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THE EFFECT OF PRICE PROMOTION STRATEGY ON PURCHASE INTENTION OF CUSTOMERS

This study aims to discuss the effect of price promotion strategy on purchase intention of customers. With questionnaire survey and convenient sampling, the staff and the customers of Shin Kong Mitsukoshi provided the data. Within 390 distributed questionnaires, 217 valid copies are retrieved with the retrieval rate 56%. The collected data are proceeded with factor analysis and reliability analysis to test reliability and the validity, as well as regression analysis to test the hypotheses. The research findings show (1) significantly positive correlations between price promotion strategy and repurchase intention in purchase intention of customers, (2) remarkably positive correlations between price promotion strategy and purchase more products in purchase intention of customers, (3) notably positive correlations between price promotion strategy and recommendation for others in purchase intention of customers, and (4) outstanding differences in the correlations between price promotion strategy and purchase intention of customers because of some demographic variables.

Keywords: price promotion strategy; purchase intention of customers; consumer behavior.

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ВПЛИВ ЦІНОВОЇ СТРАТЕГІЇ ПРОСУВАННЯ НА НАМІР ЗДІЙСНИТИ ПОКУПКУ

У статті досліджено вплив цінової стратегії просування на намір здійснити покупку. За допомогою анкетування і нерепрезентативної вибірки зібрано дані співробітників і клієнтів "Shin Kong Mitsukoshi". 390 анкет роздано, 217 заповнених екземплярів отримано, рівень відгуку – 56%. Отримані дані піддано факторному аналізу і аналізу надійності для перевірки надійності і достовірності, а також регресійному аналізу для перевірки гіпотези. Результати дослідження показують (1) істотно позитивну кореляцію між ціновою стратегією просування і наміром повторної покупки у клієнтів, (2) значну позитивну кореляцію між ціновою стратегією просування і наміром купити більше продуктів в намірі здійснити покупку, (3) помітно позитивну кореляцію між ціновою стратегією просування і подальшими рекомендаціями в намірі здійснити покупку і (4) значущі відмінності в кореляції між ціновою стратегією просування і наміром здійснити покупку через деякі демографічні змінні.

Ключові слова: цінова стратегія просування; намір здійснити покупку; поведінка споживачів.

Рис. 1. Табл. 5. Літ. 18.

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ВЛИЯНИЕ ЦЕНОВОЙ СТРАТЕГИИ ПРОДВИЖЕНИЯ НА НАМЕРЕНИЕ СОВЕРШИТЬ ПОКУПКУ

В статье исследовано влияние ценовой стратегии продвижения на намерение совершить покупку. Посредством анкетирования и нерепрезентативной выборки собраны данные сотрудников и клиентов "Shin Kong Mitsukoshi". 390 анкет роздано, 217 заполненных экземпляров получено, уровень отклика – 56%. Полученные данные подверглись факторному анализу и анализу надежности для проверки надежности и достоверности, а

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также регрессионному анализу для проверки гипотезы. Результаты исследования показывают (1) существенно положительную корреляцию между ценовой стратегией продвижения и намерением повторной покупки у клиентов, (2) значительно положительную корреляцию между ценовой стратегией продвижения и намерением купить больше продуктов в намерении совершить покупку, (3) заметно положительную корреляцию между ценовой стратегией продвижения и дальнейшими рекомендациями в намерении совершить покупку и (4) значимые отличия в корреляции между ценовой стратегией продвижения и намерением совершить покупку из-за некоторых демографических переменных.

Ключевые слова: ценовая стратегия продвижения; намерение совершить покупку; поведение потребителей.

1. Introduction. The yearly revenue of Taiwanese department stores in 2010 was 251.1 bln. (Department of Statistics, Ministry of Economic Affairs, 2011), which was the highest proportion of the revenue in retail industries. As a result, shopping malls, high-quality goods stores, and theme department stores have gradually emerged in the past two years. For example, Bella Vita opened in July, 2009; Q Square opened in December, 2009, and both Momo Department Store and Hankyu Department Stores opened in October, 2010. There are more department stores planned. In this case, the growth of department stores is restricted because they need to reinforce the differentiation, segment the market, products, services, and marketing, and create unique advantageous management so as to enhance their market competitiveness. In order to maintain the stable growth in such a competitive environment, department stores have proposed various promotions to enhance purchase intention of customers. Qin Chung, the chairman of Pacific SOGO Department Stores, mentioned that the previous department stores merely proceeded promotions during anniversaries; however, in addition to various celebrations for Chinese New Year, Mother's Day, anniversary, and Christmas, different theme promotions were preceded monthly that there was no longer slack or peak season; department stores planned distinct shopping purposes for customers to shorten the period.

For this reason, department stores constantly promote various theme schedules, in which price promotions are practiced. In order to satisfy the diverse demands of customers and to pursue larger benefits and values, manufacturers have made great efforts to promote distinct goods and brands. Department stores promote unique preference commodities, several brands are promoted for the same types of goods. Such a variety of brands has made the competitive environment fiercer. Most research on department stores focuses on loyalty, satisfaction, and customer behaviors, but less on price promotion strategy. Nevertheless, price promotion strategy is frequently adopted in department stores. In this case, when price promotion strategy could arouse purchase intention of customers, it would enhance the performance.

I. Price Promotion Strategy. Blattberg et al. (1995) classified and defined promotions as "consumer promotions" being a temporary discount provided by manufacturers for customers, "retail promotions" being the deal offered by retailers for customers, and "trade promotions" being the deal manufacturers provided for retailers. The broad promotions contained price promotions, co-advertisement funds for distributors, exhibition commission, as well as product exhibition, advertisement and coupons directly provided for customers.

Raju (1992) studied the relationship between "product promotions" and "individual product feature" and the temporary change of product sales. The data were collected from 2000 UPC of 27 brands and their weekly prices and sales for 25 weeks. He divided promotions into two variables: 1. Magnitude of discounts. A large-scale discount could result in the brand loyalty of some competitors turning to the promoted brand or purchasing certain brands because of the original brand being too expensive. It therefore could cause stockpiling or increase consumption. Generally speaking, larger discounts would enhance changes in product sales. 2. Frequency of discounts. When a brand was often promoted, customers were likely to expect promotions that they would not stock the products and the stockpiling would be reduced. Besides, too many promotions would reduce the reference price of a brand and result in negative effects.

David et al. (1999) divided the total price elasticity of 173 brands and 13 products and found 25% being from the major expansion of demand (purchase acceleration) and 75% from the secondary demand. They further classified the factors in price elasticity into 1. Individual product factors, which affected customers on the level or value of certain products, including share of budget, brand assortment, size assortment, storability, perceived differentiation, necessity, and purchase frequency; 2. Individual brand factors, which affected the perception of customers to the quality/price of brands, including relative price position, price variability, deal frequency, deal depth, brand experience, and brand loyalty; 3. Customer characteristics, including income, age, and education. Vincent et al. (2001) studied the long-term and short-term effects of price promotion strategy on product demands and described 4 dimensions, namely: 1. Marketing intensity, including deal depth and frequency and advertisement; 2. Competitive reactivity, including single or various price promotions and single or various advertisement; 3. Competitive structure, the number of brands of products; 4. Covariates, such as product perishability, share of individual brand, and new product release.

II. Purchase Intention of Customers. Robbins (2005) considered that intention would intervene into the perception, emotion, and behaviors of people and would influence the follow-up behaviors. Based on the same concept, purchase intention referred to the probability of customers willing to adopt certain purchase behaviors. Spears and Singh (2004) regarded purchase intention as the effort individuals make to consciously purchase products of certain brands. When customers were in favor of certain products or brands, a purchase intention was likely to appear. In other words, purchase intention referred to the subjective probability of purchasing certain products or brands. Tsai, Chang & Liao (2010) defined purchase intention as the probability, possibility, and intention of customers purchasing certain products.

Assael (2004) regarded purchase intention being composed of purchase tendency that the higher perceived value of a product, the higher intention of purchasing the product. Zeithaml (1988) and Dodds, Monroe & Grewal (1991) argued that customers would further generate purchase intention after having the perceived value, and purchase intention of customers was dependent on the perceived benefits and values. Hellier et al. (2003) believed that purchase intention referred to customers repurchasing certain products of the same company under the present or possible situations.

Heskett et al. and Sasser & Schlesinger (1994) proposed to measure purchase intention with customer retention, repeat purchase, and recommendation. Zeithaml (1988) applied the perceived values of possible to purchase, intended to purchase, and considered purchase as a variable to measuring purchase intention. Liu, Su & Lee (2009) suggested to measure purchase intentions of customers with loyalty, including repurchase intention, purchase more products, and recommendation from others.

III. Correlations between Price Promotion Strategy and Purchase Intention of Customers. Chen (2004) mentioned that customers could try new products or the ones not being used before through price promotions which increased the opportunity to learn about other products; and price promotion strategy presented the advantages of inducing customer purchase motivation, encouraging the purchase of potential customers, understanding temporary demands of a market, testing the price strategy, and changing the purchase habit of permanent customers. Chen (2004) regarded the major purpose of price promotions as changing customer behaviors, that manufacturers utilized price promotion strategy to encourage customers purchasing products. Price promotions therefore showed significantly positive effects on purchase intention of customers. Chih, Chen & Pan (2009) evaluated the effects of perceived values, such as staff service, product price, time, and cost, on purchase intention of customers. Apparently, price promotions and purchase intention of customers revealed positive correlations. Ho, Ko & Huang (2007) mentioned the positive correlation between purchase intention of customers and price promotions in the research on purchase intention of customers, service quality, and price promotions. Wu et al. (2010) indicated that the overall perceived value would show positive effects on purchase intention of customers; customers would first appear perceived evaluation on price promotion strategy or the overall service environment and then generate purchase intention. In this case, price promotion strategy could affect purchase intention of customers.

According to the above domestic and international points of view, the following hypotheses are proposed:

H1: Price promotion strategy presents remarkably positive correlation with repurchase intention in purchase intention of customers.

H2: Price promotion strategy displays notably positive correlation with purchase more products in purchase intention of customers.

H3: Price promotion strategy shows significantly positive correlation with recommendation for others in purchase intention of customers.

IV. Demographic variable. Aiming at the above research on price promotion strategy and purchase intention of customers, the following hypotheses are further proposed:

H4: The correlation between price promotion strategy and purchase intention of customers would show outstanding differences in gender.

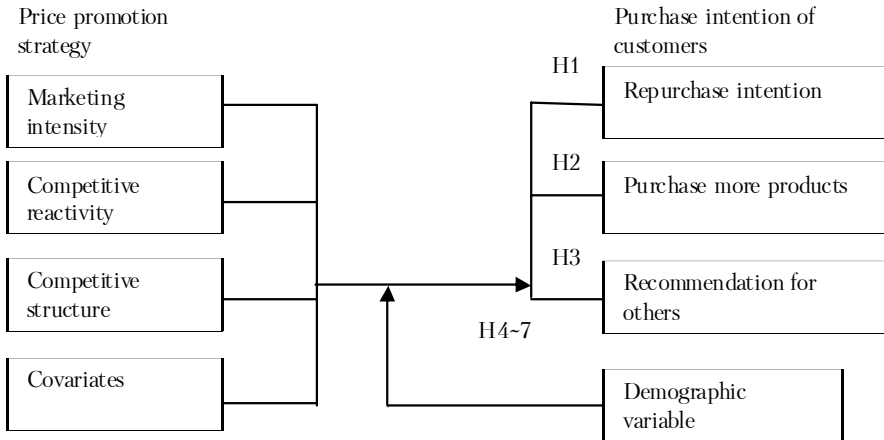
H5: The correlation between price promotion strategy and purchase intention of customers would present significant differences in age.

H6: The correlation between price promotion strategy and purchase intention of customers would reveal remarkable differences in occupation.

H7: The correlation between price promotion strategy and purchase intention of customers would display notable differences on disposable income.

2. Research method

I. Research framework. Having sorted the literature on price promotion strategy and purchase intention of customers, the research framework was proposed for this study. It tended to discuss the correlation between price promotion strategy and purchase intention of customers.



II. Research subject and sampling. Shin Kong Mitsukoshi was selected as the research subject. Taiwan Shin Kong Mitsukoshi Department Store (or Shin Kong Mitsukoshi, SKM) is a chained department store, established by Shin Kong Group and Japan Mitsukoshi Ltd. in 1989. The head office was located in Taipei City, dealing with the sales of commodities, dining entertainment, and fresh food supermarkets. Besides, Shin Kong Cineplex is the subordinate business. Aiming at the staff and the customers of Shin Kong Mitsukoshi, questionnaire survey was applied to collect data. With convenient sampling, total 390 questionnaires were distributed and 217 valid copies were retrieved, with the retrieval rate of 56%.

3. Analyses and discussions

I. Factor analysis of Price Promotion Strategy. The price promotion strategy scale referred to the dimensions and questionnaire proposed by Nijs et al. (2001). With factor analysis, 4 dimensions were received with the Cronbach α reliabilities of 0.91 (Marketing intensity), 0.88 (Competitive reactivity), 0.92 (Competitive structure), and 0.86 (Covariates). Having income as the sample questionnaire to precede principal component factor analysis, the explained variance was 76.518% after the oblique rotations.

II. Correlation analysis of Price Promotion Strategy and Repurchase Intention in Purchase Intention of Customers. With multiple regression analysis to test H1, Table 1, marketing intensity ($\beta=0.232, p<0.01$), competitive reactivity ($\beta=0.215, p<0.01$), competitive structure ($\beta=0.207, p<0.01$), and covariates ($\beta=0.223, p<0.01$) show significant effects on repurchase intention, H1 is agreed.

III. Correlation analysis of Price Promotion Strategy and Purchase More Products in Purchase Intention of Customers. With multiple regression analysis to test H2, Table 1, marketing intensity ($\beta=0.204, p<0.01$), competitive reactivity ($\beta=0.195, p<0.05$),

competitive structure ($\beta=0.173$, $p<0.05$), covariates ($\beta=0.189$, $p<0.05$) have remarkable effects on purchase more products, H2 is agreed.

IV. Correlation analysis of Price Promotion Strategy and Recommendation For Others in Purchase Intention of Customers. With multiple regression analysis to test H3, Table 1, marketing intensity ($\beta=0.167$, $p<0.05$), competitive reactivity ($\beta=0.153$, $p<0.05$), competitive structure ($\beta=0.179$, $p<0.05$), and covariates ($\beta=0.217$, $p<0.01$) present notable effects on recommendation for others, H3 is agreed.

Table 1. Multiple regression analyses of Price Promotion Strategy and Recommendation for Others in Purchase Intention of Customers

Independent variable	Organizational performance (dependent variable)		
	Repurchase intention	Purchase more products	Recommendation for others
Price Promotion Strategy			
Marketing intensity	0.232**	0.204**	0.167*
Competitive reactivity	0.215**	0.195*	0.153*
Competitive structure	0.207**	0.173*	0.179*
Covariates	0.223*	0.189*	0.217**
F	22.818	34.251	46.427
Significance	0.000***	0.000***	0.000***
R ²	0.267	0.362	0.438
Regulated R ²	0.243	0.338	0.412

Note: * stands for $p<0.05$, ** for $p<0.01$.

V. Intervention of demographic variables

1. The effect of gender on the relationship between price promotion strategy and purchase intention of customers. With analysis of variance, Table 2, gender shows remarkable differences on the correlations between competitive reactivity ($p<0.01$), competitive structure ($p<0.05$), covariates ($p<0.05$) and repurchase intention; between competitive reactivity ($p<0.01$), covariates ($p<0.05$) and purchase more product; and between marketing intensity ($p<0.05$), competitive structure ($p<0.05$), competitive reactivity ($p<0.01$), covariates ($p<0.05$) and recommendation for others, H4 was partially agreed.

Table 2. The effect of gender on the relationship between price promotion strategy and purchase intention of customers

Price promotion strategy	Repurchase intention	Purchase more products	Recommendation for others
Marketing intensity	$p>0.05$	$p>0.05$	$p<0.05$
Competitive reactivity	$p<0.01$	$p<0.01$	$p<0.05$
Competitive structure	$p<0.05$	$p>0.05$	$p<0.01$
Covariates	$p<0.05$	$p<0.05$	$p<0.05$
Hypothesis test	H4 partially agreed		

2. The effect of age on the relationship between price promotion strategy and purchase intention of customers. With analysis of variance, Table 3, age presents outstanding differences on the correlations between competitive reactivity ($p<0.01$), competitive structure ($p<0.01$), covariates ($p<0.05$) and repurchase intention; between marketing intensity ($p<0.01$), competitive structure ($p<0.05$), covariates ($p<0.05$) and

purchase more products; and between competitive structure ($p < 0.05$), covariates ($p < 0.01$) and recommendation for others, H5 is partially agreed.

Table 3. The effect of age on the relationship between price promotion strategy and purchase intention of customers

Price promotion strategy	Repurchase intention	Purchase more products	Recommendation for others
Marketing intensity	$p > 0.05$	$p < 0.01$	$p > 0.05$
Competitive reactivity	$p < 0.01$	$p > 0.05$	$p > 0.05$
Competitive structure	$p > 0.01$	$p < 0.05$	$p < 0.05$
Covariates	$p < 0.05$	$p < 0.05$	$p < 0.01$
Hypothesis test	H5 partially agreed		

3. *The effect of occupation on the relationship between price promotion strategy and purchase intention of customers.* With analysis of variance, Table 4, occupation shows notable differences on the correlations between marketing intensity ($p < 0.05$), competitive structure ($p < 0.05$) and repurchase intention; between competitive reactivity ($p < 0.01$), competitive structure ($p < 0.05$) and purchase more products; and between marketing intensity ($p < 0.01$), competitive reactivity ($p < 0.05$), competitive structure ($p < 0.05$) and recommendation for others, H6 is partially agreed.

Table 4. The effect of occupation on the relationship between price promotion strategy and purchase intention of customers

Price promotion strategy	Repurchase intention	Purchase more products	Recommendation for others
Marketing intensity	$p < 0.05$	$p > 0.05$	$p < 0.01$
Competitive reactivity	$p > 0.05$	$p < 0.01$	$p < 0.05$
Competitive structure	$p < 0.05$	$p < 0.05$	$p < 0.05$
Covariates	$p > 0.05$	$p > 0.05$	$p > 0.05$
Hypothesis test	H6 partially agreed		

4. *The effect of disposable income on the relationship between price promotion strategy and purchase intention of customers.* With analysis of variance, Table 5, disposable income reveals significant differences on the correlations between competitive reactivity ($p < 0.05$), competitive structure ($p < 0.05$) and repurchase intention; between competitive reactivity ($p < 0.01$), competitive structure ($p < 0.05$), covariates ($p < 0.01$) and purchase more products; and between competitive reactivity ($p < 0.05$), competitive structure ($p < 0.01$), covariates ($p < 0.01$) and recommendation for others, H7 is partially agreed.

Table 5. The effect of disposable income on the relationship between price promotion strategy and purchase intention of customers

Price promotion strategy	Repurchase intention	Purchase more products	Recommendation for others
Marketing intensity	$p > 0.05$	$p > 0.05$	$p > 0.05$
Competitive reactivity	$p < 0.05$	$p < 0.01$	$p < 0.05$
Competitive structure	$p < 0.05$	$p < 0.05$	$p < 0.01$
Covariates	$p > 0.05$	$p < 0.01$	$p < 0.01$
Hypothesis test	H7 partially agreed		

Conclusion. The application of price promotion strategy could directly affect the intensity of purchase intention of customers. For this reason, several suggestions are

proposed to effectively induce and enhance the application of price promotion strategy to promote purchase intention of customers.

1. Target customer. Prices are the common weapon of promotions for enterprises. In order to effectively develop the function of price promotions, definite target customers should be ensured when formulating price promotion strategy. Based on the features of target customers, a correct price strategy is selected.

2. Information issue. Location of information issues for price promotions should be well considered. Information on price promotions in different locations requires distinct expressions to maximize its effectiveness.

3. Product type. Differences caused by customers in favor of various types of products should be taken into account. particularly, price promotion strategy should be selected based on the development of customers.

Price promotions could stimulate the effect of purchase intention. To enhance the perception of customers, both reducing prices and increasing values could be preceded. Although price promotions seem to be the mainstream of promotions, the price battle would become fierce when pursuing the price reduction trend. Customers merely consider prices as one of the factors in purchase, but not the sole factor. As a result, enterprises should focus on increasing the value of other promotions, such as promoting manufacturers with favorable images, maintaining good public relationship, and establishing good enterprise and brand images so that customers show high evaluation on the enterprise and further generate shop preference and customer loyalty to achieve the strategic objective of permanent competitive advantages.

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