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## Original Article

# Impact of promotions and value consciousness in online shopping behaviour in India

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**ABSTRACT** Online shopping continues to attract investment from retailers. Online shopping websites offer discounts and promotions to attract online shoppers. Online retailing is in nascent stages of growth in India. The research examines influence of deal proneness on Indian consumers' online shopping behaviour. The results indicate that Indian consumers are not influenced by deals, offers or other promotional tools being used by online retailers. Promotions may not be necessarily viewed by consumers as an important attribute while purchasing products or services online. The instrumental aspects of online shopping websites need to be strengthened to motivate consumers to shop online.

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## INTRODUCTION

India has 12 million people reported to be active Internet surfers, which is 10.2 per cent of its population. The current online shopping market in India is 46 million<sup>1</sup> and is expected to treble in the next 5 years. There has been an increase in the number of e-stores in recent years. Increased penetration of the Internet in smaller cities of the country, coupled with changes in the demographics, is responsible for growth of online shopping websites.

This article attempts to identify the influence of promotions and discounts on online shopping websites on consumers' buying behaviour. It focuses on understanding Indian consumers' attitude towards deals or promotions and studies factors influencing deal proneness on online shopping websites. Internet marketing firms in India use price promotions to attract consumers. The top Internet shopping websites such as Flipkart and Makemytrip offer low prices and discounts to consumers. Price discounts

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and promotional offers are popular and new start-up firms focus on low prices to attract consumers and earn profits. Online shopping is still in nascent stages in the country. Consumer online shopping behaviour is restricted to browsing and surfing the Internet. Low prices offered by shopping websites are important for attracting non-shoppers.<sup>2</sup>

Research suggests that Indian consumers are susceptible to price discounts and it affects their purchase behaviour.<sup>3</sup> Zott *et al*<sup>4</sup> studied the value creation process on the Internet. They identified four main drivers to the process: 'efficiency, complementarities, lock-in and novelty'. Consumers' purchase decisions on the Internet are influenced by lucrative offers, services and innovative offerings. Consumers can compare different products, prices, features and services easily on Internet platforms. For low differentiation products, consumers can examine the price and promotions at their leisure on online shopping websites. Online shopping websites in India are focused towards maximizing returns and profits. Therefore, instead of focusing on website features or products, lowest prices are popular unique selling propositions. However, sustaining business through low margin is difficult for online retailers.<sup>5</sup> Research suggests that offering discounts has a sale-enhancing effect and consumers pay more attention to price rebates and deals.<sup>6</sup>

Consumers' attitude towards online shopping websites is largely dependent on pricing and service attributes. Information about product launches, promotions and service offering has an impact on their inclination to purchase products online. This research article attempts to explore orientation of online shoppers with respect to brand, quality consciousness, and discount and price consciousness. The findings would enable online shopping websites in using pricing and promotional strategies to market effectively to the

Indian consumers. Pricing and promotional strategies can be used for promoting online shopping websites. This research article comprises literature review, followed by research methodology, findings, discussions and implications. The different variables studied in the research are discussed under the literature review section.

## LITERATURE REVIEW

### Deal proneness

Value conscious behaviour encompasses the consumers' predisposition to redeem coupons. Research suggests that deal proneness can be understood as consumers' behaviour to respond to promotions.<sup>7-10</sup> Lichtenstein *et al*<sup>9</sup> state that deal proneness is a psychological construct that affects coupon responsiveness and value conscious behaviour. A coupon offers a product at a lower price and consumers redeem coupons because of increase in value of the product owing to reduced price being offered in coupon form. Value consciousness and deal proneness can be differentiated on the basis of acquisition and transaction utilities. Acquisition utility refers to value gained from the transaction. It refers to the price paid as compared with the perceived utility of the product. However, transaction utility is the psychological satisfaction a consumer derives from the purchase.<sup>9</sup> Value-conscious consumers perceive acquisition utility as a major reinforce, whereas coupon-prone consumers would give importance to transaction utility.

Deal proneness has been measured in behavioural terms as it affects consumers' brand choice and switching behaviour.<sup>11</sup> Leone and Srinivasan<sup>12</sup> posit that coupons not only communicate value to consumers in terms of price but also create advertisement for brands. Profitability of the coupons depends on redemption rate and impact on sales volume. In case of some brands, coupons may adversely affect

consumers' value perception of the brand. The profitability of the couponing operations depends on the trade-off between sales generated by coupon drop and redemption. Deal-prone consumers generate more positive word of mouth than firms' satisfied consumers.<sup>13</sup> Firms should target incentive programmes to loyal consumers, as it is likely to affect sales and add to consumer base.

Schneider and Currin<sup>14</sup> studied deal proneness using a condition act choice model. Two dimensions of deal proneness were identified: active and passive. Active deal proneness refers to sensitivity towards features of different types of coupons. It would imply actively searching about different coupons. Passive deal proneness is characterized by being sensitive to in-store displays. The search is limited to a specific environment. Quantity of products purchased was affected by consumers' characteristic and coupon sensitivity. In another study, Bagozzi *et al*<sup>15</sup> applied theory of reasoned action to study coupon usage and action orientation construct. Action-oriented users relied on their past coupon usage.

Demographic characteristics of coupon-prone consumers have been studied by different researchers. Levedahl<sup>16</sup> suggests that higher income and education households are apt to shop higher-priced brands that offer coupons, and are therefore more likely to redeem them. Lower income and education households, in contrast, have an 'opportunity cost of time', and are therefore less likely to shop frequently. This implies that high-income groups are efficient shoppers and are likely to locate, sort and redeem coupons. Bawa and Shoemaker<sup>7</sup> found that coupon-prone consumers are utility maximizers. Consumers using coupons in one class of products are likely to use coupons in other products. Coupon-prone consumers are young, educated and reside in urban areas. Narasimhan<sup>17</sup> suggests that coupon-prone

consumers are of middle income, educated and less likely to have young children at home. Raghbir<sup>18</sup> posits that coupon value signals the price of the product. High coupon value would indicate high price perception and would have an impact of the discount's economic implications. Larger discounts influence deal evaluations and purchase intentions when price inference is not important and consumers have information about a product.

Martínez and Montaner<sup>19</sup> suggest that psychographic traits affect consumers' deal-proneness behaviour. Deal proneness is associated with price consciousness and is also affected by other consumer traits such as innovativeness, impulsiveness and shopping enjoyment. Deal proneness is domain specific, and consumers respond to certain type of promotions while ignoring others.<sup>14</sup> Chandon *et al*<sup>10</sup> have related deal proneness with both hedonic and economic benefits. Sales promotions are perceived in the light of functional benefit in terms of quality and cost advantage.

Kumar and Swaminathan<sup>20</sup> presented an econometric model to capture the effect of coupons. The effect of coupons related to price reductions, perception on product value, effect of coupons over time and impact of coupons when retailers double or triple coupon value were studied. Sales were reported to increase proportionately when coupon face value was doubled. Price reductions on higher-priced and quality brands were more effective in increasing sales than on low-priced brands. Palazon and Delgado-Ballester<sup>21</sup> investigated the interaction effect between promotion types and promotional benefit levels. High-benefit-level promotions were more effective than premiums. Premiums were effective when promotional benefit is low and buying intention is high for premiums as compared with discounts. Montaner *et al*<sup>22</sup> examined the factors that influence consumers' perceptions towards gift promotions. The evaluation of gift

promotions is positive when the overall brand equity of the product promoted is high and the fit between product promoted and gift is high. Promotions developed from high-equity brands are likely to be more successful than medium- or low-equity brands. Consumer characteristics of 'deal proneness' have an impact on consumers' evaluation of the promotion. Yoon and Tran<sup>23</sup> investigated moderating role of consumers' deal proneness on relationship between loyalty and price sensitivity. They suggest that moderating role deal proneness categorizes consumers under value-conscious loyal, deal-prone loyal, variety-seeking non-loyal and deal-prone non-loyal. Loyalty and deal proneness have an interacting role on consumers' attitude towards price change. Consumers' attitude towards deal perceptions and usage intentions of coupons was perceived as a 'value'.<sup>24,25</sup> Long-term effect of coupons on brand value varies across deal types, and non-monetary promotions had a positive impact on brand value as compared with monetary promotions. Less deal-prone consumers exhibit significant differences in their attitudes towards monetary and non-monetary promotions as compared with strong deal-prone consumers.<sup>26</sup> Strong deal-prone consumers were affected by both monetary and non-monetary promotions.

### **E-coupon usage and behaviour**

Bagozzi and Yi<sup>27</sup> found that consumers' use of e-coupon depends on consumers' attitude towards e-coupons, Internet browsing behaviour and consumers' subjective norms towards e-coupons. Fortin<sup>28</sup> applied theory of planned behaviour to coupon usage in both traditional and electronic environments. The electronic media has tremendously reduced consumers' search costs, and firms can customize promotions according to consumers. The accessibility of the Internet is likely to attract medium- and

low-level coupon users. Similar findings were reported by Zhang and Krishnamurthi.<sup>29</sup> They state that one-to-one interactive nature of Internet shopping enables online retailers' to customize online promotions. Variety seeking or inertia tendencies differ across households and consumers. By developing incidence-brand-choice purchase quantity model, consumers' perceptions about online promotions can be modified. However, in another study, Chen and Lu<sup>30</sup> applied the theory of planned behaviour to understand consumers' e-coupon proneness as a mediator to predict consumers' usage of e-coupons. The results suggest that consumers' behaviour towards using e-coupons is dependent on their past e-coupon use. Consumers' past behaviour of using e-coupons influences their future intentions to use e-coupons. Kang *et al*<sup>31</sup> applied the theory of reasoned action and theory of planned behaviour on e-coupon use intention. The theory of planned behaviour was found to explain e-coupon use better than the theory of reasoned action. Perceived behavioural control over e-coupon use was important. The theory of reasoned action explains consumers' traditional coupon usage intention. Heavy e-coupon users were found to be different from traditional coupon users. Light e-coupon users could be motivated to become heavy users if they had access to e-coupons. Computer use and Internet search behaviour stimulated e-coupon usage.

Taylor<sup>32</sup> examined coupon redemption, purchase timings and repeat purchase behaviour in services. Prior purchase behaviour played an important role in consumers' coupon redemption intention. Coupon redeemers were more likely to make a repurchase during post-promotion period as compared with non-redeemers. Pillai and Kumar<sup>33</sup> applied the theory of 'pricing tactics persuasion knowledge' to understand its influence on value

consciousness and coupon proneness. Pricing tactics and persuasion knowledge is acquired through experience. Value consciousness enhances consumers' accuracy of persuasion knowledge of pricing tactics. It improves consumers' perception about product and price. It is unlikely to result in consumers' disassociation with the brand, as it reflects high involvement with the product. Chatterjee<sup>34</sup> examined perceived shipping charge inflation associated with online promotions. Online promotions were related to reducing base product prices, shipping surcharge and all-inclusive prices. The results indicate that shipping charge sceptics differ from non-sceptics on items where shipping surcharge is higher than base product price. Reduced price promotions are attractive for high-priced products with low surcharge price, but are perceived unattractive if shipping surcharge is high.

Consumers' online shopping behaviour is influenced by several factors. Senecal and Nantel<sup>35</sup> suggest that consumers are affected by online product recommendations. The online recommended systems offering personalized services were preferred more than 'human experts'. Vijayasathy<sup>36</sup> suggests that consumers' attitude towards online purchase is positive for intangible products that are not expensive. Products such as software and music CDs were not viewed as risky and were likely to be purchased online. In another study, Martínez-López *et al.*<sup>37</sup> found that consumers' Internet expertise and website features affect their online shopping behaviour. Consumers are influenced by website features, perceived usefulness and trust towards online retailer. Online purchasing was dependent on Internet expertise and learning hierarchies. Consumers' experience and comfort with the Internet influenced their readiness to use it for shopping. Interactive customer service, website features and ease-of-use dimensions have been widely researched.<sup>38-43</sup>

Interactive website features have a positive effect on consumers' online shopping behaviour.<sup>44,45</sup>

This research was directed towards understanding the effect of online deals and discounts on consumers' online purchase behaviour. It was assumed that discounts offered on retailing websites would increase consumers' involvement and interaction with those websites. Previous research on online retailing suggests that website features such as navigability, display of product-related information, ease-of-use, security and customer service are important in eliciting higher customer satisfaction levels. The research adds to existing literature on online shopping behaviour and attempts to explore the impact of discounts, price offers and product information on consumers' attitude towards online shopping. In the preceding section, research on e-coupons, discounts and price rebates has been examined.

## METHODOLOGY

### The survey instrument

The survey instrument comprised two sections. The first section contained measures of gender and age, and the second section contained 15 items measuring deal proneness adapted from the original scale developed by Lichtenstein *et al.*<sup>9</sup> The total 23 scale items for online shopping were included.

### Data collection

A self-administered questionnaire using a five-point Likert scale was used for data collection. The questionnaire was personally administered by the researchers in five towns of Northern India, (New Delhi, Gurgaon, Noida, Ghaziabad and Meerut) over a period of 5 months. In each town, about 100 respondents were requested to help with the survey and fill in the questionnaire. However, only 311 questionnaires could be used for the analysis and others were found

**Table 1:** Factor analysis: Deal proneness

Scale items	Brand value Cronbach's $\alpha=0.750$	Quality/ value/ conscious Cronbach's $\alpha=0.594$	Discount conscious Cronbach's $\alpha=0.686$	Price conscious Cronbach's $\alpha=0.456$
I am very concerned about low prices, but I am equally concerned about product quality	0.164	0.098	-0.067	<b>0.748</b>
When shopping online, I compare the prices of different brands to be sure I get the best value for the money	-0.098	0.153	0.113	<b>0.753</b>
When purchasing a product, I always try to maximize the quality I get for the money I spend	0.115	<b>0.703</b>	-0.019	-0.029
When I buy products, I like to be sure that I am getting my money's worth	0.015	<b>0.725</b>	0.085	0.202
I always check prices value for the money I spend	0.053	<b>0.694</b>	0.151	0.066
Redeeming discount makes me feel good	0.077	0.141	<b>0.809</b>	-0.045
I enjoy looking for discount on the Internet	0.146	0.161	<b>0.750</b>	0.128
When I use discount, I feel that I am getting a good deal	0.309	0.001	<b>0.674</b>	0.095
I enjoy buying on discount regardless of the amount I save by doing so	<b>0.537</b>	0.009	0.228	0.254
I have favourite brands, but most of the time I buy the brand I have a discount for	<b>0.734</b>	0.099	0.190	0.010
I am more likely to buy brands for which I have a discount	<b>0.742</b>	0.274	0.016	0.057
Discounts on products have caused me to buy products I normally would not buy	<b>0.723</b>	0.037	0.157	-0.026

Extraction method: principal component analysis.

Rotation method: varimax with Kaiser normalization.

to be illegible or incomplete. There were 64.3 per cent men and 35.7 per cent women. Of the respondents 49.8 percent belonged to the age group between 18 and 25, 38.9 per cent were between the age group of 26 and 35 and the remaining 11.3 per cent were above 36 years. There was a predominance of younger population in the sample.

## FINDINGS AND DISCUSSION

Table 1 represents exploratory factor analysis results for deal proneness. The 15-item scale was factor-analysed using the principal component method with varimax rotation. Initial extraction of components gave four factors, which covered 52.988 per cent of variability.

The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.803. Three items were removed as they had factor loadings less than 0.6 and failed to fit Nunnally's<sup>46</sup> recommended level of internal consistency for scale development. The items removed were – 'I generally shop around for lower

prices on products. But they still must meet certain quality requirements before I will buy them; When I shop, I usually compare the "price per ounce" information for brands I normally buy; Beyond the money I save, redeeming discount gives me a sense of joy'. Cronbach's coefficient  $\alpha$  measures the extent to which the scale items cohere with each other. The Cronbach's  $\alpha$  values for four factors were more than 0.5 and they were taken for further analysis. The first factor was termed 'brand value consciousness' and contained four items related to consumers' attitude about discounts and their favourite brands. The second factor was labelled as 'quality/value conscious' and comprised items related to quality and value; it had three items. The third factor was labelled 'discount conscious' and covered aspects looking for discounts on the Internet and getting a good deal. The fourth factor termed as 'price conscious' contained two items. It related to sensitivity towards low prices.

**Table 2:** ANOVA: gender differences

<i>Deal proneness</i>	<i>Sum of squares</i>	<i>DF</i>	<i>Mean square</i>	<i>F</i>	<i>Sig.</i>
<i>Brand conscious</i>					
Between groups	0.421	1	0.421	0.039	0.843
Within groups	3332.445	309	10.785	—	—
Total	3332.867	310	—	—	—
<i>Quality conscious</i>					
Between groups	4.676	1	4.676	1.656	.199
Within groups	872.415	309	2.823	—	—
Total	877.091	310	—	—	—
<i>Discount conscious</i>					
Between groups	6.128	1	6.128	1.197	.275
Within groups	1582.034	309	5.120	—	—
Total	1588.162	310	—	—	—
<i>Price conscious</i>					
Between groups	12.032	1	12.032	6.596	0.011**
Within groups	563.634	309	1.824	—	—
Total	575.666	310	—	—	—

\*\*Significant at 0.01 level.

**Table 3:** Multiple regression analysis: antecedents to consumers' preference to shop online

<i>Model</i>	<i>Standardized coefficients</i>		
	$\beta$	<i>T</i>	<i>P</i>
(Constant)		6.770	0.000
Price sensitivity	-0.130	-2.216	0.027*
Quality	0.102	1.705	0.089
Discount	-0.138	-2.181	0.030*
Brand value	-0.010	-0.151	0.880
Age	0.113	1.611	0.108
Occupation	-0.178	-2.560	0.011*
<i>R</i> <sup>2</sup>	0.053	—	—
Adjusted <i>R</i> <sup>2</sup>	0.035	—	—

\* $P \leq 0.05$ .

ANOVA test was run to understand whether the two genders differ in their attitude towards deal-proneness factors (Table 2). The results suggest that there was significant difference between the two genders on price-consciousness factor. This may be interpreted in the light that men and women differ in the value they attribute to price while purchasing products online. Regression analysis was run to understand antecedents that influence consumers' intention to shop online (Table 3).

The results of multiple regression analysis suggest that consumers' preference to shop online is influenced by price sensitivity,

discount and occupation. The  $\beta$  value for all three variables was found to be negative, which suggests that consumers' online shopping behaviour is not influenced by discounts or good deals. This may be attributed to the fact that in the Indian context, online shopping is still in the nascent stages and people may be browsing the websites for information; however, they may not be shopping online. It may be understood in the light that people who shop online are affected by some other factors online rather than only low prices. They may not be interested in discounts and coupons as other consumers are likely to be. Online shopping behaviour is affected by consumers' access to the Internet and online behaviour. Many people in India do not have access to the Internet and therefore may not be aware about discounts offered by online retailers. The type of consumer who shops online is also important in predicting the effectiveness of low prices and coupons offered online.

## MANAGERIAL IMPLICATIONS

Findings suggest that there are significant differences in the price-consciousness behaviour of male and female Internet

shoppers. Women seek variety in their purchases and spend time in comparing products, whereas men may look for functional attributes while shopping. The utilitarian benefits of online shopping may be more pronounced in case of men. Products targeted towards women should combine brand and price-consciousness attributes. Findings suggest that women are as brand conscious as men; however, they look for opportunities to buy well-known brands at best possible prices. Online shopping websites have developed their business model around low prices and discounts; however, the results suggest that consumers shopping through online shopping websites may not be affected by price. Earlier research on online shopping in India suggests that Internet behaviour of Indians is limited to browsing.<sup>47-52</sup> Therefore, the results of the current study may be interpreted keeping in mind that consumers may be browsing the websites to understand the discounts offered. The actual purchase activity may not be dependent on good deals or low price. There were no questions in the survey to understand whether consumers were frequently purchasing products online. Most retailers are offering low prices or discounts to draw more clicks on their websites. They believe that browsing may result in some impulsive purchase. However, purchase activity is dependent on several factors and low price may not trigger actual purchase behaviour. Credit card use and Internet accessibility also influence online purchase activity. In India, credit card use is limited and consumers' predisposition to buy products online is influenced by credit card ownership. Income and occupation of the consumers would determine Internet usage patterns. Results indicate that value consciousness is not applicable for Indian consumers and deals may not have substantial impact on their attitude towards online shopping websites. There is a huge scope of branding products on

the Internet while focusing on the value delivered. Price and discounts are not the sole motivators for purchasing the product through online retail channels. Findings indicate positioning and segmentation opportunities for online marketers. Indian online shopping is in nascent stages. As there is a huge crowd of the online players trying to establish themselves as low-price destination, new players need to focus on quality, variety or safety concerns, which are not being considered by online shopping websites. The focus on discounts may not be a sustainable model in retaining consumers.

## LIMITATIONS AND FUTURE RESEARCH

This research does not take into consideration factors such as income, education and Internet browsing behaviour of the respondents. This information may provide valuable inputs about understanding Indian consumers' online behavioural tendencies. Browsing may not necessarily get converted to shopping, and other factors important in determining online shopping behaviour need to be identified. Factors such as website, layout, product displays and payment modes can be understood with reference to value consciousness and low prices. Demographic factors such as education and income can provide understanding about consumers' Internet-savvy behaviour. Types of purchases consumers make online can be identified to understand the relevance of deals and discounts. In many online service purchases, consumers may not be affected by discounts. The research findings can be generalized for the younger population as about 85 per cent of the sample was between 18 and 36 years of age. It may be interesting to find out the relevance of value consciousness behaviour in older age-groups. Comparison can be made between metropolitan and non-metropolitan



consumers' perception regarding online coupons and discounts.

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