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**The Effectiveness of Sales Promotion Techniques on Consumer Buying Behavior of Generation Y**

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## Table of contents

Abstract .....	1
1. Introduction .....	1
2. Literature review .....	3
2.1 Sales Promotion .....	3
2.2 Sales Promotion techniques .....	3
2.3 Effect of Sales Promotion on consumer buying behavior .....	4
2.4 Benefits of Sales Promotion .....	5
2.5 Effect of demographics on consumer's deal-proneness .....	6
2.5.1 Generational Cohorts .....	7
2.5.2 Generation Y in a consumption context .....	7
3. Research proposal .....	8
4. Method .....	13
4.1 Participants and procedure .....	13
4.2 Measure development .....	14
5. Results .....	15
5.1 Reliability and validity .....	16
5.2 Exploratory factor analysis .....	16
5.3 Confirmatory factor analysis .....	17
5.3.1 Testing for Reliability, Convergent and Discriminant Validity .....	18
5.4 Structural Equation Modeling .....	19
5.5 Testing Hypotheses .....	20
6. Discussion .....	21
7. Managerial and theoretical implications .....	23
8. Limitations and suggestions for future research .....	24
9. Conclusion .....	25
10. References .....	25

## **Abstract**

Sales promotion are increasingly becoming a powerful communication tool for marketers to connect with costumers. Notwithstanding, little is known about how Generation Y responds to sales promotion. To address this concern, this paper attempts to find out the major dimensions of consumers' perception about the benefits derived from sales promotion and the influence of Word-of-mouth (WOM) on purchase intention. A convenience sample of 564 Generation Y was taken over a quantitative research, following a descriptive research design. Structural Equation Modeling approach was used to test the proposed model. The findings of the study revealed the perception of monetary savings, opportunities for value-expression and WOW as key-drivers of buying intention behavior. The findings will contribute to companies to select the appropriate types of premiums that greatly influence the buying behavior of Generation Y. By this, marketers could become more competitive and more efficient, satisfying consumers' needs.

**Keywords:** *Sales promotion; Purchase intention; Generation Y; Word-of-mouth (WOM).*

## **1. Introduction**

The increasing competition in the retail sector is pressurizing marketers to be more competitive with the aim to guarantee that their brands are amongst the leading brands of the market (Marais, Klerk, & Dye, 2014). Today, marketing involves much more than producing goods, suitable pricing and enabling an easy access to them. In modern retailing, attracting new customers has become an important issue to be addressed by companies as well as the loyalty to the current costumers, as known, the cost of gaining new customers is higher than the cost of keeping consumers present. Today's world is a cost benefit and so that companies must reconsider the relationship between behavior and attitude of their consumers. In detail, marketers are continuously required to develop new innovative marketing strategies to generate brand awareness and brand

recall and to arouse demand for specific brands and products. Besides, it is needed to build a strong brand image consistent with the target market to develop loyal customers.

One of the major issues in appealing to the market today is segmenting each consumer in an appropriate manner. The young adult market, namely Generation Y (the millennial generation) is increasing importance to understand, given the rise in the buying power. Millennials – the segment of population born between 1982 and 2000 – is the most conscious consumer generation and rely heavily on word-of-mouth in purchasing decisions, having an unprecedented influential power (Ordun, 2015).

The business environment requires the right communication between companies and consumers to inform what they have to offer. With respect to this, marketing communication mix is a crucial instrument, in which sales promotion is one of the most effective elements. Sales promotion refers to any marketing communication tool used to inform, persuade and elicit buying behaviors (Kotler & Armstrong, 2017). Marketers pursuit promotions able to arouse interest and excitement, bringing the product to the attention of the consumers (Nagar, 2009) and elicit buying intentions (Rao, 2009). To ensure that the desired effect on consumer buying behavior is effective, marketers should select the most suitable sales promotion technique for the target market.

In this context, given the rising importance of sales promotion, it is much more necessary to study the major benefits consumer perceive to derive out of some marketing strategies such as sales promotion across different segments and its effectiveness. At this backdrop, the basic objective of current research is to analyze the effectiveness of sales promotion among Generation Y. This study explores how the perception of benefits of sales promotion and WOM influence purchase intention decisions, filling an important gap in the literature by exploring utilitarian and hedonic benefits' perception of Generation Y.

## **2. Literature Review**

### ***2.1 Sales Promotion***

Sales promotion has been defined consensually among authors as a range of marketing techniques designed for a predetermined period of encouragement (Kotler & Armstrong, 2017) to induce and generate sales (Gilbert & Jackaria, 2002). Shimp (2003) demarcated sales promotion as any incentive practiced by manufacturers to induce trade and to encourage consumers to buy a specific product, being exposed to stimuli during a short-term period of promotional activities.

Sales promotion techniques intend to beget immediate or short-term sales effects (Gamliel & Herstein, 2011), encompassing a temporary and tangible variation of supply for the mean of influencing the behavior of the retailer, the consumer or sales force and changing those perceptions (Shi, Cheung, & Prendergast, 2005). Recent studies of Bogomolova, Szabo and Kennedy (2017), demonstrated a gaining of competitive advantage over the competitors in the market in companies using sales promotion.

With the aim to attract new customers and maintaining existing customers who are contemplating switching brands, sales promotion tools work as inducements capable to induce purchase intention (Rizwan, Irshad, Ali, Nadir, & Ejaz, 2013), increase brand awareness and brand recall and to encourage new product trial (Farrag, 2017).

### ***2.2 Sales Promotion techniques***

Previous studies categorized sales promotion into two different types: (1) monetary-based promotions and (2) nonmonetary-based promotions (Chandon, Wansink, & Laurent, 2000; Rao, 2009). Monetary-based promotions, such as coupons, price reduction, pack bonus and rebates, aim to boost sales in the short-term, encourage brand switching, attract new customers and induce product trial (Carpenter & Moore, 2008).

Nonmonetary-based promotions, such as product samples, free merchandize, sweepstakes and contests, can yield long-term benefits such as an increase in the market-share (Chandon et al., 2000; Grewal, Ailawadi, Gauri, Hall, Kopalle, & Robertson, 2011) and brand reinforcement by adding value and excitement to brands (Kwok & Uncles, 2005) what may encourage brand loyalty to companies (Prendergast, Poon, & Tsang, 2008) and to brands (Gilbert & Jackaria, 2002; Omotayo, 2011). A recent study of Santini, Vieira, Sampaio, and Perin (2016) reported customer loyalty as a favorable consequence of the continued use of sales promotion.

### ***2.3 Effect of Sales Promotion on consumer buying behavior***

Sales promotion lead to different responses from different consumers, according to each individual characteristic (Shi, Cheung, & Prendergast, 2005) though the overall consumers' attitude towards sales promotion activities is positive (Osman, Fah, & Foon, 2011). Gilbert and Jackaria (2002) reported brand switching, purchase acceleration, product trial, stockpiling and brand loyalty as the most predominant effects on consumer buying behavior. Studies of Santini et al. (2016) confirmed the prediction that sales promotion would have a positive influence on consumers' purchase intentions and on brand loyalty, corroborating other previous studies whose results indicate positive relationships between these factors (Omotayo, 2011).

Purchase intention is an individual conscious plan to make an effort to purchase a product or a service (Younus, Rasheed, & Zia, 2015). There are many factors influencing the consumer's buying intention while selecting the product, but the ultimate decision depends on consumers' personal intention with large external factors. The research conducted by Satish and Peter (2004) argues that knowledge about the product by the consumer plays an integral role during product purchase decision but additional factors according to Younus, Rasheed, and Zia (2015) such as perception of consumers, product packaging or design, perception of purchase benefits and word-of-mouth also intended to purchase intention.

Word-of-mouth (WOM) is defined as any positive or negative statement made by customers' experiences about a product or a company, at which positive word-of-mouth typically motivates brand purchase whereas negative word-of-mouth generally reduces purchase intentions (Baker, Donthu, & Kumar, 2016). Cheung and Lee (2012) suggested that innovative consumers are active in WOM and posited that WOM is one of consumer participation and purchase intention is the extensive outcome variable of word-of-mouth. It is agreed upon in the literature that WOM is powerful and has a much greater impact on consumers than other forms of marketing communication (King, Racherla, & Bush, 2014).

Most types of sales promotion affect directly the decision-making and purchasing stages of the consumer buying process (Kwok & Uncles, 2005) working on a direct behavioral basis. By shortening the decision process during purchase, promotional techniques guide consumers towards a specific product providing them the relevant information and the opportunity to try the product.

Bagozzi and Dholakia (1999) reported consumers' purchasing decisions as goal-oriented, being consumption goals categorized into utilitarian and hedonic (Hirschman & Holbrook, 1982). Consumers aimed for utilitarian consumption are more goal-oriented (Strahilevitz & Myers, 1998), searching for quantifiable and justifiable benefits of the purchasing (Kivetz & Simonson, 2002) able to satisfy their needs, involving practical or necessary products. Antagonistically, consumers with hedonic goals are more pleasure-oriented (Strahilevitz & Myers, 1998), making decisions based on their feelings and emotions, emphasizing fun, sensual pleasure and enjoyment on their purchasing choices, involving products that are luxurious or frivolous (Kivetz & Zheng, 2017).

#### ***2.4 Benefits of Sales Promotion***

According to many researchers, sales promotion can provide benefits such as mental satisfaction (Chandon et al., 2000), self-perception (Schindler, 1992), entertainment (Hirschman & Holbrook, 1982) and enjoyment of the shopping task (Reid, Thompson, Mavondo, & Brunso,

2015) based on intentions and values (Liao, Shen, & Chu, 2009). The most noticeable benefits are concerning to monetary savings, but sales promotion can also appeal the desire for quality and entertainment (Babin, Darden, & Griffin, 1994). Chandon et al. (2000) further classified these benefits as either utilitarian or hedonic. Regarding utilitarian benefits, sales promotion enables consumers to maximize their shopping utility function, economy and efficiency, being relatively tangible and primarily functional (Kwok & Uncles, 2005). Chandon et al. (2000) classified utilitarian benefits as monetary savings, added value, higher product quality and improved shopping convenience, whereas Hirschman and Holbrook (1982) distinguished utilitarian benefits as reliability, lower price and convenience, that could be viewed as a means to an end value. For many scholars, the hedonic benefits provided by sales promotion are relatively intangible and more experiential (Kwok & Uncles, 2005) providing intrinsic stimulation (Liao, Shen, & Chu, 2009) and relate to self-expression, entertainment and exploration (Chandon et al., 2000), whereas to others the benefits include entertainment, fun and fantasy (Hirschman & Holbrook, 1982).

### ***2.5 Effect of demographics on consumer's deal-proneness***

Previous research on sales promotion attempted to analyze the deal-prone consumer according to demographic and psychographics traits (Rishi & Singh, 2012). Webster (1965) conducted one of the first studies testing the correlation of deal proneness and demographical variables, in particular the family size. Demographic factors, such as gender, age, income and education, describe a population in terms of its structure (Dastidar, 2016). Bawa, Srinivasan and Srivastava (1997) linked utilitarian and hedonic benefits of sales promotion to demographic and psychographic characteristics of consumers and the consequent reactions to promotions. Kwon and Kwon (2007), Carpenter and Moore (2008) tested the deal proneness according to gender variables. Recent studies of Dastidar (2016) shown a tendency of younger consumers to have greater deal proneness than older consumers.



Studies conducted by Marais, Klerk, and Dye (2014) investigated the effectiveness of sales promotion techniques among South African Generation Y indicating an overall positive attitude towards the use of sales promotion. Generation Y are positive towards free samples and buy-one-get-one-free promotions, preferring less coupons.

### ***2.5.1 Generational Cohorts***

According to many marketers, generational cohorts are a more advantageous way of segmentation instead of using age. Notwithstanding, research on consumers' shopping behavior of generational cohorts is limited (Lissitsa & Kol, 2016).

Generational Cohort Theory postulates that people born in the same period have similar attitudes and values by sharing certain life experiences (Brosdahl & Carpenter, 2011). Generational cohorts are developed based on environmental events experienced that create values that remain relatively unchanged throughout ones' life (Parment, 2013).

Brosdahl and Carpenter (2011) classified different generational cohorts as Baby Boomers (born between 1943 and 1960), Generation X (born between 1961 and 1981) and Generation Y (born after 1982 and 2000). Parment (2013) argues that different generational cohorts have different values, preferences, and shopping behaviors, being Baby Boomers and Generation Y of high interest to research, due to their size, lifestyle and high purchasing power.

### ***2.5.2 Generation Y in a consumption context***

Generation Y are defined to be born between 1982 and 2000 (Brosdahl & Carpenter, 2011), aged 17 to 35 in 2017. Generation Y members, also known as "*Millennials*" and "*Net Generation*" are the early adopters of new services and products and the most energetic consumer group in online shopping, relying on word-of-mouth and reviews (Ordun, 2015).

Generation Y is insert in a materialistic society seeking more for a status consumption as a mean of displaying purchasing power and wealth (Eastman & Liu, 2012). Although Millennials

spend less emphasis on physical examination of products (Ordun, 2015) and made decisions faster (Lisssitsa & Kol, 2016), they usually take prior research on the purchasing decisions, focus greatly on technical information (Rahulan, Troynikov, Watson, Janta, & Senner, 2015) and rely on others' opinions. In fact, consumers inserted in Gen Y consider themselves as rationally-oriented, making them more aware and suspicious of marketing tactics compared to pre-generations, being the features of the products and the price more important than brand names (Phillips, 2007).

The conducted literature review suggests that contemporary research has not studied the effectiveness of sales promotion among generational cohorts, namely the Generation Y, leading a wisdom study gap between the latest research status-quo and the current managerial practices. Scant research has been undertaken to clarify deal-prone consumers of different generations, not determining the reasons for the attitudes towards the sales promotion.

### **3. Research proposal**

Given the discrepancy aforementioned, this present suggested research aims to provide clarity in this topic. Thoroughly, the purpose of this research is to (1) overcome the gap between the latest research status-quo and the current managerial practices on sales promotion; (2) understand how sales promotion techniques are effective among consumers in advertising and promotion activities; (3) enhance the discussion of developing a new framework to facilitate the investigation of the effectiveness of sales promotion on consumer behavior, specifically among the Generation Y. With the aim to meet these stated objectives and purposes, the main research question shall be formulated as follows “*Are sales promotion techniques effective tools among Generation Y consumers?*”. In order to analyze and answer this question, it is utilized the “*Multibenefit Framework of Sales promotion*” proposed by Chandon et al. (2000) along with three hypotheses stated in the following.

The aforementioned framework is one of the most robust models in marketing in sales promotion context as it is commonly found in academic literatures, being the reason for the choice. The model is based on the principle that the effectiveness of sales promotion is dependent of its benefits – utilitarian or hedonic. More specifically, this model indicates that one of the benefits of sales promotion for the consumers is the monetary savings they provide (the saving benefit); it also enables consumers to upgrade to higher-quality products by reducing the price of otherwise unaffordable products (the quality benefit); by advertising its promotional status, sales promotion can improve shopping convenience (the convenience benefit) by reducing consumer search and decision costs. Furthermore, sales promotion can enable consumers to reaffirm their personal values and enhance their self-perception of being smart shoppers (the value expression benefit) and by creating an everchanging shopping environment and funny moments (the entertainment benefit), it can provide stimulation, exploration and help fulfill consumers' needs for information (the exploration benefit). Chandon et al. (2000) argued that sales promotion effectiveness is determined by the utilitarian and hedonic nature of the benefits it delivers and by the congruence of the promoted products with the respective benefits. Utilitarian benefits correspond to monetary savings, the quality and the convenience benefits, whereas the hedonic benefits are value-expression, entertainment and exploration benefits.

According to studies of Hirschman and Holbrook (1982) and Kivetz and Simonson (2002), utilitarian purchases are typically motivated by basic needs involving necessary products. Utilitarian consumption aims to maximize shopping efficiency that is manifested by convenience, product offerings, monetary savings and product information (Chiu, Wang, Gang, & Huang, 2014). Therefore, it is believed that the perception of utilitarian benefits has positive influence on the purchase intention of a product on offer. Nevertheless, studies such as those conducted by Chandon

et al. (2000), Kwok and Uncles (2005), and Kivetz and Zheng (2017) have linked the benefits of utilitarian benefits to sales promotion.

The perception of the opportunity to achieve a financial gain will make consumers more interested in a promoted product (Amara & Kchaou, 2014). Due to the increase in their price sensitivity over the last years as a result of the competitive marketplace, consumers pay more attention and increase their purchasing behavior when they notice there is a price reduction on the potential products they want to buy (Jean & Yazdanifard, 2015). Therefore, by providing perceptions of monetary savings by lowering the unit price of the promoted products, or providing refunds or rebates, sales promotion can attract the consumer to purchase the product at the specific moment. Thus, it is hypothesized that:

***H<sub>1a</sub>: The perception of monetary savings influences positively the product's purchase intention on sales promotion among Generation Y.***

Additionally, a rational consumer is more likely to make comparison between the quality and the price of the products before making the purchase behavior, being more likely to purchase the high-quality brand during sales promotion (Jean & Yazdanifard, 2015). Sales promotion allow consumers to buy high quality products by reducing the other expensive products (Chandon et al., 2000). For this reason, it is believed that:

***H<sub>1b</sub>: The perception of high quality product benefit influences positively the product's purchase intention on sales promotion among Generation Y.***

Sales promotion can help consumers to find the product they want or by reminding them a product they need to buy by providing them an easy decision heuristic for purchase intention. Therefore, it can improve shopping efficiency by reducing search costs (Chandon et al., 2000). As a result, sales promotion can provide a justification for the purchase by reducing the scope of its decision-making process. Therefore, it is conjectured that:

***H<sub>1c</sub>: The perception of improved shopping convenience benefit influences positively the product's purchase intention on sales promotion among Generation Y.***

The next hypotheses suggest a relationship between hedonic perception of the benefits of the products on offer and the purchase intention of those products. The concept of hedonic consumption and the intrinsic perceived hedonic benefits of a purchase also suggested by Hirschman and Holbrook (1982) indicates a symbolic meaning, and emotional excitement of consumption. Studies of Schindler (1992) demonstrate that sales promotion not only provide financial gain but also emotional effect, corresponding to hedonic benefits, allowing to explain consumers' reaction to specific sales promotion campaigns. The need for pleasure and excitement can be provided by the discount promotion, being an inducer of the pursuit of personal gratification (Babin et al., 1994).

According to Schindler (1992), getting a good deal is an expression of the ego function allowing the consumer to socially manifest their capacity to intelligently buy. Sales promotion can boost consumers' self-perception of being clever buyers by providing them good deals. Consequently, it is believed that consumers respond to sales promotion to express and enhance their sense of themselves as smart shoppers (Chandon et al., 2000). Thus, it is stated:

***H<sub>2a</sub>: The perception of opportunity for value-expression influences positively the product's purchase intention on sales promotion among Generation Y.***

The literature on hedonic consumption assumes that the enjoyment and fun are often associated with shopping in promotion experiences (Amara & Kchaou, 2014). Many sales promotion tools, such as sweepstakes and contests are intrinsically fun to watch and to participate in, encompassing both the reactive aesthetic values and active play (Chandon et al., 2000). Based on this evidence, it is hypothesized that:

***H<sub>2b</sub>: The perception of entertainment benefits influences positively the product's purchase intention on sales promotion among Generation Y.***

Because sales promotion is constantly changing, and because they attract consumers' attention, they can fulfill intrinsic needs for exploration, information and variety (Chandon et al., 2000). Trying new products or seeking information to meet the needs of cognitive simulation are examples of consequent exploratory behavior. Based on these arguments, the following hypothesis is proposed:

***H<sub>2c</sub>: The perception of exploration benefits influences positively the product's purchase intention on sales promotion among Generation Y.***

According to previous literature review, Millennials' reliance on word-of-mouth and reviews suggests that positive and negative buzz can have a multiplier effect on their purchases. Studies of Younus et al. (2015) demonstrated an influence of word-of-mouth on consumers' purchase intention. King et al. (2014) confirmed WOM not only influences consumer purchase behavior, but also the outcome of consumer purchases. Knowing others' opinions is helpful for consumers by making them feel more confident on purchase decision, as WOM is an honest unpaid opinion from previous customer (Sa'ait, Kanyan, & Nazrin, 2016). Therefore, the future consumer will be more reliable and trustable than the product or services advertisement itself.

The extant literature indicates that Generation Y is expected to be high prone to deals, supposing the possibility that word-of-mouth influences their proneness to sales promotion and to buy a specific product on sales based on others' opinions and comments. Therefore, it is stated:

***H<sub>3</sub>: Word-of-mouth (WOM) influences product's purchase intention on sales promotion among Generation Y.***

To guarantee an accurate fit between the intended measures and the setting of this research, it is proposed the following conceptual model:

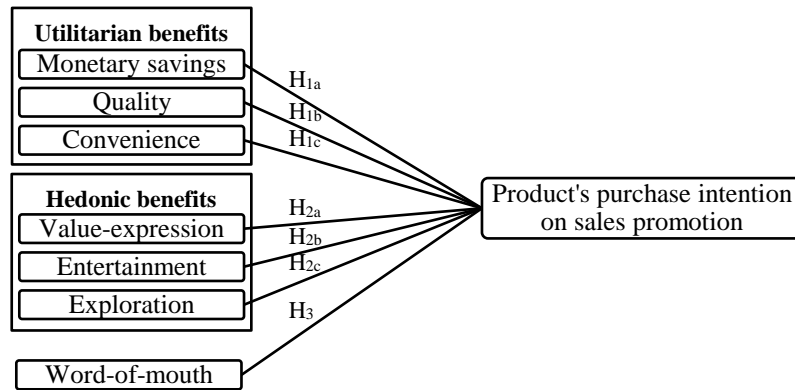


Figure 1. Generic proposed model of sales promotion benefits, word-of-mouth and purchase intention being tested. Adapted from “Multibenefit Framework of Sales promotion”, by Chandon et al. (2000).

## 4. Method

### 4.1 Participants and procedure

The target population relevant to this study was Generation Y people, aged between 17-35. The survey was distributed via the social networking platform Facebook and by email, inviting to take a 5-minute study. The platform Qualtrics was used to create and distribute the survey, which was filled out anonymously by the respondents. Additionally, the questionnaire was also physically applied in higher education schools. The data set included a wide range of questions encompassing attitudes, opinions, interests and shopping habits regarding promotions.

In order to check for logical errors, mistakes or possible misunderstandings, the questionnaire instrument was pretested to avoid comprise systematic errors that would bias the findings and the analysis of the results, although the close-ended questions were previously validated derived from relevant literature.

A total of 577 respondents participated in the questionnaire in a total of 24 different nationalities, being the total universe of valid questionnaires of 564 due to unanswered questions. Regarding the demographic characteristics of the respondents, it was observed that the younger consumers of the target population of 17-35 years (Generation Y) constitute the majority of the sample, being the most predominant age of 19 years-old (21.6%). The representation of the males

(33.9%) is smaller in the sample as compared to females (67.1%). Occupation-wise analysis revealed that students (89.3%) dominate the sample compare to other. All the respondents had already bought products on sales promotion and the majority buys frequently (57.3%) products on sales. Concerning the preferences regarding the sales promotion techniques, price reduction (mean = 4.19 (out of 5); std. deviation = .797) and product samples (mean = 3.02; std. deviation = 1.179) scored more against other techniques, at which Generation Y prefer less sweepstakes and contents (mean = 2.23; std. deviation = 1.009) and loyalty reward program (mean = 2.59; std. deviation = .977).

#### ***4.2 Measure development***

The questionnaire was developed out of the conducted theoretical foundation from the literature review with some alterations to properly fit the environment of the study. It started with a dichotomous variable asking the respondents whether they had previously experiences of buying products on sales promotion at which, in case of positive answer, questions on purchasing frequency and the preference for the type of promotional tools were proposed.

To measure and validate the effectiveness of sales promotion derived from respondents' answers, it was followed Churchill's (1979) scale development paradigm. The independent variables to evaluate promotional effectiveness are *monetary savings, quality, convenience, value-expression, entertainment and exploration*. All of them were evaluated on a 5-point Likert scale, anchored by "(1) *Strongly disagree*" and "(5) *Strongly agree*" adopted from Chandon et al. (2000). The variable of the influence of Word-of-mouth (WOM) was personally developed and measured on a 5-point Likert scale, ranging from "(1) *Strongly disagree*" and "(5) *Strongly agree*". The effectiveness of sales promotion, the dependent variable, was measured by the variable *Purchase intention* evaluated on a 5-point Likert scale ranging from "(1) *Strongly disagree*" and "(5) *Strongly agree*" based on Dao et al. (2014), as shown in Table 1.



Besides, respondents were also requested to fill out demographical informational about age, gender, occupation and nationality. SPSS 21.0 was used for reliability and validity tests and exploratory factor analysis. AMOS 25.0 was used for confirmatory factor analysis and structural equation modeling.

Table 1.  
*Measurements and respective sources*

<b>Variables</b>	<b>Measurements</b>	<b>Source</b>
Utilitarian consumer benefits of sales promotion		
<b>Savings</b>	Q4.1. I really save money	Chandon et al. (2000)
	Q4.2. I feel that I am getting a good deal	
	Q4.3. I really spend less	
<b>Quality</b>	Q4.4. I can have a higher-quality product at the same price	Chandon et al. (2000)
	Q4.5. I can afford a better than usual product	
	Q4.6. I can upgrade to a better brand	
<b>Convenience</b>	Q4.7. Sales promotion remind me that I need the product	Chandon et al. (2000)
	Q4.8. Sales promotion make my life easy	
	Q4.9. I can remember what I need	
Hedonic consumer benefits of sales promotion		
<b>Value expression</b>	Q4.10. I feel good about myself when I purchase the product with sales promotion	Chandon et al. (2000)
	Q4.11. I can be proud of my purchase	
	Q4.12. I feel like I am a smart shopper	
<b>Entertainment</b>	Q4.13. Sales promotion are fun	Chandon et al. (2000)
	Q4.14. Sales promotion are entertaining	
	Q4.15. Sales promotion are enjoyable	
<b>Exploration</b>	Q4.16. I feel like trying new brands	Chandon et al. (2000)
	Q4.17. I can avoid always buying the same brands	
	Q4.18. I can get new ideas of things to buy	
Purchase intention and Word-of-mouth		
<b>Purchase intention</b>	Q5.1. I will definitely buy products on sales promotion in the near future	Dao et al. (2014)
	Q5.2. I intend to purchase products on sales promotion in the near future	
	Q5.3. It is likely that I will purchase products on sales promotion in the near future	
<b>Word-of-mouth</b>	Q6.1. Recommendations and opinions from other have impact on my purchase intention	Personal development others
	Q6.2. I would buy a product on sales promotion if it is recommended by others	
	Q6.3. It is very likely that I will buy a product on sales promotion if recommended by others	

*Note.* Source: Personal Elaboration.

## 5. Results

In this section, it was presented the results obtained when applying the validity and reliability analysis of the scales and the conducted exploratory and confirmatory factor analysis.

Confirmatory factor analysis was used to estimate the measurement model regarding convergent and discriminant validities. Afterwards, structural equation modeling was designed, and research hypotheses were tested.

### ***5.1 Reliability and validity***

The reliability of the constructs was assessed by the analysis of Cronbach's coefficients alpha. Cronbach's coefficient alpha consists of how much variation in scores of different variables is attributed to random or chance errors (Sellitz et al., 1976). As a general accepted rule, a coefficient equal or greater than .7 is considered acceptable and a good indication of construct reliability (Nunnally, 1978) and the lower limit of acceptability is .6. The Cronbach's alpha for Purchase intention in this study was equal to .873, WOM to .782 and for the remaining Savings (.628), Quality (.732), Convenience (.717), Value-expression (.762), Entertainment (.807), Exploration (.770), indicating overall reliable measures.

### ***5.2 Exploratory factor analysis***

In the beginning stage of analysis, exploratory factor analysis has been conducted using Principal Component Approach with a varimax rotation. Regarding this analysis, the results of KMO (.811) and Bartlett's test of sphericity (3338.237;  $p < .000$ ) indicate that the present data are appropriate for factor analysis for the hedonic and utilitarian benefits. In this analysis, only the factors having eigenvalues greater than 1 were considered significant and rotated factor loadings of .43 or greater were required. Initially 18 items were identified; due to items loading on multiple factors, only 6 factors were retained after the analysis, at which these six factors explained 68.032% of the total variance. The factors were Savings (3 items), Quality (3 items), Convenience (3 items), Value expression (3 items), Entertainment (3 items) and Exploration (3 items). Out of these six factors, the benefit of value-expression explains most (27.649%) and monetary savings least of the total variance explained (5.987%), as shown in Table 2.

Table 2.  
Results of Exploratory Factor Analysis for the hedonic and utilitarian benefits

Dimensions	Questions (Items)	Component						Cronbach's alpha	Means	St. deviation
		1	2	3	4	5	6			
Value expression	Q4.11	.837						.762	3.44	.797
	Q4.10	.768							3.51	.867
	Q4.12	.663							3.54	.822
Entertainment	Q4.14		.865					.807	3.64	.834
	Q4.15		.819						3.78	.763
	Q4.13		.702						3.30	.882
Exploration	Q4.17			.857				.770	3.48	.839
	Q4.16			.800					3.54	.941
	Q4.18			.733					3.27	.897
Quality	Q4.5				.847			.732	3.51	.848
	Q4.6				.795				3.64	.790
	Q4.4				.723				3.61	.853
Convenience	Q4.9					.868		.717	2.56	.962
	Q4.7					.853			2.72	1.003
	Q4.8					.438			3.28	.873
Savings	Q4.1						.820	.628	3.81	.728
	Q4.3						.811		3.67	.774
	Q4.2						.459		3.87	.599
	% of Variance	27.649	10.300	9.784	7.603	6.711	5.987			
	% Cum	27.649	37.949	47.732	55.335	62.046	68.032			

Similarly, the exploratory factorial analysis for the purchase intention's variable resulted on a KMO equal to .727 and Bartlett's test of sphericity of 886.687 ( $p < .000$ ), indicate that the present data were appropriate. There were identified 3 items with one factor that explained 80.009% of the total variance. The factorial analysis for the word-of-mouth revealed a KMO of .650 and Bartlett's test of sphericity equal to 580.593 ( $p < .000$ ) and there were identified 3 items with one factor, explaining 70.292% of the total variance.

### 5.3 Confirmatory factor analysis

In order to test the validity of the measurement model, Confirmatory Factor Analysis (CFA) using AMOS 22 was conducted. The results obtained from the analysis and from the Modification Indices suggested an improvement of fit between the data and the model from the original model ( $\chi^2 = 545.629$ , degree of freedom = 224,  $p = .000$ , Goodness-of-index (GFI) = .924, Comparative

fit index (CFI) = .935, Tucker-Lewis index (TLI) = .920, Normalized fit index (NFI) = .896, Root mean square of approximation (RMSEA) = .051) by the elimination of one construct. Item Q4.8 was identified as a potentially problematic item contributing to model misfit, according to Modification Indices. Therefore, the Q4.8 item was removed from further analyses. The resultant model provided a good fit to the data ( $\chi^2 = 411.140$ , degree of freedom = 202,  $p = .000$ , Goodness-of-index (GFI) = .939, Comparative fit index (CFI) = .956, Tucker-Lewis index (TLI) = .944, Normalized fit index (NFI) = .917, Root mean square of approximation (RMSEA) = .043), at which all the fit indices comply with the values recommended by Hair et al. (2010).

### ***5.3.1 Testing for Reliability, Convergent and Discriminant Validity***

Table 3 reports the CFA results as well as Average Variance Extracted (AVE) and Composite Reliability (CR) as essential indicators for reliability of the constructs. AVE ranged from .38 to .70 and CR from .65 to .88, ensuring considerable fit between the latent factors and the underlying items. The AVE values except for Savings were great than .5, meaning that less error remains in the items than variance explained by the latent factor structure imposed on the measure. The CRs values except for Savings were great than .7, at which high construct reliability indicates there is internal consistency, implying that the measures consistently represent the same latent construct. The discriminant validity of the measurement model was checked by comparing the average variance extracted with the squared correlations of the constructs (Fornell & Larcker, 1981), at which the AVE exceeded the squared correlations for all the constructs. Therefore, reliability, convergent and discriminant validity were supported.

Table 3.  
Results of Confirmatory Factor Analysis (CFA)

Items	Estimate	t-value	SMC	AVE	CR
Q4_6 <-- Quality	.679	11.365	.461	.498	.745
Q4_5 <-- Quality	.831	11.213	.691		
Q4_4 <-- Quality	.585	-	.343		
Q4_9 <-- Convenience	.802	9.934	.643	.626	.770
Q4_7 <-- Convenience	.780	-	.609		
Q4_12 <-- Value_expression	.577	12.749	.333	.546	.779
Q4_11 <-- Value_expression	.834	16.822	.695		
Q4_10 <-- Value_expression	.781	-	.610		
Q4_15 <-- Entertainment	.780	15.750	.608	.599	.817
Q4_14 <-- Entertainment	.839	16.240	.704		
Q4_13 <-- Entertainment	.697	-	.486		
Q4_3 <-- Savings	.678	9.626	.460	.384	.645
Q4_2 <-- Savings	.470	8.248	.220		
Q4_1 <-- Savings	.686	-	.471		
Q4_18 <-- Exploration	.686	13.631	.470	.532	.773
Q4_17 <-- Exploration	.734	14.133	.539		
Q4_16 <-- Exploration	.765	-	.585		
Q6_3 <-- WOM	.840	12.319	.706	.582	.800
Q6_2 <-- WOM	.866	12.229	.750		
Q6_1 <-- WOM	.538	-	.289		
Q5_3 <-- Purchase Intent	.779	20.823	.607	.704	.877
Q5_2 <-- Purchase Intent	.895	23.838	.801		
Q5_1 <-- Purchase Intent	.840	-	.706		

Note. SMC: Squared Multiple Correlations; AVE: Average Variance Extracted; CR: Composite Reliability.

#### 5.4 Structural Equation Modeling

In order to infer the validity of the proposed model and the hypotheses, Structural Equation Modeling (SEM) was run. SEM provide a straightforward method of dealing with separate multiple regression simultaneously, assessing the relationships comprehensively and enables a transition from exploratory to confirmatory analysis. The considered *exogenous* latent constructs were Savings, Quality, Convenience, Value-expression, Entertainment, Exploration and Word-of-mouth and Purchase intention was considered the *endogenous* variable. The results indicate a good fit of the proposed model with data ( $\chi^2 = 411.140$ , degree of freedom = 202,  $p = .000$ , Goodness-of-index (GFI) = .939, Comparative fit index (CFI) = .956, Tucker-Lewis index (TLI) = .944, Normalized fit index (NFI) = .917, Root mean square of approximation (RMSEA) = .043),

indicating goodness of the model, thereby providing a supportive basis for testing the hypothesized paths.

Figure 2 illustrates the variance explained ( $R^2$ ) and the path coefficients ( $\beta$ ) of hypothesized relationships.

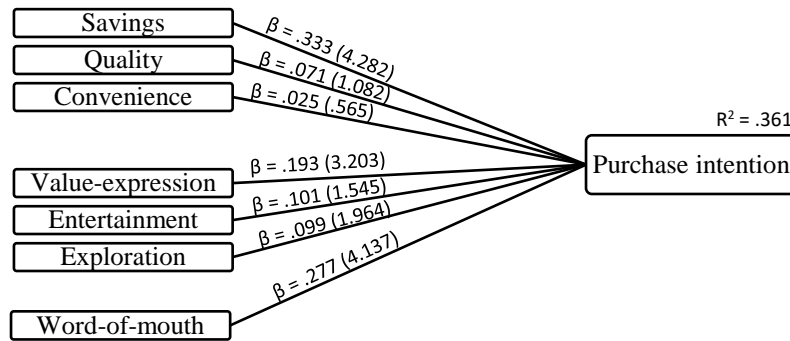


Figure 2. Results from SEM (Structural Equation Modeling).

### 5.5 Testing Hypotheses

In order to test the hypotheses, hypothesized relationships among the latent constructs were accepted or rejected by examining the structural model using significant coefficients, as exposed in Table 4.

From  $H_1$  to  $H_2$  hypotheses was postulated the impact of two perceived benefits (utilitarian and hedonic) on purchase intention of products on sales. From the analysis of the results, it is noted that Purchase intention is influenced by Savings ( $\beta = .333, t = 4.282$ ) and Value-expression ( $\beta = .193, t = 3.203$ ).

The next hypothesis  $H_3$  stated the association between purchase intention and word-of-mouth. Results ( $\beta = .277, t = 4.137$ ) support the hypothesis indicating that positive word-of-mouth affect purchase intention in a positive path. Thus, these three hypotheses were accepted, with 36.1% of total variance in purchase intention being explained by the seven variables.

Table 4.

***Influence of the perception of Utilitarian and Hedonic benefits of sales promotion and WOM on products' purchase intention***

Hypothesis	Path	Path coefficient	t-value	p-value	Acceptance
H <sub>1a</sub>	Savings → Purchase intention	.333	4.282	***	✓
H <sub>1b</sub>	Quality → Purchase intention	.071	1.082	.279	✗
H <sub>1c</sub>	Convenience → Purchase intention	.025	.565	.572	✗
H <sub>2a</sub>	Value-expression → Purchase intention	.193	3.203	.001	✓
H <sub>2b</sub>	Entertainment → Purchase intention	.101	1.545	.122	✗
H <sub>2c</sub>	Exploration → Purchase intention	.099	1.964	.50	✗
H <sub>3</sub>	WOM → Purchase intention	.277	4.137	***	✓

Note. \*\*\* p < .001

## 6. Discussion

The current study analyzed the effects of the perception of utilitarian and hedonic benefits of sales promotion and word-of-mouth on Generation Y's purchase intention. Findings revealed that while word-of-mouth and both utilitarian and hedonic benefits may influence Millennials' consumers purchasing intention, not all testes relationships were supported. In detail, only the relationship between Savings and Purchase intention, the relationship between Value-expression and Purchase intention and the relationship between Word-of-mouth and Purchase intention were supported. These findings increase understating of consumers' shopping motivation and the influence of others' opinions on buying behavior.

The perception of monetary savings is strongly associated with purchase intention, supporting studies of Chandon et al. (2000), Jean & Yazdanifard (2015) and Amara & Kchaou (2014), while the perception of upgrading to high-quality products seems not to induce Millennials to buy the product on offer. For many shoppers, especially in harder economic times, the access to lower prices overwhelms the desire to increase the quality of products they can access for the same price (Reid et. al, 2015).

This contradicts the studies of Chandon et al. (2000), Hirschman and Holbrook (1982) and Jean & Yazdanifard (2015) who assume that promotions can reduce budget constraints and enable consumers to upgrade to high-quality brands and products, making them buy the product on offer. Several explanations can be forwarded. Millennials can infer from the promotion lower product quality, which justifies why they are not prone to buy it. Furthermore, buying a higher quality product than usual, can involve spending more money than the previous common purchases.

The shopping convenience benefit proposed by Chandon et al. (2000) seems not to elicit Generation Y consumers' buying behavior in the sense that promotions may not lead to reduction of search and decision costs. This might be due to the inefficient brand visibility at the point of purchase not signaling efficiently the product price, quality and its intrinsic benefits. Moreover, it may not reduce the search costs, in a manner that it does not provide a simple justification for the choice of the promoted product, not providing consumers with an easy decision heuristic for purchase.

The perception of opportunity for value-expression appears to influence product's purchase intention, supporting previous studies of Schindler (1992) and Chandon et al. (2000). Millennials consider themselves as rationally-oriented and seek for a status consumption so that they respond to sales promotion to express and enhance their sense of themselves as smart-shoppers and earn social recognition or affiliation.

The perception of benefits of promotion was not considered to generate emotion, excitement or entertainment able to encourage Millennials to purchase the promoted product, not corroborating studies of Chandon et al. (2000) and Amara & Kchaou (2014). Customers of Generation Y appeared to be conservative, uncertainty-avoidant and not predisposed to participate in sweepstakes and contests. Indeed, contests and sweepstakes related to nonmonetary type of sales promotion was the less preferred tool.



The results also demonstrated that Millennials do not perceive exploration benefits from promotions, as stated by Chandon et al. (2000). The competitive in-store environment and the relative short-term nature of promotions are not being able to attract the attention of these generation who search to fulfil the need for exploration, stimulation and variety seeking. Responding to in-store promotion may require Millennials to make unplanned purchases, abandoning the initial shopping plans (Reid et. al., 2015). As Millennials take prior research on the purchasing decisions (Rahulan et al., 2015), unplanned purchases in a promotional campaign may not fulfil the need for exploration and therefore do not influence their potential buying decision.

The observed results also shown that word-of-mouth would affect consumer purchase intention. The results are consistent with conceptualization and supports findings of King et al. (2014) and Younus et al. (2015). Millennials usually take previous research, relying on others' opinions and comments so that word-of-mouth, in particular positive word-of-mouth would influence their predisposition to get the deal.

### **7. Managerial and Theoretical implications**

The results derived from this research have several implications that would be beneficial to marketers, consumers and future research. In fact, marketers can have a better understanding of Millennials' buying behavior so that they can predict better the wants and needs of potential consumers, aligning the right and the most effective promotion technique to attract customers. By this, companies could minimize costs and maximize their profits by having the precise marketing strategies. Nevertheless, companies should manage monetary savings benefits complemented by the management of value-expression dimension, providing to Millennials appellative promotions highlighting the price benefit of savings and making them perceive they are getting a good offer boosting their self-perception of being clever buyers. Moreover, the results could be beneficial for

marketers to carefully consider how to implement WOM marketing campaigns as well as how to design products and advertising able to increase WOM and attract potential consumers.

In a consumer's perspective, the research lead consumers to be more aware to make careful analysis before deciding what to buy. With respect to academicians, the current research could serve as a reference and may provide some guides for future studies related to the topic. The findings from this study extend prior research results by study through a framework the main benefits Generation Y values most and how word-of-mouth impacts consumers' buying behavior in promotional marketing campaigns.

### **8. Limitations and suggestions for future research**

In this research, the sample size has not tuned out to be equal, particularly in terms of age, gender, nationality and employment situation. Future research may study with heterogeneous sample size in terms of demographic characteristics and income parameters and family structure may be studied. Since markets are dynamic, a longitudinal research design could be pertinent in identifying the shifting behaviors and preferences of sales promotion techniques over time.

This research does not examine the effectiveness of sales promotion on other observable consumer responses such as impulse buying behavior, brand switching and brand loyalty. Future research can be taken up to identify other factors of purchase intention of a product on sales. In addition, future research could also analyze other factors that would encourage consumers to recommend a product or a service to other in question through favorable word-of-mouth-promotion. Moreover, it could be interesting analyze the influence of the electronic word-of-mouth (eWOM) in the context of online shopping.

The findings are also limited by the omission of specific product and promotion categories, what could alter the experiences and feelings of the respondents. By this, future studies should

focus on the effectiveness of promotions for specific sectors and product categories, for instance for fast moving consumer goods, durable goods and for monetary and non-monetary promotions.

Future research into this area should examine the influence of word-of-mouth, hedonic and utilitarian motives in culturally distinct market segmentations and even from different Generations. Perhaps it would be interesting to compare the effectiveness of sales promotion between Generation Y and Baby Boomers (the parents of the Millennials generation). Also, the model could be replicated to identify cross-cultural similarities and differences.

## **9. Conclusion**

Sales promotion are considered one of the most effective tools for influencing consumer buying behavior and persuading consumers to purchase a specific product or brand. The findings of this study revealed that Millennials have an overall positive attitude towards the use of sales promotion techniques, being particularly positive towards price reduction (monetary-based promotion) and product samples (nonmonetary-based promotions). The results of this study also demonstrate that Generation Y is influenced by others' opinions and their perception of monetary savings (as a part of utilitarian benefits) and opportunities for value-expression (as a part of hedonic benefits) provided by sales promotion elicit buying behavior of products on sale. Hopefully, this study will inspire further research to better understand this thematic and marketers should be aware of consumers' preferences to utilize accurate marketing strategies to encourage frequency and loyalty together with satisfaction of their customers.

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