

# **Study of the Influence of Exclusive Agencies Sale Incentives on the Store Loyalty**

## **(Case study: Pars Khazar exclusive agencies in Guilan)**

**Shahram Gilaninia<sup>a</sup>, Mohamad Talghani<sup>b</sup>, Hamed Pooryousefi Dargah<sup>c</sup>**

<sup>a,b</sup> Department of Industrial Management, Islamic Azad University, Rasht Branch, Rasht, Iran

<sup>c</sup> Department of Business Management, Islamic Azad University, Rasht Branch, Rasht, Iran

---

### **ABSTRACT**

In today's competitive environment, business Units care for getting those customers who respect their Units and undertake to purchase from .Retailing turbulent environment so is not excepted from this rule. Retailing Stores are trying to answer this question that "How they can prepare some situations to obtain higher customer satisfaction, more frequent shopping visits, larger wallet shares, and higher profits."

Creating positive experiences for customers is an effective method for causing them to return and re-buy from stores. Experiences of Customers who purchase from a retailing would be influenced by lots of different factors .In one theoretical faction, affective factors on retail customers experience have been differentiated to uncontrollable and controllable factors by retailers. Uncontrollable factors indeed are the same macro economic factors such as inflation rate. Gasoline prices, recession, unemployment, interest rates, and declining stock markets and controllable factors are the same retailing mix which is promotion, price, merchandise, supply chain and location.

In this research we are going to investigate the effect of some sale incentives (as a sub-set of promotion in retailing mix) on the loyalty to Pars Khazar exclusive agencies in Guilan (a province of Iran). For doing this research, Likert Scales' Questionnaires were distributed among 384 customers of 4 pars khazar exclusive agencies (Pars Khazar Brand Shops) in Guilan, and the gathered data was analyzed by the T-Test statistic method.

The findings of this research indicate that using the mentioned incentives affect positively the customer loyalty to the exclusive agencies.

**KEYWORDS:** Customer Experience, Coupon, Discount, Free Items, Store Loyalty

---

### **1. INTRODUCTION**

To have more loyal customers, retailers are able to mitigate probable threats of macro economic factors as uncontrollable factors by using the controllable ones (retailing mix) toward creating more appropriate and positive experiences for consumers. In this paper, at first we concisely introduce retail customer experience and effective factors (controllable & uncontrollable) on it, and then we investigate the effect of sale incentives, as a sub-set of promotion and communication in retailing mix, on the store loyalty. The research statistical society is those Pars Khazar exclusive agencies (Brand Shops) customers who have used coupon and discount as two under performance incentives in these special stores.

Pars Khazar Industrial Corporation is a factory in Iran that manufactures limited range of Small and middle House devices like juice maker, mixer, tea maker, toaster, vacuum etc to encounter this market growing competition in Iran, Pars khazar Industrial Corporation has taken action to offer franchise of exclusive agency across the country .

Investigated sale incentives in this research that indeed are counted as the independent variables are coupons, discount, gift and free item, store loyalty as dependent variable of this investigation is measured by using of word-of-mouth, commitment and behavior.

### **2. RESEARCH LITERATURE**

#### **2.1. Conceptual framework**

**Customer experience:** "The Customer Experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly personal and implies the customer's involvement at different levels (rational, emotional, sensorial physical and spiritual). Its evaluation depends on the comparison between a

---

**\*Corresponding Author:** Hamed Pooryousefi Dargah, Department of Business Management, Islamic Azad University, Rasht Branch, Rasht, Iran

customer's expectations and the stimuli coming from the interaction with the company and its offering in correspondence of the different moments of contactor touch-point (Gentile, Spiller&Noci, 2007, 397).

#### 2.1.1. Economic Macro Factors

The popular press is replete with stories about the effects of economic factors (e.g., gasoline prices, inflation, recession, unemployment, interest rates, and declining stock markets) on consumer shopping behavior. Economic and financial uncertainty also has influenced the retail environment, and several prominent retailers (e.g., Linens 'N Things, Levitz, Circuit City, Sharper Image) have either closed their doors or filed for bankruptcy protection. (Grewal, Levy and kumar, 2009)

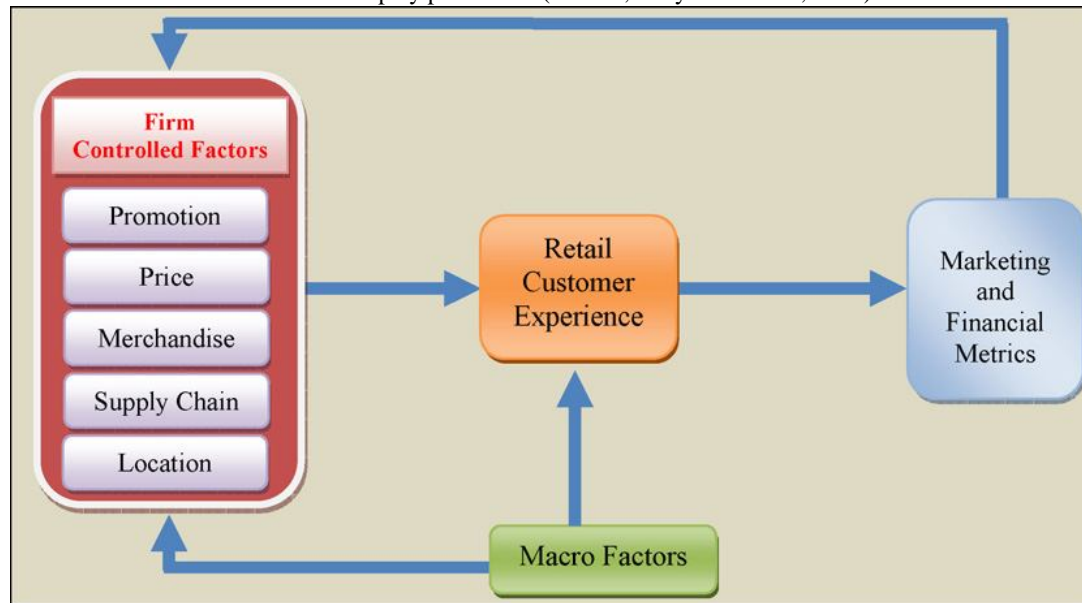


Fig.1 Conceptual Model (Grewal, Levy and kumar, 2009, 2)

Now that the role of macro economic factors, as uncontrollable factors, in determination of consumer behavior, is undeniable, finding other effective factors that are controllable by retailers will help them to make probable perils of micro economic factors to be subsided. Controllable factors according to a conceptual model introduced by Grewal and his co-workers in paper called "Customer Experience Management in Retailing: An Organizing Framework" "are indeed the same retailing mix consisted of Promotion, Price, Merchandise, Supply Chain and Location. (Figure1)

#### 2.1.2. Marketing and Financial Metrics

According to figure.1 controllable factors not only affect the customer experience but are

Influenced by economic macro factors (uncontrollable ones) and marketing-financial metrics .We introduced macro factors before and marketing-financial metrics assist retailers in noticing and diagnosing existent position and getting these aims:

- Performance evaluation
- Acquisition of an effective policy to supply and allocate the sources.
- Better customers' recognition.

Marketing and financial metrics could be:

- Backward-Looking like share of wallet or last years financial profits.
- Forward -Looking like CLV (Customer lifetime Value).(Grewal, Levy&kumar,2009 )

#### 2.1.3. Price

Pricing is a key aspect of the marketing mix. It is the only marketing element where managers expect customers to part with their dollars and since consumer dollars spent at one retail store may imply fewer dollars spent at a competing retail store, it is not surprising that competitive forces may play a key role in determining prices at various outlets, such as online stores, department stores, specialty stores, discount stores, grocery, drug, and convenience stores. (Kopalle, Biswas et al, 2009, 56)

#### 2.1.4. Merchandise

Perhaps the most vexing problem facing retailers is the challenge of getting the right merchandise in the right quantities to the right stores at the time that customers want it (Grewal, Levy & Kumar,

2009, 6). In the merchandise field a very important and special discussion has been exposed called PAP (Product assortment Planning):

One of the most basic strategic decisions a retailer must make involves determining the product assortment to offer. Retailers attempt to offer a balance among variety (number of categories), depth (number of stock-keeping units [SKUs] within a category), and service level (the number of individual items of a particular SKU). Yet retailers also are constrained by the amount of money they can invest in inventory and by their physical space. Offering more variety thus may limit the depth within categories and the service level, or both. By making appropriate trade-offs with respect to variety, depth, and service levels, retailers hope to satisfy customers' needs by providing the right merchandise in the right store at the right time. (Mantrala, Levy, Kahn, Fox et al, 2009, 71).

#### **2.1.5. Supply Chain**

In the modern retail environment, retailers must deal with increased competition both domestically and globally through both traditional and nontraditional channels. Changes in customer expectations about product assortments and service, regulatory pressures for accurate data and business demands for "more for less" all drive efforts to deliver improved business performance and customer service. As a result, retailers look beyond their organizational boundaries to evaluate and integrate the resources and capabilities of their suppliers and customers and thus create superior value and a competitive advantage that they might sustain over time (Ganesan, George& Jap et al, 2009, 84).

#### **2.1.6. Location**

Retailing academics and practitioners seem always to emphasize "location, location, location" as the key to success. Recent research highlights the role of two key location factors: proximity to customers (measured in travel time) and proximity to other stores or agglomeration. For example, grocery stores appear to benefit from agglomeration with discount stores, but Wal-Mart discount stores suffer reductions in revenues when they agglomerate with grocery stores. (Grewal, Levy & Kumar, 2009, 7)

#### **2.1.7. Promotion**

Communication and promotion decisions are a critical element of retailer customer experience management strategy. Manufacturer decision variables can be categorized as pull or push. The brand manufacturer's *pull* decisions (e.g., advertising, coupons) can influence the retailer's decisions on the regular price, feature advertising, display, and price cut for the brand. The manufacturer's *push* decisions such as wholesale price, trade promotions, and sales force efforts also influence the retailer's decisions. The retailer's decisions include those on price, price promotions, traditional non-price support like feature advertising and displays, and other in-store communications such as TVs, shelf talkers, and shopping cart advertising that are now commonly bundled under the phrase "shopper marketing". Clearly, these decisions are influenced (and often funded) by manufacturer decisions, and they determine the retailer's performance (Ailawadi, beauchamp, et al, 2009, 43).

### **Operational Framework**

In this investigation, at first, sale and marketing managers of Pars Khazar Corporation were interviewed in an explorative research to recognize those performable sale incentives (As a sub-set of promotion mix in Figure .1) in Pars Khazar exclusive agencies .

According to a model used by Bridson, Evans & Hickman, one relationship has been made between four independent variables (coupon, discount, gift and free items as promotion mix in figure.1) and store loyalty as dependent variable.

It is noteworthy that Coupon, discount, gift and free items have recognized Hard Loyalty Program by Bridson and his co-workers in paper "Assessing the relationship between loyalty program attributes, store satisfaction and store loyalty "

### **2.2. Conceptual and Operational Definitions of Variables**

**Coupon:** Coupon is one popular item in the loyalty program of many stores (Bridson, Evans & Hickman, 2008) one coupon is given to everyone who purchases in the Pars Khazar exclusive agencies, and if customers bring these papers in next buying, they will be offered by 5 to 10 percent discounts. Coupon is an ingredient of Pars Khazar pulling decisions which supported financially by the Pars Khazar Industrial Corporation. In this research, the potential of coupons in creating commitment, word-of-mouth and re-buying (behavior) among customers is measured by the Likert Scales.

**Discount:** Discount is one popular item in the loyalty program of many stores (Bridson, Evans & Hickman, 2008) Discount is a ingredient of Pars Khazar exclusive agencies retailing decisions and In

this research, the potential of discounts in creating commitment, word-of-mouth and re-buying (behavior) among customers, is measured by the Likert Scales.

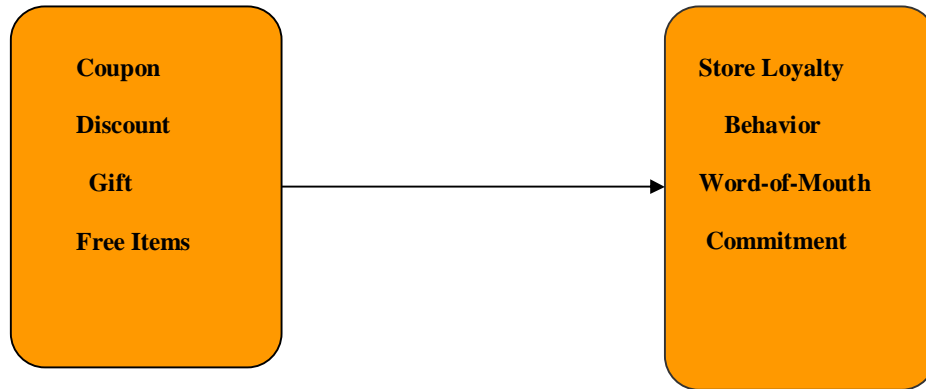


Fig.2 Operational Model (Bridson, Evans&Hickman, 2008, 365)

**Gift and Free Items:** Gift and free items are very popular items in the loyalty program of many stores. (Bridson, Evans & Hickman, 2008) Pars Khazar exclusive agencies don't utilize these two incentives but gift and free items fortunately are very popular sale incentives in Iran and customers are very familiar to them. For example these incentives are used by LG and Samsung Corporations in the country. In this research, the potential of gift and free items in creating commitment, word-of-mouth and re-buying (behavior) among customers is measured by the Likert Scales.

**Store Loyalty :**Store loyalty can be defined as “the biased”(i.e non-random) behavioral response(i.e revisit), expressed over time,by some decision-making unit with respect to one store out of a set of stores,which is a function of psychological (decision making and evaluate) processes resulting in brand commitment (Bloemer & de Ruyter,1998,500).That is, store loyalty implies more than merely re-patronizing a store but also suggests some degree of preference and dedication (Bridson,Evans& Hickman,2008,366)Previous studies measuring retail store loyalty have operationalized the attitudinal component of loyalty as commitment and the behavioral dimension as repeat purchase and positive word-of-mouth .The justification for this is that the analysis of both the behavioral and attitudinal aspects offers a more holistic representation of the construct, with the multi-dimensional definition providing greater insight into consumer loyalty motivations than either component in isolation (Bridson,Evans& Hickman,2008,366). Commitment, Word-of-mouth and behavior have been considered in Table 1.

### 3. Hypotheses:

H1: Using the incentive coupon affects customers` loyalty to exclusive agencies.

H2: Using the incentive discount affects customers` loyalty to exclusive agencies.

H3: Offering the incentive gift affects customers` loyalty to exclusive agencies.

H4: Offering the incentive free item affects customers` loyalty to exclusive agencies.

Table 1) Store Loyalty Measurement

<i>Behavioral</i>	<i>Word-of-Mouth</i>	<i>Commitment</i>
I consider myself a regular customer of this retailer	I often find myself telling people about the positive experiences I have had with this retailer	Even if this retailer was more difficult to reach, I would still keep buying from it
I feel loyal towards this retailer	Because of my experiences with this retailer ,I try to convince friends, family and co-workers to switch to this retailer	Regardless of competitors` offers, I always shop at this retailer
I consider this retailer to be my first choice when Shopping for the category of goods it sells	I say positive things about this retailer to other people	I would never consider switching to another retailer
I intend to do more business with this retailer in the future	I would recommend this retailer to someone who seeks my advice	Even if another retailer had a sale, I would still buy From this retailer
I always find myself consistently buying from This particular retailer	I encourage others to do business with this retailer	If this particular retailer was closed, I would find it difficult to find a substitute retailer
I make most of my purchases from this retailer		

Resource: (Bridson. Evans & Hickman. 2008)

#### 4. METHODOLOGY

Since this research is investigating the effect of some sale incentives on the customers' loyalty to exclusive agencies of Pars Khazar Industrial Corporation, those customers who have purchased in these stores at least one time, form this research statistical society, for this purpose questionnaire in Likert Scales criteria were distributed among 384 customers of 4 Pars Khazar exclusive agencies in Guilan (a northern province in Iran).

$$n = \frac{z^2 \alpha/2 \times s^2}{D^2} = \frac{1.96^2 \times 0.5^2}{0.05^2} \cong 384$$

and the gathered data was analyzed by the T-Test statistical method (SPSS software).

#### 5. DATA ANALYSIS & HYPOTHESIS TESTING

Gathered data has been analysed by the SPSS software and the results have been extended to the statistical society with the T-Test statistical estimation method.

##### 5.1. Testing the First Hypothesis

**Table.2 One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Coupon	384	3.6322	.60993	.03113

**Table.3 One-Sample Test**

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean	95% Confidence Interval of the Difference	
					Lower	Upper
Coupon	20.310	383	.000	3.63216	3.5710	3.6934

As a result of obtained (Sig = .000) which is less than ( $\alpha = .05$ ) and by attending to the obtained Mean of the sample (3.63216), we are able to say the estimated Mean of the statistical society in the most pessimistic state (3.5710) is more than 3. So we can claim the first hypothesis to be confirmable, thus we can say with %95 confidence:

**Using the incentive coupon affects customers' loyalty to exclusive agencies.**

##### 5.2. Testing the Second Hypothesis

**Table.4 One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Discount	384	3.5755	.72195	.03684

**Table.5 One-Sample Test**

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean	95% Confidence Interval of the Difference	
					Lower	Upper
Discount	15.621	383	.000	3.57552	3.5031	3.6480

As a result of obtained (Sig = .000) which is less than ( $\alpha = .05$ ) and by attending to the obtained Mean of the sample (3.5755), we are able to say the estimated Mean of the statistical society in the most pessimistic state (3.5031) is more than 3. So we can claim the second hypothesis to be confirmable, thus we can say with %95 confidence:

**Using the incentive discount affects customers' loyalty to exclusive agencies.**

##### 5.3. Testing the Third Hypothesis

**Table.6 One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Gifts	384	3.6702	.59599	.03041

**Table.7 One-Sample Test**

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean	95% Confidence Interval of the Difference	
					Lower	Upper
Gifts	22.038	383	.000	3.67025	3.6104	3.7300

As a result of obtained (Sig = .000) which is less than ( $\alpha = .05$ ) and by attending to the obtained Mean of the sample(3.6702) , we are able to say the estimated Mean of the statistical society in the most pessimistic state ( 3.6104) is more than 3 . So we can claim the second hypothesis to be confirmable, thus we can say with %95 confidence:

**Offering the incentive gift affects customers` loyalty to exclusive agencies.**

#### 5.4. Testing the Forth Hypothesis

**Table.8One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
FreeItems	384	3.4668	.67447	.03442

**Table.9 One-Sample Test**

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean	95% Confidence Interval of the Difference	
					Lower	Upper
Free Items	13.562	383	.000	3.46680	3.3991	3.5345

As a result of obtained (Sig = .000) which is less than ( $\alpha = .05$ ) and by attending to the obtained Mean of the sample(3.4668) , we are able to say the estimated Mean of the statistical society in the most pessimistic state ( 3.3991) is more than 3 . So we can claim the second hypothesis to be confirmable, thus we can say with %95 confidence:

**Offering the incentive free items affects customers` loyalty to exclusive agencies.**

#### 5.5. The Friedman Test

**Table.10 Ranks**

	Mean Rank
Coupon	2.66
Discount	2.49
Free Items	2.13
Gifts	2.72

**Table.11 Test Statistics<sup>a</sup>**

N	384
Chi-square	53.887
df	3
Asymp. Sig.	.000

a. Friedman Test

According to the obtained ranks, Free Items is the most important incentive and in this manner Discount, Coupon and Gifts are next important incentives.

## 6. Conclusions & Suggestions

### 6.1. Suggestions on the basis of the first hypothesis

Offering incentive coupon is a pulling decision of Pars Khazar Industrial Corporation and confirmation of first thesis indicates the importance of the corporation`s pulling decisions and theirs roles in customers` mind

- If the coupons` values are tangible (effective incentives), frequent shopping visits and re-buying won`t be unavailable.
- Coupons contain so much useful information of customers which are able to be used in the other loyalty programs. For example incentive gift (lottery) could be accomplished among obtained identities by the acquired coupons from customers.
- Acquired information by coupons could be utilized in creating very useful CRM software in order to recognize loyal customers.

### 6.2. Suggestions on the basis of the second hypothesis

Offering incentive discount is typical retailer decision of exclusive agencies of Pars Khazar Industrial Corporation.

- Since offering incentive discount influences the customers` loyalty to the exclusive agencies of Pars Khazar Industrial Corporation, these stores can use this incentive to increase their customers` shopping visits frequency and re-buying.

### **6.3. Suggestion on the basis of the third hypothesis**

- Since offering incentive gift(Lottery) influences the customers loyalty to the exclusive agencies of Pars Khazar Industrial Corporation, these stores can use this incentive to increase their customers` shopping visits frequency and re-buying .
- The gifts could be some particular private labels (Pars Khazar Brand) for better advertising or be funs, free travels, other brands etc.

### **6.4. Suggestion on the basis of the forth hypothesis**

- Since offering incentive free items influences the customers loyalty to the exclusive agencies of Pars Khazar Industrial Corporation, these stores can use this incentive to increase their customers` shopping visits frequency and re-buying.
- Free Items could be related to purchase goods for example giving free bags with Purchased vacuums or be unrelated for example glass, pencil, calendar with Pars Khazar brands.

## **REFERENCES**

1. Ailawadi, Kusam L., j.p. Beauchamp, Naveen Donthu, Dinesh Gauri and Venkatesh Shankar. (2009).”Communication and Promotion Decision in Retailing: A Review and Directions for future research”, *Journal of Retailing*, 85(1), 42-55.
2. Bloemer,J.,de Ruyter,K.,(1998).”On the relationship between store image ,store satisfaction & store loyalty”. *European Journal of Marketing*, 32(5/6), 499-513.
3. Bridson, Kerrie, Jody Evans, Melissa Hickman.(2008).”Assessing the relationship between loyalty program attributes, store satisfaction & store loyalty” , *Journal Of Retailing & customer Services*,15(2008),364-347.
4. Ganesan, Shankar, Sandy Jap, Robert Palmatier, Barton Weitz and Morris George. (2009).”Supply Chain Management and Retailer Performance: Emerging Trends, Issues, and Implications for Research and Practice”, *Journal of Retailing* 85(1), 84-94.
5. Gentile, Chiara, Nicola Spiller, Noci Giuliano. (2007).”How to sustain the Customer Experience: An Overview of Experience Components that Co- create value with the customer”, *European Management Journal*, 25(5), 395-410
6. Grewal, Dhruv, Michael Levy, V.Kumar.(2009).”Customer Experience Management in Retailing: An Organizing Framework”, *Journal of Retailing*, 85(1), 1-14.
7. Kopalle, Praveen K., Aradhna Krishna Joao L.Assuncao.(1999).”The Role of Market Expansion on Equilibrium Bandling Strategies,” *Managerial & Decesion Economics*,(20)356-357.
8. Mantrala, K. Murali, Michael Levy, Barbara E. Kahn,Edward J. Fox, Peter Gaidarev, Bill Dankworth,Denish Shah.(2009).”Why is assortment Planning so Difficult for Retailers?A Framework & Research Agenda”,*Journal of Retailing* ,85(1),71-83.
9. Meyer,Christopher & Andre Schwager.(2007).”Understanding Customer Experience,”*Harvard Business Review*,February, 117-126.