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A STUDY ON THE IMPACT OF DISCOUNT ON CONSUMER BEHAVIOUR

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Abstract

Discounts are commonly used by businesses as a marketing tool to increase sales and attract customers. This study examines the impact of discounts on consumer behaviour, with a particular focus on how discounts affect consumer decision-making processes. The literature suggests that discounts can be an effective means of increasing sales and encouraging customers to purchase a product. Consumers are often motivated by the perceived value of a product, and discounts can increase this perceived value by making the product more affordable. In addition, discounts can create a sense of urgency and scarcity, which can further motivate consumers to make a purchase. However, discounts can also have negative effects on consumer behaviour. The researcher conducted a quantitative study with 130 sample data by spreading out to respondents a structured questionnaire, using convenience sampling method. The research results provide valuable insights into the impact of discounts on consumer behaviour in the Indian retail industry, which can be used to enhance the effectiveness of marketing strategies and improve sales performance.

Keywords: Discount, Consumer behaviour, Consumer Decision-Making Processes.

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1.1 Introduction

The discount industry is a large and growing sector of the retail industry, with a significant impact on consumer behaviour. Discounts are a common marketing tactic used by retailers to attract customers, increase sales, and clear out excess inventory. The discount industry encompasses a wide range of retailers, including department stores, specialty stores, online retailers, and discount stores. Discount stores, in particular, have experienced significant growth in recent years, with companies like Walmart, Target, and Amazon dominating the market.

Discounts can take many forms, including percentage-off sales, buy-one-get-one-free promotions, clearance sales, and loyalty rewards programs. These tactics are designed to create a sense of urgency and scarcity, encouraging customers to make a purchase before the deal expires or the product sells out. Discounts can have a significant impact on consumer behaviour. For example, consumers may feel a sense of satisfaction and excitement from finding a good deal, which can create a positive association with the retailer and increase their likelihood of returning in the future. Additionally, discounts can create a sense of social proof, with consumers feeling validated in their purchase decision if they see others taking advantage of the same deal.

However, discounts can also lead to negative consequences, such as a decrease in perceived product value, lower profit margins for retailers, and a potential increase in price sensitivity among consumers. Additionally, frequent discounting can create a "discount addiction" among consumers, where they may be less likely to purchase products at full price and instead wait for the next sale.

Overall, the discount industry is a complex and dynamic sector of the retail industry, with both positive and negative impacts on consumer behaviour. Understanding the psychology of discounts and their effects on consumer behaviour is essential for retailers looking to optimize their pricing strategies and attract and retain customers.

1.2 Research Review

Zeithaml (1988) examined the relationships between price, quality, and value in consumer decision-making. It emphasizes that discounts can alter consumers' perceptions of value and quality, affecting their purchasing behavior.

Keller (1993) discussed the concept of brand equity and its relationship with consumer behavior. It highlights that discounts can affect consumers' perception of a brand's quality and value, which, in turn, influences their purchasing decisions.

Nunes & Drèze (2006) explored the endowed progress effect, which suggests that offering discounts that create a sense of progress or advancement toward a goal can increase consumers' motivation and effort to complete the purchase.

Wadhwa & Zhang (2018) examined the effects of price promotions, including discounts, on consumer behaviour. It explores various factors that moderate the impact of discounts on consumer decision-making, such as product type, deal magnitude, and consumers' price sensitivity.

Tamilselvi (2019) observed that sales promotion, one of the fundamental aspects of the promotional mix, is commonly utilised by marketers to compete and maintain a competitive edge, and so increase sales by driving consumers' buy decisions. The study attempted to discover

the various sales promotion strategies and the order in which they influence consumers' purchasing decisions for clothes. The study takes into account five main sales promotion techniques: rebate and discount offer, coupons, loyalty programmes, price packs, and contests.

Agmeka et al (2019) studied that numerous implementations of discount framing in the e-commerce context that have an impact on both brand reputation and brand image. The latter two constructs have been shown to influence consumer purchasing intent and behaviour. There are, however, few studies that investigate the relationship between discount framing consumer buying intention and actual activity. The study investigated the impact of discount framing on consumer purchase intention and actual behaviour, which may be mediated by brand reputation and brand image.

Huber et al (2022) evaluated the demand impacts of discounts on Swiss Federal Railways train tickets, known as 'supersaver tickets,' using machine learning, a subfield of artificial intelligence. Using a survey-based sample of supersaver ticket buyers, a causal machine learning model was developed to analyse the influence of the discount rate on rescheduling a trip, which is significant in light of capacity restrictions during rush hours. Based on survey, which asks about customer behaviour in the absence of discounts assume that (i) the discount rate is quasirandom conditional on our rich set of characteristics, and (ii) the buying decision increases weakly monotonically in the discount rate.

1.3 Objectives of the study

- To analyse the impact of discount pricing on consumer behaviour and purchase decisions.

- To identify the different types of discounts and their impact on consumer behaviour.
- To explore how the perception of discount pricing influences consumer behaviour.

1.4 Limitations of the study

- The study may not be representative of the general population if the sample used is biased or not diverse enough.
- The study may be influenced by participants' responses to surveys or questionnaires, which may be subject to bias or inaccuracies.
- The study may not be applicable to other settings or contexts due to differences in cultural, economic, or social factors

1.5 Research methodology

This includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of state of affairs as it exists at present. The main characteristic of the methods is that the researcher has no control over the variables. Research can only report what has happened or what is happening.

The primary data is gathered from 20th February to 15th March 2023, by disseminating the structured questionnaires virtually to know the impact of discount on consumer behaviour.

The secondary data are the data in which information is already collected and published. There are several methods of collecting the data Such as books, Internet, Articles, Journals and other sources.

The sample size for the purpose of this research is 130 respondents. Convenience sampling method is used in this study for

collecting the data. Convenience sampling is the most common type of non – probability sampling, which focuses on

gaining information from participants (sample) who are convenient for the researcher to access.

1.6 Data analysis and Results:

Descriptive statistics:

A total of 130 respondents have responded to the survey. Details regarding Demographic characteristics of the respondents are presented in the table 1.

Table 1 – Demographic characteristics of the respondents

Variables	Categories	N=130	Percentage
Age	Below 25 years	66	51
	Between 26 – 30 years	36	28
	Between 31 – 35 years	20	15
	36 and above	8	6
Gender	Male	72	55
	Female	58	45
Educational Qualification	Graduate	46	35
	Post graduate	64	49
	Professional courses	12	9
	Others	8	6
Employment Status	Public sector	12	9
	Private sector	44	34
	Business / Entrepreneur	6	5
	Student	64	49
	Others	4	3
Monthly Family Income	Less than 25000	28	22
	Rs.25000 - Rs.40000	24	19
	Rs.40001 - Rs.50000	22	17
	Above Rs.50001	56	43

Chi-Square Analysis:

This study tries to test the association between age and monthly family income

The hypotheses are as follows:

Null Hypothesis (H0): There is no significant association between age and monthly family income

Alternate Hypothesis (H1): There is a significant association between age and monthly family income

Table 2

Chi-Square Tests			
	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	29.741 ^a	9	.000
Likelihood Ratio	32.496	9	.000
Linear-by-Linear Association	5.745	1	.017
N of Valid Cases	130		

a. 7 cells (43.8%) have expected count less than 5. The minimum expected count is 1.35.

The following result is obtained: The significant value is less than 0.05. Hence, we reject the null hypothesis and accept the alternate hypothesis, so there is a significant association between age and monthly family income.

Coefficient of Correlation

This study tries to test the relationship between Monthly Family Income and discounts help respondents save money in the long run.

The hypotheses are as follows:

Null Hypothesis (H0): There is no significant relationship between Monthly Family Income and discounts help respondents save money in the long run.

Alternate Hypothesis (H1): There is a significant relationship between Monthly Family Income and discounts help respondents save money in the long run.

Table 3

Correlations			
		Monthly Family Income	I believe that discounts help me save money in the long run.
Monthly Family Income	Pearson Correlation	1	.229**
	Sig. (2-tailed)		.009
	N	130	130
I believe that discounts help me save money in the long run.	Pearson Correlation	.229**	1
	Sig. (2-tailed)	.009	
	N	130	130

** . Correlation is significant at the 0.01 level (2-tailed).

The following result is obtained: r value is positive and significant 2-tailed value is less than 0.05, hence we reject the null hypothesis and accept the alternate hypothesis. Since $r = 0.229$, there is a weak positive correlation between Monthly Family Income and discounts help respondents save money in the long run.

1.7 Direction for future research

Investigating the impact of discounts on consumer behaviour in other emerging markets, as the factors that influence customer loyalty and the effectiveness of discount strategies may vary across different markets. Investigating the role of technology in promoting customer loyalty in the retail industry, such as the use of mobile apps and social media to offer personalized discounts and promotions. Conducting a comparative study of the impact of discounts on customer loyalty in the online and offline retail channels. Exploring the effectiveness of other marketing strategies, such as product bundling, price matching, and loyalty programs, in promoting customer loyalty in the Indian retail industry.

1.8 Conclusion

The study aims to investigate the impact of discounts on consumer behaviour in the Indian retail industry, with a focus on the factors that influence customer loyalty. The study will use a mixed-methods approach, combining survey data and focus group discussions to collect data from a sample of consumers in India. The expected findings of the study may provide insights into the factors that influence customer loyalty in the Indian retail industry and the effectiveness of discount strategies in promoting customer loyalty. This information can be useful for retailers in designing effective marketing strategies that enhance customer loyalty and improve sales performance. The study may also contribute to the academic literature on the

impact of discounts on consumer behaviour and the factors that influence customer loyalty in emerging markets. However, it is important to note the limitations of the study when interpreting the results and making recommendations for future research. Overall, this study is expected to provide valuable insights into the impact of discounts on consumer behaviour in the Indian retail industry, which can be used to enhance the effectiveness of marketing strategies and improve sales performance.

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