

A study on the effects of presence and absence of Monetary and Non-Monetary promotional strategies applied on branded electronics durables with special reference to selected cities of Gujarat State

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Abstract

The purpose of this paper is to explore and understand the effects of presence and absence of monetary and non-monetary promotional strategies on branded electronics durables in the state of Gujarat, India. The respondents were asked questions pertaining to promotion availed, price of the product, deals, quality of life, word-of-mouth, repurchase intention, and brand loyalty. The study reveals that presence of promotion is beneficial for the organization and 'Monetary promotions' are more effective than 'non-monetary' ones in enhancing value to consumers and value to firms. This paper illustrates a strong, but straightforward and relatively economical way for SMEs and even large organizations to study the effectiveness of promotional strategies they undertake to boost the market share. The effect of Absence and presence of promotional strategies, and the use of Monetary and non-monetary promotional strategies as a base to enhance value to consumer and businessmen has been researched.

Keywords: *Monetary promotions, Non-Monetary promotions, MANOVA, Promotional Strategies*

1. Introduction

Building a brand has been an ultimate goal of many entrepreneurs all across the globe. A strong brand lends credibility and status to business which in turn helps the firm to gain many advantages like higher prices, strong market share, healthy market penetrations, receptive and responsive advertising and promotions, and more successful product line extensions. Effective promotional strategies are also employed to help brand-building endeavour.

The benefit of promotion is also to increase sales of firms by attracting a greater number of consumers. Existing consumers of firm who are brand loyal may consider the availed promotion as value addition. Whereas for the new ones, it might be a reason to give product a try. Promotional offers are to be designed very thoughtfully by marketers to make it irresistible. Effectiveness of promotional expenditure is sometimes

compared with the advertisement expenditure for a better utilisation of funds from the finance point of view. Implementation of promotional strategies is a subject-matter of extensive research as the data available so far on the said subject are inadequate. The choice of monetary and non-monetary promotion strategies will depend upon various factors like socio-economic status of consumers, region of market, price of product, government policies, etc. It is still very difficult for the marketer to know about the distinct impact of each one i.e. monetary and non-monetary, on promotion of sales. According to (Chandon, Wansink, & Laurent, 2000), monetary promotions offer more utilitarian advantages whereas non-monetary promotions provide more hedonic satisfaction. These relationships are not in absolute terms as they are a matter of intensity when observed in isolation. For instance, monetary promotion such as coupons, might have hedonic satisfaction – enjoyment, though its main objective is to offer utilitarian advantage (Mittal, 1994). Researchers in the past have mainly focused on the use and effectiveness of monetary promotional strategies. Nevertheless, in reality, monetary as well as non-monetary sales promotion are used. Monetary promotional strategies include discounts, coupons, price packs and rebates while non-promotional strategies include free gifts, loyalty programme, and sweepstakes. The characteristics of monetary promotion is transaction based and that of non-monetary is relationship-centred and rewards at a later stage. In a continuous effort by the marketer to offer promotion uninterruptedly, consumers can form an attitude towards the brand, which can be perceived as a measure of sales increase. It is believed that consumers do need reasons to buy products that they are desirous to for some time. The financial constraint is a highly demotivating factor for any consumer and can put off plans to buy products. Promotional strategies can emerge as a favourable reason to nudge consumers to take a pro-buying decision. Manufacturers who solely rely on promotional tactics and not on quality might lose

market share in the long run as promotional measure are not to be used for aggressive selling. Therefore, it is imperative for a businessman to bring about radical changes in products and services they offer with continuous market research and back it up with promotional strategies to increase brand equity and market share. Absence of promotions is something that a seller must decide when they are confident about their brand with an excellent track record in the past and with strong research. Looking forward to discounts, coupons, rebates and not availing it can be a detrimental factor for businesses. Besides, the important factor shall be the tactical moves by arch-rivals and competitors in market. There is quite good a possibility that the competitor has come up with an attractive promotional strategy that consumers may like and shall go for it, increasing the likelihood of reduced sales for all those who have complete absence of such offers. It is therefore recommended to keep a close tab on all moves of competitors so that a countermove can be initiated on a timely basis.

1.1 Objectives of the Study

- To understand the effect of presence of promotional strategies on the value to consumers and value to firms.
- To understand the effect of absence of promotional strategies on the value to consumers and value to firms.
- To understand the effect of non-monetary promotional strategies on the value to consumers and value to firms.
- To understand the effect of monetary promotional strategies on the value to consumers and value to firms.
- To understand the comparative effectiveness of monetary and non-monetary promotional strategies.

2. Review of the Literature

Promotion functions as a direct incentive that extends value addition to products. Consumers respond to monetary and non-monetary sales promotion strategies differently. Depending on various factors, in some context, monetary promotion is a better choice whereas in some other contexts non-monetary promotion is desired. To select a suitable promotional strategy, marketers must take in consideration important aspects linked to features of products. Characteristics like attributes of product, price, weight, durability, cost, size and market characteristics like age, sex, geographical location, patterns of shopping, and income. (Pride & Ferrell, 2009)

Monetary promotions are targeted to allow consumers to avail deals that enables them to buy products at a smaller price, hence appealing them by giving them opportunity and occasion of price saving. However, the benefits of monetary promotion are not restricted to just price-

saving but it also offers benefits like convenience of shopping, product quality, good standard of living. (Chandon et al., 2000)

Consumers react differently when faced with the promotional offers and perceive them to maximise their level of satisfaction and utility. Some researchers found that in promotional tactics, monetary promotions are better than that of non-monetary ones (Alvarez Alvarez & Vázquez Casielles, 2005).

The word discount is most ubiquitously heard word by consumers and has a deep impact on the decision making of purchase of product. Some researchers have favoured the use of monetary promotional strategies over non-monetary ones as consumers are more inclined to get now than in future. It is also said that brand loyalists attach more value with monetary promotional strategy in comparison to consumers who are non-brand loyal. Consumers provide greater value perceptions to price discounts (Owens, Hardman, & Keillor, 2001).

Although there are noteworthy advantages of monetary promotions there are shortcomings as well. Continuation of monetary promotions may increase the risk of negatively affecting prices in long-term. Research also states that monetary promotions have adverse effects on brand association and on quality perceptions. Monetary promotions negatively impacts the perception of hedonistic satisfaction and utilitarian advantage for consumers but it harms utilitarian advantage more (Montaner & Pina, 2008).

Non-monetary promotional strategies are used by many marketers in different situation when market research suggests so. Researchers advise non-monetary promotional strategies as it does not have any damaging effect on the brand value of a product. As a matter of fact, it is helpful in boosting the brand value of a product. In the long run, as a perspective, promotional strategies that are non-monetary are considered more favourable in comparison to monetary ones. Non-monetary promotions never attempt to degrade the brand value and brand image. On the contrary, they are even helping in creating brand equity. On quality perceptions of a product, non-monetary promotions make a positive impression. Therefore, premiums are more effective than discounts on price (Mela, Gupta, & Lehmann, 1997).

For brands that are established, non-monetary promotion is preferred. The benefits of it are seen in hedonistic satisfaction and utilitarian advantage enjoyed by consumers with the former being more noticeable. Consumers who are more inclined to avail non-monetary benefits will seek out such gains of value expressions (Reid, Thompson, Mavondo, & Brunsø, 2015)

Researchers state that non-monetary promotion benefits are more favourable in the long-run and thus quite helpful in enhancing the brand equity. Literature review reveal that non-monetary strategies does not affect the

pre-conceived idea of price in the mind of consumer and even improves consumer expectations about product. The negative side of it; may create a sense of deception in two phases, before and after buying product with promotional offer. For those consumers who are habituated to monetary offers, and even those who do not like non-monetary promotions, the perception would result in negative brand equity, because of which consumer may switch brand (Liu, Cheng, & Ni, 2011).

Of all priorities of consumers, savings and gains on purchase of products have their places in them. Consumers make purchases to fulfil their needs. Promotions can lead to influencing consumers to buy more or to try a new product. Any promotion adopted by a marketer cannot just be a replacement for quality and value perceived by consumers (Gilbert & Jackaria, 2002).

3. Methodology

The research was conducted in six areas of Gujarat namely Ahmedabad, Surat, Mehsana, Gandhinagar, Bharuch and Jamnagar. From these cities, through convenience sampling, consumers who had purchased electronics durables were chosen and were requested to fill in the questionnaire. In all there were 128 questionnaires, of which 9 were incomplete and thus were rejected. Out of 119 questionnaires, 42 belonged to consumers who availed monetary promotion, 36 belonged to the ones who availed non-monetary promotion and the rest 41 belonged to consumers who did not get any kind of promotion.

Questionnaires were classified on the basis of promotion availed – 1. Monetary, 2. Non-Monetary and 3. Absence of promotion. In every category, the sub-categories were 1. Value to consumers and 2. Value to firms. In value to consumers the points are – 1. less price than other brands of same quality 2. quality for a deal price and 3. improvement in standard of living. In value to firms the points are 1. Word of Mouth 2. Decision to repurchase in future and 3. Brand Loyalty.

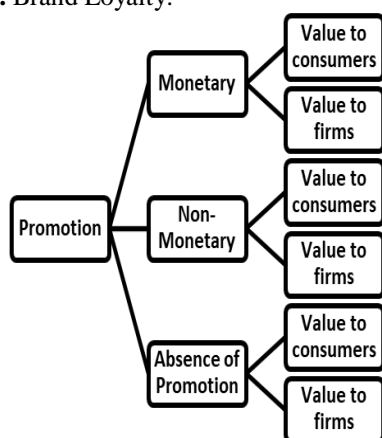


Fig 1: Effects of Promotion

Respondents were asked questions based on 7-point Likert scale of agree – disagree. The data was then

collected and was further tabulated to compute MANOVA and Paired T-Test.

4. Findings and Discussion

4.1. Hypotheses

1. **H₀**: There is no significant difference between effects of Monetary, and Non-monetary promotional strategies.

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2. **H₀**: There is no significant difference between effects of presence of promotional strategies and absence of it.

2. **H₁**: There is a significant difference between effects of presence of promotional strategies and absence of it.

4.2. Data Analysis and Interpretation

Computation of MANOVA

TABLE 1 MANOVA: PILLAI TEST

Cases	df	Approx. F	Trace Pillai	Num df	Den df	p
(Intercept)	1	1440.255	0.987	6	111.000	< .001
Promotion	2	14.990	0.891	12	224.000	< .001
Residuals	116					

TABLE 2 MANOVA: WILKS TEST

Cases	df	Approx. F	Wilks' Λ	Num df	Den df	p
(Intercept)	1	1440.255	0.013	6	111.000	< .001
Promotion	2	32.162	0.133	12	222.000	< .001
Residuals	116					

TABLE 3 MANOVA: HOTELLING-LAWLEY TEST

Cases	df	Approx. F	Trace H-L	Num df	Den df	p
(Intercept)	1	1440.255	77.852	6	111.000	< .001
Promotion	2	57.920	6.319	12	220.000	< .001
Residuals	116					

TABLE 4 MANOVA: ROY TEST

Cases	df	Approx. F	Largest Root	Num df	Den df	p
(Intercept)	1	1440.255	77.852	6	111.000	< .001
Promotion	2	117.410	6.290	6	112.000	< .001
Residuals	116					

Assumption Checks

TABLE 5 BOX'S M-TEST FOR HOMOGENEITY OF COVARIANCE MATRICES

	χ^2	df	p
	24.515	42	0.986

ANOVA

TABLE 6 ANOVA: LESS PRICE

Cases	Sum of Squares	df	Mean Square	F	p
(Intercept)	1896.008	1	1896.008	1717.232	< .001
Promotion	148.915	2	74.458	67.437	< .001
Residuals	128.076	116	1.104		

TABLE 7 ANOVA: QUALITY

Cases	Sum of Squares	df	Mean Square	F	p
(Intercept)	1944.210	1	1944.210	1832.305	< .001
Promotion	151.705	2	75.853	71.487	< .001
Residuals	123.084	116	1.061		

TABLE 8 ANOVA: STANDARD OF LIVING

Cases	Sum of Squares	df	Mean Square	F	p
(Intercept)	1716.840	1	1716.840	1334.768	< .001
Promotion	141.955	2	70.978	55.182	< .001
Residuals	149.205	116	1.286		

TABLE 9 ANOVA: WORD OF MOUTH

Cases	Sum of Squares	df	Mean Square	F	p
(Intercept)	1809.210	1	1809.210	1311.136	< .001
Promotion	112.724	2	56.362	40.846	< .001
Residuals	160.066	116	1.380		

TABLE 10 ANOVA: REPURCHASE

Cases	Sum of Squares	df	Mean Square	F	p
(Intercept)	1525.008	1	1525.008	1128.370	< .001
Promotion	142.216	2	71.108	52.614	< .001
Residuals	156.776	116	1.352		

TABLE 11 ANOVA: BRAND LOYALTY

Cases	Sum of Squares	df	Mean Square	F	p
(Intercept)	1568.269	1	1568.269	1025.509	< .001
Promotion	160.337	2	80.168	52.423	< .001
Residuals	177.394	116	1.529		

TABLE 12: DESCRIPTIVE STATISTICS

	Less Price	Quality	Standard of Living	Word of Mouth	Repurchase	Brand Loyalty
Valid	119	119	119	119	119	119
Missing	0	0	0	0	0	0
Mean	3.992	4.042	3.798	3.899	3.580	3.630
S.E. of Mean	0.140	0.140	0.144	0.139	0.146	0.155
SD	1.532	1.526	1.571	1.520	1.592	1.692
Var.	2.347	2.329	2.467	2.312	2.534	2.862
Shapiro-Wilk	0.943	0.936	0.940	0.934	0.920	0.926
P-value of Shapiro-Wilk	< .001	< .001	< .001	< .001	< .001	< .001
Min	1.000	1.000	1.000	1.000	1.000	1.000
Max	7.000	7.000	7.000	7.000	7.000	7.000

TABLE 13: T-TEST: PAIRED TWO SAMPLE FOR MEANS OF MONETARY AND NON-MONETARY

	Monetary Promotion	Non-Monetary Promotion
Mean	5.203333333	3.676666667
Variance	0.025466667	0.098946667
Observations	6	6
Pearson Correlation	0.672403604	
Hypothesized Mean Difference	0	
df	5	
t Stat	15.67610901	
P(T<=t) one-tail	9.60133E-06	
t Critical one-tail	2.015048373	
P(T<=t) two-tail	1.92027E-05	
t Critical two-tail	2.570581836	

TABLE 14: T-TEST: PAIRED TWO SAMPLE FOR MEANS OF MONETARY AND ABSENCE

	<i>Monetary Promotion</i>	<i>Absence of Promotion</i>
Mean	5.203333333	2.611666667
Variance	0.025466667	0.027656667
Observations	6	6
Pearson Correlation	0.516722132	
Hypothesized Mean Difference	0	
df	5	
t Stat	39.60193191	
P(T<=t) one-tail	9.67675E-08	
t Critical one-tail	2.015048373	
P(T<=t) two-tail	1.93535E-07	
t Critical two-tail	2.570581836	

TABLE 15: T-TEST: PAIRED TWO SAMPLE FOR MEANS OF NON-MONETARY AND ABSENCE

	<i>Non-Monetary Promotion</i>	<i>Absence of Promotion</i>
Mean	3.676666667	2.611666667
Variance	0.098946667	0.027656667
Observations	6	
Pearson Correlation	0.196641041	
Hypothesized Mean Difference	0	
df	5	
t Stat	8.01144494	
P(T<=t) one-tail	0.000244807	
t Critical one-tail	2.015048373	
P(T<=t) two-tail	0.000489613	
t Critical two-tail	2.570581836	

The results from the Manova Tables (Tables 1 to 4) show that the results are significant with $< .001$ with the use of Pillai test, Wilks Test, Hotelling-Lawley Test and Roy Test. Also, from the Anova tables (Tables 6 to 11) it can be observed that the F values are all different. For less price, the F value is 67.437, for quality it is 71.487, for standard of living it is 55.182, for word of mouth it is 40.846, for repurchase it is 52.614 and for brand for brand loyalty it is 52.423. Therefore, it can be said that there is a significant difference in the values to consumers and value to firm based on the promotional strategies applied by marketer. The null hypothesis that there is no significant difference between the promotional strategies is rejected. All consumers have used the rating from 1 to 7 in categories of values. From the table of descriptive statistics (Table 12), minimum and maximum values are 1 and 7 respectively. From the

tables of Paired T-Test the results of comparison can be observed. In comparison of Monetary and Non-monetary promotion, given in Table 13, the T-Stat 15.67 exceeds the critical value 2.57. Therefore, there is a difference between monetary and non-monetary promotion. From Table 14, showing the comparison between Monetary and absence of promotion, the T-Stat 39.60 exceeds the t critical value 2.57. Hence it can be determined that there is a significant difference between Monetary promotion and absence of promotion. Table 15 shows the difference between Non-Monetary promotion and absence of promotion. The computed T-Stat value 8.01 exceeds the critical T value 2.57 and therefore it is concluded that there is a significant difference between Non-monetary promotion and absence of promotion.

5. Conclusion

Effectiveness of promotion as promotional strategy is of considerable interest and debate for owners across the globe. Pervious studies have shown that the effectiveness of promotional strategy does prevail if the benefits they offer are congruent with the products. Factoring in various parameters, the marketers must be careful to decide when to offer promotion and when not to. The decision of choosing between monetary and non-monetary promotional strategy will depend on type of product, kind of consumers, price, region, socio-economic factors, quality, brand equity and government policies. Upon enough market research, promotional strategy must be determined and be reviewed from time to time.

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