

# Impact of Price Discounts on Customer Loyalty and Post Purchase Dissonance

<sup>1</sup>Shanmuga Praksh VM, <sup>2</sup>Sneha Susan Eipe, <sup>3</sup>Vishakha Shukla

MBA – (INTERNATIONAL BUSINESS)  
School of Business studies and Social sciences  
Christ (Deemed to be University)

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**Abstract:** The paper focuses on finding the impact of price discounts on loyalty among the customers in electronic stores. The research will be conducted among people who are working. The two key factors analyzed here are price discounts and customer loyalty. Customer Loyalty in the study states how an electronic store can maintain a long-term relationship with the customers, irrespective of similar products available in the market, by offering strategized price discounts. The relevant information will be gathered through a structured survey. The conclusions will benefit the electronic showrooms in deciding the various levels of price discounts.

The Objective of this paper is as follows:-

- To find the customer's perspective towards price discounts.
- To find out if seasonal discounts are effective.
- To find the relationship between price discounts and customer loyalty.
- To find the level of post-purchase dissonance caused by price discounts.

**Keywords:** Customer Loyalty, Price Discounts, Seasonal Discounts, Post-Purchase Dissonance.

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## 1. INTRODUCTION

The process of marketing has been in existence for more than a millennium and has undergone various changes which resulted in development of different techniques or strategies for marketing. In this research we will study the variables such as price discounts, purchase dissonance and customer loyalty. However, the real question is if price discounts help in maintaining loyalty of customers. And if it does have an impact, identification of what kind of price discount strategies are more effective can benefit the markets better. The electronic stores follow various strategies to attract customers. One of such strategy adopted by them is price discounts. Customers change their preferences based on the price of the products. It is always seen that the demand for a product increases as the price decreases.

Electronic showrooms are where the products are sold at a relatively higher price which increases the chances of post-purchase dissonance among customers. Post-purchase dissonance is the dissatisfaction a customer may face after purchasing a product. This usually occurs when the expectations differ negatively when compared to reality. Price discounts attract customers and they are deceived by various levels of discount into purchasing the products which can impact the post purchase dissonance in the latter stage.

Customer loyalty is when a customer prefers a particular brand and his decision to purchase that brand is not affected by the existence of other brands in the market. Price discounts is one of the factors which helps in building customer loyalty as customers prefer cheaper products to expensive ones. Post-purchase dissonance can negatively impact customer loyalty as if the customers are dissatisfied with a particular brand they will switch to other brands. As seen earlier price discounts can also impact the levels of post purchase dissonance, we can say that these variables are interlinked.

This research will help to find out the impact of price discounts on customer loyalty and post-purchase dissonance thus it will be of help for the electronic store in formulating the levels of price discounts to attract customers and obtain their loyalty.

## 2. REVIEW OF LITERATURE

There are mainly two factors that influence decision making of a consumer - behavioural actions and environmental factors. To tackle these factors companies will have to adopt appropriate promotional strategies. As stated by **Allender & Richards (2012)**, promotion strategies have two key decisions; - the depth and frequency of discounts with which the product is promoted. The two critical factors on which these decisions depend are how many consumers can be convinced to switch to a brand by reducing its price and how many stick to the same brand. In today's ever growing market it is important that a company should focus on post purchase sales conversation which they tend to neglect, and this highly impacts customer loyalty and retention. As predicted by **Cai, Deilami & Train (1998)**, the share of customers who would switch to a competitor under alternative offers and who would remain with the electric utility. When competitors offered price discounts the models indicated significant risk to the utility of market erosion. Therefore, to stay competitive, a utility must maintain low cost. Customer erosion can be considerably mitigated if the utility can successfully maintain its advantages over competitors. Many people from the industry believe that consumers are highly responsive to small discounts. **Grewal, Krishnan, Baker & Borin (1998)**, also showed that 41% of the variance in purchase intentions were caused by direct and indirect effects of Brand name, Store name and Price Discounts. Whereas 85% of the variation in the perceived value was caused by brand name and price discounts. Hence, retailers must pay attention to selecting merchandise and forming price discount strategies. These factors play an important role in shaping consumers' perception of value. Also, **Smith & Wright (2004)** stated that product value can impact the level of customer loyalty as well as the selling prices. According to it can be said that customer loyalty can be a non financial indicator for the firm's overall performance. Factors such as high quality post sale services can improve customer loyalty which in turn can improve its financial performance. The study shows that customer loyalty acts as a mediator between product value attributes and financial performance. Thus we can say that customer loyalty is positively and significantly related to changes in prices and sales growth but its impact on return on assets is not significant. **Olivares, Wittkowski, Aspara, Falk & Matilla (2018)**, studied that firms utilize discounts to build long-term relationships with customers and generate temporary sales boosts for individual services and products. The process of building "true" voluntary customer loyalty involves relational discount strategy. They also studied the psychological mechanism to place the initial level of discounts. The study also states that a company can employ relational price discount strategy profitably which means that they can give discounts to customers initially to attract them as well as to retain them after the expiry of discount. Relational discounts of moderate size (15%-20%) is said to yield better customer retention. From a managerial perspective it also states that long term customer relationships can be established and retained when initial price discounts are implemented cautiously. **Zakaria, Rehman, Othman, Yunus, Mohamed, Dzulkpli, & Osman (2014)**, investigated the relationships between, customer satisfaction, customer loyalty and loyalty program in the retail industry. Their findings have indicated that there are significant and positive relationships among the three mentioned above. **Lamb et al. (2004)**, have stated that when a consumer buys a product, they expect benefits to accrue from the purchase or certain kind of outcomes and how well are these expectations are met and how it determines if the consumer is very well satisfied or dissatisfied with their purchase. In some cases, after purchasing a product the customers regret their decision, this is known as post-purchase dissonance. If the post-purchase dissonance is high, then the satisfaction level of a customer is low and vice-versa. **Hasan & Nasreen (2012)**, identified the causes for post-purchase dissonance, they discovered that the decisions of a customer are heavily affected by his/her personality. If the product purchased by a customer has a significant value for him/her then the level of post-purchase dissonance is more as compared to when the product does not have a significant value. **Sharifi & Esfidani (2013)**, stated that the better relationship a company builds with the customer while marketing a product the less is the level of post-purchase dissonance. The satisfaction of the customer is also more in this case and the customer displays more loyalty. **Zeithamal & Bitner (2000)**, says that in order to take care of purchase dissonance a salesman must develop listening and understanding skills and responding to the customer needs.

## 3. RESEARCH DESIGN

The research design used is Exploratory research. This research will be done to improve the understanding of concepts such as price discounts, purchase dissonance and their impact on customer loyalty.

### Sampling Design:

Non-probability sampling technique will be suitable for this study. Under non-probability sampling technique, convenience sampling will be used to identify the target sample size.

**Sample Size**

The sample size for the study is 100.

**Target Population**

The target population for the research is the working people living in Bangalore.

**Data Collection:**

Data will be collected through primary sources which is through structured surveys and the secondary sources are from journals and articles.

**Data analysis and Interpretation**

Data has been analyzed with the help of IBM SPSS. The statistical tools that were used for data analysis was co-relation, regression, descriptive analysis and ANOVA.

Preference for price discount.

**Table 1: CUSTOMERS PERSPECTIVE TOWARDS PRICE DISCOUNTS**

Preference	Mean	Standard deviation	Frequency
Shopping discounts	3.88	.879	.773
Discounts throughout the year	3.33	.985	.971
Seasonal discounts	1.09	.288	.083
Customer loyalty	3.91	.911	.830

From the above table we can interpret that shopping discounts in general are preferred more where as when divided into discounts throughout the year and seasonal discounts, yearly discounts are preferred more as the mean is 3.33, also customer loyalty is achieved as customers are attracted to price discounts with the mean value of 3.91.

**Table 2: SEASONAL DISCOUNTS (REGRESSION/ANOVA)**

	Mean square	F	SIG.
Regression	.586	.703	.404

From the above table we can interpret that the significance value is .404 which means that the impact of seasonal discounts on customer loyalty is not significant, with this we can interpret that seasonal discounts are not effective in gaining the loyalty of customers.

**Table 3: Demographic factors (correlation)**

	Shopping discounts	Discounts throughout the year	Seasonal discounts	Customer loyalty
Income	.47	.282	.686	.408
Age	.073	.182	.995	.496
Gender	.568	.294	.429	.976

**Table 3.1: (Regression)**

	Shopping discounts	Discounts throughout the year	Seasonal discounts	Customer loyalty
Income	.178	.487	.711	.549
Age	.178	.400	.955	.692
Gender	.485	.345	.451	.948

From the above table we can interpret that in Table 3.0/3.1 we can see that demographic doesn't have any impact on the preference of shopping when discounts are given and doesn't not impact loyalty as well.

**Table 3.2**

	Significance
Shopping discounts	.000
Discounts throughout the year	.013
Seasonal discounts	.404

From the above table we can interpret that preference of price discounts have an impact on customer loyalty except for seasonal discounts which are insignificant in determining the loyalty of customers.

**Table 4: Post purchase dissonance and price discounts**

	POST PURCHASE DISSONCE SIG. (BETWEEN GROUPS)
Shopping discount	.342
Discounts throughout the year	.428
Seasonal discount	.430

From the above table it can be interpreted that there rare factors other than price discounts which cause post purchase dissonance among customers.

#### **4. CONCLUSION AND FURTHER STUDY**

Electronic stores should provide discounts throughout the year rather than giving seasonal discounts as customers loyalty and preference is more towards discounts given throughout the year. Also stores should not look at demographic factors in promoting their stores through price discounts because these factors cannot determine pricing strategies. Hence the store has to consider the market as one while applying price discounts. There maybe factors other than demographic factors which can help the electronic stores to decide on the level of discounts given. Finally stores have to understand that post purchase dissonance is not caused by price discounts, so they have to explore other factors implemented in their stores to find reasons for post purchase dissonance.

#### **Limitations**

In this research only price discounts have been considered to understand post purchase dissonance among customers.

Researchers will have to continue with further studies to find various other factors causing post purchase dissonance.

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