CHAPTER 2
The present study is focused on sales promotion practices in various product categories and its impact on brand loyalty. An attempt was made to broadly survey the studies done in the chosen topic. This chapter tries to provide a brief account of some important relevant research articles and papers published in magazines, journals and internet in the areas related to sales promotion, brand loyalty and consumer behaviour. The review of these literatures had helped to identify research problem, forming hypothesis and organize the study. The findings of these studies also suggest some specific bases on which further research can be carried out. As the scope of present study is vast, covering seven major sales promotion schemes and thirteen products across four product categories we could not find a comprehensive study that include all aspects covered under the study. Some studies are done on individual services like mutual fund, insurance, factoring, insurance etc.

Harmon S.K. and Hill C.J. in their study “Gender and Coupon Use” concluded that majority of the coupon users are the female primarily because household purchases have traditionally been the role of the women in the household.

Younger women never/rarely used coupons to purchase groceries discount store items and automobile maintenance. Older women always/usually used coupons for groceries / discount store purchases and sometimes for automobile maintenance.

Women used coupons more often than man. Fewer lower income women always/usually used coupon to purchase groceries and food delivery services. Income did not affect the frequency with which man used coupons to purchase the product.
Education was found to affect men and women differently in their use of coupons to purchase specific products. Higher educated males usually/always used coupons to purchase products from departments and discount stores. It's opposite in the case of females.

Men whose mothers did not use coupons were more likely not to use coupons themselves.

More stores issue loyalty cards to collect consumer data and associated price savings. It is possible that consumers view store loyalty cards as a convenient substitute for paper coupons. It is used as frequent shopper programs.

Number of factors that have led to a lessening of its impact for individual companies are, (1) coupons are being used by an increasing number of companies including a greater variety of service companies. As a result of that, efforts of individual companies is less likely to be noticed; (2) the competition for the brand visibility in the market place has increased leading to the institutionalization of couponing.

D'Astous A. and Jacob I. in a study entitled “Understanding Consumer reactions to premium-Based promotional offers” found that in many European countries sales promotion expenditure are larger than advertising expenditure, among the promotional tools, premiums occupy an important place. Institute of sales promotion defines six different types of premiums:

1) On-pack premiums;
2) In-pack premiums;
3) Extra product;
4) Reusable packs
5) Free mail-ins, with purchase premiums; and
6) Self-liquidating premiums.

Possiter and Percy propose two categories:

1) Free premiums (samples, coupons, or refund offers); and
2) Self-liquidating premiums.
Consumer reaction to the promotional offer were more positive when the premium was direct than when it was delayed; promotion which involves direct premiums were better appreciated and led to significantly less perception of manipulation intent.

Whether the premium was free or offered at a reduced price did not impact on either consumer appreciation of the promotion or perceived manipulation intent.

The price of the product has no impact on consumer reaction to a premium based promotional offer.

Interest in the premium has the highest impact on consumer reaction to a premium-based promotion offer.

Attitude toward the brand was positively and significantly related to consumer appreciation of the promotional offer.

Whether or not consumer had an interest in the product category had no impact on the how they reacted to a premium based promotional offer.

C.W. Lee\(^3\) has mentioned in his article "Sales promotions as strategic communication: The case of Singapore" that brand managers have a number of consumer sales promotion tools at their disposal. Price oriented promotions and non-price oriented promotions.

Price an oriented promotion includes discounts coupons and rebates. They are praised for their ability to achieve short term results such as increasing market share, encouraging brand switching and inducing product trial.

Non-Price oriented promotions include free samples, sweepstakes, contests, premiums and frequent user programs. They are adapted primarily to for their ability to meet long term objectives as enhancing brand image, strengthening brand associations or increasing brand loyalty.

In Singapore many departmental stores use rebate and contests to add excitement to the brand and provide valuable support to advertising, helping to generate consumer attention and awareness.
Strong brands enhance consumer awareness, brand loyalty and the efficiency and effectiveness of marketing and advertising program. Enhanced brand equity leads to higher prices, lower price elasticity, greater competitiveness and, ultimately higher profits and market value.

Lee suggests four reasons for using sales promotions:

1. Reaction to competitor promotions
2. Inertia-this is what we have always done
3. Meeting short term objective
4. Meeting long terms objectives.

Focus on margin, contribution and profit rather then sales volume- Price promotion may secure sales volume but may damage profits.

Revisit store design, lay out and merchandising quality cues come from the presentation in store and the impression on the street.

Use promotions to generate trail and secure football rather than to aid stock turnover – we are selling a brand here not just shifting boxes.

Invest in customer service – retailing is a service industry where too many traders have simply forgotten the basic principles of service.

Reddy P.I4, focusing of brand loyalty and brand equity has mentioned that a strong brand is an asset to the owner firm and a threat to its competitors. A strong brand stands for many things: quality, design, product position, image, value for money and confidence. Powerful brands make such a lasting impact on the consumer that it is almost impossible to change his preferences even if cheaper and alternative products are available in the market.

Brand equity provides number of competitive advantages:

1) High brand equity reduces marketing costs because of high degree of brand awareness among the targeted customers and loyalty.
2) The company can more easily launch new brands as an extension since the brand name carries brand credibility.
3) Companies will have more trade leverage in bargaining with distributors and retailers over the competitors.

In an article “The Strategic Use of Sales Promotion...Not Just for Consumers” it has been mentioned that, while sales promotion can be produced in a relatively short period of time and does not carry the same indirect costs associated with traditional advertising, sales promotion is not thought of as a way to build a brand or enhance an image. Fortunately, these misapprehensions are not necessarily true. Sales promotion, when folded into a comprehensive marketing plan can contribute to a company’s brand, employee utilization, distribution channels, training and much more.

In an article “Predicting sales promotion Effects: Assimilation, Attribution, or Risk reduction?” R.L Oliver has mentioned that sales promotion act on these expectations in two ways. First, they may alter the consumer’s assessment of the performance level probabilities. Second, if the promotion consists of an additional promise or offer, expectations regarding the offer itself are generated, and these new expectations are also subject to disconfirmation.

The effect of sales promotion will largely result from the expectations to create and the subsequent disconfirmations. First and the foremost is the consumer’s expectation of receiving the promotion. Price concession may occur with certainty, but “on-site” promotion expectation may not be realized. Second is the changed product expectations resulting from the interaction of the promotion and the product attribute. Third is the expectation regarding the performance of the promotion. All play a role in subsequent repeat purchases in a manner that can be analyzed using expectation and disconfirmation, but which must be determined empirically. For example, if the promotion itself is not received or is of the poorer- than-expected quality, attitudes toward the product may be negative affected. If the image of the product is changed as a result of the promotion, then the revised expectations are subject to disconfirmation.
Bell D and Lai R through their study on “The impact of frequent shopper programs in grocery retailing” found that ever since the acclaimed success of frequent flyer programs in the airline industry, companies in any retail sectors such as hotels, financial services, and grocery, have rushed to introduce “frequent shopper programs.” These programs offer various incentives and rewards to consumers on the basis of cumulative purchases from a given provider. The argument is that as consumers continue to dedicate as increasing share of their wallet in the category to one brand or to one store, they incur a cost to switch to a different store or brand because of inertia effects.

Heerde H.J et al. In a study on brand switching explained that the elasticity and unit sales decompositions can be viewed as complimentary measures of sales promotion effectiveness. Both measures are of interest to retailers and to brand managers of the promoted and non-promoted brands. The elasticity decomposition is suitable for a separate assessment of change in purchase incidence probabilities, brand choice probabilities and purchase quantities while keeping the other components constant. The unit sales decomposition measure compliments the elasticity results by considering the net decrease in sales of the non-promoted brands. It accounts for the fact that part of the category expansion effect may go to the non-promoted brands. Thus, the unit sales decomposition shows the net result.

Dubois B & Laurent G in their article “A situational approach to brand loyalty” have mentioned that to a large extent, substantial level of attention has been stimulated by the growing awareness, among many companies, that their brands could represent one of the major assets. For the most part value of a strong brand lies for a company, in its ability in a competitive environment, to attract and keep satisfied customer over time.
Sheth J.N.\textsuperscript{10} in a study on multi-dimensional brand loyalty has mentioned that brand loyalty defined as a positively biased tendency contains three distinct dimensions. The first dimension is the emotive tendency toward the brand. It refers to the affective, fear, respect or compliance tendency which is systematically manifested more in favor of brand than other brand in the market place.

The second dimension of brand loyalty is the evaluative tendency towards the brand. It refers to the positively biased evaluation of the brand on a set of criteria which are relevant to define the brand’s utility to the consumer.

The third dimension is the behavioral tendency towards the brand. It refers to the positively biased responses toward the brand with respect to its procurement, purchase and consumption activity.

White S.\textsuperscript{11} in his article “Branding: a key strategy in the age of parity” has stated following advantages of a brand strategy can:

1. Make you stand out from your competitor.
2. Give heft to your advertising messages.
3. Enables you to launch new products or services quicker and at lower cost.
4. Help you attract and retain quality employees.
5. Helps build loyalty to your company and its offerings.

Aguirregabiria\textsuperscript{12} in his article “Sales promotion in supermarkets: Estimating their effects on profits and consumer welfare” has mentioned following facts about sales promotion. Most countries in continental Europe have restrictions on the form, the frequency and the magnitude of the price discount. The main motivation of these restrictions has been the protection of the centers of towns and villages, and there by the livings of small shopkeepers. In fact, the regulations of sales promotions can be seen as part of a set of legislative constraints that tries to protect small retailers and that includes also restrictions on
hours of operation and location. The regulation of sales promotions in retail market has recently become an important policy issue in Europe, and the European commission has started a consultation process aimed to homogenize the regulation on sales promotion in the European Union.

Chaudhuri A.\textsuperscript{13} in his article "Product class effects on brand loyalty" mentioned that brand loyalty may be more prevalent in high involvement product classes would suggest that brand managers in high involvement products should spend more on advertising and other brand in low involvement products should allocate more funds to sales promotion and similar strategies which encourage loyalty to price and not to the brand.

Perceived difference and perceived risk are the links between product involvement and brand loyalty.

Products that are high in the importance dimension of product involvement are also high in perceived differences between brands and high in perceived risk in the product category. Thus the importance or relevance of the product motivates consumers' processing of difference between alternative brands. Knowledge of high perceived differences, in turn leads to heightened perception of risk in choosing the wrong brand in the product category. This leads to consumer loyalty to a single reliable brand in order to reduce the risk in a product.

Chaudhuri A. and Holbrook M.B.\textsuperscript{14} talking about brand loyalty in their article "The chain of effects from brand trust and brand affect to brand performance: The role of brand loyalty" stated that brand loyalty leads to greater market share when the same brand is repeatedly purchased by loyal consumers, irrespective of situational constraints. Behavioral, or purchase loyalty consist of repeated purchases of the brand, whereas attitudinal brand loyalty includes a degree of dispositional commitment in terms of some unique value associated with the brand. Belief about reliability, safety, and honesty are all important
facets of trust that people incorporate in their operationalization of trust. Brands that make consumers happy or joyful or affectionate should prompt greater purchase and attitudinal loyalty.

Kalra A. and Shi M.\textsuperscript{15} mentioned in the article entitled “Consumer value-maximizing sweepstakes and contents: A Theoretical and experimental investigation” that the sweepstakes reward structure should be based on three factors: the objectives of the firm, the risk aversion of the customers, and the level of sub-additivity of probability weighting. The firm should begin by setting sweepstake objectives in terms of either attracting switchers or targeting current users. If the objective is to target current users, then the number of prizes awarded should be lower than in the case where the targets are switchers. If the current users are risk neutral, then the consumer value maximizing award is a single grand prize. If the current users are risk averse, then the award should consist of multiple “large” prizes. When the firm's objective is to draw sales away from competitor, the value maximizing strategy is to distribute the award money over more prizes. If non-current user segment is risk neutral with respect to gain but sufficiently risk averse in the domain of losses, then the prescribed reward structure is to have a single grand prize but also include several small prizes which ideally should be close to the opportunity cost of the customers. If the non-loyal customers are risk averse in gain and loss averse, then the best prize allocation is to have both multiple large prizes.

Chandon, P. and Wansink, B.\textsuperscript{16} in the article “A benefit congruency framework of sales promotion effectiveness” mentioned various benefits of sales promotion. The benefits of the sales promotions can be classified as utilitarian when they help consumers maximize the utility, efficiency, and economy of their shopping and buying and as hedonic when they provide intrinsic stimulation, fun, and self-esteem. The savings, quality, and convenience benefits of sales promotions can be tentatively classified as utilitarian, because they help
consumers increase the acquisition utility of their purchase and enhance the
efficiency of the shopping experience. In contrast, the entertainment and
exploration benefits of sales promotions can be tentatively classified as hedonic,
because they are intrinsically rewarding and related to experiential emotions,
pleasure, and self-esteem.

Monetary promotions are primarily evaluated on their utilitarian and value
expression benefits. In contrast, non-monetary promotions are primarily
evaluated on their hedonic benefits. Compared with non-monetary promotions,
monetary promotions are perceived as offering more saving and more
opportunities to upgrade to a higher quality product and to express core value but
provide less entertainment and fewer opportunities for exploration. Monetary
promotions receive a higher score on the value expression benefit, which suggests
that consumers gain more self-esteem from utilitarian benefits than from hedonic
benefits.

Raghubir P. and Corfman K.\textsuperscript{17} has explained that a price promotion
typically reduce the price for a given quantity or increases the quantity available
at the same price, there by enhancing value and creating an economic incentive to
purchase. However, if consumers associate promotions with inferior brand
quality, then to the extent that quality is important, a price promotion might not
achieve the extent of sales increase the economic incentive otherwise might have
produced. Price promotions often are used to encourage trial among nonusers of
products and services. Thus it is important to understand the effects of
promotions on evaluation made by consumers who do not have prior experience
with the promoted brand. Such promotions include those for new brand
introductions, as well as those targeted at nonusers of an established brand. If
promotion damage brand evaluation, they will undercut the positive economic
and psychological incentives promotions supply and reduce the likelihood of
trial. Furthermore those who purchase for the first time in response to the
promotion may be less likely to purchase again when the promotion ends.
1. Offering the promotion is more likely to lower the brand's evaluation when the brand has not been promoted previously, compared with when it has been frequently promoted.

2. Promotions are used as source of information about the brand to a greater extent when the evaluator is not an expert but has some basic industry knowledge; and

3. Promotions are more likely to result in negative evaluations when they are uncommon in the industry.

Heerde H. J. et al.\textsuperscript{18} has explained in the study on pre and post promotion dips that one fourth of the gain in a week's product category sales resulting from a promotion is at the expense of the succeeding week's sales. Because consumers are heterogeneous in the length of the period they are willing to defer purchase in anticipation of a price promotion,

It is know that consumers of ten accelerate their purchase in time and or/quantity because of promotions, which should result in purchases in the weeks following a promotion. This dip is however rarely observed in sales data. Extent arguments for the apparent lack of post promotion dips imply that the dips may be difficult to detect by traditional models. Because brand sales are the aggregate of purchases across households, both pre & post promotion sales data may have complex patterns. Essentially sales are shifted from multiple future and past periods into a current, promotion-based sales spike in a non trivial way.

Suri R. et al.\textsuperscript{19} in a study entitled "Comparing fixed price and discounted price strategies: the role of affect on evaluation" has quoted that several industries now offer their products and services at price that are not discounted and do not vary. These companies believe that price discounts turn away customers because the complexity of discounting schemes makes it difficult to evaluate the deal. Further research suggested that a wide spread use of discounting strategies has led consumers to question the validity of a discount whether the so called regulate
price is not just an artificially inflated price, while the discounted price is the real price. The evaluation of a fixed price offer with no associated threat of a possible loss is likely to maintain consumers’ positive affect. In contrast price discount may reduce consumers’ positive bias due to the uncertainty such a format creates. Consumers might be unsure whether the current price promotion is the retailer’s best price offer. Fixed price format was associated with more positive balanced thoughts and stronger positive affect that the discounted price format. On the other hand, the evaluation of the discounted price offer was associated with less positive affect and more thorough processing of the price information. As a result perceptions of sacrifice were higher for the discounted price than the fixed price format. Discounts encourage the view that the product is of poor quality and we may also promote switching from discounted brand to discounted brand simply on the basis of the price.

Sivakumar K. and Raj S.P.\textsuperscript{20} have done a research on quality tier competition focuses on brand switching between high and low quality brands. Quality tier competition is asymmetric- that is consumer respond to price promotions more to switch-up than to switch down quality tiers. With price reduction, high quality brands gain more than do low-quality brands both in what and whether decisions. High-quality brands are less vulnerable to losses when prices are decreased. A price decrease by a high quality brand H enhances the brand’s attractiveness because it leads to a higher utility and also gives consumers the opportunity to move from a lower to a higher quality. That is a price reduction by a higher quality brand offers something more than mere substitution. A price decrease by low-quality brand L also increases the brand’s attractiveness because of its reduced price, but it does not generate any additional favorable quality effect.

Price promotion do induce consumers to accelerate their purchase, a promotional strategy could have an ever stronger market impact. It will attract not only consumers who plan to buy the product category at that time, but also those
who would otherwise buy later and perhaps choose a competing brand in the absence of a promotion.

Moschis G.P. et al.\textsuperscript{21} in his article “An exploratory study of brand loyalty development” mentioned that adolescence may be a period during which brand preferences are formed and maintained. Maturation during this period seems to contribute to brand preference formation suggesting that cognitive development theory may explain the formation of such orientations. However it also appears that age affects brand preferences indirectly by impacting upon peer interaction as well as upon newspaper reading and television viewing. As adolescents grow older, they tend to interact more frequently with peers and newspapers, both serves as significant source of brand loyalty development.

In an exploratory study on brand loyalty, Chaudhuri A.\textsuperscript{22} has concluded that brand loyalty is a consumer’s preference to buy a single brand name in a product class; it is a result of the perceived quality of the brand and not its price. Brand loyalty leads to certain marketing advantages such as reduced marketing costs, more new customers and greater trade leverage. Additionally other marketing advantages such as, favorable word of mouth and greater resistance among loyal consumers to competitive strategies are also there. Brand loyalty leads to greater and continual sales since the same brand is repeatedly purchased, irrespective of situational constraints. Also consumers may use more of the brand to which they are loyal, since they may like using the brand or because they identify with the image of the brand.

Brand loyalty is a separate construct from brand attitudes, since brand attitude could be high for more then one brand and thus results in multi-loyalty or loyalty towards more than one brand.
Leo Burnett has identified four separates types of consumer brand loyalty:

1. Long loyal who are committed to one brand regardless of price.
2. Deal sensitive who switch among a set of brands and make their final choice based on special offers.
3. Rotators who care more about variety than price and who also switch among a set of favorite brands and,
4. Price loyal who generally buy only the cheapest brand.

Hammond and Ehrenberg A. mentioned in their article “The case against price-related promotion” that price promotions for FMCG brands do not lead to increased sales once the promotion is withdrawn. They are mainly used by past customers of the brand, who therefore cannot be converted. Price promotions in general only reach relatively few consumers, because few people buy at all in any particular week; even if the penetration doubles during the promotion period, it still remains low. Promotions do not attract new customers who then become converted to the brand; they may supply switch to the brand they would have brought any way to take advantage of the price cut.

Biel M. in an article “Long term profitability advertising versus sales promotion” has mentioned that packaged goods firms that put most of their marketing budget into advertising were more profitable than those that put most of their budget into trade and consumer promotions. Advertising works by helping to build strong brands

Carl F. et al. in their study on long term impact of promotion in consumer stockpiling behavior concluded that although brands have increased their promotional spending substantially in many categories over the past decade, panel-based research into consumer stockpiling behavior has typically assumed that consumer decision regarding whether and how much to purchase have remained invariant to this increase. The results suggest that consumers’
stockpiling behavior has changed over the years. The increased long term exposure of house holds to promotions has reduced their likelihood of making category purchases on subsequent shopping trips. However when households do decide to buy tends to purchase more of a good. Such behavior is indicative of an increasing tendency to “lie in wait” for especially good promotions. The change appears to have deleterious ramifications for category profitability.

In an article Active vs Passive loyalty: A structural model for consideration set formation authors26 have mentioned that passive brand loyalty refers to state dependence arising out of consumer lock in as a result of high search cost. Thus a passively loyal consumer repeatedly buys the same brand over the successive purchase occasions because her cost of searching the posted prices of other brand is very high that is her optimal consideration set does not include any other brand. In contrast, active brand loyalty refers to state dependence arising out of high intrinsic preference for the selected brand. Thus, while an actively loyal consumer considers more then the selected brand on any purchase occasion, she nonetheless buys the same brand because of her high intrinsic preference for the brand.

Consideration set refers to the set of brands over which a consumer makes an explicit utility comparison or cost benefit trade off before she makes her brand choice decision. Key results are:

1. Relative to low price sensitive consumers, high price sensitive consumers has larger consideration set.
2. The intensity of consumer search is high in product categories characterized by greater price variation.
3. A consumer does not stay in the state of inertia for long.
4. In-store display activities and features ads reduce consumer search costs or a brand there by significantly increasing the probability of the brand being considered.
Rothschild M.L.\textsuperscript{27} in a study on behavioral view of promotions effects on brand loyalty have mentioned that brand loyalist is felt to be declining in many product classes where there is a high level of sales promotions dealing and where there are few perceivable brand differences. Brand loyalty generally are considering frequently purchased goods and these are often referred to as low involvement mechanism that makes life easier for consumers; it is easy to choose the same brand, the same benefit or the same deal. A key unique benefit for convenience goods may be price, and, therefore loyalist to price or deal may be the most viable low involvement behavior. Consumers learn to try brand B for fifty cents off its normal price. If B has its own unique benefit, then it is likely to be repurchased, but if B is not very different from brand A, then the consumer learns two things. The consumer learns that using a deal is reinforcing, and that A and B are similar enough such that is offered outweighs the slight benefit advantage held by either brand. Without a deal, consumers learn brand benefits and repurchase; with a deal consumers learn the benefit of the deal and look for another deal. Brand loyalty is slow dying in other classes where the main perceivable difference is in the price.

There are at least two possible outcomes. One is that consumers learn to look for deals; this will occur if price is more salient than other benefits. The other outcome is that brand loyalty towards the new brand will emerge. This will occur if some other benefit is more salient than price and no better deal emerges to interfere with this new loyalty.

In a study on Market response to a major policy change in the marketing mix: Learning from Procter & Gamble's value pricing strategy author Ailwadi K.L.\textsuperscript{28} has mentioned that

1. Self-perception and attribution theory suggest that steep price cuts encourage customers to attribute their purchase of the brand to the promotion not to underline preferences.
2. Behavioral learning theory indicates that promotions train the customers to buy on deal rather than repeat purchase the brand.

3. Promotion can reduce the customer reference price for the brand causing "sticker shock" on the next purchase. Promotions can increase repeat purchase rates in a competitive environment because they preempt current users from taking advantages of other brands promotions and therefore increase the purchase probability not only among new trier's but among current users as well.

4. Researchers have found that advertising and promotion elasticity defer by brand as well as product categories. Heavily advertised categories are less price elastic. Similarly heavily promoted categories are less deal and coupon elastic. Categories with long purchase cycle are less deal elastic.

5. Promotion increases penetration and has little impact on customer retention. Promotion has direct impact on share rather than advertising.

Wyner G.A.\textsuperscript{29} in an article "Customer profitability" concluded that customer can be seen as economic units that generate profit for firm. Individual customer can be characterized by the amount of profit they generate ranging from high profitable to low profitable. He stated that Revenue generating and cost generating behavior must be combined into an estimated profitability for each customer calling for translating behavior into dollars and estimating the duration of customer lifetime. Nearly 80 per cent of the profit comes from fewer than 20 per cent of the customer. Some of the highest revenue customers are often not most profitable group.

A promotional plan to increase loyalty among the best customers can be compared with a plan to improve the profitability of the marginal customer. Else the promotion strategy designed to maximize transaction may miss the chance to develop long term customer relationship.
Bell D.R. & Dreze X. explained about the trade promotions mentioned that in practice, pay-for-performance deals: (1) help eliminate forward buying, (2) lead to greater retail sales and marketing support, and (3) show improved pass through to consumers. When used correctly, pay for performance trade promotions facilitate channel coordination and encourage the respective parties to concentrate on their core competencies.

In contrast to off-invoice contracts where the retailer is rewarded on the basis of units purchased from the manufacturer, the new pay-for-performance contracts (such as scan-backs) reward the retailer on the basis of units sold to consumers. Manufacturers can have better assurances that their dollars will reach consumers.

Capron L. & Hulland J. has explained that marketing is the art and science of creating change in market in such a way that the change benefits the firms and disadvantages rivals. The development of a strong brand typically is based on a firm’s substantial, often expensive and historic investment in marketing communications (particularly advertising), which has resulted in strong consumer awareness and a superior attitude toward the brand. The unique nature of this historic investment, coupled with the variability of the relationship between a brand and its individual consumers, suggests that a successful brand cannot be imitated easily. Furthermore, its effects cannot be readily or easily duplicated through the use of other strategic resources. Thus, substitutability is low. Brand resources are likely to play a particularly important role in consumer good firms.

Bawa K. and Shoemaker R. studied the effect of free sample promotion on incremental brand sales. The model incorporates three potential effects of free samples on sales: (1) An acceleration effect where by consumers begin repeat purchasing of the samples brand earlier than they would, (2) a cannibalization effect, which reduces the number of paid trial purchases of the brand, and (3) an expansion effect, which includes by consumers who would not consider buying...
the brand without a free sample. The empirical finding suggest that unlike other consumer promotions such as coupons, free samples can produce measurable long term effects on sales that can be observed as much as 12 months after the promotion.

In the article entitled “The strategic use of sales promotion.... Not just for consumers”, the authors have mentioned that it is comforting to remember that as recently as ten years ago the ratio of advertising dollars to sales promotion dollars was approximately 60:40. Today in many categories the ratio has reversed.

Sales promotion can smooth seasonality, inventory or pipeline inefficiencies. Because of it immediate impact on market, sales promotion can be used to test pricing issues and clarify price elasticity or inelasticity. The ability to short term volume can also be used, sparingly to lower per unit cost.

The most common use to sales promotion is to attract consumers to your product. Traditionally it is used against product in the latter stage of life. To a lesser extent it has been used to introduce, stimulate consumer trial and generate interest from distribution channel in new product.

Sales promotion is used more often when you are faced with a large number of competitors it helps pull your product out of pack.

Consumer research revealed that the most influential form of sales promotion are free extra product and price discounts, influencing 88 per cent and 79 per cent of consumers’ buying behaviour respectively.

In contrast, competitions and exclusive offers requiring payment and proof of purchase are likely to influence the buying behaviour of less than a quarter of consumers.

Consumers most likely to be influenced by any type of sales promotion are women and young people.
In an article “Foundation of Brand Management”\textsuperscript{35} it is stated that Promotion may be preferred because good promotional exercises provide the facility to carry out controlled activity on a focused target group and unlike mass media advertising it directly addresses and involves the consumer.

Consumer promotions generally hit directly at the decision and purchasing stages of the buying process, they affect behavior directly producing immediate results.

Consumer promotions can thus be defined as “Marketing and Communications activities that change the price / value relationship of a product or service thereby generating immediate sales & altering long term brand value”.

Brand Equity cannot be built without pumping in promotion. Developing a promotion as a brand can provide a powerful tool for building additional brand awareness and positive associations. An excellent method to achieve this is through linking the promotion to the actual brand.

Promotions contribute to shopping enjoyment. Promotion provides both measurable hedonic (pleasurable) benefits, as well as utilitarian (monitory) benefits\textsuperscript{36}.

1. Promotion activity is an integral part of the shopping experience and is positively related to consumer satisfaction with retail stores.
2. Consumers of all incomes participate in and enjoy promotions.
3. Promotion buying and brand loyalty are not mutually exclusive—many consumers who are loyal to the brands also respond positively to its promotions.
4. Promotions contribute greatly to overall brand experience. Promotions serves as a point of differentiation that can help a brand stand out of in a category regardless of product attributes or prices.
5. Coupon promotions particularly have distinct, measurable contribution to profit that can be directly tied to the specific
characteristics of face value and length of redemption period. By managing these characteristic, specific outcomes can be achieved.

The research also indicates that the effectiveness of sales promotion is directly linked to the benefit provided. For high-equity, indulgent items such as gourmet chocolates and bubble baths, promotions are more effective when they provide non-monetary offers such as sweepstakes and other incentives. Low equity items such as light bulbs, laundry soap and detergent were found to be the best served by monetary promotions.

In a study “Enough is enough: promotion is strategic”, conducted by marketing sciences institute in Cambridge, researchers tested their hypothesis that promotion has a negative effect on a consumer’s evaluation of a brand. The findings, entitled, “Promotion has a negative effects on brand evaluations- or does it? Additional Dis-confirming Evidence” proved conclusively that promotion does not have any negative effect on brand evaluations by consumers and, more importantly, promotions may even have a positive influence, consistent with the behavioral and involvement learning theories.

In a study on “Market response to a major policy change in the marketing mislearning from Procter & Gamble’s value pricing strategy” authors Ailawadi K.L., Lehmann D.R. and Neslin S.A. has mentioned economic theory posits that competitor to a firm’s change in advertising and promotion is governed by cross elasticity’s (how strongly the competitors share is affected by firm’s move) and self elasticity’s (how easily the competitor can recover the lost share). Other learning from this article are:

1. Both advertising and promotion should increase penetration by encouraging more consumers to switch to the brand.
2. Promotion increases penetration and has little impact on consumer retention.
3. Advertising appears to work primarily by increasing penetration but the effect is weaker than the promotion.

4. Promotion has a strong direct impact on share than advertising for average packaged goods brand and the effect of the promotion is greater than that of the advertising for established brands though the reverse is true for the small brands.

Selness F. and Singh S.\textsuperscript{39} in their study on “Polygamous loyalty and varying utility function: An exploration of brand switching in frequently made purchases” have explained that the research demonstrates that the case of frequently purchased, low involvement purchase situation, consumers are likely to display preferences for more than one alternative and that the choice on each occasion is going to alternate between these alternatives. In addition relative satisfaction with the different alternatives and the variability in the utility function across purchase situation are used to explore the composition of the choice set and explain how choices are being made.

Oliver R.L.\textsuperscript{40} has explained that Satisfaction is the consumers’ sense that consumption provides outcomes against a standard of pleasure versus displeasure. For satisfaction to affect loyalty, frequent or cumulative satisfaction is required so that individual satisfaction episodes become aggregated or blended.

Cognitive loyalty stage is influenced by repeated episodes of positive effect toward the brand. Conation by definition implies a brand specific commitment to repurchase. Cognitive loyalty then is a loyalty state that contains what, at firsts, appears to be the deeply held commitment to buy noted in the loyalty definition. Competitive product trial resulting from samples / coupons or point of purchase promotions may be particularly effective because the consumer has committed only to the brand, not to avoiding trial of new offering thus cognitively loyal consumer has not developed the resolve to avoid consideration of competitive brands intentionally.
Gijsbrechts E. and Nisol P. in their article “Towards a theory based Measure of purchase variation” mentioned that consumers with a given variety drive may exhibit different purchasing pattern: while some buy different products from the category on a given purchase occasion, others primarily switch among items over time (Walsh, 1995). Consumption of several units of the same product may create an internal attribute stock for some product attributes which makes consumers want to switch away to items with different characteristics. Alternatively variety seeking can results from the consumers’ need to avoid boredom or satisfaction is temporary (Raju, 1980).

Wansink B. and Seed S. in their article “Making Brand Loyalty Programs Succeed” has explained that:

1. Loyalty programs work best for products and services that have high margins and are difficult to differentiate.
2. They are also appropriate for products and services that a customer will invest heavily in over a long period of time.
3. The best programs go beyond retaining their program members as customers.

In an article “Current Issues in Sales Promotion” with competition getting intense, most marketers are looking at price-related promotions to boost sales. But this has lead to a situation where the average consumer looks at buying only those products that come with an offer of some sort, and in the process ignore the concept of brand loyalty.

Price-offs can be used by brands to initiate trials and get a foothold in the market, but this should be announced at the retail and consumer end as an introductory price. Otherwise, when you actually increase the price to the original intended market price later, it affects consumers’ expected price value equation from the brand.
Hallberg G. explained that across virtually all categories in the US, arguably the most promotionally-developed nation, consumers who describe themselves as usually considering “most of the brands and going for the one that offers the lowest price” out number consumers who say “there is only one brand I would ever consider” by a ration of greater than 2:1. Within frequently purchased categories, the ratio of upper-income price buyers to loyalists is almost 2:1. For durables and services, the ratio is an astonishing 10:1. Similarly in developing economies like India, with a limited infrastructure to implement consumer promotions and consequently a far lower percentage of marketing spending devoted to price promotions and consequently a far lower percentage of marketing devoted to price promotion than the US, the situation is just the reverse. Self-describing brand loyalty out number price-buyers by a margin of greater than 2:1. Even marketing allowances for consumers’ desire to provide a “socially correct” response, from a marketer’s perspective this is a disturbing imbalance between price-buyers and brand-loyalist.

Dunn C. and Banks J. in his study “Promotions: Adding value or driving sales” concluded that within typically highly competitive FMCG markets, where not to promote would simply result in market share loss: in mature markets consumers generally view most brands as being adequate for their needs and are happy to be incentivised to switch between them.

Uva W. has explained that the only situation where sales promotion is profitable is when the company truly has a superior product paired with low product awareness. In this case, sales promotion will get people to try the product, and they will be less likely to switch to a competing brand when sales are over.
In a study on “Sales Promotion Effectiveness: The Impact of Culture at an Ethnic-Group Level” Kwok, S. and Uncles, M.\textsuperscript{47} has made following conclusions:

1. Monetary promotions are more effective for utilitarian products as they provide more utilitarian benefits, which are compatible to those sought from utilitarian products; and

2. Non-monetary promotions are more effective for hedonic products as they provide more hedonic benefits, which are compatible to those sought from hedonic products. For example, price cuts are more effective than free gifts for influencing brand choice of laundry detergent (i.e., a utilitarian product), whereas sweepstakes are more effective than price cuts for influencing brand choice of chocolates (i.e., a hedonic product). However, it is noted that there are other factors that may impact on the congruency effects, including the product life cycle, purchases situations and consumer demographics.

The preference for monetary promotions was found to dominate over the preference for non-monetary promotions across all product types. Furthermore, with only a few exceptions, the covariates of gender, age and income were all insignificant in accounting for the choice of promotions.

It was generally found that hedonic products were associated with the choice of monetary promotions whilst utilitarian products were associated with non-monetary promotions. The possible explanation is that non-monetary promotions are preferred for utilitarian products because they provide consumers with the experiential benefits that are not provided by the product itself. On the other hand, monetary promotions may be preferred for hedonic products because they can reduce the guilt associated with hedonic consumption.
Wilkerson T.\textsuperscript{48} in an article “Trade promotion effectiveness” has given following date: AC Nielsen data has shown that only 32 per cent of CPG manufacturers manage promotion profitability; only 13 per cent of all promotions are truly profitable. More broadly, research suggests that up to 90 per cent of trade promotions in the industry fail to deliver positive ROI.\textsuperscript{2} Further, two thirds of companies believe value from promotion spending is “fair” to “poor”, with 85 per cent of these believing inefficient promotion is a “very important” issue.

Promotions that appear effective by influencing large lift for specific product/account pairings may look attractive to account managers focused on volume quotas. However, often these short-term results are enjoyed at the expense of longer-term brand/corporate strategies. The lift may come at the expense of other product volume (cannibalization), or hidden supply chain costs may be incurred to enable the promotion lift.

In a study on “The Promotion Effect on Endogenous Consumption” the author Sun B.\textsuperscript{49} has explained that consumers predict future promotions and optimally plan their purchases to coincide with promotion schedules. Consumers delay their purchases until promotion, making sales before promotion relatively low. With more inventories, they also consume more making the drop of sales after promotion less significant.

Thus, for product categories with flexible consumption, the “post promotion” dip could be insignificant due to the consumption effect at promotion and the purchase deceleration effect before promotion.

For products that are perceived to be versatile and substitutable, consumption is not constant, but rather increases with inventory and promotion.

1. The consumption function (consumption increases with inventory) increases as holding cost increases and promotion uncertainty decreases.
2. Promotion not only causes brand switching and purchase acceleration, but also stimulates consumption. Promotion has a stronger impact on the consumption of stronger brands.

3. Conventional models assuming a constant or an exogenous consumption rate overestimate the importance of the brand switching effect.

4. Our simulation demonstrates that the lack of evidence for a “post promotion” dip could be due to purchase deceleration before promotion and a consumption increase at promotion for product categories with elastic consumption.

5. The dynamic structural model with endogenous consumption approximates the data the best. Thus, in order to measure the promotion effect on sales accurately, it is important to treat consumers as rational agents who form promotion expectations and optimally adjust their purchase time and quantity as well as consumption to coincide with the promotion schedule.

Ailawadi K.L. and Neslin S.A. in his article “The Effect of Promotion on Consumption: Buying More and Consuming It Faster” mentioned that promotion’s effect on consumption stems from its fundamental ability to increase household inventory levels. Consumption should increase with inventory, not only due to the stock pressure from inventory holding costs, but also because higher inventories allow consumers greater flexibility in consuming product without having to worry about replacing it at high prices.

Scarcity theory suggests that consumers curb consumption of products when supply is limited because they perceive smaller quantities as being more valuable (e.g., Folkes, Martin and Gupta 1993). Wansink and Deshpandé (1994) show that increased inventory generated by promotion can result in a faster usage rate if product usage related thoughts are salient, that is for products that are perishable, more versatile in terms of potential usage occasions (e.g. snack
foods), need refrigeration, or occupy a prominent place in the pantry. Staples such as bathroom tissue, diapers, and various cleaning products might be difficult to expand with promotion. But for many other categories yogurt, cereal, cookies, beverages, etc. perhaps managers should think of promotion as a tool for growing the category rather than only as a market share weapon.

Shaw, R.\textsuperscript{51} has explained in his article “How promotion works” that Promotions generate relatively few trial purchases. Trial purchases from first-time buyers are a minority. Most consumers who buy on promotion have previous experience of the product.

Higher market share brands are proportionally less responsive. Percentage measures of promotional spikes show that spikes are lower for larger brands (even though high-share brands may capture a larger absolute sales volume), because high-share brands have less headroom for expansion.

Promoting certain brands causes customers to switch from a competing brand in greater numbers than promoting that competing brand will cause to switch from them. One possible explanation is that asymmetry in switching is due to differences in perceived quality.

Integrating promotions with advertising and display features yields more than sum of the individual effects. Advertised promotions can result in increased trade customer traffic. The greater the ambient frequency of promotions in the category, the lower is the height of the spike. This result is likely to be caused by

1. Consumer expectations about promotions
2. Changes in the consumer reference price.

Heilman C., Lakishyk K., Radas S. and Nakamoto K.\textsuperscript{52} in the study on The Effect of In-Store Free Samples on Short- and Long-Term Purchasing Behavior suggested that brand managers may wish to train sample providers to provide more utilitarian information regarding the brand if they expect to increase long-term share via increased purchasing by “Information Seekers”. Store
managers, on the other hand, would like “Party Goers” (who sample for hedonic reasons), to enjoy (hedonically) the experience of sampling in their stores in order to increase the size of their shopping baskets.

Ailawadi K.L., Gedenk, K., Lutzky, C. and Neslin S.A.\textsuperscript{53} in an article “The Benefits of Promotion-Induced Stockpiling” explained that Pre-emptive switching (accelerated switching) is the purchase of the promoted brand now instead of a competing brand later.

The three potential benefits of promotion-induced consumer stockpiling are additional consumption, pre-emptive brand switching, and additional repeat purchases. Consumption appears to be the most important benefit of stockpiling, followed by pre-emptive switching and repeat purchasing. These effects can more than make up for the negative profitability impact of accelerated loyal.

Ruszala\textsuperscript{54} in an article “Promotions and Loyalty Can Play Nice” mentioned that promotional programmes attempts to drive sales of product or service to customers and involve short term, high impact motivators. He also stated that although promotional programme may provide an incremental lift that typically occurs only during the offer season. Shortly thereafter customers often return to their normal buying behaviour. Because of this ROI really doesn’t matter to the marketers interested in a sustainable change in consumer behaviour or significant growth in profitable.
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