



# Effectiveness of Sales Promotion: Can Brand Loyalty be Achieved?

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## ABSTRACT

**Purpose** – This research aims to examine whether sales promotion are effective in building brand loyalty.

**Design/methodology/approach** – Multi-stage sampling technique was used. Retail outlets were selected by judgement and the respondents were chosen by systematic random sampling. A survey of 230 respondents has been conducted.

**Findings** –The study reveals that all the four constructs- promotion driven customer base, cynical view, restrictive requirements, and brand image, have a significant influence on the consumers' perception towards sales promotion. Furthermore, all the constructs like perception, preference for sales promotion, consumers' usage behavior and satisfaction were found to influence brand loyalty.

**Managerial Implications** – Managers should only go for sales promotion if it is strategically planned, not based on hype.

**Originality/value** – Consumers respond negatively to offers of sales promotions because of issues like promotion driven customer base, cynical view, restrictive requirements, and brand image. Brands should carefully plan their whole operation before jumping into such projects.

**Keywords:** Sales promotion, Promotion driven customer base, Cynical view, Restrictive requirements, Brand image, Perception, Satisfaction and Loyalty.

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## 1. Background

To stay competitive, businesses make promotional offers at random. Later, they realize that it is reducing their profit margin (Luk and Yip, 2008). Moreover, firms compete among themselves based on sales promotion rather than increasing product quality or considering well-planned marketing strategies. (Kendrick, 1998). On the other hand, consumers have become more price sensitive, and they are continuously looking for ways to reduce their purchasing costs. As a result, they keep switching from one brand to another in pursuit of sales promotions (Mendez et al, 2015). Additionally, because consumers are accustomed to receiving goods for free or at a discount, they are reluctant to pay full price for the same goods. As a result, if a firm discontinues a sales promotion campaign after a certain time, customers either switch brands or wait for the brand to reintroduce the promotion. (Raghubir, P., 2005). Thus,

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businesses are compelled to make sales promotion deals or risk losing clients. However, this is also having a negative impact on the brand's image and profit (Kendrick, 1998).

Sales promotion has been the subject of numerous studies. A few researchers (e.g., Turki, M. D., 2017, etc.) have assessed attitudes toward sales promotion. Other researchers have investigated how sales promotion affects how consumers perceive value (e.g., Sinha & Verma, 2020, etc.). The effectiveness of specific sales promotion techniques has been the subject of some research, including price promotions (e.g., Kendrick, A., 1998; Nijs, V. R., et al., 2001; Bogomolova, et al., 2017; Xu, L. 2019), coupons (e.g., Trump, R.K., 2016), and framing free offers (Raghubir, P., 2005). Numerous studies (e.g., Gupta, 1988; Das & Kumar, 2009; Gamliel & Herstein, 2011; Neha & Manoj, 2013; Santini et al., 2016) have looked at how sales promotions affect consumers' purchase spending. In their investigations of consumer purchasing patterns, some researchers have been more focused. Jia et al. (2018), for instance, looked at the impact of coupon face value on the volume of customer spending. While Yang et al. (2010) investigated the different kinds of sales promotions and how they impact consumers' purchase decisions. The effect of sales promotions on brand loyalty has also been extensively studied (Nagar, K. 2009; Jayaraman, K. et al., 2013; Dubey, J., 2014; Mendez, M., et al., 2015, etc.). Studies have also been expanded to assess how sales promotions affect brand equity (Salelaw et al. 2016, etc.).

As it is widely believed that sales promotions are only partially effective in achieving its goal, we have tried to investigate their impact on brand loyalty.

The research question is 'Can Brand Loyalty be built through Sales Promotion?'

In this study, a multi-stage sampling technique was used. 15 retail stores in different product categories were chosen judgmentally. The individual respondents were chosen by systematic random sampling and data was collected from 230 respondents.

The findings showed 74.6% the dependent variable (loyalty) can be explained by the variation in the independent variables. All the constructs- promotion-driven customer base, cynical view, restrictive requirements, brand image, perception, preference, purchase behaviour and satisfaction were found to influence brand loyalty.

## 2. Problem definition

### 2.1 Specific Marketing research problems

1. To identify consumer perception towards frequently given offers of sales promotions.
2. To identify whether customers will still buy from the brand even after discontinuing the offer.

## 3. Literature review

There is also little assurance that the sales promotion will result in a higher sales volume (Simson et al, 1994). According to Jia et al (2018) the offer or discount might not lead to more sales if the product price is high, customers have a high tendency to save money, they seek extensive product comparisons, or they have less information load while comparing a small number of products.

### *Promotion-driven Customer Base*

Researchers worry that maintaining continuous sales promotion may result in a promotion-driven customer base (Kendrick, 1998). Sales promotion is only a short-term strategy for acquiring customers, but that it must be accompanied with a long-term marketing plan to maintain those clients. Moreover, customers who buy products through sales promotion do so due to the promotion, not for the brand (Mendez et al, 2015). Luk and Yip (2008) suggested that overreliance on sales promotion may increase customer's price sensitivity by neutralizing the effect of brand trust. We therefore hypothesize that:

**H1: Promotion-driven customer base influences consumer perception towards sales promotion.**

### *Cynical View*

Customers are skeptical of sales promotions because they believe that prices had been manipulated prior to the discount offer so that the business could still turn a profit. (Jayaraman et al, 2013). In other words, consumers think that price cuts are only hoaxes to fool them (Kendrick, 1998). Customers perceive that the marketers may undertake unethical practices to sell cheap quality products through sales promotion (Jayaraman et al, 2013). Finally, customers also believe that firms sell products at discounted prices as they have a very low cost of production. Customers, therefore, refuse to buy the product when it is offered without sales promotion, as they think that the low production cost makes

the product is unworthy. (Raghubir, P., 2005).

We therefore hypothesize that:

**H2: Cynical view influences consumer perception towards sales promotion.**

*Restrictive Requirements*

Psychological reactance has a harmful impact on consumer’s reaction and sensitivity to incentive schemes (Wendlandt and Schrader, 2007). Consumers' general perception of a company can be affected by the psychological reactance towards restrictive requirements of the sales promotions offered by a firm (Trump, R.K, 2016). Consumers feel that aggressive sales promotional phrases approach them forcefully (Kronrod et al, 2011). Customers perceive promotional offers as a technique that restricts their freedom of choice because they can only buy from sales promotions within the time frame or product range set by the company (Trump, R.K, 2016).

We therefore hypothesize that:

**H3: Restrictive requirements influence consumer perception towards sales promotion.**

*Brand Image*

Many marketers believe that sales promotion such as price reduction can damage the brand image as it diverts customer attention from the brand to financial incentives (Luk and Yip, 2008). Sales promotions are perceived as a desperate tool for marketers rather than as a strategic marketing component. (Kendrick, 1998).

We therefore hypothesize that:

**H4: Brand Image influences consumer perception towards sales promotion.**

Depending on the characteristics of the sales promotion and the product being promoted, promotions may boost or reduce brand preference (Delvecchio et al, 2006). So, we can hypothesize that:

**H5: Consumer perception towards sales promotion influences their preference.**

Discounts and free samples impact consumer purchase behaviour by boosting the preference for on-sale products (Vigna and Mainardes, 2019). Moreover, according to Kaveh et al (2021), promotional discount may stimulate the customers’ interest in a store’s offers and increase their likelihood of making a purchase. So, we can hypothesize that:

**H6: Preference influences consumers’ behaviour.**

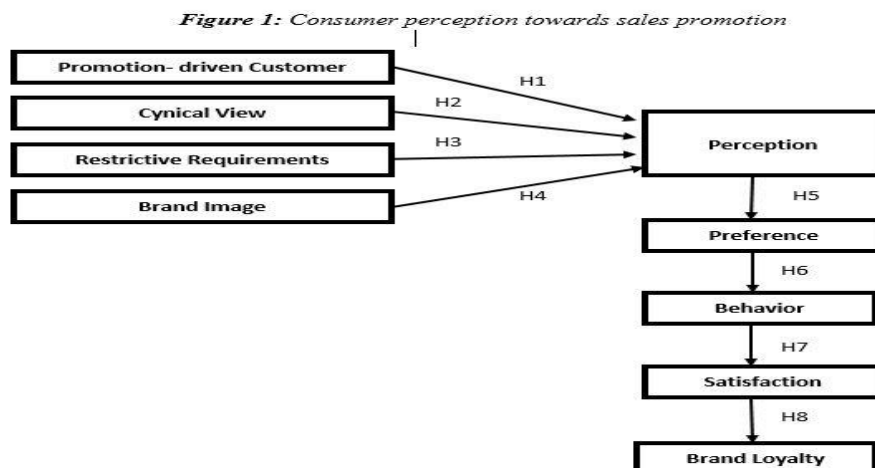
Marketers must ensure that the offers of sales promotion that they are giving out are ending up in customer satisfaction to ensure their repurchase intentions. So, if every purchase made from sales promotion does not end up in customer satisfaction, there is a huge possibility that the promotion will backfire and end up in loss of brand loyalty (Jayaraman et al, 2013). Sales promotion has a close connection with both of these elements. So, we can hypothesize that:

**H7: Behaviour results in consumer satisfaction.**

Marketers believe that the preference created by sales promotion is only for the short run and fades away once the promotional offer is discontinued (Mendez et al, 2015). This is why ensuring satisfaction is important to create brand loyalty. So, we can hypothesize that:

**H8: Consumer satisfaction influences brand loyalty.**

#### 4. Conceptual framework



## 5. Research design

A quantitative research method has been employed in the study. A person-administered survey method has been used as part of the data collection method.

## 6. Exploratory Research

### *Measurement*

The constructs for this study were developed from a review of existing journals. The conceptual model consists of four major constructs. Table 1 lists the literature used to develop the constructs.

Table 1.

*Source of measurement items.*

Constructs	Items	Relevant Literature
Promotion-driven Customer Base	Coupon Trap Little Real Loyalty Increased Price Sensitivity	Kendrick (1998), Luk and Yip (2008)
Cynical View	Price Manipulation Cheap Quality Products Low Cost of Production	Trump, R.K. (2016), Raghurir (2005), Jayaraman et al. (2013)
Restrictive Requirements	Psychological Reactance Limited Freedom of Choice	Trump, R.K. (2016) Kronrod et al (2011)
Brand Image	Price Reduction Desperate Measure	Luk and Yip (2008) Kendrick (1998)

## 7. Descriptive research

### *Questionnaire Design*

For gathering the primary data, a questionnaire was designed. The demographic data of the respondents was given in the first section of the questionnaire. The questionnaire included questions to enquire how buyers felt about regular sales promotions. The items were scored on a 4-point Likert scale, with 'strongly agree' and 'strongly disagree' representing the two extremes.

### *Sampling Method*

In this study, a multi-stage sampling technique was used. The retail stores were initially divided into categories based on the products they sell, such as apparel, footwear, groceries, cosmetics, electronics, and plastic home items. Initially, 15 outlets from the well-known retail chains in Dhaka City - clothing (Ecstasy, Cats Eye, Infinity), shoes (Bata, Apex, Orion), cosmetics (BanglaShoppers, INGLLOT, BD Budget Beauty), groceries (Agora, Shawpno and Meena Bazar), electronics (LG, Sony, Walton), and plastic household (RFL Plastics, Best Buy, Bengal) were chosen judgmentally. From each retail outlet, respondents were chosen by systematic random sampling. In an excel sheet, the number "7" was generated at random. Every seventh customer who exited the store was surveyed. 230 people made up the sample. The survey was conducted in September 2022.

## 8. Data analysis and findings

### *Demographic profile*

Male respondents made up a larger portion of the sample than female respondents. Most responders fall within the 16 to 25 age range, and they are mostly unmarried students. A large proportion of respondents have an average monthly income of BDT 10,000 or less and have obtained their HSC or A' Levels.

### *Extent to Which the Independent Variables Can Explain the Dependent Variable*

To identify the extent to which the dependent variable, loyalty can be explained by the independent variables selected in the graphical model, we conducted the regression analysis (SPSS).

The adjusted R square was 0.746 which indicates that 74.6% the dependent variable (loyalty) can be explained by the variation in the independent variables. Whereas the adjusted R square's value is very close to the one of R square, indicating a very small error in the data. So, we can say that the regression model is a good fit. Also, the significance (.000) in the ANOVA reveals that the independent variables are good predictors of the dependent variable (loyalty). All the constructs have significance level below 0.05

(APPENDIX 1, Table 4) meaning all of them are proper predictors of the dependent variable. In addition, the VIF under Collinearity statistics is below 10 for all the constructs. Therefore, we may assume that the constructs do not influence each other.

## 9. Hypotheses testing and results

The first hypothesis (H1) observes whether promotion driven customer base influences consumer perception towards sales promotion. This hypothesis has been proven to be true from the results of our data collection (significance level .001). The beta coefficient value indicates that 12.6% of the dependent variable, loyalty can be explained by promotion driven customer base ( $\beta = -0.126$ ). So, the hypothesis is accepted. This finding is in line with the results of Abad and Pérez (2009), who revealed that most consumers may be classified as deal-prone because price reductions and store flyers both significantly influence their purchasing decisions. This suggests that customers may not make additional purchases after the deal is discontinued.

Hypothesis two (H2) indicates that cynical view influences consumer perception towards sales promotion. The results from the data analysis support this fact as the significance level is below 0.5. Also, the value of the coefficient ( $\beta = 0.16$ ) indicates that 16% of loyalty can be explained by cynical view. The hypothesis can be accepted. Furthermore, Gorji and Siami's study (2020) shown that sales promotion strongly influences both buy and repurchase intentions when consumers perceive the product pricing is fair.

Next, we have hypothesis three (H3) where we determine whether or not restrictive requirements influence consumer perception towards sales promotion. The significance level is below 0.5 for this construct, with a beta coefficient ( $\beta = -0.087$ ) that says that 8.7% of the dependent variable can be explained by this construct. The negative relationship is justified as restrictive requirements would result in a negative perception, subsequently affecting brand loyalty. So, the hypothesis is accepted. According to Ding, A. et al., (2021), when the perceived threat to their freedom to receive sales promotion benefits is significant, customers express greater anger and less willingness to repurchase the goods.

Then comes hypothesis four (H4) where our goal was to establish the influence of brand image on consumer perception. The significance level (.009) indicated that this construct is an appropriate predictor of loyalty where the beta coefficient ( $\beta = -0.096$ ) indicated that 9.6% of the dependent variable can be explained by brand image. So, the hypothesis is accepted. This finding conflicts with that of Mandić, D. (2009) who concluded that, when used effectively, sales promotion may have a favorable long-term effect on brands.

In hypothesis five (H5), the target is to conclude the control of consumer perception towards the sales promotion on consumer preference. The significance level of the data analysis (.000) and beta coefficient ( $\beta = 0.342$ ) give us a strong result. So, the hypothesis can be accepted. This result is consistent with the findings of Vigna, J.P. and Mainardes, E. W. (2019) who proved that customers are influenced to prefer food that are on sale by discounts, free samples, and prize draws.

The sixth hypothesis (H6) determines the relationship between preference and behaviour. The significance level from the regression analysis was 0.29 and 13.4% of the dependent variable (loyalty) could be explained by preference ( $\beta = -0.134$ ). This means that the hypothesis can be accepted. However, according to Khan, M et al., (2019), sales promotion has a positive impact on consumer preference for products that are on sale. So, our result conflicts this finding. On the other hand, our findings align with those of D'Astous & Landreville (2003) who concluded that sales promotions can either boost or diminish brand preference, depending on its features.

Then, hypothesis seven (H7) postulates that behaviour influences satisfaction. The significance level from the regression analysis was 0.000 and 13.4% of the dependent variable (loyalty) could be explained by behaviour ( $\beta = 0.134$ ). So, the hypothesis is accepted. This result is supported by research done by Jayaraman et al. (2012), who noted that if customers are not satisfied with their purchases as a result of sales promotions, their brand loyalty will eventually decline.

Finally, the last hypothesis (H8) emphasizes on the influence of satisfaction on brand loyalty. From the regression model, we can see that satisfaction has the biggest influence on loyalty as 55.4% of loyalty can be explained by satisfaction ( $\beta = 0.554$ ). So, the hypothesis is accepted. The results confirm those of Jean and Yazdanifard (2015), who concluded that sales promotion can increase profits for

marketers both in the short- and long-term by cultivating loyal customers. In addition, Santini et al, (2016) also demonstrated a strong and positive relationship between sales promotion and brand loyalty.

## 10. Managerial implications

H1 has proved that most customers are promotion-driven, and once such sales promotions end, customers' loyalty may wane. Therefore, retailers should use caution when setting the level of promotional expenditures that would yield the best outcomes (Abad and Pérez, 2009). According to H2, customers are frequently concerned whether marketers are manipulating them by using sales promotions. It was proven in H3 that due to the restrictive requirements of sales promotion, the brand loyalty towards the product would be significantly reduced. So, marketers should be careful in setting their target market to avoid such negative reaction from the consumers Trump, R. K. (2016). H4 has proved that sales promotion may negatively affect the brand image. Therefore, brand managers should be extremely cautious in crafting their sales promotion strategy. Sales promotions must be framed in a way that is compatible with the brand's image, customer sensitivity to prices, the promotional goal, the promotion type, etc. Finally, H6 highlighted that brand preference is not necessarily guaranteed by sales promotion. Therefore, while choosing a sales promotion tool, marketers should be highly strategic. (D'Astous & Landreville, 2003).

Although businesses cannot avoid using sales promotion since it increases the customer traffic, it also carries a significant danger of backfiring. This study will aid businesses in luring customers to the most desirable offer, which will increase the effectiveness of sales promotions. Additionally, shops may prepare more effectively for competitiveness and increase their short-term profits.

## 11. Limitations and future research

The first limitation of the paper is the positive relationship between cynical view and brand loyalty as having doubts about a brand would not make consumers more loyal to it. So, such a relationship between these constructs can be investigated in future research. The second one is the negative relationship between preference and brand loyalty. Again, a person who prefers a brand will not be loyal to it is not quite logical. This aspect can be analysed more in further research.

## 12. Conclusion

The rising trend of sales promotion is more of a fad rather than a strategic move. Lately, any problem the firms face, they think of only one solution which is giving the consumers something extra with the product. Our study supports this phenomenon. There are numerous problems with sales offers as well. For instance, a lot of customers think that products with discounts are inexpensive. They consequently decline to buy the goods at the regular price when the promotion has ended (Raghubir et al., 2004). Another problem is the shifting of focus from building a brand to the incentives being offered (Dubey, 2014). Additionally, it is thought that customers are more likely to respond poorly to sales campaigns with strict requirements. These observations suggest that businesses are caught in a never-ending loop of promoting sales. Therefore, marketers should only engage in sales promotion if the increase in customer traffic outweighs the risks.

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**Appendix 1**

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.869 <sup>a</sup>	<b>.755</b>	.746	.417

a. Predictors: (Constant), Mean BI, Perception, Mean CV, Mean RR, Mean PDC, Preference, Satisfaction, Behavior

*Table 2: Regression Analysis: Model Summary*

<b>ANOVA<sup>a</sup></b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	118.217	8	14.777	84.977	<b>.000<sup>b</sup></b>
	Residual	38.431	221	.174		
	Total	156.648	229			

a. Dependent Variable: Loyalty  
 b. Predictors: (Constant), Mean BI, Perception, Mean CV, Mean RR, Mean PDC, Preference, Satisfaction, Behavior

*Table 3: Regression Analysis: ANOVA*

<b>Coefficients<sup>a</sup></b>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.604	.196		3.088	<b>.002</b>		
	Perception	.346	.051	.342	6.776	<b>.000</b>	.436	2.292
	Preference	-.117	.044	-.134	-2.679	<b>.008</b>	.443	2.255
	Behavior	.128	.058	.134	2.201	<b>.029</b>	.299	3.344
	Satisfaction	.565	.059	.554	9.547	<b>.000</b>	.330	3.032
	PDC	-.179	.055	-.126	-3.244	<b>.001</b>	.732	1.365
	CV	.197	.047	.160	4.152	<b>.000</b>	.751	1.331
	RR	-.076	.032	-.087	-2.396	<b>.017</b>	.850	1.177
	BI	-.100	.038	-.096	-2.617	<b>.009</b>	.820	1.220

a. Dependent Variable: Loyalty

*Table 4: Regression Analysis: Coefficients*