Sales Promotion Effectiveness: The Impact of Culture on Demographic Level

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Abstract
Sales promotion is an essential tool which leads to real increase in sales and profit. According to previous studies, sales promotions are effective at a cross cultural level when they provide benefits that go hand in hand with those of the promoted product. However, there is no literature state about the different sales promotion consumer benefits influences on its effectiveness at the demographic level (urban versus rural). To address this concern, this paper seeks to explore the congruence framework by analyzing how culture at a demographic group level impacts sales promotion. The objective is to investigate whether cultural differences at this level will have an impact at the effectiveness of sales promotion. This conceptual paper sheds light on the influence of culture in demographic group level in determining the response of consumers to sales promotions. The findings will contribute to the understanding of products and promotion types in the Vietnam retailers. It will also allow manufacturing companies to focus better on their strategies for marketing their products towards the Vietnamese consumer.

Keywords: culture, demographic, sales promotions, congruency theory

1. Introduction
Sales promotions are essentials in the marketing programs of retailers. Sales promotion is a practice done by marketing departments or brand developers to give consumers a reason to buy their products or switch from a competitor’s brand to theirs. According to Dha, Hoch, Dreze & Purk, sales promotions result to a real increase in sales and profits (1994).

Researchers have discovered that sale promotions are more effective when they provide benefits that go hand in hand with those of the promoted goods (Chandon, Wansink& Laurent, 2000). A sales promotion in retailing has had strong emphasis in literature reviews. However, majority of previous studies were based in more developed and advanced countries. Little effort has been done to address the importance of different factors that constitute the sales promotions format of retails in reference of upcoming less developed countries such as Vietnam, Cambodia and Laos. Here, geographic differences, market economy that is social, small and medium sized retailers presently exists (T.Q, Nguyen, Neck, 2008).

Vietnam is the fourth country in terms of possible growth potential relating to increase of demand for consumer goods and the rising disposable incomes. It falls behind India, Russia and china. According to a new market research, Vietnam’s retail market has rapidly expanded over the past few years. In the years to come, Vietnam will accelerate further on the back of rising disposable income, the constant growing consumer spending and sector liberalization (RNCOS, 2008).

Similar to china’s social class, one form of manifestation of the social class distinction in Vietnam is the rural versus urban divide (Wang & Anderson, 2014). The status of residency categorizes Vietnamese people into different packages of social status and social benefits not withholding infrastructure, and is conveniently termed rural versus urban (Chen, Bian, Xin, Wang & Silbereisen, 2010; Chen & Li, 2012). Hence, the rural consumers lack opportunities to enjoy and experience the urban lifestyles of Ho Chi Minh city, Ha Noi city, Da Nang city etc. It is noteworthy to determine what kinds of sales promotions are more prevalent and effective in the more affluent society. This paper extends the framework of the effectiveness of sales promotions by incorporating the impact of culture on urban versus rural consumers. This paper offers theoretically-substantiated of propositions that help in clarifying why certain promotional tactics are effective subject to the cultural values of the individuals.

2. Literature Review

2.1 Vietnam Retail Market Rural Versus Urban
Vietnam will remain a good environment to develop the retail industry. This will be the case with assistance of a stable
economic growth rate in Vietnam not forgetting its population size which is more than 90 million citizens. People are expected to spend more on consumption goods since Vietnam is one of the Asian countries with an emerging market and increasing income. This will boost the retail market in the future economy of Vietnam. Urbanization is a factor that plays a big role in creating an ideal environment of developing a retail market. Retail centers tend to concentrate on urban settings. People living within urban areas gain the benefit to gain access different types of retail details much easier than people based in the countryside.

Vietnam has begun to struggle with the increase on inequalities in wages, education cultures etc. between urban and rural sectors and different geographic regions in the country, the increase in inequality in Vietnam was accelerated by the increasing gap between the urban and the rural according to Fritzen and Brassard (2005). Other studies are consistent to this finding. The increase in inequality in the period 1998-2002 was however mainly attributable to inequalities within each sector. That results to a vast difference in the lifestyles of the rural and urban consumers. The biggest mistake a retailer can make when entering the rural Vietnam market is to treat it as an extension to the existing urban market.

2.2 Sales Promotion and the Potential Impact of Culture

The Vietnamese retail market has grown very quickly both in urban and rural areas during recent years. This has made the country a fertile land for retailers. Sales promotion techniques aimed at retailers in urban and rural markets are equally important. Small retailers are predominant in the rural markets and often the shopkeeper’s play an active role in choosing or influencing the choice of specific brands for their consumers again making trade discounts critical, in contrast, with the growth of organized retail in urban markets, manufacturers, with the help of scanner data information, can offer store and location targeted consumer sales promotion (Heberer, 2001). Despite the plethora of literature on why some promotion tools are more favored than others, there is very little information on the relationship between a national geographically dispersion cultural orientation, and promotional tool preferences. This research therefore investigates whether there is a relationship between a high and low context culture based on demographic and its preferences for sales promotion tools as opposed to an area with less obvious cultural values and attitudes. To test this proposition, we contrasted the promotion approaches of rural Vietnam and the less culturally distinct urban Vietnam retailers.

2.2.1 Types of Sales Promotion

Monetary sales promotion has been the focus of majority of the recent studies done on the effectiveness of consumer sales promotion (Dickson & Sawyer, 1990; Dhar& Hoch, 1996; Hoch, Dreze&Purk, 1994). However, many researchers mention that a range of promotions involving monetary and non-monetary methods have been used and further added that there is a big difference between the two strategies (Campbell & Diamond, 1990, Tellis 1998). Free rewards are given to the consumer immediately on purchase of products and are transactional in character. Non-monetary methods on the other side are not rewarded immediately and they tend to delay for some time period. In order to assess how effective sales promotions are, it is important to examine the two types of promotions

2.2.2 Benefits of Sales Promotion

Sales promotions come hand in hand with some consumer benefits. Previous studies have focused on saving money as a major consumer benefit of sales promotions (Blattberg & Neslin, 1990). There is evidence nevertheless that suggests consumers are motivated by several other benefits. Such benefits would include; quality of products, convenience, exploration and entertainment. Those benefits are either classified as utilitarian or hedonic (Babin, Darden & Griffin, 1994; Hirschman & Holbrook, 1982). With utilitarian benefits being primarily functional and tangible, they enable customers to maximize shopping efficiency. Benefits of saving, convenience and quality among others can be classified as utilitarian. On the other side, hedonic benefits are relatively intangible. They offer consumers with stimulation of fun and pleasure. Benefits such as entertainment and exploration are classified as hedonic.

2.2.3 Promotion Types and Promotion Benefits

Based on the distinction between the types of sales promotions and promotion benefits, Chandon Wansink and Laurent showed that monetary promotions provide more utilitarian benefits whilst non-monetary promotions provide more hedonic benefits (2000). These relationships are a matter of degree rather than absolutes; for example, coupon promotions (i.e., a monetary promotion) may still provide some hedonic benefits such as the enjoyment in redemption, although their main benefit of saving is utilitarian (Mittal, 1994).

2.2.4 Congruency Theory and Sales Promotion

According to Osgood and Tannenbaum, the basic principle of congruity states that changes in evaluation are always results to increase in congruity with the existing frame of reference (1955). Meaning that, people tend to have a natural preference for consistent information. This principle has been investigated in many marketing contexts, including
studies of brand management and marketing appeals. Applying this principle to sales promotions, sales promotions are expected to be more effective when they provide benefits that are compatible with the benefits sought from the promoted product. From some past studies of sales promotions, the relevance of this principle is evident. For instance, Roehm et al. showed that providing incentives that are compatible with the brand will result to more successful loyalty programs (2002). On the same regard, Dowling and Uncles (1997) suggested that if loyalty programs support the product’s value proposition, the effectiveness of the program is then enhanced Chandon, Wansink & Laurent (2000), directly tested and confirmed. Congruency effects for sales promotions who showed that: (a) Monetary promotions are more effective for utilitarian products as they provide more utilitarian benefits, which are compatible to those sought from utilitarian products; and (b) Non-monetary promotions are more effective for hedonic products as they provide more hedonic benefits, which are compatible to those sought from hedonic products.

2.2.5 Culture and Urban Versus Rural

Culture is a set of norms and beliefs that are shared among a group of people and that provide the guiding principles of one’s life (Goodenough, 1971; Kroebel & Kluckhohn, 1952; Schwartz & Bilsky, 1987 and 1990). In this paper we define culture as a way people grouped by ethnicity live their lives including shared norms and beliefs that has an impact on their behavior. Triandis suggests that society norms and beliefs will have an ultimate impact upon the disposition and behaviors of the members of the society (1989).

Cultural capability makes a unique and important contribution to consumer behavior. This is a key finding of this study. This result is quite consistent to the study of Swierczez and Ha, who found out that cultural elements have a strong impact on consumer behavior (2003). The study of Le, Rowley, Truong, and Warner specifically tries to explain why cultural factors are very crucial to the success of business in Vietnam (2007). Confucian culture has strongly affected the history of Vietnam. According to Hofstede’s cultural dimension, Vietnam is a high context culture which has low Confucian, masculine, collectivistic, high uncertainty avoidance, and low power distance characteristics (Nishimura, 2008). Organizational culture has been shaped by these factors and can be considered as a referencing system that predicts the ethical ways of consumers’ purchase decisions. Even though, Vietnamese rural and urban consumers have been affected by Confucian culture, urban consumers also get to experience Western culture by overseas activities. Hence, urban consumers do not share the same value as rural consumers. Buying select products has been significantly influenced by consumer experience based on their rural or urban location status. Rural consumers experience a huge influence from their families as compared to the families in the urban sector. Moreover, rural customers do not trust outsiders easily. It is not very easy to convince a rural customer to make purchase decision. It is a challenge to introduce anything new to rural customers. Therefore, rural and urban share somewhat different culture dimensions which lead to different behavior using sales promotion type. While there is a growing literature on cross culture in sales promotion, relatively little has been written on the national demographically level (Singh, 2012). Moreover, rural customers do not trust outsiders easily. It is not very easy to convince a rural customer to make purchase decision. It is a challenge to introduce anything new to rural customers. Therefore, rural and urban share somewhat different culture dimensions which lead to different behavior using sales promotion type. While there is a growing literature on cross culture in sales promotion, relatively little has been written on the national demographically level.

2.2.6 Culture, Demographics and Sales Promotion

The contribution of culture has been well established in many areas of marketing according to Nakata and Sivakumar (2001). They further suggest that culture has also impacted consumer responses in sales promotion. As an example, Bridges et al., argues that there’s need for research in regard to understanding cultural driven responses of consumers to promotional activities (1996). They showed that cultural values have effect on promotional strategies. McCort and Malhotra support this claim and state that marketing communications will differ as cultures differ in their value systems (1993). There are needs for research to examine the effects of promotional activities on cultural groups as most assessments have been conducted on a national level (Albaum & Peterson, 1984).

A related issue is that price perceptions vary across cultures and cultural issues may well influence the sales promotion activities (Usunier & Lee 2005). This situation can present managerial challenges by not only influencing the overall marketing strategy, but also tactical issues surrounding sales promotion. Even though, Confucian societies were characterized with high collectivism, strong uncertainty avoidance, and larger power distance (Hofstede, 2001). It cannot be generalized to countries which are not mostly influenced by Confucian values. Even in Confucian cultures, the variables had performed with low significance. For example: In Chung and Pysarchik’s studied on The Korean consumer behavior intention to buy imported and domestic products, face saving variables had a weaker influence on attitude and purchase intention than other variables (2000). Even though, Vietnam is one of the most attractive retail markets in the world, there is no study on consumer behavior regarding sales promotion in Vietnam. To extend our understanding of this understudied phenomenon, this research presents insights on the influence of culture in urban and
rural areas and consumer behavior on sales promotion practices across the retail industry in Vietnam.

3. Propositions

The preference of promotion types within demographics can have a relative difference as a result on the differences based on Hofstede’s five cultural dimensions (1991). In effect with congruency relationships established between product and promotion types, relative choices of monetary and non-monetary promotions may differ with demographics. For example, the choice for monetary promotions may be affected in rural areas due to culture than in urban areas.

3.1 Power Distance in Urban Versus Rural

Power distance deals with acceptability of social inequalities, inequalities such as power, wealth and status (Nakata & Sivakumar 2001). Inequality is prevalent and accepted in high power distance cultures. Urban consumers in Vietnam are considered as a high power distance culture. Since independence on their income, they have more power to make decisions versus rural Vietnamese consumers who have less power to make decisions. Urban consumers are likely to respond more to sales promotions that contain differential treatment. Such treatments mainly involve non-monetary promotions. On the other side, cultures with lower power distance according to Hofstede, are less tolerant of inequalities and special privileges (1991). Such a culture is composed of consumers who would prefer a sales promotion that offer equal rewards to everyone. Such promotions mainly comprise monetary promotions such as price discounts and coupons.

Hypotheses 1A: Monetary promotions are more effective for rural areas (low power distance culture) as compared to urban areas (high power distance culture).

Hypotheses 1B: Non-monetary promotions are more effective for urban areas (high power distance culture) as compared to rural areas (low distance power culture).

3.2 Uncertainty Avoidance in Urban Versus Rural

Chen Gaddini found that rural adolescents actually used more personal justifications for conflicts than urban adolescents (2012). Urban families in high context culture seemed to be more ready than rural families to adhere to traditions, in this case, values and practices related to filial piety, despite the fact that they seem to have higher education levels and more experiences with a lifestyle in an industrialized society.

According to Nakata & Sivakumar, uncertainty avoidance deals with levels of discomfort regarding future uncertainties (2001). It’s closely related to risk aversion. Vietnamese rural consumers have high uncertainty avoidance and Vietnamese urban consumers have low uncertainty avoidance, therefore, since uncertainty avoidance is related to risk aversion such consumers would prefer more tangible and immediate awards.

Hypotheses 2A: Monetary promotions are more effective for rural areas (high uncertainty avoidance culture) as compared to urban areas (low uncertainty avoidance culture).

Hypotheses 2B: Non-monetary promotions are more effective for urban areas (low uncertainty avoidance culture) as compared to rural areas (high uncertainty avoidance culture).

3.3 Individualism/Collectivism in Urban Versus Rural

Cultures can be of two types. You can segregate them into individualistic cultures and collective cultures. Both are important in their own unique way. There is a concept known as the interdependent self. The individualistic cultures give it a perfect shape. The interdependent self is a complex concept. The individualistic cultures attend to the personal criteria as well as standards necessary for evaluating certain management practices. These practices can enhance or inhibit the opportunities for self-worth as well as one’s well-being (Markus & Kitayama, 1991; Triandis, 1989). The Collectivist cultures view the same interdependent self in a different manner. It gives more preference to the reference groups for internalizing the criteria and standards of the interdependent self.

Rural people have the quality to exhibit more individualistic orientations as compared to the urban people (Sekhar & Reddy, 2014). Individualism has a reference to the degree of distance you maintain in a social relationship (Nakata & Sivakumar, 2001). You should be aware of the fact that relationship has an important role to play in the “search and choice processes” of consumer behavior (Doran, 1994). Therefore, individualism can affect consumer choices among different varieties of promotions.

The main aspect of individualistic culture is the distance it maintains in social relationships. It makes the individual favor personal goals as opposed to group needs (Watkins & Liu, 1996). You tend to place greater value on self-interest, independence, as well as pleasure (Gurhan-Canli & Maheswaran, 2000; Triandis & Hui, 1990). It lays more emphasis on differentiation (Aaker & Maheswaran, 1997). It also concentrates on the ability of the individual to express his or her uniqueness (Watkins & Liu, 1996). These characteristics combine to make individualistic cultures show more
receptiveness to non-monetary promotions. This is because the individuals find the hedonic benefits as entertaining and more experimental. These benefits pave the way for provision of intrinsic value to individuals. It also provides them with an opportunity to express better.

On the other hand, close relationships and interdependence are the main characteristics of the collectivistic cultures (Fletcher & Brown, 1999). Conforming to the in-groups is more important in this culture. These social groups can consist of family and friends (Hofstede, 1991). However, this has a disadvantage too. The groups deny entry to persons other than their circle of family and friends (Watkins & Liu, 1996). This makes them less responsive to promotions involving relationship building such as free gifts and rewards programs. This is primarily because they exhibit a reluctance to forge a relationship with an external group. However, they respond well to monetary promotions. These promotions have common benefits enabling sharing among the in-group members.

Hypotheses 3A: Monetary promotions are more effective for rural areas (collectivistic culture) as compared to urban areas (individualistic culture).

Hypotheses 3B: Non-monetary promotions are more effective urban areas (individualistic culture) as compared to rural areas (collectivistic culture).

3.4 Masculinity/Femininity in Urban Versus Rural

Striving for personal achievement and performance is the main characteristic of masculinity (Nakata & Sivakumar, 2001; Cutler, Erdem, & Javalgi, 1997). In recent times, rural people of the high context cultures also exhibit a tendency to strive for personal achievement and performance. This makes such rural people lean towards the masculinity culture. At the same time, the urban consumers tend to lean towards the opposite, i.e. the femininity culture. In masculinity cultures, materialistic success and assertiveness have a very strong base (Fletcher & Brown, 1999). This prompts the consumers in masculinity cultures to give more importance to monetary promotions. These are tangible and transactional-based benefits. These can satisfy the main characteristics of the masculinity culture such as materialistic and personal success.

You can find the femininity culture at the other end of the spectrum. This culture places more emphasis on a caring and nurturing attitude towards life thereby improving the quality of life (Nakata & Sivakumar, 2001). This culture does not give utmost importance to personal and materialistic gains. They lay greater emphasis on people, relationships and group oriented harmony (Hofstede, 1991; Cutler, Erdem & Javalgi, 1997). This makes the feminine cultures to lean towards relationship based benefits and non-monetary promotions.

Hypotheses 4A: Monetary promotions are more effective for rural areas (masculine culture) as compared to urban areas (feminine culture).

Hypotheses 4B: Non-monetary promotions are more effective for urban areas (feminine culture) as compared to rural areas (masculine culture).

3.5 Confucian Dynamism in Urban Versus Rural

The time orientation is the final dimension of the Confucian dynamism. It is bipolar in nature. Consumer behavior is different across all cultures. This is mainly due to the manner in which the consumers understand and allocate time (Brodowsky & Anderson, 2000). The higher end of this bipolar dimension concerns the future oriented perspective with consumers placing values on persistence and loyalty (Fletcher & Brown, 1999).

Such a culture among consumers allows them to make short-term sacrifices to attain long-term gains (Nakata & Sivakumar, 2001). Research studies show people with a future orientation as preferring delayed rewards (Klineberg, 1968). The consumers at the higher end of the Confucian dynamism spectrum tend to show greater response to non-monetary promotions such as sweepstakes and loyalty rewards programs. These are long-term and loyalty based rewards (Foxman, Tansuhaj & Wong, 1988).

A past oriented perspective with great emphasis on traditions is the characteristic of the consumers on the lower end of the spectrum (Fletcher & Brown, 1999). Consumers in such cultures show a preference for short-term planning and immediate financial gains (Nakata & Sivakumar, 2001). These gives rise to the fact of people with a past orientation as less likely to save for the future (Spears, Lin & Mowen, 2001). Therefore, the consumers on this lower end of the spectrum of the Confucian dynamism tend to react towards non-monetary promotions in a hasty manner. This is due to the delayed gratification of such programs (Foxman et al., 1988). They tend to prefer monetary promotions more are they offer immediate benefits in comparison.

Hypotheses 5A: Monetary promotions are more effective for rural areas (low Confucian culture) as compared to urban areas (high Confucian culture).

Hypotheses 5B: Non-monetary promotions are more effective for urban areas (high Confucian culture) as compared to
rural areas (low culture).

This paper explains a systematic analysis of each cultural dimension based on the ten hypotheses associated with the five cultural dimensions in figure 1.

<table>
<thead>
<tr>
<th>Rural</th>
<th>Urban</th>
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<tr>
<td>Low power distance</td>
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<td>High uncertainty avoidance</td>
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<td>Collectivistic</td>
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<td>Masculine</td>
<td>Feminine</td>
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<tr>
<td>Low Confucian</td>
<td>High Confucian</td>
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Monetary Promotions  
(with utilitarian benefits)

Non-Monetary Promotions  
(with hedonic benefits)

Utilitarian Products

Hedonic Products

Figure 1. Summary of Hypothesis

4. Contributions

Only a little consumer research in retailing has been conducted in Vietnam (Choo, Chung & Pysarchik, 2004). This paper examines the relationship between Vietnamese cultural values and promotional tool preferences. In doing so, the paper examines whether retailers in rural Vietnam are more inclined to use sales promotion tools than urban Vietnam retailers, given that the former has more distinct cultural values and attitudes when compared to the latter.

By including culture, this paper brings back one of the drawbacks of the extant literature which has not specifically explored the impact of culture and helps extend the congruency framework of sales promotion effectiveness (Chandon et al., 2000). This paper not only support Kwok & Uncles framework, but also test and expand it in Vietnam culture, particular urban and rural area. Finally, the conceptualization proposed here should also provide a basis for similar cultural contexts; albeit with careful adaptation to fit the unique context. This conceptual paper provides insight to marketing practitioners in the design of sales promotion strategies. It addresses the issue of whether to standardize or localize sales promotions between targeted geographic markets which marketing practitioners needed to take into consideration certain cultural or geographical attitudes when marketing to a particular group in the Asian/Vietnamese market.

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