

# IMPACT OF HEDONIC AND UTILITARIAN BENEFIT OF SALES PROMOTION TO CUSTOMER LOYALTY IN RETAIL INDUSTRY IN INDONESIA (Case Study : SOGO Department Store Customers In Indonesia)

Gusti Kurniah Putra

Bachelor Degree of  
Management ICT Business International, School of Economics and business, Telkom University  
[gustikurniahputra@telkomuniversity.ac.id](mailto:gustikurniahputra@telkomuniversity.ac.id)

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## Abstract

This research tested whether the benefits of sales promotion had positive impact toward customer loyalty. Saeed et al and Pierre Chandon are the researcher that conduct the benefit of hedonic and utilitarian benefit of sales promotions towards customers loyalty. This study using descriptive analysis and multiple regression method and using Questionnaire as data collection method. Purposive sampling is used as a sampling technique with 150 respondents of sogo department store customers.

*Keyword: Sales Promotion, Utilitarian benefit of sales promotion, Hedonic Benefit of sales promotion, Customers Loyalty*

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## 1. Introduction

There are several factors that retail industry in Indonesia had strong performance in 2013, which are the improvement in standard of living, government role and regulation about Foreign Direct Investment (FDI), and the increasing of retail industry sales from 2011 - 2013. Those factors causing the competition in retail sales in Indonesia getting tigher. To compete this situation, retailers in indonesia should increase the value of company in its business such as customer loyalty. SOGO Department stores have already done a lot of sales promotions as their strategy especially to get their customer loyalty. This strategy will decrease the revenue per unit sales which mean that in the end it will reduce the profit. In order to prevent SOGO from losing their revenue target, this promotion should be able to increase the value of company in its business such as customer loyalty.

This research tested whether the benefits of sales promotion had positive impact toward customer loyalty. Saeed et al and Pierre Chandon are the researcher that conduct the benefit of hedonic and utilitarian benefit of sales promotions towards customers loyalty. This study using descriptive analysis and multiple regression method and using Questionnaire as data collection method. Purposive sampling is used as a sampling technique with 150 respondents of sogo department store customers.

## 2. Literature Review

### 2.1 Sales promotion

Following (Kotler, 2012) a key ingredient in marketing campaign, consists of a collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade. Whereas advertising offer a reason to buy, sales promotion offers an incentive. Sales promotion include tools for consumer promotion (samples, coupons, cash refund offers, prices off, premiums, prizes patronage rewards, free trials, warranties, tie-in promotions, cross-promotions, point-of-purchase displays, and demonstrations).

### 2.2 Utilitarian and Hedonic Benefit of Sales Promotion

Utilitarian benefits are primarily instrumental, functional, and cognitive; they provide customers value by being a means to an end. Hedonic benefits are noninstrumental, experiential, and affective; they are appreciated for they own sake, without further regard to their practical puposes (chandon et al, 2000). This distinction applies to shopping, because this activity provides utilitarian benefits (by helping consumers efficiently find and buy the best product) and hedonic benefits (by creating entertainment and raising self-esteem). Similarly, the benefit of sales promotion can be classified as utilitarian when they help consumers

maximize the utility, efficiency and economy of their shopping and buying and as hedonic when they provide intrinsic simulation, fun, and self esteem.

Sales promotion can provide consumers with an array of hedonic and utilitarian benefits beyond monetary savings. Hedonic benefits include value expression, entertainment, and exploration. Along with simple monetary savings, utilitarian benefits also include product quality and shopping convenience.

Nonmonetary promotions provide more hedonic benefits and fewer utilitarian benefits than monetary promotions. All benefits except quality contribute to the overall evaluation of monetary and non monetary promotions. However, each type of promotion is primarily evaluated on the basis of the dominant benefits it provides.

For high-equity brands, sales promotion are more effective when they provide benefits that are congruent with those provided by product being promoted. Specifically, monetary promotions are more effective for utilitarian products than for hedonic products. Conversely, nonmonetary promotions are relatively more effective for hedonic products than for utilitarian products (Chandon et al, 2000).

### 2.3 Customer Loyalty

Customer loyalty is very important for the survival of the company. This is confirmed by Louis Columbus from Robert Kotler & Keller and Schieffer" stated that "creating loyal customers is at the core of every business. The concept of customer loyalty is more associated with behavior than with attitude. If someone is a loyal customer, he showed that purchasing behavior is defined as the purchase of a nonrandom. Nonrandom term is a loyal customer who has specific prejudices about what to buy and from whom (Griffin 2009).

### 2.4 Research Framework

This study used eight variables, one dependent variable which is purchase decision process and seven independent variables of marketing mix elements.

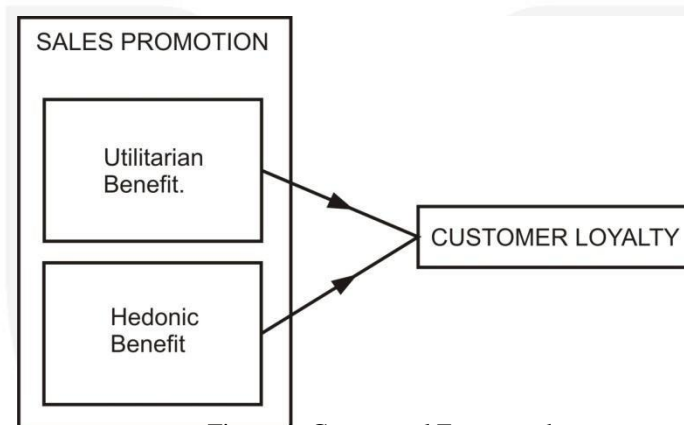


Figure 1. Conceptual Framework

### 2.5 Hypothesis

According to Sekaran (2010) Hypotheses are derived from the theory on which your conceptual model is based and are often relational in nature. Based on the framework that has been illustrated, the hypotheses of this study are as follows:

H<sub>1</sub>: Sales promotion has a positive effect on customers loyalty.

H<sub>2</sub>: Utilitarian benefits of sales promotion have a positive effect on customers loyalty.

H<sub>3</sub>: Hedonic Benefits of sales promotion have a positive effect on customers loyalty.

### Methodology

#### 2.6 Research Type

In this research, the method that this study used is Quantitative Method. Quantitative research can be defined as research that addresses research objectives through empirical assessment that involves numerical measurement and analysis approaches (Zikmund et al, 2010). The analysis model is Multiple Regression. This study used multiple regressions because this study used 2 variables for X variable which are utilitarian benefits and hedonic benefits. This study does not use linear regression because this study has more than one variable and

also this study do not use path analysis because path is used for qualitative method and prediction, and it using trimming theory for the concept or developing the existing concept.

In accordance also to the previous research, almost all of the method used is descriptive research, which is quantitative research and the analysis model is by using multiple regression. Regarding to that reason, this study use also the same method in order to get the result. By using multiple regressions, this study can predict the value of dependent variable (Y) if there are two or more independent variables.

## 2.7 Operational Variable

According to (Zikmund et al, 2010), "a variable is anything that may assume different numerical values; the empirical assesment of a concept. Meanwhile, according to (Malhotra, 2010), the variable is "a characteristic, a trait, or an attribute that is measured" which means that the variable is a characteristic, trait, or attribute that is being measured. Independent variables in this research are two benefits of sales promotion, utilitarian ( $X_1$ ), hedonic ( $X_2$ ).

According to Sekaran (2010) Dependent variable is the variable of primary interest to the researcher. Through the analysis of the dependent variable, it is possible to find answers or solution to the problem. Dependent variable in this research is customers loyalty (Y).

## 2.8 Measurement Scale

The scale used in this study is ordinal scale. Ordinal scale is a ranking scale in which number are assigned to objects to indicate the relative extent to which the objects possess some characteristic. Thus it is possible to determine whether an object has more or less of a characteristic than some other object. (Malhotra, 2010)

In this study, the measurement scale used is a Likert scale. Likert scale is a measurement scale with five response categories ranging from "strongly disagree" to "strongly agree," which requires the respondents to indicate a degree of agreement or disagreement with each of a series of statements related to the stimulus object (Malhotra, 2010).

## 2.9 Population and Sampling

Population is not also limited only to the amount present in the object / subject being studied, but all the characteristics / traits that the subject or object has. Population in this research is all customers of SOGO Department Store. Non Probability Sampling is used in this study, which is purposive sampling. Convenience sampling is suitable to be used in this research due to the elements that doesn't have the same chance to be selected. Based on Sekaran (2010) in convenience sampling, the most easily accessible members are chosen as subjects.

## 2.10 Data Analysis Technique

In this research multiple regression analysis is used as data analysis technique. According to Hair (2010) multiple regression analysis is a statistical technique used to examine the relationship between a single dependent variable and a set of independent variables. The ever-widening application of multiple regression fall into two broad classes of research problem which are prediction and explanation. Prediction involves the extent to which the regression variate (one or more independent variables) can predict the dependent variable.

## 3. Discussion

This study used two variables as the independent variable which are;utilitarian benefit of sales promotion and utilitarian benefit of sales promotion, and one variable as the dependent variable which is customer loyalty.

Table 1  
Coefficient Determination

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716 <sup>a</sup>	.513	.507	2.07070
a. Predictors: (Constant), X1utilitarian,X2hedonic				
b. Dependent Variable: Customer loyalty				

From the results show that the adjusted R square in this research is 0.840. It means that 84% of purchase decision process are affected by product, price, place, promotion, people, physical evidence and process of marketing mix. While the rest, which is 16% of purchase decision process are affected by others variable which are not included in this research.

Table 2  
Result of Multiple Linear Regression Analysis

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	1.531	1.017		1.505	.134
	Utilitarian	.310	.039	.589	7.990	.000
	Hedonic	.101	.041	.216	2.019	.015
a. Dependent Variable: Yloyalty						

Source: Processed primary data. 2015

Regression model that can be explained from the results in the form of regression equation as follows:

$$Y = 0.589X_1 + 0.216X_2$$

Those equations can explain as follows:

- a. The coefficient regression of utilitarian has positive effect to customer loyalty process
- b. The coefficient regression of hedonic has negative effect to customer loyalty process

#### 4. Conclusion

The results show that: In calculated F value = 77.521 with a significance of 0.000 < 0.05. F value = 77.521 > 4.35 (Ftable), With significant value below 0.05 and the Fvalue > Ftable. T value for utilitarian benefits t = 7.990 with significant value 0.000 < 0.05. T value for hedonic benefit is t = 2.019 with significant value 0.015 < 0.05. The coefficient regression showed utilitarian and hedonic benefit had positive significant effect to customer loyalty. R.Square value, 0,507, with variant error 0,493. Therefore, if sogo department store pay attention to the benefit of sales promotion, there will be 50,7% effect.

SOGO department store need to improve the benefit of the sales promotion especially in utilitarian factor as important factors that effected the customer loyalty. the lowest number of utilitarian benefits variable item is "i can afford a better-than-usual product". SOGO department should choose the right product at the right time so the customers can feel the usefulness of the product that promoted, for example when sogo department store do the monthly sale they should promoted the hype (new arrival) product so the customers not can feel that they afford a better than usual product. It will lead into the increasing of customer loyalty.

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