

Effect of Consumer Promotions on Retail Apparel Sales

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Abstract

Indian apparel sector has a large number of brands and consumer promotions and price discounts are common marketing strategies to attract customers and encourage them to purchase the respective product and therefore it is crucial for the brands to understand the promotional strategy most preferred by the consumers and valued upon. Retail apparel as a segment witnesses various promotions all year round. Monetary promotions like Buy one get one free, discounts as well as non-monetary promotions like loyalty programs, contests etc. are being offered. The study here elaborates how different promotional strategies in retail apparel affect the buying behavior of consumers and thus affecting sales, by drawing conclusions from data collected. Focus is to understand the effect of prolonged promotions on sale of apparels and how it affects the brand image perceived by the customers. Both monetary and non-monetary promotions are taken into consideration and conclusions are drawn for the offline organized retail sector with some deductions for online sector as well. The impact is assessed for the duration it lasts for that is whether the consumer sticks to the brand or loses interest in the brand after prolonged promotions. The study draws a conclusion how different promotion types on apparel brands are attracting consumers from their price and non-price promotions in the domestic market.

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I. INTRODUCTION

Apparel sector in the country witnesses a large number of domestic and foreign brands available for the consumer. The country is quickly headed to become one of the most preferred destinations for brands from all around the world. It has a large number of segments right from daily wear to formal wear to sportswear etc. Each brand offers a variety of promotions in different seasons be it holiday, festival etc. The apparel industry is one such industry which witnesses change in trends, styling very quickly, and thus for each store to have minimum inventory left after sales is a huge problem. Many of the stores thus tend to offer End of season sale twice in the year. Prices are slashed almost to 50% of the Maximum Retail Price(MRP). It is one of the most opted ways to get rid of the inventory and thus reduce the inventory cost for the retailer. Thus it is very crucial for the brand as well to offer the right promotion at the right time because the mindset of the consumer has greatly

shifted towards fast fashion. India is headed to become the sixth largest apparel market in the world worth \$59.3 billion in 2022 as projected by McKinsey's Fashion Scope. Report suggests that India is set to develop further from an important sourcing hub into one of the most attractive consumer markets in the Western world. Thus, it becomes even more important to capture consumer's mindshare with the right deal.

Studies have been conducted to determine the effects of conditional promotions on seller's profit and consumer spending (Amornpetchkul, Ahn, Sahin, 2018) [1], influence of sales promotions on brand attitude across promotion types over time (Yi and Yoo, 2011) [2] but with the focus mostly on promotional strategies in general retail segment and not apparel industry. Moreover, paper on deal-prone consumers' response to promotion (DeVecchio, 2005) [3] covers the consumer characteristics in response to promotions. This research here focuses on the effects observed

on the buying behavior of a consumer for retail apparel when constantly subjected to various deals throughout the year and to understand how exactly a consumer responds to the promotions based on his understanding of the brand, the brand image perceived and their propensity to respond to deals offered.

The paper covers the offline organized sector majorly with some deductions for the online sector as well. It finally gives the result that how different type of promotions falling under the monetary and non-monetary categories impact the overall sales. It identifies whether promotions can up to certain limit have an impact in generating sales for fashion forward consumers.

II. HOW CUSTOMERS EVALUATE PROMOTIONS?

Consumers who find deals attractive or have more deal proneness tend to spend more than others. This also revolves around whether a particular type of promotion for a long term impacts the consumer's buying behavior and its impact on the brand quality in the consumer's mind. An underlying assumption for the study is that generally brands with low exposure tend to have more promotions to gain consumer's mind share and convert to sales.

Different promotions covered under the monetary segment are discounts, prices slash, BOGOF. Non-monetary promotions include premiums, loyalty points, and coupons. Customers under different situations tend to respond differently to these promotions. The buying behavior of a customer largely depends on the stimulus generated by the promotion.

Based on the Prospect Theory Value Function (Kahneman and Tversky, 1979) [4], it can be stated that consumers generally have a reference price for a product in their mind. The promotional strategy gives them a clear picture to adjust that price in their mind. Monetary promotions like discount if brings the price closer to the reference price tends to lead to sales rather than if the discounted price or monetary benefit is still less than expected by the consumer. However, in the case of non-monetary promotions like premium it becomes confusing for the customers to estimate the benefit they receive

because the price of the free gift is unknown to them.

Grewal, Marmorstei and Sharma's study (1996) [5] of inverted U explanation covers how much impact the discount size has on the consumer's information processing thus assisting in closely understanding his buying behavior. The stimulus to process information regarding the benefit received is much less when the discounts are low or too high. In the first case the consumer is unsure of exactly how to perceive the price benefit whereas in the other the consumer is quite sure of the deal and thus does not invest much time in thought. The game changer is how the consumer processes the moderate discounts offered on the products. Non-monetary promotions tend to generate a similar kind of thought in the consumer's mind. Analysis of whether in such scenarios a non-monetary promotion tends to attract the consumer more than a low and moderate discount offering can be of help to marketers who invest huge amounts in the promotions of apparels, to wisely decide which promotion will be profitable for them in the short term as well long term.

III. DATA AND METHODOLOGY

Variables

Various variables like deal proneness, apparel shopping frequency, preference of promotion types, choice of promotion with respect to the brand type, effect of prolonged promotions on brand equity etc. are tested based on the data collected by the respondents on the record form floated. The respondents were asked questions if promotions tend to increase the average cart value etc. Responses were also recorded to assess effect on brand equity due to promotions.

Hypotheses

Three monetary promotions namely Flat X% off, BOGO and Upto X% off and two non-monetary promotions namely Loyalty points and Discount vouchers/Free gifts are considered for the analysis and following hypotheses are tested.

H1: Consumer deal proneness is positively linked to sales for any apparel brand

H2: Monetary promotion of Flat X% off is positively linked to sales

H3: Monetary promotion offer of Buy X Get Y (BOGO etc.) is positively linked to sales

H4: Monetary promotion type Upto X% off is positively linked to sales

H5: Non-monetary promotion of discount vouchers and free gifts is positively linked to sales

H6: Non-monetary promotion type of Loyalty points is positively linked to sales

Promotions are positively linked to consumer buying behavior for any apparel brand. The above hypotheses are tested to validate whether the positive link between the two holds true or not. It is assumed that promotional deals attract consumers and the consumers tend to switch their loyalty. Monetary and non-monetary promotions are processed differently in the minds of the consumer because of the time you are exposed to them. For example Flat X% off is visible on the shelf as soon as you approach the counter of different brands but loyalty points are availed later in future. Indian apparel market is widely driven by liberalization with new entrants in the sector frequently. Apparels are viewed as a mode to self-expression and thus a tendency to have access to cheap and affordable clothing is needed by the Indian consumer. Factors like increased purchasing power of the Indian middle class, national and foreign brands both at the doorstep of the Indian consumer offering abundant options to the consumer have driven the industry. It is thus assumed that there is a shift in the mindset of the Indian consumer to opt for fast and cheap fashion which is readily available at the promotional deals.

A further deduction on the choice of the consumer based on a particular promotion on two different brands one being a big brand and the other being a smaller brand is also drawn. Moreover the effect of constant sales offered by a particular brand year around on the brand value in the minds of consumers is also analyzed.

Method

A randomly selected sample of 240 respondents (N=240) from various cities on India are selected and asked to fill a survey. The respondents had 58.33% and 42.67% of males and females respectively and representation from age groups ranging from 15years to 45years, from all three

tiers of cities and consisted both high and low income groups. Their responses regarding demographics and perception of retail promotions were recorded. The respondents were asked questions whether they would have a preference over the type of promotion. The consumers were asked if they would prefer a brand more just because of the benefit they receive on purchasing it or they would be loyal to their preferred brands, also if promotions tend to increase the average cart value etc. Responses were also recorded if the consumers tend to devalue a brand for its quality just because of the prolonged duration it stays on discounts. To study the effect of deals in the long run, brand attitude with different promotion types was examined. Respondents were asked to think of their perception of buying a promotional deal offered with respect to both small and big brands. A total of five different promotion types, i.e. Flat X% off, Upto X% Off, Discount Vouchers and Free Gifts, BOGO, and Loyalty Club Points were studied. For all five promotion types, consumers' were asked whether they tend to shop more during these promotions. For loyalty points, consumers were asked whether they have a predefined notion of shopping more so as to get loyalty points.

Then correlation and multiple regression analysis were performed to test the hypotheses proposed. Additional qualitative and quantitative analysis was performed to assess the consumer choice for a promotion category when offered on a bigger brand like Zara/ Louis Philippe and a smaller brand like Max/ Pantaloons and also whether there is an impact on brand equity. These deductions have been elucidated with graphs to give a clear picture of the proportion of consumer response for the two options given to them.

IV. RESULTS

Firstly correlation is done to check for linear relationship of the dependent variable with the independent variables.

The following results were obtained:

Table- I: Correlation Statistics

	Do promotions tend to increase your cart value?
Do promotions tend	1.000

to increase your cart value?	
Do you prefer shopping during sale?	0.808
Flat X% off	0.974
Buy X, Get Y	0.962
Upto X% off	0.958
Discount Vouchers/Free Gifts	0.647
Loyalty Points	0.229

1. There is a strong positive correlation between consumer deal proneness and retail apparel sale, $r(233) = 0.81$.
2. There is a strong positive correlation between monetary promotion of Flat X% off and retail apparel sale, $r(233) = 0.97$.
3. There is a strong positive correlation between monetary promotion of Buy X Get Y (BOGO etc.) and retail apparel sale, $r(233) = 0.96$.
4. There is a strong positive correlation between monetary promotion of Upto X% off and retail apparel sale, $r(233) = 0.96$.
5. There is a moderate positive correlation between non-monetary promotion of discount vouchers and free gifts on a particular amount of shopping and retail apparel sale, $r(233) = 0.65$.
6. There is a no correlation between non-monetary promotion of Loyalty Points and retail apparel sale, $r(233) = 0.23$.

Regression was performed between the dependent and independent variables to further predict the behavior of dependent variable w.r.t. independent variables and for testing the hypotheses and following results were obtained:

Table- II: Regression Statistics

Multiple R	0.987
R Square	0.973
Adjusted R Square	0.973
Standard Error	0.206
Observations	240

	df	SS	MS	F	Significance F
Regression	6	360.42	60.07	1412.62	4.1E-180
Residual	233	9.90	0.04		
Total	239	370.33			

	Coefficients	Standard Error	t-Stat	P-value
Intercept	-0.20	0.06	-3.44	0.0006890
Do you prefer shopping during sale?	0.08	0.02	4.19	0.0000399
Flat X% off	0.47	0.04	12.60	0.0000000
Buy X, Get Y	0.23	0.04	5.29	0.0000002
Upto X% off	0.23	0.04	5.82	0.0000001
Discount Vouchers/Free Gifts	0.08	0.02	3.60	0.0003871
Loyalty Points	-0.02	0.02	-1.08	0.2798677

7. For deal proneness, $p = 0.000039$ which lies in the significant region ($p < 0.05$). Hence hypothesis H1 is true and consumer deal proneness is positively linked to sales for any apparel brand.
8. For monetary promotion Flat X% off, $p = 0.0000001$ which lies in the significant region ($p < 0.05$). Hence hypothesis H2 is true and therefore monetary promotion of type Flat X% Off results in increased sales for any apparel brand.
9. For monetary promotion Buy X, Get Y $p = 0.0000002$ which lies in the significant region ($p < 0.05$). Hence hypothesis H3 is true and therefore monetary promotion of type Buy X Get Y (BOGO etc.) results in increased sales for any apparel brand.
10. For monetary promotion Upto X% off, $p = 0.0000001$ which lies in the significant region ($p < 0.05$). Hence hypothesis H4 is true and therefore monetary promotion of type Upto

X% Off results in increased sales for any apparel brand.

11. For non-monetary promotion of discount vouchers and free gifts on a particular amount of shopping $p = 0.000387$ which lies in the significant region ($p < 0.05$). Hence hypothesis H5 is true and therefore monetary promotion of type discount vouchers and free gifts results in increased sales for any apparel brand.
12. For deal proneness $p = 0.2799$ which lies outside the significant region ($p > 0.05$). Hence hypothesis H6 is not true and therefore Loyalty Points does not affect sales. The benefit of loyalty points, though can be availed at a later stage in future still does not impact the sales in a considerable way. A major reason could be one might not always keep in mind the benefits of loyalty points while shopping. Moreover significant clarity when it comes to the value of each point is not very clear or interpreted by the shopper while shopping. Consumers cannot forecast and calculate the cart value they should have to redeem points in future and thus Loyalty Points are not a sought after option for them.
13. Analysis of consumers' propensity to switch brand loyalty reveals that 73% of consumers switch brand if a better promotion is offered. The graph below shows consumers' attitude towards two different situations.

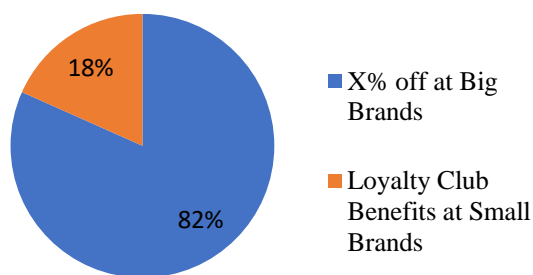


Fig. 1. Consumers' choice between a monetary promotion at a big brand and non-monetary promotion at a small brand

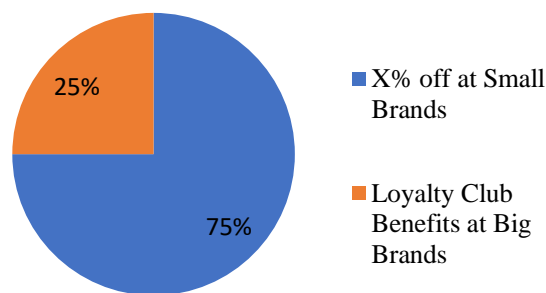


Fig. 2. Consumers' choice between a monetary promotion at a small brand and non-monetary promotion at a big brand

14. Analysis of respondents' preference for a particular type of discount shows that consumers prefer a promotion type that can help them realize monetary benefits easily and quickly more than promotions which take longer redemption times. Over 50% of the respondents preferred Flat X% off as the best promotion and similarly other monetary promotions were preferred as against non-monetary promotions. Additional analysis of consumers' attitude towards monetary and non-monetary promotions reveals that if given a choice of two similar promotions, then they prefer a promotion where direct monetary benefits can be perceived.

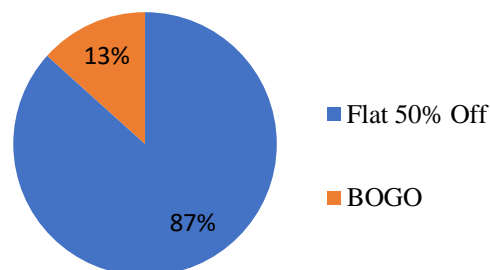


Fig. 3. Flat 50% Off vs. Buy One Get One promotion

15. If a brand continuously offers promotions then consumers tend to buy more but the effect of prolonged promotions on brand value depends on the type and popularity of brand. For a normal known brand offering prolonged promotions, 38% respondents believed that brand value decreases whereas only 5% believed the brand value to increase and for rest it remained unchanged.

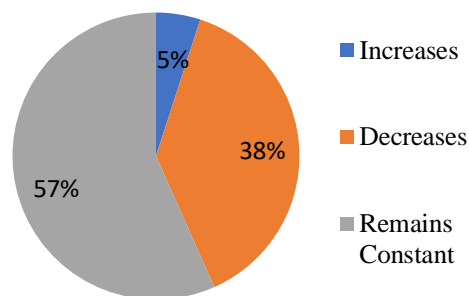


Fig. 4. Effect of prolonged promotions on brand value.

16. There is difference in consumer buying behavior for online and offline apparel shoppers. Only 23% of online apparel shoppers feel that brand value decreases due to prolonged promotions as opposed to 50% offline apparel shoppers with the same opinion. Also deal proneness of online apparel shoppers is comparatively higher than offline apparel shoppers hence brands should provide more promotions on the online stores and products available on e-commerce platforms as compared to their offline retail channels.
17. If both big and small brands have only non-monetary promotions then more consumers tend to choose small brands over the big ones because the reference pricing in their mind is comparatively closer to the price range of small brands and hence they perceive more value for money in buying products from small brands. But when both big and small brands offer similar monetary promotions then more consumers choose big brands because they perceive more value out of same expenditure at a big brand as compared to a small brand.

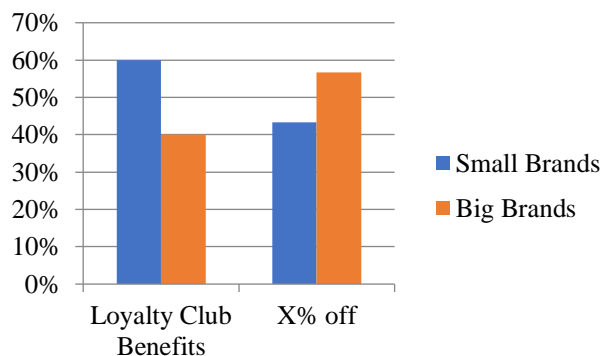


Fig. 5. Choice of brand given a particular promotion type.

V. CONCLUSION

This study shows, promotions are positively linked to consumer buying behavior for any apparel brand and tends to increase average cart value and therefore sales. Also, most consumers prefer monetary promotions over non-monetary promotions. The study also highlights the impact of prolonged sales promotions on brand attitude vary as per the promotion type. Considering short-term and medium-term impact of promotions, monetary promotions work better as compared to non-monetary promotions but in the long-term non-monetary promotions also play an important role in maintaining brand value. This occurs because continuous/prolonged monetary promotions decrease the reference price in the minds of consumer hence lowering brand equity. Also, the variations in consumer behavior by promotion types are influenced by their proneness to deals. Thus, in order to sustain growth and success and to build brand equity, right kinds of promotions and appropriate duration of promotion should be decided by the management..

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