A BENEFIT-BASED APPROACH FOR INCREASING THE EFFECTIVENESS OF PROMOTIONS

Marusya IVANOVA
D.A. Tsenov Academy of Economics
Svishtov, Bulgaria
marusia@uni-svishtov.bg

Abstract

The purpose of this paper is to reveal some insights for increasing the effectiveness of promotions. To achieve this purpose, first, the existence of multiple customer benefits of promotions is proved. It is empirically validated that promotions deliver three utilitarian (monetary savings, higher quality and shopping convenience) and two hedonic (variety and pleasure) benefits to the customers. Second, a structural equation model is estimated to measure the relative contribution of these benefits on the customers' overall evaluation of promotions. The research suggests that in order to increase their effectiveness, promotions must be framed by focusing not only on their primary benefits but also on all other benefits with a significant contribution to customers' attitudes towards promotions. Finally, a benefit-based segmentation is conducted. Four market clusters are identified (none-benefit, all-benefit, utilitarian-benefit and hedonic-benefit customer segments). Further, these clusters are profiled using demographic and psychographic variables.

Keywords: promotions, customer benefits of promotions, promotional effectiveness, structural equation modeling
JEL classification: M31, C38, C51, C52

1. INTRODUCTION

The importance of promotions[1] is increasing for all members of the distribution channel. According to GfK ConsumerScan estimates for the first half of 2011, 8.4% of the Bulgarian households' purchases of fast moving consumer goods are made during promotional periods. This share may not seem too big, but compared to 2008 there is an increase of about 2.9 times (Dimov, 2011, p.8). There has been a steady increase in the influence of promotional leaflets for the last five years in Bulgaria. According to GfK Consumer Shopping Habits survey for 2011, 56% of the Bulgarian households receive promotional leaflets, while 48% of these households only read them and 30% base their shopping decisions on promotional leaflets. These values are small in comparison to many other countries from Central and Eastern Europe (especially Romania, Slovenia and Slovakia where the penetration of the promotional leaflets exceeds 90%), but compared to 2007 (when only 38% of the Bulgarian households receive promotional leaflets, 66% of these households read them and 13% do their purchases on the basis of leaflets), they definitely indicate a significantly in-

creased influence of promotional leaflets on households' shopping decisions (Yankova, 2012, p.9; Markova, 2007).

Evidence for the increased role and importance of promotions also can be found within manufacturers and retailers. According to GfK Bulgaria Leaflet Monitor estimates for 2011, retailers included in their promotional leaflets over 130 000 products (Dimitrova, 2012, p.30), which is 160% more than they included in 2009 (Yankova, 2010, p.11). On average, retailers increase their sales by 300% during promotions (Chankova, 2007) and at least 50% of their total sales are made in promotional periods (Progressive, 2011, p.5). Many leading advertising experts note that in 2011, their clients spent between 35% and 40% of their marketing budgets on point-of-purchase promotional activities and compared to 2010 the spending on these activities is increased 1.33 times. For comparison purposes, the share of point-of-purchase promotional activities of the marketing budgets was below 10% in 2003 and 2004 (Gencheva, 2011, pp.3-4; Micheva, 2009).

The increased importance of promotions calls for developing a reliable and valid model that measures their influence on the target market. Why the customers respond to promotional offers? What the customer response depends on? Who are the promotion-prone customers? All these questions have been bothering scientists and practitioners, but there have still been no explicit answers. And all these answers are crucial because they broaden the opportunities for implementing more effective promotional campaigns.

A fundamental premise in this research is that customers respond to promotional offers because of the benefits they provide. Following Chandon, Wansink and Laurant (2000, p.66) the benefits of promotions are defined as a perceived value attached to the promotion experience, which can include promotion exposure or/and usage. This concept means that customers respond to a promotional offer because of the positive experience it provides or because of their value to the customer.

The debate about the groundlessness of the hypothesis that the monetary savings can fully explain why and how customers respond to promotions was finished a long time ago. The problem concerning validity of two-dimensional solution based on utilitarian and hedonic benefits of promotions also doesn't lie at the core of the discussion. The main problem concerns the specific number of distinct utilitarian and hedonic benefits that motivate customers to respond to promotions.

The purpose of this paper is to reveal some insights for increasing the effectiveness of promotions. The analysis proceeds in three stages. First, the potential types of customer benefits of promotions are conceptualized, operationalized and empirically validated. Second, a structural equation model is developed and estimated to measure the influence of these benefits on the attitudes towards different promotional offers. Third, a cluster analysis is performed based on the perceived benefits of promotions. Then the identified customer segments are profiled in terms of demographic and psychographic characteristics using discriminant analysis.

2. SPECIFYING THE DOMAIN OF THE UTILITARIAN AND HEDONIC BENEFITS OF PROMOTIONS

Following Churchill's (1979, pp.64-67) procedure for developing better measures of marketing constructs it is extremely important to conduct a literature review in order to delineate the boundaries of the customer benefits of promotions and to specify what is included in their definition and what is excluded.

Purchase decisions of customers and their behaviour can be explained both with utilitarian and hedonic motives. The differentiation of these two types of motives originates from the concept of utilitarian and hedonic products. Broadly speaking, hedonic products provide more experiential consumption, pleasure, fun, and excitement (Dhar and Wertenbroch, 2000, p.60). Their consumption is primarily characterized by an affective and multisensory experience of aesthetic or sensual pleasure, amusement, fantasy, arousal, fun, and enjoyment (Hirschman and Holbrook, 1982, pp.92-93; Holbrook and Hirschman, 1982, pp.134-135).

Utilitarian products are primarily functional, practical, and instrumental. Their consumption is more cognitively driven and goal-oriented (Dhar and Wertenbroach, 2000, p.61). In other words, hedonic products are bought because they stimulate sensations and emotions and have some meaning to the customer. Utilitarian products are bought because they give the opportunity to achieve a particular goal, perform a task, receive a tangible reward, and maximize utility. Following the concept of utilitarian and hedonic products Babin, Darden, and Griffin (1994, pp.646-647) distinguish two types of shopping values – utilitarian and hedonic. Utilitarian shopping value demands shopping in a deliberant and efficient manner. It reflects shopping as a "work". Hedonic shopping value is more subjective and personal than its utilitarian counterpart and reflects the spontaneity in shopping experience and shopping's potential entertainment and emotional worth.

Based on the definitions of utilitarian and hedonic values, consumption and products, utilitarian benefits of promotions can be characterized as primarily instrumental, extrinsic, functional, and cognitive. They provide value to the customer by being a means to an end, by helping customers to maximize the utility of their purchase and the efficiency of the shopping experience. Hedonic benefits of promotions are non-instrumental, intrinsic, affective, aesthetic, and experiential. They are appreciated for their own sake, regardless of whether or not they have any practical meaning. Hedonic benefits provide intrinsic stimulation, fun, experiential emotions, pleasure, and self-esteem.

Hedonic benefits of promotions differ from utilitarian benefits and therefore they should be operationalized as separate constructs (Hirschman and Holbrook, 1982, p.95). Utilitarian benefits should be measured as different construct, not as a subconstruct of hedonic benefits. Also, following Ahtola (1985) and applying his conceptualizations to the domain of promotions, the utilitarian and hedonic benefits should be considered as two aspects of the overall evaluation of a promotional offer, which are normally positively correlated and non-orthogonal (Babin, Darden and Griffin, 1994, p.649).

As utilitarian benefits result from the functions of promotions and help customers to maximize the utility of their purchase, the *monetary savings* can be classified as utilitarian benefit of promotions. Promotions can provide perceptions of monetary savings by altering the product/price equation. This change can be made by decreasing the unit price of the product, increasing its quality, offering additional quantity of the same product or providing refunds on subsequent purchases. This customer benefit of promotions is the most obvious perceived value attached to promotions and there is a rich body of research on its conceptualization and operationalization (Blair and Landon, 1981, p.64-65; Biswas and Blair, 1991, p.3; Betkowitz and Walton, 1980, p.352; Della Bitta, Monroe and McGinnis, 1981, p.420; Della Bitta and Monroe, 1981; Burton, *et al.*, 1994, p.135; Shimp and Kavas, 1984, p.799; Mittal, 1994, p.539; Chandon, Wansink and Laurant, 2000, p.68; De Pechpeyrou, *et al.*, 2006, p.25).

Another utilitarian benefit of promotions concerns non-monetary (i.e. cognitive and time) resources mobilized in the decision-making process. Promotions can help consumers to find the product they want or remind them of the product and quantity they need to buy (Chandon, Wansink and Laurant, 2000, p.68). Because they draw customers' attention to the promoted brand by signaling its availability at the point of purchase and advertising its promotional status, promotions can reduce search and decision costs and therefore improve shopping efficiency and convenience. The *shopping convenience benefit* of promotions is not so commonly distinguished but still there are research evidences of its existence (Inman, McAlister and Hoyer, 1990; Simonson, Carmon and O'Curry, 1994; Mittal, 1994; Wansink, Kent and Hoch, 1998).

By reducing the price of higher quality products or offering smaller package sizes, promotions enable customers to upgrade to a better brand that couldn't be bought at regular prices. This *quality benefit* of promotions has a utilitarian nature, because it increases value for money, but unlike the monetary savings benefit, it usually involves spending more money (Chandon, Wansink and Laurant, 2000, p.68). This benefit can explain the existence of cross-promotional asymmetries and it is a key component of the price discrimination theory of coupons (Blattberg and Wisniewski, 1989; Allenby and Rossi, 1991; Narasimhan, 1984) and research concerning quality inferences on the basis of extrinsic cues (Raju and Hastak, 1980; Richardson, Dick and Jain, 1994; Raghubir, 2004).

Promotions can enhance customer's self-perception of being a smart shopper or a responsible person and provide an opportunity to express its personal values (Chandon, Wansink and Laurant, 2000, p.68). Although the *value expression benefit* of promotions is usually considered as a hedonic benefit, it has a hybrid nature. On the one hand, purchasing a product on a promotion can enhance customer's moral satisfaction of behaving according its personal values (i.e. hedonic benefit). On the other hand, purchasing a promoted product enables the customer to earn social recognition or group affiliation (i.e. utilitarian benefit). The value expression benefit of promotions is a crucial component of the concepts of market mavens (Feick and Price, 1987; Price, Feick and Guskey-Federouch, 1988; Price, Feick and Guskey, 1995) and smart shoppers (Schindler, 1989; Mano and Elliott, 1997). It is also related to consumer's motivation to conform (Shimp and Kavas, 1984; Dick, Jain, Richardson, 1995; Bagozzi, Baumgartner and Yi, 1992) and meet personal or moral values such as being a responsible buyer (Mittal, 1994, p.537) or a worthy person (Strahilevitz, Myers, 1998).

Because promotions create a special and ever-changing shopping environment and draw customers' attention, they can fulfill intrinsic needs for exploration, variety and information (Chandon, Wansink and Laurant, 2000, p.69). The *epistemic benefit*[2] concerns the capacity of promotions to satisfy curiosity, provide novelty, and/or meet customers' desire for knowledge. This benefit is hedonic since it is intrinsically rewarded and related to experiential emotions and self-esteem. The epistemic benefit of promotions has been well documented in the context of variety-seeking (Kahn and Loui, 1990; Kahn and Raju, 1991; Menon and Kahn, 1995; van Trijp, Hoyer and Inman, 1996), shopping experience (Babin, Darden and Griffin, 1994), innovativeness and novelty-seeking (Montgomery, 1971; Price, Feick and Guskey-Federouch, 1988) and impulsive shopping behavior (Teel, Williams and Bearden, 1980).

Promotions can be a source of entertainment since they can be intrinsically amusing to see or use (Chandon, Wansink and Laurant, 2000, p.69). The *entertainment benefit* concerns the capacity of promotions to provide opportunities for amusement, relaxation and excitement (Price, Feick and Guskey-Federouch, 1988; Mittal, 1994) and to create joyful and

involving atmosphere to the customer (Ward and Hill, 1991). This benefit has been well documented in the context of shopping experience (Babin, Darden and Griffin, 1994) and usually has been related to shopping enjoyment (Teel, Williams and Bearden, 1980; Ailawadi, Neslin and Gedenk, 2001; Martinez and Montaner, 2006). The entertainment benefit of promotions has a hedonic nature because it provides intrinsic stimulation, pleasure, fun, experiential emotions, and self-esteem.

Literature-based review supports the conceptualization of the customer benefits of promotions, but it also suggests their operationalization by generating a sample of items which can adequately capture the domain as specified. Following the works cited above, a list of 32 statements has been generated. Then it has been reduced from 32 to 18 statements at the stage of purifying the measures[3]. The final list of 18 statements is presented in Table no. 1.

The conceptualized and operationalized customer benefits of promotions presented in Table no. 1 need to be empirically validated. Concerning the validation of customer benefits of promotions two research hypotheses are defined:

Hypothesis 1: Customers perceive six distinct benefits of promotions.

Hypothesis 2: Customer benefits of promotions are related to two different higher-order utilitarian and hedonic benefits.

3. Empirical Validation Of The Customer Benefits Of Promotions

A survey is conducted to measure and validate the benefits of promotions. It was fielded between September 3 and November 30, 2011, among 3130 respondents (39.4% men and 60.6% women) aged 15-65 years old. The study concerns seven popular promotions of fast moving consumer goods (discounts, samplings, sweepstakes, bonus packs, free gifts, charity promotions, and loyalty programs).[5]

Table no. 1 Final list of items for measuring the customer benefits of promotions

Constructs (Latent variables labels)	Items (Indicator variables labels)[*]
Monetary savings benefit (*Savings=S*)	1. I really save money with this promotion (*savemoney*). 2. I buy more units of the product at regular price with this promotion (*morequantity*). 3. I get a good deal with this promotion (*advantageous*). 4. This promotion relaxes budget constraints on my family's spending (*budget*). 5. This promotion makes my life easier (*easylife*).[4]
Higher quality benefit (*Quality=Q*)	1. I can afford better than usual brands with this promotion (*qualitybrands*). 2. I can afford higher quality brands at regular prices with this promotion (*higherquality*).
Shopping convenience benefit (*Convenience=C*)	1. This promotion reminds me that I need the product (*remind*). 2. I save time for choosing the right product with this promotion (*savetime*). 3. This promotion helps me in deciding the amount of product I need to buy (*tellquantity*).
Personal values expression benefit	1. I feel like I am proud of myself with this promotion (*proud*). 2. I feel like I am a smart shopper with this promotion (*wise*).

Constructs (Latent variables labels)	Items (Indicator variables labels)[*]
(*Value expression=VE*)	3. I feel good about myself with this promotion (*selfcontent*).
Epistemic benefit (*Variety=V*)	1. I feel like trying new brands with this promotion (*trynewbrands*).
	2. I can avoid always buying the same brands with this promotion (*habits*).
Entertainment benefit (*Pleasure=P*)	1. This promotion gives me pleasure (*feelpleasure*).
	2. I have fun with this promotion (*fun*).
	3. This promotion amuses me (*satisfaction*).

[*]*All items are measured on forced, balanced four-point Likert scales that are anchored by "strongly disagree"(=1) and "strongly agree" (=4).*

To validate the dimensionality and the higher-order structure of the customer benefits of promotions the collected data are pooled across respondents and promotional techniques. The resulting 18x18 correlation matrix is then analyzed through principle component analysis and Varimax and Direct oblimin (delta=0.2) factor rotation methods. The results from principle component analysis indicate its appropriateness for data reduction purposes and dimensionality examination. Each variable is moderately or strongly correlated with one or more of other variables (r>0.4). The values of the Measure of Sampling Adequacy are marvellous for each variable according to Kaiser's criterion (MSA>0.9). This indicates that none of the variables must be dropped from the analysis. Additional supports for the appropriateness of principle component analysis are the marvellous values of the overall Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO=0.936>0.9) and the rejection of hypothesis that the population correlation matrix is an identity matrix (Barlett's test of sphericity=21896.847; df=153; p<0.001).

Following the Kaiser-Guttman criterion, three components with eigenvalues above 1.00 are identified. Together these three components account for 54.709% of the total variance. Although this three-component solution rejects the unidimensionality hypothesis, it cannot be accepted due to the lack of clear factor interpretation. For that reason a forced six-component solution is examined. Similar to three-component solution the forced six-component solution cannot be accepted due to the lack of clear factor interpretation. The one and only solution that provides clear interpretation is the forced five-factor solution. Together these five components account for 64.368% of the total variance. The factor loadings for this solution (resulting from orthogonal and non-orthogonal factor rotation) are presented in Table no. 2.

Table no. 2 Factor loadings from principle component analysis

Indicator variables	Latent variables (Varimax rotation)					Latent variables (Direct oblimin rotation)				
Variance explained (%)	**S** *38.27*	**P** *9.10*	**C** *7.33*	**Q** *5.08*	**V** *4.58*	**P**	**S**	**V**	**Q**	**C**
remind	.124	.182	**.621**	.188	.205	.411	-.355	.168	-.425	**-.708**
advantageous	**.757**	.178	.137	.219	.113	.446	**-.825**	.102	-.513	-.385
Wise	**.526**	.256	.343	.248	.019	.494	**-.668**	-.004	-.525	-.529
trynewbrands	.187	.098	.126	.324	**.732**	.349	-.388	**.718**	-.493	-.376
qualitybrands	.213	.191	.186	**.773**	.179	.439	-.462	.154	**-.859**	-.420
selfcontent	.202	**.742**	.241	.135	.003	**.804**	-.446	-.021	-.425	-.466
savetime	.177	.204	**.591**	.230	.296	.460	-.423	.259	-.488	**-.721**

budget	**.803**	.170	.174	.038	.028	.411	**-.824**	.018	-.363	-.380
satisfaction	.248	**.776**	.150	.126	.066	**.834**	-.485	.046	-.426	-.412
tellquantity	.187	.183	**.732**	.099	.049	.411	-.396	.009	-.372	**-.776**
habits	.072	.070	.400	-.088	**.653**	.271	-.239	**.632**	-.145	-.513
easylife	**.473**	.338	.414	.159	.074	.564	**-.645**	.047	-.476	-.599
savemoney	**.818**	.142	.080	.136	.072	.393	**-.837**	.065	-.430	-.315
higherquality	.226	.182	.218	**.779**	.033	.418	-.459	.008	**-.854**	-.421
Fun	.114	**.597**	-.010	.063	.471	**.659**	-.328	.461	-.300	-.266
proud	.074	**.764**	.281	.091	-.008	**.791**	-.333	-.034	-.362	-.472
feelpleasure	.237	**.758**	.100	.160	.165	**.826**	-.480	.148	-.449	-.386
morequantity	**.736**	.117	.072	.095	.166	.356	**-.759**	.160	-.373	-.296

The data presented in Table no. 2 indicate that the only one customer benefit of promotions that hasn't been reproduced by the analysis is the value expression benefit. Because of its hybrid nature, it is not surprising, that some of the items hypothesized to represent value expression benefit of promotions load moderately on the factor that represent savings benefit (variable *wise*) and some of them load moderately on the factor that represent pleasure benefit (variables *proud* and *selfcontent*). Furthermore, all components are reliable because Cronbach's coefficient alpha for each of them is between 0.76 and 0.86. None of the items increases the alpha's value if deleted.

The results from principle component analysis don't confirm the hypothesized number of customer benefits of promotion. They indicate that customers perceive five (not six) distinct benefits of promotion – three utilitarian (savings, convenience and quality) and two hedonic (variety and pleasure) benefits.

Although principle component analysis definitely verifies the presence of multibenefit structure, confirmatory factor analysis is conducted as a more powerful analysis for validation of dimensionality and higher-order structure models. The covariate matrix is analyzed using IBM SPSS AMOS 20.0 and maximum likelihood estimation method. First, first-order confirmatory factor analysis is conducted. All fit indices support that the model with five correlated benefits has an adequate fit given the sample size and the number of parameters (RMSEA=0.054<0.07; LO_{RMSEA}=0.051; HI_{RMSEA}=0.057; CFI=0.948>0.92; IFI=0.949>0.9; GFI=0.954>0.9; AGFI=0.937>0.9).[6] All factor loadings are significant (19.381≤t-test≤40.766; p<0.001) and exceed more than two times their corresponding standard errors (0.025≤SE≤0.042) and the threshold value of 0.5 (0.51≤λ≤0.80). Chi-square test is significant but this is due to the sample size (Ch-square$_{125}$=1234.27; p<0.05). The five-benefit model has convergent and discriminant validity constructs. It significantly outperforms the model with two correlated benefits (Ch-square$_{134}$=3175.06; p<0.05; RMSEA=0.086; LO_{RMSEA}=0.084; HI_{RMSEA}=0.089; CFI=0.859; IFI=0.859; GFI=0.870; AGFI=0.834; $AIC_{5\text{-benefits}}$=1326.27<$AIC_{2\text{-benefits}}$=3249.06) and, even more, outperforms the unidimensional model (Chi-square$_{135}$=5115.005; p<0.05; RMSEA=0.110; LO_{RMSEA}=0.108; HI_{RMSEA}=0.113; CFI=0.769; IFI=0.769; GFI=0.788; AGFI=0.731; $AIC_{5\text{-benefits}}$=1326.27<$AIC_{1\text{-benefit}}$=5187.005). Additional evidence for discriminant validity is the significant difference in chi-square test values between the competitive models (Chi-square$_{9(2\text{-/5-benefits diff})}$=1940.79; $p_{(2\text{-/5-benefits diff})}$<0.05; Chi-square$_{10(1\text{-/5-benefits diff})}$=4280.735; $p_{(1\text{-/5-benefits diff})}$<0.05; Chi-square$_{1(1\text{-/2-benefits diff})}$=2339.945; $p_{(1\text{-/2-benefits diff})}$<0.05). The results from first-order confirmatory factor analysis also confirm that five benefits of promotions are non-orthogonal and positively correlated (average correlation=0.65).

A model with six correlated benefits is also estimated and tested. Although the six-benefit model outperforms unidimensional and two-dimensional models, its fit indices are significantly worse than fit measures of the five-benefit model (RMSEA=0.065; LO_{RMSEA}=0.063; HI_{RMSEA}=0.068; CFI=0.927; IFI=0.928; GFI=0.91; AGFI=0.916; Chi-square$_{120}$=1682.159; p<0.05; $AIC_{5-benefits}$=1326.27<$AIC_{6-benefits}$=1784.159; Chi-square$_{5(6-/5-benefits\ diff)}$=447.88; $p_{(6-/5-benefits\ diff)}$<0.05).

A second-order confirmatory factor analysis is performed after the validation of dimensionality. The results from second-order confirmatory factor analysis definitely indicates that the specified two-dimensional model has a good fit (Chi-square$_{129}$=1309.431; p<0.05; RMSEA=0.055<0.7; LO_{RMSEA}=0.052; HI_{RMSEA}=0.058<0.8; CFI=0.945>0.92; IFI=0.945>0.9; GFI=0.951>0.9; AGFI=0.936>0.9) and significantly outperforms the unidimensional model (Chi-square$_{130}$=1339.734; p<0.05; RMSEA=0.055; LO_{RMSEA}=0.053; HI_{RMSEA}=0.058; CFI=0.944; IFI=0.944; GFI=0.950; AGFI=0.934). Furthermore, the difference in chi-square test values between the two models is significant (Chi-square$_{1(1-/2-2nd\ diff)}$=28.303; $p_{(1-/2-2nd\ diff)}$<0.05). An indication for better fit of the two-dimensional model is its lower value of AIC, compared to unidimensional model (AIC_{2-2nd}=1393.431<AIC_{1-2nd}=1421.734). All factor loadings are significant (18.654≤t-test≤40.802; p<0.001) and exceed more than two times their corresponding standard errors (0.025≤SE≤0.050) and the threshold value of 0.5 (0.50≤λ≤0.91). The average variance extracted (AVE) for each construct exceeds the threshold value of 0.5 (0.52≤AVE≤0.74). Therefore, the model has convergent and discriminant validity constructs.

The correlation between two second-order factors is high (φ=0.70), but this is not a serious problem because it doesn't include the value of 1.00 in its confidence interval.[7] Furthermore, the value of the correlation coefficient is comparable in magnitude to those reported by Batra and Ahtola (φ=0.55) (1991, pp.163-164) and Chandon, Wansink and Laurant (φ=0.67) (2000, p.70). An additional argument for the discriminant validity of the tested model is its significantly lower value of chi-square test, compared to a competitive model whose correlation between the two factors is fixed at 1.00 (Chi-square$_{130(2fix-2nd)}$=2315.977; Chi-square$_{1(2fix/2-2nd\ diff)}$=922.546; $p_{(2fix/2-2nd\ diff)}$<0.05).[8]

The results from the analyses lead to the conclusion that customers perceived five different benefits of promotions and these benefits are hierarchically related to two different higher-order factors – hedonic and utilitarian benefits. These results partly confirm the Hypothesis 1 and completely confirm the Hypothesis 2.

4. DIRECTIONS FOR INCREASING THE EFFECTIVENESS OF PROMOTIONS

After the empirical validation of multidimensionality of the customer benefits of promotions it is reasonable to make some efforts for examining the predictive validity of the model. The predictive validity of the model can be examined by estimating the impact of the identified benefits of promotions on the overall evaluation of a promotional offer (i.e. attitudes towards a promotional offer). It is reasonable to expect some differences between price and non-price promotions in the extent to which the benefits of promotions predict the customers' attitudes towards them. As price promotions change the product/price equation, and usually are framed as such devices, it is possible to suppose that the customer will primarily evaluate them on their utilitarian benefits and especially on their monetary savings (i.e. savings benefit in the current study). On the other hand, non-price promotions don't

change the product/price equation. They stimulate intrinsic emotions, pleasure and fun, and they are more involving. Therefore, it is reasonable to expect that the customer will primarily evaluate non-price promotions on their hedonic benefits and especially on their amusement value (i.e. pleasure benefit in the current study). Formally these ideas can be presented through the following hypotheses:

Hypothesis 3: Savings is the benefit with the greatest contribution to the overall evaluation of a price promotional offer.

Hypothesis 4: Pleasure is the benefit with the greatest contribution to the overall evaluation of a non-price promotional offer.

To test these hypotheses it is necessary first to operationalize the construct attitudes towards a promotion. Three measurable indicator variables are used in its operationalization and each of them characterizes different aspects of attitudes, respectively their conative, cognitive and affective dimensions. Based on the research traditions (Chandon, Wansink and Laurant, 2000, p.67; De Pechpeyrou, *et al.*, 2006, p.25) the operationalization of the overall evaluation of promotions is made by the following indicator variables: (1) I do like this promotion (*likepromotion*). (2) I feel like buying the product with this promotion (*promotetobuy*). (3) There must be more promotions like this (*morepromotion*).

The predictive analysis is based on the partial least squares structural equation modelling (PLS-SEM). SmartPLS 2.0.M3 software is used for parameterizations. A generic model of attitudes towards promotions is developed to measure the relative importance of the five benefits on the customers' overall evaluation of a promotion and, subsequently, to test the Hypotheses 3 and 4. To explore the differences between price and non-price promotions the generic model is estimated for nine subsamples. Seven of these subsamples correspond to the seven promotional techniques (discounts, samplings, sweepstakes, bonus packs, free gifts, charity promotions, and loyalty programs) and two of them are aggregated according to the classification of each promotional technique to the group of price or non-price promotions.

All models are estimated using path weighting scheme. The results from the analysis indicate that the construct reliability requirement is fulfilled for all of the models. For all reflective measurement models the composite reliability (CR) coefficients exceed the threshold value of 0.60 and vary between 0.76 and 0.91 and. The AVE of each construct varies between 0.53 and 0.78 and exceeds the threshold value of 0.50 for convergent validity. All constructs are also discriminant valid. The square root of AVE of each latent variable is higher than the correlations with all other latent variables. Furthermore, the standardized outer loadings of each construct significantly exceed 0.50 and cross loadings with all other latent variables.

All models have good global quality. Their goodness of fit (GoF) index varies between 0.49 and 0.61. This indicates large effects and good fit of the estimated models (Wetzel, Odekerken-Schröder and van Oppen, 2009). The models also explain a moderate percentage of the total variance in the endogenous latent variable (R-square varies between 37% and 54%). The path coefficients, their t-tests and corresponding significance levels[9] are presented in Table no. 3.

The estimates of the path coefficients presented in Table no. 3 indicate that price promotions are primarily evaluated on their savings benefit. In contrast, non-price promotions are primarily evaluated on their pleasure benefit. These results support Hypotheses 3 and 4. Nevertheless, these results must be used more carefully, because when the data are not aggregated, the conclusions are different. The data in Table no. 3 indicate that discounts and

bonus pack promotions are primarily evaluated on their savings benefit. Loyalty programs, free gifts, sweepstakes, samplings, and charity promotions are primarily evaluated on their pleasure benefit. Therefore, except for loyalty programs (which has been framed as price promotion in the survey), all other promotional techniques are primarily evaluated on the hypothesized benefit. This discrepancy is a negative consequence of data aggregation.

Table no. 3 Model estimation summary (path coefficients, t-tests and significance levels)

Promotional technique	Convenience	Pleasure	Quality	Savings	Variety
Discounts	0.0051 (0.2053)	0.2915[****] (6.0043)	0.0519[*] (1.6989)	0.3221[****] (6.9449)	0.2112[****] (5.4163)
Bonus packs	0.006 (0.2126)	0.2776[****] (5.6659)	0.0652[*] (1.7236)	0.415[****] (8.9572)	0.127[***] (3.1146)
Loyalty programs	0.0687 (1.5888)	0.3188[****] (6.3742)	0.0849[*] (1.9057)	0.2421[****] (4.7645)	0.0071 (0.2645)
Charity promotions	-0.0549 (1.2044)	0.5288[****] (11.1653)	0.1085[**] (2.0209)	0.0987 (1.6405)	0.1594[***] (2.8423)
Free gifts	-0.0142 (0.4756)	0.4334[****] (10.2237)	-0.0254 (0.7814)	0.2995[****] (6.3707)	0.1347[***] (3.0045)
Sweepstakes	0.0908 (1.3874)	0.3298[****] (4.6186)	0.0408 (0.8476)	0.1575[**] (2.0333)	0.1649[**] (2.4857)
Samplings	0.0942[**] (2.1622)	0.3025[****] (6.7177)	0.1055[***] (2.7202)	0.2044[****] (4.2391)	0.1704[****] (4.0993)
Price promotions	0.0151 (0.8498)	0.3078[****] (10.6369)	0.0666[***] (2.8592)	0.3277[****] (11.7415)	0.1165[****] (4.7153)
Non-price promotions	0.0464[*] (1.8093)	0.3993[****] (17.5276)	0.0562[**] (2.2707)	0.1919[****] (6.9871)	0.1640[****] (6.2854)

[****]$p<0.001$; [***]$p<0.01$; [**]$p<0.05$; [*]$p<0.1$

Another interesting result is that the convenience benefit of promotions is significant only for samplings, respectively for non-price promotions. A probable explanation is that it is difficult to assess this benefit of promotions outside their shopping context.

Undoubtedly, the knowledge about the relative importance of the benefits of promotions on the overall evaluation of promotions is crucial. However, it is also important to examine how the different promotional techniques are perceived concerning the five benefits of promotions. Figure no. 1 presents a perceptual map. This map, along with the estimates of the path coefficients, suggests some insights for increasing the promotional effectiveness. The perceptual map presented on Figure no. 1 is constructed using the unstandardized scores of the customer benefits of promotions generated through PLS-SEM procedure.[10] All promotional techniques are represented as points while the benefits of promotions are represented as vectors.

Figure no. 1 indicates that customers perceive free gifts and bonus packs as identical promotions. Compared to other promotional techniques, discounts are perceived as a promotion that provides most savings and quality benefits; charity promotions are perceived as a promotion that provides most pleasure benefit; samplings are perceived as a promotion that provides most convenience and variety benefits.
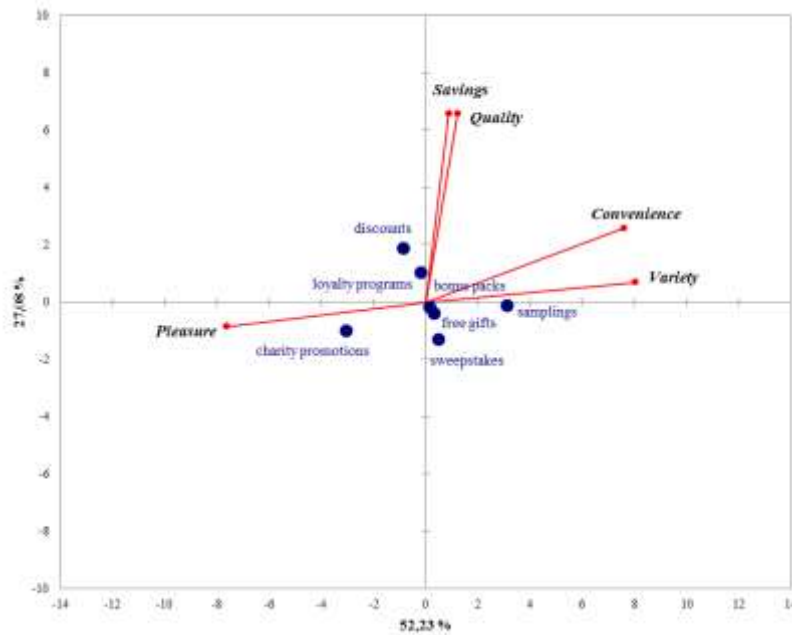
Figure no. 1 Perceptual map (promotions and customer benefits of promotions)

It is important to note that a possible way to increase the promotional effectiveness is to frame a promotion according to the contribution of the benefits to the customers' overall evaluation of the promotion. The perceptual map, along with the path coefficients, suggests which promotions need to be repositioned. For example, samplings are primarily evaluated on their pleasure benefit, followed by savings and variety benefits. The path coefficient for convenience benefit is significant but it is relatively small compared to the other coefficients. However, samplings are perceived as a promotion that provides convenience and variety benefits more than the other promotional techniques. But convenience is not so important benefit. More pleasure must be delivered to increase their effectiveness. The only promotions that don't need to be significantly repositioned are loyalty programs and charity promotions. For all other promotions there isn't a congruency between the benefits that are most important for the customers' overall evaluation of a particular promotional technique and the benefits primarily associated with that promotional technique.

Previous analyses show that the promotions differ in the extent to which the five benefits contribute to customers' attitudes towards them. Also, promotions differ in their capacity to deliver these five benefits to the customer. However, it is valuable to examine how these differences produce different customer segments. Next, a benefit-based segmentation is conducted using K-Means cluster analysis.[11] Four-cluster solution is identified as an optimal solution because its pseudo F-statistics is the highest. Cluster size and centroids are presented in Table no. 4.

The data in Table no. 4 indicates that the forth cluster, comprising 22.46% of the total sample, includes customers who perceive all possible benefits of promotions. Not surprisingly, these customers have the highest positive attitudes towards promotions (the mean unstandardized score of the latent variable "attitude" is 3.53). In contrast, the first cluster,

comprising 21.31% of the total sample, includes customers that don't perceive any of the five benefits of promotions. This fact explains why these customers have the lowest overall evaluation of promotions (mean unstandardized score of attitudes is 2.34). As the customers from the first cluster don't perceive any of the benefits of promotions, it is reasonable to expect a very small probability of responding to promotional offers. The second and third clusters, comprising respectively 21.47% and 34.76% of the total sample, don't differ in their overall evaluation of promotions (mean unstandardized score of attitudes is 3.04 for the second cluster and 3.09 for the third) but they perceive different benefits of promotions. For example, customers from the second cluster believe that promotions can deliver utilitarian benefits (savings and quality). In contrast, customers from the third cluster believe that promotions can deliver hedonic benefits (pleasure and variety). Therefore, promotion-deal segment comprise 78.69% of the total sample, i.e. all the customers who believe that promotions have a capacity to deliver some benefits.

Table no. 4 Cluster description (four-cluster solution)

Benefits of promotions	Clusters				Total mean	Pseudo F-stat.
	Cluster 1	Cluster 2	Cluster 3	Cluster 4		
Convenience	1.53	2.11	2.35	**3.11**	2.30	
Pleasure	1.77	2.47	**2.80**	**3.34**	2.63	
Quality	1.45	**2.95**	1.93	**3.21**	2.33	1075.55
Savings	1.95	**2.81**	2.73	**3.41**	2.74	
Variety	1.98	2.57	**2.81**	**3.35**	2.70	
Cluster size	667	672	1088	703	3130	

Next, the four clusters are profiled using discriminant analysis. Demographic and psychographic variables are used as profiling characteristics. The results from the discriminant analysis indicate that the first (none-benefit) cluster includes customers who don't perceive themselves as market mavens. They don't often check the promotional leaflets for upcoming promotions. Also, they shop more frequently but buy small amounts. These customers don't often have financial difficulties and don't often shop in a hurry. In addition, when they purchase a product, they pay more attention on the quality rather than the price. 62% of the first cluster's customers are men. These results are consistent with the profile of the use-none segment identified by Ailawadi, Neslin and Gedenk (2001, p.84).

The fourth (all-benefit) cluster includes customers with social responsibility. Also, it comprises customers who believe in luck, perceive themselves as market mavens, like to be special, refrain from wasteful consumer spending, have financial difficulties, often shop in a hurry, often check the promotional leaflets for upcoming promotions, and shop less frequently but buy large amounts. 69% of the members of this cluster are women. It is reasonable to expect that the members of this cluster will respond to any type of promotion. However there are significant differences in their attitudes towards different promotional techniques. For example, customers' overall evaluation of discounts (average estimate=3.62) is significantly different and higher than their overall evaluation of sweepstakes (average estimate=3.37).

The second (utilitarian-benefit) cluster includes customers who often check the promotional leaflets for upcoming promotions. Also, they refrain from wasteful consumer spending. Therefore they perceive primarily utilitarian benefits of promotions due to personal values and life style rather than financial constraints. Customers' overall evaluation is significantly different and higher for discounts (average estimate=3.20) and bonus packs

(average estimate=3.08) than for charity promotions (average estimate=2.93) and sweepstakes (average estimate=2.76).

Finally, the third (hedonic-benefit) cluster comprises customers who believe in luck, like bargain shopping and often check the promotional leaflets for upcoming promotions. Their overall evaluation is significantly different and higher for discounts (average estimate=3.27), charity promotions (average estimate=3.17) and free gifts (average estimate=3.16) than for sweepstakes (average estimate=2.88) and samplings (average estimate=3.04).

5. CONCLUSIONS

The study reported in this paper confirms that promotions provide three utilitarian (monetary savings, higher quality and shopping convenience) and two hedonic (variety and pleasure) benefits to the customers. It also reveals some insights for better framing of promotional offers and for increasing the effectiveness of promotions. As a whole, the effectiveness of discounts and bonus packs can be increased by focusing on monetary savings benefit in their framing. Similarly, the effectiveness of loyalty programs, free gifts, samplings, charity promotions and sweepstakes can be increased by focusing on the pleasure that could be experienced in promotion exposure or/and use. However, in order to be more effective, all promotions (both price and non-price promotions) must be framed by focusing not only on their primary benefit, but also on all other benefits with a significant contribution to the customers' overall evaluation of promotions.

Further, a benefit-based segmentation is conducted. Four market clusters are identified based on the perceived benefits of promotions (none-benefit, all-benefit, hedonic-benefit and utilitarian-benefit clusters). These clusters are additionally profiled using demographic and psychographic variables. Segmenting customer on the benefits of promotions is especially valuable for direct marketing where the targeting is traditionally based on behavioural models, such as RFM models. This benefit-based segmentation would help to target promotion campaigns only to promotion-prone customers, i.e. only to customers who believe that promotions can deliver value to them.

However, this research has some limitations. First, the study is based on a generic promotion, not on a particular promotional campaign. Different semantic cues can be used in framing real promotional offers and framing can change the customers' overall evaluation of promotions. Second, the study concerns a generic product, not a particular product or brand. It is reasonable to expect some effects of the brand name, the type of the promotional product, free product and prize on the customers' attitudes towards promotions. Finally, the study concerns only fast moving consumer goods. When promotions of slow moving consumer goods are included in the research design this might give a chance to validate the existence of the value expression benefit of promotions.

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Notes

1. In this paper the term "*promotion*" is used as more relevant instead of "*sales promotion*", because the later unnecessary narrows the promotional response only to the sales. Promotions induce behavioural (conative) and/or psychological (affective and cognitive) consumer responses and even if the responses are behavioural they don't always concern sales/purchases.

2. Chandon, Wansink and Laurant (2000) have labelled the epistemic benefit of promotions as exploration benefit.

3. Three focus groups have been conducted in order to purify the measures. Sixty eight graduate students from a major Bulgarian university participated in the focus groups.

4. At the stage of specifying the domain of the constructs this indicator variable has been included to measure the convenience benefit, but at the stage of purifying the constructs it has been included to measure the monetary savings benefit. Most respondents have associated "easy life" with monetary savings instead of non-monetary savings.

5. The distribution of cases per promotional techniques is: discounts (588 cases), bonus packs (460 cases), loyalty programs (483 cases), sweepstakes (246 cases), charity promotions (326 cases), free gifts (423 cases), and samplings (604 cases). Additionally, the data are aggregated in two subsamples. Discounts, bonus packs and loyalty programs are classified as price promotions (1531 cases) and sweepstakes, charity promotions, free gifts and samplings are classified as non-price promotions (1599 cases).

6. The following abbreviations are used to indicate fit indices: RMSEA=Root Mean Square Error of Approximation; LO_{RMSEA}=Lower confidence interval of RMSEA; HI_{RMSEA}=Upper confidence interval of RMSEA; CFI=Comparative Fit Index; IFI=Incremental Fit Index; GFI=Goodness of Fit Index; AGFI=Adjusted Goodness of Fit Index; AIC=Akaike Information Criterion.

7. A bootstrapping procedure is conducted to estimate the upper and the lower confidence intervals and the significance level of the correlation between the two second-order factors (Lower=0.661; Upper=0.732; p=0.025<0.05).

8. The model with fixed at 1.00 correlation between the two second-order factors has poor fit (RMSEA=0.074<0.07).

9. T-tests of the path coefficients are estimated using bootstrapping procedure with 5000 subsamples and N cases in each subsample, where N is equal to the number of cases concerning each promotional technique (e.g. N=326 for the charity promotions model).

10. The perceptual map is based on the mean values of the unstandardized scores of the benefits of promotions.

11. The cluster analysis is based on the unstandardized scores of the customer benefits of promotions generated through PLS-SEM procedure.