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DETERMINATION OF CUSTOMER PREFERENCES FOR BENEFITS PROVIDED BY SALES PROMOTION AT SHOPPING CENTRES IN LITHUANIA

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Abstract

The intensifying competition forces organizations to search for various measures which could help in persuading consumer to buy a product. Consequently, the attention to customer attraction is growing enormously. One of marketing measures used for this purpose is sales promotion. However, many measures of this marketing tool used by the companies do not attract consumers and end in failure. The article is aimed to determine customer preferences for benefits provided by sales promotion at shopping centres in Lithuania. Based on the results of questionnaire research the main conclusion is that customers of shopping centres in Lithuania are mainly driven by the utilitarian benefits of sales promotion, and are not affected by hedonic ones.

Keywords: consumer benefits, Lithuania, shopping centres, sales promotion

JEL classification: M30, M31, M39

1. INTRODUCTION

Many scholars agree that the primary motive of every business is to increase the sales of goods or services that it deals in (Ikenna Ofoegbu and Mfonobong Udom, 2013). Wide variety of methods used for the achievement of this goal are presented and analysed in scientific literature; e.g. advertising, direct selling, affiliate marketing, etc. Sales promotion is often analysed as one of such methods. By temporarily providing promotions, retailers can attract more potential consumers that normally buy different brands, and thus increase their market share (Liu *et al.*, 2011). However, the analysis of scientific literature indicates that incorrect usage of sales promotion does not bring profit to an organization – it even can be harmful (Ikenna Ofoegbu and Mfonobong Udom, 2013; Pauwels *et al.*, 2002, etc.). Pursuing the discussion, Chandon, Wansink and Laurent (2000) argue that studying the consumer benefits of sales promotion has practical implication to their effectiveness. Therefore, the assumption can be made that the proper focus on the benefits provided by

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sales promotion can lead organization to success and can help to excel among competitors. Accordingly, the scientific problem analysed in this article is formulated by the question: what benefits of sales promotion should be accentuated by shopping centres in Lithuania to better stimulate purchases?

Achieving to provide an answer to the problem discussed, the aim of the article is to determine customer preferences for benefits of sales promotion used by shopping centres in Lithuania. Knowing of their customer preferences will enable shopping centres to plan and implement marketing communication campaigns best corresponding to consumer needs and desires.

The article is organized as follows: theoretical analysis and synthesis are provided achieving to substantiate the importance of sales promotion as marketing tool; moreover, it makes a background for the empirical research. Questionnaire composed in relation to theoretical findings was provided for consumer evaluation, achieving to determine their preferences for the benefits of sales promotion used by the shopping centres in Lithuania. The obtained results were grouped into factors reflecting benefits of sales promotion using factor analysis; customer preferences for the benefits were determined by calculating evaluations' means.

2. SCIENTIFIC SUBSTANTIATION

Sales promotion is widely recognized as a component of promotional mix, having impact on immediate consumer response. Moreover, Dubey (2014) argues that customers respond more positively to sales promotion than advertising due to direct and tangible benefits that promotions offer to them. However, Chandon, Wansink and Laurent (2000) suggested that not all the benefits provided by sales promotion are the same effective in terms of consumer preferences. Thus, it can be stated that organizations using sales promotion on purpose to attract consumers should adapt it to their customer preferences.

In scientific literature, sales promotion is categorized using a variety of classifications, based on its aim, duration, form, etc. The mostly used categorization is the regimentation of sales promotion measures into price-based (or monetary-based) and non-price-based (or non-monetary-based). According to Aydinli, Bertini and Lambrecht (2014) managers and academics often think of price promotions merely as incentives that entice consumers to accept offers that they might not have considered otherwise. As the opposite, non-price promotions are mainly used for customer loyalty creation: according to Raghurir, Inman and Grande (2004), promotions may no longer represent simply an economic incentive to purchase, but also have other effects on consumers' deal evaluations (positive or negative attitudes towards a consumer promotion) and purchase intentions.

Considering latter classification as a background, Chandon, Wansink and Laurent (2000) divided the benefits of sales promotion into utilitarian (Savings, Quality, and Convenience) and hedonic (Value expression, Exploration, Entertainment). Accordingly, utilitarian benefits have a functional essence and are relatively tangible. This kind of benefits enables the maximization of purchase utility, effectiveness, and economy. Conversely, hedonic benefits of sales promotion are based on experiences and are relatively intangible. This kind of benefits results in satisfaction, pleasure, inner pride.

Ramanathan and Dhar (2010) argue that consumers have a variety of motivations during the shopping process, which are related to what they value most in general and what might be relevant in a shopping situation in particular. Accordingly, the benefits provided by sales promotion used in a shopping centre can be a crucial factor affecting consumer choice.

I.e., if a consumer detects desired benefit this might end in a purchase decision. Moreover, often customers do not rationally calculate the utility of every single promotion. Their first impressions on the benefit they get lead them to a purchase.

3. RESEARCH METHODOLOGY

3.1. Research organization

Achieving to determine customer preferences for sales promotion measures used by shopping centres in Lithuania, questionnaire survey was provided. The questionnaire was composed of two main parts: sales promotion-related and socio-demographic.

The sales promotion-related part of the questionnaire contained 25 statements; respondents were asked to evaluate the degree of their agreement with every statement in 5-point Likert type scale with possible answers varying from 1 (meaning 'Totally disagree') to 5 (meaning 'Totally agree'); the evaluation '3' was assigned to an answer 'Neither agree nor disagree'. The statements in the questionnaire were adapted from Chandon, Wansink and Laurent (2000).

The research was held in Lithuania from March to May, 2014. The population of the research was Lithuanian citizens; the sample was composed to proportionally reflect all 10 counties of Lithuania. The simple random sampling method was applied; all the members of population had equal possibilities to participate in the research. 800 questionnaires were distributed and 518 were returned; 247 men and 271 women participated in the research.

3.2. Relevance of the research results

Achieving to measure data suitability for further analysis, reliability analysis was performed; Cronbach's Alpha was obtained 0.878 (higher than 0.7) and this displays the reliability of the constructs.

KMO and Bartlett's Test were provided to determine the suitability of the data for factor analysis. As it can be seen in Table 1, the KMO measure is higher than 0.5; and the Bartlett's criterion ($p < 0.01$) substantiates the rejection of null hypothesis (H_0 : The correlation matrix is an identity matrix).

Table no. 1 – KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	Bartlett's Test of Sphericity		
	Approx. Chi-Square	df	Sig.
.890	3856.524	300	.000

After substantiating data reliability and suitability, the factor analysis can be provided.

4. RESEARCH RESULTS

Achieving to determine the benefits of sales promotion that should be accentuated by shopping centres in Lithuania to better stimulate purchases, the analysis was provided in two stages. The primary objective of the research was to determine the core benefits of sales promotion; further, the preferences of customers for latter benefits were assessed.

4.1. Determination of benefits

As the main statements reflecting the essence of sales promotion used by the shopping centres in Lithuania were adapted to reflect the preferences for sales promotion used, the assumption was made that they have to be regrouped using factor analysis. The Initial Eigenvalues were calculated and rotated to determine the amount of variation in the total sample accounted for by each factor. According to Kaiser's criterion, only those factors which eigenvalues were obtained higher than 1 were left for further analysis. As it can be observed in [Table 2](#), five factors explain 51.999 percent of total variance.

The eigenvalues of the factors after rotation have changed and optimized the factor structure: factor 1 accounted for 14.878 percent of variance, factor 2 accounted for 10.866 percent of variance, factor 3 accounted for 10.091 percent of variance, factor 4 accounted for 8.649 percent of variance, and factor 5 accounted for 7.515 percent of variance.

Table no. 2 – Total variance explained

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.653	26.611	26.611	3.719	14.878	14.878
2	2.166	8.663	35.273	2.716	10.866	25.743
3	1.663	6.654	41.927	2.523	10.091	35.835
4	1.359	5.437	47.364	2.162	8.649	44.483
5	1.159	4.634	51.999	1.879	7.515	51.999
6	.959	3.837	55.836			
7	.942	3.770	59.605			
8	.842	3.367	62.972			
9	.787	3.146	66.119			
10	.768	3.071	69.190			
11	.720	2.880	72.070			
12	.700	2.799	74.869			
13	.685	2.742	77.611			
14	.607	2.430	80.040			
15	.573	2.294	82.334			
16	.551	2.204	84.538			
17	.525	2.102	86.640			
18	.512	2.050	88.690			
19	.479	1.918	90.607			
20	.459	1.835	92.443			
21	.449	1.794	94.237			
22	.405	1.621	95.858			
23	.368	1.472	97.331			
24	.363	1.453	98.784			
25	.304	1.216	100.000			

Achieving to determine the amount of variance of every component explained by the five factors, communalities are provided in [Table 3](#).

The communality of a variable is the proportion of that variable's variance that is produced by the common factors underlying the set of variables. Accordingly, when communality is higher than 0.2, the components are considered to be informative enough. As it can be observed in [Table 3](#), all the communalities of the components were obtained higher than 0.2; thus, all the components were considered as being informative enough.

Table no. 3 – Communalities

Component	Extraction
Monetary savings	.627
Higher-quality product for the same price	.670
Reminder of the product	.494
Good feeling for saving money	.534
Excitement for trying new brands	.272
Fun for using promotions	.576
Feeling of getting a good deal	.466
Opportunity to afford a better-than-usual product	.574
Easier life with promotions	.494
Pride for purchases	.590
Possibility of avoidance of always buying the same brands	.484
Entertainment	.428
Smaller spendings due to promotions	.582
Opportunity to upgrade to a better brand	.511
Reminder for the needed things	.487
Feeling of a smart shopper	.491
New ideas for things to buy	.529
Reason for enjoying shopping	.588
Getting more for the same price	.366
Simplified search	.493
Feeling of being awarded	.578
Lower prices	.561
Desire to embrace the opportunity	.481
Opportunity of trying something novel	.472
Possibility for getting something extra	.650

Research results enabled to attach all the 25 components (benefits provided by sales promotion) to some factor, determining almost 52 percent of total variance. The partition of components into factors based on Rotated Component Matrix (rotation method: Varimax with Kaiser Normalization) is provided in Table 4.

Table no. 4 – Rotated component matrix

Component	Factor	Dimension
Good feeling for saving money	1	Entertainment
Fun for using promotions		
Feeling of getting a good deal		
Easier life with promotions		
Pride for purchases		
Entertainment		
Feeling of a smart shopper		
Reason for enjoying shopping		
Desire to embrace the opportunity		
Monetary savings		
Higher-quality product for the same price		
Opportunity to afford a better-than-usual product		
Smaller spending due to promotions		
Opportunity to upgrade to a better brand		
Reminder of the product	3	Exploration

Component	Factor	Dimension
Excitement for trying new brands		
Possibility of avoidance of always buying the same brands		
Reminder for the needed things		
New ideas for things to buy		
Getting more for the same price	4	Convenience
Simplified search		
Feeling of being awarded		
Highlighted lower prices		
Opportunity of trying something novel	5	Value attainment
Possibility for getting something extra		

As it can be observed in Table 4, every factor reflects a benefit provided by sales promotion. In latter case, the benefits of sales promotion almost correspond to the ones provided by Chandon, Wansink and Laurent (2000). However, few corrections were made. Factor analysis revealed that components reflecting purchase savings and opportunity to get better quality due to sales promotion are interrelated and can be grouped as reflecting one single factor – ‘Savings-Quality ratio’. Moreover, the benefit of ‘Value expression’ provided by Chandon, Wansink and Laurent (2000) was eliminated (its components were redistributed to reflect other factors). Instead, the new benefit of ‘Value attainment’ emerged.

Thus, as it can be seen in a Table 4, sales promotion was considered to be reflected by 5 core benefits: Entertainment, Savings-Quality ratio, Exploration, Convenience, and Value attainment.

4.2. Customer preferences

As it was mentioned previously, questionnaire research was provided achieving to determine customer preferences for the benefits of sales promotion used by the shopping centres in Lithuania. 25 statements related to sales promotion were formulated to reflect the attractiveness of the benefit. During the survey, respondents were asked to evaluate the degree of their agreement with every statement provided in the questionnaire. The evaluation means of every benefit of sales promotion, as well as of every factor are provided in a Table 5.

Table no. 5 – Evaluations of the benefits of sales promotion

Component	Mean	Dimension	Mean
Good feeling for saving money	2.70	Entertainment	2.83
Fun for using promotions	3.18		
Feeling of getting a good deal	2.74		
Easier life with promotions	2.74		
Pride for purchases	2.76		
Entertainment	3.16		
Feeling of a smart shopper	2.65		
Reason for enjoying shopping	3.14		
Desire to embrace the opportunity	2.44		
Monetary savings	3.56	Savings-Quality ratio	3.41
Higher-quality product for the same price	3.53		
Opportunity to afford a better-than-usual product	3.32		
Smaller spendings due to promotions	3.28		
Opportunity to upgrade to a better brand	3.36	Exploration	2.94
Reminder of the product	3.23		

Component	Mean	Dimension	Mean
Excitement for trying new brands	2.77	Convenience	3.81
Possibility of avoidance of always buying the same brands	2.77		
Reminder for the needed things	2.81		
New ideas for things to buy	3.11		
Getting more for the same price	3.65		
Simplified search	3.45		
Feeling of being awarded	3.90		
Highlighted lower prices	4.22		
Opportunity of trying something novel	3.35	Value attainment	3.25
Possibility for getting something extra	3.14		

The analysis of research results revealed that only three sorts of benefits provided by sales promotion were evaluated positively. Moreover, all the positively evaluated benefits can be considered as being utilitarian. Both hedonic benefits of sales promotion ('Entertainment' and 'Exploration') were evaluated negatively, indicating that customers of shopping centres in Lithuania are practical, attracted by savings of money and time, striving for getting better quality at the lowest possible costs.

5. DISCUSSION AND MANAGERIAL IMPLICATIONS

The research results revealed that for Lithuanian consumer utilitarian benefits provided by sales promotion are highly more attractive in comparison to hedonic. Latter findings can be explained by poor economic situation in the country. According to Statistics Lithuania (2014), the average gross monthly earnings of employees in the whole economy in 2014Q2 was 2355.7 LTL (local currency; 1 EUR = 3.4528 LTL).

Consequently, statistical Lithuanian consumer is basically driven by financial benefits in term of monetary savings/smaller spendings; larger quantities of the same product for lower prices; better quality product for the same price. Despite the insight of Ikenna Ofoegbu and Mfonobong Udom (2013) that monetary sales promotions could lead to negative impact on brand preference and trust, research findings highlighted that for a customer of shopping centres in Lithuania mainly price-related sales promotion measures have to be offered. Such measures can take a form of price reductions, rebates, discounts, or free products offers.

As the opposite, utilitarian benefits provided by sales promotion were evaluated negatively. Customers of shopping centres in Lithuania appeared to be conservative, uncertainty-avoidant. Latter finding is very important for the old stable brands having their loyal customers. Moreover, shopping was not considered as having relation to entertainment. Thus, attempts to attract consumers by offering them hedonic or emotional benefits can end in a waste-of-money for a company. Lithuanian consumers better evaluate time-saving during their shopping than time-wasting for having fun. Such sales promotion measures as sweepstakes, contests or non-product related free gifts should not be offered for Lithuanian consumers.

6. CONCLUSIONS

Sales promotion can be considered by business organizations as an immediate measure for stimulation of consumer attraction and sales elevation. It is found to be more effective and persuasive than advertising or other types of marketing communication.

However, to be effective and attract the highest possible amount of consumers, the essence of sales promotion has to correspond to their needs. The most basic classification of sales

promotion measures used by business companies is based on the relation of sales promotion measures to price of the product; accordingly, sales promotion measures can be divided into price-based (or monetary-based) and non-price-based (or non-monetary-based) promotions.

The acute discussion on the effectiveness of price-based and non-price-based promotions can be found in scientific literature. However, the main accent is that the essence of promotion has to be positively evaluated by consumers. Thus, for the organizations is very important to determine which kind of sales promotion is more preferable by their customers. The determination of benefits provided by sales promotion and the assessing of customer preferences for those benefits can help business companies in creation of optimal promotional campaign.

Research results revealed the existence of five core benefits of sales promotion; three of them ('Savings-Quality ratio', 'Convenience', 'Value attainment') had utilitarian or price-based essence and two ('Entertainment' and 'Exploration') had hedonic or non-price-based essence.

Analyzing customer preferences to the benefits of sales promotion provided by shopping centres in Lithuania, it was determined that only utilitarian (or price-based) benefits stimulate purchases. Both hedonic benefits ('Entertainment' and 'Exploration') were evaluated negatively and were considered as having no effect on consumer purchase decision making.

Thus, shopping centres in Lithuania mainly have to highlight monetary savings / smaller spending; larger quantities of the same product for lower prices; better quality product for the same price while implementing promotional campaigns. Providing customers with hedonic benefits in terms of fun, pleasure or product variety, for shopping centres in Lithuania would end in a waste-of-money.

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