

# Driving Factors and Effectiveness of Sales Promotion In Shopping Malls: A Consumer Perspective

*\* Dr. Chandan A. Chavadi*

*\*\* Shilpa S. Kokatnur*

## INTRODUCTION

With the emergence of big players such as Bharati, Reliance, Future group and others, the retail sector is facing stiff competition, both in terms of product and service mix. Increasing disposable incomes, rising consumer expectations and enhanced shopping experience has thrown a lot of opportunities and challenges for the retailers. Each and every organized retailer is under threshold pressure to offer their best to customers. Right from the procurement of merchandise to the delivery of products, ways and means have been tried out by retailers to add value in each and every phase. Retailers may carry the best product mix, but they may not be able to reach the possible sales levels if promotions are not conceptualized and implemented aggressively. Where advertisement offers a reason to buy, sales promotion offer an incentive to buy. It can be understood from the past that advertisement to sales promotion ratio is undergoing prodigious change from 60 to 40 % to 75 to 65 % of the combined budget. Last two decades have witnessed increased percentage of budget expenditure on sales promotion by the companies. Earlier, sales promotion was ethically questioned and companies refrained from doing so. But now, it has become professional and marketers increasingly plan sales promotions first and ads later. According to an Economic Times report (June 15, 2003), the sales promotion activities by the Indian industries have increased by 500 to 600 percent in the last 3 to 5 years.

Consumers have changed drastically in the last decade. With this change, promotions too have changed and have fetched respect along the way. Promotion isn't a dirty word says Jim Petzing, founder of Exceleation Training and Consulting, Chicago. In 1975, promotion had almost become synonymous with price cuts. However, in 1985, there were more than 90 ways of sales promotions. This shows the pace with which sales promotion is progressing.

Sales promotion, as such, is very essential for successful marketing of a product or service. It has the capacity to generate immediate sales and earn revenue for the organization. The top management has accepted it as a tactic and is no more considered trivial. Intensive competition among brands has forced retailers to undertake sales promotion frequently. As product managers are under tremendous pressure to increase their current sales, it becomes all the more important to assess and assimilate the efficiency of sales promotion tools. The rapid growth of sales promotion has created a situation of promotional clutter in the retail sector, thereby weakening the sales promotional tools and their ability to trigger purchase. This necessitates the use of sales promotional tools more diligently so that the efficiency can be sought.

## WHY SALES PROMOTION?

Sales promotion is presently considered as a vital part of the overall marketing strategy. It is essential to study this activity, as it supplements personal selling and advertising. Sales promotion induces product trials among non users, rewards loyal users and encourages competitor customers' to switch over. It facilitates and creates a unique competitive situation as well as overcomes seasonal slumps. Sales promotion can persuade customers to buy more.

Under recession, sales promotion plays a vital role in boosting current sales. Sales promotion has the ability to channelize the efforts by distributors and retailers in one direction and offers a reason, beyond the price, to buy now or again. Sales promotion yields faster and more measurable responses in sales, thus forcing small and big players to use sales promotion invariably. It also enables manufacturers to adjust to short term variation in demand and supply. In markets of high brand dissimilarity, sales promotion has the capacity to alter market share.

## LITERATURE REVIEW

As cognitive processes are involved in the choice of the shopping mall, it is important to find out this information

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*\*Associate Professor, Centre For Management Studies, Presidency College, Bengaluru. E-mail: chandan.chavadi@gmail.com*

*\*\* Marketing Faculty, ICFAI National College, Bengaluru. E-mail : kshilpa7@gmail.com*

processing behaviour of the customers, which is similar to any other purchase decision. A number of factors drive the customers to the store, but among them, few factors are found to be very significant. A study conducted by Subadip Roy (2005) on factors governing consumers' choice of supermarkets analyzed factors such as add on benefits, general services, convenience and influence of variety on consumer's choice of supermarkets. Study by Doreen et al. (2002) found that merchandising, accessibility, reputation, in-store service and atmosphere of the stores significantly influences consumer preference of retail stores. Kenhove et al. (1999) revealed that the nature of the task executed by retailers influences consumers on their store choice decision. The study also indicated that larger quantities, immediacy of purchases, routine purchases have an impact on store choice decision.

As promotions have become the life blood of corporate strategy, it is crucial to know its implications and utilization. According to Priya Raghubir (2004), out of the total marketing budget,  $\frac{1}{4}$  of the budget is allocated towards sales promotion. Kotler (2003) highlighted that consumer promotions have a direct impact on the purchase behavior of the customers. Research studies have proved that sales promotion induces positive impact on short term sales, Priya (2004).

As price promotions provide immediate customer savings, several studies have been conducted to know its behavior. Studies have substantiated that price promotions tend to increase short term sales. Further, on an average, sales promotions do not affect post promotion brand preference, however, they sometimes increase or decrease preference for a brand, Devon et al. (2006). Research studies have indicated that price promotions will make customers to take its advantage and often get back to their favorite brands. Michel et al. (2001) investigates the cognitive affective-behavior of customers on price promotions and finds that variety seeking, busyness, perceived financial wellness and brand loyalty influence the behavior. As per Schultz (2004); consumer price-value equation is eroded if there is too much dependence on promotions.

A Study by Kwok, et al., (2005) investigated sales promotion effectiveness on ethnic group levels and found that there are significant differences in consumer cultural values at an ethnic-group level and despite these differences; ethnicity does not have a significant impact on responses to sales promotions. Corliss L. Green (2002) examines the responses of African-American and Anglo-American consumers to four types of retail sales promotion - coupons, product displays, feature advertisements, and price discounts. Results show that significant differences exist between African- and Anglo-Americans only in case of cents-off coupons.

While brand loyalty has been proclaimed by few to be the ultimate goal of marketing, it has become fundamental to measure and enhance this behaviour of the customer by most of the corporates. Such behaviour of the customers is influenced by internal and external factors. Study by Monica Cortinas et al., (2008) found that loyalty card holders are less sensitive to regular prices, but they are more sensitive for price promotions in certain product categories. The results of the study by Liu, Yuping (2007), pointed that loyalty program did not prompt heavy buyers to change their purchase behaviour, while for light buyers, loyalty program broadened their relationship.

The existing literature focuses on general aspects of sales promotions, price promotion and its impact on the consumer buying behaviour. However, less research work has been done on other promotional tools which have an impact on buying behavior of consumers. Moreover, studies conducted in the area of factors driving the customers towards the store have not been conducted implicitly with reference to the Indian context. Hence, the objective of this article is to examine the factors which drive the customers to shopping malls and to analyze consumer buying response for four promotional tools viz, price discount, sample, premiums and buy one get one free which are frequently used by most of the retailers. The study also attempts to find the association between the four promotional approaches and influence on respondent's buying behavior. The buying behavior variables such as brand switching, brand loyalty, purchase acceleration, stockpiling and product trial are considered for the study (Gilbert and Jackaria, (2002).

## RESEARCH OBJECTIVES

1. To examine the factors driving customers towards shopping malls.
2. To analyze consumer-buying response for four promotional tools viz, price discount, sample, free gifts and buy one get one free.
3. To study the influence of demographic variables on sales promotions.
4. To identify the popular consumer promotional tools.

## RESEARCH METHODOLOGY

Given the limited amount of information on impact of sales promotion in India, it was decided to design an exploratory study to understand the factors driving customers towards stores and impact of promotional tools on buying behavior of consumers. There is a large body of literature which has studied the various sales promotional tools targeted towards consumers viz. price discount, coupons, free samples, contests/sweepstakes, refunds/rebates, premium or bonus packs or free gifts, buy one get one free, frequency programs. However, after the preliminary survey of two shopping malls, it was found that four sales promotion tools viz. Price discounts, sample, free gifts and buy one get one free were commonly used by majority of the retailers. Hence, it created interest in knowing the association of four promotional tools on respondents' buying behavior. Consumer behavioral variables such as brand switching, brand loyalty, purchase acceleration (buying earlier than planned), stockpiling and product trial are considered for the study. A structured questionnaire was used for the study, which was administered personally by the researchers. A pilot test for 25 respondents was carried out to know the reliability of the questionnaire. The questionnaire consisted of a series of closed ended questions; likert scale (1 to 5) was used to gauge the reaction of customers. The sampling technique used was quota sampling, controlled by age as the variable, in order to reflect the general population. The study considered major shopping malls viz, Garuda, Central, Forum in the city of Bangalore. 200 questionnaires were monitored, out of which 150 usable questionnaires were considered for the study. The sample consisted of 58 % female and 42 % male respondents. The age slab was segmented as less than 25 years, 26-34 years, 35-54 years and 55 years and above. Under each age slab, to ensure stability of statistics, a minimum of 37 respondents were approached, making the sample on pro rata basis. Mall intercept survey was conducted to get the responses. Factor analysis and multiple discriminant analysis (MDA) were used to find out the important factors and association between different forms of sales promotions and consumers buying behavior respectively. MDA allows predicting the variables discriminating between two or more groups. T test, ANOVA and Leven's test were used to find the association of demographic variables.

## FACTOR ANALYSIS

The study explores the important factors which affect consumer choice of shopping malls. Principal Component Analysis was used, since it was an exploratory factor analysis. For deducting the important attributes, a set of attributes were listed (refer to table 1) and each respondent was asked to rate them according to the importance in their store selection decision on a scale of 1 to 5. (With 1 being the least important and 5 being the most important). Factor analysis was used here to understand the interdependence amongst the attributes.

**Table 1: Attributes Affecting Customer Store Choice**

S. No	Variables
1.	Variety
2.	Quality products
3.	Location
4.	Own store label
5.	Takes order over phone
6.	Close to work place
7.	Convenience
8.	Open for long hours
9.	Parking facility
10.	Reasonable price
11.	Depth in products
12.	Value for money
13.	Near to home
14.	Opens early
15.	Better lighting
16.	Store design
17.	Offers home delivery
18.	Credit facility
19.	Good shopping experience
20.	Fast billing

The initial factor analysis was run using principal component analysis method in SPSS windows. The results were not

satisfactory, as some of the attributes showed an MSA value below 0.5, which was taken as the minimum level for acceptance. Thus, after successive removal of the attributes with low MSA values, it was found that a solution containing 16 attributes (variables) gave a high KMO and also high individual MSA values of 0.854. (refer to Table 2)

**Table 2 : KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.854
Bartlett's Test of Sphericity	Approx. Chi-Square	9950.855
	df	190
	Sig.	.000

4 attributes were rejected from the original set of 20. They were:

- Close to work place
- Credit facility
- Opens early
- Takes order over phone

The criteria for extracting initial factors were Eigen value of over 1. As the number of variables was less than 50, Eigen value was used as the criterion. In the first iteration, a total of 4 factors were extracted with total variance explained being 83.08 %. The total variance of 83.08 % is considered significant for a study of this nature.

Varimax rotation was applied for the selected 16 attributes. The factor loadings of the 16 variables were then observed and variables were clubbed into 4 factors. (Refer to Table 3)

**Factor 1: *Merchandise mix*:** Variety, good quality products, own store label, reasonable prices, depth in products, value for money.

**Factor 2: *Service*:** Offers home delivery, open for long hours, parking facility, fast billing.

**Factor 3: *Ambience*:** Better lighting, store design, good shopping experience.

**Factor 4: *Convenience*:** Location, convenience, near to home.

**Table 3: Rotated Component Matrix**

	Component			
	1	2	3	4
More variety	.993	-1.58E-02	2.723E-02	2.008E-02
Good quality products	.971	8.440E-03	3.501E-02	2.865E-02
Own store labels	.973	-6.75E-03	4.235E-03	3.848E-02
Location	1.651E-02	-.144	2.260E-02	.967
Near to home	6.871E-03	-.106	1.689E-02	.964
Takes order on phone	-.195	.528	7.446E-02	7.683E-02
Close to work place	8.604E-02	.169	-.147	.491
Convenience	1.240E-02	-.123	-2.68E-03	.956
Open for long hours	5.011E-03	.955	8.529E-03	-.111
Parking facility	-2.55E-02	.944	2.280E-02	-.138
Reasonable price	.979	-3.44E-02	4.122E-02	4.797E-02
Depth in products	.965	-3.10E-02	1.586E-02	2.037E-02
Value for money	.958	-4.65E-02	4.707E-02	3.586E-02
Fast billing	1.138E-02	.946	6.496E-03	-9.42E-02
Better lighting	9.999E-02	3.695E-02	.974	-5.09E-02
Store design	8.932E-02	3.739E-02	.973	-3.88E-02
Offers home delivery	-3.24E-02	.944	-3.74E-03	-.123
Opens early	.132	.596	.170	.160
Good shopping	8.346E-02	3.939E-02	.969	-4.34E-02
Credit given	-.104	.120	.705	-8.17E-03

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

The four factors mentioned above are very important and the retailers cannot neglect these factors at any cost in order to attract and satisfy customers.

## MDA

In this section, the association between the four promotional approaches (price discount, sample, free gift and buy one get one free) and influence on respondent's buying behavior will be discussed. The buying behavior variables such as brand switching (BS), brand loyalty (BL), purchase acceleration (PA), stockpiling (SP), and product trial (PT) are considered for the study.

## PRICE DISCOUNT

Price discount is one of the most effective consumer promotional tools. The effectiveness of price discount on the buying behavior of consumers was analyzed on the basis of one way comparisons using Wilks' lambda. The results provided significant differences between purchase acceleration and stockpiling (refer to Table 4).

**Table 4: Tests of Equality of Group Means**

	Wilks' Lambda	F	df1	df2	Sig.
BS	.978	1.118	3	146	.344
PA	.927	3.817	3	146	.011
BL	.972	1.403	3	146	.244
SP	.918	4.364	3	146	.006
PT	.973	1.331	3	146	.267

**Table 5: Eigenvalues**

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.090 <sup>a</sup>	100.0	100.0	.287

a. First 1 canonical discriminant functions were used in the analysis.

**Table 6: Wilks' Lambda**

Test of Function (s)	Wilks' Lambda	Chi-square	df	Sig.
1	.918	12.581	3	.006

From Tables 4, 5 and 6, it is clear that price discount as a promotional tool does have an impact on the buying behavior of the consumers. Among the variables of consumer buying behavior, it is observed that purchase acceleration and stockpiling are significantly differing from other variables.

Raghubir et al. (1999) found that non-users of products and services were encouraged to go for a trial when price promotions were undertaken. Neislen et al. (1985) also gave substantial evidence that stockpiling and purchase acceleration are associated with sales promotions. Buklin et al. (1989) in his study revealed that price discounts enable customers to switch brands and buy earlier than planned. From these studies and our findings, it is evident that price promotion has a significant relationship with the buying behavior of the consumers.

## SAMPLE

Sample is also one of the most widely used sales promotional tools, especially for new product launches. For instance, samples are distributed in categories such as soaps, detergents; cosmetics, tea etc. when they are newly introduced in the market. As this tool gives an opportunity to the customers to try the product free of cost, its acceptance is more in the market. Customers get a chance to evaluate the product and take decision depending on the performance of the sample product.

**Table 7: Tests of Equality of Group Means**

	Wilks' Lambda	F	df1	df2	Sig.
BS	.978	1.117	3	146	.344
BL	.955	2.312	3	146	.079
PA	.988	.595	3	146	.619
SP	.983	.844	3	146	.472
PT	.978	1.102	3	146	.350

From the study, it was found that the sample as a promotional tool does not have significant impact on the buying behavior of the consumers (refer to Table 7). Study on sample promotion impact on consumer buying behavior by Scott (1976) revealed that future purchasing of the product was prevented as samples were distributed. These findings gave sufficient evidence that sample as a promotional tool does not have impact on brand switching, purchase acceleration, stockpiling, brand loyalty and product trial.

## FREE GIFTS

Free gifts are given to customers along with purchase of some products. For instance, Lux soap is given free on purchase of Surf detergent, spoon inside a tea bag, Titan watch on purchase of a BPL television. Free gifts induce the customers to go for impulse buying.

**Table 8: Tests of Equality of Group Means**

	Wilks' Lambda	F	df1	df2	Sig.
BS	.978	1.117	3	146	.344
BL	.955	2.312	3	146	.079
PA	.988	.595	3	146	.619
SP	.951	2.483	3	146	.063
PT	.978	1.102	3	146	.350

From the Table 8, it is clear that free gifts do not have significant impact on buying behavior of consumers. Gibbons et al. (1998) found that free gifts influenced physicians when prescribing medicines, while the patients felt gifts were inappropriate. This study and our findings indicate that gifts are not able to influence the buying behavior of consumers.

## BUY ONE GET ONE FREE

Buy one get one free is one of the common sales promotion tool adopted by personal care segment. In this promotion offer, the customer gets the advantage of having more quantity at the same price. This works out reasonably well for the customers as well as for retailers, as customers get one more product at the same price and retailers are able to enhance the sales volume.

**Table 9: Tests of Equality of Group Means**

	Wilks' Lambda	F	df1	df2	Sig.
BS	.925	3.970	3	146	.009
PA	.927	3.817	3	146	.011
BL	.972	1.403	3	146	.244
SP	.961	1.998	3	146	.117
PT	.953	2.408	3	146	.070

**Table 10: Eigen values**

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.112 <sup>a</sup>	65.3	65.3	.317
2	.059 <sup>a</sup>	34.7	100.0	.237

a. First 2 canonical discriminant functions were used in the analysis.

**Table 11: Wilks' Lambda**

Test of Function (s)	Wilks' Lambda	Chi-square	df	Sig.
1 through 2	.849	23.920	6	.001
2	.944	8.434	2	.015

From Tables 9, 10 and 11, it is clear that buy one get one free as a promotional tool does have an impact on the buying behavior of the consumers. Among the variables of consumer buying behavior, it is observed that brand switching and



purchase acceleration are significantly differing from other variables. This indicates that buy one get one free has an influence on the buying behavior of consumers.

It also gives a feeling to the customer that they are saving money by going for this offer, which is of course limited for some period of time. Further, customers consider this offer worthwhile to switch the brand and buy early.

## DEMOGRAPHIC VARIABLES

The study also examines the influence of demographic variables on promotions. Statistical tools such as T test, ANOVA and Leven's test are applied to find the association of demographic variables such as age, occupation, and gender with promotions. This is studied in order to ascertain whether demographic variables are having any influence on the response of the consumer to the promotional offer.

### AGE

Table 12: Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
promotion Equal variances assumed	.003	.959	-.190	73	.850	-.0306	.16076	-.35099	.28982
Equal variances not assumed			-.190	72.999	.850	-.0306	.16071	-.35088	.28972

### GENDER

Table 13: Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
promotion Equal variances assumed	.208	.649	.186	148	.853	.0219	.11801	-.21131	.25510
Equal variances not assumed			.185	131.473	.854	.0219	.11856	-.21263	.25642

### OCCUPATION

Table 14: Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
promotion Equal variances assumed	.115	.736	.034	73	.973	.0057	.16792	-.32897	.34035
Equal variances not assumed			.034	72.989	.973	.0057	.16783	-.32879	.34017

From the Tables 12, 13, 14, it is found that demographic variables do not have significant impact on promotional offer. The significant value for **age** (0.850) revealed that all age groups exhibited similar kind of behavior towards promotions. This signifies that age segments do not affect the promotional decision. The significant value for **gender** (0.853) revealed that there is no significant influence of gender on promotions. The significant value for **occupation** (0.973) revealed that different segments of occupations exhibited similar kind of behavior towards promotions. This signifies that occupational segments do not affect the promotional decision. From the above analysis, it is clear that demographic variables do not influence the response of the consumer to the promotional offer.

In the last section, the respondents were asked to rate the promotional tools (price discount, sample, free gifts, buy one get one free) on a three point scales (often, sometimes and never) based on their purchase decision. It was observed that “buy one get one free” received the highest rating of 89.33% when (often and sometimes) scores were added, followed by price discount (83.33 %), sample (77.33 %) and free gift (76.66%). (Refer to appendix). From this, it is clear that most of the customers prefer buy one get one free among the promotional tools studied.

## MANAGERIAL IMPLICATIONS AND CONCLUSION

Across the shopping malls where the research study was conducted, it was found that four major factors drive the customers towards the shopping malls. It can be understood from factor analysis that customers give more importance to product mix, ambience and the service provided by the retailers. However, services like credit facility, early opening were not able to create impact, as these services have become common across the retailers.

Customers look forward to visiting shopping malls, to carry in-depth product mix so that they are able to satisfy their hedonic and utilitarian needs. Though the good ambience of malls enables better shopping experience, desired service requirements such as fast billing, parking facility and long hours of operations are of prime importance to customers. Along with this, convenience in terms of location and proximity to home matter the most to customers.

Evaluation of the promotional strategies revealed that price discount significantly influences consumer buying behavior. This indicates that customers are inclined to buy a product early or purchase more quantity when price promotion is executed. Since price discount directly reflects consumer savings, it has a strong bearing on purchase decision. Consumer buying behavior variables such as purchase acceleration and stock piling are strongly influenced on account of price promotion. While a sample is generally given for new products, it does not have significant impact on the buying behavior since so many new products or innovative products are introduced frequently in the market. On the contrary, free gifts are given along with the purchase of some products, so customers do not feel any value addition to their purchase. Moreover, they never expect great value to be delivered from the gift as they are interested in buying what they want, rather than being interested in what is given as a free gift. For instance, a badminton racket is given as a free gift along with the purchase of an energy drink. Sometimes, customers get a feel that its price is being taken care by the product offered for sale. Buy one get one free significantly influences the buying behavior of the customer. It has the capacity to tempt the customer to switch the brands and makes the customer think about buying early. Customers get an opportunity to carry an extra product for the same price. This promotional tool is able to exert influence on the consumer buying behavior. Variables such as brand switching and purchase acceleration are strongly influenced on account of buy one get one free promotional tool.

Among the various promotional tools evaluated, buy one get one free is a popular promotional tool followed by price discount, sample and free gift. The demographic variables do not exercise influence on the promotional tools.

Though many promotions such as samples, cash refunds, premiums, price packs, coupons, frequency programs, contests, games, sweepstakes, patronage awards, free trials, product warranties, cross promotions, tie in promotions, POP are at disposal of the managers, they need to be cautious in choosing the same. The decision of choosing a promotional tool lies in understanding the nature of the product, substitutes available, and market dynamics. Time of the promotion plays a crucial role in the success of promotional campaign; hence, promotions are expected to be launched at the right time to offset competitive promotions. For this reason, the companies need to be cautious about such offers and market happenings.

In spite of the challenges, sales promotions act as a versatile weapon for marketing the products and services. Consumer promotion has become a common practice for majority of the products including private labels. By understanding the product life cycle, skillful marketers can maximize effectiveness of promotions. New developments in the field of promotions like internet, email, and text messaging provide a platform for interactive sessions and enable more sales for the company. Promotions have a long way to go and need to be used more aptly as they cost the company money.

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## Appendix A1: Sample Profile of Customers

Variable	Number
<b>Age</b>	
Under 25	37
26- 34	38
35- 54	37
55 and above	38
<b>Total</b>	<b>150</b>
<b>Occupation</b>	
Students	37
Business people	38
Professionals	37
Government employees	38
<b>Total</b>	<b>150</b>
<b>Gender</b>	
Male	63
Female	87
<b>Total</b>	<b>150</b>

## Appendix A2: Purchase Decision

Promotional tool	Purchase decision				
	Often	Sometimes	Never	Total	Percentage of often and sometimes
Price discount	57	68	25	150	83.33
Sample	63	53	34	150	77.33
Free gift	54	61	35	150	76.66
Buy one get one free	59	75	16	150	89.33