

Differentiating Price Sales Promotion and Non Price Sales Promotion in affecting Customers' Behavior at Smartphone Retail Outlet. An Empirical Study.

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Abstract

The objective of the present study is to distinguish influence on customers' empirically by Price Sales Promotion (PSP) and Non Price Sales Promotion (NPSP) at retail outlet. The study is done by taking Smartphone as product for which Price Sales Promotion and Non Price Sales Promotion is considered. Only offline Brick and Mortar Retail Outlets are taken into consideration and not Online Retailers. Respondents are those who have done purchasing of Smartphone at retail outlet. Likert Scale is used to capture strength of effect by Price Sales Promotion and Non Price Sales Promotion. Confirmatory Factor Analysis (CFA) is used to find differentiation exist or do not exist in influencing customers' stimuli between PSP and NPSP for Smartphone at Retail Outlets. From Confirmatory Factor Analysis, it is recognized that PSP and NPSP are different in influencing customers. Though, through literature review, they complement each other but could be to segregate to target different customer segments. It is one of preliminary efforts to find the presence of difference between influence on customers by PSP and NPSP.

Keywords: Smartphone, retail, Price Sales Promotion, Non Price Sales promotion.

1. Introduction

There is no sign of reducing the use of promotion by companies to stimulate demand and on the other hand there is increase in sales promotion which is evident by seeing huge increase in coupons and rebates (Chapman, 1993). Companies invest heavily on sales promotions at retail outlet to either capture share or sustain it. Sales promotion is a technique to

enhance present sale at selling point. It could be brick and mortar shop or online. Tactic used is either to do trade promotion or customer promotion. In trade promotion, companies or brands incentivize traders who purchase more products. Traders and retailers got incentives in favor of increasing their stockings. The philosophy company follows for trade promotion is that if dealers or trader keep more stock of the company, more they will try to push the brand as compared to other brands for whom they have been less incentivized or for whom they have less stock. These incentives traders either could save for their own business or profit or could use to liquidate the stock by forwarding the same incentives to customers in the form of customer promotion. Customer promotion means to incentivize the customer either through company or retailer for giving preference to a particular product or brand by choosing from different alternatives. Many companies advertise price sales promotion through non price sales promotion i.e. posters, banners, etc providing information regarding discounts at retail outlet. Non Price Sales Promotion not only include information regarding Price Sales Promotion incentives present at retail outlet but also provide information related to product or products, brand or company in the form of brochures, catalogues, banners, etc. Another form of NPSP is making product display attractive enough to get attention of customer. Definitely, there should be coordination between price sales promotion and non price sales promotion as company synchronizes efforts of both so that they could complement each other. So, customer should also be influenced through PSP and NPSP in same fashion. But, is it actually happening at retail shop? There may be chances of customers

getting more influenced through proper display of products and branding done to entice customer. May be NPSP is more effective in devising more urge in some customer to purchase particular product than PSP. May be some customers are more persuasive in going for price discount than getting impressed by branding through NPSP. Therefore some questions need to be answered like Do the responses of customers are equal for PSP and NPSP? Our objective is to find out either influence on customers by PSP and NPSP could be differentiated. The scope of study is Brick and Mortar Shops or Retail Outlets. It excludes Online Shopping.

2. Review of Literature

Many studies are done to analyze sales promotion and to define sales promotion. As per Kotler, Keller, Koshy, & Jha, (2013), Sales Promotion is an incentive tool designed to enhance sales of particular product for short term. As per them, the difference between advertisement and sales promotion is that advertisement gives reason to buy and sales promotion provides incentive to buy (Kotler et al., 2013). Many models and framework were established and improvised to have better understanding of sales promotion like Blattberg & Neslin, (1989) presented framework which consist of data that determine the effect of sales promotion and also time impact of that promotion. They concluded that Sales Promotion has huge and immediate effect on Brand Sales and one of the reasons is due Brand Switching. Though as per (Blattberg & Neslin, 1989), not much research is done for long time effect of sales promotion on business. Blattberg, Briesch, & Fox, (1995) did review of literature related to promotions which could be generalized empirically and those findings which are conflicting. Some generalized findings are that price decrease significantly increases sales and brands which are strong in market on terms of market share are less elastic in response to price reduction. Another generalization is that more deals on particular product or brand reduces the reference price (the actual worth of product in the mind of customer) and also reduces sales hike due to promotion. Another important generalization is display and feature advertisement (non price sales promotion) increase sales as there is strong synergy among proper product display, product advertisement and price discount on same product (Blattberg et al., 1995). Advertised Promotions which is part of NPSP enhance store traffic (Blattberg et al., 1995). Das & Kumar, (2009) studied sales promotion effect on customer buying. As per Das & Kumar, (2009), considering satisfaction from alternatives constant or stable, sales promotion is the key rationale of purchasing goods from retail.

While studying sales promotion, most of the time, price discounts are taken into consideration as

representation of sales promotion. But few studies are done by segregating non price sale promotion from price promotion like Gedenk, Neslin, & Ailawadi, (2013) clearly differentiate sales promotion into two categories. One is price promotion and another is non price promotion. Non price sales promotion is to inform about price promotion and also for highlighting benefits and features of products available at retail outlet. Rebates, promotion packs, coupons, loyalty discounts, etc are part of price sales promotion and feature promotions, Point of Sales (PoS) advertisement, Displays, etc are part of non price sales promotion (Gedenk et al., 2013). Tendai & Crispen, (2009) did empirical study and analyzed in store environment of retail shop. The results proved that non price sales promotion like store display, advertisement and behavior of shop staff are significant to determine buying behavior. Other work to mention is of Kiran & Kishore, (2012) in which they highlighted the importance of differentiating products in retail store. One of the ways is retailer's open In-Store Media (ISM) that allow manufactures to advertise product to customers. They have instant availability of information about product online at retail store. Generally non price sales promotion is done near Point of Purchase (POP). Point of Purchase is place where customer could or about to purchase product at retail outlet (Prasad & Kumar, 2009).

Hypothesis

It is evident from definition and supported by literature review that sales promotions do influence customers' buying behavior at retail outlet. But to check either do customers getting influence from PSP and NPSP at retail outlet of Smartphone in same fashion; following hypothesis is proposed:

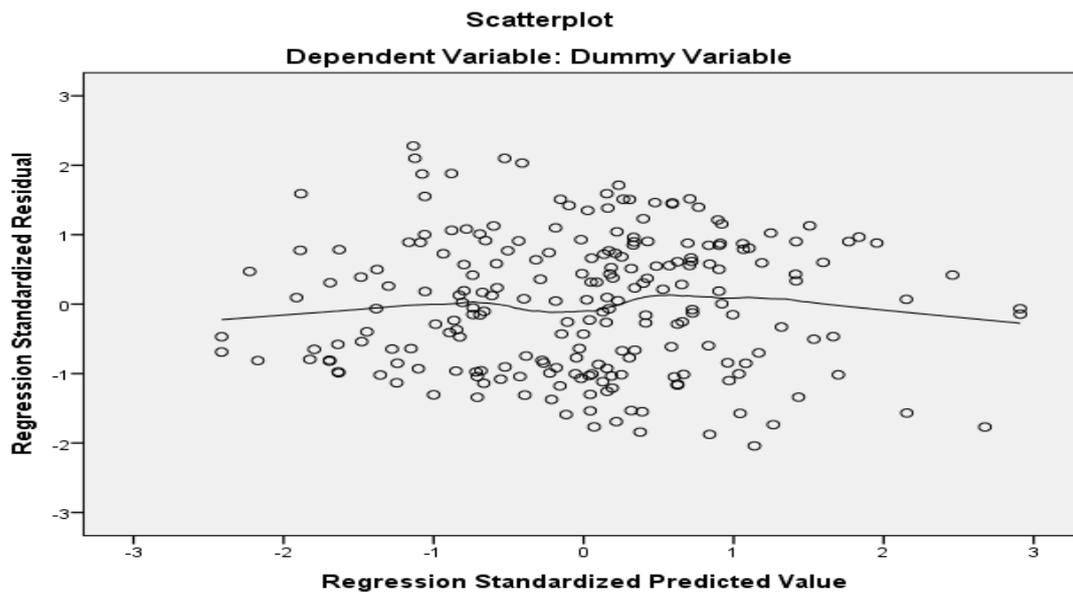
HO: There is no difference in Influences on customers by Price Sales Promotion and Non Price Sales Promotion.

HA: There is difference in Influences on customers by Price Sales Promotion and Non Price Sales Promotion.

Research Methodology

Latent variables for Price Sales Promotion and Non Price Sales Promotion are devised to capture their effect. Reliability is checked through Cronbach's alpha. To find the difference in influence through PSP and NPSP latent variables; Confirmatory Factor Analysis is used. The study is conducted in Jhansi city. The study covers a period of 2 months. Non Probability Sampling method is used by the researcher. The size of the sample is 235. Questionnaire is used as instrument of data collection. All question items related to latent constructs are in 5 point Likert scale with Completely Agree to Completely Disagree as extreme ends. Items for PSP and NPSP are part of Author thesis questionnaire. Only those customers

Figure 1: Scatterplot to check Homoscedasticity with Loess Fit Line



are included in research if they have ever purchased Smartphone from retail outlet. If not then they are rejected. It does not matter either the customer has purchased Smartphone for self or for other to use. To be part of research, respondents should have experienced the purchase done at retail outlet. Those customers who purchased Smartphone customers from Online Vendors are also dropped. Exploratory Factor Analysis through SPSS and Confirmatory Factor Analysis through SPSS Add-On Amos are used for analysis.

Analysis and Interpretation

Checking assumptions for Confirmatory Factor Analysis (CFA), first one is Multivariate Normality under which outliers are determined through Mahalanobis Distance (minimum = 1.067; maximum = 69.680; mean 17.923). With sample size of 234 and measured items 18 with two latent constructs; all responses having Mahalanobis Distance greater than 41.59 considered outliers and got rejected which comes out to be twelve. Hence the total sample becomes 222 after removing outliers. Assumption of Multicollinearity is checked and no serious Multicollinearity is determined as for all measured variables, Tolerance value is greater than 0.01 and VIF less than ten. No serious Homoscedasticity is found when checked through graph having ZRESID on Y-axis and ZPRED on X-Axis while using dummy variable as Independent Variable. Loess Fit Line is analyzed and no sharp turn is present on line.

Variances of all measured variables are checked and no single variable is having greater than ten times Variance from Variance of any other measured variables. As per guidelines provided by Malhotra & Dash, (2010), with less than five constructs, and each

having more than three items to measure and communalities for all items greater than or equal to 0.5 should have greater than 200 sample size for Structural Equation Modeling and for Confirmatory Factor Analysis. In the present study, all Communalities of measured items are above 0.5 have two constructs each having nine items. In the study, sample size is 222 which is sufficient to carry on with CFA. The value of Determinant (calculated while performing EFA through SPSS) is 14×10^{-8} which is not equal to zero, hence the assumption of Positive Definiteness is not violated.

For Model Specification, Exploratory Factor Analysis (EFA) is done with Eigen values greater than one. Maximum Likelihood Method is selected for EFA with Promax Rotation Method. Maximum likelihood (ML) is selected as outliers are removed through Mahalanobis Distance and ML is more suitable where multivariate normality is taken care of (Costello & Osborne, 2005). Promax Rotation is selected as researchers expect correlation between factors (PSP and NPSP) which actually comes out as 0.376 through EFA. Sample size for EFA is sufficient as value of Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.944 which is greater than 0.5. Bartlett's Test of Sphericity is also significant (ChiSqr = 3379.878, df = 153, sig. = 0.01) which means at least two variables are strongly correlated, hence we could proceed with factor analysis. All items are cleanly distributed into two factors in Pattern matrix and they together account for 71.055% of total variance.

The model under CFA is Over identified with Number of distinct sample moments: 171, Number of distinct parameters to be estimated: 37, hence,

Table 1: Different Statistical values in the study.

Construct	Items	Collinearity Statistics		Reliability	Composite Reliability	AVE	Square of Correlation between PSP & NPSP	Pattern Matrix with ML and Promax	
		Tolerance	VIF					Factor	
								1	2
Price Sales Promotion	psp1	.277	3.615	0.943	0.936	0.62	0.142		0.880
	psp2	.352	2.838					0.757	
	psp3	.339	2.954					0.821	
	psp4	.303	3.299					0.847	
	psp5	.342	2.922					0.827	
	psp6	.320	3.129					0.775	
	psp7	.433	2.310					0.771	
	psp8	.290	3.451					0.854	
	psp9	.418	2.393					0.711	
Non Price Sales Promotion	npsp1	.390	2.567	0.952	0.941	0.64	0.142	0.746	
	npsp2	.230	4.345					0.894	
	npsp3	.289	3.465					0.811	
	npsp4	.288	3.475					0.839	
	npsp5	.250	4.006					0.906	
	npsp6	.301	3.324					0.826	
	npsp7	.255	3.925					0.847	
	npsp8	.338	2.956					0.783	
	npsp9	.273	3.661					0.829	
								Extraction Method: Maximum Likelihood. With Promax rotation.	

Degrees of freedom (171 - 37) = 134 in early stage of model specification.

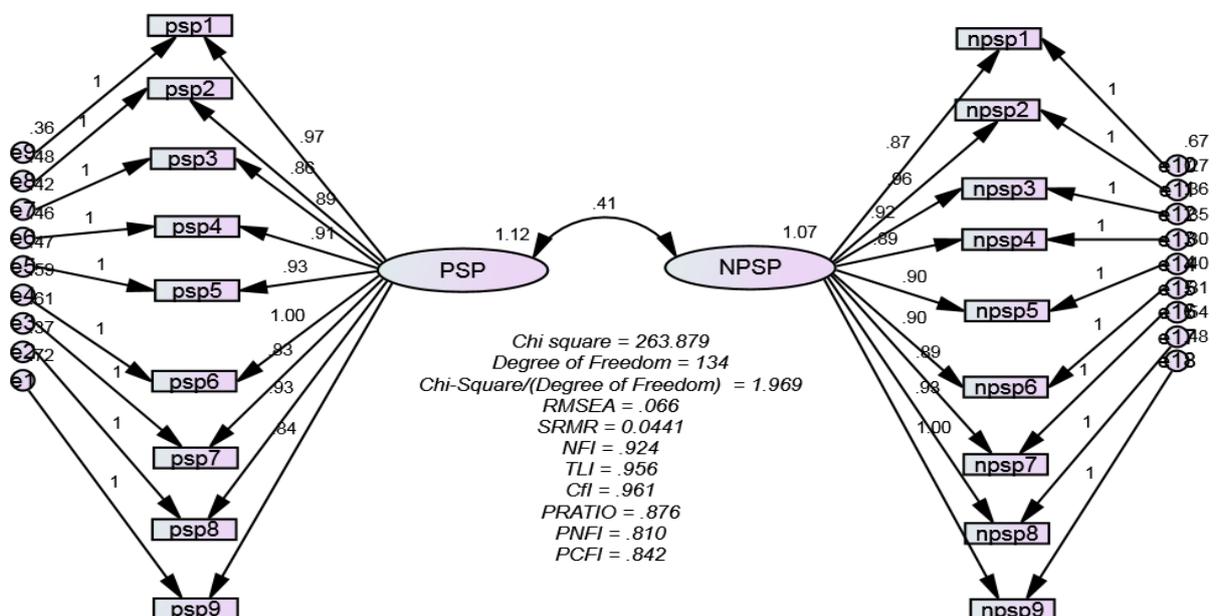
The Average Variance Extracted (AVE) for PSP construct is 0.621 and Composite Reliability (CR) is 0.936. For NPSP, AVE is 0.639 and CR is 0.941. In both constructs, AVE is greater than 0.5 and CR is greater than 0.7 hence Convergent Validity is established. Square of Correlation between PSP and NPSP is 0.142 which is less than AVEs of both PSP

and NPSP. Hence Discriminant Validity is established.

A two factor measurement model is set up to validate the scales and CFA is done to test measurement model.. All estimates are significant in the study.

In prima facie evaluation for model fit, Chi-Square/(Degree of Freedom) indicated in Amos output as CMIN/DF is 1.969 which is less than two.

Figure 2: Different Statistical values in the study.



As per Byrne, (1989), if it is greater than two than data is inadequately fit. Root mean square error of approximation (RMSEA) which is Noncentrality - based Index is 0.066 and Standardized root mean square residual (SRMR) which is Absolute Fit Index is 0.044, both are less than 0.08 as it is a cut off value for data to be adequately fit at conservative side (Malhotra & Dash, 2010). Hu & Bentler, (1999) gave stringent cut off for RMSEA as 0.06 but give 0.08 as cutoff for SRMR. More strict cut off is given by Byrne, (1998) for SRMR as 0.05 (cited from Hooper, Coughlan, & Mullen, 2008). For incremental fit indices, (Normed Fit Index) NFI, Tucker-Lewis index (TLI) and Comparative Fit Index (CFI) is taken into consideration. CFI, NFI and TLI should be greater than or equal to 0.95 (Hu & Bentler, 1999). Value of CFI is 0.961, NFI is 0.924 and TLI is 0.956 in present study. CFI and TLI is validating the fitness of model but not NFI. NFI is known for under estimating models having sample size near or smaller to two hundred. As present data has sample size near to two hundred, therefore, NFI could be misleading. As far as parsimony indices are concern, PRATIO is 0.876, PNFI is 0.810 and PCFI is 0.842. generally there values are less than other indices' cut offs. As per Mulaik, Van Alstine, Bennett, Lind and Stilwell, it is possible to have other good of fit indices values in 0.90s but parsimonious fit indices in 0.50s, therefore, in the present study all parsimonious indices are above 0.8 which could be said to be in accepted range (cited in Byrne, 2010). From the above findings we could state that the model is adequate fit. From CFA, it is proved that Price Sales Promotion and Non Price Sales Promotion are two different Construct having different influence on customers at retail outlet. Hence the present study rejects the Null (H₀) Hypothesis that There is no difference in Influences on customers by Price Sales Promotion and Non Price Sales Promotion and accept the alternative (H_A) Hypothesis that There is difference in Influences on customers by Price Sales Promotion and Non Price Sales Promotion.

Conclusion and implications.

From the above analysis, it is clear that the influences of Price Sales Promotion and Non Price Sales Promotion are two different entities for Smartphone retail outlets in Jhansi city. Though, by taking only Jhansi city, which itself is a small city in India, findings cannot be generalized but inferences could be made out of it. As the effect of both PSP and NPSP are different, their influence on different customer segments could be different. Generally companies synchronized price sales promotion and non price sales promotion. Their usage by company could be different i.e. using them for (or to target) different customer segments while keeping overall objective of company for both either same or different. PSP is more effective for those segments of

customers which are price conscious or who fish around for special price discount. For this NPSP plays as informative tool for PSP offers. NPSP is more effective for those customers who are brand conscious or look for premium products and could be used to lure them. NPSP is a costly affair initially for companies but, apart from informative role for PSP, NPSP becomes more economical in long run.

Sproles and Kendall comes out with a consumer styles inventory (CSI) with eight dimensions which are (1) perfectionist, high quality conscious consumer, (2) brand conscious, price equals quality consumer, (3) novelty and fashion conscious consumer, (4) recreational and shopping conscious consumer, (5) price conscious, (6) impulsive, careless consumer, (7) confused by over choice consumer, (8) habitual, brand loyal consumer (Walsh, Hennig-Thurau, Wayne-Mitchell, & Wiedmann, 2001; Yilmaz, Gungordu, & Yumusak, 2016). CSI is inventory of characteristics which vary at individual level and affect decision making while purchase. NPSP could be used for brand conscious customers, high quality conscious customer, novelty and fashion conscious customer, impulsive customers etc. PSP could be targeted on price conscious segment.

One of the objectives of Sales Promotion is to attract new customers. PSP is more rewarding for price conscious customers and NPSP is more for Brand or Premium oriented. PSP could entice customers to buy more where as NPSP could be use to associate customers more with brand. PSP could capture impulse buying where as NPSP could help making product or brand more competitive through inshop branding, better display of products, etc.

Limitations and Scope of future research of the study

In the present study, the sample of the size is small therefore multi-group analysis, may be based on gender, income, age, etc., is not possible. The study is limited to Jhansi and for diversified country like India; it is difficult to generalize it. Other cities of India with bigger sample size could be targeted in the future study to differentiate the influence of price sales promotion and non price sales promotion.

Appendix

Items for Price Sales Promotion. Response is on Likert scale ranging from Completely Agree to Completely Disagree.	Items Taken/Modified/Developed from:
If a brand offers price discount that could be a reason for me to notice it.	Author
When I buy a brand that offers price discount, I feel I am getting a good purchase.	(Ahmad et al., 2015)(Osman, Yin-Fah, & Foon, 2011)(Rizwan, Irshad, Ali, Nadir, & Ejaz, 2013)
A price discount on a Smartphone brand or model provides me one more option to choose from.	(Ahmad et al., 2015)(Osman et al., 2011)(Rizwan et al., 2013)
Price discounts on Smartphone excite me if I have to purchase Smartphone.	Author
I always inquire for price discounts on Smartphone when I go to retail shop for purchasing.	Author
A special price discount allows me to buy the product earlier than planned.	(Osman et al., 2011)(Rizwan et al., 2013)(Ahmad et al., 2015)
Compared to most people, I am more likely to check out brands that offer price discount.	(Osman et al., 2011)(Rizwan et al., 2013)(Ahmad et al., 2015)
Free offers on Smartphone excite me if I have to purchase Smartphone.	
A freebee or free accessories motivate me to buy the product earlier than planned.	(Osman et al., 2011)(Rizwan et al., 2013)(Ahmad et al., 2015)
Items for Non Price Sales Promotion. Response is on Likert scale ranging from Completely Agree to Completely Disagree.	Items Taken/Modified/Developed from:
I may get enticed to buy superior quality products at high prices when I see beautiful display at retail shop.	(Rizwan et al., 2013)
I think with Point of Purchase advertisements, it become easy for me to compare different Smart phones.	Author
I always notice beautiful display and see and read things written about Brands and Products at Smartphone shop.	Author
Products of a brand nicely displayed at counter gives good impression.	Author
It is easy for me to notice brand or product which is nicely displayed at counter.	Author
Proper point of purchase advertising like posters, danglers, catalogues about brand, proper display of products, etc gives me good impression about product and brand.	Author
Proper point of purchase advertising like posters, danglers, catalogues about brand, proper display of products, etc gives me good knowledge about product and brand.	Author
Premium Smartphone products will always have good product display and branding at retail outlet.	Author
A good quality Smartphone brand will always have good point of purchase display and branding.	Author

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