DETERMINATION OF THE BEST SUITABLE STRUCTURE OF PROMOTIONAL BENEFITS FOR DIFFERENT LOYALTY STAGES’ CUSTOMERS

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The peculiarities of the usage of promotional benefits according to customer loyalty stage are being analyzed in the article. The main assumption here is that customers being on different loyalty stages have distinct needs and expectations with the sales promotion offerings. To be effective, sales promotion has to correspond to specific needs of a customer loyalty stage. According to the results of the empiric research, the eventual structure of promotional benefits which is best suitable to customers being on different loyalty stages is provided.

Key words: customer loyalty, loyalty stages, promotional benefits, sales promotion.

The effectiveness of sales promotion used by organizations depends on various factors. One of these factors is the fulfillment of customers’ needs. According to the customer’s loyalty stage, the benefits influencing his/her buying decision differ. Consequently, distinct techniques of sales promotion have to be applied for the customers being on different loyalty stages. Therefore, benefits motivating customers being on a particular loyalty stage are emphasized.

The usage of sales promotion in accordance to customer loyalty stage has not been investigated in Lithuania. Foreign scientists (O’Guinn, 2002; Belch, 2003 et al.) often refer to customer loyalty as an objective of sales promotion. Investigations on customer loyalty and sales promotion are often performed separately; the findings of the research are not compared.

Various scientists fragmentarily analyze promotional benefits for consumers (Chandon, 2000; Kwok, 2005; Mittal, 1994; Soman, 1998 et al.), characteristics of customers with different loyalty stages (Bhote, 1996; Černiauskienė, 2007; Griffin, 1997; Egan, 2001 et al.), and other aspects of customer loyalty and its formation. Nevertheless, exhaustive empirical analysis about how the usage of sales promotion in accordance to customer loyalty stage influences consumer behaviour and attitudes has not been found. Scientific problem – how to use promotional benefits to correspond needs of customers being on different loyalty stages.

The object of the research is the structure of promotional benefits which is most suitable for the customers being on different loyalty stages.

The aim of the research is to determine the structure of promotional benefits which are the most suitable for customers being on different loyalty stages.

The objectives set for the research are:
• to substantiate theoretically the usage of sales promotion in accordance with customer loyalty stages;
• to determine promotional benefits which should or should not be provided to customers being on different loyalty stages;
• to provide the structure of promotional benefits best suitable to customers being on different loyalty stages.

For purpose of determining promotional benefits most suitable to different loyalty stages’ customers, the empiric research was provided. According to the results of the empiric research, promotional benefits best motivating customers being on every particular loyalty stage were determined. According to the means of evaluations of every single benefit, the best suitable structure of promotional benefits for every particular loyalty stages’ customers was determined.

**Scientific background**

The analysis of scientific literature (Kopalle, 1999; Paap, 2000; van Heerde, 2000; Pauwels, 2002) suggests that mass usage of sales promotion often leads the organization to harmful consequences, instead of being effective. Sales promotion can negatively affect brand equity and sales in the long run. Improvident usage of tools of sales promotion often has a by-effect – diminishes brand valuation in the market. Customers can temporarily stop buying the product, while expecting future discounts. Aforesaid waiting period can lead customers to forget their relationship with the brand. Such customers are often main targets for organization’s competitors.

In order to be effective, sales promotion has to correspond customer’s needs and wishes. However, it is quite difficult for organization to determine needs and preferences of all its customers. The well-known practice of market segmentation helps organizations to divide their customer into some groups. Customers in the segment are supposed to have some common buying characteristics and behaviour. Recently, various scientists are emphasizing the possibility of customer segmentation in accordance to the nature of their relationship with organization (de Wulf, 2003). An example of such segmentation could be the segmentation based on customer loyalty stage (Bhote, 1996; Černiauskiėnė, 2007; Griffin, 1997; Egan, 2001 et al.). According to F. Leclerc (1995), the stage of customer loyalty influences his/her response to sales promotion used.

The loyalty-based segmentation stipulates that all customers can be attached to a particular loyalty stage, according to their attitudinal and behavioural characteristics. Some previous investigations (see Bakanauskas, 2008 a, b) enabled to distinguish four stages of customer loyalty: (1) “Neutral customer”, (2) “Potentially loyal customer”, (3) “Unconsciously loyal customer”, and (4) “Genuinely loyal customer”. In every loyalty stage, customers have different needs and demands. The recognition of given stages and fulfilment of stage-specific customer needs provides more advantages for organizations in customer loyalty formation. To be effective, sales promotion has to correspond to specific needs of a customer loyalty stage. Knowing the specific customer characteristics and needs in every loyalty stage, organization can plan and implement sales promotion best corresponding to specific individual customer’s needs.

Sales promotion used by organizations provides customer with lots of different benefits. P. Chandon et al. (2000) suggested that all these benefits can be
grouped into utilitarian (savings, quality, convenience, utilitarian value expression) and hedonic (hedonic value expression, exploration, entertainment). Utilitarian benefits in their nature are functional and cognitive. They enable consumers to maximize deal effectiveness, efficiency and utility. Conversely, hedonic benefits are experiential and affective. They provide intrinsic stimulation, fun, and self-esteem. Various tools of sales promotion (monetary and non-monetary) provide different benefits; consequently, their usage has to be different depending on customer loyalty stage. The usage of sales promotion providing different benefits according to customer loyalty stage enables organizations to attract and keep customers, to form their loyalty.

Research organization

For the purpose of validating that the effectiveness of sales promotion on customers with different customer loyalty stages differs, the empiric research was provided. The following research hypothesis H1 was established: Customers being on different loyalty stages are motivated by distinct promotional benefits.

The research questionnaire provided two main questions. The first question was composed of 18 statements characterizing the 7 benefits of sales promotion (savings, quality, convenience, utilitarian value expression, hedonic value expression, exploration, entertainment). Each benefit was described by three different statements. The explanation and relationships between the given statements and benefits of sales promotion were not provided in order to avoid response biases. The purpose of the first question was to determine the structure of promotional benefits (how respondent perceives sales promotion and its benefits).

After the respondent’s perception of sales promotion and its benefits is determined, the second task is to identify the benefits, which more or less affect customer’s choice. For this purpose the second research question was provided. It was composed of 7 statements about the benefits of sales promotion used by certain organization (JSC “Sarma” in this case).

All the statements in the questions provided were evaluated by respondents using 5 point Likert scale with possible choice answers “Strongly disagree”, “Disagree”, “Neither agree nor disagree”, “Agree”, “Strongly agree”. The selection of Likert scale was chosen, because this scale is quite informative and clearly and unambiguously shows respondent’s preferences.

518 customers of JSC “Sarma” participated in the research. Respondents were chosen to represent all four loyalty stages.

Research findings

The results of the research enable to determine promotional benefits which should or should not be provided to customers being on different loyalty stages. Also, research results highlight benefits, which best motivate customers being on a particular loyalty stage, and benefits, which were evaluated negatively by customers being on different loyalty stages. On the basis of the research results and ac-
According to the means of benefits evaluation provided by respondents, the structure of promotional benefits, most suitable to customers being on every particular loyalty stage can be provided.

The structure of promotional benefits, most suitable to customers being on every particular loyalty stage was established in 3 stages.

1. Means of evaluation of every promotional benefit provided by respondents being on different loyalty stages were estimated. The equation used for this estimation was:

\[ x_{ij} = \frac{1}{n} \sum_{v=1}^{n} x_{ivj}, \quad (1) \]

where \( n \) – number of respondents, \( i \) – promotional benefit (from 1 to 7), \( j \) – customer loyalty stage (from 1 to 4), \( v \) – individual customer (respondent). Means of evaluations of promotional benefits provided by respondents being on different loyalty stages are provided in Table 1.

<table>
<thead>
<tr>
<th>Promotional Benefit</th>
<th>STAGE 1</th>
<th>STAGE 2</th>
<th>STAGE 3</th>
<th>STAGE 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>( j = 1 )</td>
<td>3.73</td>
<td>3.42</td>
<td>3.60</td>
</tr>
<tr>
<td>Quality</td>
<td>( j = 2 )</td>
<td>4.14</td>
<td>4.03</td>
<td>4.23</td>
</tr>
<tr>
<td>Convenience</td>
<td>( j = 3 )</td>
<td>3.37</td>
<td>3.37</td>
<td>3.38</td>
</tr>
<tr>
<td>Utilitarian value expression</td>
<td>( j = 4 )</td>
<td>3.67</td>
<td>3.77</td>
<td>3.91</td>
</tr>
<tr>
<td>Hedonic value expression</td>
<td>( j = 5 )</td>
<td>2.33</td>
<td>2.79</td>
<td>2.38</td>
</tr>
<tr>
<td>Exploration</td>
<td>( j = 6 )</td>
<td>3.08</td>
<td>3.48</td>
<td>3.32</td>
</tr>
<tr>
<td>Entertainment</td>
<td>( j = 7 )</td>
<td>2.93</td>
<td>3.52</td>
<td>3.01</td>
</tr>
</tbody>
</table>

Note: [ ] Benefit should not be provided [ ] Benefit can be provided [ ] Benefit should be provided

Means of evaluations of promotional benefits provided in Table 1 indicate that not all promotional benefits were evaluated positively. Also, some benefits were evaluated positively, but the evaluation was highly weak (mean of evaluations was less than 3.1). Negatively or weakly positively evaluated promotional benefits do not motivate customers to make a purchase decision, thus, should not be included into the structure of promotional benefits.

2. Which promotional benefits should or should not be provided to customers being on different loyalty stages can be defined according to the means of evaluations of the benefits provided by respondents. Into the structure of promotional benefits should be included provided to customers those benefits that: (1) were evaluated positively by respondents (while using Likert scale, positive evaluations are those more than 3) and (2) had mean of evaluations (\( x_{ij} \)) greater than 3.1. The assumption here is that benefits with highly weak positive means of
evaluations \( (3 \leq M \leq 3.1) \) do not motivate customers to make the purchase decisions. Negatively and weakly positively evaluated benefits should not be highlighted in the sales promotion offer. Negatively and positively evaluated benefits of sales promotion were distinguished by establishing condition:

\[
x^*_y = \begin{cases} 
x_y, & \text{if } x_y \geq 3.1 \\
0, & \text{otherwise} 
\end{cases}
\]

(2)

After accomplishment of the distinction according to established condition, following means of evaluations were obtained (Table 2).

<table>
<thead>
<tr>
<th>Customer Loyalty Stage</th>
<th>Promotional Benefit</th>
<th>STAGE 1</th>
<th>STAGE 2</th>
<th>STAGE 3</th>
<th>STAGE 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>j = 1</td>
<td>j = 2</td>
<td>j = 3</td>
<td>j = 4</td>
<td></td>
</tr>
<tr>
<td>Savings</td>
<td>i = 1</td>
<td>3.73</td>
<td>3.42</td>
<td>3.60</td>
<td>3.90</td>
</tr>
<tr>
<td>Quality</td>
<td>i = 2</td>
<td>4.14</td>
<td>4.03</td>
<td>4.23</td>
<td>4.55</td>
</tr>
<tr>
<td>Convenience</td>
<td>i = 3</td>
<td>3.37</td>
<td>3.37</td>
<td>3.38</td>
<td>3.95</td>
</tr>
<tr>
<td>Utilitarian value expression</td>
<td>i = 4</td>
<td>3.67</td>
<td>3.77</td>
<td>3.91</td>
<td>4.29</td>
</tr>
<tr>
<td>Hedonic value expression</td>
<td>i = 5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Exploration</td>
<td>i = 6</td>
<td>0</td>
<td>3.48</td>
<td>3.32</td>
<td>3.74</td>
</tr>
<tr>
<td>Entertainment</td>
<td>i = 7</td>
<td>0</td>
<td>3.52</td>
<td>0</td>
<td>3.83</td>
</tr>
</tbody>
</table>

3. On the basis of the means of evaluations of relational benefits provided, the structure of promotional benefits (best suitable to customers being on every particular customer loyalty stage) was established. While establishing the structure of promotional benefits best suitable to every particular loyalty stage, relative weight of every single benefit among all the promotional benefits was calculated. The relative weight of every promotional benefit to customers being on different loyalty stages was calculated by the equation 3 below:

\[
\Delta x = \frac{x^*_y}{\sum_{i=1}^{7} x^*_y} \times 100\%
\]

(3)

After calculation of the relative weights of promotional benefits to customers being on every particular loyalty stage, the structure of promotional benefits best suitable to every single loyalty stage can be provided. All the benefits included in the structure were evaluated positively by respondents. All the benefits are expressed by percentages, according to the evaluations provided by respondents. Benefits with negative or weak positive (\( \leq 3.1 \)) evaluations were not included in the structure. The eventual structure of promotional benefits best suitable to customers being on different loyalty stages is provided in the Figure below.
Figure. The eventual structure of promotional benefits best suitable to customers being on different loyalty stages

According to the structure of promotional benefits provided, organizations can plan and implement their sales promotion to better suit needs and demands of their customers.

Conclusions

1. The results of the empirical research suggest the conclusion that utilitarian benefits of sales promotion are best valued by customers being on the fourth loyalty stage. The evaluations of this segment are significantly higher than the others. Customers being on the first three loyalty stages have evaluated utilitarian benefits similarly. Sales promotion providing hedonic benefits was better evaluated
by customers being on the second and fourth loyalty stages, whereas using sales promotion with hedonic benefits to customers being on first and third stages would have no positive results.

2. Increasing loyalty stage makes the customer more susceptible to any sales promotion offered by organization.

3. The research hypothesis H1 (Customers being on different loyalty stages are motivated by distinct promotional benefits) can be accepted.

References


PARDAVIMŲ SKATINIMO TEIKIAMŲ NAUDŲ STRUKTŪROS NUSTATYMAS SKIRTINGŲ LOJALUMO STADIJŲ VARTOTOJAMS

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Santrauka

Straipsnyje analizuojami pardavimų skatinimo teikiamų naudų, atitinkančių skirtingų lojalumo stadijų vartotojų poreikius, taikymo ypatumai.

Tyrimo objektas – pardavimų skatinimo teikiamų naudų struktūra, taikytina skirtingų lojalumo stadijų vartotojams.

Tyrimo tikslas – nustatyti pardavimų skatinimo teikiamų naudų struktūrą, taikytiną skirtingų lojalumo stadijų vartotojams.

Siekiant nustatyti kurios pardavimų skatinimo teikiamos naudos geriausiai motyvuoją skirtingų lojalumo stadijų vartotojus, buvo atliktas empirinis tyrimas. Empirinio tyrimo rezultatų pagrindu nustatyta, kurios pardavimų skatinimo teikiamos naudos turi ar negali būti teikiamos skirtingas lojalumo stadijas pasiekusiems vartotojams. Atsižvelgiant į kiekvienos pardavimų skatinimo teikiamos naudos vertinimą vidurkius, nustatyta pardavimų skatinimo teikiamų naudų struktūra, taikytina skirtingų lojalumo stadijų vartotojams.

Raktiniai žodžiai: lojalumo stadijos, pardavimų skatimus, pardavimų skatinimo teikiamos naudos, vartotojų lojalumas.