



A STUDY ON THE IMPACT OF DISCOUNTS ON CONSUMER BUYING BEHAVIOUR

Kanchan Shekhawat

Adarsh Puri

Neha Sharma

Harshad Wagh

Priyanka Kokatnur

SCHOOL OF MANAGEMENT

MIT WORLD PEACE UNIVERSITY

PUNE – 411038, MAHARASHTRA – INDIA

Introduction

In the present global business scenario, a business can survive when its productions are sold in the market. All merchandising activities are undertaken to encourage trial and usage of a product that increase sales. The term 'sales promotion' denotes the several types of selling incentives and methods which target the customers to harvest the immediate sales effects. These incentives and methods may be in the form of free samples, discount coupons, demo shows, sweepstake etc. There are different promotion strategies undertaken by retailers to intensify the sales. Hence retailers promote sales in the markets with promotion incentives such as "Winter sale", "Summer time sale", "Great exchange offer", "Trade fairs", "Discount rate up to 70%" and other strategies and methods such as coupons, sweepstakes, and markdowns. 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.

All these short term non-recurring measures motivate the customers which result in sales gain. These offers and schemes are available to the customers during festive seasons, year ending and other junctures. Sales promotion techniques can be classified as price and non-price based on the nature of publicity. Few of the price based promotions are Money off Coupons, Repayment, Rebate and Discount that temporarily reduce the cost of goods. Some of non-price based promotions are freebies, Reward points or Contests by which value is temporarily added to the product. These techniques may instigate the consumers to make unplanned purchases.

Impulse buying is synonymous with the term unplanned buying. It refers to any purchase made by the buyer without a prior plan. Impulse buying is a phenomenon or attitude which is gradually increasing in the last decade by a variety of factors both tangible and intangible. Impulse buying is immense and the retailers have recognized the same. In the present study, the following sales promotion techniques are considered to find out its impact on consumers' impulse buying behaviour.

Keywords: Sales promotion, consumer behaviour, consumer, marketing, purchase decisions, discounts, advertising value

Abstract

Sales promotion is a marketing strategy which has been studied for years and has become a crucial factor in modern marketing. The purpose of promotion is to reach the targeted consumers and persuade them to buy. Promotion has been defined as the coordination of all seller-initiated efforts to set up channels of information and persuasion to sell goods and services, or to promote an idea. Sales promotion is a vital element of a promotional mix.

The purpose of this study is to investigate the effect of sales promotion on consumers' buying behavior. The general objective of this study was to find out the effectiveness of sales promotion tools and techniques on customers' buying behavior. Marketing activities related to sales promotion are aimed at increasing consumer purchases and, indirectly, at earning more profit for the company. So, the purpose of sales promotion is to reach the targeted consumers and persuade them to buy.

Sales promotion has become a vital tool for marketing, and its importance has been significantly increasing over the years. The objective of this study is to find the overall impact of sales promotion on the consumer's behavior and their buying patterns. The result of this thesis allows managers to understand the importance of sales promotion and consumers' changing behavior and buying patterns. It allows understanding the characteristics of consumers and their varying behavior from the perspective of sales promotion targeted at diverse consumers.

Purpose Statement

This research is conducted to identify the various sales promotion techniques those influence the customer impulse buying decision. The basic purpose of the study is to see the impact of various sales promotions, if they work or not. Do the sales promotion tools (coupons, sample, price discount and buy one get one free) have significant impact on consumer buying behaviour (brand switching and customer loyalty)?

Design/methodology/approach

The focus of the study is to understand the impact of discounts and promotions on consumer buying behaviour. A structured questionnaire was used for the purpose of collecting the data. This study used an experiment design. The manipulated factor was price discount (10, 30, 50, and 70). Responses were collected via online surveys. It is studied that whether the preference of the promotion varies with the product category it is bundled with and whether the discounts by retailers are preferred over advertised discounts. It aims to evaluate the consumer's buying behaviour when different patterns of discounts are offered by the companies. By conducting this research we may get a better clarity about how companies try to influence the buying behaviour of its customers, by offering various types of discounts and how does it affects the profitability of the company. The aim is also examine the influence of the sales' promotion and price discount on the consumers' purchase intention with the moderating role of the social media. To collect the data from the respondents, a questionnaire which was adopted from various studies was used.

Findings

The effects of discount framing in comparative price promotions are found to be influenced by discount size in the case of the low-product context but not the high price one. Promotion type influences the rate of increase in market demand and is product category dependent. Promotional offerings which can be readily converted into monetary terms are more preferred to freebies but in the long-run, they can affect the overall value of the product. Retailer discount is preferred over advertised discount but has negative perception. The results indicate a clear and strong moderating effect for perceived risk on consumer value perceptions and preferences for extra free product promotions and price discounts. Specifically, for products low on performance risk consumers tend to attribute higher value to extra free product promotions than they do to discounts. The reverse occurs for products high on performance risk where consumers attribute higher value to extra free product promotions than they do to discounts. The reverse occurs for products high on performance risk where consumers attribute higher value perceptions towards price discounts than they do to extra free product promotions. These findings have implications for a variety of different product categories including innovative new products, products with higher absolute promotion levels, and other categories where perceived risk is likely to vary.

Limitations of Sales Promotion

The promotional activities are however limited to short term quick and impulsive results and have no positive effects on long term.

- It has short impact unlike advertising and personal selling and act as the short-term technique work for the impulsive buying effect on consumers but cannot last long.
- It is dependent technique and must blend with two promotional ingredients; advertising and personal selling for making its impact. This work as bridge or link for these plus promotional ingredients.
- The experts undervalue the sales promotion as the tool of promotion mix as in their opinion; sales promotion as mix ingredient is not capable of fighting the competition. As it can be easily replicated by competitors, it cannot used for intense competition.

Practical implications

The study was conducted through convenience sampling with a group of students and business persons. This study has significant implications worth theory. The structure provides new insights into the understanding of sales promotion tools and their impact on consumer buying behaviour and sales promotion. And personal characteristics of the involved consumers, especially in the selection and purchasing decisions. From the results, it was found that consumers pay attention to the promotion and respond well to different marketing techniques that are promoted through the sales people. The results of this research have many effects that can be useful for traders and customers and researchers in the future. From a marketing point of view, they can get a better knowledge about the buying behaviour of consumers so that companies can understand the needs and desires of potential customers. Marketers can get the data from this study will help to identify the buying behaviour of customers and they can also help traders to use promotional techniques and situational factors most effective customers.

This research is very important for organizations because every organization wants to minimize costs and maximize profits. Thus, organizations must begin to put a lot of money on these tools and situational factors are more attractive.

Literature review

Promotion is one of the strategies to attract customers to buy more or try the product and services. This results in increased sales; promotion is therefore a direct inducement offers an extra value or incentive for the product to the sales force, distributors or the ultimate consumer with the primary objective of creating an immediate sale. Sales promotion is one of the techniques to attract consumers to purchase more or try a product or service. The outcomes of promotion include sales increased, amount of materials used and attract new consumers. For example, price promotion refers to temporary price reduction which offers to consumers or increase in materials.

Previous studies in marketing have shown that price discounts have both positive and negative effects on consumers' buying behaviour. It was identified that there are three routes of promotional effects: (a) economic, (b) informational and (c) affective. The final effect of a price promotion on purchasing decision is a combination of positive and negative economic, informational, affective influences.

Promotion can therefore be considered as a key component and a valuable tool for marketers, and it has been widely used to get a competitive edge and increase the sales and attract the consumers' intention. Promotions influence the consumers' purchase quantity and reduce the time for decision-making. Sales' promotion is a short term encouraging strategy to increase sales or purchase of brands (Kotler, 2000). Moreover, it is a strategy which demands short time to increase profits. This strategy has the ability to attract and retain the customers and build a strong link with the sellers. Studies have shown that there has been a mixed relationship between the sales' promotion and the consumers' purchase intention.

CONCLUSION AND RECOMMENDATION

Sales promotions practice is a prominent feature for many business and industries in recent competitive market and as well consumers are much aware of various sales promotional strategies practiced. The sales promotion strategy that the respondents normally prefer "buy one get one free" and much conscious for the offers made to customers than service quality and availability of the products. The study shows that the respondents with 35 females and 11 males; 91% of females like shopping whereas only 69% of males like shopping. The customers with age between 26 to 45 ages spent more than one hour for shopping.

The data analysis shows that the 6 to 12% of males feels embarrassed to buy the products on sales or with money –off deals but 0% of female strongly disagreed to it. The female customers feel comfortable on buying such products and save money. The research also shows that the customers doubt on the quality of product which are on sales.

The study reveals that the sales promotion has an influence in the purchase decision of consumers though their entire decision depends on making purchase anytime they will to.

The consumers may be doubtful in some cases, but the offering of discounts and price-off deals and such kinds of services satisfies the customers. The study shows that sales promotion plays the important role in the marketing program for marketers and retailers and customers are too satisfied with sales promotional tools such as price discounts, coupons, free samples and "buy one get one free".

In conclusion, consumer's attitude towards different promotional tools on buying behavior is favorable. This study supports that sales promotion are effective means for marketers and cost effective compared to other integrated marketing tools such as advertising. It shows that the sales promotion tools are supplementary or complementary to existing business as an additional marketing strategy.

From the conclusion from this study, it is recommended that to increase the sales in cost effective manner and to outstand the competitors, the practice of sales promotion would be useful to improve the sales by influencing the consumers buying behavior.

The sales promotion Strategies has short term effect, so the marketers and the business people require the continuous follow up to maintain long term relationship with customers as they may switch with the competitors with better strategies.

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