THE INFLUENCE OF SALES PROMOTION ON CONSUMERS’ STORE CHOICE

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Abstract
The determinants of consumer’s store choice are complex. Knowing more about store decision should help in addressing practical distribution and marketing problems and improving our understanding of the consume. The present research explores the influence of sales promotion on store choice. This paper presents a conceptual model of the process of assessing a retail format that includes the sales promotion. The objective is to examine: (1) if sales promotion are a store choice criteria, and (2) what type of sales promotion is more important to choose a store. To test the conceptual model is used a sample of hypermarket customers.

Keywords: store choice, sales promotion

Introduction
The aim of this study is to comment on the following research topics:

1. Sales promotion influence the consumer’s store choice;
2. What types of sales promotion have greater influence on the consumer’s store choice?

This article is divided into three parts. In the first part a conceptual framework of sales promotion is presented, summarising the most relevant theoretical perspectives. In the second part a conceptual framework of the store choice criteria is supplied, focusing on the most relevant models. The last part presents the model that anticipates future theoretical and empirical development where the aim is to evaluate the importance of sales promotion as a criterion in the consumer’s store choice.

Sales Promotion
Slow growth and intense competition in retail markets in recent years increases the need for retailers to use strategies focused on retaining and attracting the right consumers. However, a strategy that is effective in acquiring new customers may not be the most effective in retaining current customers.

In the last years, the budgets of many consumer packaged goods manufacturers have undergone a shift, with more dollars being spent on sales promotion than on advertising. Why? For one, simple reason – sales promotion work. In an era of increasing competitiveness it has become vital
that sales promotions and response to them be managed in a far more sophisticated manner, going beyond the mere realization that promotions increase sales (Narasimhan, Neslin and Sen 1996).

Historically, manufacturers of consumer packaged goods were able to convince the retailer to conduct in-store promotional activities for two reasons. First, a manufacturer’s salesforce provided evidence from syndicated sales auditing services supporting the effectiveness of promotion in cultivating new customers for a particular brand. The implication was the retailer would benefit directly from the increased sales of the promoted brand. Second trade deals were offered to increase (or maintain) the retailer’s margin for the manufacturer’s brand (Kumar and Leone, 1988).

The manufacturer’s primary objective in promoting a brand is to increase sales by (1) increasing consumption by current users, (2) motivating brand substitution, and (3) motivating category switching. Though increased sales often are observed only in the short run, the manufacturer hopes brand substitution will have the long-term effect of producing a stronger consumer franchise for its brand(s).

In contrast, the retailer’s primary objective is to maximize store profit, which could be viewed as attempting to maximize the profit for each product category. However, if we assume each brand in a category has the same margin, only one of the manufacturer’s

The retailer’s decision is complicated further by the fact that similar offers are available from manufacturers of competing brands. Therefore, taking the retailer’s objective into account – rather than only the manufacturer’s objective – may result in different decisions about retail promotional strategies.

Retail promotion enables both retailer and manufacturer to meet objectives when brand substitution occurs within the store and customers from other stores switch, or cross-shop to take advantage of the promotion. Both the retailer and the manufacturer of a promoted brand also could benefit when that brand yields a higher margin for retailer (possibly because of a trade deal) and consumers switch to this brand, producing greater sales for the manufacturer.
Marketeers and academics often view the trust in sales promotion as a consequence of price competitiveness caused by narrow-minded management (Buzzell, Quelch and Salmon 1990). This type of criticism is based on the fact that on a short term scale the proliferation of sales promotion destroys its ability to profit market share, which explains why many are not lucrative (Abraham and Lodish 1990, Kahn and McAlister 1997). On a long-term scale it is feared that sales promotion increase price sensitivity and destroy the value of the brand for both retailers and consumers (Mela, Gupta and Lehmann 1997). As a result, many industry experts aim for more efficient and effective sales promotion as far as cost is concerned, by adopting less price focused strategies, and some go as far as recommending the elimination of sales promotion by adopting an Everyday-Low-Price Policy (Kahn and McAlister 1997; Lal and Rao 1997).

Why do consumers respond to sales promotion? Studies on consumer behaviour during sales promotion tend to focus on the demographic aspects of the deal prone consumer (Bawa and Shoemaker 1987; Blattberg et al 1978; Narasimhan 1984) and the identification of personal preferences such as coupons, value awareness or market mavenism (Feick and Price 1987; Lichtenstein, Netemeyer and Burton 1990, 1995; Mittal 1994). These studies provide a coherent portrayal of the demographic and psychographic characteristics of the deal prone consumer.

Bell, Chiang and Padmanabhan (1999) have shown that sales promotion can increase by:
- Influencing category sales (i.e. they affect the primary search) and subsequently the sales of the brand;
- Influencing directly brand sales (i.e. they affect the secondary search).

Blattberg and Neslin (1990) identified four main mechanisms in which the sales promotions affect sales on a short-term scale. These mechanisms include a change of brand, a change of store, category expansion and purchase acceleration: sales promotions lead to a change of brand because they provide a strong reason (low price) for the consumer to buy the promotional brand instead of another (Blattberg and Wisniewski 1989, Gupta 1988). Category expansion refers to the ability of the sales promotion to increase the primary search for a product category (Assunção and Meyer 1993; Wansick and Deshpande 1994). Purchase acceleration refers to the consumer’s reaction to stock, which may be observed in the tendency to buy category products earlier than
would be normal and/or to buy in greater quantity than usual (Gupta 1988, Neslin, Henderson and Quelch 1985). In both cases, the consumer’s economical decision is between accelerating purchase at a low, reduced price and managing the cost of additional stock at home casa (Blattberg, Eppen and Lieberman 1981; Jeuland and Narasimhan 1985).

Promotional variables such as in-store display and in-store featuring are frequently used to spur unplanned purchasing. There has been some research suggesting that promotions may accelerate purchases (Neslin, Henderson, and Quelch 1985). There are two components to purchase acceleration: (1) the acceleration of the consumer’s purchase of the brand (beneficial to the manufacturer) and (2) the acceleration of the shopping trip to the store (beneficial to the retailer) (Walter and Rinne 1986).

Three important components are very important to store patronage decisions: the retailer’s store image, quality of the merchandise/brands sold and price/promotions. Consumers use certain cues as signals for these components; store name, brand name and price discounts (e.g. Dawar and Parker, 1994; Dodds, Monroe and Grewal, 1991).

Store image is an important input in the consumer decision-making process (e.g. Nevin and Houston, 1980). Store image encompasses characteristics such as the physical environment of the store, service levels, and merchandise quality (Baker, Grewal, and Parasuraman, 1994; Zimmer and Golden, 1988). Store name, as a cue to store image, provides a tremendous amount of information to consumers. Retailers are starting to pay more attention to their store name and are spending more to promote their name and develop an appropriate image.

The retail competitive landscape has become more crowded with the advent of the internet (Murphy, 1997). The days of localized competition are a thing of the past, and retailers now have to compete with stores globally on the information superhighway. The role of store reputation, brand names and price discounts are likely to become more pronounced in the next decade.

The merchandise selection is very important as it will affect store image. The quality of products offered by a retailer influence customer patronage behavior (Dodds, Monroe, and Grewal, 1991).
Price and special promotions have been used to attract consumers to a retail store (i.e. providing greater value via the discount) and generate an increased level of store traffic (Grewal, Monroe and Krishna, 1998; Liechtenstein and Bearden, 1989). While price discounting may generate traffic in a retail store, such discounting may have negative effects on the brand’s quality and internal reference prices. Price discounting may even hurt a store’s overall image.

Retailers often use promotions involving price discounts to increase store traffic and stimulate purchase. The net effect on consumers’ perceived quality and value will help managers determine the discount level to use. The frequent price promotions by retailers and product managers could lead consumers to expect the lower discounted price (Krishna, 1991). Moreover, frequent discounting may force manufacturers to offer bigger discounts in the subsequent price promotions to attract consumers.

According to Blattberg and Neslin (1990) there are three types of sales promotion:
Consumer Promotions – such as samples, price reductions, coupons, contests, free gifts and refunds;
Retailer Promotions - such as price reductions, displays, feature advertising, retailer coupons and contests/premiums;
Trade Promotions - such as discounts, advertising and display allowances, coupons and contests.
The term Trade Promotions implies that receiver is a marketing intermediary. Strategically, trade promotions are the “push” elements of the producer’s marketing effort while Consumer Promotions are part of the “pull” effort. Trade Promotions should be co-ordinated with sales activity while Consumer Promotions should be co-ordinated with advertising.

**Store Choice Criteria**
Sales promotion may also lead to a change of store. In other words, the consumers buy their purchases in one store instead of another since the sales promotions vary from one store to another (Kumar and Leone 1988, Walters 1991).
Previous studies suggest that the location explains more than 70% of the variance of the purchasing decisions of supermarket consumers (Bell, Ho and Tang 1998). The choice of a store’s location is perhaps the single most important decision a retailer has to make. A good location is vital for a store’s success.

In the academic environment, several factors have been shown to affect the retail patronage decision. Among these factors are: location, service level, pricing policies, and merchandise assortment (e.g. Craig, Ghosh, and McLafferty 1984; Morey 1980; Schary and Christopher 1979). The patronage decision has been shown to also be influenced by the store environment. It may be that this influence is manifested more when consumers are choosing between stores of the same type rather than between stores in different categories.

The retailers put a significant amount of time and effort into fixing prices and drawing on promotional strategies to increase customer traffic in the store. This gives rise to an important issue in the retail strategy: To what extent can store prices and other marketing activities be used to increase customer traffic and influence the store’s type of clientele?

The majority of studies related to store choice focus on store image. They do not respond to questions such as “what are the psychological factors involved in store choice?” or “why do some consumers buy from one kind of store while others buy from another kind of retailer?” (Dash, Schiffman and Berenson 1976).

One possible positive effect of promotion that has not been investigated is its ability to create store substitution. Store substitution can result from retail store promotion for two reasons. First, promotion of a product purchased frequently and priced high (e.g. diapers, coffee, beer) may lead to cross-shopping due to “cherry-picking” by consumers. Second, the promotional blend of items of a store offers consumers relative to that of other stores could lead to store substitution. Though previous studies have examined sales displacement within a store, only Keng and Ehrenberg (1984) have suggested the possibility of store substitution occurring in a market.

Store knowledge determines the extent to which product and brand search is guided by internal or external memory (Bettman 1979). When consumers shop in a familiar store, search is guided
primarily by internal memory that requires minimal effort and thus facilitates the performance of in-store decision making activities that go beyond product and brand search (Alba and Hutchinson 1987). In contrast, when consumers have little knowledge of a store’s layout, search activities must be guided by external memory that requires considerable effort. This in turn reduces a consumer’s ability to perform other in-store decision making activities.

Absence of knowledge about a store’s environment (its layout) generates greater reliance on in-store information and displays to identify product and brand locations than is the case when consumers have knowledge of a store’s layout. Increased exposure to in-store stimuli in turn increases the likelihood that previously recognized but unretrieved needs will be cued.

Time available for shopping, one of more pervasive factors that affect consumer behavior in general (Belk 1975; Wright 1974), is defined by consumers’ perceptions of the time required to perform the intended shopping tasks relative to the actual time available to perform such tasks. The amount of time available for shopping affects in-store decision making in two ways. First, the sheer limitation of time restricts the extent to which consumers can process in-store information. Second, time pressure increases the level of arousal or stress (Isenberg 1981; Revelle, Amaral and Turriff 1976), which in turn interferes with the retrieval of memory that is not well rehearsed (Bettman 1979; Eysenck 1976; Swensson 1972).

Brand/product switching is defined as the in-store decision to select a brand/product that differs from the brand/product initially planned. Two circumstances that promote brand/product switching are explored. The first circumstance, when consumers are unable to locate their preferred brands/products, should be prevalent when consumers do not have knowledge of a store’s layout and are under time pressure. The unfamiliar store environment is expected to increase the difficulty of locating preferred brands/products, while time pressure is expected to influence the consumer to switch to other brands or product classes rather than engage in extensive search for the preferred brands/products.

Prior research on retail selection has investigated choice (Dash, Sciffman, and Berenson 1976; Schiffman, Dash, and Dillon 1977), patronage patterns (Aaker and Jones 1971; Arnold, Oum, and
Tigert 1983; Bucklin 1967; Darden and Perreault 1976; Farley 1968; Gautshi 1981; Gentry and Burns 1977-78; Guttman and Mills 1982; Kelly and Stephenson 1967), and preferences for intratype competitors, intertype competitors, and competing shopping centers or districts.

The distinction between retail choice, patronage, and preference is emphasized because the terms refer to conceptually different consumer behaviors, even though they are used interchangeably in retail selection research. Retail choice is the result of a specific purchase task and refers to purchase from a given store, usually after some information search and evaluation of alternative stores. It represents some degree of extended decision making, and the outcome is binary – the consumer either purchases from the store or does not for a particular task.

Researchers have discovered that people typically shop for both hedonic, or recreational outcomes, and for utilitarian outcomes, and that positive mood can result from consumers pursuing either type of shopping value (Babin, Darden, and Griffin, 1994; Martineau, 1957; Pessemier, 1980). Hedonic shopping motives are based on the quality of the shopping experience itself rather than towards information gathering or on purchasing products (Boedecker, 1995; Jarboe and McDaniel, 1987). The quality of shopping experience has been found to have a significant effect on shopping intentions (Swinyard, 1993). Similarly, Roy (1994) reported that store visit frequency was positively associated with the degree of consumers’ recreational shopping motivations.

The aim of this study is to include Sales Promotion as a store choice criterion. The previous studies are particularly lacking in the simultaneous impact of the multiple signs of the store’s atmosphere.

Kotler (1973) coined the term atmospherics to describe ‘the conscious planning atmospheres to contribute to the buyers’ purchasing propensity’. Atmospherics is the tailoring of the designed environment to enhance the likelihood of desired effects of outcomes.
To begin, we will use the model proposed by Baker, Parasuraman, Grewal and Voss 2002, who presents a choice model of the store which includes (1) three types of signs regarding the atmosphere of the store (social, design and atmosphere) as exogenous constructs:

- Ambient elements: these are intangible background conditions that tend to affect the nonvisual senses and in some cases may have a relatively subconscious effect.
- Design elements: these represent the components of the environment that tend to be visual and more tangible in nature.
- Social elements: these are the people (customers and employees) in the service setting.

(2) Several criteria of store choice (including shopping experience costs which had not been included in the models of store choice up to this point) as moderating constructs and (3) store support intentions as endogenous constructs.

Baker(1986) developed a framework for categorizing store environment elements. This framework has three key factors. Ambient factors are background conditions in the environment that tend to exert influence at the subconscious level (Campbell, 1983), and include elements such as heating, ventilation, air conditioning, lighting, and music (Wineman, 1982; Ward and Russell, 1981).

Social factors represent the “people” component of the environment. This factor includes both the salespeople and the customers in the store. The presence of other customers in an environment can affect consumers’ perceptions and behaviors (Grove and Fisk, 1982).

Design factors include store atmospheric elements that are visual in nature. These elements may be functional and/or aesthetic (Marans and Spreckelmeyer, 1982). Functional store elements include layout, comfort and privacy. Aesthetic elements include architecture, color, materials and style. Marketing researchers have found that store design or the design of the place in which a service encounter takes place affects consumer perceptions and attitudes (McElroy et al., 1990).

For example, the color of a store can physically attract consumers towards merchandise displays and affect their evaluation of the store and merchandise image (Bellizzi et al., 1983).
How can a retail atmosphere, namely, a sales promotion, influence the perceptions of consumers as far as the value of the store’s merchandise is concerned? In broader terms, how does the retail atmosphere influence the consumer’s decision to support a specific store? There is a lack of research to answer such questions, despite the fact that the conventional idea and behavior of many retailers suggest that the store’s atmosphere greatly influences the consumer’s choice process. Previous studies on store atmosphere put forward the following results:

- Several aspects of the atmosphere, experienced individually, affect the reactions of the consumers. The analysed elements include music (e.g. Areni and Kim 1993; Hui, Dubé and Chebat 1997; Milliman 1982), color (e.g. Bellizzi, Crowley and Hasty 1983), smell (Spangenberg, Crowley and Henderson 1996), and customer traffic (e.g. Eroglu and Machleit 1990, Hui and Bateson 1991);

- General constructs such as “atmosphere of the store” (e.g. Donovan and Rossiter 1986) or the “physical attractiveness” of the store (e.g. Darden, Erdem and Darden 1990) affect the support intentions;


However, research on store atmosphere has not yet considered key questions such as, for example, how signs of a store’s atmosphere simultaneously shape consumers’ perceptions on the value of the merchandise and how, in turn, these perceptions influence store support intentions (Spiggle and Sewall, 1987).
As environmental psychology theory argues, the most important role of a space (in this case, the store) is its ability to facilitate the goals of its occupants (Canter 1983). For many shoppers, the goal is convenience, which includes getting in and out of the store quickly and finding the merchandise they seek easily. Layout is an example of a design cue that may influence customers’ expectations of their efficient movement through a store (Titus and Everett 1995). On the basis of the foregoing evidence, we hypothesize that
H1a: As customers’ perceptions of store design cues become more favorable, customers will perceive personnel service to be higher

H1b: As customers’ perceptions of store design cues become more favorable, customers will perceive merchandise quality to be higher

H1c: As customers’ perceptions of store design cues become more favorable, customers will perceive monetary prices to be higher

H1d: As customers’ perceptions of store design cues become more favorable, customers will perceive customer density to be lower

H1e: As customers’ perceptions of store design cues become more favorable, customers will perceive store operations to be higher

H1f: As customers’ perceptions of store design cues become more favorable, customers will perceive sales promotion to be higher

Research suggests that atmosphere that is perceived as favorable may influence consumers’ perceptions of the store. Atmosphere elements also have been associated with affective reactions (e.g., Donovan and Rossiter 1982; Greenland and McGoldrick 1994; Wakefield and Baker 1998), which consumers may experience as psychic costs in a retailing context.

Atmosphere cues also may influence customers’ perceptions of personnel service quality. Several researchers have advanced conceptual arguments in support of a link between service quality and store environment perceptions as a whole (Baker, 1987; Bitner, 1992; Greenland and McGoldrick, 1994; Kotler, 1973).

One study (Gardner and Siomkos 1985) describes the ambient environment as having either no soothing background music or soothing mood music playing in the background, and another (Akther, Andrews, and Durvasula 1994) describes it in terms of the pleasantness of the music.
H2a: As customers’ perceptions of store atmosphere cues become more favorable, customers will perceive personnel service to be higher.

H2b: As customers’ perceptions of store atmosphere cues become more favorable, customers will perceive merchandise quality to be higher.

H2c: As customers’ perceptions of store atmosphere cues become more favorable, customers will perceive monetary prices to be higher.

H2d: As customers’ perceptions of store atmosphere cues become more favorable, customers will perceive customer density to be lower.

H2e: As customers’ perceptions of store atmosphere cues become more favorable, customers will perceive store operations to be higher.

H2f: As customers’ perceptions of store atmosphere cues become more favorable, customers will perceive sales promotion to be higher.

Although research consistently has shown that the effects of product quality on behavior are largely mediated by value perceptions (Dodds, Monroe, and Grewal 1991), previous studies have found a direct link between service quality and patronage intentions (e.g., Sirohi, McLaughlin and Wittink 1998; Zeithaml, Berry, and Parasuraman 1996).

Perceived product value is regarded as the primary driver of purchase intentions and behavior (Zeithaml, 1988). Our research focuses on the broader concept of store patronage intentions, which includes the likelihood of both intending to shop at the store and recommending it to others (see Dodds, Monroe, and Grewal, 1991; Zeithaml, Berry, and Parasuraman, 1996).

H3a: The higher consumers’ personnel service perceptions, the higher their store patronage intentions will be.
H3b: The higher consumers’ merchandise quality perceptions, the higher their store patronage intentions will be

H3c: The higher consumers’ monetary prices perceptions, the higher their store patronage intentions will be

H3d: The higher consumers’ customer density perceptions, the higher their store patronage intentions will be

H3e: The higher consumers’ store operations perceptions, the higher their store patronage intentions will be

H3f: The higher consumers’ sales promotion perceptions, the higher their store patronage intentions will be

This is the proposed model, adapted from the model of Baker, Parasuraman, Grewal and Voss (2002), which aims to analyse the importance of sales promotion as a choice criteria of a selling point.

The distinction between store choice, intention and preference is emphasized because they are each linked to the consumer’s differing conceptual behavior. The choice of store is the result of a specific purchasing task and refers to a purchase in a particular store, usually after gathering information and evaluating alternative stores. The intention refers to the consumer’s purchasing pattern throughout a variety of purchasing tasks. The intention patterns of the store may result from store loyalty, based on the consumer’s commitment and strong preference or reduced involvement. Preference is linked to a positive state of consumer affection for a particular store, which may or may not result in the choice or support of a store.

Methodology
On an empirical level, the aim is to apply the proposed conceptual model to a significant sample of consumers. The objective of this analysis is to study hypermarket customers since this is the most representative store in Portugal.

The previous assumptions, based on vast bibliographical examination, as well as the conceptual framework of the research project’s theme, suggest the relevance of drawing up a questionnaire. This questionnaire aimed at consumers/customers should contribute to providing the answers to the afore-mentioned questions.

**Limitations and Contribution of the Study**

This study’s main contribution is that it approaches a theme which has not been strongly developed and which is crucial to the development of a marketing strategy. In this way it contributes to broadening scientific knowledge in this area.

Companies have endeavoured to find Practical Application Models in order to respond to their doubts concerning decision of choice criteria of a selling point.

In empirical terms, we will be using a real situation and not a simulation. We will be using a representative sample of hypermarket customers and not students.

The results of this study will always be limited to the category(ies) of the few chosen product(s). On the other hand, the study will focus solely on hypermarket customers, excluding other types of stores.

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