

Impact of Sales Promotions on Consumer Electronics Consumes

A Comparative Analysis of Retailers and E-Tailers

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Abstract

Consumer motivations which underlie shopping behavior are very complex. Shopping is not only about spending money. Among other things, it traditionally involves meeting and talking with others, seeing new things and learning new trends, which are also the case for people who do online shopping.

Today there are as many e-tailer consumers as consumers who traditionally shop from physical retailers. Population increase, both spouses working outside home for long and tiring hours, the fact that they prefer to devote most of their spare time to entertainment, and technological and social developments have changed shopping behaviours of consumers as well. Time limitations propel them to shop from e-tailers as well as traditional store-based retailers. For this reason, as some infrastructure problems like security and Internet access are solved, the number of e-tailer shoppers shall continue to increase.

In this paper, the extent to which consumer electronics are affected by sales promotion among the reasons for their preference of shopping from e-tailers has been examined. Participants of the study have been chosen among consumers who shop from Internet sites of traditional techno-markets. Effort has been paid to determine those sales promotion activities by which consumers are most affected while shopping from Internet. The extent to which sales promotion is effective on their preference for shopping from e-tailers instead of traditional retailers have been evaluated under light of the findings of the study.

Key Words: E-retailing, sales promotions, consumer electronics.

1. Introduction

Consumers today are powerful customers. 21st century, which is an information age that marks the end of a period when producers and retailers had an advantage over consumers. Information is the most powerful thing in today's world. So that, nowadays someone is powerful in proportion to what he/she knows. From a marketing point of view, customer who wanted to find the best product at the lowest price had to pay lots of effort in the past. However, their chance of finding what they sought depended on their ability to reach correct information and availability of time to spend on that effort. Today, millions of people go online to shop. They search the web for everything, in fact that they can find the best price through search engines at World Wide Web in a very short period of time. Information is power and the power is being transferred from big business to the consumer. Thus, Internet

created powerful customers at a stroke by providing the opportunity to reach information required for a better choice and to affect the decisions taken by others. (Murphy, 2000, p.12)

Customers still shop from physical retailers. However, when they examine the products in stores, they come back to their homes and order the same product from Internet at a lower price. They can have the product they order the next day and avoid the labor of carrying packages to home, which a power is provided by e-tailers to consumers. Customers who want to buy the best good at lowest price directed brands into a fiercely competitive marketplace with “me-too” products. So that brand managers strive to understand the impact of sales promotions on consumers in order to choose a suitable marketing campaign.

With technological and social developments, shopping tendencies of consumers have also changed. Development of Internet technology and the increase in PC (personal computer) usage paved the way for most retailers to make online sales to their customers. From this point of view, there are three types of retailers today:

1. traditional retailers who have only physical stores
2. retailers who have both physical and virtual stores
3. retailers who have only virtual stores

During the last decade most physical retailers who comprehended the importance of Internet on consumers opened stores on the net, too. Number of these stores is increasing on a daily basis. In addition, there are also some retailers who make their sales through net and who have no physical store. There is considerable number of consumers who shop from such shopping websites.

In this study, the impact of sales promotions applied by technomarkets, which sell electronics to consumers who shop on the net, on their virtual markets have been examined as well as the choices made by consumers between physical and virtual stores. Findings obtained at the end of the survey have been evaluated.

2. Literature Review

2.1. Electronic Retailing and Online Shopping

Most retailing takes places in retail stores, but last decade, non-store retailing- by mail, telephone, door to door, and especially electronically- has grown explosively (Russell, Lane, 1990). So, in order to be able to define electronic retailing, it would be useful to accurately explain the concept of traditional retailing first. Distribution of consumer products starts with the producer, which is the first member of distribution channel, continues with wholesaler and retailers, and ends with final customer (Mucuk, 1999). The act of selling the goods and services directly to final customer is called retailing (Cemalcılar, 1998). In addition, Kotler and Armstrong (1989) define retailing as “all activities involved in selling goods or services directly to final customers for their personal, non-business use.” Conducting these activities in electronic environment is called electronic retailing. At this point, electronic retailing is included in e-business just like retailing is included in business. Thus, the business of electronic retail has been defined as sale of goods and services via Internet or other electronic channels, for personal or household use by consumers. This definition includes all e-commerce activities that result in transactions with final consumers. Electronic retailing has been growing, particularly for the top eight categories that account for three-quarters of all European sales. These major growth areas comprise: books, music and DVD movies, groceries, games and softwares, consumer electronics, travel and clothes. (Dennis, Fennech, Merrilees, 2004, p. 2) Most e-tailers (electronic retailers) offer consumers the convenience of selecting and purchasing merchandise at a time and location of their choosing. These benefits are very appealing to time-conscious consumers and consumers who cannot go to the stores

easily, such as the handicapped, the elderly, mothers with young children etc. (Levy & Weitz, 1998, p. 68).

Development of the technology and increasing of Internet usage effect e-tailing and electronic shopping improvements. Recent interest in the Internet as a medium for commerce has raised the usefulness of retailing on web. The growing interest in retailing over the Internet converts the traditional retailing to electronic retailing, market the products online by web sites. New computer and communication technologies make it possible for consumers to shop through all around the world from their homes. Electronic retailing and electronic shopping change the way people shop as well as the structure of the consumer goods and retailing industries (Enginkaya, 2006, p.10).

During the last decade, the number of firms which make sales via Internet has increased fast, which raised the positive expectations for online shopping; however, it can still be said that online shopping is at a very early stage even for developed economies and e-tailing cannot create huge differences in a market overnight. In addition, there are no data which indicate that traditional retailing system shall perish or its effectiveness shall diminish in the process of online shopping (Turan, 2008, p. 724).

Thus, today e-tailing is still far from being a competitive threat to more traditional store retailing but it is becoming increasingly attractive as technology and applications improve, and retailers gain experience (Kalakota & Whinston, 1997, p. 221). Furthermore, online shopping is increasingly gaining importance in economic, commercial and social life.

Number of people shopping online in Turkey is increasing on a daily basis. As Internet connection prices go down, infrastructure for connection is being developed and level of income is improving, appropriate customers have started to shop via Internet. Although in Turkey the number of consumers who shop from physical stores is considerably high compared to those who shop via Internet, the number of people who shop from e-tailers is also increasing on a daily basis.

2.2. Online Shopping Behavior and Consumer Electronics Consume in Turkey

Shopper profile of Internet users and their primary reasons for using the Net is slightly different. Internet users can be segmented in two distinct groups: first one is 18 year-olds and over who shop on the Web; second group consists of those who use the Internet but do not shop there. At this point, when we glance at e-shoppers we can see that they have wealthy, active and diverse lifestyles. Because of their active lifestyles, they are attracted to the convenience offered by e-shopping (Belch & Belch, 2001, p.498).

Consumers who shop electronically enjoy the comfort of finding detailed product information and a variety of products on the Internet. However, electronic retailers suffer from the difficulties of differentiating their products and services from their competitors. Although consumers are sensitive to transportation costs and price differences, the number of consumers who shop electronically, the variety of products that consumers buy, and the amount of products is improving and online shopping is growing in our country like other parts of the world (Enginkaya, 2006, p. 12).

Studies conducted on brand and model determination decisions of Turkish consumers have found out that males are more effective in electronic product consumption than females but the number of females is increasing. New technology and consumer electronics promises growth in Turkish market (Ipsos KMG, 2008). According to “Household Informatics Technology Usage Survey” conducted by Turkish Statistics Agency in 2007, it can be said that 18,94% of households have access to Internet. Of household members with Internet access 5,65% have shopped via Internet, 28,20% of whom bought electronic devices like mobile phones, cameras, radios, TVs, DVD players etc. (www.tuik.gov.tr/
<http://www.nethaber.com>). According to another research conducted in 2008 (Ipsos KMG,

2008), 20,3 of the population can connect to Internet in Turkey, and 10,9% of them shop via Internet. When the data of 2007 and 2008 are compared, it can be seen that the number of people who shop via Internet in Turkey is increasing. In addition, the products bought from Internet are becoming more diverse: 21% tickets, 19%books, 14% CDs-VCDs-DVDs, 14% games-software, 10% food, 9% personal care, 7% hotel rooms, 7% flowers, 6% sports equipment and holiday packages. According to the research, people who shop via Internet perceive the goods and services they buy from e-tailers as less expensive compared to those provided by physical retailers (Ipsos KMG, 2008).

From a behavioral point of view, Internet environment is an area where, contrary to physical environment, consumer is completely free. Behavioral norms encountered in ordinary stores cannot be seen in this environment. Internet is customized as far as possible. As no physical effort is paid for shopping, a large number of web sites can be browsed in a short period of time. Most important factors which affect consumer behavior in Internet environment are saving time and payment convenience in installments. Whoever, it cannot be claimed that basic measures for categorization of such consumers have developed completely (Enginkaya, 1996, p.12).

2.3. Demographic Profile of Online Shopping in Turkey

The age group with the highest computer and Internet usage in Turkey is 16-24 ages, followed by 25-34 age group. People with associate, undergraduate and higher degrees are the most users of computer and Internet according to educational status. These are people with higher education. 86,83% of students use computers whereas 81,89% use Internet. Computer and Internet usage of waged employees are 54.82% and 51.38, respectively. These ratios are 44,06% and 41,15% for the unemployed (www.tuik.gov.tr/ <http://www.nethaber.com>). When demographic attributes of people who shop via Internet are evaluated, males from Istanbul at the age of 19-35 who are in AB SES group lead the online shopping process (Ipsos KMG, 2008).

2.4. Retailer Sales Promotions and Activities of Techno-markets in Virtual Stores on the Internet

Businesses today are constantly looking for ways to improve the effectiveness and efficiency of their operations. Coming under increasing pressure and scrutiny are promotional expenditures, such as advertising and sales promotions, as they have long been among the most challenging marketing costs in terms of analyzing or justifying on a profit versus cost basis (Srinivasan, Anderson, 1998). Sales promotion is defined as the use of an incentive to buy a product, using either a price reduction or a value-added offer. Its goal is to have a direct impact on the behavior of customers, encouraging additional and usually immediate short-term sales. This is in contrast to the longer-term, less direct impact of advertising (Bergh, Katz, 1999, p.366). Generally, a sales promotion tool is used to achieve a unique objective. For instance, coupons are widely used to discriminate between more price sensitive consumers and less price sensitive consumers and sampling is used to induce trial so that some of the consumers who try the brand can be motivated subsequently to purchase the product. Other objectives of sales promotions are to induce brand switching, accelerate purchases, stockpile the promoted product, and expand overall sales (Srinivasan, Anderson, 1998).

Categorizing sales promotional activities and key variables, Blattberg and Neslin (1990) describe sales promotion as an action-focused marketing event with a purpose to have a direct impact on the behavior of a certain firm's customer. Sales promotion activities can be classified into three categories: (Srinivasan, Anderson, 1998)

1. Consumer promotions: These are typically employed by manufacturers to stimulate purchases by ultimate consumers.
2. Trade promotions: Such as case allowances and bill-backs are designed by manufacturers to motivate marketing intermediaries or channel members to stock and promote products.
3. Retailer promotions: These are initiated by retailers to attract shoppers and in-store purchasing.

Retailer promotions are a hybrid form of promotion conducted by the retailer and directed at consumers. As with any kind of promotion, those done by retailers are designed to persuade people to buy more of the product on sale. The difference is that the retailers want that purchasing to occur only in their stores. Regardless of the type of promotion being used, it should be appropriate to the product's life cycle. For instance, when introducing a new brand a company should use promotions to encourage trial such as sampling or coupons. For more established brands, the goal is to increase brand loyalty, perhaps through "buy-one-get-one-free" promotions or "buy-three-pay-two" promotions etc. (Bergh, Katz, 1999, p.375).

In electronic retailing, retailer promotion activities are initiated by retailers and directing shoppers to shop from e-tailers. A research conducted in Turkey found out that consumers are affected by "more installments" (40%), "bring-old-take-new" (30%), "buy-one-get-one-free" (17%), "buy-one-have-discount-for-second" (12%) type of bonus pack applications (Ipsos KMG, 2008). However, these are the types of applications resorted by traditional retailers. Sales promotion types applied by techno-markets on Internet, in other words, e-tailing, have been determined as follows based on the interviews conducted with consumer electronics retailers: bundles, buy-three-pay-two, premiums, gift vouchers, coupons, price promotions, refunds, contests and sweepstakes, joint sales promotion/tie-in sales promotion, bring-old-take-new, and best price guarantee. In addition, interviews with techno-markets in Turkey revealed the information that most consumers who shop via Internet are affected by price promotions among sales promotion types. From this point of view, effort has been paid to determine which sales promotions applied by e-tailers influence the purchasing decisions of consumers.

3. Research Questions

In this paper, we explore the following research questions:

- Are there particular demographic factors (age, education level and income) that significantly affect consumers sales promotions preferences?
- Is sales promotion the main reason for which consumers shop online?
- Is sales promotion the most important reason for which consumers shop from e-tailers instead of traditional retailers?
- Are they most influenced by price promotions when buying consumer electronics from e-tailers?
- Would they prefer traditional retailers if they offered the same or similar types of promotions that e-tailers offer?

4. Method

4.1. Participants

Surveys were prepared in Internet environment and applied on consumer electronics consumers who shop from Internet stores of traditional techno-markets. Those who did not shop via Internet were not included in evaluation. As cited in the literature, number of males

shopping via Internet is higher than number of females in Turkey, for which reason no effort has been paid to include equal number of males and females in the study. The total number of completed questionnaires for analysis was 143. These were the usable ones with no excessive missing data. Of the 143 respondents, 96% was men. Respondents were dispersed to various cities all over to Turkey who can connect Internet including İstanbul, İzmir, Muğla, Ankara, Nevşehir, Bursa, Antalya, Bolu etc. Of the 143 respondents, 29.3% was from İstanbul, 15.8% was from İzmir, 14.6% was from Ankara. Therefore our study matches with information given in the literature for Turkish Internet users. The demographic characteristics of the sample are presented in Table 1.

Table 1: Demographic Dispersion of the Respondents

Age	Frequency	Percent
Between 18-25	58	40,56
Between 26-30	45	31,47
Between 31-40	33	23,08
Between 41-50	7	4,90
51 and above	0	0
City	Frequency	Percent
Istanbul	42	29,3
Izmir	22	15,8
Ankara	21	14,6
Others	58	40,3
Education Level	Frequency	Percent
Primary-Secondary School	24	16,79
Graduate	101	70,63
Post Graduate	18	12,59
Income Level	Frequency	Percent
0-500 TL	43	30,07
501-1000 TL	24	16,78
1001-1500 TL	27	18,88
1501-2000 TL	19	13,29
2001 TL and above	30	20,98
Total	143	100,0

4.2. Measures

This study focuses on the impact of sales promotions on the choice of respondents for purchasing from physical stores or e-tailers. Demographic data pertaining to gender, age, marital status, education level and income were also collected. Questionnaire includes why people make online shoppings, their sales promotions preferences and e-tailer preferences scales. Respondents were asked the degree of importance with each statement on shopping reasons and e-tailers preferences. A five-point Likert type scale ranging from “very important” (5) to “very unimportant” (1) was used.

4.3. Statistical Analysis

The data collected were analyzed using descriptive statistics by frequency distributions, percentages, means, and standard deviations. When the results of the ANOVA test were statistically significant, Post hoc Turkey multiple comparisons were conducted to determine where differences between means existed. Statistical significance was accepted at an alpha level 0,05 or below.

5. Results

5.1. Demographic Attributes And Sales Promotion Preferences Of Consumers

Table 2: Variance Analysis Results of Sales Promotion

		Mean	SD	z/F	p
Age	18-25	4,17	1,01	3,00	0,03*
	26-30	3,96	0,90		
	31-40	3,88	1,18		
	41 and above	3,00	0,82		
Education	Primary-Secondary Education	3,80	0,95	0.68	0,5
	University Graduate	4,01	1,00		
	Post-Graduate	3,77	1,26		
Income	0-500 TL	4,23	0,87	1,52	0,20
	501-1000 TL	4,00	1,02		
	1001-1500 TL	3,62	1,02		
	1501-2000 TL	4,00	1,25		
	2001 TL and above	3,90	1,09		

The results of the one-way ANOVA test indicate that there were statistically significant difference between groups based on the respondents' age ($F=3.00$, $p=.03$). The results of the Turkey post-hoc test indicate the means for promotion were statistically significant to age. Respondents with 41 and above had a mean score of 3,00 and this mean score is statistically lower than other groups ($Mean_{18-25}=4,17$; $Mean_{26-30}=3,96$; $Mean_{31-40}=3,88$).

Responses to easiness to reach, product variety, quality of service and support after sale did not differ significantly with age, educational level and income.

5.2. Factors That Affect Shopping From E-Tailers Behaviors Of Consumers

According to the findings obtained from the study, the most important factors which affect shopping of consumers from Internet are the ability to compare the price of the product with the prices of other stores (60%) and availability of products in e-tailers which cannot be found in physical stores (53%). Detailed information on the product, time-saving and promotions occupy lower ranks.

5.3. Promotion Activities Which Affect Consumers While Buying Electronics From Internet

Of the respondents, 33,60% stated that they were affected by price discounts, 9,97% by premiums, 9,19 by gift vouchers when buying consumer electronics from Internet.

5.4. Choice Of Consumers Between Traditional Retailers And E-Tailers As Affected By Sales Promotions

85,52% of consumers admitted that their shopping was affected by sales promotions, whereas 17,48% stated the opposite. 81,12% of consumers expressed that, if physical retailers also offered the same or similar type of promotions by which they were affected, they could prefer physical stores in consumer electronics shopping.

60,14% of respondents stated that the most recent thing they bought via Internet was laptop computer, computer and computer parts, followed by 9,09% who bought audio and visual systems. 21,68% of respondents bought consumer electronics from "hepsiburada.com", whereas 16,08% purchased from the traditional technomarket called "Vatan Bilgisayar". The responses to the question where they would prefer for consumer electronics shopping via Internet turned out to be "hepsiburada.com" with 36,84% and "Vatan Bilgisayar" with

23,36%. According to the findings, it can be said that respondents of the questionnaire prefer for consumer electronics shopping virtual shopping stores and techno-markets on Internet as much as traditional retailers.

6. Conclusion

Electronic retailing shows a development parallel to that of traditional retailing sector. Due to changing lifestyles, increasingly more people prefer to shop online, which is the most important factor that accelerates the development of electronic retailing system.

In this study, it has been found out that males from Istanbul with higher education between the ages of 18 and 40 shopped online. E-technomarkets are as much preferred as virtual shopping stores for purchasing consumer electronics. It has been determined that price promotion is the most influential sales promotion type applied by electronic techno-markets. No significant relation has been detected between demographic attributes and sales promotion preferences. It has been determined that people who shop via Internet pay attention to promotions and prefer e-tailers to traditional retailers for reasons such as the opportunity to compare the price of the product that they purchase to the price offered by other stores and availability of products which cannot be found in traditional stores.

E-tailing and online shopping are developing fast in the world and in Turkey. As technology becomes cheaper in Turkey, infrastructure problems are solved and security in terms of payment and confidentiality of personal data is ensured, more people will connect to and shop from the Internet, for which reason e-tailing and online shopping shall receive more attention.

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