

Consumer Reflections on “Buy One Get One Free” (BOGO) Promotion Scheme-An Empirical Study in Malaysia

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Abstract: “Buy One Get One free (BOGO)” is one of the common schemes of sales promotion of products and is widely used throughout the world. In the recent past, BOGO scheme has gained momentum and popularity among the consumers. The present study includes 111 respondents in Malaysia, who have experienced in purchasing products under BOGO scheme. The relationship between the purchase satisfaction of the respondents and their repurchase intention on BOGO scheme is investigated in this study. Out of 111 respondents, 47 (42.3%) were highly satisfied on making purchase under BOGO scheme and 52 (46.8%) have repurchase intentions. The results obtained from the study ascertains that consumers in Malaysia give more importance to the attributes like value added products and quality and therefore the businessmen engaged in BOGO scheme may focus on these attributes to boost their sales. Based on the purchasing experience of the respondents, 59.5% favor attractive packaging as the most significant factor for repurchase intentions on BOGO promotion scheme. Further, the study signifies that BOGO scheme is genuine in promoting sales and the businessmen involved in this scheme are highly ethical.

Keywords: Buy-One-Get-One-free (BOGO), consumers, purchase satisfaction, repurchase intention

INTRODUCTION

A rich literature in sales promotions have shown that the short-term sales are positively affected in offering promotions (Blattberg and Neslin, 1995). “Buy One and Get One free” (BOGO) is a common form of volume discount promotion, used universally in the marketing industry by retailers, enticing consumers to buy their product through the offer of a free gift. The BOGO advertising has been widely publicized in countless supermarkets and outlets as means of promoting the products. BOGO scheme is one type of popular product volume discount nonmonetary sales promotions schemes in which the consumer gets two (or more) products of the same type for the price of one, or receiving a free product by purchasing some other product. Promotions such as “buy one get one free,” “buy two get one for free” and so on are frequently used to generate unplanned purchase (Inman *et al.*, 2009). Marketers find BOGO scheme has an attractive element to pull customers attraction towards purchasing their products in a short time of period and also to capture the market for future business. When the word “Free” is noticeable in the product label or in the racks of super markets it usually catches the attention and the excitement of the consumers as the rewards for both the consumer and the retailers. The efficacy of free gifts is, however, in doubt, shoppers do not understand why retailers offer this kind of promotion when it is no more

profitable for stores than a half-price sale. A study done in India has concluded that sales promotions like offering “free goodies” are not perceived favorable by consumers although this promotion is being widely promoted in India (Manalel *et al.*, 2007). Simonson *et al.* (1994) endorsed Manalel *et al.* (2007) and stated that consumers who are not interested in purchasing the additional product may not avail the BOGO promotion scheme. In Malaysia, BOGO scheme promotion is popularly used to attract local and foreign customers for the sales of their products. Malaysian consumes respond more for free samples and offering free samples have encouraged product trials (Ndubisi and Moi, 2006). Despite the growth in BOGO sales promotions and the concerns raised, there is a scarcity of literature devoted to the BOGO scheme in the market. Also, BOGO promotion scheme does not always achieve its objectives, such as increasing sales significantly (Gedenk *et al.*, 2004). Therefore, the purpose of this study is to conduct an exploratory study to explore the drivers that influences the purchasing reflection towards BOGO scheme in the market.

CONSUMERS PURCHASING REFLECTION FOR “BOGO”

BOGO scheme can be enlightened as sale of products that have been offered ‘free gifts with purchase’ of the same/another product. Literature has

Table 1: Literature on discount promotion schemes

Type	Technique	Description	Type of products sold	Sources of type of products sold	
Monetary promotion	Price cut	Smart saver!	High priced product (TV)	Gendall (2006)	
		Save 35¢ with this coupon	Non-stock-up (yogurt)	Sinha and Smith (2000)	
	Free product (BOGO scheme)	Redeem at checkout	Low consumption level (yogurt)	Li <i>et al.</i> (2007)	
		Weekly special!	high utilitarian and low hedonic product (microwave)	Chandon <i>et al.</i> (2000)	
Non-monetary promotion	Free gift (BOGO scheme)	Up to 70% discount	Low priced product (milk)	Gendall (2006)	
		Value pack!	Stock-up (powdered milk)	Sinha and Smith (2000)	
		15% more product free	High consumption level (mineral water)	Li <i>et al.</i> (2007)	
		Special offer!	High utilitarian and medium hedonic products (food)	Chandon <i>et al.</i> (2000)	
	Sweepstakes	Free gift (BOGO scheme)	Buy one, get another at half price!	High utilitarian and medium hedonic products (food)	Gendall (2006)
			Buy this cell phone and get free 2 GB memory card	Low priced product (milk)	Sinha and Smith (2000)
			Free video tape rental!	Stock-up (powdered milk)	Li <i>et al.</i> (2007)
	Sweepstakes	Sweepstakes	Free tickets to watch favorite Major league baseball team!	High consumption level (mineral water)	Chandon <i>et al.</i> (2000)
			Have fun!	Medium utilitarian and high hedonic products (cell phone)	
			Free tickets to watch favorite Major league baseball team!	Low utilitarian and high hedonic products (game)	Chandon <i>et al.</i> (2000)

revealed that advertising of BOGO scheme is a successful promotional technique as the additional product is provided free of charge with the purchase of original product. This has eventually, persuaded consumers to purchase the product and encouraging consumers to purchase additional as well. Many questions are raised in the business world on the purchasing behavior towards the BOGO scheme. Regardless of this unanswered question, BOGO scheme remains widely advertised and attracting many consumers globally to purchase through the scheme. Many consumers have intention to purchase products with quality but with lowest price. If the perceived values of the product are greater than cost of the product, it is observed that consumers will purchase the product (Yee and Sidek, 2008). A large number of studies show that discount offers can have positive effects on consumer perceptions in terms of the value associated with the offer (Darke and Dahl, 2003; Inman *et al.*, 1997; Urbany *et al.*, 1988). Compeau and Grewal (1998) suggested that negative price-quality inferences are likely to moderate positive discount framing effects on deal value. This can occur in two ways. Discounts can lead to more negative consumer perceptions by undermining the perceived quality of the discounted item (Scott and Yalch, 1980; Tybout and Scott, 1983) and lowering the probability of future purchases (Dodson *et al.*, 1978; Doob *et al.*, 1969). Raghuram and Corfman (1999) stated that the quality inference of a product is most likely to matter when other companies in the industry do not promote. Free gift options such as BOGO scheme maintains quality perceptions and increase deal value. Thus, in order to overcome the problem that promotions undermine quality perceptions, free gift provides a feasible alternative. In addition, consumers may infer that getting a discount does not result in a lower selling price as marketers raise the initial price of the item, holding the selling

price remains constant. In this case, getting a discount does not result in a lower selling price, which means there is simply no way that negative price-quality inferences could undermine the perceptions of value (Darke and Chung, 2005). As a promotional tactic, advertising serves as the most important tool in generating product awareness and stipulation of the mind of a potential consumer to take ultimate purchase choices (Ayanwak *et al.*, 2005). BOGO scheme can be used effectively to advertise and gain sales for new product launched in the market. Consumers may repeat the purchase of single brands or change between few brands due to the perceived quality of the products sold (Yee and Sidek, 2008). Researchers have initiated that promotions, particularly price promotions have negative effect on brand equity (Mela *et al.*, 1997). BOGO scheme itself is value added scheme since it provides a free product when the original product is purchased. Consumer purchase satisfaction is identified to contain a positive impact on market share and may be moderated by factors such as price sensitivity and perceived value (Magi, 2003). Consumer satisfaction is the post-purchase evaluation of a service offering (Oh, 2000). Marketers need to ensure that BOGO scheme is creating satisfaction among the consumers to make the scheme successful as a discount sales promotion and to create the repurchase interest from consumers. In Malaysia, the scheme is very popular and attracted the mass of consumers but no studies are available in the literature on the consumer's preference of BOGO scheme and this has motivated the interest of the present study. The various promotion schemes adopted in the market to sell the products and to attract the consumers are listed in Table 1.

Although, there are many promotion schemes for selling products listed in Table 1, Chandon *et al.* (2000) have pointed out that hedonic benefits and utilitarian benefits for consumers are high in BOGO promotion

scheme. Hence, the objective of the study is to investigate whether the consumers are interested in purchasing products under BOGO promotion scheme and the factors that influence the consumers to opt to purchase products under this scheme.

RESEARCH METHODOLOGY

The present study is conducted in Malaysia by distributing the questionnaire through hardcopy to SME/MNC company employees, food outlets, supermarkets and softcopy through online. The list of items in the questionnaire is provided in Table 2, For

the purpose of gathering pertinent and reliable data, respondents who are full time university students, children below the age of 16 year, discount sales distributors, shop owners, marketers and sellers who have been practicing BOGO scheme were excluded for the study. A total of 111 respondents took part in the study and their responses were used for the statistical analysis. Out of 111 respondents, 66 (59.5%) were females and the remaining 40 (40.5%) were males. Majority of the respondents (39.6%) are earning the salary between the range from USD1000-USD 2000.

Table 3 summaries the purchasing habits of respondents, their preference and experiences of

Table 2: Constructs of the questionnaire items measured on a 5-point Likert scale

Independent variables	Sources
C. Quality	
C1. Marketers cheat quality of products	Raghubir and Corfman (1999), Scott and Yalch (1980) and Tybout and Scott (1983)
C2. Satisfied with quality of products	Darke and Chung (2005)
C3. Products are of good quality	Darke and Chung (2005)
C4. Same as normal product quality	Levin <i>et al.</i> (1998)
C5. Sell cheap quality products	Raghubir and Corfman (1999), Scott and Yalch (1980) and Tybout and Scott (1983)
C6. Old stocks are sold	Barry (2009)
D. Pricing	
D1. Product price sold at cheaper rate	Wong and Yahyah (2008)
D2. Price is reasonable	Wong and Yahyah (2008)
D3. Getting a good price deal	Wong and Yahyah (2008)
D4. Price is manipulated	Lichtenstein and Bearden (1989) and Urbany <i>et al.</i> (1988)
E. Advertising	
E1. Advertisements to attract customers	Gilbert and Jackaria (2002)
E2. Marketers achieve own profit by advertising	Simpson (2006)
E3. Good discount promotion strategy	Self-construct but supported by face validation
E4. Advertising to sell unsold stocks	Barry (2009)
F. Value added	
F1. Scheme is beneficial overall	Compeau and Grewal (1998), Lobb (1997) and Darke and Dahl (2003)
F2. Scheme brings value-quality	Self-construct but supported by face validation
F3. Scheme brings value-price	Thaler (1985)
F4. Scheme saves money	Self-construct but supported by face validation
F5. Scheme saves time and energy	Lovelock and Wirtz (2004)

Table 3: Purchasing habits of respondents

Variable	Category	No. of respondents	(%)
Purchase preference	BOGO	33	29.7
	Discounted price	23	20.7
	Sample items	4	3.6
	Free coupons	2	1.8
	Up to 70% discount sales	37	33.3
	Up to 50% discount sales	12	10.8
Purchasing experience of BOGO scheme	Roadside	1	0.9
	Big malls/supermarkets	90	81.1
	Sundry shops	3	2.7
	Airport/ferry terminals	11	9.9
	Bus stations	3	2.7
	Railway stations commuter stations	1	0.9
	Others	2	1.8
Types of products purchased under BOGO scheme (multiple entries are possible)	Textile	56	50.5
	Food and drinks	42	37.8
	Shoes	20	18
	Chocolates	36	32.4
	Electrical goods	10	9
	Electronic goods	8	7.2
	Branded items	8	7.2
	Gifts articles	12	10.8
	Tourism products	13	11.7
Influence of attractive packaging on BOGO scheme	Yes	66	59.5
	No	45	40.5

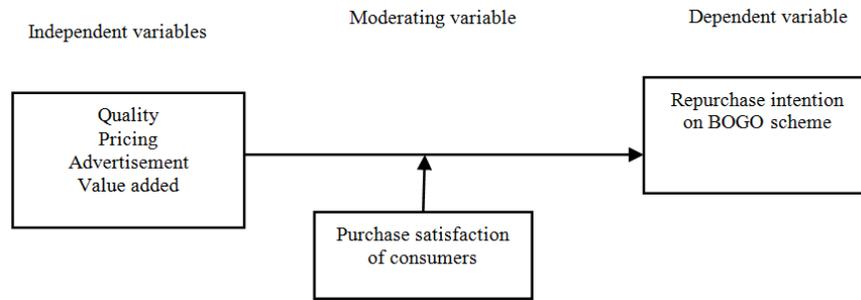


Fig. 1: Research framework

purchasing on discount sales. The most popular discount schemes as per as the purchase preference of the respondents are concerned, up to 70% discount sales and BOGO scheme are rated in the first two places with 33.3 and 29.7%, respectively. According to the respondents purchase experience of BOGO scheme, big malls and supermarkets were ranked number one with 81.1%. The most common type of products purchased under the BOGO scheme is textiles (50.5%) followed by food and drinks (37.8%). It seems to be logical as these are the items that are widely promoted under the BOGO scheme in supermarkets and other malls. The respondents agreed that attractive packaging can sway them to be engrossed in purchasing products under BOGO scheme and this accounts for 59.5% of the sample.

The study covers four independent variables namely quality, pricing, advertisement and Value added with one moderating variable (purchase satisfaction of n consumers) and one dependent variable (Repurchase intention on BOGO scheme). The research framework is depicted in Fig. 1.

The independent variables are measured on a Likert scale 1-5, 1 stands for strongly disagree and 5 stands for strongly agree. The moderating variable namely purchase satisfaction of consumer is measured on an ordinal scale from 1-10, 1 being not satisfied and 10 being highly satisfied to make purchase through BOGO scheme. The dependent variable is measured again on an ordinal scale from 1-10, 1 being less likely to repurchase under BOGO scheme and 10 being most likely to repurchase. The study uses the management theory of loyalty model as a base for the research framework. Loyalty strategies are created having the suitable marketing mix namely product, price, place, promotions (McCarthy, 1971) to have the appropriate positioning in the minds of the targeted consumers in comparison to competitors. Customer value has the four selected marketing factors of the BOGO scheme namely quality, price, advertising and value added. These factors significantly contribute to the satisfaction of consumers on the products and services offered and eventually would lead to re-purchase interest of consumers.

HYPOTHESES DEVELOPMENT

Five hypotheses have been constructed in the study to determine the relationship between the independent variables and the repurchase intention (dependent variable) with purchase satisfaction of consumers as a moderating variable. The hypotheses are discussed below:

Based on Yee and Sidek (2008), consumers may repeat the purchase of single brands or change between few brands due to the perceived quality of the products sold. As cited in Yang and Peterson (2004), some scholars hold up a positive direct effect of perceived quality on purchase intentions. Accordingly, this study hypothesizes that:

H_{1a}: The better the quality of products sold under BOGO scheme will lead to repurchase intention of consumers.

Gilbert and Jackaria (2002) specified that price bundles are designed to attract shoppers' attention and ultimately entice them to buy. Gendall (2006) indicates that monetary discount and volume discounts may be equivalent at discount level, they have different financial and physical implications for customers and they depend on price level of the product concerned. For low price items, volume discounting is more attractive than a monetary discount, therefore this study hypothesizes that:

H_{1b}: The more the price of the products sold under BOGO scheme will lead to less likely for repurchase intention of consumers.

Marketers advertize BOGO scheme to attract consumers to purchase the products. BOGO scheme can be used effectively to advertise and gain sales for new products to be launched in the market. Grewal *et al.* (2010) opined that advertising can either decrease or increase customer satisfaction. Accordingly, this study hypothesizes that:

Table 4: Results of factor analysis for the independent variables

Construct	Items	Factor loading				
Quality-1	C1. Marketers cheat quality of products	0.746				
	C5. Sell cheap quality products	0.857				
	C6. Old stocks are sold	0.665				
Quality-2	C2. Satisfied with quality of products	0.528				
	C3. Products are of good quality	0.881				
	C4. Same as normal product quality	0.884				
Pricing	D1. Product price sold at cheaper rate	0.795				
	D2. Price is reasonable	0.903				
	D3. Getting a good price deal	0.799				
Advertising	E2. Marketers achieve own profit by advertising	0.893				
	E4. Advertising to sell unsold stocks	0.910				
Value added	F1. Scheme is beneficial overall	0.668				
	F2. Scheme brings value-quality	0.804				
	F3. Scheme brings value-price	0.710				
	F4. Scheme saves money	0.664				
	F5. Scheme saves time and energy	0.567				
KMO		0.709	0.629	0.519	0.694	
Bartlett's test of sphericity		176.371, p<0.01	102.679, p<0.01	74.998, p<0.01	109.655, p<0.01	
Total variance explained		63%	70%	72%	47.20%	
Reliability (cronbach's alpha)		0.678	0.71	0.757	0.532	0.701

H_{1c}: The attractive advertising of BOGO scheme will lead to high repurchase intention of consumers.

The results of Jayanti and Ghosh (1996) and Petrick and Backman (2002) have shown that perceived value is a good predictor of repurchase behavior. Consumers tend to evaluate the promotion campaign on the basis of the value and utility of the free gift (Banerjee, 2009). Therefore, the study hypothesizes that:

H_{1d}: The more the value added products sold under BOGO scheme, the higher the repurchase intention of consumers.

Consumer purchase satisfaction on products or services have positive influence on their repurchase intention (Yi and La, 2004). Therefore, this study hypothesizes that:

H₂: Purchase satisfaction of consumers moderates the relationship between the independent variables on the repurchase intention of consumers.

SIGNIFICANT FINDINGS AND RESULTS

The analysis has been carried out from the responses of 111 samples. The questions in the four constructs of the independent variables namely quality, pricing, advertising and value added are provide in Table1, The convergent validity of each independent variable has been tested using factor analysis and the results are given in Table 4. The independent variable quality has 6 questions and divided into two groups named as quality-1 (questions C1, C5, C6) and quality 2 (C2, C3, C4). Interestingly, quality-1 represents the

unethical practices of marketers, selling cheap quality through BOGO scheme. On the other hand, quality-2 indicates the ethical practices of marketers engaged in selling products through BOGO scheme. The pricing variable has four items (D1-D4) of which D4 has been dropped after factor analysis. The item D4 states that 'price is manipulated', however in Malaysia, the standard price tag is embarked in each product and therefore marketers cannot manipulate the price. The independent variable advertising has four questions (E1-E4) of which questions E1 and E3 are dropped. BOGO scheme exists traditionally in Malaysia over decades together and therefore consumers are not attracted towards the advertisement (E1, E3). The independent variable value added has five questions (F1-F5) and no questions were dropped. The reliability analysis based on Cronbach's Alpha has been used to determine whether the measurements of the five independent variables are consistent or not. Table 4 reveals that for all the five constructs the Cronbach's Alpha is above 0.5 and fulfils the requirements (Hair *et al.*, 1998).

Both the moderating variable namely purchase satisfaction of consumers and the dependent variable repurchase intention were measured on a 10-point ordinal scale. Those respondents who have scored 7 (median score) and above were considered as highly satisfied consumers of BOGO scheme. Similarly, those respondents who have scored 6 (median score) and above were considered as having intentions to repurchase under the BOGO scheme. Out of 111 respondents considered for the study, 47 (42.3%) were highly satisfied on making purchase under BOGO scheme and 52 (46.8%) have repurchase intentions. The binary logistic regression model has been applied when the dependent variable is dichotomous and the

Table 5: Binary logistic regression models of Independent Variables (IV) and Moderating Variable (MV) on Dependent Variable (DV)

Variables	Model-1 (IV on DV)			Model-2 (IV + MV on DV)		
	Exp (β)	Wald	p-value	Exp (β)	Wald	p-value
Quality-1	1.312	0.624	0.429	1.224	0.265	0.607
Quality-2*	2.351	3.887	0.047	1.860	1.546	0.214
Pricing	1.168	0.090	0.764	0.786	0.176	0.675
Advertisement	1.041	0.010	0.921	0.949	0.014	0.905
Value added*	2.937	3.798	0.049	2.640	2.645	0.104
Purchase satisfaction**				12.978	15.386	0.000
Step	$\chi^2 = 37.298, p < 0.01$			$\chi^2 = 19.260, p < 0.01$		
Omnibus test	$\chi^2 = 37.298, p < 0.01$			$\chi^2 = 19.260, p < 0.01$		
Block model	$\chi^2 = 37.298, p < 0.01$			$\chi^2 = 56.558, p < 0.01$		
Homser and lameshow test	$\chi^2 = 8.475, p > 0.05$			$\chi^2 = 8.067, p > 0.05$		
Nagelkerke R-square	0.381			0.533		
Correct classification	75.7%			78.4%		

*: $p < 0.05$; **: $p < 0.001$; DV: Repurchase intention = 52; No repurchase intention = 59 respondents

independent variables are of any measurements. In this study, the dependent variable has two categories namely the respondents may have repurchase intentions (1) and may not have repurchase intentions (0) on BOGO scheme. In Model-1, the binary logistics analysis has been applied with five independent variables namely quality-1, quality-2, pricing, advertising and value added on repurchase intention of consumers on BOGO scheme. Table 5 reveals that the Nagelkerke R square is 0.381 and the overall correct classification is 75.7%. The chi-square statistic is 37.29 and is significant at 1% level. Further, the Homser and lameshow test ($\chi^2 = 8.475, p > 0.05$) establishes that the Binary logistic regression model fits well for the data. The results of the model indicate that the variables quality-2 and value added are emerged as significant variables at the 5% level. The other variables namely quality-1, pricing and advertising are not found to be significant. Hence, H1a is partially supported and H1d is supported whereas H1b and H1c are not supported. These results indicate that increase in the repurchase intention of consumers highly depend two marketing attributes (Quality-2 and value added). Nevertheless, quality-2 products are reliable products sold under BOGO scheme and they play a major role in influencing the repurchasing intention of consumers. Furthermore, the repurchase intention is highly influenced by the value added products sold under BOGO scheme. This is consistent with Teas and Agarwal (1997) as customer perceptions of value directly and significantly influence their buying decisions. Consumers will highly opt for repurchase when the products sold under this scheme adds value to them in terms of money, time and resources. Purchases become more likely when the benefits generated exceed the cost (Dickson and Sawyer, 1990). In Model-2, purchase satisfaction of consumers play the role of a moderating variable with independent variables on dependent variable. In this model, Nagelkerke R square has increased considerably from 0.38 in model-1 to 0.53 and the overall correct classification has increased from 75.7 to 78.4%. Thus, the purchase satisfaction of consumers highly moderate the relationship between

price, quality, advertising and value added on repurchase intention which supports H2.

CONCLUSION

The present study provides some insights to the drivers that influence the consumers' purchase preference towards the "Buy One Get One free (BOGO)" promotion scheme within the context of Malaysia. There are many promotion schemes for selling products as listed in Table 1, but Chandon *et al.* (2000) have pointed out that hedonic benefits and utilitarian benefits for consumers are high in BOGO promotion scheme. Hence, the study investigated whether the consumers are interested in purchasing products under BOGO promotion scheme and the factors that influence the consumers to opt to purchase products under this scheme. The study includes 111 respondents in Malaysia who have experienced in purchasing products under BOGO scheme. Out of 111 respondents, 47 (42.3%) were highly satisfied on making purchase under BOGO scheme and 52 (46.8%) have repurchase intentions. The most common place where the consumers purchase products under BOGO scheme is in big malls and supermarkets and marketers may use this as the strategic locations to promote their products. The consumers are attracted towards colorful packaging of the products offered under BOGO scheme and therefore marketers may package their products attractively to create purchasing interest for consumers. The results obtained from the study reveals that consumers in Malaysia give more importance to the attributes like value added products and quality and therefore businessmen engaged in BOGO scheme may focus on these attributes to increase their volume of sales. The products sold under BOGO scheme are at par with normal and standard products and therefore the variable quality is found to be highly significant. Further, the cordiality and hospitality extended to consumers by the businessmen in supermarkets and big malls are up to the expectations of the respondents. According to the respondents, the integrity and honesty

among the businessmen engaged in BOGO scheme in Malaysia are extremely good and they never indulge in cheating the quality of products. The marketers neither sell old stocks closer to the expiry date nor sell products to gain more profits to their companies through BOGO scheme, however this is not supported by Barry (2009). The respondents expect that the products sold under BOGO scheme should be valued added in terms of price, value, quality, packaging, brand and creative with innovative technology. The main purpose of the BOGO promotion scheme is to sell more products at a lesser price. Since the focus of the business in BOGO scheme is volume and not price, the factor price is not found to be significant. Malaysia is unique in business in the sense that marketers love to involve in BOGO promotion scheme and the scheme appears to be in the system over decades together. Therefore, separate advertisement for BOGO scheme is not really a concern for the respondents. Purchase satisfaction of consumers highly moderate the relationship between price, quality, advertising and value added on repurchase intention of consumers. There is a high positive correlation between the purchase satisfaction of consumers and repurchase intention. The results indicated that satisfied consumers will highly opt for repurchase when the significant attributes of quality and value added products are sold under BOGO scheme. Finally, the study signifies that BOGO scheme in Malaysia is genuine in promoting sales and the businessmen involved in this scheme are highly ethical.

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