

# **Point of Sales Promotions and Buying Stimulation in Retail Stores**

(Keywords: Sales promotion, shopping arousal, store loyalty, buying behavior, retailing, customer relations)

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**Working Paper # 2008-03-MKT**



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July 2008

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### **Acknowledgement**

Author acknowledges the support provided by Amritanshu Rajagopal, student of Industrial and Systems Engineering of ITESM, Mexico City Campus in data collection, translation of questionnaires in Spanish language, computing the data and developing Tables in this study.

## **Abstract**

This paper analyzes drivers of compulsive buying behavior induced by store based promotion through empirical investigation in Mexico. The buying behavior in reference to point of sales promotions offered by retailing firms and determinants of sensitivity towards stimulating shopping arousal and satisfaction among customer in building store loyalty have been discussed in the paper. This study also builds arguments around convergence of attractiveness of point of sales promotions and effectiveness of customer services as a tool for gaining competitive advantage in the retail business environment. The results indicate that point of sales promotion programs have become the principal tool of retailing in Mexico to acquire new customers and retain the loyal customers. It is also found during the study that loyal customers are attracted to the store brands during the promotional offers while new shoppers are price sensitive and are attracted by the in-store ambience of sales promotions and volume discounts.

## Introduction

A common observation about self-service retail stores is the *similitude* among in-store ambience and retailing operations. Hence, self service retail stores are increasingly using point of sales promotional activities to drive buying stimulation among consumers through redeemable coupons corresponding to the value of purchase. Such promotional strategy and market dominance have significant implications on the volume of sales and inflow of consumers in retail stores (Parsons and Ballantine, 2004). The prospective customers have objective to buy at the right time so as to minimize the expected price of the acquired item. However, point of sales promotions stimulates compulsive buying behavior among customer which dominates the buying decision despite comparative differences in the prices of alternate channels (Parlar *et al*, 2007). By making the attractive products accessible to customers at point of sales promotion, customers would be driven by the 'me too' feeling and preferential prices. The concept of point of sales promotion to create compulsive buying behavior is based on a brilliant understanding of the human mind and a smart way of increasing volume of store sales. Self service retail stores introduce electronic cash cards (ECC), shopping advantage cards (SAC) and bulk purchase price offers (BPP) as point of sales promotion to acquire new customers and retain existing customers (Rajagopal 2008, Coad, 2006).

Retailing firms build most profitable strategies through services differentiation and competitive advantages offering customers something new they value that other retail outlets don not have. Self service retail stores differentiate at every point of customer services and relationship from the moment customers express store loyalty. Large self service retail stores open up their promotion strategies to stimulate shopping behavior of customers and uncover new opportunities for them to gain long term benefits with the retail stores and stay loyal (MacMillan and Mcgrath, 1997). However, some firms have experienced that point of sales promotion activities can also backfire loudly and put reputations at risk if the tools of promotion such as ECC, SAC and BPP are not effectively managed. Since point of sales promotion has emerged as competitive strategy for retail firms, despite apparent risks managers are exploring the scope of acquiring and retaining customers. This strategy of point of sales promotions has helped large self

service retail stores to slash costs on advertising and publicity, increase volume of sales and sharpen their focus on core competencies (Johnson, 2006).

This paper attempts to analyze drivers of compulsive buying behavior induced by store based promotion through empirical investigation in Mexico. The role of point of sales promotions in stimulating arousal and satisfaction among customer and customer relationship management for building store loyalty have been analyzed in the paper. Also, acquiring new customers through innovative in-store promotions towards driving the compulsive shopping tendency and swaying store-brand loyalty through point of sales promotions in chain self service stores are discussed in the paper. This study builds arguments towards convergence of attractiveness of point of sales promotions and effectiveness of customer services as a tool for gaining competitive advantage in the retail business environment.

## **Review of Literature**

### *Point of Sales Promotions*

Large self service retail stores or supermarkets are potential outlets where customers experience innovative promotions on variety of products and services which drive the buying decisions. Among various promotional offers price discounts, free samples, bonus packs, and in-store display are associated with product trial. Trial determines repurchase behavior and also mediates in the relationship between sales promotions and repeat buying behavior (Ndubisi and Moi, 2005). Repeat buying behavior of customers is largely determined by the values acquired on the product. The attributes, awareness, trial, availability and repeat (AATAR) factors influence the customers towards making re-buying decisions in reference to the marketing strategies of the firm. The decision of customers on repeat buying is also affected by the level of satisfaction derived on the products and number of customers attracted towards buying the same product, as a behavioral determinant (Rajagopal, 2005). Among growing competition in retailing consumer products, innovative point of sales promotions offered by super markets are

aimed at boosting sales and augmenting the store brand value. Purchase acceleration and product trial are found to be the two most influential variables of retail point of sales promotions. It has been found that there exists significant association between the four consumer promotional approaches including coupons, price discounts, samples and *buy-one-get-one-free* and compulsive buying behavior (Gilbert and Jackaria, 2002). The occurrence and the choice of appropriate retail sales promotion techniques are important decisions for retailers. It is crucial for the retailing firms to apprehend the mechanisms involved at the consumer level regarding these sales promotions. Variables such as variety seeking, perceived financial benefit, brand loyalty and store loyalty towards point of sales promotions have specific influences on the buying behavior and volume of retail sales (Laroche et al, 2003).

Leisure shopping is influenced by time and attractiveness of sales offers which include variables *viz.* hours of work, public holidays, and paid leave entitlements, point of sales promotions and effectiveness of customer relations. These factors vary widely in reference to consumer segments and markets attractiveness and induce compulsive buying behavior among customers, which is judged by the satisfaction in spending and perceiving pleasure of buying occasionally exercising choice and passing time in knowing new products, services, technologies and understanding fellow customers (Watkins and Bond, 2007, Rajagopal 2007a). Retailers using a "store as the brand" strategy invest in creating a specific, unique shopping experience for their target customer and encourage leisure and group buying behavior where delivery of customer satisfaction seems to be an effective source of differentiation (Carpenter *et al*, 2005). Change-of-season sales are most frequently introduced with attractive sales promotions in reference to price discounts or two for one price basis and linked with objectives of moving a volume of stock. Retail promotional sales also include general sales, and these are linked with other promotional objectives and activities such as increasing profit and inventory management (Fam, 2003).

### *Compulsive Buying*

Compulsive buying is closely associated with the obsessive behavior of customers who orient to their mind to acquire certain products or services. There exists a close relationship between compulsive buyers and specific types of external stimuli such as sales promotions and bargains offered in the large self service retail stores. Customers who have a higher tendency to buy compulsively are more prone to promotions and are more likely to yield to innovative sales promotions in retail stores. Such customers have a greater likelihood to use promotion tools such as ECC, SAC and BPP offered by retail stores, and subsequently have a greater incidence of compulsive shopping (Vicdan *et al*, 2007). Clinically, compulsive buying is closely related to major depression, obsessive-compulsive disorder, and in particular, compulsive hoarding. Like compulsive hoarding, compulsive buying is thought to be influenced by a range of cognitive domains including deficits in decision-making, emotional attachments to objects and erroneous beliefs about possessions, and other maladaptive beliefs (Kyrios *et al*, 2004).

Five essential qualities of aesthetic judgment, which include *interest*, *subjectivity*, *exclusivity*, *thoughtfulness*, and *internality*, need to be nurtured among consumers to develop conviction in buying. The quality of aesthetic judgment driven by in-store aura and arousal on new products, exercised by the customers in association with the sales promoters, determines the extent to which new products and brands promoted enhance quality of life (Dobson, 2007). Convergence of sales promotion, customer's perceptions, value for money and product features drive arousal among customers. The nature of customer-retailer relationship functions as the key in selling and buying process in reference to in-store promotions. However, in this process the perceptual problems with customers can greatly devalue the customer-promoter relationship and brand as a whole (Platz and Temponi, 2007; Rajagopal, 2007b). Consumer appreciation of premium-based promotional offers is more positive when the premium is offered through an easy process and in combination of relatively lower quantity of products to purchase. It has also been

found that when value of the premium is mentioned and brand perception is positive compulsive buying tendencies are higher among customer (d'Astous and Jacob, 2002).

The in-store environment variables driving impulsive buying behavior include display of point of sales posters, exhibiting promoting discounts and cheaper prices, while the atmosphere engagement referring to enjoyment, elegance, and attractiveness is conveyed by in-store point of sales posters. Such behavioral drivers may also be referred as in-store promotional effect and atmospheric effect (Zhou and Wong, 2004). It has been observed in some studies that consumers who intend to do shopping in short notice, generally lean towards impulsive or compulsive buying behavior driven by arousal effect in the retail stores. Gender, age, leaning towards unplanned purchases, and tendency to buy products not on shopping lists, serve to predict compulsive tendencies (Shoham and Brencic, 2003). However, there are some common strategies adopted by retailers to overcome the problems of fickle consumers, price-slashing competitors, and mood swings in the economy. Such wishful thinking holds that sales promoters can thrive only if they communicate better with consumers during pre-purchase situations and assist in product demonstrations involving consumers to help their purchase decisions (Berry, 2001).

#### *Hispanic Consumers Shopping Behavior*

Human personality traits are determined by multi-dimensional factors like the individual's behavior, appearance, attitude and beliefs, and demographic characteristics. Based on the trait theory, researchers have concluded that there are five stable personality dimensions, also called the 'Big Five' human personality dimensions (Batra, Lehmann & Singh, 1993). The Big five factors include extraversion, agreeableness, conscientiousness, neuroticism and openness to experience. Relationship between the point of sales promotions and retail buying decisions is largely governed by the psychographic variables that can be measured broadly by the closeness and farness of the personalities of brand and customer. The type of relationship that customers possess with the point of sales promotions offered by retail stores is largely based on the loyalty levels (Rajagopal 2007a). The new generation marketing approaches include customer focused,



market-driven, outside-in, one-to-one marketing, data-driven marketing, relationship marketing, integrated marketing, and integrated marketing communications that emphasize two-way communication through better listening to customers and the idea that communication before, during and after transactions can build or destroy important brand relationships (Duncan and Moriarty, 1998). It has been observed that Hispanic consumers are sensitive to the price while making buying decisions and have higher tendency to buy compulsively, are more prone to promotions and are more likely to use online sales promotions (Vicdan *et al*, 2007).

Hispanic consumers are found to be attached firmly to the ethnic culture and tend to shop at the same store, especially those stores owned by members of the subculture and stores with Spanish-speaking salespeople (Saegert *et al*, 1985). Marketers reinforce the relationship between consumers and their stores by introducing periodical sales promotions. In general, Hispanic consumers show the tendency of buying products offered in sales promotions (Richins, 1994). In Latin America consumers' diversity is apparent and so is their attitude towards promotions. Consumers considered relative advantages in perceived price and product promotions, and preferred big-bargains offered by the retail stores to buy. Retailers accrued higher benefit from such buying behavior of consumers while defining their promotional strategies, especially emphasizing on every day low prices (EDLP) strategy like Wal-Mart (D'Andrea *et al*, 2006). Practically consumers react favorably to leisure sales campaigns of goods and services. However, customer value plays a decisive role in the shopping process. Sales promoters instill emotions among customers in terms of merchandise choice, visual merchandising, store environment, sales personnel attitude, pricing policies and promotional activities during the pre-purchase stage. These factors are the very foundations of consumer satisfaction and decision drivers towards buying products (Otieno *et al*, 2005).

### **Conceptual Motivation**

Point of sales promotion strategy towards prospecting new customers and generating shopping arousal among the existing customers through in-store ECC, SAC and BPP

involves impulsive and compulsive buying process. The effects of location convenience, one-stop shopping convenience, reputation of retail stores, in-store ambience, and direct mailings generate shopping arousal among the leisure shoppers. Satisfaction and trust developed by the retail stores during pre-purchase phase help persuading the sales promotions among customers (Liu and Wu, 2007). Consumers respond encouragingly to point of sales campaigns run by the self service retail stores in Mexico, however, customer services associated with point of sales promotions and perceived promotional advantage play a decisive role in the buying process (Rajagopal, 2006; Anselmsson, 2006). Information on the current point of sale promotion and previous experience of customer with the promotional offers of the retail store stimulate consumer feelings and prompt their decision towards experimenting new products on promotional offers (Backstrom, 2006). The strategy of point of sales promotion in acquiring new customers, retaining existing customer and increase the volume of sales by shopping arousal has been derived from the previous research studies reviewed in the pretext and exhibited in Figure 1.

//Figure 1 about here//

The above figure illustrates that shopping arousal and compulsive buying behavior are developed by the retailing firms through point of sales promotions engaging innovative promotional offers. Such promotional attractions to oversell products drive business-to-consumer (B-to-C) marketing approaches. Retailing firms develop the point of sales satisfaction and post-sales satisfaction which prompts consumer-to-consumer (C-to-C) interactions and help in building store loyalty. The hypotheses H1 and H2(a) and H2(b) have been framed considering point of sales shopping dynamics and the construct of hypotheses H3 (a) and H3 (b) are based on post-sales satisfaction leading to store loyalty as an impact of promotional offers.

## **Research Design**

### *Framework of Hypotheses*

Tendency of compulsive buying in retail stores in response to point of sales promotions among consumers has often been dichotomized in terms of its arousal led compulsive

nature and has been found closely associated with the post-buying level of satisfaction leading to determine the customer value and justification to the buying decisions. Such impulsive buying attitude emerging from self reference criterion may lean towards derived cognitions, possibly including compulsive buying, hoarding, and materialism (Doron *et al*, 2007; Wakefield and Inman, 2003).

As new and exciting products are introduced, firms prospect the consumers through interpersonal negotiations managed by the sales promoters and inculcate high arousal among customers towards buying these products. The *visual merchandising* and computer aided simulations act as stimuli to consumers who intend to elicit a positive response. This creates shopping arousal among customers in reference to merchandise choice, store ambience, attributes of promotional products, perceived use value, pricing policies and promotional activities. These factors may be considered as foundations of consumer behavior towards point of sales promotions offered in retail stores (Otieno *et al*, 2005). Further, it is predicted that the magnitude of such positive response will be proportional to the value of an option to make buying decision at the available price (Rajagopal, 2006). Accordingly, hypothesis may be framed as:

**H1:** Consumers are influenced in making buying decisions by the product attractiveness and in-store shopping arousal generated by the point of sales promotions introduced by the retail stores.

Visual effects and economic advantage associated with promotional products in the retail stores often stimulate the compulsive buying behavior. Point of sales brochures, catalogues and posters build assumption on perceived use value and motivational relevance of buying decisions of product. Emotional visuals exhibited on contextual factors such as proximity or stimulus size, drive perception and subjective reactions on utility and expected satisfaction of the products (Codispoti and De Cesarei, 2007). Retailers demonstrate higher visual attention and increasing visual stimuli during the point of sales promotions. It reveals that consumers exhibit a muddled search strategy where economic and perceived use value benefits influence the buying decision process

among customers (Clement, 2007). In addition, a pleasant store ambience where attractive displays, music, hands-on experience facilities and recreation are integrated helps in maximizing the consumer arousal towards buying. It has been observed that consumers perceive positive effect during interaction with sales promoters if arousal is high (Wirtz *et al*, 2007). Hence, it may be hypothesized as:

- H2 (a):** Consumers develop compulsive buying behavior and higher store loyalty while responding to the point of sales promotions.
- H2 (b):** During the point of sales promotions retailers boost up higher shopping arousal leading to conformity towards buying decision.

The impact of initial interactions among fellow customers about the point of sales promotions can be measured in reference to the degree of stimulation gained by customers. Interactive tools on product learning provided by the retailers significantly affect the level of arousal and pleasure which contribute towards experience, and thereby influence the buying behavior. As higher stimulation or interactive learning provided by the sales promoters focuses on gaining initial experience on the product use, consumers tend to engage in higher arousing activities and adhere to the sale promotions offered by the retail stores (Rajagopal, 2008; Menon and Kahn, 2002).

It has been demonstrated in some researches using store-level data that shoppers in predominantly Hispanic communities actually buy fewer name brands and more store brands (Mulhern and Williams, 1994). Marketers reinforce this perception between consumers and their stores by consistently offering them loyalty offers as Hispanic consumers are more loyal than non-Hispanic consumers. Hence retailers use point of sales promotions to build shopping arousal, gain satisfaction and stay loyal to the stores (Deshpande *et al*, 1986). In view of such consumer arousal led compulsive behavior in retail buying; the hypothesis may be delineated as:

- H3 (a):** Shopping arousal generated through interpersonal communication and product experience offered to the customers during the point of sales promotions, increase randomness of variety-seeking behavior and impulsive buying.
- H3 (b):** In response to the sales promotion offers loyal customers purchase more store brands than non-store brands.

The magnitude of consumer response to clearance sales is weighed in two ways- evaluative and behavioral. Firstly, consumer satisfaction with the decision process leading to the expected level of *satisfaction* is measured, which may be expressed as one of a number of cognitive and affective responses. Satisfaction is the customer's perception of the value received in a transaction or relationship and it helps in making re-patronage decisions on the basis of their predictions concerning the value of a future product. Hence, many retailers develop innovative approaches to prospect new customers for new products by strengthening customer relationship and value management strategies (Ganesh, *et al*, 2000).

### *Sampling*

This study has been conducted in 16 branches of the 4 chain self service retail stores of Mexico-Commercial Mexicana, Chedraui, Gigante-Soriana and Wal-Mart de Mexico located in Mexico City (Federal District of Mexico). The samples respondents were selected for this study who regularly shop in the above self service stores in Mexico City and suburbs. These respondents showed homogeneity in shopping behavior in reference to store loyalty, point of sales promotions, promotional brands, product categories, point of sales arousal on store promotions and post-promotion satisfaction on buying. Data was collected administering pre-coded structured questionnaires to 270 customers who were selected following a purposive sampling and snowballing technique. Information collected through the questionnaires were reviewed for each respondent to ascertain quality and fit for analysis.

### *Data Collection Tools*

The study was conducted during 2005-07 in three seasons March-April (Spring sales), July-August (Summer sales) and November-January (Winter sales) per annum, when point of sales promotions were offered frequently by the selected retail stores as cited above. The data collection process was initiated in November 2005 and terminated in August 2007 covering 6 periods of sales during the study. A focus group session was organized with potential respondents to identify most appropriate variables for the data collection. Accordingly, 36 variables which were closely related towards influencing the shopping arousal and customer satisfaction on point of sales promotions were selected and incorporated in the questionnaires. The questionnaires were pilot tested to 32 (11.85 percent of total sample size) respondents randomly selected and finalized after refining them based on the responses during the pilot study. The variables selected for the study have been broadly classified into economic and behavioral variables as exhibited in Table 1.

//Table 1 about here//

A questionnaire was developed to investigate the extent to which point of sales promotions have influenced the buying behavior, derived post-buying satisfaction and augmented the volume of sales of the retail stores. The pre-test of the preliminary questionnaire on measuring the influence of point of sales promotions on stimulated buying behavior indicated that promotion offers introduced by the retailers indicated strong stimuli for the regular and new shoppers. Based on responses from the pre-test, the final questionnaire necessitated no significant changes. The questionnaires were translated in Spanish. All care was taken about the terminology and language being employed in each version of the questionnaire. The variables used in the questionnaire for data collection include various perspectives of customer satisfaction and promotional practices offered by the retailers to gain competitive advantage, optimal market share and higher aggregate sales. The descriptive statistics of the data sets for the variable segments used in the analysis of the study is exhibited in Table 2.

//Table 2 about here//

Data was collected by means of personal interviews by undergraduate students of international commerce and marketing who hand-delivered the questionnaires to the key respondents in the self service retail stores who had agreed to be the subject of the research investigation. In most cases, the respondents completed and returned the questionnaires on the predetermined date.

### *Response Trend*

Questionnaires were administered to 270 respondents. However, during the process of data analysis, questionnaires of 36 respondents were omitted due to paucity of information. In all 234 respondents were covered under the study and the usable response rate was 86.66 percent. The non-response bias has been measured applying two statistical techniques. Firstly, telephonic conversations were made with 20 randomly selected non-respondents responding to some general questions about sales and services policies of the dealers (Gounaris et al, 2007). *T-tests* were used to ascertain emerging differences between respondents and non-respondents concerning the issues pertaining to market orientation and customer services strategies. No statistically significant differences in pre coded responses ( $\alpha = 0.05$ ) were found. A second test for non-response bias examined the differences between early and late respondents on the same set of factors (Armstrong and Overton, 1977) and this assessment also yielded no significant differences between early and late respondents.

### *Construct of Measures*

Effectiveness of point of sales promotion was measured with 12-variable self-appraisal perceptual scale derived originally on the basis of focus group analysis as referred in the pretext. However, motivation about this construct has been derived from an original scale developed by Narver and Slater (1990) on market orientation, who conceptualized it as a multivariate construct comprising customer orientation, competitor orientation and inter-functional coordination as principal behavioral components. This scale also comprised a dyadic decision criterion including long-term horizon and profit emphasis (e.g. Ruekert 1992; Hunt and Morgan 1995). Impact of post-promotional buying decision in terms of

enhancing customer satisfaction and store loyalty has been measured using 11-variable 'self-appraisal perceptual scale' which included major services quality determinants- tangibility, responsiveness, trust, precision and empathy (Parasuraman et al, 1988).

In this study, a five-point Likert scale has been employed to measure the efficiency of customer services delivered by the automobile dealers in the study region. Respondents were asked, on a five-point Likert scale (anchored by strongly agree=1/strongly disagree=5), the extent to which quality management practices were implemented. The chi-square and comparative-fit index for the factor loadings have been analyzed for the model. Measures had been validated and performance construct for the point of sales promotion was developed for the scores that emerged out the data analysis. Regression analysis was performed in order to ensure that the results on these constructs become non-correlated with the mutual interaction terms (Jaccard *et.al.*, 1990).

## **Results and Discussions**

Self service retail stores employ variety of point of sales promotions tools as exhibited in Table 3 to attract customers augment the store sales. Of these promotional tools, easy installment payment (EIP) and bulk purchase price (BPP) appeared to be most popular promotion tool among the customers. EIP is used by the retailers throughout the year while BPP is limited to summer sales season (July-August) and is restricted to notified products only.

//Table 3 about here//

The results reveal that 78.80 percent customer use EIP promotional services while 64.77 percent customers are attracted by the BPP promotions offered by the retail stores. Wal-Mart does not offer BPP promotion as it has the policy of offering every day low prices. Unlike other self service retail stores covered under this study, Wal-Mart has two major point of sales promotions which include electronic cash card (ECC) and store credit card (SCC). ECC has been introduced as gift card for use after recharging the card with cash



and also the value of returned goods can be charged to this card by Wal-Mart customer services modules. ECC can be used by the customers in all the stores of Wal-Mart Group including all Wal-Mart super stores, Superama (convenience store), Bodega Aurera (super store with bulk retailing), VIPS (restaurant), and Suburbia (retail apparel stores). Hence, 78.56 percent customer use ECC within the Wal-Mart group of stores while 81.49 percent customer use SCC for continuous purchases at the store.

During point of sales promotion the impact of EIP promotion on volume of sales has been significant with 77.85 percent ( $\bar{R}^2 = 0.7785, p > .01$ ) in the four retail stores while the shopping advantage card (SAC) loyalty program in two retail stores made 73.70 percent ( $\bar{R}^2 = 0.7370, p > .001$ ) impact on the volume of sales. The categorical analysis on point of sales promotions in the retail stores is exhibited in Table 4.

//Table 4 about here//

It has been observed that the longer the consumers are attracted by the point of sales promotions, product promotions, innovation and technology, and ‘*do it yourself*’ (DIY) and *eye-track experience* (ETE), the more spendthrift they become. Many customers derived satisfaction by perceived use value and post-promotion customer relation services rendered by the retail stores. Accordingly, the results discussed in the Table 4 are consistent with the hypothesis **H1**.

Sales in response to point of sales promotions during the leisure season are stimulated also by the personal interactions with the employees of retail stores, in-store demonstrations, and hands-on experiences to customers. The post-promotion satisfaction is perceived by the customers as economic and relational advantages on products, brands and services of the retail stores. Sensitivity analysis has been performed to study which factors affect change in the buying decision of customers in reference to point of sales promotions offered by the retail stores. Variables sensitivity has been computed as a series of tests in which the different variable values were set to see how a change in the

variable causes a change in the dynamic buying behavior of customers. The sensitivity coefficient  $\beta$  has been computed using the following linear model:

$$MaxZ_p = Z_r + \beta(p_a, v_a)\Delta B_{it} \quad (1)$$

Wherein,  $Z_p$  represents maximizing promotional sales,  $Z_r$  indicates regular retail sales (without promotion),  $p_a$  indicates price advantage,  $v_a$  shows volume advantage in buying and  $\Delta B_{it}$  represents change in the buying intensity of customers in a given time. The buying sensitivity analysis presented in Table 5 reveals that perceived advantages in reference to economic gains over price and brand have shown higher degree of response to the point of sales promotions. A small change in a variables value of price and volume of products have resulted in relatively large changes in the volume of buying, responding to the point of sales promotion, which may be said to be sensitive to variables of price and volume of products offered in the promotion.

//Table 5 about here//

The level of satisfaction derived by the customers, point of sales promotion in reference to comparative advantages, volume gains in buying, higher perceived use value and fear of not having such bargain significantly affect the buying sensitivity leading to compulsive buying [BS<sub>1</sub>, ( $\beta = 0.853, p > .01$ )]. The buying sensitivity is also affected by the brand value of products in reference to product attractiveness, product line, value for money, quality and uniqueness of the products offered in the point of sales promotions in the retail stores [BS<sub>2</sub>, ( $\beta = 0.527, p > .001$ )]. It may also be seen from the result exhibited in the Table that price advantage also plays significant role in stimulating the customer response on point of sales promotions [BS<sub>3</sub>, ( $\beta = 0.739, p > .01$ )]. Accordingly, the results presented in Table 4 are consistent with hypothesis **H2 (a) and H2 (b)**.

Results of correlation metrics indicate a higher degree correlation between the interpersonal communication and in-store product experience ( $V_1, V_2$ ), and variety of

products and randomness, and in-store product experience ( $V_4$ ,  $V_2$ ). Uniqueness and perceived use value and store brand preferences ( $V_4$ ,  $V_5$ ) are also highly correlated. Similarly variables related to shopping arousal and impulse, store brand preference ( $V_5$ ,  $V_6$ ) also have shown high correlation. Comparative advantage as a variable that influenced the point of sales promotion buying decision among the customers has shown high correlation with all major variables of the study. The correlations among these variables are exhibited in Table 6.

//Table 6 about here//

It may be observed from the results of the above Table that the correlation coefficient has a maximum value of 0.927 which showed significant concern on multi-collinearity between the variables- comparative advantage and variety of products and randomness in promotion ( $V_7$ ,  $V_4$ ). It has been observed during the study that attractive in-store ambience further escalates the shopping arousal of customer and their level of satisfaction remains high though the long term customer value is influenced by both the price and non- price factors associated with the product. However, performances of point of sales promotions in retail stores also depend on just-in-time supplies, impulsive displays, and efficient customer services. Hence, the results exhibited in Table 6 are consistent with hypothesis **H3 (a)**.

Redundancy in the results which exhibited some degree of biasness in inter-correlations among variables has been minimized using Monte Carlo (MC) method. Bias is largely affected by sample size and biasness was found to decrease by increasing the volume of data. It has been observed that inter-correlation bias tends to decrease as the inter-correlations between the two sets of variables increase. The numbers of predictors and criterion variables, as well as the size of the correlations between variables in each set, has relatively minimal effect on bias (Beth, 1982). MC method is a useful technique to compute numerical integration and sort out the redundancy in the statistical results. A procedure for averaging correlation coefficients using the Eigen value of an inter-correlation matrix was adopted in the study using Monte Carlo methods (*e.g.* Dunlap *et*

*al*, 1987), which is known as Kaiser average. This process has substantially reduced the bias for correlations near zero and showed slightly smaller standard errors (greater efficiency) than the other averages for small correlations.

As the data has been organized following normative distribution, in many observations the biasness of inter-correlations in results was minimized. However, due to computational limitations of the data, the statistical prejudice could not be fully eliminated. The results are more likely to project a relationship from the perspectives of judgments and efficacy. The biasness of illusory correlation effect on the judgment similarity of variables relationship, or of whether the relationship of one variable induces another, has also been statistically minimized using the MC method.

//Table 7 about here//

It has been observed during the study that customers had experienced higher attraction towards the store brands as compared to the non-store brands due to low price and acceptable quality at par with the non-store brands. Results exhibited in Table 7 show that sale of store brands during the promotional program in a retail store is 56.73 percent on an average. This fact establishes that the customers who are loyal to particular retail store would take maximum advantage of point of sales promotional programs. The loyalty programs are largely governed through ECC, SAC and EIP promotional programs administered by the retail stores. The post-promotion satisfaction has been experienced by the customers when the promotional program benefits are combined with future events of the stores. The point of sales promotion programs in retail stores largely influence shopping arousal and contribute towards augmenting the sales of store brands among loyal customers. Hence, the results presented in the Table 7 are consistent with hypothesis **H3 (b)**.

### **Managerial Implications**

The promotional effects generated from various promotional tools may be monitored for longer periods of time and measured in reference to achieving the long-term goals of

retail firms. Also, variability of promotional response in different retail markets, channels and outlets should be analyzed for making required modifications in process of delivery of promotional programs to the customers. Such management strategy would allow for better promotion planning and marketing effectiveness, with consequences that extend beyond economic benefits for the retail company itself and reverberate on relationships with suppliers and cooperative promotion decisions. Retailers must be strategic about pulling unprofitable products from the shelves and avoiding high-volume but low-profit customer segments. Retailing firms must expand aggressively into new markets and once the retailing firms saturate markets with outlets, they can sustain their earnings growth by improving the mix of products sold offering attractive sales promotions. At times, retailers also need to alter their promotion, advertising and merchandising strategies to better respond to the preferences of potential customers. Thus, sales promotion programs should be strategically conceived considering long term effects on volume of sales and building loyalty among customers.

The sales promotion programs need to be a part of the agenda of marketing managers and stretched for long period with regular intervals. Appropriate promotional strategies considering the economic and behavioral variables discussed in the study may be developed by the managers upon measuring the intensity of buying in response to sales promotions and maximizing consumer satisfaction and increase the volume of sales. As customer satisfaction is one of the principal measures of retailing performance and buying behavior in response to sales promotions offered by the retailing firms, the focus of sales promotion need to be oriented towards augmenting the loyalty attitude and customer values. The strategy paradigm for augmenting such effect is exhibited in Figure 2.

//Figure 2 about here//

At the retail point of purchase convergence of customer loyalty, value for money and competitive product advantages drives the loyalty of retail stores. Also manager need to measure periodically the buying potential of customers and propensity of spending

towards merchandise in retail store to plan the sales promotion programs effectively. Success of retail firms grow with the customer satisfaction, brand value, repeat buying behavior and increase in the sales of products. A strategic focus considering how customers and competitors will react to any promotional effort, as well as the message delivered and the stature in the marketplace of the brand delivering should be developed by the firms in order to strengthen and streamline the pre-purchase promotions in marketplace. Hence, managers should not only tailor promotion programs successfully to target customers, but also skillfully monitor its implementation through customer culture and competition challenges.

## **Conclusion**

Sales promotions are considered as short-term instruments usually designed to yield an immediate sales effect. Point of sales promotion programs has become the principal tool of retailers in Mexico to acquire new customers and retain the loyal customers. There is a variety of promotional strategies employed by the retailing firms during leisure seasons observed three times per annum. It is found that loyal customers are attracted to the store brands during the promotional offers while new shoppers are price sensitive and are attracted by the in-store ambience of sales promotions and volume discounts. Retail sales promotions largely are built around price or volume discount offers. Retailing firms attempt to influence buying behavior of customers by launching attractive promotional campaigns and introduce changes in their price policies, among other actions. Periodical price discounts offered by the retailers exerts greater influence on the store brand choice over the non-store brand preferences. However, type of promotion and level of retailer dominance have significant effects on volume of sales, acquiring new customers and continuing with loyalists. The discussions in study reveal that point of sales promotions significantly stimulate the buying behavior among customers towards compulsive buying driven by the factors of hidden fear of not getting such bargain in the future, product attractiveness and in-store shopping arousal. It has also been observed in the study that customers develop higher preference for store brands, enhanced use value and repeat buying behavior through hands-on experience of product.

### **Limitations of the Study**

Like many other empirical studies this research might also have some limitations in reference to sampling, data collection and generalization of the findings. Samples drawn for the study might have been insufficient to generalize the study results. Questionnaires were translated in Spanish for the respondents in Mexico which might have conveyed varied conceptual sense to some extent. The open ended questions were answered by the Mexican respondents in Spanish and occasionally some issues might have been overlooked during the translation of questionnaires. The study does not indicate as how behavior control, quality differentiation, and promotion design efficiency overrule the price and volume discount stimuli among the customers. Besides, the study might also have limitation concerning some biases driving shopping arousal among the customers during the point of sales promotions such as at times virtual shopping may overweigh the price promotions. However to ensure that the data cover a wider spatial and temporal dimensions in the study region, data should be cleansed and filtered with many variability factors affecting the consumer behavior and retailer performance.

### **Future Research Prospects**

Future research could examine issues related to the customer perceptions of quality and design of sales promotion programs for sustained response. The impact of economic variables on the shopping arousal and compulsive buying behavior in response to competitive sales promotions may also be considered in reference to market orientation of a retailing firm. The role of retail competition, account retail strategy, and demographics in determining promotional response are also potential issues to be pondered over in future research. Issues related to effectiveness retail promotional programs, with the premise that level of local market dominance will impact on increasing the volume of sales and enhancing the gamut of customers may also be considered as potential for carrying further research.

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Table 1: Variables Chosen for the Study

Behavioral variables			Economic variable	
Product based	Application based	Arousal and Merriment	Comparative	Point of sale promotion based
VS <sub>1</sub> (7)	VS <sub>2</sub> (8)	VS <sub>3</sub> (8)	VS <sub>4</sub> (6)	VS <sub>5</sub> (9)
Appearance Sensory Durability Newness Health oriented Need Fun	Regular use Occasional use Gifts and glamour Home decoration Food and beverages Fashion oriented Recreational Social status	Initial awareness Product features Advertising Hands-on experience Customer interaction Self reference criterion Referrals Satisfaction	Value for money Price sensitivity Quality difference Guarantee Cross promotion Competitiveness	Promotional attractions Display In-store ambience Customer services Availability Length of promotion Responsiveness Value added benefits Partners of promotion

VS=Variable Segment

Figures in parentheses indicate number of variables

Table 2: Descriptive Statistics for the Selected Variable Groups for the Study

Variable Groups	VS <sub>1</sub> (7)	VS <sub>2</sub> (8)	VS <sub>3</sub> (8)	VS <sub>4</sub> (6)	VS <sub>5</sub> (9)
Sample Size	234	234	234	234	234
Mean	5.309	7.681	7.443	6.291	4.836
Standard Deviation	0.875	0.629	0.643	0.833	.916
Standard Error	0.082	0.073	0.051	0.066	0.068
Skewness	-0.946	-1.122	-0.639	-0.770	-0.643
Sample Variance	0.655	0.596	0.482	0.794	0.804
Data reliability test- Cronbach ( $\alpha$ ) scores	0.84	0.76	0.88	0.82	0.74

VS=Variable Segment

Figures in parentheses indicate number of variables

Table 3: Attributes of Point of Sales Promotions Offered in Self Service Retail Stores ( $n=234$ )

Retail Store	Response Level	Point of Sales Promotions <sup>b</sup>				
		Electronic Cash Card (ECC)	Shopping Advantage Card <sup>+</sup> (SAC)	Store Credit Card (SCC)	Easy Installment Payment <sup>#</sup> (EIP)	Bulk Purchase Price <sup>*</sup> (BPP)
Commercial Mexicana SA de CV ( <b>RS<sub>1</sub></b> )	72 (30.77)	No	Yes (58.36)	No	Yes (83.16)	Yes (68.52)
Tiendas Chedraui SA de CV ( <b>RS<sub>2</sub></b> )	64 (27.35)	No	Yes (61.74)	Yes (42.93)	Yes (85.22)	Yes (52.84)
Gigante-Tienda Soriana <sup>**</sup> SA de CV ( <b>RS<sub>3</sub></b> )	58 (24.79)	No	No	No	Yes (60.37)	Yes (72.97)
Wal-Mart de Mexico ( <b>RS<sub>4</sub></b> )	40 (17.09)	Yes (78.56)	No	Yes (81.49)	Yes (86.47)	No

<sup>\*</sup> Buy two get one free offer valid only in summer sales (July-August)<sup>+</sup> Shoppers can accumulate bonus point for their purchase of the value determined by the store<sup>\*\*</sup> Soriana, the second largest self service retail store company has acquired Gigante SA de SV in January 2008<sup>#</sup> Subject to store terms and conditions and applicable to the product (s) as determined by the retail stores administration<sup>a</sup> Figures in parentheses are percent distribution of respondents to total sample size<sup>b</sup> Figures in parentheses indicate percent to total sample size. These figures may not be equal to 100 as respondents might have opted for multiple responses.

Table 4: Regression Analysis of the Point of sales Promotional Effect and Volume of Buying  
n=234

Point of Sales Promotions/ Retail Stores	RS <sub>1</sub>	RS <sub>2</sub>	RS <sub>3</sub>	RS <sub>4</sub>
Electronic Cash Card (ECC)	--	--	--	0.8624* (0.1992)
Shopping Advantage Card (SAC)	0.6120* (0.3296)	0.8621* (0.4725)	--	--
Store Credit Card (SCC)	--	0.6381** (0.1281)	--	0.9314* (0.1455)
Easy Installment Payment (EIP)	0.9422* (0.7104)	0.8199* (1.1409)	0.6003** (0.7444)	0.7518* (0.3170)
Bulk Purchase Price* (BPP)	0.7631* (0.0316)	0.8637* (0.1280)	0.7329* (0.3904)	-

- $p$ -values \* > .01 and \*\* > .001
- In the above Table coefficients represent the marginal effects on the average time spread during the leisure shopping per capita
- Each cell represents separate regression
- Figures presented in parentheses indicate standard errors

Table 5: Sensitivity Analysis for the Variables Responding to Point of Sales Promotions  
n=234

Buying Sensitivity Factor	Behavioral Parameters	Sensitivity Estimation Parameters for Point of Sales Promotions	RS <sub>1</sub>	RS <sub>2</sub>	RS <sub>3</sub>	RS <sub>4</sub>	$(\chi^2)$ and $\beta$ Coefficient
BS <sub>1</sub>	Compulsive Buying	Comparative advantage Shopping arousal Volume advantage offered Perceived use value Fear of not getting such bargain in near future	0.852	0.721	0.624	0.939	79.38 (0.853*)
BS <sub>2</sub>	Brand value	Product attractiveness Promotional product line Value for money Quality and uniqueness	0.642	0.691	0.488	0.759	83.55 (0.527**)
BS <sub>3</sub>	Price advantage	Promotional gain on regular price Affordability and repeat buying	0.702	0.766	0.590	0.972	68.04 (0.739*)

$p$  values \* > .01 and \*\* > .001

Figures in parentheses indicate  $\beta$  Coefficient

Table 6: Inter-group<sup>a</sup> correlation matrices (n=234)

Major variables influencing point of sales promotions	V <sub>1</sub>	V <sub>2</sub>	V <sub>3</sub>	V <sub>4</sub>	V <sub>5</sub>	V <sub>6</sub>	V <sub>7</sub>
Interpersonal communication (V <sub>1</sub> )	<b>1.000</b>						
In-store product experience (V <sub>2</sub> )	0.831*	<b>1.000</b>					
Uniqueness and perceived use value (V <sub>3</sub> )	0.592**	0.621*	<b>1.000</b>				
Variety of products and randomness (V <sub>4</sub> )	0.597**	0.704*	0.668*	<b>1.000</b>			
Store brand preference (V <sub>5</sub> )	0.451	0.574**	0.306	0.682*	<b>1.000</b>		
Shopping arousal and buying impulse (V <sub>6</sub> )	0.542**	0.784*	0.728*	0.843*	0.775*	<b>1.000</b>	
Comparative advantage (V <sub>7</sub> )	0.573**	0.822*	0.868*	0.927*	0.822*	0.819*	<b>1.000</b>

$p$ -values \* > .01 and \*\* > .001

<sup>a</sup> Variable segments are formed from the variable groups chosen for the study as exhibited in Table 1

Table 7: Sales of Store Brands during Point of Sales Promotions

(n=234)

Retail Stores	Point of sales promotion led sales (in US \$ per capita)			Percent sales of store brands against non-store brands
	Average sales in response to Point of sales Promotion	Distribution of volume of sales by brand categories		
		Store Brands	Non-store brands	
RS <sub>1</sub>	124.63	80.81	43.82	64.84
RS <sub>2</sub>	129.45	70.38	59.07	54.37
RS <sub>3</sub>	86.92	43.99	56.25	46.20
RS <sub>4</sub>	95.22	52.29	42.93	54.91
Average	109.05	61.86	50.51	56.73



