

Factors Affecting Consumers' Perceptions of Digital Sales Promotions – An Experimental Investigation

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Abstract: *Along with the existence of modern content-based digital goods, a promotional premium product does no longer need to be tangible - digital premiums are alternatives to traditional physical premium products. This article reports the results of an experimental study, where the purpose was to gain understanding of consumer perceptions of digital premium-based promotional offers. Three characteristics related to digital premium-based promotions were manipulated in the context of a bottled mineral water purchase: the immediacy of receiving the premium, the method the premium is earned and the tangibility of the premium. Covariates included consumer perceptions of the promoted brand and product category both in terms of the advertised product as well as the premium product. The results show that the examined factors have interactive effects on consumer perceptions. Of the three factors, immediate premium reception had the most impact on the overall appreciation of the promotion and was less likely to be perceived as manipulative. Managerial implications as well as suggestions for future research are provided.*

Keywords: Sales promotion, Digital goods, Digital marketing, Promotional premium

1. Introduction

By definition, sales promotion is a set of marketing tools designed to stimulate a consumer towards purchasing goods or services by providing an incentive to do so. The difference between sales promotion and advertising is that advertising offers a reason to purchase a good or a service whereas sales promotion offers a reason to purchase it now. In practice this translates to the notion that sales promotion tries to trigger consumer purchase behavior by focusing on the premium instead of the product itself. The primary objective of sales promotion is to have a direct impact on buying behavior. Preferred effects vary from increasing short term sales, building long-term market share, getting consumers to try new products, obtain better visibility or rewarding loyal customers. The key to elements of a successful sales promotion are well-defined objectives and tools, and a carefully designed sales promotion program that works together with the rest of the promotion mix elements and marketing communications. In a non-monetary sales promotion, a premium is a tangible reward received for performing a particular act, usually purchasing a product. A premium-based promotion includes a product or service for free or at a lowered price in return for the purchase of one or multiple items or services. Premiums have been used as promotional tools for decades and are not by any means a new phenomenon: Companies use premium-based sales promotions frequently and they form an important tactical decision making area to many business practitioners. Still, despite of their common utilization, premium based sales promotion has had relatively little academic attention. In this study, the term “give away” is also used to describe the sales promotion incentive. Electronic and online media is the fastest growing area within marketing and marketers are embracing its various opportunities. Intangibility gives digital goods several advantages over tangible goods. Digital products are stored and distributed with virtually no additional costs. These new opportunities have increased the use of content-based digital products as sales promotion

premiums, too. Digital products, such as mp3 music files, have been used as sales promotion premiums but their impact on consumer perceptions have not yet been reviewed in academic literature. The primary research question is whether or not consumers appreciate digital sales promotion campaigns more or less than traditional ones. The secondary question is whether digital sales promotions are perceived as more manipulative than the traditional ones. The focus will not be whether the premium itself should be digital or tangible, but on all digital and online aspects of the campaign as a whole. Brand attitude and interest in product category are used as covariates and included in the study. The study was conducted with an experimental approach, where respondents were exposed to eight imaginative advertisements with varying digital or tangible factors. The research method had a full factorial between-subjects design. Having an experimental approach allowed a realistic study of the respondents' perceptions, as they were exposed to only one version of the imaginative advertisement and rating it without the possibility of being biased after knowing other options are available. This study not only debates the dynamics of digital sales promotion solutions, but gives a holistic understanding of how a premium based digital sales promotion campaign works. The managerial implications give guidance in planning and executing modern sales promotion campaigns and in solving traditional logistical problems related to premium-based campaigns such as storing, mailing and scheduling issues.

2. Theoretical Background

This chapter will review how previous studies enlighten the objectives, tactics and consumer reactions to sales promotion. The chapter will explain how non-monetary sales promotion aims to affect the consumer, and what traits of the premium campaign the consumers most appreciate. In addition to explaining how non-monetary sales promotion works, also the effectiveness this method is debated. The second part of the chapter focuses on insights to digital

content and related consumer consumption habits. The study enlightens the new possibilities and tools modern technology allows the marketer.

2.1 Sales Promotion

As stated earlier in this study, sales promotion is the set of marketing tools that use a nonmonetary incentive, the premium, to stimulate consumers purchase behavior. In recent years, sales promotions have accounted for a significant share of companies' marketing expenditures due to immense sales pressure, homogenous competition, advertising inefficiency and ever more deal-oriented consumers. Still, non-monetary sales promotion, such as premium-based promotions, has received less academic attention than advertising and monetary sales promotion. While immediate sales are a good measure of the short-term success of advertising efforts, the long-term measurability and evaluation is far more complicated.

A campaign with a very low amount of products to be purchased naturally will include a low value premium that might not be attractive. On the other hand, like the previous studies concluded, a large amount of products that need to be purchased will no longer trigger consumers purchases, even if the premium is of great value. Consumers also appreciate the promotion when their brand attitude is positive and when the interest for the premium is significant. Finally, consumer behavior such as deal-proneness and compulsive buying tendencies had a definitive impact. It has been noted that the dimensions of the incentive alone cannot explain consumer perception on the promotion. The product category (convenience goods, shopping goods or speciality goods) has a great impact. As an example, Liao and Ze (2006) found that in the convenience goods category, a same-product incentive, that is, a promotion where the consumer gets an extra amount of the product, works better than a premium. Consumers donot always have a positive response to non-monetary sales promotions.

2.2 Digitality in Consumption

With the emergence of the computer era, and the Internet, new types of goods have come to market and consumption has taken new digital forms. Digital goods can be of different nature and use. As goods, software, online services, electronic journals, e-books, games, music or video serve a very different purpose but all share a fundamental resemblance as they are all made from bits. Information product, electronic goods, digital products or digital content, virtual products are all synonyms to digital goods. There are practically no production failures and digital content can be duplicated without quality loss, meaning control becomes obsolete. The intangibility of digital goods has an impact on consumer's decision-making. An in tangible good or service does not have the pre-purchase inspection possibilities that their tangible counterparts have. The lack of pre purchase judgments then translates into increased perceived risk. Pricing digital content is challenging, but for this study the perceived value of the digital content to the consumer is even more relevant. To make pricing even harder, the modern Internet user is highly likely to be accustomed to free information, free music and free software (Swartman et

al., 2006). The study of consumer perceptions of the value of digital and information content is rather ambiguous (Rowley, 2008). In the context of sales promotion the value of digital content creates challenges when the marketer tries to find a digital premium, which perceived value would match the deal itself, and the promoted product. Consumers alike will have difficulties in formulating the value of the digital content (Rowley 2008).

3. Research Framework

This study investigates consumer perceptions of digital premium based sales promotion campaigns. The research framework is based on studies on premium based sales promotions. D'Astous and Lander ville (2002) and d'Astous and Jacob (2002), studied consumer perceptions of traditional sales promotions. In this study, the digital and online properties of the premium are taken into consideration. This study will give understanding of how consumers perceive digital premiums but also investigate other aspects of the sales promotion program (Kotler & Armstrong, 2004), namely how the consumer earns the premium and is the premium a delayed or a direct one. Understanding how consumers react to different setups of a sales promotion campaign will result in more applicable managerial implications. Nature of the premium, immediacy of the premium. In Figure 1. the research framework for this study is represented.

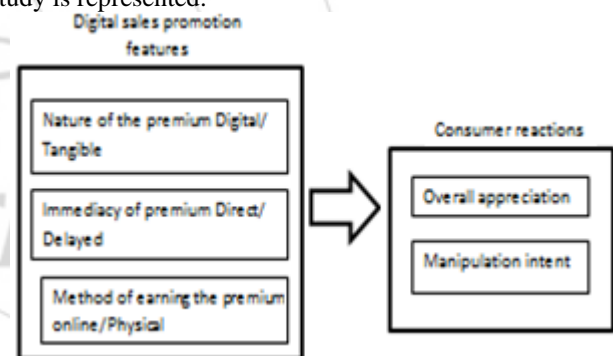


Figure 1: Research framework

3.1 Nature of the Premium

Modern technological advances have further blurred the borders that distinguish products from services but also the differences between tangible and intangible products (Francis and White, 2004 in Rowley, 2008). Digital sales promotion can reach new consumer segments and can be used as non-traditional product bundles but digital goods themselves lack pre-purchase inspection possibilities that can increase risk perception. Due to the fact that there is so little evidence of consumer perceptions of digital premiums, it is essential to study their effect on overall appreciation of the promotion and manipulation intent.

H1a. Consumers' overall appreciation of a promotional offer that includes a digital premium is better than of a promotional offer with a physical premium.

H1b. A promotional offer with a digital premium is perceived as more manipulative than a promotional offer with a physical premium.

3.2 Method of Learning the Premium

Sales promotions can be either active (coupon promotion) or passive. The difference between the two is the level of involvement and effort needed from the consumer to be entitled to the incentive. In a direct premium campaign, a consumer receives the incentive at the time of the purchase with no extra effort. In contrast, some campaigns incorporate the aspect of collecting 'points' from various purchases requiring the consumer to somehow indicate the company when he is eligible to earn the premium. Studies on the active/passive aspect of sales promotion are relevant to the field and need further investigation as these 'collectible premium campaigns' or loyalty schemes (Brassington & Petit, 1997) can be executed in many ways. A more active promotion with less involvement required from the consumer could lead to better results. Technology allows immediate online distribution (Koiso-Kanttila, 2004) of the premium but also an online alternative to sending the collectible codes by mail.

Assuming an online code collecting system requires less consumer involvement than a traditional one, and based on the reported success of electronic coupons (Chiou-Wei & Inman, 2008) the following hypotheses are proposed:

H2a. Consumers' overall appreciation of a collectible premium campaign where codes are registered online is better than of a campaign requiring traditional physical effort.

H2b. A collectible premium campaign where codes are registered online is less manipulative than a campaign requiring traditional physical effort.

3.3 Immediacy of the premium

The digital premium renders the question of premium immediacy obsolete. Based on earlier research, the following hypotheses are suggested:

H3a. Consumers' overall appreciation of a promotional offer that includes a direct premium is better than a promotional offer with a delayed premium.

H3b. A promotional offer with a direct premium is perceived as less manipulative than a promotional offer with a delayed premium.

3.4 Interaction between Variables

Although it is interesting to study the effect of each independent variable with the overall appreciation and perceived manipulation intent, it is also relevant to see how consumers value each unique combination of features. It might be that some combinations are not even logical. For instance, it might not seem reasonable that in order to receive a digital premium the consumer must send physical codes. It might even be that the clarity and logic of the promotion will define the perception of the promotion. The following hypotheses are built based on the assumption that the logical combination would be that a digital premium uses an online earning method and is delivered with no delay.

H4a. Consumers' overall appreciation of a promotional offer that incorporates a digital premium, uses an online earning method and is delivered with no delay, is higher than any other combination of features.

H4b. A promotional offer that incorporates a digital premium, uses an online earning method and is delivered with no delay is perceived less manipulative than any other combination of features.

4. Methodology

The objective of this study was to achieve understanding of consumers' perceptions on the topic by presenting them with a realistic advertisement and to use a research method that would create least biased answers. This chapter qualifies the methodological choices that were made and provides understanding on the demographic of the sample group.

4.1 Research Design

This research was a 2 x 2 x 2 full factorial between-subjects design (premium: digital, tangible x earning method: online, physical x immediacy: right away, after the campaign is over). This method was chosen as it allows interaction between the variables. Each respondent was presented with one alternative campaign advertisement. Eight different advertisements were created to correspond the eight (2 x 2 x 2) different possibilities the different attributes enabled. This way it was later possible to examine how changing one attribute reflected consumers' perceptions regarding the advertisement. The different images were randomly distributed among the respondents who only got to see one version of the tested eight advertisements. The advantage of a between-subject design is its simplicity. The design requires fewer assumptions than research designs where single participants are asked to choose which of several options they prefer. In the fictional advertisement, both the promoted product and the premium used were existing products. The brand of the promoted product as well as the premium brand was picked because they were both gender neutral. The products were chosen on the assumption that both brands were familiar to the participants. Only one brand was used as the promoted product and another for the premium product and there was no choice between multiple available brands. The advertisements were made from graphics found on the brands' web pages and edited together to create a realistic promotion.

4.2 Measures and Data Collection

All respondents were students from Aalto University. Respondents were recruited using emailing lists from different courses. E-mail was sent with a link to the web-questionnaire. A sample of 135 respondents was randomly assigned to the different advertisements. The respondents' average age was 25 years. 59 % of the respondents were female and 41 % were male. After the respondents were exposed to the imaginary advertisements, they were asked to answer several questions regarding the overall attractiveness.

5. Results

The web survey results were analyzed using SPSS software. This section will demonstrate the results of analyses that allowed the examination of the differences between the advertisements, as well as the interactions between different features of the premium promotion advertisements. Tables and charts were included to add coherency.

5.1 Definition of Variables

The data had good qualifications for executing a factor analysis (KMO 0.828, $p < 0,001$). The scale data was subjected to principal axis factoring (communalities $> 0,3$). The rotation method was Varimax with Kaiser normalization and it was converged in five iterations. The rotation showed six factors that represented 72,4 % of total variation. With respect to consumer reactions toward the offers, two factors were extracted (Eigen value > 1). Together they explained 12,9% of the total variation. Two items ("The overall image of the offer is positive", "The offer is interesting") loaded highly (average loading = 0,71) on the first factor that interpreted as "overall appreciation" of the promotional offer. The second factor loaded (average loading = 0,73) on items relating to manipulation ("The offer appears to be dishonest", "The offer makes me feel I am being manipulated). This factor was interpreted as "manipulation intent" of the promotional offer.

6. Conclusion and Managerial Implications

This study contributes to previous research of non-monetary sales promotion by offering insight to consumer preference of digital and online adaptation of sales promotion campaigns. Previous studies in the field have not considered digital goods as alternatives to traditional tangible premiums. Because of the unique characteristic of digital goods, it is not only a simple matter of considering one incentive over another. The most distinctive trait of the digital good, its intangibility, offers a solution to some logistical issues associated with the traditional premium. The result presented in this study support the digital adaptation of nonmonetary sales promotion. It was reported that digital goods are equally or even more appreciated than their physical counterparts. Also, consumers did not perceive the digital premium as being manipulative. It was interesting to find that the online method of inputting promotional codes was perceived better than the alternative of sending them via traditional mail. The results of this study do not imply that the marketer should forget the traditional tangible give-away. This study merely shows that there are in fact, other alternatives that trigger the same shopping impulses, but present several interesting benefits for the marketer. What is actually interesting is, that although digital goods are hard to value, the survey result shows that there was no evidence that a digital premium is seen as less valuable. Beginning from the most evident beneficial trait, digital goods offer logistical simplicity. For one, their intangibility renders questions of storage and transport irrelevant. Traditionally the premiums are mostly produced in Asia and possibly stored in several locations before reaching their final destination. Transportation and freight costs can account for over a third of the price of the premium. In addition to

financial losses, the time consuming production and sea freight can take up to 4 months. Because of the time constraints, premium sales promotion campaigns need to be planned several months ahead. The digital alternative could enable more spontaneous and up-to-date promotions, meaning that the marketer would be able to respond to upcoming trends more quickly and take advantage of sudden events.

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