

**THE EFFECTS OF MARKETING FACTORS ON
CONSUMERS' INTENTION TO PURCHASE
PRODUCTS UNDER VOLUME DISCOUNT
THROUGH PERCEIVED BENEFITS**

by

MOHAMMAD IRANMANESH

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DEDICATION

To:

My Father and My Mother

My Brother and Sisters

My Nephew and My Niece

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LIST OF ABBREVIATIONS

| | |
|------|--|
| AVE | Average Variance Extracted |
| BI | Brand Image |
| BOGO | Buy One Get One Free |
| CB | Covariance-Base |
| CFA | Confirmatory Factor Analysis |
| CR | Composite Reliability |
| DV | Dependent Variable |
| GDP | Gross Domestic Product |
| INT | Intention to Purchase |
| IV | Independent Variable |
| MF | Message Framing |
| MMSC | Malaysia Mega Sales Carnival |
| MV | Mediating Variable |
| PC | Product Characteristic |
| PCO | Perceived Convenience |
| PLS | Partial Least Squares |
| PQ | Perceived Quality |
| PS | Perceived Savings |
| PSE | Perceived Self-Expression Value |
| SC | Scheme Characteristic |
| SEM | Structural Equation Modeling |
| SI | Store Image |
| SP | Sales Promotion |
| SPSS | Statistical Package for Social Science |

| | |
|-----|-----------------------------|
| TPB | Theory of Planned Behavior |
| TRA | Theory of Reasoned Action |
| VD | Volume Discount |
| VIF | Variance Information Factor |

**KESAN FAKTOR-FAKTOR PEMASARAN TERHADAP KEINGINAN
PENGGUNA UNTUK MEMBELI BARANGAN SKIM PENGURANGAN
HARGA MENGIKUT JUMLAH KERANA JANGKAAN MANFAAT**

ABSTRAK

Kajian tentang kaedah promosi jualan skim pengurangan harga mengikut jumlah kurang mendapat perhatian. Objektif utama tesis ini untuk mengenalpasti faktor-faktor pemasaran yang mempengaruhi keinginan pengguna untuk membeli barangan skim pengurangan harga mengikut jumlah. Jangkaan manfaat turut diambil kira sebagai perantara di antara hubungan faktor-faktor pemasaran dan keinginan membeli barangan skim pengurangan harga mengikut jumlah. Kecenderungan tawaran dan saiz isirumah bertindak sebagai moderator. Demi memenuhi objektif, kajian ini mengambil kira kajian terdahulu dan pendapat pakar untuk membentuk dan mengesahkan kerangka teori. Kaji selidik telah dijalankan terhadap seramai 555 pengguna yang berpengalaman membeli barangan skim pengurangan harga mengikut jumlah. Data dianalisa menggunakan kaedah partial least square melalui penggunaan perisian SmartPLS. Faktor-faktor pemasaran seperti imej jenama, imej peruncit, dan perangkaan maklumat mempunyai kesan terhadap jangkaan penjimatan, jangkaan kualiti dan jangkaan nilai eksperensi diri. Tetapi, ciri-ciri barangan mempunyai kesan positif terhadap jangkaan kemudahan dan ciri-ciri skim mempunyai kesan positif terhadap jangkaan penjimatan. Hasil kajian membuktikan jangkaan penjimatan, jangkaan nilai ekeperensi diri dan jangkaan kemudahan mempunyai kesan positif terhadap keinginan pengguna membeli barangan skim pengurangan harga mengikut jumlah. Seterusnya, jangkaan manfaat skim pengurangan mengikut jumlah berperanan sebagai perantara terhadap kaitan di antara faktor-faktor pemasaran dan niat pengguna untuk membeli barangan di bawah skim pengurangan harga mengikut

jumlah. Kecenderungan tawaran dan saiz isi rumah terbukti berperanan sebagai moderator di antara hubungkait faktor-faktor pemasaran dengan jangkaan manfaat. Hasil dari kajian ini dapat memperluaskan pengetahuan tentang skim pengurangan harga mengikut jumlah dan diharapkan dapat membantu peruncit dalam mempromosikan barangan skim pengurangan harga mengikut jumlah.

**THE EFFECTS OF MARKETING FACTORS ON CONSUMERS'
INTENTION TO PURCHASE PRODUCTS UNDER VOLUME DISCOUNT
THROUGH PERCEIVED BENEFITS**

ABSTRACT

Volume discount is a common type of sales promotion that has received less attention in the literature. The primary objective of this thesis is to find marketing factors influencing the intention to purchase products under volume discount. It is also of interest to determine the mediating effects of the perceived benefits on the relationship between marketing factors and intention to purchase products under volume discount. Deal proneness and household size were considered as moderators. To achieve the objectives, the literature and experts' opinion were utilized to derive and confirm the research framework. A questionnaire survey was conducted involving 555 Malaysian consumers who had experienced in purchasing products under volume discount. Data were analyzed using partial least square by applying SmartPLS software. The marketing factors, namely, brand image, store image, and message framing have an influence on perceived savings, perceived quality, and perceived self-expression value. However, the product characteristics have a positive effect on perceived convenience and scheme characteristics have a positive effect on perceived savings. The results show that perceived savings, perceived self-expression value, and perceived convenience have positive effects on consumers' intention to purchase under volume discount. Furthermore, the perceived benefits of VD mediate the relationships between marketing factors and consumers' intention to purchase products under VD. Deal proneness and household size were effectively playing the role of moderators between the marketing factors and perceived benefits. The results extend the knowledge on volume discount and help retailers effectively promote products under volume discount.

CHAPTER 1

INTRODUCTION

1.1 Introduction

Practitioners and academics have long believed that sales promotion (SP) is one the most important stimuli of consumers' purchase decisions (De Run & Jee, 2009; Fam, Merrilees, Richard, Jozsa, Li, & Krisjanous, 2011; Djojo & Arief, 2015). The influence of SP on consumers' intention to purchase is illustrated in the studies that found that SP would positively cause an increase in sales due to brand switching (Van Heerde, Gupta, & Wittink, 2003; Nagar, 2009; de Oliveira, Silveira, & Luce, 2015) or purchase acceleration (Mittal & Sethi, 2011; Akaichi, Nayga, & Gil, 2015).

Sales promotion consists of a wide range of marketing tools that are used by retailers to fulfill short-term objectives (Shi, Cheung, & Prendergast, 2005; Karthikeyan & Panchanatham, 2013). Belch and Belch (2007, p. 514) have classified the most popular customer oriented SPs into nine groups. Although the basic goal of most SPs is to increase sales and profits, the effect of different types of SPs on sales and profit is dissimilar (Ndubisi & Moi, 2006; Pacheco & Rahman, 2015) and inappropriate application of SPs reduces the likelihood for a brand and a product to be selected (Alvarez & Casielles, 2005). For instance, compared with other types of SPs, such as price discounts, the use of volume discount (VD) may be more effective

in facilitating consumer purchase decisions for products with a high usage rate (mineral water and bath tissue) (Li, Sun, & Wang, 2007). Ailawadi, Harlam, Cesar, and Trounce (2006) found that over 50% of promotions are not profitable for retailers due to the inappropriate application of the SP. Srinivasan, Pauwels, Hanssens, and Dekimpe's (2004) conducted an analysis for 75 brands in 25 categories over 399 weeks that demonstrated the negative overall gain from the SP. However, most studies on consumer response to SP techniques have examined only one or a few different types of SPs, such as price discounts (Martín-Herrán, Sigué, & Zaccour, 2010; Akaichi et al., 2015) and freebies (Raghubir & Celly, 2011; Buil, de Chernatony, & Montaner, 2013a), but research on VD is lacking.

Notwithstanding, there are some contradictions in the results of a few studies. Regarding the most effective type of SP, Chen, Marmorstein, Tsiros, and Rao (2012) carried out their research on in-store sales data. They identified that VD is more effective as compared to promotions, which offers a price discount offering the same value. On the other hand, Siebert (1997) noted that 75% of all consumer respondents thought that they were either directly or indirectly paying for the extra "free" amount offered in the VD, and price discount is more effective compared to VD. Mishra and Mishra (2011) believed that for virtue foods, consumers have a tendency towards VD rather than the price discount; while for vice foods, price discount has a priority to VD. It is thought that offering VD for vice foods encourages higher consumption, which is not a proper justification for consumers. Clearly, there is no superior type of SPs and the effectiveness of SP techniques heavily depends on the situational factors.

However, another stream of studies has strived to find the preferable types of promotions in various situations and conditions. For example, according to Gendall, Hoek, Pope, and Young (2006), the most effective SPs for fast-moving products

depend on stockpile features and the price level of the product. Volume discount is the most appealing marketing activity for products with low prices that are easily storable; whereas, a cash discount is a desirable marketing activity for expensive and bulkier products. The findings by Sinha and Smith (2000) lend support to the aforementioned fact pertaining to the idea that VD is an effective type of SP for the products that can be easily stored. Li et al.'s (2007) findings against Gendall et al. (2006) and Sinha and Smith (2000), indicated that, there is no relationship between the storability of the products and the intention to purchase products under VD. The potential reason for this conflict in the past findings could be due to the differences in the factors that they examined during their research. Consequently, there is a need for a study to also consider the potential determinants of consumers' intention to purchase under VD.

In order to promote products under VD in a more effective way, it is required to understand the psychological reasoning arising from the impact of marketing factors on consumers' intention to purchase under VD. The previous studies on the psychological determinants of VD did not investigate the effect of marketing factors on the potential psychological determinants of VD. As pointed out by Gardener and Trivedi (1998), consumers perceive the greatest value for their money under VD as a large amount of the product is offered at no extra cost, which motivates their intention to purchase under VD. The effect of brand image or product characteristics on the higher perception of value by consumers was not investigated in their research.

Previous studies (Lambert-Pandraud, Laurent, & Lapersonne, 2005; Liao, Shen, & Chu, 2009) demonstrated that the individual characteristics of consumers significantly affect how they perceive and encode stimuli from different promotional

frames. Consumer behaviors differ with individual characteristics (Evans, Jamal, & Foxall, 2008; Zeng & Hao, 2016) and retailers should take the characteristics of consumers into account. Hence, considering the consumers' differences is essential in exploring the marketing factors that motivate consumers to purchase under VD. However, there is still a lack of literature on this ground.

Since today's consumers are more value-conscious than ever, VD is rapidly becoming the acceptable method of boosting sales for retailers (Ong, Ho, & Tripp, 1997). By growth of VD usage, the question arises regarding the factors that may have influence on applying VD in a more compelling way. This thesis has investigated the marketing factors that motivate the consumers to purchase products under VD. In addition, considering the mediators, the psychological explanation regarding the effect of marketing factors on the intention to purchase is provided. This is important mainly due to the lack of focus on the situational and psychological determinants of the consumers' intention to purchase under VD in most studies on VD. Given this situation, this thesis examines the marketing factors that might stimulate consumers to purchase under VD.

1.2 Background

The previous studies on SP, VD, consumers' perceived benefits, Malaysian consumers, and consumers' characteristics are reviewed in a nutshell in the following subsections to provide the reader with the underlying information and to highlight the gaps.

1.2.1 Sales Promotion

The large body of literature on SPs have consisted of five main streams. The first research flow, which is a descriptive type, is concerned with the empirical estimation of the SPs' impacts on market outcomes. Some of these outcomes are categorized as sales, market share, and brand switching (Sun, Neslin, & Srinivasan; 2003; Nagar, 2009; Abril, Sanchez, & García-Madariaga, 2015). It is worth mentioning that the first category strives to figure out the extent of the promotion significance on sales (Akaichi et al., 2015) and the post promotion effect on the rate of average repeat purchases (DeVecchio, Henard, & Freling, 2006). The second flow of researches seeks to characterize the promotion sensitive consumer in terms of demographics, psychographics, and purchase behavior (Martínez & Montaner, 2006). The third flow concentrates on the comparison between the effectiveness of the various types of SPs to detect the most desirable type (Banerjee, 2009). In order to clarify the rationale behind consumers' reaction to promotions, the fourth type of researches takes advantage of psychological theories and models (Alvarez & Casielles, 2005; Pacheco & Rahman, 2015). Ultimately, the fifth research stream investigates the environmental factors that motivate consumers to purchase under SPs (Gamliel & Herstein, 2012; Liu & Chiu, 2015).

Chandon, Wansink, and Laurent (2000) classified promotions as monetary and non-monetary promotions. Although the importance of non-monetary promotions in the purchasing decision of consumers is widely recognized, there is still a lack of research on non-monetary promotions, such as VD, in all the above-mentioned streams (Jones, 2013). Monetary promotions and non-monetary promotions are different in nature, and their effectiveness varies for different products in various situations (Sinha & Smith, 2000; Gendall et al., 2006). In

addition, a monetary promotion has certain limitations compared with non-monetary promotions. For instance, price discounts are costly to retailers and result in detrimental effects in the aspect of reducing the reference prices for consumers (Lowe, Yee, & Yeow, 2014; Huang, 2016), hence undermining the perception of quality (Darke & Chung, 2005; Pacheco & Rahman, 2015) and damaging the brand image and brand equity (Theotokis, Pramadari, & Tsiros, 2012). In VD, as retailers reward consumers to purchase in bulk, consumers think that retailers gain profit in selling more, thus inducing a negative effect on the quality perception and brand image. The advantages of VD compared to monetary promotion have increased its popularity. Considering the growth of VD adoption in the market and the lack of studies on VD, specifically in the Asian markets, it is necessary to do some further research on VD.

1.2.2 Sales Promotion and Malaysian Consumers

It is thought that consumers feel more inclined towards the sales promotions (Ahmetoglu, Furnham, & Fagan, 2014). This fact seems to be apparent in the Malaysian context (Ndubisi & Chiew, 2005, 2006; De Run & Jee, 2009, 2010). A few studies in Malaysia have revealed that SP is considered as the most appropriate technique for manufacturers or retailers to encourage consumers to regularly do shopping in their stores (Ndubisi & Chiew, 2005, 2006). One possible explanation is the provision of utilitarian benefits (for example, added value, monetary savings, quality enhancement, and convenience) and hedonic benefits (example: entertainment, self-expression value, and exploration) through sales promotions to the consumers (Chandon et al., 2000; De Run & Jee, 2010). Several studies

suggested that Malaysian consumers are more willing to enjoy the utilitarian benefits due to the tangibility feature that they experience (Ndubisi & Chiew, 2006; De Run & Jee, 2010). However, this doesn't convey that Malaysian consumers would not respond to the hedonic or non-monetary benefits (Weng & De run, 2013). Therefore, as pointed out by Chandon et al. (2000), because VD provides both hedonic and utilitarian benefits, it could be a successful technique for promoting products in Malaysia.

There are a rare number of researches on the use of SP techniques in Malaysia (Ndubisi & Moi, 2006; De Run & Jee, 2009). The limited studies on SP in the Malaysian context mainly focused on finding the effective SP techniques (Ndubisi & Moi, 2006; Osman, Fah, & Foon, 2011; Weng & De Run, 2013). The results of the previous studies emphasized that price discounts, coupons, VD (bonus packs), and free samples in Malaysia are the most desirable SP techniques that are broadly used by retailers and manufacturers (Ndubisi & Chew, 2006; De Run & Jee, 2010). Although VD is one of the popular types of SPs in Malaysia, the previous studies did not take in account the factors that motivate consumers to purchase under this SP technique.

1.2.3 Retail Market in Malaysia

After the worldwide economic crisis in 2008, Malaysia moved forward with good signs of recovery, which in turn helped the country to continue its upturn in 2011. At the time of uncertain economic situation, Malaysia experienced a 5.1% real gross domestic product (GDP) growth for the year. Increased urbanization, strong domestic

demand, and robust purchasing power among locals were the top factors that induced this experience (Euromonitor, 2015).

Retail has been a highly active sub-sector in the Malaysian economy because it can be considered an important contributor (Mui, Badarulzaman, & Ahmad, 2003). Despite recently falling in global rankings, the Malaysian wholesale and retail sector continues to play a principal role in the economy, in which domestic consumption comprises 67% to 70% of GDP (Inside Investor, 2012). From another perspective, the retailing industry provides employment opportunities for the local workforce (Mui et al., 2003). In 2011, this sector employed roughly 3.0% of total employment in Malaysia or 342,700 people (Table 1.1). This figure increased from 272,600 (36.7% growth) in 2006 (Euromonitor International, 2012).

Table 1. 1 Employment in Retailing (2006-2011)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------------------------------|----------|----------|----------|----------|----------|----------|
| Total employment ('000 people) | 10,210.5 | 10,540.2 | 10,659.1 | 10,796.2 | 10,940.3 | 11,237.3 |
| Employment in retailing ('000 people) | 272.6 | 274.4 | 313.3 | 324.1 | 334.1 | 342.7 |
| Employment in retailing (% of total) | 2.7 | 2.6 | 2.9 | 3.0 | 3.1 | 3.0 |

Source: Euromonitor International (2012)

As a pioneering effort to turn the country into a high-income nation by 2020, the Malaysian government announced the implementation of the Economic Transformation Programme (ETP) in 2010. In doing so, retailing was identified as one of the National Key Economic Areas (Moon, 2003). A tri-annual SP event across the country is being held, and discount is a heavily used type of SP. Held every

March, August, and December, the tri-annual SP event is named as the Malaysia Mega Sales Carnival (Faiz, 2009; Ashraf, Rizwan, & Montaner, 2014). To attract consumers, different types of SP techniques are utilized by retailers throughout Malaysia. Sales discounts of 70% and VD are the most popular discount schemes in Malaysia (Jayaraman, Iranmanesh, Kaur, & Harun, 2013). Considering the importance of retailing in economic of Malaysia, the popularity of VD in retailing industry of Malaysia, and the lack of research on this type of SP, the study on VD is necessary. The summary of studies on VD is provided in next section to highlight the gaps in past literature.

1.2.4 Volume Discount

Volume discount is an offer of extra quantity/unit(s) of a product without any increase in price (Ong, 1999). Examples of VD are 5% (or more) extra, buy one (or more) and get one (or more) free (BOGO), buy one and get one up to 70% discount, coupons that provide extra volume on repurchase, and buy two, get 10 points on a loyalty card. Volume discount is one of the most common types of SPs (Gilbert & Jackaria, 2002; Gbadamosi, 2009). Retailers frequently use VD to create unplanned purchases as it generates benefits (value for money) for consumers (Laroche, Pons, Zgolli, Cervellon, & Kim, 2003). This technique gives the producers the opportunity of not lowering the price, and correspondingly gaining a competitive edge. The reduction in price of the product might destroy the brand's equity, this comes more to attention when there is a positive and distinct price- quality inference (Lichtenstein & Burton, 1989). Wansink, Kent, and Hoch (1998) revealed that VD could increase sales through the purchase of a quantity of products at a level that is

higher than normal. Regularly shopping at multiple stores and making numerous unplanned discretionary purchases are behaviors of the average consumer (Bell, Corsten, & Knox, 2011). Past researches have shown that unplanned purchases accounted for up to 60% of all purchases (Inman & Winer, 1998; Mattila & Wirtz, 2008). Most retailers prefer guaranteed sales from a consumer today than probabilistic future sales. The capacity of retailers to sell more units reduces the likelihood for a consumer to run out of stock and purchase from other similar competitors. Therefore, VD allows retailers to take consumers out of the market, ensure repeated consumption in a way that induces habit formation, pass the inventory holding costs on to the consumers (Ailawadi, Gedenk, Lutzky, & Neslin, 2007). From the perspective of retailers and manufacturers, although VD has lowered the level of profit margin, it has improved business volume. The retailers and manufacturers prefer to use VD instead of price discount as a bigger product volume is brought onto the market than in the case of price discount, which decreases the competitors' market shares (Guerreiro, dos Santos, SilveiraGisbrecht, & Ong, 2004). Thus, retailers and manufacturers are interested in promoting products under VD.

Researchers are concerned with a variety of SP techniques and they often investigate on whether a special type of SP gives higher returns than other techniques (Sinha & Smith, 2000; Lin et al., 2007). The results clearly show that there is no superior SP technique; for further explanation, one can say the priority of these methods highly depends on the situations and conditions. For example, Jaber and Gaggins (2013) found that VD is the most appropriate SP technique for easy to store products. Along a similar line, Li et al. (2007) indicated that VD is more attractive for products having a consumable nature. Therefore, the researchers have tried to

find the factors that positively have influence on the effectiveness of the selected type of SPs.

Ong (1999) indicated that some consumers might have negative attitudes towards retailers. They might naturally be skeptical about VD and as a consequence they would not appreciate the offer. They might think that retailers are attempting to discard the excess quantity of their inventories through the extra free product offer. Claims supporting the factors that motivate consumers to purchase under VD offers are yet debatable, as the results are not consistent; furthermore, researchers have studied these factors independently. For instance, Li et al. (2007) investigated the relationship between product characteristics and consumers' willingness to purchase under VD but they did not consider the effect of brand image, store image or the way that the message is presented on VD effectiveness. An integrated model to measure the effect of potential drivers of consumers' intention to purchase under VD might provide a clearer picture.

Whether, when, and how to offer a promotion are three main questions for retailers as their decisions are important to promote a product in an effective way. Therefore, they need to make decisions on: 1) choice of product to promote, 2) choice of target segment, 3) type of promotion and design, 4) promotion pattern and intensity, and 5) promotional communication method (Raghubir, Inman, & Grande, 2004). The limited number of studies on VD makes researchers unable to answer the questions related to VD.

1.2.5 Consumers' Perceived Benefits

In addition to knowledge on the potential drivers of consumers' intention to purchase under each type of SP, retailers must have an understanding of the consumers' perception of benefits, which induces purchase intention (Chandon et al., 2000). The majority of studies conducted prior to 2000 included monetary savings as a factor while conceptualizing the framework and argued that monetary savings are the only benefit of SP to consumers (Yadav & Monroe, 1993). If the monetary savings alone can completely explain the response behavior of consumers towards SPs, then a daily low-price technique should be successful in any store and brand due to its capacity to minimize the search cost for consumers. Nevertheless, previous studies indicated that a daily low-price technique cannot fully replace SP techniques (White & Yuan, 2012; Manzur, Olavarrieta, Hidalgo-Campos, & Farias, 2013).

Chandon et al. (2000) proposed a research framework for the multiple consumer benefits of SPs. They categorized the benefits of SPs to consumers into utilitarian benefits (savings, higher product quality, and improved shopping convenience) and hedonic benefits (value expression, entertainment, and exploration). The model of the consumers' perception of benefits has been used in many studies to explain the consumers' response to price discounts (Nusair, Yoon, Naipaul, & Parsa, 2010), coupons (Garretson, Fisher, & Burton, 2002), and premiums (Palazon & Delgado-Ballester, 2013). Although the results demonstrate the ability to explain the psychological determinants of consumers' intention to purchase products in SPs, this model is rarely used to interpret the relationships between consumers' intention to purchase under VD and its determinants. Ivanova (2012) found that consumers' evaluation of benefits is significantly different for price discount and VD. Therefore, in this study Chandon et al.'s (2000) model of

consumers' perception of benefits was used to explain the relationship between marketing cues and consumers' intention to purchase products under VD.

1.2.6 Consumer Characteristics

The previous studies found that the characteristics of consumers also have an effect on how the individuals decide to purchase products in SPs (DelVecchio, 2005; Kwok & Uncles, 2005; Zeng & Hao, 2016). To appeal to specific segments with VDs, retailers are required to recognize those consumers' characteristics that have an impact on their reactions. Deal Proneness and household size are two characteristics that are highly related to VD (Teunter, 2002; DelVecchio, 2005) and Malaysian consumers (Ndubisi & Chiew, 2005, 2006; Department of Statistics, Malaysia, 2012).

A consumer who looks for SPs and willingly purchases under VD may be regarded as a consumer with deal proneness. Deal proneness positively affects a consumer's evaluation of SPs (d'Astous & Landreville, 2003) and purchase behaviors (Lichtenstein, Burton, & Netemeyer, 1997). Consumers with deal proneness behave favorably in response to SP offers due to the benefits they obtain when purchasing products with the deal. Thus, the benefit related perceptions of consumers with deal proneness will translate into better evaluations and higher intentions to purchase products under VD.

Consumers' focus on SPs has increased dramatically, particularly in developing countries, such as Vietnam, Malaysia, India, and China (Nielsen, 2011). Consumers prefer SPs (Kaynak, Apil, & Yalcin, 2009; Meiseberg, 2016), and such

behavior is apparent in the Malaysian context (Ndubisi & Chiew, 2005, 2006; De Run & Jee, 2009, 2010). Malaysian consumers are among the highest SP seekers in the Pacific- Asia region. Nielsen (2011) has also reported that 81% of Malaysian consumers were driven by SPs in 2009, which was an increase from 77% in 2008 (Figure 1.1). Moreover, consumers in all of the stated countries had demonstrated interest in SPs, given that the minimum percentage of consumers in Indonesia who favored SPs exceeded 50%.

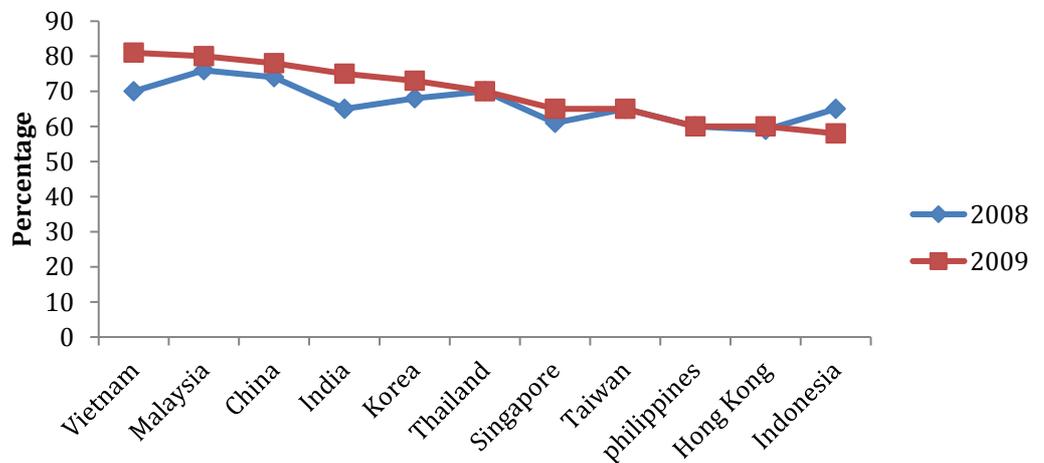


Figure 1. 1 Percentage of Consumers Favored on SPs

Source: Nielsen (2011)

Larger households make more use of available SPs than smaller households (Teunter, 2002). Larger families (size), given their higher consumption, have a greater incentive to purchase under VD. The average household size in Malaysia in 2010 was 4.31 (Department of Statistics, Malaysia, 2012), which was relatively high compared with other Asian countries, such as Japan (2.46) (Ministry of International Affairs and Communications, Japan, 2012), and European countries such as Denmark (2.0), Germany (2.0), and Ireland (2.7) (Eurostat, 2012). Therefore, VD

may be a good SP in Malaysia because product consumption is positively correlated to household size.

Despite the importance of deal proneness and household size on how the individual decides to purchase products in SP (Teunter, 2002; Reid et al., 2015), little or no research concentrates on how these two factors may affect the relationship between marketing factors and consumers' perceived benefits of VD. It is important to bear in mind that Malaysian consumers are highly deal prone and the household size in Malaysia is larger than the average size in the world.

1.3 Problem Statement

Volume discount (VD) plays a vital role not only for the benefits of consumers, but also for manufacturers to increase sales volume, and consequently decrease the competitors' market share (Guerreiro et al., 2004). Considering the potential negative impact of VD on unit price and consumers' purchasing behavior (Gu & Yang, 2010), for academics and practitioners it is a key to know the marketing factors that have effect on consumers' intention to purchase under VD.

Different types of SP techniques are available in the market, such as price discount, coupons, VD, and premiums. There are certain reasons that VD was selected at the business-to-customer (B-to-C) level as the focus of this thesis. First, VD is one of the most common types of SP at the B-to-C level specifically in Malaysia (Mullin, 2010; Jayaraman et al., 2013). Second, despite the abundant research on other types of SPs, such as price discount (Chang, Lin, & Ho, 2011; Allender & Richards, 2012; Choi, Friske, Lee, & Wilcox, 2014), coupons (Garretson

et al., 2002; Wierich & Zielke, 2014), and premiums (d'Astous & Jacob, 2002; Palazon & Delgado-Ballester, 2013) and the in-depth investigation into the crucial dimensions of these types of SP techniques in several contexts, studies on VD, especially at the B-to-C level are seldom researched (Gendall et al., 2006; Li et al., 2007). Third, the results of the studies on other types of SP techniques cannot be generalized to VD since the objectives and nature of different types of SPs are different. Therefore, the focus of this thesis is on VD at the B-to-C level to fill up the literature gap.

The studies that compared two types of SPs concluded that there is no superior type and each type of SP technique is suitable for special situations and conditions (Sinha & Smith, 2000; Gendall et al., 2006; Li et al., 2007; Xu & Huang, 2014). For example, Xu and Huang (2014) compared the effects of price discounts and VDs on impulse purchasing. It was found that price discounts resulted in a greater impulse towards purchase intention for hedonic products; while, VDs were found to be more effective for utilitarian products. Therefore, the effectiveness of the VD technique depends on applying marketing factors in an effective way. The importance of knowing the drivers of successfully promoting a product under VD, the lack of research on these potential drivers and the conflict on the findings of a few studies on this issue (Sinha & Smith, 2000; Li et al., 2007) are the real motivations for investigating the determinants of consumers' intention to purchase under VD in this thesis.

The limited number of researches on the effect of marketing factors on the effectiveness of VD is often based on the assumption that marketing factors influence the consumers directly and in isolation from other factors within the shopping process (Sinha & Smith, 2000; Gendall et al., 2006; Li et al., 2007). Is this

assumption valid? Perhaps changes in one factor can affect how other factors are perceived and it might create an entirely different effect (Krishna, Briesch, Lehmann, & Yuan, 2002). For example, a VD that is effective for a product in one store might be ineffective for the same product in another store. Even though, thus far no empirical study has investigated the impact of marketing factors on consumers' intention to purchase under VD in a single framework. To address this gap, the impacts of marketing factors on consumers' intention to purchase were investigated simultaneously in this thesis. The need to simultaneously examine the effects of potential factors is supported by the congruity theory. The congruity theory emphasizes that consumers attempt to bring various types information together to make them meaningful.

In addition, considering psychological factors is a useful method to explain the reasons that marketing factors have an impact on consumers' intention to purchase under VD. This thesis has attempted to investigate the indirect effect of marketing factors on consumers' intention to purchase under VD through the perception of benefits. The findings have provided a psychological explanation regarding the effect of marketing factors on the intention to purchase through considering the mediators, which is lacking in previous studies. In addition, this thesis has also responded to the calls in the literature. For example, d'Astous and Landreville (2003) stated "... there is a need for more research on the factors that impact on consumer reactions towards such promotions" (p. 1747).

The effect of consumer heterogeneity is neglected in determining the potential drivers of consumers' intention to purchase under VD. In this regard, careful consideration of consumer heterogeneity is much needed since various consumer segments probably have a difference in perceiving the factors. For

example, a consumer from a large family size may perceive the purchasing of extra milk under VD as a saving but another consumer from a small family size does not hold this perception as the extra milk will not be used until it spoils. To fill up this gap, the moderating effect of deal proneness and household size has been examined in this research.

1.4 Research Questions

Given the high demand for purchasing products under VD in the market (Chen et al., 2012; Clow & Baack, 2014), together with the lack of knowledge on the effect of marketing factors on consumers' perceived benefits, and consequently intention to purchase products under VD, this thesis has attempted to answer several questions. This thesis aimed to identify the indirect effect of marketing factors on consumers' intention to purchase products under VD through perceived benefits. Furthermore, the moderating effect of deal proneness and household size on the relationship between marketing factors and consumers' perceived benefits have been examined. In the problem statement section, the research gaps were identified. The following research questions were formulated to address these gaps.

1. What are the effects of marketing factors (product characteristics, brand image, store image, scheme characteristics, and message framing) on consumers' perceived benefits of VD (perceived savings, perceived quality, perceived self-expression value, and perceived convenience)?
2. What are the effects of perceived benefits of VD on consumers' intention to purchase products under VD?

3. Do perceived benefits of VD mediate the relationships between marketing factors and consumers' intention to purchase products under VD?
4. Does deal proneness moderate the relationships between the marketing factors and consumers' perceived benefits of VD?
5. Does household size moderate the relationships between the marketing factors and consumers' perceived benefits of VD?

1.5 Research Objectives

The specific research objectives of this thesis are as follows:

1. To examine the effect of marketing factors on consumers' perceived benefits of VD.
2. To identify the effect of perceived benefits of VD on consumers' intention to purchase products under VD.
3. To examine the mediating effect of perceived benefits of VD on the relationships between marketing factors and consumers' intention to purchase products under VD.
4. To investigate the moderating effects of deal proneness to the relationships between the marketing factors and consumers' perceived benefits of VD.
5. To investigate the moderating effects of household size to the relationships between the marketing factors and consumers' perceived benefits of VD.

1.6 Significance of the Study

The significance of the study may be divided into two sections, namely, practical and academic contributions.

1.6.1 Practical Contributions of Research

The popularity of VD in the promotional techniques might indicate that they are considered as an ordinary alternative to monetary SPs. Hence, manufacturers and retailers are willing to study the factors that should be considered in motivating consumers to purchase products under VD. In view of the costly implementation of monetary SPs and the possibility of having the destructive influences in terms of lowering the consumer reference prices (Hardesty & Bearden, 2003), undermining quality perception (Darke & Chung, 2005), and destroying the brand image and brand equity (Yoo, Donthu, & Lee, 2000; Palazon & Delgado, 2005), the study on how VD can be used as an alternative in an effective way is of an essence.

Retailers need to understand which factors motivate consumers to purchase products under VD in order to be able to promote products under this SP technique in a practical way. Understanding the effect of the perception of benefits on the intention to purchase assists the retailers to realize the consumers' perception that plays an important role in their intention to purchase products under VD. Furthermore, it is useful for researchers to explore the relationships between marketing factors and the perception of benefits for designing the VD in a way that creates the perception of benefits that motivate consumers to purchase products. For example, if perceived convenience will be the most important driver of consumers'

to purchase under VD, the retailers need to know how they can create this perception among consumers. The significant drivers of perceived convenience in the framework make retailers aware of the factors that they should consider in creating the perception.

Consumers' heterogeneity regarding deal proneness and household size might cause a change in the effect of marketing factors (store types, brand types, and product characteristics) on consumers' perception of benefits towards purchasing a product under VD. However, the inclusion of these factors as moderators will increase the value in identifying the focus group of VD, which in turn, will benefit retailers and manufacturers. In addition, a greater knowledge about the consumers' segments is useful for retailers in promoting products under VD. For example, product characteristics may play an important role in the perception of savings of the consumer from a big household size but not a small household size.

1.6.2 Academic Contributions of the Research

Numerous conceptual research frameworks on SPs, in general, have been developed (Chandon et al., 2000). However, only a limited number of conceptualization studies on VD have been undertaken. Despite the limited number of studies on VDs, researchers have not exhaustively considered the potential drivers of consumers' intention to purchase under VD. Respectively, from an academic approach, exploring the factors that motivate consumers to purchase under VD deserves special consideration. This thesis contributes to the understanding of the drivers of consumers' intention to purchase products under VD.

Some findings of previous researches on VD are contradictory. For instance, Sinha and Smith (2000) reported a positive relationship between the storable characteristics of products and consumers' intention to purchase on VD; whereas, Li et al. (2007) revealed an opposite result. These conflicting findings suggest that the general conclusions of previous studies regarding the influence of marketing factors on purchase intention under VD require further investigation. The potential reasons for these conflicts may be the differences in the characteristics of the selected products (storability and necessity differences of the products), the differences in the selected stores (low-/high-equity brand) or the differences in promotion characteristics (depth of SP and deal frequency). The factors that affect consumers' intention to purchase are interrelated; thus, including all of these factors in one model and simultaneously testing them are essential. The proposed model in this thesis includes the potential drivers of consumers' intention to purchase under VD together and in a single model, which helps to understand the factors that play an important role. A simultaneous examination of these factors will also enable identifying the magnitudes of their effects.

While some researches have been conducted with regards to the drivers of consumers' intention to purchase products under VD (Sinha & Smith, 2000; Li et al., 2007), less research has examined how consumers evaluate these drivers, such as message framing. Using Chandon et al.'s (2000) conceptualization of the perception of benefits, this study extended the current theory by integrating literature in the area of the drivers of consumers' intention to purchase under VD with the literature in the area of the perception of benefits. Examining the indirect effect of marketing factors on consumers' intention to purchase products under VD extends the knowledge by providing a psychological explanation regarding the effect of these factors.

The present thesis investigates how the effects of marketing factors on the perception of benefits interact with consumer characteristics. This issue is important because consumers might have different assessments of the factors, depending on their internal traits as well as their situation. Two factors, deal proneness and household size, that are known to be highly relevant to VD have been respectively chosen as traits and situations to be studied in this research.

1.7 Definitions of Key Terms

To generate a better understanding among readers, the key terms employed in this research are defined and further explained in this section.

Sales Promotion

Most consumers would quickly say that SPs consist of no more than incentives/inducements and various offers to encourage consumers to behave in a certain manner. Nevertheless, this assertion is not the true definition of SP. Kotler (1988) defined SPs as marketing events and tools for stimulating quicker and greater purchases for a limited period. However, different effects on sales and profitability may be induced by various types of promotional tools (monetary and non-monetary promotions) (Srinivasan & Anderson, 1998).

Volume Discount (VD)

Volume discount is an offer of extra quantity/ unit(s) of a product without any price increase (Ong, 1999; Mishra & Mishra, 2011).

Hedonic and Utilitarian Products

Hedonic products are perceived as relatively fun, enjoyable, and pleasant; whereas, utilitarian products are perceived as relatively functional, necessary, and effective (Voss, Spangenberg, & Grohmann, 2003). A prototype utilitarian product may have hedonic characteristics, such as marketing detergent based on its scent rather than cleaning ability (Chaker, 2011). A prototype hedonic product, such as chocolate, could be consumed for its cardiovascular advantages, and a product initially consumed to attain euphoria may subsequently be consumed to lower the level of unpleasant cravings that are induced by addiction (Linden, 2011).

Hedonic and Utilitarian Benefits

Utilitarian benefits are primarily instrumental, functional, and cognitive. Utilitarian benefits provide consumers value as a means to an end. Hedonic benefits are non-instrumental, experiential, and affective. Hedonic benefits are appreciated for their own sake, without further regard to their practical purposes (Hirschman & Holbrook, 1982).

Stock-up Characteristics

The stock-up characteristics of a product determine whether or not it can be accumulated and stored (Li et al., 2007).

Confirmatory Analysis

Confirmatory analysis is a multivariate technique for testing (confirming) a pre-specified relationship (Hair, Black, Babin, & Anderson, 2010). For instance, given that two variables are hypothesized as predictors of dependent variables, empirically