

EFFECT OF SALES PROMOTION PROGRAMS ON PURCHASING BEHAVIOR AT HYPERMARKETS IN RIYADH, KSA

Prepared By: Khalid Ali Abdelal

Student ID: 2021202755

To

Faculty of Management Midocean University

Project Management

Contents

ABSTRACT.....	3
INTRODUCTION	3
THE RESEARCH PROBLEM	5
IMPORTANCE OF SALES PROMOTION.....	5
IMPACT OF SALES PROMOTION ON PURCHASING BEHAVIOR.....	7
THE RESEARCH OBJECTIVES	9
RESEARCH MODEL	10
THE RESEARCH METHODOLOGY	10
RESEARCH LIMITATIONS	12
REFRENCES	13

ABSTRACT

The study aims at determining the effect of sales promotion programs using main four programs - price discounts, free samples, buying vouchers and celebrities - on purchasing behavior of consumers in Saudi Arabia, as well as diagnosing the statistical differences in using the sales promotion programs according to the demographical variables of the consumer. The research population consists of all Saudi and non-Saudi buyers residing in the city of Riyadh reaches 3.874 million people in 2018. The unit sample represents the total number of Saudi and non-Saudi employees working in public and private sectors in the city of Riyadh. The proportional stratified sample is used and the calculated sample size is 387 employees. The study concludes that the sales promotion programs have a positive significant effect on the purchasing behavior of the consumer, and the price discount program is the engine program of purchasing behavior. The study finds that there are statistical differences in the perception of sales promotion programs according to age, education and marital status. Finally, the study recommends a set of implications that enhance the marketing communication uses and some recommendations are presented

INTRODUCTION

Since the mid -1950s, many businesses have begun to focus on customer-oriented marketing, that aim of improving sales and market share in the short-run. This was before the changes happened in the 1980s and the communicative dimension of marketing was very clear in businesses, and it aimed to improve the brand image and institutional identity in the long run. Consequently, marketing has passed the traditional idea of marketing function. The attention has changed from focusing on customer needs and desires of goods and services and offering them at the right price and place, into how to give this consumer with the necessary information about what has been produced, and linking them with the specifications, characteristics, and benefits that seek to influence, persuade and buying behavior later. Many businesses have tried to harness their efforts to create and find marketing tools that can influence the behavior of the target audience and change it in the desired direction, most studies have proven that sales promotion programs have been one

of the most innovative communication tools that have effectively contributed to this (Lee and Lee, 2006). Sales promotion were also seen as a marketing tool that increased the added value of the brand especially at a time when purchasing trends were unstable (Simonson, Armon&O'curry,1994). At the individual consumer level, this tool has been able to contribute effectively in adjusting consumer behavior towards the desired objectives by companies, and this tool achieved many marketing benefits that exceeded its impact in the short run. On the one hand, sales promotion tools increased sales volume (Inman & McAlister, 1993), accelerated purchasing decisions (Pauwels&Hanssens,2007), helped the shift towards the brand (Alvarez&Casielles,2005), increased storage options for purchased quantities (Gupta,1988), Improving the visit to stores (Huff&Alden,2008), as well as enhancing the attraction and retention/ of the new customers in the long run (Luk&Yip,2008). The great importance of the sales promotion programs is the reason why the planners and organizers in the businesses are interested in such programs, they merge them into a marketing communication strategy that ensures the easy use and select the communication messages that fulfill the customers' desire, and enhances the added benefits when consuming products. In addition to achieving the distribution benefits that effectively meet its purchasing goals (Ndubisi& Moi,2006). Therefore, it is very necessary for these institutions to embrace promotional activities that enable them to build and support positive relationships with the marketing environment for as long as possible (Inman & McAlister, 1993).

Finally, sales promotion techniques have become important tools for working in the mature and competitive markets that require diverse communication and marketing capabilities, so that they can gain the competitive advantage to increase sales and attract new consumers (Neha&Manoj,2013).in light of such new trends, the share of sales promotion in the marketing Communication strategy has increased to 75% versus 25% for advertising (Cox,2008), and this improvement made businesses more able to support the activities of the marketing system within the organization, enhanced personal selling efforts increased the organization's competitiveness and harmonized the mix of marketing communication in the same direction. This study attempts to measure the impact of four tools of sales promotion that are commonly used in retail stores in the city of Riyadh. A review of the literature found that price reduction, free samples, and coupons are common in the markets, but in this study, we added the celebrity tool as an important method.

It is a very effective tool to influence the purchasing behavior, especially underuse of modern technologies. This study is one of the first studies conducted in the Kingdom; despite the clear research assertion that sales promotion tools are widely used in marketing communication literature for many years up to the fifties of the last century.

THE RESEARCH PROBLEM

What is the efficacy of sales promotion programs on purchasing behavior at hypermarkets in Riyadh, KSA?

IMPORTANCE OF SALES PROMOTION

Sales promotion tools have the support and approval of a lot of producers and traders due to the positive effects they have achieved in the short and long run (Odunlami & Ogunsiji, 2011), and the literature suggests that attracting the customer needs to offer something exceeds the basic product offer. Therefore, sales promotion programs are able to give the consumer with all promotional activities and materials that reflected on the short-run profits, and improved the effectiveness of advertising supported by images, symbols, and messages. Marketers have found that sales promotion is an effective tool to avoid short-run selling problems and it is tools have advantages more than communication, incentives, and call for purchase (Achumba, 2002). Sales promotion programs have influenced the most components of purchasing decision, which include brand selection, time and quantity of purchase, and a shift towards the brand (Nijs, Dekimpe, Steenkamp&Hanssens,2001), and has also been a means of reducing price sensitivity for some consumers (Bridges, Yim & Briesch, 2006), also had a clear impact on the volume of sales and profitability of companies (Pauwels&Hanssens,2007). The research shows that sales promotion increase the amount of purchase of perishable storable products, and it is estimated that the duration of the financial impact of these programs ranges from 2-8 weeks, which means that the impact of these programs recede at the short run only (Pauwels&Hanssens,2007). The sales promotion method has a set of elements with promotional messages or a visual representation of the brand capable of persuading consumers to experience at the point of purchase (Hackeley,2010),

thus stimulating the switch towards the brand and leaving competitors (Kotler & Keller, 2009), and it present the offer of obtaining a good deal may it cannot be obtained in the future, especially after ends the promotion (Schultz et al, 1998). These results confirm that the role of sales promotion in stimulating demand has been limited to a certain period (Leham & Winer, 2002; Walsh, 2000). Sales promotion leads to a number of marketing and communicative goals. On the one hand, it seeks to increase sales volume in the short-run (Downs & Adrian, 2004), targeting the potential and loyal customer, the switch towards the brand and the benefits of cash savings (Alam & Faruqui, 2009), in addition to other benefits such as saving, quality, comfort, expression of value, exploration and recreation (Blattberg & Neslin, 1990). In more detail, the research results distinguish between monetary incentives such as saving, quality, and comfort (Babin, Darden & Griffin, 1994), while non-monetary incentives lead to pleasure, recreation, psychological stimulation and fun (ChandonWansink & Laurent, 2000). In general, these benefits have not been able to confirm the effect of using sales promotion on customer loyalty, but their use remains an important element and incentive to buy at the time of promotion (Devecchio, Henard&Freeling,2006), and these behaviors will certainly vary after the promotion ends. This tool has also been shown to have a negative impact on the long-run value of a company and product (Pawels, Srinivasan, Silva-Risso & Hanssen, 2003). Here, studies suggest that the decision to choose and switch towards a brand has led to a low-level of loyalty (Guadagni & Little, 2008), so other studies have found that it is not possible to sell large quantities of the product because of this. Ahamad et al. (2015) have found that the flexibility of sales promotion and its inclusion of different marketing methods combined monetary and non-monetary incentives, making it an effective tool capable of enhancing communication with the target market, and employing different tactics to solve short-run inventory problems. Although it has a significant share of promotional spending, it is still less important in strategic context than other marketing communication tools (Srinivasan & Anderson, 1998). Dawes (2004) confirm that there are no effects of sales promotion on brand building and profitable in the long run. Davies (1992) shows that sales promotion has no effect on customer satisfaction and it is a major cause of destroying the brand image (Tellis & Gaeth, 1990).

IMPACT OF SALES PROMOTION ON PURCHASING BEHAVIOR

Many studies have agreed that sales promotion plays an important role in stimulating the repeated purchases from a particular store (Schultz&Block, 2011; Leischnig et al, 2011), and other studies have expanded to say that sales promotion has the ability to influence the elements of purchasing behavior such as shopping intent and habits from a particular outlet. (Mathur et al., 2013). Many findings confirm that sales promotion programs have positive effects on sales and profit levels (Dhar&Hoch,1996; Hoch, Dreze&Purk,1994), and it is a reason to change the purchasing behavior of most consumers (Sands, Beveriand&Oppewal,2009). Sales promotion changed the time of buy, the quantity purchased, the switch of the brand, and reduced the price sensitivity and encouraged the consumers to buy (Bridges, Briesch&Yim,2006). Sales promotion confirmed the immediate and impulsive behaviors in the purchasing behavior (Ndubisi&Moi,2005). However, a few other studies suggest that the level of impact of sales promotion is still a matter of debate, as it is found that sales promotion is ineffective and caused the decline of market shares in the long run (Ehrenberg, Hammond & Goodhardt,1994), and further studies explain the source of discrepancy between results to demographic and cultural differences offer value, timing, type of product, and technique of promotion used (Ailawadi, Kusum&Neslin,1998). Price reduction is one of the most prominent promotion techniques whereby a larger quantity of the product is given at the same price or the same quantity is purchased at a lower price (Fill, 2002). The results show that the price reduction has an important effect in stimulating new behaviors towards the experience of the products offered (Shimp,2003; Blackwell et al, 2001; Fill, 2002; Brandwick,1994), and increased product value (Chen, Chen&Huang,2012), and studies believe that the optimal value of the discount is up to 15% of the selling price (Gupta & Cooper, 1992). This technique is generally used in competitive markets where commodities are short-run and seasonal, and it has been shown that many customers may not back to buy the brand after ends the sale season (Ehrebberg et al, 1994). The literature also indicates that there is a clearer link between the sale price of the product and the level of quality, so a low price may give the impression of low quality of the product and vice versa (Moore,2003), which negatively affects the preference of the trademark, trust and loyalty (Shrestha, 2015). The free samples play a smart role in increasing the amount of consumer sales and introducing new products to the market (Nathwani,2017), and studies confirm the

positive impact on consumer behavior (Shimp,2003), and such studies have shown that sales increase by between 300% - 500% in the period of promotion (Mei & Moses, 2005; Lindstedt, 1999) and by 37% to 50% on the first day of promotion (Heilman, Lakishyk & Radas, 2011). This technique a real chance to try out a product that may lead to latter purchase (Wellner, 1998), but it stimulates a fast buy by 72% (Fill,2002). Some studies say that the small quantity of the product may not be sufficient to choose and motivate the purchase (Pramataris, Vrechopoulos&Doukidis,2000), and their effect may vary depending on product quality and time of promotion (Gilbert&Jackaria,2002), and it is found that free samples attract high-income consumers (Kokli&Vida,2009). Vouchers and coupons are a certificate that gives customers savings when purchasing a particular product (Kotler&Keller, 2017), and studies have shown a very weak relationship between coupons and purchasing behavior, it orients the buyer towards products that he does not want at all (Shamout, 2017). Coupons has the last rank among sales promotion techniques used and has less impact on trial product (Gilber &Jacquia, 2002) as well as gives the consumer the less awareness of the product (Ndubisi&Chew, 2006). A trial purchase, if any, will not affect the product value (Silva- Risso& Bucklin, 2004). A high financial incentive is a sufficient reason to redeem the voucher, but identifying certain brands in the coupons may weaken the purchase intent (Cook, 2003). Experiences show that the customer's social class is an important reason for redeeming the voucher, and there is an inverse relationship between redeeming the voucher and income and education levels (Blattberg&Neslin, 1990). The use of celebrities has been increasingly involved in marketing communication strategy because of their effectiveness in the communication process (Bhatti, Maraim&Arif,2017), and according to studies, celebrity use has an impact on consumer purchasing intentions reaches 88% (Smith,2011). New technologies have provided more opportunities for interaction between people and companies with each other (Bhatti, Mehar, Arif & Younas, 2017), and this development has been reflected in the relationship between marketers and brands, as accessing to the public is no longer linked only to companies, but by users who called the celebrities (Henning-Thurau et al., 2004). Therefore, companies put the consumers face to face with each other, and this makes purchasing decisions more easily (Muthiah & Kannan,2015), and gave them access to direct information from actual users of the brand (Kozinets,1999). The studies show that the sharing of purchasing experiences

and exchange of information with others will strengthen the mechanism of purchasing decision-making and changing the purchasing trends (Lai&Turban,2008). Other studies linked to the level of response to celebrities with income need, motivation of purchase, marketing strategy, ease of access to product, and type of consumer (Pahwa&Goyal, 2019) But in the end, Celebrities are playing an important role in stimulating and changing the purchasing decision (Fue et al,2009), and studies have provided much evidence of the effectiveness of this tool in product promotion (Duffett,2015), therefore, the positive relationship between celebrity use on social media and improved Purchasing intentions of consumers is proved (Dlodlo & Dhurup, 2013). Finally, there are many studies that distinguish between financial and non-financial programs in the sales promotion (Campbell&Diamond,1990), and the distinction refers to the advantages and characteristics of each type (Chandon et al.,2000). The financial programs such as price reduction, +coupons, and discounts justify the behavioral objectives in the short-run (Huff et al.,2008; Lee et al.,2006; (Campbell et al.,1990). The non -financial installments, sweepstakes, contests, and free gifts correlate with the emotional and behavioral goals that seek to enhance the brand image in the long run (Jean et al.,2015). In general, studies show that financial promotions are more pronounced but it adds less value to the product and are favored by most consumers (Huff et al.,1999). On the contrary, a number of researchers believe that consumers have a more interactive behaviors with non-financial offers because it gives more value to the product than financial offers (Shrestha, 2015). In conclusion, the financial offers improve purchasing intentions towards all the offered products because of the immediate benefits that have, especially the financial benefits (Kwok&Uncles,2005).

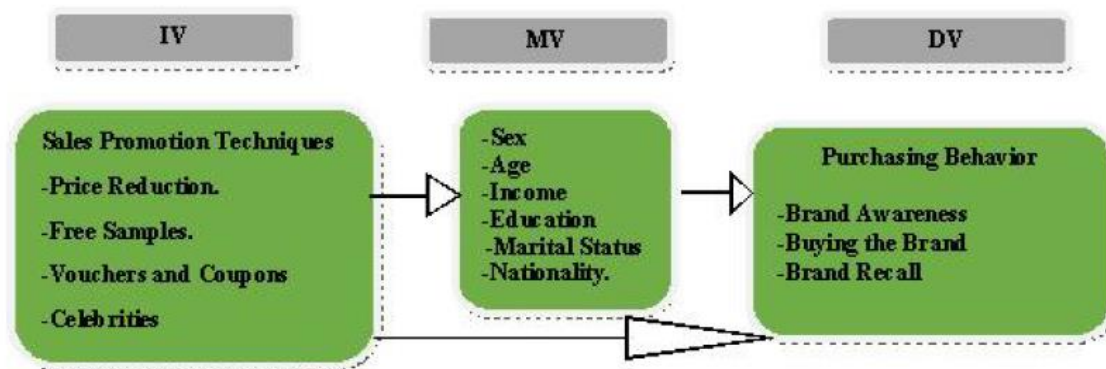
THE RESEARCH OBJECTIVES

- Diagnosing The effect of the four sales promotion programs ‘price discounts, free samples, buying vouchers and celebrities ‘on the purchasing behavior of consumers at the level of statistical significance 5%.
- Determining the statistical differences in the sales promotion programs according to the demographical factors at the 0.05 significance level

- Determining their statistical differences in the purchasing behaviors according to the demographical factors at the 0.05 significance level.

RESEARCH MODEL

The following figure represents the model used in this study. It aims at determining the direction of the relationship among independent and dependent variables.



These hypotheses are developing, and the research model as follows:

- There is a statistically significant effect of the sales promotion programs on the purchasing behavior of consumers at the level of statistical significance 5%.
- There are statistically significant differences in the sales promotion programs according to the demographic factors at the 0.05 significance level.
- There are statistically significant differences in the purchasing behaviors according to the demographic factors at the 0.05 significance level.

THE RESEARCH METHODOLOGY

- **Research Population:** It represents all Saudi and non-Saudi employees residing in the city of Riyadh. The total research population in the fourth quarter of 2018 reaches 3.874 million people in the city of Riyadh. This number represents the total number of Saudi and non-

Saudi employees working in public and private sectors in the city of Riyadh (General Authority of Statistics, 2018).

- **Type and Size of the Research Sample:** A proportional stratified sample method is used. It is one of the samples that divides the indigenous community into segments and classes according to nationality and work sector. This method is based on determining the sample size on an equal basis for each segment. In order for the sample to be more specific and accurate, the size of the selected sample must be proportional to the original size of the research population. Stratification means the segments of the divided population, and proportionality means that the chosen number of each segment should be proportional to the actual size and representation within the original population. According to the sampling tables, it is found that the maximum sample size required is 387 employees in public and private institutions in Riyadh city with a significant level of 0.05 (Sekran, 2009). The researcher developed the questionnaire and it is distributed in the workplace. In more detail, the researcher visited the employees in the public and private institutions operating in Riyadh city, and the researcher randomly selected the workers in those institutions to fill the questionnaire according to the percentages calculated in table 1. The percentage of questionnaires distributed to employees in public institutions reaches 31.4% compared to 68.6% of employees in the private sector. Accordingly, all questionnaires distributed are retrieved and are subject to final analysis. In this study, the unit of analysis is all Saudi and non-Saudi buyers working in public and private sector institutions.

Table 1 : Sample Distribution

Nationality	Private Sector			Public Sector		
	N (1000)	%	Sample Size	N (1000)	%	Sample Size
Saudi	637.86	24	63	1167.2	96	117
No Saudi	2019.88	76	202	48.6	4	5
Total	2657.74	100	265	1215.84	100	122

Source : General Authority of Statistics, Year Book , 2018.

- **Measurement:** The research tool is the questionnaire. It is developed to collect the primary needed data by reviewing the literature related to the questions and research variables. The five points Likert scale is used, which expresses the degree of response and the consistency between the statements and the respondent's opinions, where the value (5) is given for very

high response, (4) is high response, (3) is given for neutral response, a low response is given for the value (2), and the value (1) is given for a very low response.

- **Data Analysis:** In order to analyze the research results, the descriptive statistical analysis (arithmetic mean, standard deviation, and relative frequency) are calculated. The degree of response of the variables are evaluated according to the relative mean as follows: more than 4.2 is very high, (2) 4.2 – more than 3.4 is high, (3) 3.4- more than 2.6 is average (moderate), (4) 2.6 – 1.8 is weak and less than 1.8 is very weak. Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. It considers a measure of scale reliability. Cronbach's alpha is not a statistical test, so it is a coefficient of reliability (or internal consistency). The Cronbach alpha coefficients of the research variables are between 0.0.959 - 0.984. This means that the variables have relatively accepted. Internal consistency of all variables and all the coefficient values are statistically accepted since it is more than the statically permitted rate of 60%.

Table 2: The Cronbach alpha coefficients of the research variables

N	Research Variables	Reliability	Number of Sentences
1	Price Discounts	0.984	6-1
2	Free Samples	0.985	12-7
3	Vouchers and Coupons	0.991	18-13
4	Celebrities	0.994	24-19
Sales Promotion Programs		0.995	1-24
4	Brand Awareness	0.973	29-25
5	Buying the Product	0.989	38 – 30
5	Recall / Reminder	0.984	43-39
Purchasing Behavior		0.995	43-25
Total Reliability		0.997	1-43

RESEARCH LIMITATIONS

- The Study includes all of the Saudi and non- Saudi residing in Riyadh city.
- The study includes all of the employees working in the public and private institutions in Riyadh.
- The study includes the hypermarkets working in Riyadh that using sales promotion programs.

REFERENCES

1. Achumba, I. (2002). Sales Management Concepts, Strategies and Cases. AI-Mark Education Research.
2. Ailawadi, Kusum, and Neslin, S. (1998). The Effect of Promotion on Consumption: Buying More and Consuming It Faster. *Journal of Marketing Research*, 390-398.
3. Alam, S., and Faruqui, F. (2009). Effects of Sales Promotion on Consumer Brand Preference: A Case Study of Laundry Detergents In Dhaka City Consumers . *ASA University Review*, 3 (2).
4. Alvarez, A., and Casielles, R. (2005). Consumer evaluations of sales promotion: The effect on brand choice. *European Journal of Marketing*, 39(1), 54- 70
5. Blattberg., C and Neslin, S. (1990). Chapter 12 Sales promotion models. *Handbooks in Operations Research and Management Science*.
6. Bridges, E., Yim , Y., and Briesch, R. (2006). Effects of prior brand usage and promotion on consumer promotional response. *Journal of Retailing*, 84(2). 295- 307.
7. Chandon, P., Laurent, G. and Wan sink, B. (2000). A benefit congruency framework of sales promotion effectiveness” *Journal of Marketing*, 64(4). 65-81.
8. Cox, M. (2008). Effects of Media Formats on Emotions & Impulse Buying Behavior. *Journal of Information Technology*, 18. 247–266.
9. Ehrenberg, A., Hammond, K., and Goodhardt, G. (1994). The after-effects of price related consumer promotions. *Journal of Advertising Research*. 34 (4). 11-21.
10. Gupta, S. (1988). Impact of Sales Promotions on When, what, and How Much to Buy. *Journal of Marketing Research*, 25(4). 342-355. <http://www.jstor.org/stable/3172945>.
11. Hennig-Thurau, T., Gwinner, K., Walsh, G., Gremler, D., (2004). Electronic word-of-mouth via consumer opinion platforms: What motivates consumers to articulate themselves on the internet. *Journal of Interactive Marketing*, 18(1). 38–52.
12. Huff, C., and Alden, L. (2008). An Investigation of Consumer Response to Sales Promotions in Developing Markets: A Three-Country Analysis. *Journal of Advertising Research*. 47-56.
13. Inman. J., and McAlister, L. (1993). A Retailer Promotion Policy Model Considering Promotion Signal Sensitivity. *Marketing Science* ,12(4). 339-356

14. Kotler.P., and Keller, K. (2017). Marketing Management. 15th Edition. Global Edition. Person.
15. Lee, Y., Lee, Z., and Lee, J. (2006). Social Influence on Technology Acceptance Behavior: Self-Identity Theory Perspective. ACM SIGMIS Database, 37(2).60- 75.
16. Leischnig, A., Schwertfeger, M., and Geigenmueller, A. (2011). Do shopping events promote retail brands? International Journal of Retail & Distribution Management, 39(8). 619-634.
17. Luk. S., and Yip, L. (2008). The moderator effect of monetary sales promotion on the relationship between brand trust and purchase behavior. Journal of Brand Management, 15(6).
18. Moore, M., Kennedy, K. M. and Fairhurst, A. (2003). Cross-cultural equivalence of price perceptions between US and Polish consumers. International Journal of Retail and Distribution Management, 31(5). 268-279.
19. Ndubisi, N., and Chiew, T. (2005). Customer behavioral responses to sales promotion: the role of fear of losing face. Asia Pacific Journal of Marketing and Logistics, 17(1).32 49.
20. Ndubisi, N., and Moi, C. (2006). Awareness and usage of promotional tools by Malaysian consumers: The case of low involvement products. Management Research News, 29(1/2). 28-40.
21. Neha, S., and Manoj, V. (2013). Impact of Sales Promotion Tools on Consumer's Purchase Decision towards White Good (Refrigerator) at Durg and Bhilai Region of CG, India. Research Journal of Management Sciences, 2(7).10-14.
22. Nijs, Vincent, Marnik G. Dekimpe, Jan-Benedict E.M. Steenkamp, and Dominique M. Hanssens (2001). The Category Demand Effects of Price Promotions," Marketing Science, 21(1). 1- 22.
23. Odunlami, I., and Ogunsiji, A. (2011). Effect of Sales Promotion as a Tool on Organizational Performance (A case Study of Sunshine Plastic Company). Journal of Emerging Trends in Economics and Management Sciences (JETEMS). 2 (1). 9-13

24. Pauwels, K., and Hanssens., D (2007). Performance Regimes and Marketing Policy Shifts. *Marketing Science*. 26(3).293-311.
25. Pawels, K., Srinivasan, S., Silva-Risso, J., & Hanssen, D. M. (2003). New Products, Sales Promotions and Firm Value, with Application to the Automobile Industry. *Journal of Marketing*.22-38.
26. Sands. S., Beveriand, M., and Oppewal, H. (2009). The effects of in-store themed events on consumer store choice decisions. *Journal of Retailing and Consumer Services*, 16(5). 386-395.
27. Schultz, D., Robinson, W., and Petrison, L. (1998). *Sales Promotion essentials, the 10 basic sales promotion techniques and how to use them*, 3rd edition, NTC Contemporary Publishing Company.
28. Shimp, T. (2003). *Advertising, Promotion, and Supplemental Aspects of Integrated Marketing Communications* (6th ed). Thomson South Western, Boston, MA 31.
29. Simonson, I., Carmon, Z., and O'curry, S. (1994). Experimental evidence on the negative effect of product features and sales promotions on brand choice. *Marketing Science*, 13(1). 23-40.