

**The Differential Impact of Price-Related Consumer Promotions
on Loyal versus Non-Loyal Users of the Brand:
A Field Study Investigation**

Deborah L. Owens
Michael Hardman
Bruce Keillor

ABSTRACT. Consumer goods manufacturers regularly spend millions of dollars annually on sales promotions such as couponing, rebates, sweepstakes and other premium offers. Although the impact of advertising on consumer purchase behavior has been documented in the marketing literature, the impact of promotions on purchase behavior has received relatively little attention. The purpose of this research is to investigate the relationship between brand loyalty, purchase involvement, product experience and their impact on the efficacy of consumer promotions. The results show that sales promotions have applications beyond their traditional role as short-term promotional tools. Managerial implications as well as suggestions for future research are discussed.

KEYWORDS. Advertising, brand loyalty, consumers, price promotions, promotion, purchase behavior, sales promotions, shopping behavior

INTRODUCTION

Manufacturers of consumer goods spend millions of dollars annually for promotional media, including couponing, rebates, sweepstakes and other premium offers. In 1995, in the couponing area alone, an estimated \$325 billion worth of coupons were distributed, with an estimated \$6.6 billion redeemed (1996, Marketer's Guide to Media, p. 111). According to many industry experts, this strong growth in promotion will continue into the next century. The growth of promotional expenditures is due to changes in the consumer, media and retail environments that have made traditional advertising communications more fragmented and less effective than in the past.

While the impact of advertising on consumer purchase behavior has been well documented in the marketing literature (Burke and Edel, 1989), the impact of promotion has received considerably less attention (Ehrenburg, Hammond and Goodhardt, 1994; Ward and Hill, 1991). These promotions are programs such as rebates, coupons, premiums, sweepstakes, trade discounts, and financing discounts which deliver an economic incentive, in contrast to advertising which delivers product information and persuasive messages through a wide variety of media channels (Quelch, Neslin and Olson, 1987).

This lack of promotional research is particularly bothersome given that marketing expenditure data clearly show promotional and merchandising budgets are growing at the expense of traditional advertising budgets (Gale, 1994; Shapiro, 1990; Abraham and Lodish, 1990; Bhasin, Dickinson, Hauri and Robinson, 1989). Clearly academic research interest in promotion as part of an integrated marketing strategy has lagged behind corporate use of promotion. The purpose of this study is to explore issues related to traditional antecedents of consumer behavior and promotional programs targeted at individual consumers. In particular, this research investigates the relationships between brand loyalty, purchase involvement, experience with the product class and the impact on price-related consumer promotions. Whether price promotions can have an impact on longer term brand equity and not just short term effects is of interest to the marketing practitioner. This analysis is intended to aid our understanding of how consumers

react to price promotions. It should assist brand managers, retail managers and marketing personnel to more effectively manage price-related consumer promotions as one element in an integrated marketing program.

THE ROLE OF SALES PROMOTION

Traditionally marketers have used advertising as a means to build awareness, create an image or position a product to build long term brand equity. Sales promotions, on the other hand, have been used to achieve timed sales increases (Ehrenberg, Hammond and Goodhardt, 1994; Shapiro, 1990). Generally, the two major goals of promotions are to induce product trial and to increase sales. While advertising messages typically provide consumers with product information or a brand image, promotions deliver some form of short term incentive, near the point of purchase, to induce the consumer to buy the product now and "close" the sale.

Some have argued that sales promotions decrease brand loyalty. However, it is possible that sales promotions can assist in the longer term goal of increasing brand loyalty by promoting a brand image and rewarding repeat purchase. It has been suggested that (Shapiro, 1990) the marketing environment has changed considerably of late and that today "it is too simple-minded to say that one [advertising] builds brands and the other [promotion] builds sales" (p. 16). According to Shapiro, for an overall promotional strategy to be successful a new perspective needs to be adopted, both by practitioners and academics, focusing on making advertising more short term in its payback and shifting promotions to also develop image enhancements. This potential for promotion to deliver stronger brand loyalty and increased market share has not yet received much attention in the marketing research literature (Ehrenberg, Hammond and Goodhardt, 1994).

Past research has also revealed that consumer responses to sales promotions differ depending on the individual and the product in question. Investigation into whether promotional programs can, in fact, assist in longer term brand building and the potential impact of a price related consumer promotion on loyal and non-loyal product purchasers, is the subject of this research.

A brand loyal user of a product would likely respond differently to a sales promotion than a consumer who typically purchases a competing brand (Totten and Block, 1994). Because of this a longer term goal of a sales promotion is often to address the moderately loyal group, or brand switchers, who are not yet highly loyal to a given brand, or who have limited purchase history with which to base brand decisions. A brand loyal consumer nearly always purchases the same brand, while a non-loyal user often switches brands. Indeed, within most product categories it is rare to find consumers who exclusively purchase one brand and thus a brand loyal consumer may be considered one who usually purchases a given brand, allowing for occasional purchases of other brands (Totten and Block, 1994). A potential additional goal of sales promotion, and the subject of this research investigation, is the impact of a sales promotion on brand equity and loyalty to the brand. In particular this study will evaluate whether a sales promotion, in the form of a rebate, has differential effects between non-users and frequent users of the brand.

In recent years, the use of sales promotions has risen dramatically (Gale, 1994). One of the primary reasons promotional activity has increased is that the effectiveness of promotional campaigns is considerably easier to measure and document than the effectiveness of an advertising campaign. The broad use of in-store scanners, store scanner panels, and frequent shopper cards identifying individual consumers, coupled with syndicated data suppliers, such as

A.C. Nielsen Company and the National Panel Diary (NPD), has given managers access to the transaction based data needed for accurate analysis of promotional programs. In order to effectively evaluate sales promotion programs, the data must not be aggregated, but collected, and analyzed on an individual-store-week basis, which has recently, been made possible with the broad utilization of in-store scanners (Totten and Block, 1994). Short term price promotions generally lead to increased sales which can be easily documented through electronic scanner data, substantiating the strong positive correlations between sales promotions and sales activity. Unfortunately, advertising researchers find it much more difficult to prove sales increased due to an advertising program, since advertising research relies on considerably more subjective measures (Shapiro, 1990), and there is a much greater time/distance gap between receiving an advertising message and consumption opportunities. Use of scanner data, etc. has proven the strong correlation between promotional offers and sales, while the longer term effect of advertising is not as easy to measure and document to brand managers.

Additional support for sales promotions as a primary component of a promotional strategy come from the competitive nature of the retail environment. Sales promotions appeal to retailers because they: (1) accelerate purchase, (2) raise shelf space revenue, (3) provide sales staff with a basis for facilitating interaction with consumers, and most importantly (4) generate increased tangible sales as inventory moves more quickly out of the store (Ehrenberg, Hammond and Goodhardt, 1994). Further, retailers rely on promotional programs to generate store traffic and to increase store loyalty (Totten and Block, 1994) as well as giving the retailer a reason to develop local advertising and "special" in-store merchandising that features the promoted brand or product. Faced with promotion programs offered by competing manufacturers in the same product category, retailers have the advantage of selectively supporting those promotional programs that will maximize retailer profit, through increased sales while maintaining the long term store image.

This trend of increased use of sales promotion is requiring brand managers to rethink their strategic marketing plans (Gale, 1994; Shapiro, 1990). Sales promotions have become a permanent fixture on the marketing landscape: retailers demand it, manufacturers need it, and consumers expect it (Bhasin, Dickinson, Hauri and Robinson, 1989). The issue that marketers must face is how to best utilize promotional strategies to entice short term bottom line sales while maintaining long term brand loyalty. It also requires managers to rethink the goals of their promotional activities, and to better determine how promotion can best fit into an integrated marketing campaign. The two short term and most frequently noted goals of promotion are to induce product trial and increase sales through accelerated purchase or stockpiling.

One of the means by which price promotion is employed to entice consumers to a given product is by reducing their financial risk through price-based promotions. Firms expect that a promotion will lead to increased brand switching with the potential for these new customers to become brand loyal based on a positive trial experience (Ehrenberg, Hammond and Goodhardt, 1994). A consumer can not become a "loyal" user unless he/she first becomes a user through product trial. This product trial approach is extremely effective, due to the strong beliefs formed, on the part of the consumer, through direct product experience. While consumers learn about products from a variety of sources, including advertising and word-of-mouth, past studies have shown a dramatic impact of product trial on consumer attitudes (Smith, 1993; Marks and Kamins, 1988). Consumers hold much stronger brand perceptions when their conclusions are based on actual experience, rather than the experience of others (e.g., word-of-mouth), or through sources such as television advertising which are perceived as biased in favor of the product being featured.

It is widely known by practitioners and marketing researchers alike that short-term consumer price promotions for branded products tend to have immediate significant effects on the sale of the promoted brand (Neslin, Henderson and Quelch, 1985). For example, a toilet tissue manufacturer experienced a 440.5% increase in sales when a 15% temporary in-store price cut was advertised, while the same percentage price decrease, for a deodorant product, resulted in a 102% increase in sales (Narasimhan, Neslin and Sen, 1996). This research suggests that this effect is often due to brand switching, rather than acceleration of purchase. Ultimately the net impact of price on promotional activity is determined by the type and amount of price promotion used. Promotional strategy must be considered within the product category context. For example, the positive relationship between "ability to stockpile" and promotional elasticity indicates that it is easier to encourage promotion-based purchases for goods that are easier to stockpile (e.g., canned goods, cleaning products, facial tissue, etc.). Promotional elasticity can be expected to be lower for consumer goods that are more difficult to stockpile because of perishability, inconvenient size, or uncertainty of future usage needs.

SALES PROMOTION AND BRAND LOYALTY

In the long term, brand loyalty is perceived to be the key to sustainable competitive advantage (Aaker, 1996). Brand loyalty is defined as the consumer's desire to buy the same brand on a regular basis. Unfortunately, with the proliferation of new products, fragmentation of media, and the proliferation of new channels of distribution, brand loyalty is increasingly difficult to maintain. Caldron (1993) attributes this decline in brand loyalty to rising consumer price sensitivity, a decrease in advertising effectiveness, and an increase in new brands. As a result of these changes, marketers have become interested in the potential effect of price promotions on brand trial, repurchase intentions, and long term brand loyalty.

In considering brand loyalty in the context of sales promotions, it has been shown it is the brand loyal consumers who benefit most from a pricing promotion based on the fact that the brand loyal consumer has greater exposure and greater knowledge of actual market conditions of their brand (Krishna, Curim, and Shoemaker, 1991). In an analysis of price-related promotions across 13 different product categories, Ehrenberg, Hammond and Goodhardt (1994) found price promotions often reward the brand's existing customers. The authors concluded consumers rarely respond to a price promotion if the brand has not previously been tried. For these temporary brand-switchers, buying a brand during the promotional period was, according to the authors, a deliberate form of "selective consumer reaction" not likely to result in additional brand loyal customers.

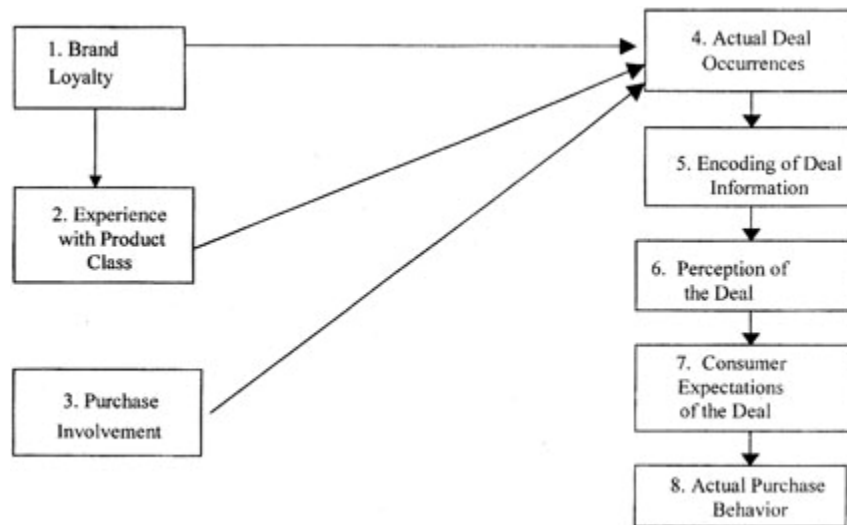
In research on brand loyalty across 27 brands, Baldinger and Rubinson (1996) noted that after a year only 53% of "high loyalty" users remained highly loyal to the brand. This finding suggests that brands are vulnerable even among currently loyal purchasers of the brand. Baldinger and Rubinson (1996) identified three distinct loyalty groups (1) high loyals, who have a 50% probability of purchasing the brand, (2) moderate loyals, those having a 10-50% probability of purchasing the brand, and (3) low-loyals and non-buyers, having a 0-9% probability of purchasing the brand. A promotional program can assist in building brand loyalty for the moderate loyals, who may or may not buy the brand on a given occasion. Therefore, another less discussed but potential goal for promotions is as a "reward" to long term loyal purchasers of the brand. Price promotions such as rebates, cash discounts and other promotional offers can serve as a mechanism to say "thank-you" and recognize and reward long term loyal customers. Another potential goal for sales promotion is to address the "moderate loyals" or "system beaters" who are not yet loyal users of the brand, but have the greatest potential for becoming

long term brand loyal consumers. Sales promotion reinforces the brand for this group, and some people may even convert into highly loyal product purchasers.

A FRAMEWORK FOR ANALYZING SALES PROMOTIONS

A theoretical model of promotional activity is presented (Figure 1) which is a subset of a broader model originally set forth by Krishna, Curim and Shoemaker (1991). The model provides a framework for identifying several key constructs and suggests several hypotheses between sales promotions, consumer characteristics, product characteristics and managerial actions.

Figure 1. Model of Promotional Activity*



*Adapted from Krishna, Currim, and Shoemaker (1991)

This model views promotion from an information processing perspective in which consumer characteristics serve as inputs and hence determinants of actual purchase behavior. Past research using the Krishna model studied the impact of deal frequency and the accuracy of deal perceptions on consumer perceptions and planned consumer behaviors (Krishna, Curim and Shoemaker, 1991). In contrast, our analysis will focus on other aspects of the model, including the impact of brand loyalty, degree of purchase involvement and experience within the product class, and how these variables impact consumer perceptions of the promotion and actual purchase behavior. Within this framework, promotional response can be measured as a function of individual consumer characteristics including (1) frequency of shopping, (2) brand loyalty, (3) interest in deals, (4) frequency of exposure to actual market conditions, (5) degree of involvement and ability to encode information.

HYPOTHESES DEVELOPMENT

The model suggests that brand loyalty effects frequency of exposure to actual market conditions, and by extension encoding of deal information, which in turn impacts perceptions of the deal and actual purchase behavior. Accordingly, brand loyal consumers are likely to have greater exposure to sale prices and deal frequency, and thus a more accurate frame of reference for deal information. In a study of a broad range of grocery products, Krishna, Curim

and Shoemaker (1991) found that frequent purchasers of the brand had significantly higher recall and more accurate perceptions of the deal. In fact, the likelihood of accurate recall of sale price, regular price, and deal frequency was almost twice as high among regular loyal purchasers of the brand. This suggests the first hypothesis:

H1a: Brand loyal consumers will have significantly more positive perceptions of the promotional deal than consumers who are not loyal to the promoted brand.

Likewise, according to the model, these higher perceptions of the promotional deal should influence actual purchase behavior. Thus one would expect that those consumers who are more loyal to the brand will purchase more units of the promoted brand than those that are less loyal, as these loyal purchasers are more likely to recognize the value of the deal.

Thus, the second hypothesis is as follows:

H1b: Brand loyal consumers are likely to purchase proportionately more of the promoted brand than consumers who are not loyal to the promoted brand.

Purchasing involvement is defined as the "self relevance of purchasing activities to the individual" (Slama and Tashchian, 1985, p. 73). Purchase involvement is expected to impact the information gathering process as well as attitudes and behaviors towards sales, bargains, coupons and other promotional mechanisms. Past research suggests that these highly involved consumers use coupon and store flyers more frequently and that heavy product users are more likely to stockpile, and increase the quantity purchased, during a price-based promotion (McAlister and Totten, 1995; Neslin, Henderson and Quelch, 1985). This indicates these more involved users, who are high users of the product category, are more acutely attuned to deal information. Individual high involvement consumers may thus be more motivated than others to seek out the promotional deals, and take advantage of them.

Prior research has also shown the importance of purchase involvement as a critical factor in the consumer's response to promotional activity within a product class. Meer (1995) found four distinct shopper segments which could be analyzed using the two dimensions of brand loyalty and shopping involvement. The four identified segments were (1) the brand loyals, (2) the deal shoppers, (3) the uninvolved, and (4) the system beaters. Some product categories were found to have a high proportion of "brand loyals" (e.g., bar soap, motor oil, and soft drinks) while other product categories had a higher proportion of "deal shopper's" (e.g., paper towels, jeans, and cake mix). These highly involved consumers possess a greater knowledge base of price promotions, and are more highly motivated to seek out and gather deal information. Consequently, the highly involved consumer has more accurate encoding of deal information and thus more accurate and positive perceptions of the deal. This should translate into more positive perceptions of the deal and impact actual purchaser behavior. Furthermore, one would expect that consumers who are more highly involved with their purchases would buy the promoted brand in larger quantities than consumers who are less involved with their purchase decisions. This higher involvement, and greater understanding of the value of the deal, should translate into significantly higher purchase volumes for the promoted brand. This leads to the following two hypotheses regarding purchase involvement, brand perceptions, and purchase quantity.

H2a: Consumers with high purchase involvement will have significantly more positive perceptions of the deal than consumers with low purchase involvement.

H2b: Consumers with high purchase involvement will purchase significantly more of the promoted brand than consumers who have low purchase involvement.

Those consumers who are more experienced in the product class will have acquired more information about the retail environment that will assist them in assessing the promotional deal. Typically a more experienced consumer has made more shopping trips within the product class, and hence will have greater opportunity to be exposed to deals for all brands within the product class. The more experienced a consumer, the more knowledgeable he or she will become concerning the value of the deal, and the price/value ratio for the particular price based promotion within a given product class. Past studies have shown that experienced consumers are more likely to recall deal frequency, and have higher accuracy for dealer frequency and sale price than their less experienced counterparts (Krishna, Curim and Shoemaker, 1991). In our study we operationalized this as "experience with the product class." Consistent with this greater knowledge base acquired through greater exposure to actual market conditions, and frequency of shopping for this product in the past, these more experienced consumers should purchase relatively larger quantities of the product. This discussion leads to the final two hypotheses:

H3a: Consumers with more experience within the product class will have significantly higher perceptions of the deal than those with less product class experience.

H3b: Consumers with more experience within the product class will purchase significantly more of the promoted brand than those with less product class experience.

Having established the hypotheses to be investigated, the discussion now turns to the methodology employed in this study.

METHODOLOGY

Paint was selected as the product category to be used in the study for several reasons. First, paint is a category for which consumers have a reasonably wide range of product category experience levels, ranging from relative little or no experience to rather high levels of experience. Additionally, paint is a good test product category for promotional research, partially due to the fact it tends to be a planned, rather than an impulse, purchase. Further, paint is not typically purchased for future use, making it less susceptible to stockpiling effects. Paint also has a relatively high per unit price, making a price-based promotion an attractive incentive to purchase. Finally, paint is used by consumers of all ages, both genders, and across a fairly wide income range, providing a data base that is more generalizable.

The actual product selected is a nationally branded paint product sold in large building supply centers, home centers, and independent specialty paint stores throughout the United States. The price promotion consisted of a rebate on the paint product over a six week period of time, in the southeast region of the United States. Consumers were offered a \$4.00 per unit rebate on a \$22.00 product, resulting in an 18% price reduction per unit purchased. To be eligible for the rebate the consumer had to purchase a minimum of 2 units but no more than a maximum of 25 units, to discourage industrial purchasers. In addition to the consumer promotion, dealers were offered a special purchase incentive of a 5% discount off the invoice, a special cooperative advertising program for newspaper advertising, and an upgraded point-of-purchase merchandising display. A total of 4,478 rebates were redeemed by consumers during the

eligible promotional period. A mail survey was sent to the first 3,500 rebate redeemers. From this 385 surveys were returned, for an 11% rate of response, a rate representative of other similar single-wave questionnaire mailings (Peterson, 1988). The twenty-two question mail survey took approximately five minutes for a consumer to complete. Ten of the twenty-two questions were used to measure the three independent variables of interest in this study: (1) brand loyalty, (2) experience with product class, and (3) degree of involvement. An additional six questions related to the dependent measures of interest in the study: (1) perceptions of the deal, and (2) consumer expectations of the deal, and (3) actual purchase behavior. The remaining six questions were of a general nature relating to the actual painting project, and included questions relating to the age of the home, and the number and type of rooms painted. The coefficient alpha for all scales utilized in this study was within the .70 cut-off recommended by Nunnally (1978).

DATA ANALYSIS

The first set of results describe the impact of brand loyalty on consumer perceptions of the deal, the basis for H1 and the impact of brand loyalty on actual purchase behavior, the subject of H1b. Significant differences were identified between the low loyalty and high loyalty groups, for both measures of consumer perceptions of the deal (Table 1). Consumers that were more brand loyal had higher perceptions of the quality of the promoted product ($p < .00$). Likewise, consumers that were more brand loyal had higher perceptions of the attractiveness of the promoted price than those consumers that were less brand loyal ($p < .00$). These findings support H1a which states that brand loyal purchasers have generally higher perceptions of the deal than non-brand loyal consumers. The t-test results demonstrate the impact of brand loyalty on perceptions of the deal, as results were significantly different for both price perceptions and quality perceptions at the $p < .01$ level or greater. The t-test of actual purchase behavior is presented in Table 2. The results of the association between brand loyalty on actual purchase behavior (H1b) bear many similarities to the results of perceptions to the deal. The more loyal buyers, who had higher perceptions of the quality and value of the promotion, also purchased significantly more units of the promoted product than their less loyal counterparts as predicted by Hypothesis H1b ($p < .00$).

Table 3 further illustrates the impact of brand loyalty on purchase volume. Although users categorized as "high loyal" comprised only 26% of the sample, they purchased 43% of the product sold during the promotion period. Likewise the "Low Loyal" group comprised a very similar segment of 23% of the users, but purchased less than 5% of the total product sold during the deal period. This gives further evidence that promotions have a more recognized value among the more loyal purchasers of the brand.

H2a states that those individuals who are more highly involved with their product purchases will have higher perceptions of the value of the deal since they possess greater knowledge of market information and are more motivated to process and retain such information. The results are shown in Table 4, which shows, in general, a positive and significant correlation between Purchase Involvement and Perceptions of the Deal, as measured by "Promotion Made Price Attractive," ($r = .20, p < .001$), and "Deal Made Me Purchase This Over Other Brands" ($r = .21, p < .00$).

TABLE 1. Perceptions of the Deal-High vs. Low Brand Loyals

<i>Perception of Deal</i>	<i>High Brand Loyalty</i>	<i>Low Brand Loyalty</i>	<i>t-test</i>
Quality Perception	x = 2.5 s = .82 n = 101	x= 1.79 s=1.31 n = 85	4.48 p < .000 H1a supported
Value Perception	x = 1.91 s = 1.36 n = 101	x = 1.22 s = 1.58 n = 85	3.18 p < .001 H1a supported

TABLE 2. Relationship Between Brand Loyalty and Purchase Behavior

<i>Purchase Behavior</i>	<i>High Brand Loyalty</i>	<i>Low Brand Loyalty</i>	<i>t-test</i>
Units Purchased	x = 8.92 s = 12.2 n = 92	x = 4.71 s = 4.17 n = 80	2.94 p < .001 H1b supported

Purchase Involvement was not significantly correlated with quality perceptions of the brand ($r = .054, p < .292$). Thus, while there is general support for H2a, showing a positive and significant relationship between Purchase Involvement and Perceptions of the Deal, this is primarily anchored on perceptions of price and competitive choices and not perceptions of the brand quality. Although Purchase Involvement may indeed influence encoding of deal information and hence Perceptions of the Deal, it has the greatest impact on price, not quality based perceptions.

Hypothesis 3a states that those consumers with more product class experience will have significantly higher perceptions of the deal than those purchasers with less product class experience. Table 4 shows the correlations between product class experience and deal perceptions. Pearson Product Moment Correlations showed a lack of a significant correlation between product class experience and brand perceptions across all three measures of brand perceptions. Therefore Hypothesis 3a is not supported.

Hypothesis 3b states that consumers with more product class experience will purchase significantly more units of the product than those with less product class experience. There is no support for this hypothesis as shown in Table 4. This result could be expected based on the previous discussion, since the perceptions of the deal were not significantly correlated with product class experience, one would also expect that there would not to be a significant correlation between experience and actual purchase behavior. Thus since there is no support for either Hypothesis 3a or 3b, it appears that product class experience does not impact encoding of deal information as suggested in the Krishna Model (1991), and hence there is no effect on either perceptions of the deal or actual purchase behavior.

TABLE 3. Percentage of Revenue by Brand Loyalty Group

	<i>High Brand Loyalty</i>	<i>Low Brand Loyalty</i>
Average Annual Units Purchased	8.92	4.71
% of Consumers	26.2%	22.9%
% of Revenue	43.2%	4.5%

TABLE 4. Correlations-Perceptions of Deal/Purchase Behavior with Purchase Involvement/Experience

<i>Perceptions of Deal</i>	<i>Purchase Involvement</i>	<i>Product Experience</i>
"Deal made price attractive"	Cor. Coef. = .20 p = .00 n = 383 H2a supported	Cor. Coef. = .13 p = .012 n = 378 H3a supported
"Deal made me purchase over other brands"	Cor. Coef. = .21 p = .000 n = 384 H2a supported	Cor. Coef. = .003 p = .9545 n = 379 H3a not supported
"[Promoted brand] is high quality"	Cor. Coef. = .054 p = .292 n = 382 H2a not supported	Cor. Coef. = .032 p = .5391 n = 377 H3a not supported
<i>Actual Purchase Behavior</i>		
Gallons Purchased	Cor. Coef. = .07 p = .194 n = 349 H2b not supported	Cor. Coef. = .03 p = .576 n = 344 H3b not supported

DISCUSSION

Traditionally sales promotions have been viewed solely as a mechanism for producing immediate short term sales effects. This research provides evidence that viewing sales promotions as merely a tool for achieving short term goals may not be valid. Loyal buyers, a consumer category more aware of the value of the deal, have a considerably more positive perception of the deal, which translates into higher purchase volumes. Therefore, sales promotions may assist in sustaining long term product loyalty of present users in addition to their more traditional role of obtaining product trial among new users. For the brand loyal consumer, a price promotion can serve to encourage repeat usage and neutralize the competition (Totten and Block, 1994).

This study provides further evidence that brand managers must concentrate their focus on the highly loyal consumer who purchases in considerably higher volumes than their less loyal counterparts. In this field study investigation for example, the highly loyal group purchased an average of 8.92 units compared to 5.58 units for moderately loyal users and 4.71 units for low loyals. While together the high brand loyals and moderately loyals produced 95.5% of the revenues, based on the amount of product sold during the promotional period, these two groups comprised only 77% of the firm's customers.

To neutralize the effects of intense competition, marketing managers must begin to view sales promotions as a brand management strategy to improve relationships with the existing customer base. In this field study of a price-based paint promotion, very real differences existed between high, moderate, and low loyalty consumers. Highly loyal consumers have considerably higher perceptions of the deal than those that are less loyal to the promoted brand. This relationship was true for both quality perceptions as well as price perceptions.

The research found that highly loyal customers, who bought the brand during the promotional period, had quality perceptions that were nearly 40% higher than their low loyal counterparts. Likewise the perception that the promotion made the price attractive was nearly 70% higher for the highly loyal group as compared to the low loyal group. As reflected in the Krishna, Curim and Shoemaker (1991) model, these higher perceptions of the deal lead to higher consumer expectations of the deal, and ultimately higher purchase volume for the promoted brand. It seems clear from the results of this study, that brand loyalty may be critical in determining the impact of a price-based promotion. This research also found that experience with the product class was not a significant criterion associated with perceptions of the deal, or participation in the price-based promotion. While consumers with more product class experience had perceptions that were directionally correct, none were significant at the $\alpha = .05$ level.

At the same time, purchase involvement appeared to have some impact on consumer perceptions regarding price and value, but not regarding product quality. Individual high involvement consumers are thought to be more likely than others to seek out the promotional "deals." Thus while high involvement consumers may use coupons, rebates and other promotional tactics more frequently, there is a differential impact on perceptions of the deal, but not on the actual quantity of product purchased. Surprisingly, no significant correlation was found between purchase involvement and purchase behavior, as measured by quantity of product purchased. This finding may be due to the product category, paint, used in this study. Paint, while not perishable, is typically bought on an as-needed project basis, and therefore not highly susceptible to stockpiling behavior, as may be found with other promoted products. Paint products are typically selected on a project basis that makes stockpiling an unlikely occurrence for the do-it-yourself typical paint purchaser. It is likely that differential effects for purchase involvement on actual purchase behavior may have been found if a product was chosen that could more easily be stockpiled for future use.

The Krishna, Curim and Shoemaker Promotional Model (1991) used in this study sets forth a number of consumer characteristics that conceptually are associated with a consumer's response to a promotional deal. In particular, brand loyalty appears to have an impact on consumer response to a price-based promotion. This research highlights the importance of considering sales promotion as a strategy for rewarding highly loyal consumers and encouraging repeat usage among moderately loyal consumers. Viewing sales promotion as merely a means for obtaining product trial among non-users or as an enticement to brand switching among low loyalty consumers disregards a considerably large and important segment

of the target market: the present brand loyal consumer. For example, in this field study, the low loyalty group accounts for 23% of the firm's customers but only 4.5% of the firm's revenues. Conversely, the highly loyal group represented 26% of the firm's customers and 43.2% of the firm's revenues. The groups that should receive the highest priority by the brand manager are the more lucrative highly brand loyal group and the moderately brand loyal group. It is also interesting to note that the price-based promotion did not appear to cheapen the brand image as the promoted product was perceived as significantly higher in quality by the highly loyal brand group, as compared to the low loyalty group of purchasers.

Future studies should evaluate further the role of promotions as a tool for building relationships among consumers and their brands. According to Fournier, Dobscha, and Mick (1998) there is much discussion of relationship marketing but few researchers have explored the richness of this term and investigated what it really means for a consumer to have a relationship with a product or firm. Accordingly promotions can serve, along with advertising, as a key element of an integrated marketing campaign to assist the brand manager to develop a relationship with the consumer. Relationship marketing assumes consumers can relate to brands in a wide variety of ways just as in human relationships. Further research is also needed to determine the role of promotions in creating long term strong relationships with customers, rather than relationships that are casual or superficial.

The proliferation of new brands, rising cost sensitivity, and a reduction in advertising effectiveness, make maintaining brand loyalty an increasingly difficult challenge. Brand managers can not afford to view price promotions as only a short term approach for attracting new customers but must consider promotions an integral component of a long term strategy for sustaining long term brand loyalty. Price-based promotions allow the brand manager an opportunity to renew relationships with their most important "friends" and reinforce existing relationships through positive rewards.

REFERENCES

Aaker, David A. (1996). *Building Strong Brands*, New York: The Free Press.

Abraham, Magid, and Lodish, Leonard (1990). *Advertising Works*, Chicago, IL: Chicago Information Resources, Inc., 90.

Baldinger, Allan, and Rubinson, Joel (1996, November-December). Brand loyalty: The link between attitude and behavior. *Journal of Advertising Research*, 36, 22-34.

Bhasin, Ajay, Dickinson, Roger, Hauri, Christine, and Robinson, William A. (1989, Winter), Promotion investments that keep paying off. *Journal of Consumer Marketing*, 6, 31-36.

Burke, Marion, and Edell, Julie (1989). The Impact of feelings on ad-based affect and cognition. *Journal of Marketing Research*, 26, 69-83.

Caldron, Shari (1993, April). Brand loyalty: Can it be revived? *Industry Week*, 11-12, 14.

Ehrenberg, Andrew S.C., Hammond, Kathy, and Goodhardt, G. J. (1994, July). The after-effects of price related consumer promotions. *Journal of Advertising Research*, 34, 4

Fournier, Susan, Dobscha, Susan, and Mick, David Glen (1998, January-February). Preventing the premature death of relationship marketing. *Harvard Business Review*, 42-51.

Gale, Bradley T (1994), *Managing Customer Value*. New York: The Free Press.

Krishna, Aradhna, Curim, Imran S., and Shoemaker, Robert W. (1991). Consumer perceptions of promotion activity. *Journal of Marketing*, 55, 4-16.

Marketer's Guide to Media 1996-1997, Vol. 19(1996). New York: Adweek.

Marks, Lawrence J., and Kamins, Michael (1988, August). The use of product sampling and advertising: Effects of sequence of exposure and degree of advertising claim exaggeration on consumers belief strength, belief confidence and attitudes. *Journal of Marketing Research*. 25, 266-81.

McAlister, Leigh and John Totten (1995), "Decomposing the Promotional Bump: Switching, Stockpiling and Consumption Increase," Unpublished Paper Presented at ORSA/TIMS Joint Meeting, as cited in *Analyzing Sales Promotions*, 2nd Edition, Chicago: The Dartnell Corporation.

Meer, David (1995, May). System beaters, brand loyals and deal shoppers: New insights into the role of brand and price. *Journal of Advertising Research*, 35, 2-7.

Narasimhan, Chakravarthi. Neslin, Scott A., and Sen, Subrata K. (1996, April). Promotional elasticities and category characteristics. *Journal of Marketing*, 80, 17-30.

Neslin, Scott A., Henderson, Caroline, and Quelch, John (1985, Spring). Consumer promotions and the acceleration of product purchases. *Marketing Science*, 4. 146-165.

Nunnally, J.C. (1978). *Psychometric Theory*. 2nd edition. New York: McGraw-Hill.

Peterson, R.A. (1988). *Marketing Research*. 2nd edition. Plano, TX: Business Publications.

Quelch, John, Neslin, Susan, and Olson. Lois (1987, Winter). Opportunities and risks of durable goods promotion. *Sloan Management Review*, 27-38.

Shapiro, Arthur (1990, June). Advertising versus promotion: Which is which? *Journal of Advertising Research*, 30, 13-18.

Slama, Mark, and Tashchian, Armen (1985, Winter). Selected socio-economic and demographic characteristics associated with purchasing involvement. *Journal of Marketing*, 49, 72-82. Republished in Bearden, William; Netemeyer, Richard; and Mobley, Mary (1993). *Handbook of Marketing Scales*. Newbury Park, CA: Sage Publications.

Smith, Robert (1993). Integrating information from advertising and trial: Processes and effects on consumer response to product information. *Journal of Marketing Research*. 30, 204-218.

Totten. John C, and Block, Martin. *Analyzing Sales Promotions*, 2nd Edition. Chicago: The Dartnell Corporation.

Ward, James C. and Hill, Ronald Paul (1991, September). Designing effective promotional games: Opportunities and problems. *Journal of Advertising*, 20(3). 69-81.

Deborah L. Owens (PhD, Kent State University) is Assistant Professor of Marketing, College of Business Administration, University of Akron, Akron, OH 44325-4804 (E-mail: deb@uakron.edu). Michael Hardman (MBA, University of Toledo) is President, Hardman Group, Inc., a full-service Integrated Marketing Communications company, 24 North High Street Suite 102, Akron, Ohio 44308 (E-mail: mike@hardmangrp.com). Bruce Keillor (PhD, University of Memphis) is Associate Professor of Marketing and International Business, University of Akron, Akron, OH 44325-4804 (E-mail: keillor@uakron.edu).

Journal of Promotion Management, Vol. 6(1/2) 2001
© 2001 by The Haworth Press, Inc. All rights reserved.

[Article copies available for a fee from The Haworth Document Delivery Service: 1-800-429-6784. E-mail address: <getinfo@haworthpressinc.com> Website: < http://www.Haworth Press.com> © 2001 by The Haworth Press, Inc. All rights reserved.]