

An Analysis of the impact of Promotional strategies on Brand Loyalty in Retail Segment in India

Dr. Hitesh Keserwani

Assistant Professor, Amity Business School, Amity University, Lucknow (India)

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ABSTRACT

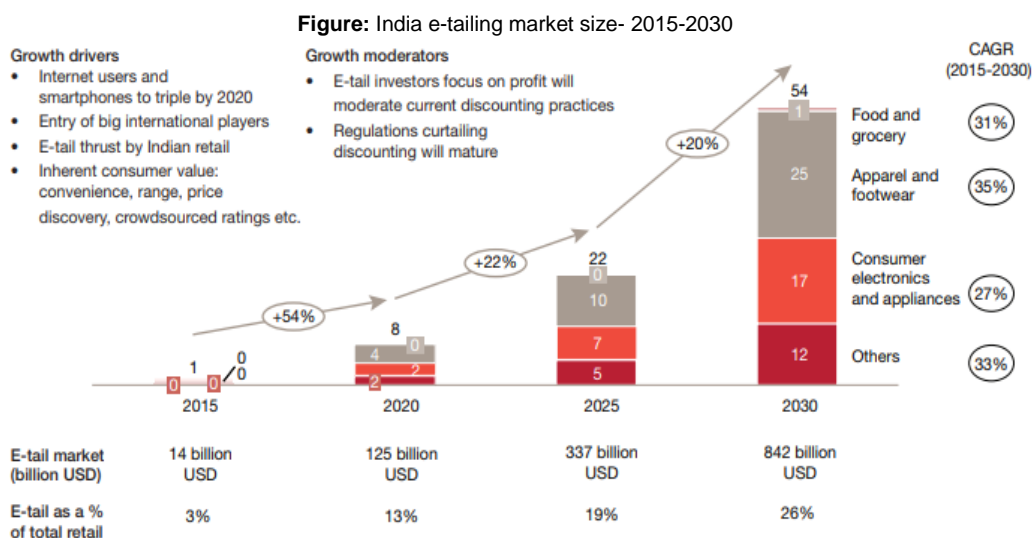
The retailing industry has provided a tremendous growth and opportunities and has a prominent impact on the economy because of high volume of sales generated and the number of employment it has created. Retailers perform a variety of functions such as product assortment, providing information, handling merchandise and completing transactions. The electronic media has become more effective in all segments of retail with brand awareness. The high cost of attracting new customers on the Internet and the relative difficulty in retaining them make customer loyalty an essential asset for many online vendors. Therefore companies depend in the factors like as availability, quality, after sales service, brand image, positioning, promotion etc. Retail buying behavior is mainly becoming brand oriented in metros has extended itself in smaller towns also. The demanding consumer can be difficult to read for local as well as branded retail organizer. This paper tries to analyze reason effecting brand loyalty.

1. Introduction

The Indian retail industry is one of the fastest growing in the world. Retail industry in India is expected to grow to US\$ 1,200 billion by 2021 from US\$ 672 billion in 2017. India is the fifth largest preferred retail destination globally. The country is among the highest in the world in terms of per capita retail store availability. India's retail sector is experiencing exponential growth, with retail development taking place not just in major cities and metros, but also in Tier-II and Tier-III cities. Healthy economic growth, changing demographic profile, increasing disposable incomes, urbanisation, changing consumer tastes and preferences are the other factors driving growth in the organised retail market in India.

India's population is taking to online retail in a big way. Online retail sale is forecasted to grow at the rate of 31 per cent to reach US\$ 32.70 billion in 2018. Revenue generated from online retail is projected to grow to US\$ 60 billion by 2020. Organized retail penetration is expected to increase to 18 per cent in 2021 from an estimated nine per cent in 2017.

India is expected to become the world's third-largest consumer economy, reaching US\$ 400 billion in consumption by 2025. Increasing participation from foreign and private players has given a boost to Indian retail industry. India's price competitiveness attracts large retail players to use it as a sourcing base. Global retailers such as Walmart, GAP, Tesco and JC Penney are increasing their sourcing from India and are moving from third-party buying offices to establishing their own wholly-owned/wholly-managed sourcing and buying offices. India's retail sector investments doubled to reach Rs 1,300 crore (US\$ 180.18 million) in 2018. The Government of India has introduced reforms to attract Foreign Direct Investment (FDI) in retail industry. The government has approved 51 per cent FDI in multi-brand retail and 100 per cent in single brand retail under the automatic route which is expected to give a boost to ease of doing business and Make in India, and plans to allow 100 per cent FDI in e-commerce. India will become a favourable market for fashion retailers on the back of a large young adult consumer base, increasing disposable incomes and relaxed FDI norms.



Source: PWC and Strategy analysis

Figure 2: Percentage share of organized and traditional share in India

Year	Organised retail	Traditional retail
2005	3.6	96.4
2007	4.1	95.9
2010	5.0	95.0
2012 ^E	8.0	92.0
2015 ^E	21.0	79.0
2020 ^E	24.0	76.0

Source: IOSR journal of Business and management

2. Conceptual Background

The concept about brand loyalty has had a long account in retail. The very first time this thought was credited by (Copeland, 1923) he discussed about buying habits of retail stores author discusses about three categories that are used by merchandise goods, convenience goods, specialty goods and shopping goods, also how the branding and packing have an impact on consumer. Since more than 180 definitions have appeared in the literature (Jacoby and Chestnut, 1978). To extend of work done on brand loyalty by (Cunningham and Ross M, 1956) the author focused on consumer behavior and low priced items, mostly purchased by consumers with the focus on brand loyalty. According to (Bloemer, J.M.M., and Kasper, H.D.P 1995) relationship between brand loyalty and satisfaction is very important for retail segments. In fact Brand loyalty can be increased by various promotion techniques used by retailer that is very important in current competition discussion done by (Laroche M Pons et al, 2003). According to (Lin et al, 2000) discussed about three choice models for customers which was measured on brand loyal customers and brand switchers. (Mariola et al, 2005) encouraged by his research on adopting consumer based brand information for brand equity and the suggestion emphasized on non monetary promotions are useful for creating brand building activity which put moderate results on sales promotion and brand in the form of relationship. (Komal Nagar, 2009) she analyzed that brand loyalty is affected by sales promotion as well as retailers wants to attract consumers by different activities of promotion. Marketing strategies for promotions can be improved by new activities. This may be explained by willing to spend money to buy the products for satisfaction. (Sonia, 2008) Author focused on customer perception of vishal mega mart and reliance according for that suggestion was based on different facility which given by retail outlet, showing the way of improvement of quality of services and other facility. According to (Heerdeet al, 2005) discussed that loyalty program among retailers are very common everywhere in India as well as in the world. They suggested that Loyalty programs in retailing lead to a natural split of the customer base into members and nonmembers. Hence many firms may primarily focus on members, nonmembers for increasing the profit, if they respond strongly to a firm's marketing activities which will help to have a positive impact on customers they analyzed quality program can help implement the price discrimination because it leads to

identifiable, substantial, accessible, and actionable segments (Wedel and Kamakura, 2000) that consist of loyalty program members and nonmembers. Both groups are essential for effectively managing stores with seasonal products (e.g., fashion items) same conditions apply in Indian retailers also.

3. Review of literature

(Promita, 2007) The author focused on the shopping behavior of college student because in retail they are playing very important role in terms of customer. She discussed that old customers are very less orientated of bargain concern it means they have a ability to pay and that's why they are loyal apart from that students who purchase because of influence of friends which was in the form of formal and informal both ways. (Belinda Dewsnap et al, 2000) The author has given the power base of multiple grocery retailers; he suggested that firms marketing for consumer packaged-goods would be the ideal context for initial empirical investigation. Result of paper proposes a conceptual framework and a set of propositions under which the sales marketing interface can be systematically explored and better understood. (Hansen, 1977) The author suggested about few attributes of retail like store should be clean, easy to find items which they want, fast checkout, and dependable products which increase the competition among retailers and create brand switchovers in customer. (Rosenbloom .Bert, 1978) The study was based on three different term of retailing which work for increase of sale in terms of macro phase of retailing into social institution, economic system, distribution channel and need to be managed and the problem should be moderated according to condition for that retailers have to work on service marketing. (John E. G. Bateson, Winter 1985) Author suggested about proper service in retail is very important for every retailer because all retailers want to extend service for that they should work on both fields for gain the profit. (J.E.G. Bateson, Fall 1985) The study was based on consumer behavior of self service options which is very important and essential for current situation in retail marketing in India. (P.K.Korgaonkar et al, Summer 1985) The Author suggested that retailers were interested to increase the store patronage for profit maximization is attended via by changing the attitude of consumer by various technique like as advertising campaigns, merchandising displays and pricing, among the consumers. Overall the investigation between multi-

attribute models was based on Cognition Affect Intentions Behavior in retail setting. (Bonnie et al, Fall 1986) The Paper was combination of two attributes of store shopping behavior one was based on children shopping skills and other was on knowledge about store operations. It describes into children overall abilities to describe grocery and department store shopping tips and the calculation was based on low to high. Second attribute was based on store knowledge index which divide into ability to describe shopping tips. Komal Nagar (2009) Study was focused on potential stepping stone for a variety of conceptual and it was more precise understanding of factors of brand loyalty and how it relates to differences in consumer reply to various schemes it was focused on brand switching behavior of consumers to sales promotions of FMCG products. (Heerde and Herald et al, November 2005) Herald has given proposal on brand loyalty and non brand loyal both group it is very important to know that how marketing activities, such as promotions affect both groups contributions to revenues in retail industry. They analyzed that quality program can help implement price discrimination because it leads to identifiable, substantial, accessible, and actionable segments for loyal consumers of retail industry.

4. Research Methodology

Hypotheses

According for the prior discussion, the present study accesses in detail the effects of sales promotion in two Fast-moving Consumer Goods categories – Apparel, Grocery and Food Items. A study is based on the differences in the effects of consumer sales promotions among these two purchase groups – loyal and non-loyal consumers. There may be a number of underlying reasons which may account for the brand switching behavior of consumers. Specifically, we examine the effect of sales promotions on consumer's loyalty to the retail brand and those are not loyal to it. According to the conceptual framework discussed previously, we would expect sales promotions to decrease brand switching behavior of consumers. However, we would also expect sales promotions to be effective mainly on non loyal consumers, leaving the loyal consumers relatively unaffected. We, therefore, propose the hypotheses stemming from the question areas that are based on the earlier research findings as:

1. Brand loyal customer is retail outlet loyal also.
2. There is no significant difference in the brand switching behavior of consumers in response to consumer sales promotions on the basis of socioeconomic factors.
3. Non-loyal consumers are more prone to brand switching in response to consumer sales promotions than loyal consumers.

Loyalty Members versus Nonmembers

Loyalty is based on the consumer's purchase behavior during the three months study period. Consumers who devoted more than 50% of their retail brand denotes loyal, otherwise non-loyal. Results of a pilot study reveal that the average

purchase cycle of the product categories in same retail outlet is once in a month, so there is an average of three purchases per family during the study period.

Questionnaire Development

The survey instrument is self-administered consisting of a screening question i.e. "Do you make the decision regarding promotion which Retail brand of apparel and food products to buy?" This question helped to identifying and analyzing the retail outlet brand in the form of apparel and food items. Identifying the loyal and non loyal consumers through proportion of purchase measure respondents who bought in last three purchase occasions. Finally all information was obtained by 25 item index regarding brand loyalty of apparel and food item. For each item Respondents used a 5 point likert scale i.e. 1 = "Strongly Disagree" and 5 = "Strongly Agree". Twenty five items for brand loyal index is developed by the researcher keeping in view the past studies. Questionnaire collected by house wife, college going students, professors, and professionals from various industry.

Reliability and Validity

The present study aimed at understanding the impact of sales promotion on brand switching behavior of consumers. For this purpose, 500 respondents were selected from Lucknow, Kanpur, Allahabad, in U.P. Respondents were screened to locate family members who met the following criterions:

1. Had been purchasing apparel and food items for at least the past one year from same place.
2. Were the decision makers about which Retail brand of Apparel and food item to purchase.
3. Had lived Lucknow, Kanpur, and Allahabad in for at least past one year.

Individuals meeting the three criterions in a household in the selected areas (Lucknow, Kanpur, Allahabad) during the survey period were selected through a multi stage – Random sampling. The target population in three regions: Lucknow, Kanpur, Allahabad.

The sample unit selected in the present study is the decision maker. The individual who makes the decision to purchase apparel and food item was surveyed.

Factor Analytic Results

According to the scale used the maximum score to be received is 125 if all the 25 items were rated at 5. However the mean score 81.6335 indicates that 65.30% of the constructs are explained by items. It indicates that promotion practices indicated in the item explain the brand loyalty for retail industry. It indicates that loyalty is moderate in industry.

The mean correlation is 0.0892 and it varies from -0.154 to 0.463 with arrange of 2.23 which indicates that there is enough correlation to go ahead for factor analysis.

KMO and Bartlett's Test Table-2

KMO and Bartlett's Test		
Kaiser Meyer Olkin Measure of Sampling Adequacy		.665
Bartlett's Test of sphericity	Approx. Chi Square	3207.844
	DF	300
	Sig	0.000

Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy (MSA) value of 0.665 reveals that the sample is adequate for conducting factor analysis. Here it is pertinent to mention that KMO value greater than 0.6 is proof good for conducting research in social sciences (Bartlett's, 1950).

Bartlett's Test of Sphericity has been applied to judge the appropriateness of the data set for factor analysis. The results have Chi-square=3207.844, Degree of freedom=300, and level of significance=0.000.

The factor analysis executed with principal component analysis using Varimax rotation extracted five factors. These factors explain 45.767 % of variance. The extracted factors are discussed as hereunder:

F1: Retail Facility

This is the most important factor explaining 19.022% of the total variance is 4.755. The scale reliability for this factor is 0.5 and loadings range from 0.651 to 0.492. The factors covered here are; Switch to other brands, Attention to promotion schemes, Stylistic store force, Switch to other brands because of home delivery /credit cards & other, good display and information, Are easily available in my locality, Good ambience. These are the retail activity use for facilitating management for customer and trying to increase loyalty.

F2: Retail Price

This is the second most important factor explaining 7.771% of the total variance is 1.943. The scale reliability for this factor is 0.5 and loadings range from 0.752 to 0.338. The factors covered here are; Sales offer (extra), Saver pack, purchase if it is on promotion, reasonably priced product, Price discount. These are the retail price use for attracting and facilitating management for customer and trying to increase loyalty.

F3: New Trends

This is the third most important factor explaining 7.300% of the total variance is 1.825. The scale reliability for this factor is 0.4 and loadings range from 0.559 to 0.371. The factors covered here are; Switching Behavior, Modern shopping, Attention to freshness of products, Competing brand with Free gift, Parking space facility, One get one offers. These are the New Trends use for attracting and facilitating management for customer and trying to increase loyalty.

F4: Promotion Activity

This is the fourth most important factor explaining 6.173% of the total variance is 1.626. The scale reliability for this factor is 0.6 and loadings range from 0.699 to 0.543. The factors covered here are; not in promotion so postpone the shopping, brand are available in wide range of product and saver pack.

F5: Company & Brand

This is the last most important factor explaining 5.517% of the total variance is 1.293. The scale reliability for this factor is 0.6 and loadings range from 0.748 to 0.471. The factors covered here are; advantage of the scheme, purchase according to my favorite brand, various sizes available, and switch brand due to ambassador is my favorite. Which gives ambience to all customers who use retail outlet?

5. Findings

1. The trend of brand switching is very moderately seen due to the price discount in various retail brands mainly comprising of me too brands.
2. There is not significant amount of brand switching is seen due to buy one and get one free offers thus indicating that in appearances people prefer to buy the brand of their choice that is brand loyalty is seen.
3. In study area free gifts given on another brands were not able to attract brand loyal customers.
4. Extra grammage was also not able to attract the brand loyal customer in the food retail industry.
5. People were not switching to the competitors brand despite of sales promotion which was in the saver pack hence brand loyalty is seen in food retail industry.
6. People prefer to buy their favorite brand in more quantities when their desire brand is been promoted.
7. People prefer to postpone their purchases when their brand is not on promotion and don't prefer to buy another brand being promoted at that point of time.
8. Promotion of retail outlets does not result in increasing the sale of brands which are not preferred by consumers.
9. Brand loyal customers preferred to buy their favorite brand are not overzealous about the promotion.
10. Very few people prefer to take advantage of the scheme by postponing their purchase.
11. A very insignificant amount of people buy the brand which is on promotion.
12. A very few consumers pay attention to the promotional scheme of all the brands which are being promoted in the market.
13. A very few people are aware of the freshness and quality of the food product.
14. People normally don't prefer to switch the retail outlet even though the numbers of brand available in particular retail store are limited.
15. People do not prefer to switch brand even if there is a (price cash discount) available on the other brand.
16. Consumers are not much impressed for the modern shopping experience which involves use of technology.

17. Consumers are not very much concerned about the ambiance of the retail outlet and information on the products.
18. Brand ambassador of other brand doesn't attract the brand loyal customer of a brand in significant numbers.
19. Packing of the products in various sizes does not compare to change the brand for brand loyal customers.
20. Consumers prefer to buy their favorite brand even if they have to travel to buy those brand in a different locality.

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