

## Chapter 2

### LITERATURE REVIEW

This chapter contains about formulating promotion strategy both using market research approach and other methods approach from some researches. Besides, this chapter also contains the gap analysis between the previous research and the current research. There are some researches that have similar topic at this research. Some of those can be as guidance for making this research.

#### 2.1. Market Research Approach

Retailer pricing and promotion strategies are found to be based on combinations of four underlying dimensions: relative price, price variation, deal intensity and deal support (Bolton and Shankar, 2003). However, many market researchers have observed that grocery retailers' pricing strategies and tactics are diverse and complex, including decisions on the depth, frequency, and duration of deals, feature advertising, and displays for myriad brands and categories (Murry and Heide, 1998). This study examines retailer promotion decisions—specifically *deal intensity* (depth of deal discount, frequency, and duration) and *deal support* (features and displays)—as well as pricing decisions (relative price and price variation).

The implication of the peculiar regularity on the issue of consumer purchase timing acceleration is needed to be observed. Promotions are found to have little effect in accelerating purchase timing. (Chiang et al., 1998)

The general trend is that companies spend more money on BTL (below the line communication) and sales promotion (SP, promotion, deal) than on advertising (above the line communication) (Veronika, 2010). She briefly explained about the important of promotion for small independent retailers in order to survive from the threatened of the superstores.

## **2.2. Other Methods Approach**

The marketing strategy i.e. product, price, place, and promotion is a function of the socioeconomic profile of the customers (Huda et al., 2011). There is a general assumption that people of different income levels live in different areas. This study was conducted to identify the differences in the grocery shop owners marketing strategy due to the differences in locations or residential areas. The study found that keeping branded products, credit sells, promotion, and building customer relations do not vary due to differences in location. It is also found that the way of expressing the quality to customers, measurement of quality, and price fixation differ due to the variations in locations.

The Role of Promotion, Brand, Category, and Store Characteristics are really gives many

influences for the customers to purchase (Ailawadi et al., 2006). The purpose of this paper is to quantify the net unit and net profit impact of promotions for a retailer and to understand the key correlates of this impact.

While tangible factors (i.e. price, quality, assortment, availability, discounts, parking facilities etc.) play an important role in shopping center visits, certain psychological motives (satisfaction, self-image, emotions, exploration expectations, security, etc.) should also be considered to explain the major causes of these visits. (Boddy, 2001)

Two particular aspects of participation are studied, namely, (1) retailer *agreement* on participate in pointof- purchase programs and (2) retailer *cotvpliatice* with established agreements (Murry and Heide, 1998). A recent industry survey found that 74% of retailers agree that promotion allowances enhance their profitability, yet 65% believe they do not receive their fair share of manufacturers' promotion dollars (Wohlgenant & Piggott, 2003).

A particularly important marketing activity for fast moving consumer goods are sales promotions, which represent the majority of manufacturer's marketing budgets, amounting to 16 percent of their revenues (Pauwels, 2007). This journal contains about how do retailers and competitors drive the