

THE INFLUENCE OF TWO MARKETING CONTROLLABLES  
ON THE SALE OF BRANDED AND  
UNBRANDED T-SHIRTS

By

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## CHAPTER I

### PROBLEM AND PURPOSE

#### Introduction

Product brand research offers an interesting and important opportunity to study the relationships of price, promotion, and brand loyalty and their effect on consumer purchase behavior. Brand selection by the consumer depends upon the influences, favorable and unfavorable, that surround each brand. To determine these influences, valuable information must be secured revealing the specific effects that price and promotion have on the sale of consumer products. Variation in sales may be attributable to some degree to the use of promotional and price media, and recognition of these changes may be profitable to the retailer. It is specifically the purpose of this paper to survey the impact of two marketing controllables, promotion and price, on the sale of a selected product.

To approach this area, direct-mail promotion, point-of-purchase display promotion, and price reduction methods allow the comparison of total product sales in different periods, obtained by conducting a study of consumer purchasing activities. Researchers note that the method of observation, and particularly the experimental research design have been employed only too rarely (29). Survey results give an indication of consumer brand preferences in this particular situation, and an indication of the influence that price and promotional changes have on

these consumer preferences. By analyzing consumer behavior under these conditions, techniques can be developed to aid in forming a firm's marketing strategy.

In today's retailing and merchandising environments, many mistaken assumptions are implemented concerning people's wants and the motivational influences on these wants. A serious mistake is made when generalizations are transferred from one specific situation to a completely different one. Limitations and advantages should be specified when instituting a particular consumer research project.

A difficult problem in marketing planning exists within the realm of consumer variability. Uncontrollable variables that exist in our business structure include the psychological peculiarities and behavioral patterns of present and prospective buyers (8). This uncontrollable dimension demands that the retailer must constantly evaluate prices, products, and other promotional methods to insure effective matching of products with markets. In other words, decisions on how to properly mix the marketing controllables must be made within a framework which considers the uncontrollable elements regarding the consumer.

The position that a product occupies in the market should be analyzed on the basis of the images conjured up by the segments of the buying public. The merchandise buyer must purchase with specific consumer segments in mind if he desires to achieve success. Additionally, the buyer must accurately perceive what that market segment wants and deliver products that satisfy those wants.

There are many sources of information as to the types, kinds, and prices of goods desired by a retailer's present and potential customers. Important outside or external sources of information are customer surveys

and consumer advisory committees. Generally, any activity which aims at gathering information concerning wants directly from customers may be classified as a customer survey (12). A variety of methods are used in the survey approach, but each method strives to be executed and interpreted as accurately as possible. Failure to do this may result in unproductive retailing practices.

A small clothing retailer often is unaware of the possibilities surrounding brand choice research. Promotion and price strategy may be formulated on an historical basis, omitting some significant objective guidelines. Skeptical businessmen have emphasized the lack of substantiated results in brand research concerning particular products. This accentuates the need for continued diligent research in this area.

The cost of brand share research may seem prohibitive to the typical small retailer. The danger exists that the costs of research may be higher than the results are worth. With rising operating costs, however, clothing store managements must be cognizant of their individual brands and the contribution that each brand makes to the gross margin.

This reasoning directly coincides with the manufacturer's interests in brand loyalty. The emergence of the private brand as a competitive force has required manufacturers to determine exactly the relationship of private brand loyalty, national brand loyalty, and individual retail store loyalty as evidenced by consumer sales and other indices.

Generally, consumer wants are demonstrated through preferences to particular products and business institutions. Because consumer-spending-saving consumption patterns are in a constant state of flux, the retail structure will always be highly volatile in nature (13). Consequently, distribution channels and products must be examined and analyzed



frequently.

Price, promotion, and brand-choice must be considered when analyzing the implications of brand loyalty. This paper demonstrates the relationships between these three variables and actual purchase behavior. A quantitative sales tabulation permits statistical analysis of the data collected.

#### Price and Consumer Purchase Behavior

It is essential that the price of a product be accepted by a sufficient number of consumers to justify its continued production. Conventional economic theory gives us the "law of demand," which states that more units will be purchased at low prices than at high prices (34). Unfortunately, it is difficult to decide how sales will be affected by price changes.

The consumer of today is forced to make purchase decisions without information concerning some of the options available to him. There is a substantial amount of uncertainty surrounding the attributes of the products and services available to the consumer. An earlier investigation by Harold Leavitt suggests that consumers impute quality on the basis of price (3). The idea that consumers will choose a higher priced brand rather than a lower priced brand if the quality is unknown is certainly an important subject for further research.

This paper will explore the effects in terms of number of sales that a reduction in price of unbranded items has as opposed to the number of sales at regular price of known branded items. There is no difference in the actual quality of the items, therefore: the effect of the price change, if any, appears in the data.

### Brand Loyalty and Purchase Behavior

Numerous studies in many business areas have been made questioning the existence of "brand loyalty." Brand loyalty is essentially the effect that companies strive to achieve by implanting a particular brand label for a product in the minds of consumers. The results of experimental studies have indicated that brand loyalty in buying behavior exists for some buyers some of the time (29).

The definition of brand loyalty in terms of measurement depends on the particular situation. This research uses total purchases as the basis of measurement. The consumers are tested to determine if non-branded items detract from the sales of branded items, given identical prices.

### Promotion and Purchase Behavior

A particular promotional strategy depends upon the specific market being approached and the nature of the product being promoted. Promotion is an adjunct or a function of imperfect competition (40). For the purpose of this paper, the promotional methods were chosen to emphasize the existence and availability of the particular unbranded product. This promotion is used to find consumers in the trial process and appeal to them to try this unbranded item.

The consumers thus approached may be designated as brand "triers," or people who bought a brand other than their favorite at some time in the past. To achieve these trials, a direct mail piece is sent to a selected sample of consumers offering the unbranded items at a lower price than the branded merchandise of comparable quality. The return of the direct mail letter allows consumers to receive the merchandise at

reduced prices.

In another time period of equal length, a point of purchase display promotion is used to initiate consumer trials of the unbranded merchandise. The point of purchase display promotion offers product knowledge and price information as a means of visual communication to hold customer attention and generate sales. Tabulation of sales after each of these promotional strategies permitted determination of the relative strength of the brand labels.

#### Statement of Hypotheses

The testing of the previous relationships is formalized through the following hypotheses:

##### MAJOR HYPOTHESIS:

THE SALES OF BRANDED AND UNBRANDED T-SHIRTS FLUCTUATE DEPENDENT ON THE TYPE OF MARKETING STRATEGY APPLIED TO THE T-SHIRTS IN A SPECIFIC TIME PERIOD.

##### Corollary Hypotheses:

With no sales promotion or price differentials in Week One, the sales of branded T-shirts constitute the largest part of total sales.

With no sales promotion or price differentials in Week One, the sales of unbranded T-shirts constitute the smallest part of total sales.

Direct mail promotion and price differentials in Week Two decrease the number of sales of branded T-shirts as compared with Week One.

Direct mail promotion and price differentials in Week Two increase the number of sales of unbranded T-shirts as compared with Week One.

Point-of-purchase display promotion with price differentials in Week Three decrease the number of sales of branded T-shirts less than resulted in Week Two.

Point-of-purchase display promotion with price differentials in

Week Three increases the number of sales of unbranded T-shirts less than resulted in Week Two.

### Limitations of the Study

Consumer behavior research is a complex and often expensive procedure. In an evaluative study the hypotheses tested must have a criterion for evaluation. When certain criteria are used within particular boundaries, limitations of the study must be clearly specified. Assumptions utilized in some areas often cannot be transferred to other areas. In a cause and effect hypothesis, it is essential that it be determined whether or not--and if so, to what extent--the conditions influenced the effect (37). An enumeration of limitations is included in this study.

1. A single retail store is surveyed while a group of stores might yield a more representative interpretation. The substantiation of results from one store cannot be compared with other similar business firms.
2. The data is compiled at a point in time and results cannot be compared between varying time periods. Inconsistencies involving the number of sales in each equal time period may appear, but the time period is of sufficient length to evaluate tendencies in this area.
3. Generally, stores offering either a deep assortment or a wide variety of product lines and prices are preferred over stores with medium depth or breadth of assortment in a survey experiment (29). The product is tested using only two brands, but the price ranges involved and the individual quality images offer a valuable correlation to test the hypotheses.
4. The sample used for the direct mail promotion is not representative of the total potential customers of the firm involved. However, using a sample selected from the total credit accounts, a larger response was anticipated with the consumers having knowledge of the product under consideration and advertised brands involved.
5. The reduced prices were selected on the basis of secondary research and a small sample of customers. This research

yielded price reductions with capabilities of achieving an awareness in the consumer's mind.

6. In the particular sample environment under study, past preference of the particular items indicate a loyalty proneness. In the majority of sales, a definite brand was requested probably based on historical consumption. This past purchasing behavior of the branded products may bias results to a small degree.

These limitations are basically the result of using a limited test market. The actual tabulation and evaluation of sales from the small sample are not significantly impaired by these limitations.

### Plan of Study

In Chapter II, a survey of current literature is presented emphasizing the relevant aspects of brand loyalty. A discussion of what the consumer is looking for as a key determinant in purchasing is included.

Chapter III presents the methods used in the research procedure. The alternate price and promotional strategies are detailed in relation to the retail situation under consideration. The determination of the variables is outlined and a plan and design of the study within the specified time period is explained. Finally, the techniques for evaluation of research results are described.

Chapter IV presents the actual results and interprets them in accordance with previously defined evaluative measures. The actual problems encountered are described and available demographic data is analyzed. The actual research results are statistically organized and evaluated. Implications for present business relevancy are explained, and possibilities for future research are detailed.

Chapter V consists of a short summary of the entire project.

## CHAPTER II

### REVIEW OF THE LITERATURE

#### Purchasing Activity

##### Brand and Purchasing Activity

Differentiation of products by the use of brand names offers the potential buyer a choice in making a satisfactory purchase decision. The act of buying is explained as a learning process. This process entails differing amounts of exploratory-search effort depending on various conditions that take place when there is uncertainty about product quality. The significance of individual brands varies considerably among consumers.

Consumer attitudes toward the brand of a particular product are constantly being studied in consumer motivation research to assist retail organizations in implementing a successful marketing strategy. The brand is a name, term, symbol, design, or a combination of these which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors (40). Actual quantitative research on these brands is being utilized to perpetuate and substantiate effective marketing decisions.

The manufacturer's or national brand connotes an image of wide territorial distribution. The private brand implies that the brand is owned by wholesalers and/or retailers. The degree of popularity and

penetration of national and private brand merchandise is an area of considerable discussion. Surveys have indicated an increase in private brand utilization among various types of retailers (11, 9).

The brand name of a product is an instrument that may stimulate consumer's attitudes toward that name. This idea of the formation of a brand image will be discussed later in this chapter. The brand name of a product offers many advantages to the consumer in the shopping procedure. The following list includes many of these advantages (2, 40):

1. Brands simplify shopping by the nature of their easier identification.
2. Brands help in repeat buying by the nature of their wide distribution.
3. Brands mean constant quality because of association of quality with a particular brand.
4. Brands prevent substitution of a product with inferior quality.
5. Brands stabilize prices.
6. Brands allow the acceptance of new items with assurance of quality.
7. Branding requires the improvement in quality of the brand over the years.
8. Branding allows a greater index of merchandise comparability.

Each individual brand has a different percentage share of total sales in a product class. This is explained by the fact that the previously mentioned advantages do not accrue to each brand to the same degree. Consequently, studies must constantly be made concerning the extent to which brands determine purchasing activity.

The advantages of branding products compel brand sponsors to maintain principles or guidelines in promoting brand acceptability. These

principles include (2):

1. The maintenance of acceptable quality because of extensive purchasing of the same brand by consumers.
2. The use of honest and equitable prices, maintaining the value of the brand.
3. Maintaining a fair and competitive selling environment.
4. Maintenance of truthful and informative descriptions of the brand's product.
5. Progressive research and market study to maintain the brand's status.

The importance and significance of these guidelines influence the purchase situation. It must be realized that in every purchase activity, a variety of forces operate simultaneously. A major problem is identifying the intensity of the specific elements. The margin of brand preference usually is small, but often very important in establishing behavior patterns (4).

#### Price and Purchase Activity

The price that confronts the consumer is a critical determinant in the retail purchase situation. The decision to set a particular price must revolve around research revealing consumer intentions and preferences concerning the product. The timing of price differentials and the amounts of these differentials have important influence in the final acceptability of the brand.

Since price is one of the controllables that the consumer encounters in evaluating a product, effective price determination procedures often utilize the consumer behavior approach. The strongest attitudes that customers carry to the purchase situation probably relate to costs and prices. The price level is important, but it is suggested that



price activity is more important (14, 2). That is, the flexibility of prices of products to change at varying intervals may affect consumer purchases. At the same time, consumers today are demanding more satisfaction and service from the products they buy. Therefore, the sometimes conflicting variables of reasonable price and top quality must be resolved in selecting the correct price from price research methods.

Generally, it is important to determine if promotional pricing techniques affect consumer recognition of value in relation to price, and their influence on branded products. To use price leaders as promotional devices the offering must represent a real value. To increase volume, price cutting is most effective in the instance of recognized quality, a well-known established brand, and a price below the established one for the product (28). It is now relevant to study the effects of price cutting decisions on unknown and unbranded products.

The effects of price changes may fluctuate depending on the consumer. Many authors emphasize that customer perception and interpretation of price changes often conflict with the facts (34). This conflict may be a function of the general price structure of the market, the level at which people generally buy, or consumer response to different numbering systems.

Skeptical consumers may use some prices as reference points, and when prices are lowered on a particular brand, the expectancy of inferior quality appears. A commodity offered at a lower price than competing commodities will be both more attractive to the consumer on account of its greater cheapness and less attractive to the consumer on account of its suspected inferior quality (38, 34, 21). Consequently,

a price that is placed at a higher point than the reference price may connote better quality to the purchaser. This higher price may sometimes increase, rather than decrease, the consumer's readiness to buy (29). This "trading up" or purchasing of higher-priced brands is more likely to occur when quality differences among brands are perceived to be large than when small difference is seen.

If brands are apparently identical, the purchaser has a predisposition to choose the lower-priced brand. Generally, the goods for which a customary price exists are purchased frequently, are readily available in many distribution points, and are selected with minimum purchase decision. Thus, a combination of price with promotional devices such as coupons, premiums, and advertising must be utilized with brands of comparable quality.

Consumer attitudes toward particular numerical prices must be considered by the price setter in determining his policy. One source states that an even-price policy is strongly advised when it is desired that the goods have a quality image while odd prices are advisable when presenting the illusion of bargains (5). Research into this area has not substantiated these claims, but the belief still exists among retailers.

The lack of knowledge about all purchase alternatives offers the retailer an opportunity to use various methods to improve his brand's status in relation to other competing brands. Actually, it is imperative that the seller plan his advertising, display assortments, and product arrangements to take advantage of the consumer's perception of price and quality.

### Promotion and Purchase Activity

Coordination of sales promotion devices with advertising media can effectively stimulate consumers to buy a new product or an existing item. A major responsibility inherent in brand ownership is the maintenance of demand stimulation through advertising, personal selling, and other forms of promotion (40). This promotion is essential in low-priced products as well as the higher-priced brands, to permit maximum exposure of product attributes.

Promotional effort by a retail store may be the essential determinant in shifting a consumer to the purchase decision after initial impressions have been formed in the shopping process. The tendency for buyers to shop in only a few stores emphasizes the importance to the retailer of getting the potential buyer into his store first. The promotional devices must be selected with definite application to specific consumer populations.

Businessmen simply do not know the exact effect any sales promotion device has on sales in a concrete situation. Nevertheless, managerial decisions must be made, and knowledge of the buying objectives of the consumer requires implementation of these promotions. The types of information desired prior to purchase include quality and performance, price, style and appearance, size, and special features (25). The sources of this information may be in many promotional forms.

The introduction of a new product or different promotion of existing products require the promotional devices to inform and educate the consumer. If the product is a convenience good, the retailer might rely on manufacturer's advertising coordinated with an emphasis on point-of-purchase displays. Direct-mail advertising can arrange the

original contact, while point-of-purchase devices inform, remind, or otherwise stimulate the buyer. For most products, both pre-selling and point-of-sale pressure are necessary and functional. A problem arises in determining what combination of the two, using reasonable resources, will approach the areas consumers evaluate in determining their purchase activity.

These brief introductions to price, brand, and promotion direct attention to the important consideration of brand loyalty. Each of the previous variables will be acknowledged in surveying the current literature on brand loyalty.

### Brand Loyalty Discussion

#### Psychological Dimensions

The research of consumer brand loyalty requires a knowledge of the psychological processes of human behavior to maintain discipline in approaching a conceptual problem. If basic psychological concepts are recognized, the variables composing the hypotheses can be tested effectively. Relevant methods and data can then be analyzed.

The purchase of particular brands by consumers may result from the actual use of the brand or reaction to various promotional methods. An article on motivation, cognition, and learning offers an explanation of behavior that may result in the tendency toward "brand loyalty." When motivational influences assert themselves, a variety of goal-objects such as different brand names come into awareness as potential sources of gratification (1). The consumer has certain expectancies regarding the brand, and the interpretation of differences between competing brands may influence the actual consumption of the brand.

Marketing men classify buying motives to aid in the organization of effective marketing programs. Product buying motives are all those impulses, desires, and considerations of the customer that induce the purchase of certain goods and services (42). The breakdown of buying motives into small divisions satisfying physical and psychological needs may be of valuable assistance to the marketing man. A product is rarely purchased on the basis of one motive; additionally, the consumer is often quite unaware of his motives. Therefore the different motives, however their breakdown, are approached through the use of brands, price, and media promotion.

Given the purchase of a particular brand, reinforcement and learning may occur. If the specific brand purchased yields satisfaction, the consumer will have an increased tendency to select that brand if the need arises again (1). With repeated purchase of this specific brand, the psychological distance between the products may increase, and this reinforcement may illicit the learning process. Although buying motivations differ, a repeated response pattern may initiate habit patterns which is of extreme interest to the seller.

#### Brand-Image

In the satisfaction of needs by the purchase of particular brands, consumers strive to develop an association which may create a brand image. The buying process is regarded not only as an economic activity in the traditional sense, but as a matching of buyer's needs and his self-image with his image of the brand (32). Purchasers try to explore the particular area of goals and attitudes most pertinent to their brand and product situation.

The brand-image may be developed from information that the consumer believes that he possesses about the product, and the satisfaction that he expects to attain from it. The brand image of a product is the sum total of impressions that the consumer receives from many sources surrounding the brand. This "total personality" of the product may include the qualities inherent in it, real or imaginary, the type of people who use it, and the circumstances in which it is appropriate to use (21). This image or personality may be as important as actual physical attributes of the product being sold.

Since the brand image may be a derivation of the product image, a problem develops in determining what the particular brand symbolizes to consumers. The concepts that consumers have of a brand result from objective facts and serve to shape sales patterns which the retailer must observe. For maximum penetration results, the brand image should be entirely appropriate to the segment of the market approached, although brand images may be different for the same product.

Consumer perception of the brand-image may reveal attitudes both positive and negative toward the brand. Consumers tend to prefer the brand whose image is congenial to them and with which they can be favorably identified (21, 19, 8). They feel that their own prestige may be associated with the prestige of the brand. These distinctive images require an evaluation periodically.

An old brand-image may be strongly implanted on consumers, and their association with a new one may not easily attract those feelings and attitudes. The changing or reinforcing of a brand image is very difficult because consumers generally need to see some visible sign that the product has changed. Research shows that brand images in marketing

reach their height when competing brands are considerably similar (8). These products lend themselves to brand promotion.

Price and pricing implications can be an important determinant in brand-image. As a controlling factor in the product's makeup, the price can situate the product in the market as, for example, an inexpensive, a common, or a luxury article. This price often identifies the quality of the product and certainly affects its brand image. With reference to the previous pricing implications, it might generally be stated, with some exceptions, that the higher the price, the more favorable the image it helps create.

The decision-maker must decide if it is reasonable to maintain small margins with large volume, or to attempt to achieve large volume with larger margins through advertising and other promotional efforts. If different brands could hardly be distinguished by the ordinary purchaser in the absence of a label, the brand image is usually almost entirely a function of advertising and promotion (21). Price is one of the resistances the consumer must face before buying and emphasizes that every effect must be considered when promoting a brand-image.

#### Brand Loyalty Implications

The phenomenon of brand loyalty encompasses many definitions, and studies concerning brand loyalty are evaluated with respect to each definition. Tucker says that brand loyalty is biased choice behavior with respect to branded merchandise, i.e., this loyalty is based on brand choice behavior (41). The manufacturer utilizes many methods to illicit some repeat purchase of his brand. Recognition of this brand and eventual loyal purchasing of the product are his aims. Sales pat-

terns are evaluated for tendencies toward brand loyalty, and subjective judgement must be utilized to some degree. However, some basically objective guidelines have been approached in determining this loyalty.

Since brand loyalty in buying behavior exists for some buyers some of the time, the degree to which brand loyalty affects consumer behavior is of utmost concern. Three common methods of analyzing brand loyalty include (10):

- 1) Customers lost and gained over specific time periods.
- 2) Time sequences of individual purchases.
- 3) Share of the market.

The share of market concept offers an objective measurement to test consumer reaction to price reductions and promotional efforts. Single-brand loyalty is the proportion of total purchases represented by the largest single brand used, while dual brand loyalty includes the two largest single brands used (10). Other variations of these methods have been derived for particular situations to measure product class purchases of a brand.

Assuming a reliable definition and testing procedure of brand loyalty implications, relevant choice factors can be examined in relation to this loyalty. The larger the number of purchases made in a product class, the higher the brand loyalty appears to be over time. There appears to be an acceptance or rejection learning period with greater familiarity with the brands. However, loyalty-prone purchasing activity, or consistent high loyalty by members of a family to brands in a number of product classes, has not been verified to an acceptable degree. That is, brand loyalty by an individual may occur in one product line, but random choice may occur in another product line.



Socio-economic factors have not been correlated with loyalty behavior in most studies. Two tests have indicated that people have some tendency to be brand loyal if the family is relatively large and has a relatively small income (15, 6). The individual marketing characteristics of the product must be taken into consideration when analyzing these correlations.

Secondary brand loyalty is the preference for a second brand in a product class, although there is a definite greater loyalty to a first brand. There is some indication of secondary brand loyalty in some product classes, but it is considerably weaker than that for single brand loyalties (10, 2). Definite secondary brand loyalties are seen in food product research, but explanation of this activity is insufficient.

A reduction in brand loyalty may occur when price differentials and price change activity are instituted in some product classes. Price reduction strategies appear to be a desirable and profitable retailing method, although it is acknowledged that there are inconsistencies. Price reduction promotion should be used only on products with certain marketing characteristics including an acceptable quality level and a substantial market position.

Although price appeals may be capable of psychologically influencing consumer evaluation of the product, criticism of its primary effect may be expressed. The price reduction may steal sales from the future by influencing present customers to stock up on the brand, or to attract new consumers who then change brands in another time period. The "special price deal" may not appeal to the customers who are valuable to approach for repeat purchases.

Although it is obvious that deals and special offers lead to

purchases, people susceptible to price inducements to not have tendencies to be very loyal to particular brands. A high percentage of purchasing on deals tends to be correlated with low brand loyalties (10, 35, 36). The uncertainty of the effect of deals on all purchasers offers an important opportunity in this paper to explore brand preferences.

Store loyalty, or the proportion of a family's total purchases made in any one particular store, must be considered when analyzing brand loyalty. High store loyalty does not necessarily reflect high brand loyalty (9, 17). Consumers with brand preferences may by-pass their store preference to secure this brand. There is not complete substantiation that brand loyal consumers cluster their purchases in one store. Consumers who shop in a greater variety of stores may have a tendency to accept new alternatives in their brand choices.

Store loyalty affects the purchase of private brands and manufacturer's brands. High store-loyal families have a tendency to accept private brands more readily, but low store-loyal consumers still accept these private brands (9, 31). The purchase of private brands depends to a great extent on the individual retail store's reputation. Manufacturers have been more successful in developing a favorable attitude on the part of customers toward national brands, i.e., establishing a better prestige position (7, 6). However, private brands have developed a high degree of customer loyalty and can be sold on a high-price prestige basis as well as in competition with manufacturer's lower-priced brands.

Loyalty tendencies should be exploited when promoting the product as the brand image should imply certain characteristics relevant to the

individual consumer. Women are generally better informed about and conscious of brands than men and they show decided loyalty to favorite stores (43). In promoting brands to women characteristics such as confidence, quality, and decisiveness should be emphasized in the brand symbolism.

The time period involved between purchases affects brand loyalty. The probability of a consumer buying the same brand on two consecutive purchases decreases exponentially with an increase in time between those purchases. People with greater familiarity and experience with a brand have a greater tendency to repeat a purchase of this brand.

#### Conclusion

Buyers do not purchase in a purely random manner and their purchasing behavior tends to change over time periods. They are differentially loyal to different products (14). This behavior may be ascribed to product variability or consumer reaction to these products.

The basis for brand loyalty may be difficult to determine and often conflicts with the decision-maker's interpretation of his marketing policies' effect. Some consumers become brand loyal even when there is no discernable difference between brands other than the brand itself (41).

Finally, one stochastic learning model basically contends that consumers will generally not develop such strong brand loyalties as to insure either the complete rejection or acceptance of a given brand (24). If a competing brand's customers can be switched to another brand, promotional policies should be evaluated for specific applicability to the situation.

The function of information sources varies extensively depending

on the particular product line. Promotional and other sources of information are instrumental in developing brand awareness, interest, evaluation, application, and acceptance of particular brands. Frederick May's research on buying behavior studies collates the influences of promotion and information sources on purchasing activity (29). Implications of direct mail advertising and product display utilized in this paper represent some variation in consumer brand preference and change of these preferences.

## CHAPTER III

### RESEARCH METHODOLOGY

#### Introduction

The purpose of this chapter is to explain the methodology used in this research study. The validity of the results of any test depends on the acceptability of the statistical methods employed. The rationale supporting the research design and statistical analysis is presented for that purpose.

The research design employed in this study represents an attempt to analyze the relationship among price, promotion, and brand loyalty. It is hoped that an understanding of consumer behavior will be enhanced by an awareness of these relationships presented in this paper.

#### Determination of Variables

##### Product Selected

The selection of mens' knit cotton T-shirts as the test product is based on the selling characteristics of the product. The product is a cotton staple good nationally advertised and distributed. It may be categorized as a convenience good for which the consumer has pre-purchase knowledge of the product.

The product is not considerably affected by fashion innovation, and promotional emphasis is placed on the quality and value of the product.

Its common characteristics include a regular round or low crew neck collar, and is distributed in the white color for this test.

This product is low-priced; consequently, it requires a minimum of effort to be expended in its purchase. The T-shirt has gained wide acceptance as a staple product, and consumers often purchase it frequently, although this is not an inherent characteristics of the product.

Hanes and Jockey brands offer a medium-priced and relatively high-priced T-shirt for test purposes. Hanes' price per T-shirt is \$1.00, while Jockey's unit price is \$1.50. These prices can be compared with all mens' T-shirts which usually range in selling price from \$.79 to \$1.75. The respective costs per T-shirt are \$.60 and \$.87.

The unbranded T-shirts used in the test are Hanes and Jockey T-shirts with all brand differentiating symbols removed. The unbranded Hanes T-shirt is referred to as A, while the unbranded Jockey T-shirt is designated as B. The prices of A and B vary depending on the specific time period of the test. All of these types of T-shirts are sold in sizes small, medium, large, and extra-large.

Differences between brands center around the reinforcement construction of the collar and sleeves of the T-shirt. Although differences between brands appear to be slight, price variances may be based on initial appearances, packaging and display arrangement. Since the selling price is low, the results of the test reveal interesting responses to the price reductions.

#### Store Selected

The retail clothing store selected as a sample for this research

was Browne's Department Store located in Edmond, Oklahoma. This suburban town with a population of 12,500 is situated 8 miles north of Oklahoma City, Oklahoma and furnishes residence for many commuters to employment in surrounding areas.

The store is an independent multiple-lined department store concentrating almost exclusively in family wearing apparel. There is an emphasis on medium-price clothing with major departments of womens' and mens' wear. Included within these divisions are smaller departments of girls' and boys' apparel. Basically, the store is a full-lined retailing establishment catering to the entire family with reasonably priced nationally known and private brands.

The store is located in the major business section of Edmond, and has seven full-time employees including four women and three men. They have specific selling responsibilities, but each may assist in another department if circumstances warrant.

Several factors made this store useful for a research environment. First, the owner was agreeable to the research study. Second, the typicalness of the store made it a realistic research site. Finally, use of a credit customer's list and other store facilities made this a practical situation.

#### Selection of Respondents for Direct Mail

The research test used all of Browne's customers for the three week test, and the sample selected to receive the direct mail letter for Week Two's sales came from Browne's total credit customers. The credit customer's frequency of purchase in the selected store, and their knowledge of the branded products included in the research offered a valuable

opportunity to more effectively tabulate total sales. The differences between these credit customers and Browne's total consumer market appear negligible.

The sampling method chosen was the systematic form of random sampling. From the total credit customers, 712, a sample size of 60 was chosen. This sampling method derives an interval value and at each interval a person is selected to be a respondent. The procedure was as follows: First, the ratio of the credit customers to the sample,  $N/n$ , is derived yielding an interval of 12. Second, the number 7 was randomly selected by the researcher. This number had to fall between 1 and 12. Third, the first person selected was number 7 and a different person was selected at all subsequent intervals of 12. For example, the first customers selected were 7, 19, 31, 43, etc. Since the variate being estimated was not subject to periodic fluctuations, the one main limitation of systematic sampling was avoided. The response from this sampling procedure is analyzed in the next chapter.

#### Media Selected

Since T-shirts may be carried extensively in other retail outlets, the individual retailer hesitates to promote any single brand extensively. The manufacturer typically advertises these products extensively to effect maximum exposure and develop a recognition and preference for his brand.

The quality and price of these competitive products are relatively similar, and the product requires brief explanation of its sales attributes. The media utilized by the retailer often depend on the manufacturer's assistance and his cooperative advertising arrangements. The



determination of promotional media centers on the needs and abilities of the individual store.

#### Direct Mail Promotion

Direct mail advertising is useful to the small retailer since it supplements the periodical or local advertising programs of the retailer. It enables retailers to reach prospects on an individual basis. More importantly, special sales or special products can be emphasized in this advertising and distributed to the desired market.

Common direct mail advertising advantages allow selective selling with a maximum degree of efficiency. There is little waste circulation, making this form of advertising economical. This advertising can reach the individual at any desirable time with a selling force producing prompt reaction. Given these factors, the application to the present retailing situation is presented.

Browne's Department Store uses direct mail advertising to promote specific products. This promotion is utilized during clearance sales and price specials, in particular. The direct mail media used are letters and circulars distributed in Edmond's market area.

Direct mail was selected as an influencing media for this test because of the time element involved. Time limitations made it essential to initiate an immediate response to the buying situation. With this media, the retailer is assured of reaching the respondent, although limited purchase consideration might result from this exposure. The characteristics of the selected sample coordinated with implementation of this media maximizes the possibilities of an early response.

A form letter was used to transmit the informative message. The

body of the letter contains the following information:

1. The name of the store.
2. The product offered and the different brand names involved.
3. The prices of the products.
4. The time limits on the price reduction offering.

The letter is reproduced in Figure 1.

The letter concentrates on an informative approach, using persuasive material minimally. This method was used to reach respondents and seek their reaction on the basis of the product or brand characteristics, including price.

#### Point-of-Purchase Display Promotion

Sales promotion devices at the point of purchase can inform, remind, or stimulate consumers to purchase a particular product. Display arrangements facilitate observation, examination, and selection of a brand and are influential in increasing sales volume.

The characteristics of the product indicate effective promotion will revolve around emphasis on quality and value. The promotional copy emphasizes the price of the unbranded T-shirts with secondary reference to the particular product attributes, for example, white, knit cotton T-shirts with reinforced collars. This copy conveys an "atmosphere" of quality merchandise at reduced prices.

The display is designed to serve as an immediate informative tool and illicit an impulse response based on price considerations and display effectiveness. Consideration of the unbranded products with eventual purchase of the item are aims of this promotional device.

Dear (Customer Name)

In connection with a clothing promotion sponsored by a major wholesaling house, Browne's Department Store is able to offer white cotton T-shirts at a reduction in price with the return of this letter.

Two types of T-shirts are offered which are comparable in quality to our present Hanes and Jockey brands. The T-shirt similar to the Hanes brand will be priced at 3 T-shirts for \$ 1.99, while the T-shirt similar to the Jockey brand will be priced at 1 T-shirt for \$ .99.

Due to quantity restrictions, this offer is good only for the week of June 5 through June 10.

We cordially extend you an invitation to come in and examine this offer while you are shopping in Edmond.

Browne's Department Store

Figure 1. Direct Mail Form Letter Sent to Sample of Credit Customers

The display consists of a rectangular sign 18 inches in length and 12 inches in height. It is composed of simple copy with one-color black printing on a white background. Two sizes of print are used in the copy, including a  $2\frac{1}{2}$  inch size and a 1 inch size. The location of the display sign is on a metal support standing 18 inches above the back of the rectangular display table.

The display is designed to maintain an attractive presentation of information in a suitable location. Although originality and distinctiveness are not major considerations in the development of the display, it is developed on the basis of the existing test market situation and must include these to some degree.

#### Constants

To accumulate accurate data, experiments conducted in a controlled environment must be evaluated with recognition of outside influences affecting variables under consideration. Preservation of realism and natural consumer response is essential to this research approach.

Browne's Department Store maintained the same merchandising policies in this test as had been used previously. Normal operation of the buying and selling functions were continued during the test situation. Other considerations are enumerated below:

1. There were no extraneous promotions of products other than those utilized in the test situation.
2. The product revealed no unusual characteristics and was chosen entirely on the basis of relevancy to the aims of the research project.
3. The competitive selling environment demonstrated no unusual influences.
4. Personal selling pressure by sales clerks was not intensified to increase sales of the test product.

### Selection of the Test Prices

The prices of the unbranded products were chosen to illicit a form of awareness or response by the consumer. Prices induce dissimilar responses among consumers. A high price has a certain connotation to one person, but it may influence another person quite differently.

In an effort to estimate consumer response to the test prices, a small judgement sample of customers of Browne's Department Store was carried on during a typical sales day. They were given the original price of the branded products, and asked to write down between specified limits what price would be significant to persuade them to consider the product. For example, the price of Hanes T-shirts is 3 for \$2.99. The respondents were asked to select a price between \$1.50 and \$2.99. The \$1.50 price was chosen as the lower limit since it is the cost price to the retailer. Tables I and II show the complete responses to the question by 17 respondents.

Basically, the prices chosen were \$1.99 for Hanes (3 T-shirts) and \$ .99 for Jockey (1 T-shirt). Fourteen of the seventeen (82.35%) used odd prices for Hanes and thirteen of seventeen (76.4%) used odd prices for Jockey.

In combination with secondary research on pricing, the prices selected were \$1.99 for three Hanes T-shirts and \$ .99 for one Jockey T-shirt. This represented a 33.45% reduction of selling price for Hanes and a 34% reduction for Jockey.

### Plan and Design of Study

The research design consists of recording sales of branded and unbranded T-shirts in separate six-day periods. In all three time

TABLE I

FREQUENCY TABLE: CONSUMER SELECTION OF  
SIGNIFICANT REDUCED PRICES FOR  
HANES T-SHIRTS

Price Range	Number of Respondents
\$ 1.50-1.59	1
1.60-1.69	0
1.70-1.79	5
1.80-1.89	0
1.90-1.99	7
2.00-2.09	2
2.10-2.19	0
2.20-2.29	<u>2</u>
Total Respondents	17

TABLE II

FREQUENCY TABLE: CONSUMER SELECTION OF  
SIGNIFICANT REDUCED PRICES FOR  
JOCKEY T-SHIRTS

Price Range	Number of Respondents
\$ .80-.89	4
.90-.99	9
1.00-1.09	4
1.10-1.19	<u>0</u>
Total Respondents	17

periods, the Hanes and Jockey branded T-shirts are positioned together on one-half of a rectangular display table. The unbranded T-shirts, packaged in plain plastic coverings with labels and colors removed, are situated on the other section of the table. The display table is located in an accessible position in the center section of the men's wear department. Hanes T-shirts and A are packaged in multiples of three, while Jockey T-shirts and B are packaged individually.

a. Week Number One

Promotional media and price reductions are not utilized. Hanes and Jockey T-shirts are regularly priced (3/\$2.99 and 1/\$1.50). The corresponding unbranded products, A and B, are the same prices, respectively. The number of sales of each type of T-shirt is recorded separately.

b. Week Number Two

A direct mail letter is sent to a selected sample based on credit customers. The return of the form letter to Browne's Department store allows the purchase of the unbranded T-shirts, A and B, for respective prices of 3/\$1.99 and 1/\$.99. The sales of each type of T-shirt are recorded separately.

c. Week Number Three

A point of purchase display sign is placed at the back of the table. The copy contains the type of product and the reduced prices (same as in Week Number Two) for A and B. The price variable is prominent in the display to attract attention. The sales of each type of T-shirt are recorded separately.

## Statistical Methodology

This research experiment is conducted to determine the effect that specific marketing strategies have on initiating the sale of an unbranded product. What influences are significant enough to change consumers from purchasing branded and well-known products? To do this, statistics should reveal whether observed differences among two or more sample proportions are significant or whether they can be attributed to chance.

The chi-square test for two independent groups is used in this paper because the research data consists of frequencies in discrete categories. The hypothesis being tested is that the two groups (type of marketing strategy and brand classification) differ with respect to the relative frequency with which they fall in the various categories. To test the hypothesis, the number of sales and customers in each brand classification residing in a particular market strategy is compared with numerical results of sales and customers in other strategies.

Because of the freedom from many assumptions and requirements, the exact procedure for determining this chi-square value is taken from Siegel's book on Non-Parametric Statistics (39). The accuracy of the probability statement does not depend on the shape of the population from which the sample was drawn for this non-parametric test. The analysis of a small sample is facilitated using this chi-square method.

In testing the significance of a measure of association, a null hypothesis is tested that there is no correlation in the population. That is, our major hypothesis is converted to a null hypothesis stating that the number of sales in each brand classification is independent of



the marketing strategy used. The frequencies of attributes (number of sales and customers) are given and theoretical frequencies are derived. Substitution in the chi-square formula yields a numerical answer for the data. The chi-square value derived is associated with the appropriate number of degrees of freedom and reference is then made to a table of critical values of chi-square. For purposes of this test and commercial applicability, the .05 probability level is used as the area of rejection (16). If the value of  $x^2$  is so large that the probability associated with their occurrence is equal to or less than .05, then the null hypothesis can be rejected and the major hypothesis accepted at that confidence level.

The significance of the corollary hypothesis are evaluated separately, and percentage changes in both sales and customers are derived for each of the marketing strategies. The total sales for Weeks Two and Three are associated with the results of the first week, which used no promotion or price reduction. This analysis gives more distinct and accurate insight into the weekly changes, after the chi-square test is used for the entire project.

## CHAPTER IV

### TABULATION AND TESTING OF RESULTS

#### Introduction

The tabulated results of the sales tests are enumerated in this chapter and evaluated statistically to test the hypotheses expressed in Chapter One. The statistical analysis outlined in Chapter Three is considered with regard to unknown variables arising in the sales test and in relation to available information pertaining to the consumer population under study.

The reviewed literature offers a frame of reference for extracting the relevant facts. Patterns of brand choice are analyzed and reasonable implications concerning the direction of brand-switching are suggested using this frame of reference. With the test limitations considered, the results of the market test are presented.

#### Unknown Variables Encountered

Unknown variables often enter into the final results of a market test. Although considerable effort is made to enumerate and explain test variables before the test is started, there is always the possibility that some unforeseen variable has affected the results. Some variable influences concerning the actual sale of the product were, however, discovered during the conduct of the test.

The advertising of Hanes knit products on network television was noticed by some customers of T-shirts. The novelty and originality of the particular advertisements illicited some response to Hanes T-shirts, while no specific reference to Jockey advertisements was recorded during the sales test. This influence probably increased total Hanes sale, but since the national advertising encompassed the entire test period, the result may have benefited the test by drawing a larger consumer response to the sale of T-shirts.

Verbal inquiry was expressed concerning the use of direct mail advertising to promote the relatively inexpensive T-shirt. The credit customers, being frequent shoppers in the store, questioned the use of this promotion. Retailer response explained that the promotion was totally sponsored by a major wholesaling house, and details of the promotion were their responsibility. Browne's Department Store submitted the results to the wholesaling house for research purposes.

#### Tabulated Sales Results

The sales results from each of the three specific time periods using different marketing strategies are shown in tabular form. The tabulation is derived on a day-to-day basis revealing the total sales of each brand category and the number of purchasers for a particular brand on each day. These totals are utilized later to test the various hypotheses.

#### Week Number One

During the first week, no promotional methods or price differentials were made. The results of this period appear in Table III.

TABLE III  
NUMBER OF DAILY SALES AND CUSTOMERS IN FOUR  
BRAND CLASSIFICATIONS FOR WEEK ONE

Day	Hane	A	Jockey	B
Monday	3 (1)*	3 (1)*	2 (1)*	0 (0)*
Tuesday	3 (1)	0 (0)	0 (0)	0 (0)
Wednesday	4 (2)	0 (0)	2 (1)	0 (0)
Thursday	0 (0)	0 (0)	0 (0)	0 (0)
Friday	4 (2)	0 (0)	0 (0)	0 (0)
Saturday	<u>6 (2)</u>	<u>0 (0)</u>	<u>4 (2)</u>	<u>4 (1)</u>
Totals	20 (8)	3 (1)	8 (4)	4 (1)

\* Number of Customers

The following percentage relationships are derived from this data:

1. Hanes sales comprised 57.16 percent of total sales.  
Purchasers of Hanes comprised 57.16 percent of total consumers.
2. A sales comprised 8.57 percent of total sales.  
Purchasers of A comprised 7.14 percent of total consumers.
3. Jockey sales comprised 22.86 percent of total sales.  
Purchasers of Jockey comprised 28.57 percent of total consumers.
4. B sales comprised 11.43 percent of total sales.  
Purchasers of B comprised 7.14 percent of total consumers.

#### Week Number Two

This week, using direct mail promotion and a price differential had the following sales results:

TABLE IV  
NUMBER OF DAILY SALES AND CUSTOMERS IN FOUR  
BRAND CLASSIFICATIONS FOR WEEK TWO

Day	Hanes	A	Jockey	B
Monday	0 (0)*	9 (2)*	0 (0)*	4 (1)*
Tuesday	0 (0)	3 (1)	2 (1)	2 (1)
Wednesday	0 (0)	0 (0)	4 (2)	2 (1)
Thursday	3 (1)	3 (1)	4 (2)	0 (0)
Friday	1 (1)	9 (3)	3 (1)	2 (1)
Saturday	<u>6 (2)</u>	<u>12 (4)</u>	<u>2 (1)</u>	<u>2 (2)</u>
Totals	10 (4)	36 (11)	15 (7)	12 (6)

\*Number of Customers

The following percentage relationships are derived from this data:

1. Hanes sales comprised 13.69 percent of total sales.  
Purchasers of Hanes comprised 14.29 percent of total consumers.
2. A sales comprised 49.32 percent of total sales.  
Purchasers of A comprised 39.29 percent of total consumers.
3. Jockey sales comprised 20.55 percent of total sales.  
Purchasers of Jockey comprised 25.00 percent of total consumers.
4. B sales comprised 16.44 percent of total sales.  
Purchasers of B comprised 21.43 percent of total consumers.

### Week Number Three

This week, using point of purchase display promotion and a price differential, had the following sales results:

TABLE V  
NUMBER OF DAILY SALES AND CUSTOMERS IN FOUR  
BRAND CLASSIFICATIONS FOR WEEK THREE

Day	Hanes	A	Jockey	B
Monday	0 (0)*	3 (1)*	0 (0)*	0 (0)*
Tuesday	0 (0)	6 (2)	2 (1)	0 (0)
Wednesday	3 (1)	0 (0)	3 (1)	0 (0)
Thursday	3 (1)	7 (3)	2 (1)	4 (2)
Friday	4 (2)	0 (0)	0 (0)	2 (1)
Saturday	<u>0 (0)</u>	<u>6 (2)</u>	<u>3 (1)</u>	<u>2 (2)</u>
Totals	10 (4)	22 (8)	10 (4)	8 (5)

\* Number of Customers

The following percentage relationships are derived from this data:

1. Hanes sales comprised 20.00 percent of total sales.  
Purchasers of Hanes comprised 19.00 percent of total consumers.
2. A sales comprised 44.00 percent of total sales.  
Purchasers of A comprised 38.09 percent of total consumers.
3. Jockey sales comprised 20.00 percent of total sales.  
Purchasers of Jockey comprised 19.00 percent of total consumers.
4. B sales comprised 16.00 percent of total sales.  
Purchasers of B comprised 23.80 percent of total consumers.

#### Demographic Data

The available demographic data compiled from the direct mail respondents consisted of tabulation of the sex of the individuals making the purchase. The sales people noted on the back of the redeemable

direct mail letter the sex of the person making the purchase and the number of T-shirts purchased. The results of this compilation are as follows in Table VI.

TABLE VI  
NUMBER OF CUSTOMERS AND  
T-SHIRT SALES BY SEX

Item	Men	Women
Unbranded A	5 (15)*	6 (21)*
Unbranded B	3 ( 4)	3 ( 8)
Totals	8 (19)	9 (29)

\*Number of T-Shirts

The following percentage relationships are derived from this data:

1. Women comprised 53 percent of total consumers purchasing all unbranded T-shirts.
2. Women purchased 60 percent of all unbranded T-shirts sold.
3. Women comprised 55 percent of total consumers purchasing unbranded T-shirt, A.
4. Women purchased 71 percent of all unbranded T-shirts, A, sold.
5. Women and men each comprised 50 percent of total consumers purchasing unbranded T-shirts, B.
6. Women purchased 67 percent of unbranded T-shirts, B.

## Testing of Hypotheses

The major hypothesis is tested for significance using chi-square analysis. The significance test is utilized to test whether the sales of unbranded and branded goods are independent of the type of marketing strategy used. A summary of the daily results of the test reveals obvious difference in weekly sales of each T-shirt classification. Table VII condenses the sales tabulations into a weekly basis.

TABLE VII  
NUMBER OF WEEKLY SALES AND CUSTOMERS FOR  
FOUR BRAND CLASSIFICATIONS

Week	Hanes	A	Jockey	B
Week One	20 (8)*	3 (1)*	8 (4)*	4 (1)*
Week Two	10 (4)	36 (11)	15 (7)	12 (6)
Week Three	10 (4)	22 (8)	10 (4)	8 (5)
Totals	40 (16)	61 (20)	33 (15)	24 (12)

\* Number of Customers

The four classifications of T-shirts, Hanes, A, Jockey, and B are instituted in a four by three contingency table with the three types of marketing strategies to test the following major hypothesis.

Major Hypothesis: The sales of branded and unbranded products fluctuate dependent on the type of marketing strategy applied to the products.

The chi-square computation for total sales is presented in Table VIII. This presentation divides the contingency table into cell-designations and computed values are shown for each cell. The final value is shown in the totals.



TABLE VIII

COMPUTATION OF CHI-SQUARE: INFLUENCE OF MARKETING STRATEGIES  
ON SALES OF BRANDED AND UNBRANDED T-SHIRTS

Cell Designation Row-Column	Frequency Tabulation				$\frac{(f_o - f_c)^2}{f_c}$
	$f_o$	$f_c$	$f_o - f_c$	$(f_o - f_c)^2$	
1-1	20	9	11	121	13.44
1-2	3	13	-10	100	7.70
1-3	8	8	0	0	.00
1-4	4	5	-1	1	.20
2-1	10	18	-8	64	3.55
2-2	36	29	7	49	1.68
2-3	15	15	0	0	.00
2-4	12	11	1	1	.09
3-1	10	13	-3	9	.69
3-2	22	19	3	9	.50
3-3	10	10	0	0	.00
3-4	8	8	0	0	.00
Totals	158	158	0	369	27.85

The chi-square value found for this table is 27.85. With reference to a table of critical values of chi-square using six degrees of freedom, it is observed that this value of chi-square is significant beyond the selected .05 level. Thus the null hypothesis that the type of marketing strategy and sales in different brand classifications are independent is rejected at  $\alpha = .05$ . Thus, within the boundaries of the experiment, the conclusion is reached that different marketing strategies illicit different results in the number of sales in each brand classification.

A chi-square computation for total customers is presented in Table IX. The results of this computation are arranged in cell designations as in the previous table.

TABLE IX  
COMPUTATION OF CHI-SQUARE: INFLUENCE OF MARKETING  
STRATEGIES ON NUMBER OF CONSUMERS PURCHASING  
BRANDED AND UNBRANDED T-SHIRTS

Frequency Tabulations					
Cell-Designation					
Row-Column	$f_o$	$f_c$	$f_o - f_c$	$(f_o - f_c)^2$	$\frac{(f_o - f_c)^2}{f_c}$
1-1	8	3.6	4.4	19.36	5.78
1-2	1	4.4	-3.4	11.56	2.62
1-3	4	3.3	.7	.49	.14
1-4	1	3.0	-2.0	4.00	1.33
2-1	4	7.0	-3.0	9.00	1.29
2-2	11	9.0	2.0	4.00	.44
2-3	7	6.7	.3	.09	.02
2-4	6	5.0	1.0	1.00	.20
3-1	4	5.4	-1.4	1.96	.32
3-2	8	6.6	1.4	1.96	.30
3-3	4	5.0	-1.0	1.00	.20
3-4	5	4.0	1.0	1.00	.25
Totals	63	63.0	0	55.42	12.89

The chi-square value found for this table is 12.89. With reference to a table of critical values of chi-square using the six degrees of freedom, it is observed that this value of chi-square is significant beyond the .05 level. Thus the null hypothesis that the type of marketing strategy and number of consumers purchasing branded and unbranded T-shirts are independent is rejected at  $\alpha = .05$ . Thus, within the boundaries of the experiment, the conclusion is reached that different marketing strategies illicit significant changes in the number of consumers purchasing branded and unbranded T-shirts.

### Corollary Hypotheses

Observation and interpretation of changes in number of consumers and sales in Table VII emphasize the significance of the corollary hypotheses. The individual corollaries reveal the extent of the changes illustrated by the chi-square analysis.

- a. Sales of branded T-shirts constitute the largest part of total sales.

Consistent with the historical availability of only Hanes and Jockey brands at the store, the hypothesis that these two brands would constitute the majority of sales in the absence of price and promotional differentials was upheld. Hanes and Jockey comprised 80.02 percent of total sales and 85.73 percent of total consumers purchasing the product. Although there was no other time period to compare these figures, the large percentage relationships indicated a decided preference for the branded T-shirts.

- b. The sales of unbranded T-shirts constitute a small part of total sales.

The sales of unbranded products in this time period did not comprise a significant portion of total sales or customers. A and B sales included 20.00 percent of total sales and 14.28 percent of total consumers. The relatively substantial showing of A and B sales is accounted for by the fact that the total purchases of each were made by one consumer. The results of this week with the small number of consumers for A and B offered no tendencies to dispute this corollary hypothesis. The consumers responded to these offerings by consideration of the alternate unbranded items, but showed a decided preference for the branded items.

- c. Sales of branded T-shirts reveal a decrease in comparison with sales in Week One.

The sales of branded items evidenced both an increase in the sale

of Jockey T-shirts and a decrease in the sale of Hanes T-shirts. The expected decreases were to be attributed to "lost" sales to the unbranded products. That is, customers would switch to the unbranded products on a trial basis. However, the Hanes and Jockey brands comprised only 34.24 percent of total sales and 39.29 percent of the total customers. The data indicates that a trial approach detracted from Hanes' sales, while Jockey maintained its position: in fact, strengthening its position. This increase in Jockey sales might have been caused by consumer trial of the Jockey brand by Hanes' customers.

On the basis of Hanes and Jockey sales, the effect of the direct mail and price reduction implementation is inconsistent with the hypothesis. Hanes' sales were only 50 percent of Week One's sales revealing a relatively large decrease. Jockey's sales evidenced an 87.5 percent increase over Week One. The number of customers in each classification also demonstrated an increase in Jockey's area and a decrease in Hanes' area.

It is important to note that there was a substantial change in the sales of both branded products. The increase in Jockey sales might have been caused by the trial of the Jockey brand by regular Hanes customers. Some might have decided to try the well known Jockey brand on a trial basis rather than experiment with the unknown brands. The implementation of the marketing strategies did reveal significant changes in the sales of Hanes and Jockey.

- d. Sales of unbranded T-shirts reveal an increase in comparison with sales in Week One.

The sales of the unbranded T-shirts, A and B, increased in Week Two by significant percentages over Week One. The sales of A and B comprised 65.76 percent of total sales and 60.72 percent of consumers.

A's sales represented an increase of from 3 to 36 total T-shirts sold, an 1,100 percent increase. The increase in customers was considerable, rising from 1 to 11, a 1,000 percent increase. The increase in B's sales was less spectacular, but revealed an increase from 4 to 8 T-shirts sold, a 100 percent increase, but more importantly revealed an increase in customers from 1 to 6, an increase of 500 percent.

The total of 17 customers purchasing the unbranded T-shirts were in response to the sample of 60 direct mail letters used. This 28.3 percent return indicated a willingness on the part of frequent consumers to be a "trier" of these unbranded products. Being frequent consumers in this store, it might reasonably be assumed that they had a knowledge of Hanes and Jockey merchandise and many had used these T-shirts. An indication is apparent that brand switching has occurred in this market test, and the promotional and price methods used have encouraged this tendency. In Week Two, the corollary hypothesis on unbranded T-shirts has been substantiated within the boundaries of this test to a larger degree than proposed.

e. Sales of branded T-shirts reveal a smaller decrease than resulted in Week Two.

The sales of branded items revealed that Hanes sales were the same in Week Three as in Week Two. The number of Hanes customers was also the same as in Week Two. This comparable decrease in Hanes' sales does not offer conclusive evidence of a measurable difference in the last two week's sales, but the significant change from Week One is obvious. Again, some indication may be derived pointing toward the increase in Jockey sales at the expense of the Hanes' regular customers.

Jockey sales increased from Week One, but to a smaller degree than the increase in Week Two. This effect was seen in total customers

of Jockey in this same period. These lower figures indicated a closer connection with the expected results of these promotional influences on Hanes and Jockey sales. It is indicated that unbranded "trials" may have affected the number of known brand sales less than in Week Two.

f. Sales of unbranded items reveal a smaller increase than resulted in Week Two.

The sales of A and B comprised 60.00 percent of total sales and 61.89 percent of the total customers. The sales of A increased from 3 to 22, a 733 percent increase as compared to a 1200 percent increase in Week Two. The sales of B increased from 4 to 8, a 100 percent increase as compared with a 200 percent increase in Week Two. The number of total A customers had an increase of 700 percent as compared with a 1,000 percent increase in Week Two. Purchasers of B had a 400 percent increase compared with a 500 percent increase in Week Two. These figures uphold the hypotheses to the degree that the promotional influences in Week Three appear to influence brand switching to a smaller degree than in Week Two.

#### Implications of the Study

The present study made use of a small localized sample which was believed adequate in showing the manner in which consumers responded to promotion and price differences. The smallness of the sample allows tentative generalizations which in a more comprehensive study might be stated with more quantitative exactness.

The brand-switching patterns in the four T-shirt classifications could reveal significant trends in consumer attitudes. If these patterns are evaluated in consideration of the reduced prices and promotional policies of the various brand sellers, it should be possible to

draw useful conclusions about the effectiveness of these policies and to adjust marketing methods to meet changing conditions.

Consumers need some assurance of value and quality in the absence of knowledge about a product. If a product is not known through advertising or other promotional media, the consumer tends to stay with the known brands. The results of Week One show a definite preference for the known brand. Brand switching on the basis of total customers does not occur a significant proportion of times during week one's sales.

The sale of a few unbranded T-shirts indicated that some observance and consideration was demonstrated by consumers. Consumers often consider many product alternatives, but active consideration of this low-priced product appeared to be at a minimum. Basically, initial distribution of a new product needs marketing strategy to gain acceptance. A tentative implication may conclude that on the basis of total sales, brand loyalty among the store's customers remains consistent. The apparent rejection of the unbranded T-shirts upholds this contention.

Brand switching appears in the results of Week Two. The large increases in sales and customers of the unbranded goods indicated that adequately promoted price appeals lead to purchases. The large increases in sales and number of customers of A and B substantiate this. Furthermore, the nature of the respondent's background reasonably indicates that these purchases came at the expense of purchases of the branded goods. That is, using our total purchases and consumers concept, brand loyalty appears to be low for the branded goods.

Store loyalty is suggested to be at a high level for these purchases since the respondents are credit customers. Research has shown that high store loyal individuals are more likely to try unknown brands.

They may judge the value and quality of the product on the basis of the store's attributes. This may be an explanation for the large response to the price reduction.

The reduced price of the unbranded products appeared significant based on the sales results. However, the increase in sales of the higher priced Jockey brand appears inconsistent with the price-conscious purchasing seen in the unbranded goods. The decrease in the sales of Hanes might explain this. The promotion might have illicit response to the purchase of T-shirts, but brand switching consumers of Hanes T-shirts may have decided that if a switch was to be made, the Jockey brand would be more appropriate. The large number of consumers purchasing the Jockey brand in Week Two indicated that switching did take place.

There was no conclusive proportion of either sex being the most brand conscious in their purchases. Data indicates that women were willing to make more purchases of the unbranded goods. Men tried the unbranded T-shirts, but were hesitant to experiment to as large a degree as women. The price appeal may have been a greater stimulus to increase the sales of the product to women.

Price considerations apparently were of major concern in the act of purchase. The lower priced unbranded T-shirt, A, received the largest number of sales. Coordinated with the larger percentage increase, it may be assumed that those switching brands were definitely interested in the price reduction with secondary consideration of the quality characteristics. If quality was the major consideration, a tendency to purchase the regular Jockey T-shirt appears plausible.



The relative stability of both Hanes and Jockey sales in Week Three indicated a continuation of brand switching activity. The promotional effect of the point of purchase display appeared to be of less influence than the direct mail. The sales of A and B are less than for Week Two; however, the number of customers is about at the same level as in Week Two. The answer may be that the customers considering the purchase in Week Three were less assured of quality and value than the respondents in Week Two. The decreased purchases indicated an exploratory behavior in their purchasing.

The percentage increase of sales of A and B indicated a willingness to try a new product on the basis of minimum in-store promotion. Consumers responded to this promotion in a similar manner as the one with the selected sample. The price consideration was evident, suggesting again that consumers were primarily influenced by the price consideration. The physical similarities of the brands may have placed the quality level as a lesser consideration. The purchasers of the lower-priced T-shirts indicated that price appeals do induce sales. There is no indication, of course, of repeat purchase probabilities. Generally, Week Three totals emphasize the results in Week Two with a conclusion that brand switching occurs, although to a lesser degree.

The tendency to "brand loyalty" is not conclusively substantiated in the survey. Generally, the test shows that even with a low-price, relatively unimportant product consumers evaluate and show a propensity to explore a promotional offering. Assuming a previous knowledge of the branded products, the consumers do not show a decided brand loyalty. If any tendency can be seen in this area, it surrounds the Jockey brand, whose sales were increased.

It might be concluded that based on brand switching statistics, a greater degree of brand loyalty was exhibited toward the Jockey or higher priced brand. The data suggests that price and promotional influences have a significant effect on consumer behavior and tendencies toward brand loyalty.

## CHAPTER V

### CONCLUSION

#### Summary

The purposes of this research study have been to review the published literature on brand preference and brand loyalty, to develop a research test on consumer brand choice, and to statistically evaluate hypotheses concerning consumer brand purchases.

The testing results demonstrated that individual consumers are influenced differently by separate promotional strategies. The impact of the marketing controllables, namely promotion and price, on the sale of men's cotton T-shirts appears to be substantial.

The sale of branded and unbranded T-shirts with no promotion or price strategy revealed a definite tendency to purchase the branded product. Brand loyalty tendencies were high in this period.

Direct mail promotion with a price differential increased the sale of unbranded products with varying sales results in the number of branded T-shirts sold. Brand-switching is suggested from this data with a conclusion that brand loyalty tendencies were low in this period.

In-store display promotion with a price differential also increased the sale of unbranded products with varying sales results in the number of branded T-shirts sold. However, this increase in brand-switching was less than by using the direct mail promotion. Brand loyalty tendencies

are considered low in this period, but the results emphasize the influential effect that promotion has on product sales.

Generally, the brand-switching activity indicated an exploratory purchasing behavior. The tendencies toward brand loyalty appear low. This judgment must be considered on the basis of the limited test situation, and it represents more suggestive than conclusive results.

#### Recommendations

It is recommended that further studies include a larger number of stores to allow a comparison of sales results. Similar retail outlets, using the same promotional and price strategies, could test the significance of results from this test.

A broader product line might include a more substantial number of customers and illicit inquiry concerning the tested products.

Finally, the most valuable research in this area might concern the determination of the socio-economic characteristics of the consumers involved. Included in this may be the age, income, and resident location of the respondents to a test situation of comparable magnitude.

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Report: THE INFLUENCE OF TWO MARKETING CONTROLLABLES ON THE SALE OF  
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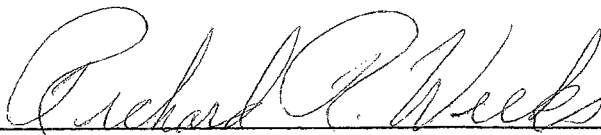
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Scope and Method of Study: A study to determine the influence of direct mail and point-of-purchase promotions with price differentials on the sale of branded and unbranded T-shirts. The study was conducted in a multiple-line clothing department store in Edmond, Oklahoma. The brands tested were Hanes and Jockey T-shirts, and the unbranded T-shirts consisted of Hanes and Jockey T-shirts with all brand differentiating labels removed. During Week One, all four brand classifications were the same price and no promotional methods were used. In Week Two, a direct mail letter sent to a selected sample of the store's credit customers was coordinated with a price reduction of the unbranded products. In Week Three, a point-of-purchase display promotion was coordinated with a price reduction of the unbranded T-shirts. The number of sales of each brand classification in each time period was recorded and tested for significance using chi-square analysis. The results were evaluated with respect to previous brand preference and brand loyalty research.

Findings and Conclusions: The comparison of results in Week Two and Three with the results in Week One revealed a significant amount of brand switching from Hanes and Jockey branded products. The Hanes unbranded product exhibited the largest increase in sales, although the Jockey unbranded sales also revealed an increase. Price appeared to be a major consideration of consumers, while secondary consideration was given to quality characteristics. The influence of the direct mail promotion appeared greater than that of the point-of-purchase display promotion and suggested that brand loyalty tendencies toward Hanes and Jockey branded T-shirts were low.

ADVISER'S APPROVAL

A handwritten signature in cursive script, reading "Richard E. Weeks", written over a horizontal line.