CHAPTER - I

INTRODUCTION

Sales promotion is an important aspect in marketing to take the products and to reach the customers within the short span of time. The marketer employs various strategies like offer, gifts, discounts, advertisement, displays, trails and others to attract high quantum of customers. These strategies and their impetus magnetically attract the customers and increase their buying motivation. The buying motivation in turn makes the customers to recall the Brand of the product and also equip them to have awareness on the various brands. In another hand the marketers transparently announces their brand features, price of the product and other characteristic to give different brand knowledge to their respective customers. In several national and international literature they argued sales promotion is one of the sources of information for the customers to have complete knowledge about the products they purchase. The forces of motivation through sales promotion systematically transform the prospective customers into dynamic buyer. The buying decision and frequency of purchase increase the quantum of brand knowledge and convert the customers with significant brand loyalty.

1.1 SALES PROMOTION STRATEGIES

In sales promotion strategies sales promotion is predominant followed by other strategies of the marketers. There is a semblance of sales promotion in the many activities of a human being, especially those activities which influence others, either favourably or otherwise. The marketers want to communicate, to persuade, to
influence and to lead to some action. All this has been a part of human life almost from the time it took shape. Sales promotions are parts of human nature to be noticed.

"Perhaps, as a means of formal mass communication, sales promotion came to be practiced by royalty who sent drummers to make an announcement or communicate the will and desires of a monarch to his people.

Sales promotion, as we understand it today, was not used until about 2000 years ago. The form of sales promotion for the transmission of information dates back to ancient Greece and Rome. Criers and signs were used to carry information for sales promotion goods and services well before the development of printing. Even during the middle ages, sales promotion signs were very extensively used. These signs generally consisted of illustrations of symbols of the products advertised. The upsurge in sales promotion came after the development of printing. When printing techniques were perfected, and as this industry developed, the signs were replaced by written words or messages.

Sales promotion has evolved since the industrial revolution as a tool of marketing communication. It is an art as well as a science. It is a career for many. It is rapidly getting professionalized. Competition, growing marketing expenses, product failures, liberalization, globalization, and emergence of new electronic media have given an impetus to sales promotion activity.

Sales promotion is the most visible marketing tool, which seeks to transmit an effective message from the marketer to a group of individuals. The marketers pay for sponsoring the sales promotion activity. Sales promotion, unlike salesmanship which
interacts with a buyer face-to-face, is non-personal. It is directed at a mass audience; and not at an individual, as in personal selling.

Though marketers use sales promotion, basically it is communication process. Here the advertiser is the source who transmits the message which passes through an appropriate medium like press, TV, radio or magazines. The message is decoded meaningfully. It is ultimately received by the target audience for whom the produce/service is meant. The ultimate aim of sales promotion is to make the target audience favourably inclined towards the products or service. In that sense, sales promotion is not ordinary communication but marketing communication. Since it is received by a large number of people, through the mass media it is called 'mass communication.'

Sales promotion aims at drawing attention to a product. It seeks to create awareness about the existence of advertised product. It passes on information about the product in such a way that interest is created in the mind of the prospective consumer about the product. Then there is a growing desire to possess the product. There are convincing arguments in favour of the product. All this leads us to a buying inclination.

### 1.2 BRAND KNOWLEDGE

Brand knowledge identify the source or maker of a product and allow customers to assign responsibility to a particular manufacturer or distributor. Most important, brand knowledge takes on special meaning to the customer. Because of past experiences with the product and its marketing program over the years,
customers learn about brands. They find out which brand satisfies their needs and which one does not. As a result brand knowledge provide a shorthand device or means of simplifications for their product decisions.

If customers recognize a brand and have some knowledge about it, then they do not have to engage in a lot of additional thoughts or processing of information to make a product decision. Thus, from an economic perspective, brand knowledge allows customers to lower search costs for products both internally (in terms of how much they have to think) and externally (in terms of how much they have to look around). Based on what they already know about the brand—its quality, product characteristics, and so forth, customers can make assumptions and form reasonable expectations about what they may not know about the brand.

The meaning imbued in brand knowledge can be quite profound. The relationship between a brand and the customer can be seen as a type of bond or pact. Customers offer their trust and loyalty with the implicit understanding that the brand will behave in certain ways and provide them utility through consistent product performance and appropriate pricing, promotion and distribution programs and actions. To the extent that customers realize advantages and benefits from purchasing that brand and as long as they derive satisfaction from product consumption, they are likely to continue to buy it.

1.3 BRAND LOYALTY

Brand loyalty has emerged as the central concept in marketing over the past 20 years. Much attention has been devoted recently to the concept of brand loyalty.
Brand loyalty has been viewed from a variety of perceptive; more had been learnt about the source of brand loyalty as well as its many benefits for a firm and its customers. In today's competitive battleground, the concept of brand loyalty has proved to be an important source of strategic insights for marketers.

In a general sense, brand loyalty in terms of marketing is uniquely attributable to the brand. Brand loyalty relates to the different outcomes that result from the marketing of a product or service because of its brand name or some other brand element that if the same product or service did not have that brand identification. It represents the marketing efforts uniquely attributable to the brand and the added value endowed to a product or service as a result of past investments in the marketing activity for a brand. Thus brand loyalty serves as a bridge between what has happened to the brand in the past and what will happen to the brand in the future.

Marketing effort of creating brand loyalty can be materialized only after inspiring the customers regarding the brand of the product. Thus brand loyalty may be inferred on the basis of the customer's intension and satisfaction.

1.4 NEED FOR THE STUDY

Marketers have become increasingly aware of the importance and value of the brand name, which would provide a base for resorting and restoring to brand loyalty. The brand knowledge referred to consumers' ability to retain and recall the benefits and attributes of a particular product in the long run. In this sense, it may be noted that the influence of sales promotional strategy is an extension of brand loyalty and brand knowledge.
Thus, a brand is said to have its loyalty among the consumers to the extent that consumers are more willing to purchase the branded product over an identical unbranded product. Any product may be restored with brand knowledge and loyalty only when the marketing efforts are inspiring the customers not only to get intended with a product but retained with it and get satisfied in the future. Any effort that interacts marketing efforts and learning about consumers would emphasize in identifying the extent of existing knowledge ending with loyalty for that product in due course of time. It provokes the researcher to choose the present study for the purpose of identifying the presence of the brand knowledge and loyalty due to sales promotional strategies of marketers of selected products.

Therefore, the present study makes an important distinction between what brand is at the marketer level, and how it is manifested at the consumer level. Brand knowledge is the extra value that accrues to marketers, as a result of associating the brand with the product. Despite the complexity of accounting for and valuing brands, it is noteworthy that the examples of brand knowledge and loyalty cited in the literature based upon studies in the past are a consequence of consumer behaviour benefiting the brand.

1.5 SCOPE OF THE STUDY

There have been two general motivations for studying the influence of sales promotion on brand knowledge brand equity. One is a financially based motivation to estimate the value of a brand more precisely for accounting purposes (in terms of asset valuation for the balance sheet) or for merger, acquisition or divestiture purposes.
A second reason for studying the sales promotion, brand knowledge and loyalty arises from a strategy-based motivation to improve marketing productivity. Given higher costs, greater competition and flattening demand in many markets, firms seek to increase the efficiency of their marketing expenses. As a consequence marketers need a more thorough understanding of a consumer behaviour as a basis for making better strategic decisions about target market definition and product positioning, as well as better tactical decision about specific marketing mix actions. Perhaps a firm's most valuable assets for improving marketing productivity is the knowledge that has been created about the brand in consumer's minds from the firm's investment in previous marketing programs.

Brand knowledge and equity is a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and or to that firm's customer. Brand knowledge assets generally add or subtract value for customer. They can help them interpret, process and store huge quantities of information about products and brands.

1.6 BRIEF LITERATURE REVIEWS

Questions have been raised about the strength, degree, incidence and type of effects of sales promotion (McQuail, 1983). Sales promotion effect is said to have occurred if "as a consequence of a communication process, there is / is not in the individual mind something that would be/would not be there without it" (Piatila, 1977). An effect is basically a change that can be either planned or unplanned. Change is relative and related to time (long term or short term effects) as well as to the level of change (major or minor effects). It should be noted, however, that some
mass media communications are geared to maintain the status quo of the marketers (McQuail, 1983; Windahl, Signitzer, and Olson, 1992).

The intended effects of sales promotion include surveillance, integration and correlation, entertainment and play, cultural continuity and mobilization (Berger, 1995). A number of studies have discussed other intended effects such as change (Piatila, 1977), reinforcement of beliefs (Lazarfeld, Berelson, and Gaudet, 1944), enlargement effects (De Fleur and Ball-Rokeach, 1982), cognitive complexity effects (Pavlik, 1987), reciprocal effects (Lang and Lang, 1986), boomerang effect (Devito, 1986), spill-over effects (Lang and Lang, 1986), third-person effects (Davison, 1983), agenda setting effects (McCombs and Shaw, 1972) and cultivation effects (Gerbner, Gross, Morgan, and Signorielli, 1980). These effects are seen to influence three aspects of behaviour: the first is the available stock of product knowledge, values, opinions and product attributes; the second relates to brand selection and response of the product; the third includes socialization, reality definition, distribution of knowledge and social control (McQuail, 1983).

Sales promotions are a form of message transference using mass media and as such, suffer the same pitfalls and success as mass communications. An sales promotion is designed professionally with a specific purpose of reinforcing certain behaviors and values (Pollay and Gallagher, 1990) and may not desire change but may aim to maintain the status quo (McQuail, 1983; Windahl et al., 1992). The intended effects of an sales promotion are usually direct such as influencing sales of products or services, or indirect, such as improving product or service brand image (Ottesen, 1981). Other objectives of sales promotions include providing product and
brand information; inducing consumers to take action; reminding; and reinforcing previous messages (Wells, Burnett, and Moriarty, 2002).

Nevertheless, whatever meaning that an sales promotion wishes to convey to a targeted group, sales promotion will almost certainly be seen by others who are not possessing sales promotion (Pollay, 1986).

This issue may seem insignificant if a company has only one product and is targeting only one consumer group. In reality, this is rare. Most firms have multiple products and target multiple segments. If consumers not targeted by a company's sales promotion also purchase other products, or even the same product, from that company, then its company image, customer rapport and performance may suffer if unintended audiences react negatively to the sales promotion that targets another group. Even if a consumer currently does not purchase the company's product, the negative connotations implied by the Sales promotion sales promotion will impede the consumer's views and purchase intentions in the future. The company will also have problems marketing the brand nationally and distributing it through national retail chains, as this will run counter to its current targeted promotional strategy with its limited coverage (Freeman, 1992).

In theory, a company may have its own loyal customers who are few in number but large in sales (i.e. the 80/20 rule) and more cost effective to reach (Underhill, 1994). However, there is continuous leakage of customers and erosion of any brand's repeat purchasing over a long period of time and companies must continuously recruit new customers (Anschuetz, 2002; Barnard and Ehrenberg, 1997). Instead of totally loyal customers, a company's customers are likely to be the
company's competitors' customers too (Barnard and Ehrenberg, 1997). Therefore if the sales promotion is not to their liking, they may easily purchase other brands within their defined set of acceptable brands.

A company's customers are the main sales promotion audience. Nonetheless, sales promotion audiences can be divided into four types: loyal customers, switchers, non-users and emergent customers (Steward, 1994). Non-users of a product are usually not worth reaching. Loyal customers are easy to reach and essential to keep. Switchers are fickle, but sales promotion to them can quickly boost sales. However, sales promotions that target switchers may upset those that are loyal (Mohl, 2002). The most important group may be emergent consumers who are forming lifelong preferences. However, current sales promotion, targeting other audiences, may negatively influence emergent customers.

1.7 GAPS IN THE LITERATURE

The previous discussion of the literature identified significant gaps that will be explored in this thesis. Most of the studies in the area of effects of sales promotion are limited to satisfaction issues (Pollay, 1986; Pollay and Gallagher, 1990), neglecting the effects on the brand and customer loyalty. These issues are examined from the perspective of customers targeted and rarely take note of the reactions of them.

There is a significant amount of literature in international sales promotion, which looks at the intended effects of sales promotion from the perspective of the targeted group. Outcome measures include recognition, recall, believability, reaction to the sales promotion and purchase levels (Shoham, 1996; Somasundaram and
Light, 1994). Other studies have noted the firm's competitive position and performance in foreign markets (Albaum and Tse, 2001), brand and product performance (Jain, 1989) and management and organizational performance (O'Donnell and Jeong, 2000) when either using a standardized or adapted marketing strategy. However, studies that look at the impact on the sales promotion tend to ignore the reactions of the customers with respect to brands.

The literature also identifies how marketers can target a specific group of consumers in its promotional activities. Normative articles exhort the use of targeted sales promotion and describe the positive reactions from those customers (Cosco, 1991; De Simone, 2002; Kumar, 2002; Marconi, 2001; Mummert, 1995; Pinson and Jinnett, 1993; Weylman, 1993). None, however, look at the holistic influence of sales promotion on possession of brand knowledge and loyalty.

1.8 OBJECTIVES OF THE STUDY

- To study the customer awareness on sales promotion pertaining selected products.
- To identify the different sources of information and their effect in sales promotional strategies of the marketers.
- To analyze the sales promotional factors influencing the brand knowledge and loyalty of the customers.
- To examine the relationship between sales promotion and attributes of customer satisfaction.
➢ To investigate the association between demographic variable of customers and factors of brand knowledge and loyalty.

➢ To construct an empirical model of sales promotion and its influence over the customers.

1.9 HYPOTHESIS

❖ There is no significant influence of sales promotion on Brand knowledge of the customers.

❖ There is no significant influence sales promotion on Brand loyalty of the customers.

1.10 RESEARCH METHODOLOGY

This section describes research design, data collection and questionnaire development efforts used in this study. The sampling plan used for the final study is discussed in detail along with data collection procedures and data analysis procedures used in pretest, pilot study and the final study.

1.11 SAMPLING PLAN AND DATA COLLECTION

The customers of durable and non durable products are selected as a suitable setting to test the proposed research model. Mainly the focus is on the influence of customers on brand knowledge and loyalty of customers. The main reason for
selecting this topic are (i) availability of a higher number of customers (ii)
Availability of a number of customers -dealers contacts in the industry.

The methodology of the study is based on the primary as well as secondary
data. The study depends mainly on the primary data collected through a well-framed
and structured questionnaire to elicit the well-considered opinions of the respondents.
A simple random sampling is adopted to obtain the responses from the consumers of
Chennai. This study employs both analytical and descriptive type of methodology.
The study is conducted in two stages format, with a preliminary pilot study followed
by the main study. The secondary data are collected from journals, magazines,
publications, reports, books, dailies, periodicals, articles, research papers, websites,
company publications, manuals and booklets.

1.12 CHOICE OF PRODUCT

The choice of product was decided after a brain storming session between the
author and supervisor. It has been noted that certain product categories lend
themselves well to the consumers in their day to day life. The researcher interacted
with 50 consumers in the study area with three different durable and non durable
products to know their popularity. The application of ranking analysis clearly revealed
the high awareness of consumers on all the durable and non durable products. So the
researcher concluded the suitability of general products based on their frequent usage.
1.13 STUDY AREA

The study area taken up by the researcher is Chennai city which consists of customers with diversified customers.

1.14 RESEARCH INSTRUMENT DEVELOPMENT

Five different constructs demographics, awareness, sales promotion, brand knowledge, and loyalty were needed to test the proposed conceptual model. Multi item, five point Likert's scales were used to measure all the five constructs. Enlisting measures of sales promotion were used for all its elements and were adapted to the context of the study. Measures for final study were finalized using a three step approach. (1) Measures compilation (2) Pre test and (3) Pilot study.

1.15 MEASURES COMPILATION

This step is used for all the five constructs. All the possible measurement scales for the constructs were collected and studied in detail for their appropriateness to the present study. The scales were assessed based on the following criteria.

1) Reported reliabilities and factor structures of the scales in published studies.

2) Face validity of the questions

3) Study contents where the scale were used (scales were studied, durable and non durable industry)
4) Length of measurement scales the number of items in each scale. All the measure considered in the final instrument is presented in detail.

1.16 PRE-TEST

The measurements of customers attitude and satisfaction used by Rust, Zeithmal and Lemon (2000) were adapted to the study content and tested their face validity, content validity and reliability in the pretest. The five constructs demographics of customers, awareness, factors influencing the sales promotion, brand knowledge and loyalty in the proposed model were investigated extensively in the consumers behaviours research. Mainly customers awareness, attitude and satisfaction using Likert's scale used in the previous studies

1.17 PILOT STUDY

A pilot study was conducted to validate the questionnaire and to confirm the feasibility of the study. The pilot study was conducted with a sample of 75 questionnaires covering all parts of city. The statements included in the questionnaire were subjected to the test of reliability using Cronbach's Alpha Criterion. The value obtained is, 0.867, which shows that the instrument is highly reliable. In the light of experience gained, the questionnaire was modified suitably to elicit the response from the sample group.

1.18 SAMPLING SIZE AND DESIGN

In this study simple random sampling method is used. A total of 600 questionnaires were distributed in the randomly selected areas of Chennai city. Out of
600 questionnaires circulated, only 537 questionnaires were returned by the respondents. The researcher contacted the remaining 63 respondents repeatedly but there was no encouraging response. After scrutinizing the 537 responses, it was found that 21 questionnaire were not completed properly. So, only 516 responses were considered for the research. Hence the exact sample size of the study is 516.

1.19 QUESTIONNAIRE DESIGN

The questionnaire was based on the initial research model and propositions. Primary data were collected through questionnaire survey. A questionnaire with five sections was developed and finalized. The first part of the questionnaire comprises demographic factors with optional questions. The second part contains statements about the information search, level of awareness of customers on different brands of products. Some optional questions are included along with the rating questions and also yes or no questions. The third part consists of statements relating to influence of customers, the need recognitions, and evaluation of sales promotion with ranking type scale. This section also aims at ascertaining sales promotion factors relating to purchase of any product. The fourth part of the questionnaire relates to the opinion of customers on dealer services. Some optional questions are included along with the ranking type and Likert's five point scale questions. The fifth and final part of the questionnaire encounters the statements pertaining to the brand knowledge and loyalty post-purchase behaviour, satisfaction, brand loyalty and attitude towards products with Likert's 5 point scale. All relevant statements are included to derive responses.
1.20 SCALING TECHNIQUE IN THE QUESTIONNAIRE

The questionnaire of the research consists of both optional type and statements in Likert's 5 point scale. The responses of these sections are obtained from the customers which range as follows:

5  - Strongly Agree
4  - Agree
3  - Neutral
2  - Disagree
1  - Strongly Disagree

5  - Very High satisfaction
4  - High satisfaction
3  - Moderate satisfaction
2  - Low satisfaction
1  - Very low satisfaction

This allowed for the standardization of results as well as making it easier for respondents to complete the questionnaire. The author and supervisor discussed the Likert's 5 point scale and decided to assign the numerical value three for undecided or neutral. The numerical value 3 is assigned to neutral after referring the several approaches in statistics. Undecided has a connotation that, the statements in the questionnaire do not have proximity to the respondents. But neutral implies that they
are well acquainted with the statements in the questionnaire but they want to remain equidistant from the two extremities of agreement and disagreement.

1.21 ANALYSIS OF DATA

The primary data collected from the consumers will be analysed by using SPSS V-15 (Statistical Package for Social Sciences) to obtain the results concerning the objectives of the study. Factor analysis, Cluster analysis, t-test, One Way Analysis of Variance, Multiple Regression and Correspondence and Association Analysis are applied for analyzing the responses of consumers of Chennai

• One sample t-test is applied to find out the awareness about the attributes and benefits of products and the important sources of information.

• Multiple Regression Analysis is found suitable to find the impact of product awareness on brands, Sales promotion factors and Post purchase behaviour of consumers.

• Factor Analysis by Principal Component Method is used to identify the factors of customer satisfaction, and attitude of customers.

• K-means Cluster Analysis is exploited to classify the consumers of Chennai based on their perception of factors of brand knowledge awareness, loyalty and Post-purchase behaviour.

• Correspondence Analysis is applied to find out the intensified association between demographic segmentation and various clusters of consumers.
• One Way Analysis of variance is applied to measure the influence of personal variables on the sales promotion factors and customer satisfaction

1.22 LIMITATIONS OF THE STUDY

This study is limited to a geographical base of Chennai city covering a limited population of customers. The sample size has been restricted to 516 customers in different parts of Chennai. In selecting the brand, a limitation of three brands has been imposed, based on the frequency of purchase from different dealers in the Chennai. The study is entirely depend upon the response of 516 customers. So, increasing the number of samples and changes in the questionnaire may reveal various results.

The variables and factors involved in the study have been made compact to give more elegance to the research taken up. So any generalization of the results obtained in the study may not hold good for the whole of Tamil Nadu or the whole of India.