

The Effects of Sales Promotion Strategies on Customer Loyalty in the Retail Industry: An Analytical Perspective

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Abstract

India's retail sector is expanding quickly as a result of factors like rising disposable income, shifting consumer preferences, and technological improvements. Retailers are using a variety of sales promotion methods to draw in and keep customers as a result of the increased competition in the market brought on by the growth of e-commerce platforms. Researchers and practitioners disagree over whether these strategies are helpful at increasing client loyalty. Understanding the relationship between customer loyalty and various sales incentives, such as discounts, freebies, and loyalty programmes, is vital to investigate how sales promotion techniques in the Indian retail sector effect customer loyalty. Additionally, the moderating effect of elements like customer contentment and brand image on the connection between sales promotion techniques and client loyalty. This would help retailers operating in the Indian market establish efficient marketing strategies by offering insights on how sales promotion techniques affect client loyalty. The study had considered sample of 217 respondents (customer of retail industry) to know the effect of sales promotion on customer loyalty in retail industry and the study concludes that there is significant effect of sales promotion strategies on customer's loyalty.

Keywords: Retail sector, Sales promotion strategies, Consumer loyalty, Marketing strategies, E-commerce platforms, Moderating factors.

Introduction

A number of factors, including rising disposable income, shifting consumer preferences, and technology improvements, have contributed to the impressive rise of India's retail sector in recent years. Retailers are constantly looking for new strategies to draw in and keep customers, but this growth has also resulted in fierce competition among them. Sales promotion is one of the strategies

that retailers most frequently employ to do this. Sales promotion is the process of generating demand and fostering client loyalty through the use of strategies like discounts, freebies, and loyalty programmes. In order for businesses to remain competitive and draw in customers, sales promotion methods are crucial in the Indian retail sector. Retailers must employ a variety of strategies to enhance consumer loyalty in light of the fierce competition, including discounts, freebies, and the implementation of loyalty programmes. Majumdar (2005) examined Indian shopping mall-based retail stores' client loyalty. Customer pleasure, store image, and store loyalty programmes were revealed to be important predictors of client loyalty. It also showed that sales incentives like discounts and freebies have a favorable effect on client loyalty. This implies that client loyalty can be influenced by sales marketing strategies.

According to Thomas (2013), consumer satisfaction and store image in retail stores are correlated with customer loyalty. Customer satisfaction had a direct impact on customer loyalty, whereas customer satisfaction had a considerable impact on both customer satisfaction and store image. Additionally, the discounts and freebies offered as part of the sales promotions had a favorable impact on client loyalty and satisfaction. This suggests that in-store sales promotions can help boost consumer happiness and loyalty.

Reddy et al. (2011) looked into how store satisfaction, product quality, service quality, and sales promotions affected customer loyalty in the Indian retail sector. Customers who were happy with their shopping experiences were more likely to remain loyal to the retailer, as consumer satisfaction was proven to have the greatest impact on brand loyalty. Additionally, it was found that customer loyalty was moderately impacted by both product and service quality. This implies that in order to keep customers, retailers need to maintain a high degree of quality in their goods and services. Furthermore, it was found that sales promotions had a favourable effect on customer satisfaction and store loyalty, suggesting that such promotions can be a useful tool for retailers to boost customer loyalty. Overall, Indian retailers can boost consumer loyalty by emphasising elevating client satisfaction, sustaining high-quality goods and services, and putting in place efficient sales promotion techniques. Retailers can retain customers and continue to compete in the market by doing this.

Literature Review

The effectiveness of sales promotion strategies in fostering consumer loyalty in malls is discussed by Aliagha et al. (2015). It showed that consumer loyalty was positively impacted by sales promotion methods. Customers are more likely to remain loyal to businesses that give out discounts and freebies than those who don't. In order to find the best sales promotion methods for their target clients, businesses must perform their own research. Customer loyalty is a major factor in how important customer satisfaction is. Retailers must concentrate on offering a superior customer experience to boost client happiness, which may then result in more client loyalty. It emphasised how crucial sales promotion strategies are to boosting client loyalty in the retail sector. To draw in and keep customers, retailers must implement successful sales promotion methods, such as discounts and freebies. Consumer happiness is still a key element in encouraging consumer loyalty, though. To increase customer happiness and foster long-term consumer loyalty, merchants must make sure they deliver a quality client experience.

The relationship between store loyalty and shopping mall loyalty in the Indian retail business was examined by Rabbanee et al. in 2012. Sales promotions were revealed to be a key factor in influencing store loyalty, which in turn had a substantial impact on shopping mall loyalty. This emphasizes the value of sales promotion strategies in developing client loyalty in the retail sector. Retailers should concentrate on fostering store loyalty, it was also advised, in order to boost patronage of shopping centers. Discounts, freebies, and loyalty programmes are just a few of the sales promotion strategies that retailers may employ to improve brand loyalty and boost client retention. By contrasting two consumer segments, Yavas and Babakus (2009) looked into the elements that influence retail store loyalty in India. The younger consumer category was found to be significantly impacted by sales promotions, whereas the elder customer segment was significantly impacted by store ambiance and product quality. On the basis of the tastes and traits of various client groupings, it was advised that retailers should customise their sales promotion techniques. Retailers may increase customer loyalty and produce a distinctive shopping experience by providing promotions that speak to the needs and interests of their target customers. To draw and keep customers in the older category, businesses should also concentrate on enhancing the quality of their products and store environments.

Grosso et al. (2018) look into how shop characteristics affect patron loyalty in the Indian retail industry. It had been found that factors such as store ambiance, clientele, product quality, and pricing perception had a big impact on client loyalty. It also showed that customer loyalty was positively impacted by sales promotion techniques, showing that merchants might utilise sales promotions to support other shop features in fostering customer loyalty. To increase client loyalty in the Indian retail market, merchants ought to think of a comprehensive strategy that incorporates various store characteristics and sales promotion techniques. Anic and Radas (2006) explored the role of demographic characteristics and consumer satisfaction in fostering brand loyalty in the Croatian retail sector. Retailers should concentrate on improving customer happiness in order to boost customer loyalty, since it was explored that customer satisfaction has a major impact on store loyalty. Additionally, it was revealed that age and income were important demographic variables that affected store loyalty. This implied that in order to maximize the influence on customer loyalty, businesses could customize their sales promotion techniques based on the demographic profile of their customers.

Bellini et al. (2011) looked into how various levers, such as sales promotions, affected consumer loyalty in the Italian retail sector. Customer service and store ambiance were determined to have the greatest influence on customer loyalty, with other levers having various effects. According to this, businesses should put their attention on these levers and use sales promotion strategies as a supplemental tool to increase consumer loyalty. The results imply that in order to increase consumer loyalty in the retail sector, businesses should use a balanced approach that includes various levers, such as sales promotion.

In the Indian retail industry, Kamran-Disfani et al. (2017) looked into the effect of retail shop format on the relationship between customer happiness and loyalty. It was revealed that store format had a substantial impact on the relationship between customer pleasure and loyalty, with customers of large-format stores showing a greater relationship than those of small-format stores. According to this, retailers can utilise their store layout as a tactical instrument to maximise client happiness and loyalty and, consequently, their market share. Measures of shop and store format loyalty were established by Bustos-Reyes and Gonzalez-Benito (2008) based on budget allocation in the Indian retail sector. Customers' budget allocation for a certain store type (such as a

hypermarket or supermarket) was found to be positively correlated with their loyalty to that format. They recommended using these metrics to track customer loyalty towards various store formats and find ways to boost customer retention and share of wallet. In the Indian retail business, Filipe et al. (2017) explored the direct and moderating effects of shop format and loyalty programmes on customers' relationships with their grocery store. The type of grocery shop had a big impact on how customers felt about it, with large-format retailers having better relationships than small-format stores. The association between store format and customer relationship was also shown to be positively moderated by loyalty programmes, the researchers revealed. They recommended that businesses employ loyalty plans to fortify client bonds and increase client loyalty to a particular store design.

Objective

1. To measure the effect of Sales Promotion Strategies on Customer Loyalty in the Retail Industry

Hypothesis

Null Hypothesis: There is no effect of sales promotion on customer loyalty in retail industry.

Alternate Hypothesis: There is significant effect of sales promotion on customer loyalty in retail industry.

Methodology

The study had considered sample of 217 respondents (customer of retail industry) to know the effect of sales promotion on customer loyalty in retail industry. A standard questionnaire was distributed to the respondents to collect the data using purposive sampling. The analytical and statistical tool, chi square test was used to get appropriate results.

Findings

Table below is sharing general details of the respondents. In total 217 respondents, 74.6% are male and 25.4% are female. Among them 32.7% are below 35 years of age, 44.2% are between 35-45

years of age and rest 23.1% are above 45 years of age. 12.4% of the respondents are students, 24.4% are salaried, 22.6% are in business, 17.1% are self-employed and rest 23.5% are housewife.

Table 1 General Details

Variables	No. of respondents	%age
Gender		
Male	162	74.6
Female	55	25.4
Total	217	100
Age (years)		
Below 35	71	32.7
35-45	96	44.2
Above 45	50	23.1
Total	217	100
Occupation		
Students	27	12.4
Salaried	53	24.4
Business	49	22.6
Self employed	37	17.1
Housewife	51	23.5
Total	217	100

Table 2 Customer's opinion on effect of sales promotion on customer loyalty

Effect of sales promotion on customer loyalty	Opinion of the customers			Total
	Agreed	Less agreed	Not agreed	
Affected	81	26	8	115
Not Affected	2	35	65	102
Total	83	61	73	217

Value of Chi-square	120.6818
Degree of freedom	2
p value	0.00001

Table above is showing that among 217 respondents, 81 agree that the loyalty of the customers is affected by the sales promotion strategies, 26 are less agreed and 8 are not agreed on the point that loyalty of the customer is affected by sales promotion strategies. It is also found that 2 respondents agree that loyalty of the customer is not affected by sales promotion strategies, 35 are less agreed and rest 65 are not agreed. *Hence, null hypothesis is rejected and alternate hypothesis is accepted which says that there is significant effect of sales promotion strategies on customer's loyalty.*

Conclusion

In India, the retail market is fiercely competitive, with many firms vying for consumers' attention and allegiance. Any retail firm that has devoted consumers will succeed because they frequently make further purchases and spread good word of mouth about the company. Retailers in India have utilised sales promotion techniques as a tactic to draw in and keep customers. It is impossible to overestimate the significance of sales promotion strategies in India's retail sector. Retailers can entice customers to buy their goods or services by providing discounts, freebies, loyalty programmes, and other promotions. Such incentives promote client loyalty by bringing in new customers while also keeping old ones. Customer satisfaction and customer loyalty are both significantly impacted by sales promotion strategies. A brand that regularly meets its customers' requirements and expectations is more likely to win their loyalty. Customers may experience cost savings from sales promotions, such as discounts, which will help them feel like they are receiving a good deal. Strategies for sales promotion can also help retailers stand out from the competition. Retailers can differentiate themselves and establish a distinctive brand identity, for example, by providing special promotions. However, it is imperative that retailers use sales promotion techniques with care. The brand's value may be reduced if promotions are used excessively, and this may eventually limit its efficacy. Additionally, retailers must make sure that their overall brand strategy and marketing plan are in line with their sales promotion strategies. As a result, retailers must strategically employ sales promotion methods to draw in and keep customers in India's retail

market. Such incentives promote both short-term and long-term consumer loyalty while also raising customer happiness. To avoid relying too much on promotions, however, and to make sure that their brand image and marketing plan are consistent, retailers should be cautious when implementing sales promotion techniques.

The study was conducted to know the Effects of Sales Promotion Strategies on Customer Loyalty in the Retail Industry where alternate hypothesis is accepted which says that there is significant effect of sales promotion strategies on customer's loyalty.

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