aim of this study is to determine the impact of the most used tools of sales promotion in retail sector such as: coupons, sample, price discount and buy one get one free on consumer buying behavior from two aspects; brand switching and customer loyalty. This study based on literature review, conceptual framework and hypothesis which open the door for future researchers to expand more in this field.*

**Keywords:** Sales promotions tools, Consumer buying behavior, Purchase decisions, Marketing

### **Introduction**

Retail market is growing in a high velocity environment all over the world. All types of promotional activities are currently used by retailers in order to be differentiated in the market. At the same time, competitiveness among retailers is booming. As a result of population and economic growth, retailers started to enlarge their marketing activities toward consumers. Peattie and Peattie (1994) stated that "Marketing activities usually specific to a time period, place or customer group, which encourage a direct response from consumers or marketing intermediaries, through the offer of additional benefits". One or more of these activities is to use promotional tools and techniques (such as: sampling, discounts, sales, buy one get one free, coupons, rebates, point-of-purchase displays, contests, premium money back offers and loyalty programs) which directly influence individual to give quick decision and to finalize purchasing process. Since the competency between retailers is very high, the main two ideas behind these excessive promotions from marketers point of view that it has a direct influence on individual buying behavior by inducing competitive consumers towards their products and to retain their loyal customers. Therefore, the aim of this research is to study the impact and the relationship for the common promotional tools in the retail sector, namely: coupons, sample, price discount and buy one get one free, to examine their effect on consumers buying behavior which include brand switching and customer loyalty. In this study, researcher used theoretical information and data that collected from books and scientific published articles related to promotion tools and people buying behavior.

This paper is organized in the following way. After the introduction, section two presents all of the related previous studies regarding promotional tools (independent variables) which include; coupons, sample, price discount and buy one get one free, and consumers buying behavior (dependent variable) which include; brand switching and customer loyalty. Section three identified the problem definition which include; problem statements, research question and objectives. Section four of the study builds a theoretical model and hypothesis. Section five presents findings analysis and finally study limitations and conclusion.

### **1. Literature Review**

#### **2.1. Sales promotion**

There is a great body of literature and previous studies which discussed the relationship between sales promotion and its impact on consumer buying decisions, especially coupons and price reduction, since they are most extensive used types (Krishnha and Zhang, 1999; Huff and Alden, 1998; Leone and Srinivasan, 1996; Bawa and Shoemaker, 1987, 1989 Gupta, 1988, 1993; Blattberg and Nelsin, 1991).

There have been many definitions of sales promotion. According to John and William (1986), the sales promotional marketing activities considered to be more efficient than advertising publicity and personal selling. In addition to that other researchers considered sales promotion as a direct inducement, proposing special added value for goods to target salesperson, customers or resellers (William and Ferrell, 1987; Gardener and Treved, 1998). According to Joncos (1990) sales promotion is an effective way of competitive retaliation rather than marketing activities. Mercer (2002) defined promotion as it is a technique which mainly used by marketer on a temporary basis to create an attractive goods or services to encourage the customers to purchase goods or services in a specific time period by providing more benefits. Belch and Belch (1996) defined sales promotions as direct encouragements provide an additional stimulant for the products to be sold or distributed in a short period of time. Both Kotler (2002) and Totten & Block (1994) defined sales promotion as any activity which obtained by the producers usually short term designed to encourage quicker or greater amount trade retailer or wholesaler as well as influence individual to buy the product. According to Perreault, Cannon & McCarthy (2006) and Shimp (2003) sales promotion defined as a communicating information within two parties, seller and potential buyers, which is obtained to effect customers decisions.

Brassington and Pettitt (2000) provide a new definition for sales promotion as “a range of marketing techniques designed within a strategic marketing framework to add extra value to a product or service over and above the “normal” offering in order to achieve specific sales and marketing objectives. This extra value may be a short-term tactical nature or it may be part of a longer-term franchise-building program”. Moreover, Zallocco, Perreault & Kincaid (2008) defined sales promotion as it is an intentional effort from marketers to deliver the appropriate information in suitable inducement way to get the desired acceptable responses from the customers.

According to Cotton and Babb (1978) another trend of sales promotion used to increase consumer purchases which known as in-store promotion, it is more effective during the period when a deal is going on. Some researchers have different views that promotion is an expensive tool and it may affect negatively on retailers profits (Walters and Mackenzie, 1988). Additionally, Martinez and Montaner (2006) indicated that there are some factors can induce customers to buy more or less, depends on his economic and hedonistic situation as well as his characteristics.

## **2.2. Samples**

Sampling is a smart way to present fewer amounts of products to the customers with no cost, and it can be sent directly to the customer by mail or attach the sample to another type of products, so they can able to test or try the product rather than just hear about it, which it can affect their behavior to purchase it in the near future (Kardes, 1999; Pramataris, 2001; Pride and Ferrel, 2008). According to Clow and Baack (2007) they defined the free sample method as a technique to induce customers to try new lunched products.

Lammers (1991) indicated that sampling method can effect on consumer buying behavior and it has a positive relationship to a fast selling procedure. Other researchers agreed that free sampling method has a positive effect on consumer buying behavior (Parmataris, 2001; Fill, 2002; Shimp, 2003). However, Jackaria and Gilbert (2002) did not agree with this positive relationship between free samples and consumer buying behavior, which it can be varied from product to another and from specific time to another. Later on Ndubisi and Chiew(2006) admitted that free samples technique has a significant relationship on consumer buying behavior.

## **2.3. Coupons**

Coupons considered as one of the most used tools by marketers to stimulate consumers by giving them a voucher or certificate that save some money when they want to purchase any type of products later on or in the future, such as 25% reduction from the main price or a fixed discounted amount like 5\$ per piece (Fill, 2002; Harmon and Hill, 2003; Ndubisi and Chew, 2006). Coupons have been existed to produce product trial (Robinson and Carmack 1997). According to Cook (2003) customers can easily be convinced with the coupons technique since it is very useful tool for trial buying, and it considered as a good way to be used to induce customers brand switching. According to Gilbert and Jackaria's, (2002) they found that coupon promotions have no significant effect on volume of product purchased by a consumer.

Some researchers indicated that consumers are influenced by the price reduction in the given coupons, so coupons used to be as a smart sales tool (Peter and Olson, 1996; Gardener and Trivedi, 1998; Dark, 2000). According to Ndubisi and Tung (2005) coupons have many benefits and trends towards the marketers in a way that they can boom the sales in a short period of time and they can stimulate customers to switch to other brands or products.

Kotler and Armstrong (2006) examined the electronic coupon machines as a good tool to save customers purchasing history, and based on that, voucher will be offered depends on customer current bill and on the pervious purchased amount. On the other hand, some researchers showed that coupon is ineffective tool to be used as sales promotion; these studies examined customers behavior towards the huge price reduction offered by coupons; since it can affect the value of any product negatively, and that can lead to an influence on product trial (Silva-Risso and Bucklin, 2004; Gilbert and Jackaria, 2002).

#### **2.4. Price discount**

According to Fill (2002) price reduction is a valuation approach where goods or products are offered in a good discounted buying price and it seems to be a reduced cost to the consumers, mostly applied in hypermarkets and point of purchase displays. Price discount is “reduce the price for a given quantity or increase the quantity available at the same price, thereby enhancing value and create an economic incentive to purchase” (Raghubir and Corfman, 1999). Other studies found that price discounts (cut off prices) playing an important role in stimulating new customers’ behaviors to try the offered products (Brandweek, 1994; Blackwell, Miniard and Engel, 2001; Fill, 2002; Shimp, 2003).

Short-terms peaks (seasonal) in sales usually attracted the occasional users of the same brand more likely than getting new customers to purchase the discounted good, moreover, these occasional users after getting benefit of this promoted good would most likely getting back to their preferable brand or type rather than buying that promoted brand at full price after discounted season (Ehrenberg et al, 1994). According to Percy (2001) consumers are more to be attracted to price discount promotions. Ndubisi and Chiew (2006) claimed that product trial has a relationship with price discount, in a sense that the first can be increased by price reduction for any product. Others stated that price reduction has a relationship with different promotion tools in a way that they are effecting each other and pushing the customers to buy the product, such as coupons and samples (Huff and Alden, 1998; Krishna and Zhang, 1999; Mela et al., 1997; Gilbert and Jackaria, 2002) It is also indicated that a huge discounted price for any product which happened to be in sales seasons would exercise by dealers because of consumer’s price awareness (Kopalle and Mela, 1999; Banks and Moorthy, 1999; Smith and Sinha, 2000).

#### **2.5. Buy one get one free**

According to Sinha & Smith (2000) Buy one get one free defined as one of the common used promotion tools of sales promotion, in a sense that if you buy one product, you get another one for no cost, by using this technique the customer can be easily attracted to buy the product because there is no additional cost and it should be more valued from the customer perspective, therefore customer can’t ignore such great deal. The bonus packages and extra products without cost inspire the customer buying behavior to purchase the product; because customers are getting good feeling towards such offer especially if it is in large sizes packages and properly advertised. Moreover, such promotions increasing product trial and customers switching (Gardener and Trivedi, 1998; Percy, Rossiter, and Elliott, 2001). According to Li, Sun & Wang (2007) Buy one get one free type promotions is a very helpful tool especially to marketers and manufactures who want to clear their stock more quickly.

#### **2.6. Consumer buying behavior**

The impact of sales promotion on consumer buying behavior has been widely stated in many researches and studies, they have shown that there are a lot of factors can effect consumer buying behavior, either to buy or not (Nagar, 2009; Smelser and Baltes, 2001). According to Nijs, Dekimpe, Steenkamps and Hanssens (2001) sales promotions have a huge impact on consumers buying behavior such as purchase time, product brand, quantity and brand switching. Moreover, consumer purchase decisions sometimes based on the price sensitivity, individuals are more attracted to promoted products (Bridges, Briesch and Yim, 2006). According to Schiffman and Kanuk (2004) there are four views for explaining consumer decision and behavior such as, economic view which it has the more impact followed by passive view, emotional view and cognitive view, they also stated that consumer buying behavior concerned on how customers decide what product they want and how that evaluation is going to be and its impact on future purchases. According to Naimah and Tan (1999) some factors affect consumer to buy a specific product such as high purchasing power and other sales physical surroundings. Kotler (2003) argued that other social and economic factors may affect consumer decisions for example culture and fundamental factors of consumer behavior.

## **2.7. Brand Loyalty**

Brand loyalty divided into three parts from a behavioral aspect, they are: primary behavior, secondary level behavior and re-buy intention. In regards to primary behavior the customer repurchase or otherwise continue using the brand, and it can be verified by repeating to buy a product or a service; while secondary level behavior indicated to other positive behaviors such as word of mouth advocacy and commitments; rebuy intention indicates to consumer future intention to repurchase product or service. (Chen, Chen and Hsieh, 2007; Jones and Sasser, 1995; Dick, Alan S. and KunalBasu, 1994)

Many marketers believe that brand loyalty is a key factor for business successful. According to Oliver (1999) brand loyalty indicates to customer willingness and commitment to repurchase or patronize a likely product or preferred service regularly for a long term, therefore it leads to same brand set purchasing. Chen and Ching (2007) stated that loyalty consist of two major dimensions: behavior and attitude, the first one indicates to consumer frequent actions as a result of brand loyalty, the second one indicates to influential behavior as commitment. Rust and Zahorik (1993) stated that it is more valuable, beneficial and cheaper to retain firm current customers rather than get new ones.

## **2.8. Brand Switching**

According to Evan, et al. (1996) brand switching refers to consumer decision to purchase another type of product brands different from the usually purchased when the previous brand does not satisfy their needs. There are some major factors which affected consumers buying behavior for one brand to switch to another brand such as: service quality, brand name, price, and product quality (Mittal and Lasser, 1996; Garvin, 1988; Evan, et. al. 1996; Aaker, 1996; Cadogan and Foster, 2000).

Moreover, Evan, Moutinho and Ranji (1996) stated that brand switching is a branch of consumer loyalty, therefore consumer loyalty consist of hardcore loyal customers who repeat a particular product purchase and brand switchers who usually more price sensitive and they used to buy two or more brands. According to Lau, Chang, Moon and Liu (2006) they referred that sales promotion is occupying a major role on consumer buying behavior which is a factor to differentiate brand switchers from hardcore loyal consumers, and their study pointed that brand switchers are more affected by sales promotion.

## **2.9. The relationship between sales promotions and consumer buying behavior**

According to Quelch (1989) promotional tools, materials and techniques have dramatically increased in the recent years by marketers. Then Blattberg and Neslin in (1990) admitted that sales promotion has an impact on consumer buying behavior by focusing on promoting occasion. Schneider and Currim (1991) argued that customer's promotion acceptance is based on the out and in store sales promotion. Later on Schultz (1998) indicated that sales promotion has a direct effect on customers' behaviors. Chandon, Wansink, and Laurent (2000) pointed that there are other factors can influence consumer buying behavior rather than reasons beyond price saving. Pramataris (2001) argued about sampling which is a good technique and it has less cost and an effective tool to attract customers. Fill (2002) indicated that promotion tools has a huge impact on consumer buying behavior during any competition; therefore discounted price one of these tools which effect customers decisions.

In regards to Pickton and Broderick research (2005) sales promotion can result in increasing sales volume with less profit. Others also agreed that sales promotions' is aiming to influence consumer buying behavior by introducing new brand product which is going to be targeted the customers who have no previous experience with it (Solomon, Marshall and Stuart, 2008; Kotler and Armstrong, 2004). However, Esfahani and Jafarzadeh (2012) found that psychological variables have a significant relationship with sales promotion; therefore they concluded that there is no significant relationship between impulsive behavior and sales promotion.

## **3. Problem Definition**

### **3.1 Problem statement**

The aim of this paper is to examine the impact of different sales promotion tools (independent variables) such as: coupons, sample, price discount and buy one get one free on consumer buying behavior such as: brand switching and customer loyalty (dependent variable) towards market retailers. The objective of this paper is to identify:

- The promotional tools and their impact on motivating consumer buying behavior and purchase decision of consumers
- The various factors that influences consumer buying behavior and purchase decision.

### 3.2 Research Question

In order to better analyze the research factors and reach the research objectives, following research question has been developed.

Do the sales promotion tools (coupons, sample, price discount and buy one get one free) have significant impact on consumer buying behavior (brand switching and customer loyalty)?

### 4. Theoretical Model

In the light of the research question and study objectives, following theoretical model has been developed. This model shows the impact of sales promotion tools; coupons, price discount, sample and buy one get one free on consumer buying behavior; Brand switching and customer loyalty. This relationship is drawn from previous studies that shown the relationship between sales promotion tools and consumer buying behavior which is shown in figure 1. Therefore following hypotheses have been created to answer study research question.

**Hypothesis 1:** There is a significant relationship between coupons and consumer buying behavior during sales promotion

**Hypothesis 2:** There is a significant relationship between price discount and consumer buying behavior during sales promotion

**Hypothesis 3:** There is a significant relationship between free sample and consumer buying behavior during sales promotion

**Hypothesis 4:** There is a significant relationship between buy one get one free and consumer buying behavior during sales promotion

### 5. Findings

#### 5.1 Analysis between coupon and consumer behavior

In order to analyze Hypothesis One which is ‘There is a significant relationship between Coupons and consumer buying behavior during sales promotion’ researcher used the study of D.C. GilbertN, and Jackaria, (2002), “The efficacy of sales promotions in UK supermarkets: a consumer view”, *International Journal of Retail & Distribution Management*, Vol. 30 Iss 6 pp. 315 – 322

The questionnaire was used for the study and administered face to face with respondents, the sample points were based upon two supermarket sites in Guildford and the questionnaires respondents were 160 consisting of 42 per cent male and 58 per cent female. Also, 30 respondents in the supermarket were interviewed and asked face to face to ensure reliability of statistics. The following questions were used by the researchers for to collect the data in regards to coupon which are listed in table One:

- A coupon has allowed me to buy another brand which I do not regularly buy
- I usually buy the same brand even when I have a coupon for other brands.
- A coupon has allowed me to buy the product earlier than planned
- A coupon has allowed me to buy more quantities of the same product.
- A coupon has allowed me to buy a product which I have never tried before.

From table One, it showed that the analysis (at 95 per cent confidence limit) of a coupon as a promotional tool with one way comparison using Wilks’ lambda statistic indicates there are no significant differences across the different buying behaviors. Moreover, correlation assessment indicated that coupon has no significant influence on reported purchase activity. In the light of this result, the first hypothesis is rejected, so, there is no significant relationship found between coupon and consumer buying behavior during sales promotion.

#### 5.2 Analysis between price discount and consumer behavior

In order to analyze Hypothesis Two which is ‘There is a significant relationship between Price discount and consumer buying behavior during sales promotion’ researcher used the study of Ashraf, Rizwan, Iqbal, and Khan, (2014), “The promotional tools and situational factors’ impact on consumer buying behavior and sales promotion”, *Journal of Public Administration and Governance*, Vol. 4, No. 2 ISSN 2161-7104

In this study, researchers selected respondents who have some sort of purchasing behavior in different areas of Bahawalpur. 200 questionnaires were collected to get better understanding and more reliable data in regards to the consumer behavior towards sales promotion.

The questionnaire structure divided into two parts; first part was targeting consumer personal information and demographics such as: sex, age, income, education and monthly salary, and the second part was about examining people awareness for the various marketing tools and techniques which consists of two promotional tool and two situational factors in order to measure consumer's behaviors towards price discount. In that research, Likert five point scales have been used and the data was analyzed on SPSS. Following questions were used by the researchers in regards to price discount:

- If a brand offers price discount that could be a reason for me to buy it.
- When I buy a brand that had a discounted price, I feel I am getting a good buy.
- Price discount has allowed me to buy another brand which I do not regularly buy.
- I have favorite brands, but most of the times I buy a brand that give good offers.

After analyzing the data, it is agreed that price discount has a strong positive correlation with buying behavior ( $\beta = 0.253$ ,  $p = 0.005$ ). Also, the significance value was less than 0.05. In the light of this result, the second hypothesis is accepted, so, there is a significant relationship found between price discount and consumer buying behavior during sales promotion.

### 5.3 Analysis between sample and consumer behavior

In order to analyze Hypothesis Three which is 'There is a significant relationship between Sample and consumer buying behavior during sales promotion' researcher used the study of Carrie Heilman, Kyryl Lakishyk, and Sonja Radas, (2011), "An empirical investigation of in-store sampling promotions", *British Food Journal*, Vol. 113 Iss 10 pp. 1252 – 1266.

In this research, the data was collected from a field study, which applied an actual free-sample program implemented by a US grocery store chain. Data was collected on six different products promoted by in-store free samples over six different weekends. The collected data includes consumers' trial and purchasing behavior with respect to the free sample. Consumers' response to the question, how much do you agree with the following statements about in-store free samples? As listed in table Two.

- I look forward to receiving free samples when I do my grocery shopping
- Stores that provide free samples are more festive
- Stores that provide free samples are of better quality
- I choose my grocery store based on the free samples they provide
- I do my grocery shopping when I know there will be free sample

From table Two, one-tailed t-test used to compare the difference between the proportion of samplers and non-samplers who purchased different type of products and categories. In Table Two, it shown that samplers would be more likely than non-samplers to purchase the promoted product. In addition to that, the purchase rate for the promoted product was significantly higher for samplers (40 percent) versus non-samplers (seven percent) ( $t = 5.89$ ,  $p, 0.001$ ).

Therefore, free sampling tool is a very effective to stimulate individual behavior towards purchasing decisions and it can encourage consumers to switch from planned to promoted brand, and retailers should focus more to enlarge their free sampling method which will lead to an increase in sales of the promoted product. In the light of this result, the third hypothesis is accepted, so, there is a significant relationship found between free samples and consumer buying behavior during sales promotion.

### 5.4 Analysis between buy one get one free and consumer behavior

In order to analyze Hypothesis Four which is 'There is a significant relationship between buy one get one free and consumer buying behavior during sales promotion' researcher used study of Javed, Rizwan, Khan, Aslam, Anwar, Noor, Kanwal, (2013), "The impact of promotional tools on consumer buying behavior: a study from Pakistan, *Asian Journal of Empirical Research*, vol. 3, issue 2, pages 114-130

In this research, around 200 respondents were asked to participate in self-administrative survey in order to collect the data for understanding the situation about the consumer buying behavior, respondents were well educated and they were willing to do continues purchasing decisions, respondents were taken from different metropolitan groups such as; university students, working professionals and business people.

Authors used Likert five point scales and the data was analyzed on SPSS. Following questions were used by the researchers in order to analyze the efficiency of buy one get one free tool:

- A buy one get one free has led me to buy another brand which I do not regularly buy
- I usually buy the same brand even when there is a buy one get one free offers on other brands.
- A buy one get one free has led me to buy the product earlier than planned
- A buy one get one free has led me to buy more quantities of the same product.

After analyzing the data, it's agreed that buy one get one free has a positive relationship with buying behavior ( $\beta = 0.205$ ,  $p = 0.018$ ) Also, the significance value was less than 0.05. In the light of this result, the fourth hypothesis is accepted, so, there is a significant relationship found between buy one get one free and consumer buying behavior during sales promotion.

## 6. Limitation and conclusion

### 6.1 Limitation

While this paper provides important insights into sales promotions tools and its impact on consumer behavior in retail sector, it also has some limitations. This study concentrated on retail sector looking into previous studies because time restrictions, for further future studies recommended to expand to test other sectors and fields in order to get new results and analysis, in addition to that findings can be based on empirical study built on questionnaires and surveys to get better reliable data.

### 6.2 Conclusion

After all analysis and discussion, following results have been drawn as a result.

Hypotheses	Result
<b>Hypothesis 1:</b> There is a significant relationship between Coupons and consumer buying behavior during sales promotion	<b>Rejected</b>
<b>Hypothesis 2:</b> There is a significant relationship between Price discount and consumer buying behavior during sales promotion	<b>Accepted</b>
<b>Hypothesis 3:</b> There is a significant relationship between free sample and consumer buying behavior during sales promotion	<b>Accepted</b>
<b>Hypothesis 4:</b> There is a significant relationship between Buy one get one free and consumer buying behavior during sales promotion	<b>Accepted</b>

Overall, sales promotion tools are playing an important role to stimulate customers towards buying any promoted product, and that will definitely increase dealers and retailers profit and market share. In this study it showed that consumers' behavior can be positively induced by using various promotion tools such as; price discount, samples and buy one get one free, on the other hand, it found that promotion tools such as coupon have no influence on consumer buying behaviors.

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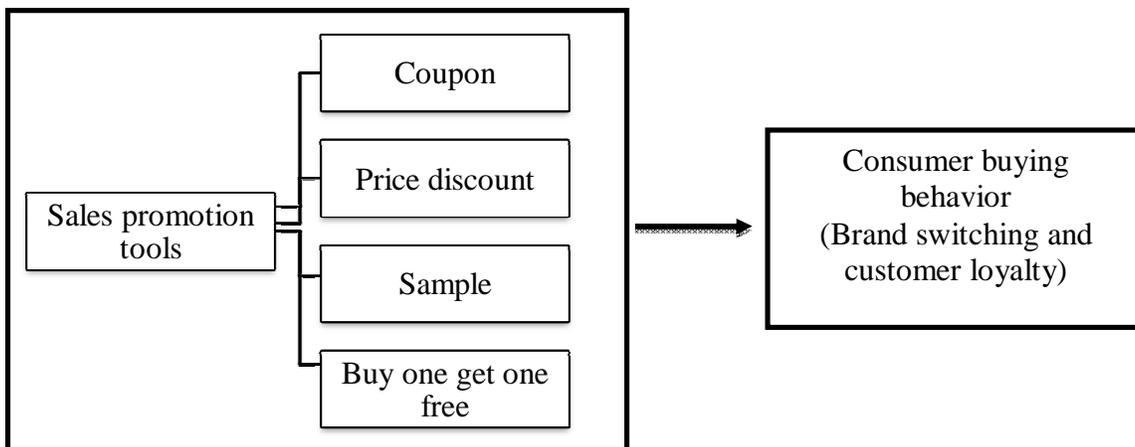
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**Figure 1: The impact of promotion tools on consumer buying behavior**



**Table 1: Tests of equality of group means for coupon**

**Table I** Tests of equality of group means

	Wilks' lambda	F	df1	df2	Significance
Coupon 1 brand switching	0.996	0.371	1	101	0.544
Coupon 2 brand loyalty	0.997	0.329	1	101	0.568
Coupon 3 purchase acceleration	1.000	0.041	1	101	0.840
Coupon 4 stockpiling	0.999	0.70	1	101	0.792
Coupon 5 product trial	0.991	0.966	1	101	0.328

**Table 2: Purchasing behavior of samplers and non-samplers**

	% of consumers who were planning a category purchase	% of consumers who purchased the promoted product	% of purchases for the promoted product that were unplanned	% of purchases for the promoted product that were not the consumers' "preferred" brand	% of consumers who purchased in the promoted category
Samplers ( $n = 259$ )	0.36	0.40	0.50	0.60	0.54
Non-Samplers ( $n = 95$ )	0.14	0.07	0.29	0.29	0.14