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Effect of Sales Promotion and the Consumer Product Evaluation: A Review and Synthesis

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Abstract

Sales promotion is defined as the short-term incentive to encourage the purchase or sale of products and services. Retailers conduct a variety of sales promotion to encourage the purchase or sale of products and services. It is often used to induce the purchase of customers in short term and to improve the relationship with customers in the long term. Many previous studies about the effect of price discount SP on increase in sales and image improvement have conducted. But the study of non-price promotion, especially SP with 'Gifts', meanwhile, has been seldom researched. This study is to investigate the effect of the Gift SP conducted by retailers on the customer evaluation of the product and its Gifts. This study is to investigate the effect of 'Gifts', among the non-price promotion, on the customer evaluation. First of all, previous studies about the effect (-) of Sp with 'Gifts' on the customer evaluation of the product and its Gifts, and the factors that offset the negative effect of SP with 'Gifts' on quality perception are to examined. In this study, additionally, the summary of the study based on the previous studies and the research subject in the future are to be presented. Firstly, to examine the previous researches on the effect of SP which retailers conduct on the increased sales and or enhanced image, price discount SP has attracted a lot of attention as a research subject but researches on non-price sales promotion, particularly on SP with gift have seldom conducted as a research subject. Secondly, in the previous studies relevant to Price Discount SP, the long-term negative (-) effect of the target product or brand of SP has been studied. However, a few researches on the long-term negative (-) effect of SP with gift have been conducted. Thirdly, it might be brand affinity and purchase limit that buffered the negative (-) effect on the perceived quality of SP with gift which retailers had conducted. In spite of various studies conducted by many researchers, each study

have discussed the consequences under certain circumstances and integrated results of research have not been in progress. It may be the research issues left to us to clearly identify the psychological mechanism of consumers until the effect of SP happens in order to theorize SP and to present a practical and useful suggestion.

Keywords: Sales Promotion, Price Discount Promotion, Non Price Promotion.

1. Introduction

With a fierce competition in the retail market, many retailers are actively conducting a variety of sales promotion. For example, on the onset of 2016, Aritaum of Amorepacific has presented 4 items of Mamonde Moisture Ceramide Cream kit in purchasing 'Mamonde Moisture Ceramide Cream' for the Aritaum members and offered the discount benefit of 10,000 won along with 5 items of Super Vital Cream in purchasing IOPE Super Vital Cream. In particular, the reasons why several factors in the consumer goods market contribute to the rapid growth of sales promotion are as follows. Firstly, all product managers in the company are under huge burden to promote the current sales and sales promotion is an effective short-term sales tool. Secondly, many external influences can lead the company to be placed in the fierce competition and differentiation between the competing brands is not created. As a result, competitors are using more sales promotions in order to be helpful in the differentiation of their products. Thirdly, there was a serious loss of advertising efficiency through increased advertising cost, congested media, and legal constraints. Finally, consumers have become increasingly sensitive to the sales promotion. In the poor economic conditions, consumers are demanding lower prices and better price promotions. Sales promotion may serve to attract more thrifty consumers of today (Kotler & Gary, 2014).

Sales promotion which consumers often see is called consumer sales promotion, which is often used to induce the purchase of customers in the short term and to improve the relationship with customers in the long term. This sales promotion which consumers use in order to promote the purchase or sale of the products or services consists of short-term incentives provided to facilitate the purchase or sale of products or services. If an advertising brings forward a reason to buy a product or service, sales promotion brings forward a reason to buy it right now.

Blattberg & Neslin (1990) define Sales Promotion (hereinafter SP) as a marketing tool which focuses on a behavior and its purpose is to have a impact on customers' behavior. And Kotler & Gary (2014) define it as 'a short-term incentives to encourage the purchase or sale of products and services'.

Customer sales promotion which retailers put to use is roughly classified into price discount sales promotion and non-price promotion (Quelch, 1989). Price Discount Sales Promotion refers to a sales gimmick of selling the products at the price lower than the normal price. For example, with the coming of the spring, LG Household & Health Care The Face Shop organized an event of membership day with a theme of 'Color Festival', offering the discount benefit of 20~50% off the price in purchasing the products at its stores across the country. Price discount, coupons, refunds, and rebates were included in the Price Discount SP.

On the other hand, Non Price Discount Sales Promotion refers to sales gimmick of selling the products with the small volume of the same product or the other products as 'Gifts' (Chin & Ni, 2009). For example, The Face Shop has provided the product samples, pouch, and thermos irrelevant to cosmetics without price discount of cosmetics in non-sale period. Premium, sample goods, contest, lottery and contests, event type, gifts and etc. are included in non price discount sales promotion.

To examine the previous studies regarding the effect of SP which retailers conduct on the increased sales and enhanced image, price discount SP attracts a lot of attention but no price discount SP, in particular, SP with 'Gifts', has been seldom studied as an object of study. In previous studies regarding price discount SP, the long-term negative (-) impact on products or brand for SP has been researched.

However, the long-term negative (-) impact on SP with 'Gifts' has been seldom researched. For this reason, it can be said that the researches regarding SP with 'Gifts' have yet to be actively conducted. This study, based on consciousness for this situation, is to investigate the effect (-) of the Gift SP which retailers conduct on the consumer evaluation about target product and its gifts. And, in this paper, the factors cushioning the negative (-) effect on the perceived quality of Gift SP, that is, brand affinity (brand awareness, brand image) and purchase limit (period, quantity, purchase conditions) are to be investigated.

In order to attain these research objectives, the problem consciousness and research purposes of this study is to be presented in Chapter 1 and the previous studies regarding the sales promotion related to the problem consciousness of this study is to be examined in Chapter 2. Finally, a summary of this study and research subjects in the future, which are based on the previous studies examined in Chapter2, are to be presented.

2. Review on the previous researches

2.1. Effect of SP on consumer product evaluation

2.1.1. Research on Price SP

One of the retailer sales promotion features may be a short-term effectiveness (Bawa & Shoemaker, 1987; Blattberg & Neslin, 1989; Ailaward & Neslin, 1998). Among them, Price SP may be the most effective in increasing the short-term sales in a variety of product categories. In particular, the effectiveness of Price SP is to be further increased with a heightened sensitivity to customer price in the grip of economic depression.

SP which retailers conduct is to induce the immediate purchasing behavior of consumers, increasing the short-term sales. In particular, the number of researches examine the impact of brand, starting with Strang et al. (1975), is on the up and debates on whether SP has a positive (+) or negative (-) effect on the brand have been carried out for a long time.

Among the researches on the effect of SP, research on the short-term sales of a brand is the most fundamental one and it has been conducted from the past. It was the dissertation of Cotton & Babb (1978) that carried through systematic research using more than one product. They classified and measured the sales of 9 categories, including milk, yogurt, butter, and etc., before, during, and after the implementation of SP and compared them with each other. As a result, the following conclusion has been derived. Firstly, sales during the implementation of SP has been increased considerably only to be significantly low in the carry over effect after the implementation. Secondly, the effect of SP depended on the product. Product such as yogurt responded strongly to SP in comparison with the daily goods such as milk.

Studies in favor of the positive (+) effect of SP on brand claim that the existing customers shall be maintained and new customers shall be obtained as SP promotes the purchase and SP shall have a positive (+) effect on brand preference (Davis et al., 1992).

Meanwhile, researches regarding the long-term effect, as well as the short-term effect, of SP have been conducted. By the research, SP has a negative (-) effect on the brand in the long term. Negative (-) effects of SP on the brand are claimed to destroy the brand equity (Aaker, 1996), to lower the brand loyalty (Moore & Olshavsky, 1989), to increase the brand switching (Dodson, et al., 1978), and to lower the perceived quality of the brand (Keller, 2003). Researches on the negative (-) effects of SP have been conducted in a variety of SP, including Price Discount SP or coupons, to suggest the method of moderating them (Inman et al., 1997).

2.2. Effect of Price SP vs Non-Price SP on consumer evaluation

2.2.1. Positive (+) effect of Non-Price SP

Non Price SP provides something effective to consumers without doing damage to the existing price system. Diamond (1990), Chandran (2006), Mishra and Mishra (2011), Chen, et al. (2012) conducted researches on which SP out of Price SP and Non Price SP had a positive effect on consumer evaluation.

To begin with, Diamond (1990) utilizing meta computation theory, claims that SP with 'gifts' is effective in the price in comparison with Price Discount SP of the same value. According to this theory, consumers choose to obtain new benefits rather than to reduce the risk if a certain risk is expected to occur when they decide to make process in purchasing. This theory being applied to SP, it is inferred that customers prefer SP with gifts followed by the acquisition of the benefits to that followed by reduced risk. Experimental results showed that subjects were more likely to choose gifts rather than price discount if price discount and gift of the same price value were offered.

According to Chandran (2006), consumers perceived SP with gifts as being a reduced risk, that is, new benefit as well as lowered price. According to him, SP with gift is alluded to have higher Prominence in comparison with Price Discount SP as consumers recognize SP with gift and Non Price SP of the same value as being separated from price. Therefore, he claimed that it is difficult for consumers to accept the negative information even if they came by the negative information about the product since they were interested in its prominence.

Mishra and Mishra (2011) compared the consumer evaluation of Price Discount SP with that of SP with gift, paying attention to the properties of target products. While Price Discount SP was interpreted as the reduced loss by them, SP with gift was as in the increased benefit. They, utilizing Diamond and Sanyal (1990) are claim that consumers prefer the increased benefit to the reduced risk, built a hypothesis that in case target product for SP is to improve their health, consumers evaluate SP with gift higher than Price Discount SP.

On the other hand, in case target product for SP is dangerous for health, consumers do not give preference to SP with gift. It is because consumers feel guilty about consuming such products. In this case, consumers tend to justify their consumption for some reasons in order to mitigate a sense of guilt. Results of the analysis showed that two hypotheses of them, that is, that in case target product for SP is to improve their health, consumers evaluate SP with gift higher than Price Discount SP and that in case target product for SP is dangerous for health, consumers do not give preference to SP with gift were supported.

Chen et al. (2012), paying attention to the Price Discount SP, the price range of target product for SP with gift, and the legitimacy of consumers regarding target product for SP, claimed that in case the target product for SP is expensive or the legitimacy of consumers regarding the target product for SP is low, consumer evaluation of Price Discount SP is higher than that of SP with gift. And they added that in case the target product for SP is cheap or the legitimacy of consumers regarding the target product for SP is high, on the other hand, both consumer evaluation of Price Discount SP is higher and that of SP with gift are at about the same level.

Results of their analysis showed that four hypotheses that in case the target product for SP is expensive or the legitimacy of consumers regarding the target product for SP is low, consumer evaluation of Price Discount SP is higher than that of SP with gift and that in case the target product for SP is cheap or the legitimacy of consumers regarding the target product for SP is high, on the other hand, both consumer evaluation of Price Discount SP is higher and that of SP with gift are at about the same level were supported.

2.2.2. Negative (-) effect of SP with gift on consumer evaluation

Raghubir (2004), Kamins (2009), and Liu (2011), paying their attention to the long-term effect of SP, focused on SP with gift, not comparing it with Price Discount SP. Phenomenon that Non Price SP (gift) would lower the perceived quality and purchase intention of gift, lowering the purchase intention of target product is explained by value discounting hypothesis, quality degradation, and social comparison theory.

Research of Raghubir (2004) is the first research claiming that SP with gift has a negative (-) effect on gift, which is sufficient to pay attention to. Raghubir, analyzing the negative (-) effect on gift, claimed that in case a certain product is provided with target product, consumers' perceived value regarding the relevant gift and the product category to which gift belongs is lowered in Value Discounting Hypothesis.

Raghubir, paying his attention to the products provided as a gift other than target product, conducted a research on the long-term effect of SP with gift. According to this research, consumers, in case they are exposed to SP with gift, lower the value of gift, inferring that gift has a value determined within the range of interest obtained from the sales of target product and it is cheap and its quality is low. In other words, consumers regard gift as having a low quality by SP with gift. In addition, he suggests that negative (-) effect of SP is extended to the product category to which gift belongs as well as gift itself. Results of the experiments showed that in case the arm bracelet is provided as a gift, the whole reservation price of the product category to which arm bracelet belongs as well as arm bracelet itself is lowered.

Kamins, et al. (2009) claimed that in case two product were for bundle sale and one of them is for free and a gift, consumer evaluation of two products would be different. While Raghubir (2004) explained a phenomenon that perceived value of gift was lowered by SP with gift as quality degradation, Kamins (2009) explained by quality degradation a phenomenon that consumers exposed to SP with gift would infer that gift had a low quality as seller would set up the price enough to ensure a high profit even if gift were provided with target product (Perceived value is lowered).

Liu et al. (2011) explained by social comparison theory a phenomenon that SP with gift lowers the purchase intention of gift. According to this theory, people have a desire to evaluate themselves accurately and intend to value themselves more accurately through an objective comparison with other people in order to satisfy the desire. He, applying this case to SP with gift, claimed that consumers who could not get the gift in the period of SP with gift, comparing themselves with others, more often failed to make purchases of the gift with amplified regret of not getting a gift.

2.3. Moderating effect of brand on the negative (-) influence of SP

2.3.1. Moderating effect by the presence or absence of the brand name

As discussed before, negative (-) influence of SP has been argued from the past. In the previous studies, several methods of moderating the negative (-) influence were presented. One of them is a method of applying a brand name to the product. Brand name is an external clue by which customers judge the quality and a collection of information about the product. Della Bitta et al. (1981) claims that perceived value of the product is not lowered by applying a brand name to the product even if the products of a brand are reduced. And Dodds (1991) claims that a brand name has a positive (+) effect on the perceived value of consumers. In his researches on SP, he claims that negative (-) influence of SP on the product quality will be buffered as a brand name guarantee the quality of the product by the application of this argument.

2.3.2. Moderating effect by a brand familiarity and loyalty

In some previous researches on SP, it was claimed that the presence or absence of internal information which customers had as well as the presence or absence of a brand name would make a difference in the negative (-) influence of SP.

Moore and Olshavsky (1989) claim that a brand familiarity regarding the target product for price discount makes a difference in customers' choosing the relevant brand in conducting Price Discount SP. Behind this research perspectives, there is a hypothesis based on the attribution theory. In other words, in case a brand familiarity regarding the target product for price discount is low, negative (-) attribution caused by the big price discount is not balanced out by the knowledge which has been accumulated regarding the quality of the relevant brand.

Therefore, in case price discount is conducted to a certain point, consumers consider the quality of the relevant brand low, refusing to purchase the product of the relevant brand. However, in case a brand familiarity regarding the target product for price discount is high, they will determine the quality of the product without regard to discounted price. Even if a negative (-) attribution caused by a substantial discount occurs, it is balanced out by the knowledge which has been accumulated regarding the quality of the relevant brand. As a result, it can be expected that a larger discount will increase the chances of choosing the relevant product.

2.3.3. Moderating effect by the purchasing restriction on negative (-) influence of SP

To buffer the negative (-) influence of SP, a method of imposing a restriction on conducting SP other than a brand name, may be employed. It is derived through previous studies that restriction on conducting SP may buffer the negative (-) influence.

Inman et al. (1997) defines the restriction on SP as the reduced freedom of consumers' behavior to purchase the product. Limited quantities, limited time, and purchasing conditions are included in this category. Limited quantities refers to the imposed restriction on the quantity of the products to purchase, limited time the imposed restriction on the time in which to purchase, and finally purchasing conditions a conditioned purchasing in which a certain product can not be purchased without purchasing the other products.

By his experiments, Inman et al. analyzes whether information on the restriction on SP will affect the purchasing behavior of consumers and consumers apply the information to their evaluation of the target product in case a certain restriction is imposed on SP. Results of the experiments shows that restriction on SP does not have a positive (+) effect on the purchasing intention of consumers and consumers, taking advantage of the information on restriction on purchase, evaluate the relevant product as an attractive product by perceiving that he availability of the product is low. Therefore, its choice probability and its purchasing intention are alleged to be increased.

3. Discussion and Conclusions

Results of previous researches relevant to the consumer evaluation and SP up to now are to be summarized as follow. Firstly, to examine the previous researches on the effect of SP which retailers conduct on the increased sales and or enhanced image, price discount SP has attracted a lot of attention as a research subject but researches on non-price sales promotion, particularly on SP with gift have seldom conducted as a research subject. Secondly, in the previous studies relevant to Price Discount SP, the long-term negative (-) effect of the target

product or brand of SP has been studied. However, a few researches on the long-term negative (-) effect of SP with gift have been conducted. Thirdly, it might be brand affinity and purchase limit that buffered the negative (-) effect on the perceived quality of SP with gift which retailers had conducted.

Next, development and problems with the research are to be organized with an awareness of the research issues left to us. Marketing is the science and the art at the same time. It is in the scientific area of marketing that market or competition are meticulously analyzed and a theoretical framework for explaining the phenomenon of the various aspects of real-world is built. On the other hand, it must be considered an art where creative expression and intuitive decision-making are made as shown in the creative advertising. And sales promotion (SP) along with advertisement expressions are in the area of marketing where artistic features reveal themselves so clearly.

In comparison with the other marketing areas, theorization regarding SP has lagged far behind and theoretical framework, which may be called a theory, is said to be not well known. In spite of various studies conducted by many researchers, each study have discussed the consequences under certain circumstances and integrated results of research have not been in progress. One of the reasons why theorization regarding SP has lagged far behind can be found in the features of researches on SP. In the previous studies of SP, it was the greatest goal to investigate the effect itself whether research on SP is about qualitative effect or quantitative one. That is, it measured only the increased sales by SP or the occurred brand switching.

However, systematic researches regarding this have seldom conducted except for a few researches on the consumers' changed perception and attitude in the course that there was such effect. While results-oriented researches on what effect there will be have been in progress, researches on consumers' psychology regarding how such effects happen have seldom been conducted.

It may be the research issues left to us to clearly identify the psychological mechanism of consumers until the effect of SP happens in order to theorize SP and to present a practical and useful suggestion.

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