The Influence of Sales Promotion on Consumer Behavior in Financial Services

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Research Purpose

This study examined sales promotion and consumer behavior in the context of financial services. The purpose of the research was to study how sales promotion influence consumer behavior in the marketing of financial services. The influence of sales promotion was studied by observing the credit card purchases before, during and after the promotional periods. The subject was of interest for the case company as they had challenged the Finnish credit card markets by introducing new product features aimed at persuaiding customers to use credit card as a daily payment method. The initiative was reinforced by a set of sales promotion activities, which were the focus of this research.

Methodology

The theoretical part of the research was based on the academic literature on the subjects of sales promotion, consumer behavior and financial services. Theoretical framework was constructed based on the literature. The empirical study was conducted as a quantitative research with a quasi-experimental time series design. The data in the analysis was located in the company database and it was analyzed by SAS 9.3 using statistical methods of one-way ANOVA, two-way ANOVA, cross tabulation and t-test.

Research Results

Results in the context of opening promotion showed statistically significant variation between promotion and behavior but the constitution of the cumulative sales illustrated possibilities of alternative explanations. Results concerning birthday promotion did not reveal statistically significant differences between promotion and credit card transactions. The lack of marketing communications and sales frequencies, however leave the question unclear. After all, the most active customer group was customers age 18 to 37 and they were also the most influential group to sales promotion. Both promotions also showed that most of the purchases are very small, that is between 0-25€. That could indicate that the card was actually used in small daily purchases.

Key Words

Sales promotion, Consumer behavior, Consumer decision making, financial services, credit card

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MYYNNINEDISTÄMISEN VAIKUTUS RAHOITUSPALVELUITA OSTAVAN KULUTTAJAN KÄYTTÄYTYMISEEN

Tutkimuksen tarkoitus
Tutkielmassa tarkasteltiin myynninedistämistä ja kuluttajan käyttäytymistä rahoituspalveluiden kontekstissa. Tutkielman tarkoitus oli selvittää myynninedistämisen vaikutus kuluttajan käyttäytymiseen rahoituspalveluiden markkinoinnissa. Myynninedistämisen vaikutusta tutkittiin observoimalla luottokorttiostoja ennen promootiota, sen aikana ja promootion jälkeen. Aihe oli toimeksiantavan yrityksen kannalta ajankohtainen, koska heidän tarkoituksenaan oli haastaa Suomen markkinat tarjoamalla uusia luottokorttiominaisuuksia. Tämän tarkoituksena oli houkutella asiakkaita käyttämään luottokorttia päivittäisenä maksuvälieenä. Tutkimus keskittyi myynninedistämistoimiin, joilla käyttöön pyrittiin vaikuttamaan.

Tutkimusmenetelmät
Tutkimuksen teoreettinen osa perustui myynninedistämiseen, kuluttajan käyttäytymiseen ja rahoituspalveluihin liittyvään akateemiseen kirjallisuuteen, jonka pohjalta rakennettiin tutkimuksen teoreettinen viitekehys. Tutkimuksen empiirinen osa suoritettiin kvantitatiivisena tutkimuksena ja siinä hyödynnettiin "quasi-experimental time series" tutkimusasetelmaa. Yrityksen tietokannoissa oleva aineisto analysoitiin SAS 9.3 ohjelmistolla hyödyntäen yksisuuntaista varianssialanlyysiä, kasisuuntaista varianssianalyysiä, ristiintaulukointia ja t-testiä.

Tutkimustulokset
Avajaispromootion tulokset osoittivat myynninedistämisen vaikutuksen tilastollisesti merkitsevästi, mutta kumulatiivinen myynti herätti myös vaihtoehtoisia selitysmalleja. Syntymäpäiväpromootion tulosket eivät näyttäneet tilastollisesti merkitseviä eroja promootion ja luottokorttiostojen välillä. Myyntifrekvenssi näytti kuitenkin lupaavalta huomioiden markkinointiviestinnän vähäisyyden liittyen syntymäpäivätarjoukseen. 18-37 vuotiaat osoittautuivat aktiivisimmaksi asiakasryhmäksi ja myös otollisimmaksi promootion kohderyhmäksi. Tulokset myös osoittivat, että korttia on käytetty selvästi eniten pienimpiin ostoksiin välillä 0-25€. Tämä osoittaa, että korttia on mahdollisesti käytetty juuri pieniin päivittäisostoksiin.

Avainsanat
Myynninedistäminen, kuluttajan käyttäytyminen, kuluttajan päätöksenteko, rahoituspalvelut

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1. INTRODUCTION

During the recent years, major external factors such as socio-economic, regulatory and technological issues have shaped both the structure of financial services sector and also the nature of competition within it. Due to the changing marketplace, financial institutions are forced to concentrate more intensively on customers and relationships. (Harrison 2000, 1)

The Finnish credit card market is very competitive: there are a lot of participants at the market and features of the cards are not very different from one another. Also simultaneous product launches from competitors create more challenges to the market. As a result of the market conditions, changing costs for customers are very low and customer loyalty is becoming an even more difficult concept for card marketers. In addition, consumers usually possess many cards, out of which only a few are actively used. Thus, a major challenge for a credit card marketer is how to be the credit card that is drawn from the wallet most often.

In the past few years, Finnish consumers have become more open to the use of credit and markets are increasing. According to Finanssialan Keskusliitto (2007) Finnish households' debt ratio, which measures unpaid debt in relation to available annual income, has increased from 57,5% in 1997 to estimated 103,5% at the end of 2008. The growth has also been more rapid during the last three years. The amount of credit cards has also increased during the years and more rapidly in the past few years (Finanssialan Keskusliitto 2007). Visa and MasterCard transactions alone accounted for more than 4billion euros representing 18% growth from 2006 to 2007 (Taloussanomat 2008). However, the current economic situation derived from the sub-prime crisis also casts its shadow over the credit card markets. American Express, known for its strong and solvent customer base, has already predicted decreasing credit card consumption and increasing credit losses for the year 2008 (Kauppalehti 2008). Also, according to

Tilastokeskus (2008), Finnish consumers have become less confident in their own and also in the Finnish economic situation.

This study is done as an assignment for a company, which launched a new credit card to the Finnish credit card market. The assigning company responded to the challenging market conditions by introducing new credit card features to the Finnish markets. The goal is to change how people think about credit payments. The main objective is to make people use credit card as a daily payment method and to make the use of credit perceived more positively. The most important new feature challenging the generic Finnish markets is the introduction of the loyalty program, which rewards customers of all the purchases made by the credit card. Market entry is also reinforced by different sales promotion activities. These include increased loyalty rewards from the first three months, no annual fee for the first year and a sweepstake. Customers are also activated by a birthday promotion, which increases the bonuses during customer's birthday.

The aim of this research is to study the influence of sales promotion on customers' credit card behavior by examining the credit card purchases before, during and after the promotional periods. Sales promotion is studied in the context of the opening offer and during the birthday promotion.

1.1 Research Objective

The purpose of the research is to study *how sales promotion influences consumer behavior in the marketing of financial services.* The research aims to answer the following research questions:

- What are the characteristics of financial services?
- How can the consumer behavior be understood in the context of financial services?
- What is sales promotion and what are the characteristics that have to be considered when promoting financial services?
- Does sales promotion influence the use of financial services?

Credit card is the financial service examined in the empirical study and the increased loyalty rewards are the influencing sales promotion. Credit card purchase transactions before, during and after the promotion are used to study consumer behavior.

The research is conducted as a quantitative study and it investigates the causal relationship between sales promotion and consumer behavior. Quasi-experimental time series research design is employed and the data from the company database is analyzed using one-way analysis of variance (one-way ANOVA), two-way ANOVA, cross tabulation and t-test. Population of the study consists of the credit card customers of the assigning company

The term sales promotion refers to activities directed to consumers or channel members with the purpose of encouraging immediate action. The focus of this research is only on sales promotion to customers and it is done from the company perspective. In this study, sales promotion and its influence to consumer behavior is studied in the context of promotion activities used in the marketing of the company´s credit card.

1.2 Main Definitions

Sales Promotion is defined as "*marketing activities usually specific to a time period, place or customer group, which encourage a direct response from consumer or marketing intermediaries, through the offer of additional benefits*." (Peattie & Peattie 1994a)

Consumer Behavior refers to the cognitive process that consumers go through prior to a transaction decision. (American Marketing Association 2008)

Consumer Decision Making refers to the process of selecting from several products or services. (American Marketing Association 2008)

Financial Services refer to a wide array of financial instruments offered by banks, financial companies and insurance companies.

Consumer Credit refers to varying forms of credit, other than mortgage, offered to consumer customers. Payback along with the fee is agreed in the future date.

Credit Card refers to a financial instrument, which allows the holder to buy goods and services on credit.

1.3 Research Structure

The first Chapter of the research introduces the topic and the research objectives. It introduces the research method and covers limitations. The main definitions of the research are also presented in the first Chapter.

Chapter 2 and 3 discuss the main theoretical subjects relevant to the research. Chapter 2 introduces the theory of consumer decision making and behavior in the context of financial services. It explains characteristics that distinguish services from goods. Chapter 2 also presents consumer decision making and how beliefs and attitudes are related to intentions and consumer behavior. Finally it introduces relevant theories of consumer behavior and summarizes the main topics of the chapter. Chapter 3 discusses about sales promotion in financial services. First, it demonstrates how sales promotion functions as a part of the whole marketing communications mix, which is based on the marketing objectives of the company. Sales promotion tools and objectives are also discussed in the Chapter. It also considers the current academic debate on short- and long-term effects of sales promotion. Theoretical framework and summary are presented at the end of the Chapter.

Chapter 4 begins the empirical part of the study by presenting the methodological choices of the study. It introduces the assigning company and moves on to explaining the research design used in the empirical study. The issues and choices of population and sampling are also discussed in Chapter 4. The following subject uncovers the statistical methods of data analysis and Chapter 4 is finished up with the discussion of the validity and reliability of the research.

Chapter 5 and 6 cover the results and major findings of the study. Results in Chapter 5 are divided according to the studied sales promotion tactics. Chapter 6 summarizes the main areas of the study and presents the major findings including managerial implications. At the end, future research is suggested.

2. CONSUMER DECISION MAKING AND BEHAVIOR IN FINANCIAL SERVICES

The consumer decision-making in general and financial services decision-making in particular is only imperfectly understood (Gabbott & Hogg 1994, 1998; Harrison 2000, 2003; Harrison et al. 2006). The purpose of the present chapter is to cover the current research on consumer behavior while focusing on the behavior characteristic for financial services.

Chapter 2 presents consumer decision-making and behavior in the context of financial services. It begins by describing the characteristics that separate goods from services. Chapter 2.2 introduces the three consumer purchase decision paradigms, out of which cognitive approach is analyzed in more detail. It also discusses the process of consumer decision-making, which is divided into three stages of pre-purchase information search, evaluation of alternatives and post-purchase evaluations. The following Chapter 2.3 discusses beliefs, attitudes, intentions and their role in the analysis of predicting consumer behavior. Chapter 2.4 brings up the Theories of Reasoned Action and Planned Behavior that both suggest intention as the closest behavior-predicting variable. It also discusses about the Consumer Behavior Matrix, which analyses consumer behavior by the dimensions of uncertainty and involvement. The summary of the consumer decision making and behavior in financial services is also provided at the end of the chapter.

2.1 Characteristics of Financial Services

In the literature, services are distinguished from goods by their unique characteristics, which are intangibility, inseparability, perishability and heterogeneity (Harrison 2000, 50; Howcroft et al. 2003). McKechnie (1992) adds two characteristics that are common to financial services; fiduciary responsibility and two-way information flow. Beckett (2000) includes three additional characteristics that distinguish financial services. These are transparency of performance, uncertainty of outcome and poor comparability.

It is widely accepted fact, in the literature, that goods are different from services. However, goods and services cannot be seen as polar extremes to one anther and even within services there are variation. Only in the branch of financial services a great variety can be found in the differences of characteristics. Thus, while the characteristics are widely accepted, one must still bear in mind that exceptions to the general rules do exist. However, the service characteristics are an important beginning point for the analysis of services (Harrison 2000, 50).

Intangibility of services is possibly the single most crucial characteristic that set services apart from goods. Services cannot be possessed and are impalpable in nature. Thus, services are difficult to grasp mentally and therefore difficult for consumers to evaluate. (McKechnie 1992, 4) Due to the intangibility, services are low in search qualities, which are tangible attributes and high in experience qualities, which are attributes that can only be assessed after the consumption. Impalpability together with the high rank in experience qualities make service evaluations, especially pre-purchase evaluations, more difficult than evaluations of goods. (Harrison 2000, 50; Howcroft et al. 2003) The intangibility makes consumers look for other signals of service quality. They tend to concentrate and make evaluations based on available tangible elements such as the place, people, price and communication. Therefore, service providers should make their offering tangible in some way to give signals about quality. (Kotler 2006, 257) However, not all the services are solely intangible and all the goods tangible. Services can also include physical aspects such as credit cards, account statements and other physical cues that make judgment and evaluation of services easier. (Harrison 2000; Shostack 1977)

Inseparability means that services are produced and consumed simultaneously. Thus, they can be seen as processes or experiences that cannot be separated from the producer. The presence of both the producer and the customer makes services interactive in nature. (Kotler 2006, 259) McGoldrick & Greenland (1992) question the applicability of inseparability and state that it only applies to a few financial services. They argue that it is questionable at which point for example an insurance policy is consumed.

Perishability is the outcome of simultaneous production and consumption. It follows that service providers are unable to build and maintain stock. For a service marketer this highlights a problem of smoothing demand, where demand is adjusted according to its fluctuations. (Harrison 2000, 52) According to Grönroos (1990) the inseparability of production and consumption also make the tasks of production and marketing more interactive.

Heterogeneity of services means that there is variability in quality. It varies depending on who is the provider as well as when, where and how the service is produced (Kotler 2006, 259). Quality of service experience is also heavily dependent on personal interactions between the buyer and the seller (McKechnie 1992, 5)

Fiduciary responsibility is a characteristic peculiar to financial services. It is the implicit responsibility that a financial service organization has over customers' funds. Customers must also be able to rely on the financial advices given by the organization. (Harrison 2000, 52). In the exchange of financial services, customers are essentially buying a set of promises over their financial well being. Thus, confidence and trust are in a key role for customers. Both trust and confidence are established only after experience. Thus, consumers must first rely on personal sources of information and to such factors as brand image, the size and familiarity of a given financial organization to make evaluations. Complex establishment of trust can also create inertia in a customer-supplier relationship. Since a lot of effort and time is required from a customer to start trusting the company, it is usually the case that once satisfied, a customer is also likely to remain with the organization. Therefore, relationship building becomes a key to any financial service organization. (McKechnie 1992, 5)

Two-way information flow refers to the fact that financial services are rarely one-off purchases. Instead, they usually involve various two-way transactions over a long period of time, such as the use of a credit card and saving and borrowing. (Harrison 2000, 52) Two-way information flow opens tremendous opportunities for financial services organization to the collection of customer information that could be used to enhance organization’s relationship building capabilities. (McKechnie 1992, 5)

Transparency of performance refers to the availability of information and to consumers’ ability to make evaluations based on that information. Due to the varying degree of performance transparency, consumers might have difficulties in understanding and identifying the outcomes of financial services. Some of the services are more transparent than others. For example, information about credit cards and savings accounts is easily available and performance is fairly simple to interpret, whereas the available information and performance evaluations of investment funds might prove difficult. (Beckett 2000, 198)

Uncertainty of outcome refers to the role of services in giving consumers control over the uncertain external environment. Some financial services are designed to increase consumers’ control and thus make life easier by giving certain promises for the future. Examples of these are money transmissions, bank accounts, credit cards and such. However, some financial services, such as investments, expose consumers to uncertainty and are problematic for consumers to evaluate. When buying these kinds of services consumers are in fact buying a set of promises regarding future. (Beckett 2000, 198)

Some financial services are characterized by poor comparability. Product and service comparisons are an important stage in consumers’ decision process. Some financial services have more identifiable attributes and benefits, and thus are more comparable. Long-term maturity in addition to uncertainty make service comparisons of many financial services difficult. (Beckett 2000, 199)

Most of the services characteristics influence to the fact that services are more difficult for consumers to evaluate than goods are and evaluations of many financial services are even more difficult. Among financial services there is, however, variation in difficulty (Howcroft et al. 2003). Howcroft et al. (2003) identify five consumer behavior and decision-making implications that are due service characteristics. First, during the information search consumers rely much more on personal sources, such as the recommendations of friends and family. Second, in service evaluations, consumers rely on a limited number of quality cues, of which the majority is related to the price and the physical aspects of the service offering. Third, in a face of many alternatives, consumers might just pick out the first acceptable offering instead of maximizing satisfaction by evaluating all the different options. Fourth, due to the intangibility, consumers perceive greater risk while purchasing services and especially financial services. Finally, because of the greater risks, consumers tend to rely more on brand loyalty and achieve toward a relationship with the service organization. Howcroft et al. (2003) also identify two implications that are especially true for financial services. First, because customers are buying a set of promises when acquiring financial services, they might experience difficulties in buying highly intangible services such as many financial services are. Second, because of the complexity of many financial services and the fact that financial services are low in search qualities, evaluation of them is even more complicated.

Given that services are difficult for consumers to evaluate and variation among services exists, some classification of financial services is required to better conceptualize and understand financial consumers' behavior. An example of such a classification is the one provided by Devlin (1998). In his research, he states that differences among financial services could be examined in terms of the value added between simple and complex financial services:

"Simple services are those where, on average, customers will exhibit a reasonable understanding of product features and associated benefits and will be able to perform satisfactory pre-purchase evaluation of the service. Such services are likely to be of low risk in nature." (Devlin 1998, 1108)

"Complex services are those which, on average, customers will find confusing and complicated with a resultant lack of understanding of features and benefits being apparent. Pre-purchase evaluation will also prove difficult. Such services are likely to be of a medium to high risk nature." (Devlin 1998, 1108)

According to Devlin (1998) price is more important in adding value to service offering in simple service category, whereas image and reputation proved to be more important in the category of complex services.

Beckett (2000) introduces another classification of financial services by dividing financial services broadly into general and investment instruments. General instruments have little outcome uncertainty and satisfy only low level psychological needs. Investment instruments, however, have a lot of outcome uncertainty and are used to satisfy high level psychological needs. General instruments, which have clear outcomes, can be evaluated more easily and information about these is also easily available. Therefore consumers can act on the available information and make the outcome more predictable. Investment instruments are more uncertain for consumers and thus, decision making is more difficult. There is also less information about investment instruments and the available information is difficult for consumer to evaluate. (Beckett 2000, 201)

2.2 Financial Services Decision Making

The consumer purchase decision theories can be broadly classified into three paradigms; the cognitive approach, the reinforcement approach and the habit/behavioral approach (East 1997, 7). The cognitive approach of consumer decision making emphasizes a rational consumer and views purchasing as a problem-solving activity. When faced with a purchase decision, a consumer moves through a series of stages in order to solve a problem. The foundations of the approach lie in the model by Simon (1957), in which consumers pass through the stages of problem identification, information gathering and choice selection. (Harrison et al. 2006, 7) Simon's model (1957) is later developed by many researchers, such as (Howard & Sheth 1969; Engel et al. 1968). One of the most frequently applied models is the one by Engel, Kollat & Blackwell, in where consumer decision-making is divided into the five interlinked phases of problem recognition, information search, evaluation of alternatives, purchase decision and post purchase evaluations. (Harrison 2003, 6) In the context of financial services, Gabbott & Hogg (1998) and Harrison (2000) use a variation of the Engel-Kollat-Blackwell model. In their analysis, the consumer decision-making is divided into pre-purchase information search, evaluation of alternatives and post-purchase evaluation (Harrison 2000). Cognitive approach was also developed by Ajzen & Fishbein (1980) in their attitude and behavior predicting research.

The cognitive approach has also been challenged by other research traditions. The reinforcement approach on the one hand gives critique to the aspects of rationality and the overweighted value of information in consumer decision-making. Instead, reinforcement approach argues that, in some cases, consumers might not engage into information processing at all. The favors of this tradition state that instead of information and rationality, experience and learning are the driving forces of consumer purchase decisions. The behavioral approach on the other hand highlights the habitual buying behavior, which remain relatively stable over time. Despite the critique, the cognitive approach still provides a good starting point and a framework to begin with in the analysis of consumer behavior. (East 1997, 13; Harrison et al. 2006, 7-8)

Prior to any purchase decision, consumers engage to pre-purchase information search. Consumers' main sources of information can broadly be categorized in internal and external sources. The search of internal sources is based on a scan of memory and it is based on the previous experience. Because internal sources are one's own experiences they are regarded as very reliable. In a situation where internal sources are not available or are insufficient, consumers lean on to external sources of information. (Gabbott & Hogg 1994, 314-315) External sources can either be personal or non-personal. Personal sources such as friend recommendations and word-of-mouth are regarded more reliable as the ones of non-personal like advertising or non-marketing material. Factors such as product category experience, product complexity and the degree of buyer uncertainty have an effect on the degree of the use of external sources. Thus, in the case of complex services, consumers tend to rely, in addition to internal sources, more to external sources in order to decrease uncertainty. (Harrison 2000, 58) The effectiveness of available external information is dependent on the nature of the service. Services also tend to have more experience qualities than search qualities, and thus are more difficult for customers to evaluate prior to purchase. (Gabbott & Hogg 1994, 315)

Evaluation of alternatives follows information search. Based on the information consumers have gathered they develop an evoked set of alternatives. Because of the difficulties in obtaining relevant information about services, the evoked set in services is smaller than in products. (Harrison 2000, 59) If a consumer has positive prior experience about the service, the evoked set might be just that one service. If consumer does not have any prior experiences or have limited or negative experiences, then the size of the evoked set is dependent on the effectiveness of the external information. If information is easily available and reliable the evoked set is larger and vice versa. (Gabbott & Hogg 1994, 316) In addition, due to intangibility, services cannot be compared side to side and also the lack of physical attributes makes quality assessments harder. Thus, consumers must rely on peripheral cues such as physical facilities and brand image, to make about the level of service quality. Research on financial services has discovered that in the case of very complex services consumers tend to remain loyal after they have discovered a service that meet their requirements. It is argued in the later research that in complex services, consumers remain loyal more likely because of inertia instead of true brand loyalty. (Harrison 2000, 60-61)

In the post-purchase evaluation stage, consumers build experience and knowledge about the service and make evaluation whether the service has fulfilled their expectations. Consumers have a predetermined standard against which to compare the outcome. (Gabbot & Hogg 1994, 317) For many financial services, evaluation process can be difficult because consumer might not have clear expectations or they just don't have enough knowledge to evaluate what they have received. On contrary, post-purchase evaluations of simple services can be very straightforward. For example, payment by a credit card fulfills customer requirements if it is just accepted. Also, participation in the service production process has an effect on evaluation process. Participating consumers might feel partially responsible for the success or failure of the outcome. (Harrison 2000, 61-62)

Consumer decision-making process is adjusted according to the complexity of the purchased service. Decision making in more complex offerings include more information search and evaluation than decisions in simple offerings and thus process lasts longer. In an extreme situation, consumer can even feel that the service is too complicated and decides not to purchase at all. On contrary, decision making in simple services can be very straightforward. When a need is actualized, consumer might move straight to buying without searching information or evaluating alternatives. In these situations, consumer just buys the service that is familiar or reaches in for a competing service. (Kotler 2006, 157)

2.3 Belief, Attitude, Intention and Behavior

From the perspective of marketers, it is of interest to understand what makes consumers buy certain products and services. Research suggests that beliefs, attitudes and intentions predict behavior. Thus, understanding consumer beliefs, attitudes and intentions open possibilities both to understand and influence consumer behavior. (East 1997, 109)

Kotler (2006) defines the term belief as "*a descriptive thought that a person holds about something"*. A belief may be an outcome of an experience or it might just be an opinion about something and it does not necessarily reflect the reality. Attitude is defined as "*a persons consistently favorable or unfavorable evaluations, feelings, and tendencies toward an object or idea"*. (Kotler 2006, 152) Consumers have many different attribute beliefs toward a product or a service and these bundles of beliefs then form one's attitude toward that product or service. Thus, attitude is a complex cognitive concept posing difficulties for marketers in quest for changing them. Attitudes predict behavior and also explain it by providing one reason for the action, whereas intention is an outcome of many attitudes and only predicts behavior. (East 1997, 131-132) According to Ajzen & Fishbein (1980) intention is the closest proxy for behavior.

Research on the causal relationship between attitude and behavior shows that change in attitude results in a change in behavior. When consumers have alternatives and the choice is free, they form preferences that lead to favorable and unfavorable attitudes and ultimately to the selection of alternatives. Behavior of such is rational within the limits intruded by such as knowledge, habit, available information and effort. The rational behavior fails when the choice is not free, the situation is so new that no information exists or consumer lacks the capacity to handle the available information. Rationality is reinforced when behavior is repetitive in nature. In that case, the initial choice might have been rational but based on falls beliefs. Beliefs are also adjusted by the acquired experience. (East 1997, 118)

Some research also show weak correlation between attitude and behavior (Wicker 1969 in East 1997, 123). There are two common reasons suggested for that. The first explanation is the "other variables", which refers to the possibility that other variables than attitude predict behavior. Such variables as involuntary behavior and normative control are suggested for being responsible of diminishing the causality of attitude and behavior. The second explanation is the possible mismatch between the measured attitude and behavior variables. For example, only a positive attitude toward a brand might not be sufficient and do not correlate with the behavior. Instead, a positive attitude toward using a brand might correlate with the actual behavior. Thus, the use of compatible measures of attitude and behavior is emphasized in behavior predicting research. (East 1997, 123-127)

2.4 Theories of Consumer Behavior

The Theory of Planned Behavior (TPB) and its predecessor the Theory of Reasoned Action (TRA) are based on the assumption that people behave logically and in a sensible manner. Both of the theories assume that behavior is followed by person's intentions. (Ajzen & Fishbein 1980; Ajzen 1991) The Theory of Reasoned Action was named by Ajzen and Fishbein (1980) after their practical research on health, consumer behavior and voting. The roots of the TRA were already laid down in their previous research back in 1969 and 1975. In 1980 TRA was further developed and third intention predicting component was added and the model was named the Theory of Planned Behavior. (East 1997, 135; Ajzen 2005, 117)

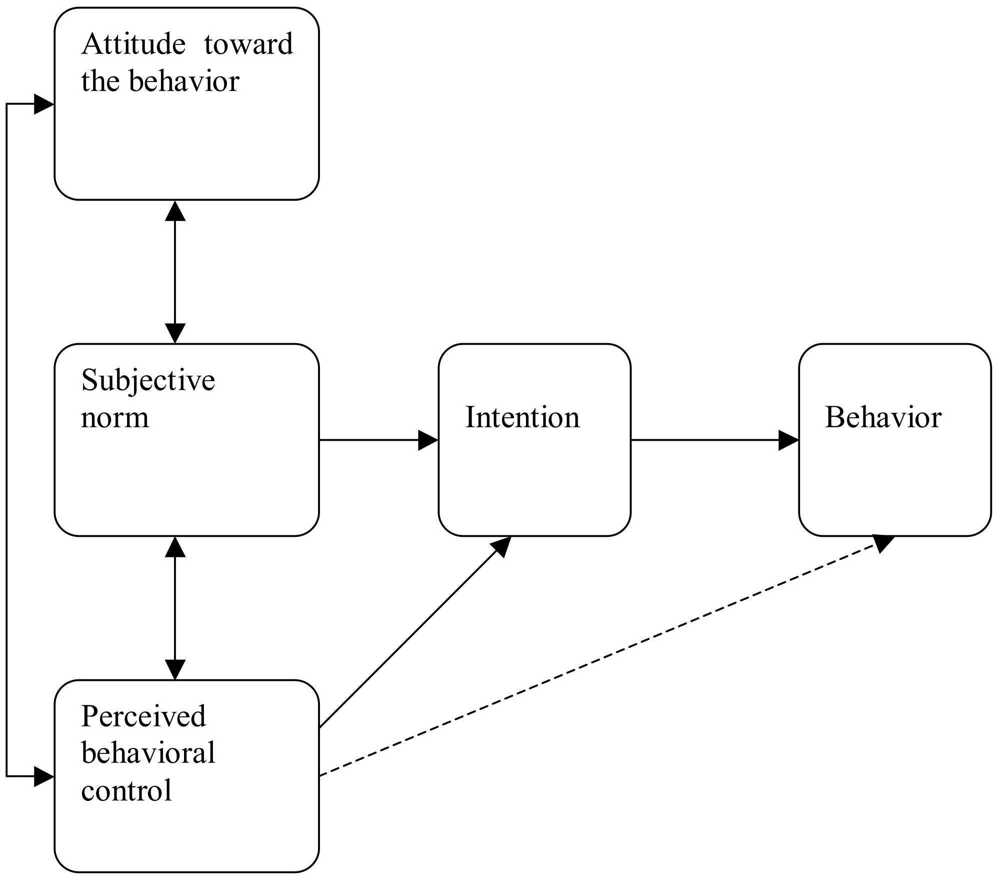

Figure 1. Theory of Planned Behavior (Ajzen1991, 182)

The Theory of Planned Behavior (Figure 1) states that person's intentions predict behavior. According to the theory, components of personal factor, social influence and issues of control have an effect on person's intentions. People have certain outcome beliefs of their actions. Beliefs form positive or negative attitudes toward the intended behavior. In Figure 1, personal factor is represented by attitude toward the behavior. Other people also have beliefs toward one's actions. That is illustrated by social influence, normative expectation or social pressure and is referred as subjective norm. Issues of control are related to individual's beliefs of how he or she is able to perform the desired action and referred as perceived behavioral control. The TPB differs from the TRA in the dimension of perceived behavioral control, which was included in the TPB. According to the TPB, people tend to perform an action when they have positive evaluations about the desired behavior, they feel social pressure to do it and they also feel capable of doing so. (Ajzen 2005, 117-118) In general, the stronger the intention to behave in a certain way, the more likely it will be performed given that no constrains to behavior exist. Further, if there are no issues of control, behavior can generally be anticipated from individual's intentions. (Ajzen 1991, 181) For example, if one's intention is to use a credit card as a payment method, he or she will use it unless credit card in not an accepted payment method.

Beckett (2000) identifies two board attitudinal factors: uncertainty and involvement that influence consumer behavior. The more specific the outcomes of a purchase decision anticipated, the lower the degree of uncertainty and vice versa. Consumers' ability to predict outcomes is based on their cognitive abilities and to the availability of information. If a consumer is able to manage the available information, the degree of uncertainty is lower. Also, if information is widely available and accessible, it results to lower uncertainty. (Beckett 2000, 193) The existence of uncertainty makes purchase decision-making more difficult for consumers. Thus, a key element in consumer buying behavior process is the reduction of uncertainty. (Beckett 2000; Williamson 1985) The perceptions of risk are also lower if uncertainty is at justifiable level (Howcraft et al. 2003, 67). According to Beckett (2000, 193-194) the other key determinant of buyer behavior is consumer's interest toward a product or a service. The extent to which consumers understand whether the service meets their goals and values increase the consumers' interest toward the service. In the consumer behavior research, Beckett (2000) places uncertainty and involvement on to a continuum from low to high and construct a two-dimensional consumer behavior matrix (Figure 2).

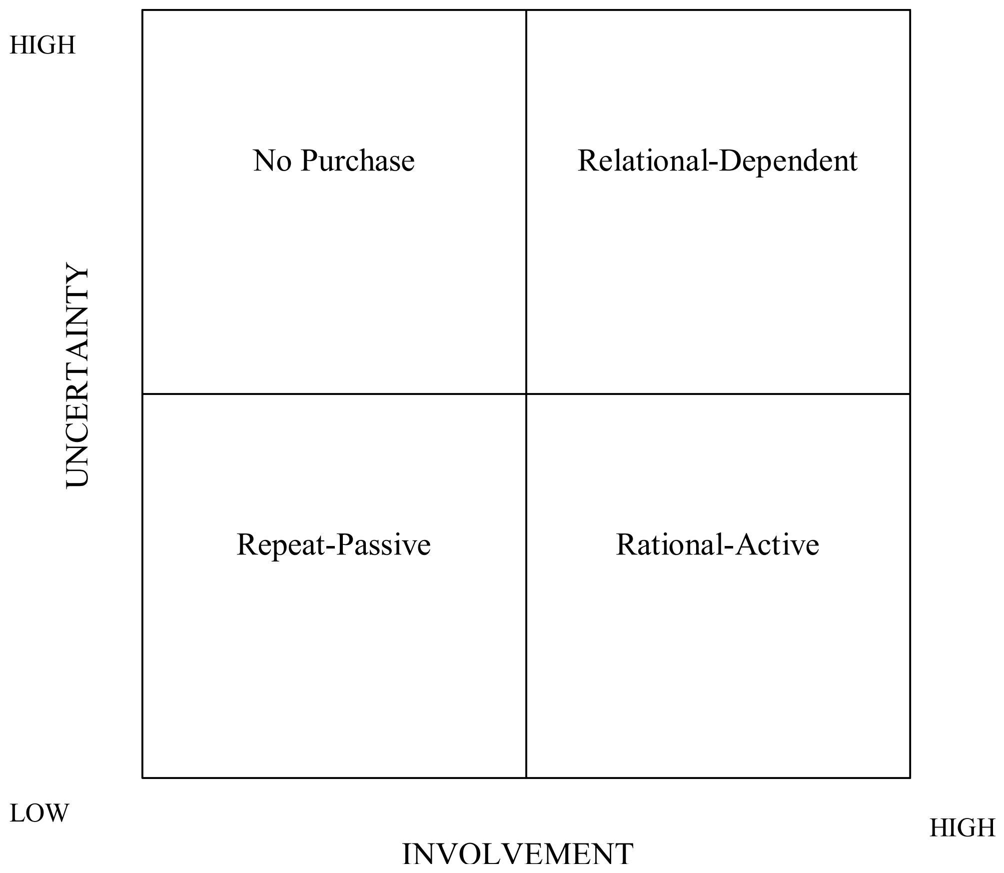

Figure 2. Consumer Behavior Matrix (Beckett 2000, 195)

The resulting matrix represents four ideal consumer behavior patterns in the context of financial services. These are repeat-passive, rationale-active, relational-dependent and no purchase. Kotler (2006) introduces a similar model, in which types of buying decision behavior are classified into habitual, complex, dissonance reducing, and variety seeking buying behavior. In Kotler's model uncertainty is replaced by the continuum of few brand differences to significant brand differences. The major variation between the models is how they treat the situation of low involvement and high uncertainty. Kotler (2006) refers to it as a variety seeking buying behavior, whereas Beckett et al. (2000) use no purchase to define the situation. However, Kotler's model is applied to a broader range of consumer goods whereas the model of Beckett et al. (2000) is originally applied only to financial services.

In the repeat-passive quadrant, consumers display a high level of confidence (i.e. low uncertainty) and a limited perception of involvement. Consumers are well aware of the product/service features and benefits and thus feel confident about the outcomes of the usage and make repeat purchases. Familiarity or a pure disinterest toward the offering indicates low involvement to the consumption process. Due to low involvement and uncertainty, consumers in this quadrant can be described as passive in their behavior: they make repeat purchases and are not seeking alternatives. Buying behavior of such can also be described as behavioral loyalty. It is not an outcome of a true relationship, but instead, it exists because of no incentive for consumer to change behavior, consumer inertia or simply because there are no alternatives. (Beckett 2000, 17) According to Kotler (2006) consumers in habitual buying behavior do not go through the usual belief-attitude-behavior sequence and do not search for information nor evaluate brand characteristics. Instead, consumers just reach out for a product or a service they are familiar with. Further, they do not have strong attitudes toward a brand, but instead pick the one that they can remember. Marketers of such products and services are often using sales promotions to stimulate brand switching and trial. In the context of financial services and credit cards, loyalty programs are also a widely used tactic to retain customers situated in this quadrant (Wirtz et al. 2007).

Consumers who are interested and involved in the offering and also feel confident about the outcomes follow the rational-active behavior pattern. The ideal of rational consumers in economic theory is actualized in this quadrant. Consumers in rational-active quadrant are confident about the outcome and possess the ability to search and make decisions based on the available information. Consumers tend to strive toward this kind of behavior as it reduces transaction costs and give them the essence of control over the buying process. (Beckett 2000, 17)

Consumers in relational-dependent quadrant are highly interested and involved in the product/service category but due to the complexity and uncertainty of the outcomes are not capable of controlling the buying process. Thus, they seek for advice from other parties, such as fiends, family and service provider. These customers are dependent on others and are building relationships to avoid and control uncertainty. In that way they are able to make reasoned decisions. (Beckett et al. 2000, 18)

No-purchase quadrant represents a situation where consumers are not involved in the product/service category and do not have the capability to make transaction decisions. These consumers are not buying at the moment but there might be marketing potential in terms of prospective customers. (Beckett et al. 2000, 18)

Different types of consumer behavior require different strategic actions from the marketer. Strategic challenge of repeat-passive behavior depends on whether the marketer is a new entrant to the market or an existing participant. The challenge for a new marketer is to move competitors' repeat-passive customers into rational active quadrant. However, existing market participant has to retain customers by keeping them into repeat-passive. (Beckett et al. 2000, 23) Kotler (2006, 155) suggest using sales promotion to foster trial and brand switching to get new customers try the product/service. Wirtz et al. (2007) provide an example of retaining customers by loyalty programs. No-purchase consumers represent an important source of new business. Marketers have to increase involvement and decrease uncertainty among these no-purchase customers in order to activate them. In the relational-dependent quadrant, the key for the marketer is in the relationship building. Relationship based on mutual trust is hard for competitors to challenge and thus create a possibility of differentiation (Beckett et al. 2000 23-24).

2.5 Summary

Services are separated from products by their distinctive characteristics. The two should not be seen as the polar extremes to one another and variation between services exists. Nevertheless, marketers should recognize the service characteristics and pay attention to their implications. The three consumer purchase decision paradigms were also recognized in Chapter 2.2 and the cognitive approach was analyzed in more detail. It is based on the assumption of a rational consumer who, in the face of a purchases decision, engages into a problem-solving activity. Gabbot & Hogg (1998) and Harrison (2000) divide consumer decision making into pre-purchase information search, evaluation of alternatives and post-purchase evaluations. It it also noted that decision making process become more simple when dealing with simple services (Kotler 2006).

Chapter 2.4 introduced the Theory of Planned Behavior, which is a general model used to predict social behavior. The TPB assumes intention as the immediate variable predicting behavior that is influenced by individual's beliefs and attitudes (Ajzen 2005). Chapter also introduced the Consumer Behavior Matrix, which classifies consumer behavior according to the concepts of uncertainty and involvement. The resulting behavior patterns in the matrix are repeat-passive, rationale-active, relational-dependent and no purchase. (Beckett 2000)

Consumer behavior, in the context of credit cards, can be analyzed from two different perspectives. First, the consumer decides whether to acquire a card or not. In that situation, purchase decision can be analyzed in respect to the problem-solving activity. Thus, the decision process can be divided into the stages of pre-purchase information search, evaluation of alternatives and post-purchase evaluations. Second, the actual use of the chosen credit card. In this situation, the consumer has already acquired a credit card or several cards and the decision regarding using them follows time over time.

Theory of Planned Behavior, which predicts behavior, is applicable to the continuous processes of credit card use, whereas decision making relate more on one off purchases

According to the literature, personal attitudes, subjective norm and perceived control issues influence one’s intentions. Before using a credit card, the customer goes through a sequence of effects. All individuals have their own experiences, knowledge and values that create beliefs about the use of a credit card. Based on these beliefs consumers evaluate the positive and the negative aspects and end up with personal attitude toward the intended behavior. Customers also realize that their behavior does not come without consequences from others. Thus, they are under a social pressure to act in a certain way. Internal and external limitations also influence consumer behavior. Consumer may have positive feelings about using a credit card while normative beliefs do not interfere with the use but the card might not be accepted as a payment method. That of course prevents the intended behavior. Intention might also be blocked due to the forgotten pin code. It could also be that cash is not available at the payment situation and customer is forced to use an alternative payment method such as a credit card.

The problem-solving process and the Consumer Behavior Matrix are more applicable to situations of one-off purchases, making them more useful in the analysis of the initial purchase of a credit card. The Theory of Planned behavior can also be applied to continuous behavior. According to the theory, intentions predict behavior and experience from behavior might change attitudes and knowledge and then future intentions. Every credit card payment can thus be seen as a new situation, which reflects the experiences of the previous behavior.

3. SALES PROMOTION IN FINANCIAL SERVICES

Increased competition in the financial services sector has made prices more transparent, and therefore price competitions have become more common. Market conditions have increased the use of price promotions to increase short-term sales. (Harrison 2000, 221) Peattie & Peattie (1994b) identify five contributors to the increasing use of sales promotions in financial services. First, rising prices and advertising clutter erode mass-media advertising cost-effectiveness while consumers become more desensitized to it. Second, due to the increased use of sales promotions by market leaders it has become more respectable part of the promotional mix. Third, shortening planning horizons make short-term promotions more attractive. Fourth, fragmentation of the markets call for more tailored and targeted communication. Finally, in many markets, promotions have become so common that firms are almost obliged to follow or risk losing market shares.

Chapter 3 deals with the use of sales promotion in financial services. Sales promotion is a part of promotional mix and its objectives are directly linked to the overall marketing strategy (Kotler 2006, 470). This relationship is discussed in Chapter 3.1. Sales promotion tools can broadly be categorized into value-adding and value-increasing methods. The different tools along with the definition of the term sales promotion are explained in Chapter 3.2. The objectives and different target consumer groups are discussed in Chapter 3.3. Sales promotion is usually intended to meet the short-term promotional objectives by motivating consumers´ to immediate action. Effects on long-term sales are however, under an academic debate. Different research shows varying results about the long-term effects of sales promotion. (Peattie & Peattie 1993) The debate around sales promotion effectiveness is discussed in Chapter 3.4, which also summarizes the topic as a whole. The theoretical framework of the study is explained in Chapter 3.5.

3.1 Sales Promotion as a Part of Marketing Communications Mix

Company's overall marketing communications mix consists of different mixture of advertising, sales promotion, public relations, personal selling and direct marketing. Marketing communications mix, which is also called as promotional mix, is used to pursue the established marketing objectives of the company. Each of the promotional categories includes their own distinctive tools that are used in reaching the overall communications efforts. Not only the specific promotional tools communicate with customers but also all other elements, such as product design, package, store and price send messages to customers. Thus, the whole marketing mix must be adjusted accordingly. In the concept of integrated marketing communications, all the marketing efforts are integrated in a consistent and coordinated manner in order to achieve the greatest overall communication impact. (Kotler 2006, 427)

Several reasons are making integrated marketing communications more prominent solution for companies in the contemporary communications environment. Mass-markets have become more fragmented and mass advertising is losing its power in the face of media fragmentation. Customers are calling for more tailored solutions and companies are designing marketing programs to create closer customer relations in more narrowly defined markets. The vast improvements in information technology have also opened opportunities for companies. More market information about customers and their needs can be observed from the markets and new communication media are available to reach smaller customer segments. Fragmented communication environments challenge companies to integrate their different communication channels in order to create coordinated and compelling message about the organization. (Kotler 2006, 428-429)

Companies must combine the different communication tools into a coordinated promotion mix. The appropriate use of sales promotion and the overall blend of different promotional tools are influenced by promotional mix strategy. Two broad promotion mix strategies to choose from are defined in literature as a push strategy and a pull strategy or a combination of both. In a push strategy, promotion is directed to channel members in order to push the offering to customers. Primary promotional tools used under a push strategy are personal selling and trade promotion. The objective of a pull strategy is to direct communication efforts to customers, who then will demand the offering from the channel members, who in turn demand it from the producer. The main promotion tools used in a pull strategy are advertising and consumer promotion. Many companies also use a combination of both. The type of offering, markets and the stage in a product life cycle also play a role in the construction of an appropriate promotion mix. For example, many business-to-business marketers tend to use more push strategy and rely more on personal selling, whereas business-to-consumer marketers depend more on a pull strategy. Product life cycle also determine the appropriateness of a different promotional tools. For example, offerings in an introduction stage are often promoted by advertising to create awareness and sales promotion is used to induce trial. (Kotler 2006, 443-444)

3.2 Sales Promotion Tools In Financial Services

There is no common definition of sales promotion found on literature. Peattie & Peattie (1994a) define sales promotion as "*marketing activities usually specific to a time period, place or customer group, which encourage a direct response from consumer or marketing intermediaries, through the offer of additional benefits.*" Kotler (2006, 469) defines sales promotion as a "*short-term incentive to encourage the purchase or sale of a product or service*". By definition, sales promotion can either be directed to customers or channel intermediaries and it is used to encourage immediate action. In the scope of this research, however, sales promotion to marketing intermediaries is left out and the focus is only on consumer sales promotions. In the literature, sales promotions are broadly categorized to value adding (non-price promotions) or value increasing promotions (price-based promotions) (Peattie & Peattie 1994a, 24).

Value increasing promotions, such as price deals, coupons and refund offers, change the price or quantity in order to increase the value of the offering. The value increasing promotions are the most commonly used and thus dominate the literature. However, in services promotions, value increasing deals might be troublesome. This is because pricing services is already a difficult task and consumers often use price as a measure of service quality. Price deals assume price-averse, price seeking and price aware consumer, but in reality, consumers might actually relate hazily about pricing and feel that it is linked to quality. Also dangers of price wars and crucial role of pricing in positioning are reasons why price deals might not always be worthwhile in promoting financial services. (Peattie & Peattie 1994a, 24)

Value adding promotions do not change the price or quantity, but instead, add value to the overall offering by bundling something extra to it. Examples of value adding promotions are free gifts, complementary products, competitions and sweepstakes. (Peattie & Peattie 1994a, 23-24) Wakefiel & Bush (1998, 213) state that loyal customers who are involved in the category may not feel price discounts very useful. Instead, they might prefer value adding promotions that give them something extra and thus increase the overall value of the service. The use of value adding deals has become more common among the financial services marketers especially competitions in the American markets have become popular. Promotional competitions emerge in varied forms in terms of complexity. In addition to a simple buy and win campaigns, competitions are also used as a part of larger integrated marketing communications campaigns. Value adding promotions in general and competitions particularly might prove as an attractive alternative in the quest for differentiating one's services, attracting new customers and rewarding existing customers. (Peattie & Peattie 1994b, 20, 28)

3.3 Sales Promotion Objectives

Sales promotions have many objectives, which are interlinked to the objectives of marketing and communications. Promotions are often used to increase short-term sales of a product or a service. (Kotler 2006, 470) Long-term effects are under an academic debate and different research results are discussed later in Chapter 3.4 (Peattie & Peattie 1993, 257) According to the literature, sales promotions are targeted to different groups with different promotional objectives. The general consumer groups that promotions are targeted for are potential users, competitor loyals, brand switchers and loyal customers. Potential users are currently not using the service but can be persuaded to do so by promotional activity. Successful sales promotion can also encourage competitor loyals to change. Brand switchers are consumers who are switching through service providers according to whom has the best offer at the moment. Likelihood for them to switch is dependent on switching costs. When switching costs are low, brand switchers are easily persuaded to switch by sales promotion. However, making switchers loyal remains difficult. Loyalty of loyal customers can be also strengthened by sales promotions. (Peattie & Peattie 1994b, 21)

The aforementioned consumer groups provide different strategic possibilities for service marketers. Encouraging potential users and competitor loyals to try can expand market share and erode competitors share. It also opens up long-term benefits if new customers can be converted to loyal customers. Promotions targeted to brand switchers can create temporary sales uplift and possibilities to increase loyalty. Sales promotions to loyal customers should create extra value in order to retain and reward them, and to reinforce loyalty. (Peattie & Peattie 1994b, 22)

3.4 Sales Promotion Debate

Most researchers agree about sales promotion's boosting effect on short-term sales. However, long-term effects are under an academic debate and different research shows opposing results. According to Ailawadi (2001), sales promotions have a positive long-term effect on sales because promotions persuade consumers to change brands and to buy in larger quantity. Some of the research shows that after a promotional purchase probability for a repeat purchase is lower than after a non-promotional purchase. Literature identifies five main reasons for that. First, promotion is considered to be an external stimulus and after when it is gone consumers are less likely to re-purchase (Dodson et al. 1978, Bawa & Shoemaker 1987; in Peattie & Peattie 1993, 257). Second, customers might also become comfortable with the lower price and demotivated to buy with the normal price anymore (Monroe 1973, Winer 1986, Kalwani et al. 1990; in Peattie & Peattie 1993, 257). Third, promotions might also encourage low-probability purchasers to try. However they are customers who are not likely to make repeat purchases and thus the promotions have a negative impact on long-term sales. (Neslin & Shoemaker 1989; in Peattie & Peattie 1993, 257) Fourth, price is used as a measure of quality for many service consumers. In that sense, decrease in the price devalues the brand in the eyes of the customers. (Dodson et al. 1978; in Peattie & Peattie 1993, 257) Last, regular purchasers tend to stockpile during a promotion, decreasing the amount of after-promotion purchases (Frank & Massey 1971; in Peattie & Peattie 1993, 257).

Some research has also shown that sales promotions increase the likelihood for repeat purchases. If consumers are satisfied with the brand that is being promoted, it is more likely that they will also buy it later after the promotion is over. (Peattie & Peattie 1993, 257) Davis et al. (1992) conclude that price promotions do not have effect on consumers´ quality perceptions and promotions do not change the long-term purchase patterns of an established brand. Also brand switching and purchase re-timing are under an academic review. Moriarty (1985; in Peattie & Peattie 1993) found that promotions have only a minor effect on brand switching and customers who do switch might be those who are always looking for the best deal and thus cannot be kept as loyal customers. Previous research has also found that consumers simply re-time their purchases according to promotional offers (Doyle & Saunders 1985; in Peattie & Peattie 1993, 257).

Based on the previous research, three different long-term effects of sales promotions can be identified. First, if the promotion campaign has been successful in persuading new customers it might have a positive effect on long-term sales. However, if these new customers are those that are always looking for the best deal, it might be that when the deal is over, there are no long-term effects on sales. Third possibility is that, according to the five reasons mentioned above, promotions might have a negative impact on the long-term sales. (East 1997)

Conclusions from the sales promotions research should be made with care because many of the results can vary between different products and consumer groups. Also, situational factors play a role in the outcome analysis. In addition, it is good to remember that almost all of the research about promotions is made in the context of US markets and therefore implications may differ if applied to European markets. Sales promotions are much more common in the USA and customers are more used to them. Also the promotional techniques differ between the USA and Europe. An average sales promotion campaign in the USA offer more lines of the product, are shorter in duration and are reinforced with bigger price reductions. (East 1997, 92)

3.5 Summary and Theoretical Framework

Increased competition in the financial sector in general and in Finnish credit card markets particular have made prices more transparent and thus increased the competition with price. Also the fact that participants in the Finnish credit card markets are not very different from one another has also contributed to the increased price competition. Many credit card marketers are using value increasing promotion method, namely price reductions by giving customers free annual fees. The method has become so popular among credit card marketers and widely familiar among consumers that market entry without free annual fee has become difficult. The current situation is in accordance with what Peattie & Peattie (1993) claim about promotions becoming so common that firms are almost obliged to follow or risk losing market shares.

Sales promotion tools and objectives were analyzed in Chapter 3. In general, sales promotion is used to encourage immediate action among consumers. Value adding and value increasing promotions are targeted with unique objectives to potential users, competitor loyals, brand switchers and loyal customers. (Peattie & Peattie 1993) Also the possible problems of value increasing sales promotion in the context of financial services were identified and additional use of value adding promotion is suggested.

Intense competition in the credit card markets has made price reductions almost imperative but surviving the competition requires more. One promotional method to be used to stand out from competition could be the increased use of value adding promotion. In the promotion of the company´s credit card, value adding deals such as the increased bonuses and sweepstakes are used in addition to the value increasing price reductions.

Sales promotion debate was also discussed in the previous Chapter. The boosting effect of sales promotion to short-term sales is widely accepted in the literature. Research on long-term effects has however, offered some inconsistent results. According to Ailawadi (2001) sales promotion has a positive long-term effect on sales. Also Cotton & Babb (1978; in Peattie & Peattie 1993) state that consumers who are satisfied with the promoted brand will more likely repurchase. In contrary, many researches have revealed results indicating that sales promotion does not affect on long-term sales or even that promotion might decrease long-term sales. (Frank & Massey 1971, Monroe 1973, Bawa & Shoemaker 1977, Dodson et al. 1978, Winer 1986, Neslin & Shoemaker 1989, Kalwani et al. 1990; in Peattie & Peattie 1993)

The theoretical framework of the study is constructed on the basis of previously presented theories. A major influence is drawn form the Theory of Planned Behavior by Ajzen & Fishbein (1980). Figure 3 presents the graphical illustration of the framework.

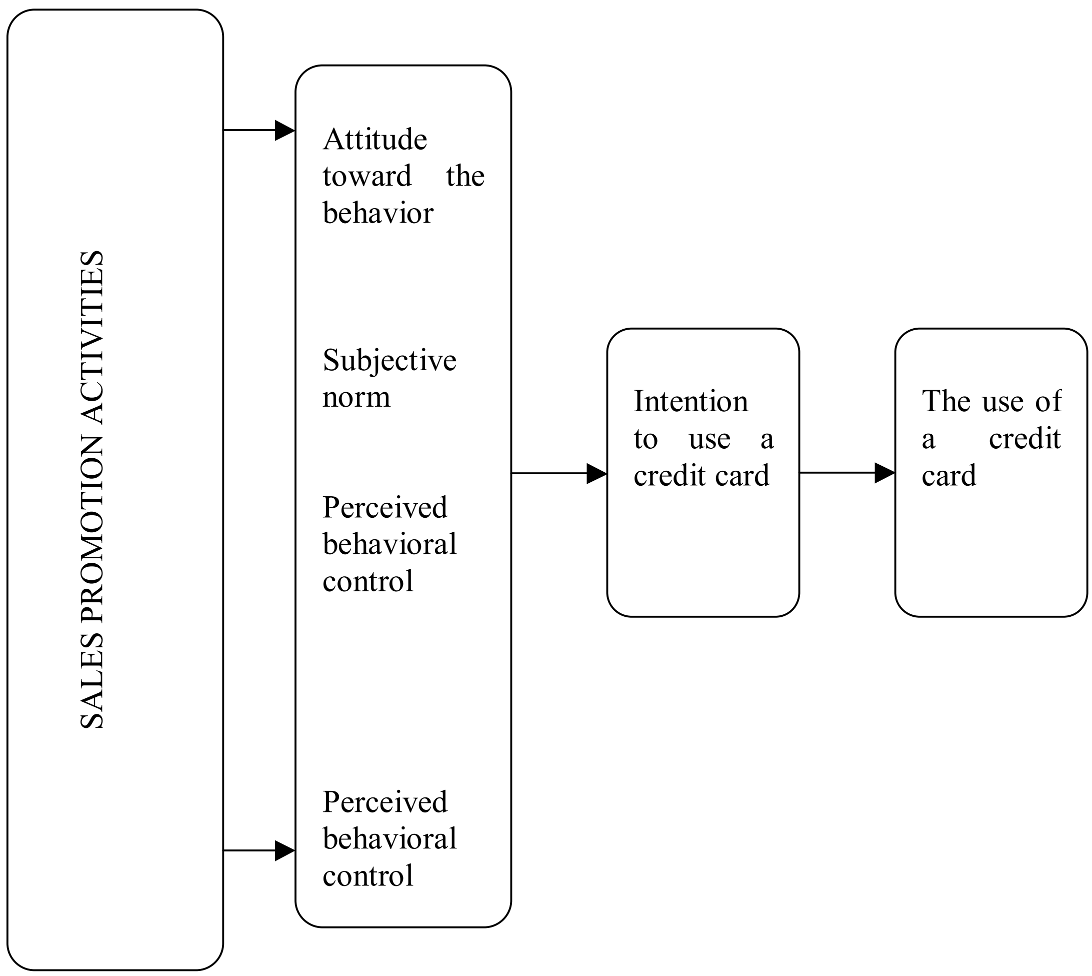

Figure 3. Sales promotion and its influence to consumer behavior

The buying process related to credit cards can be seen as a two-folded problem where decision-making process must be adjusted accordingly. First is the initial decision whether to get a credit card at all. In a credit card purchase decision, the consumer first searches for information and then evaluates alternatives. After that, if the need is still realized, a credit card is purchased and post-purchase evaluations follow. Second situation is the actual use of a credit card, which can be seen as a continuous process where many purchase decisions occur over time. The payment situation actualizes the need to choose the payment method and purchase follows without any complex processes of information search or alternative evaluation. Post-purchase evaluations follow unconsciously and are positive if the card was accepted as a payment method. This study is interested in the second part, the use of the chosen credit card.

Central factor in the model is the individual's intention to behave in a certain way. Personal attitudes, social pressure and perceived control issues influence one's intentions. Before using a credit card the customer goes through a sequence of effects. All individuals have their own experiences, knowledge and values that create beliefs about the use of a credit card. Based on these beliefs they evaluate the positive and the negative aspects and arrive at a personal attitude toward the behavior. Customers also realize that their behavior does not come without consequences from others. Thus, they are under a social pressure to act in a certain way. Internal and external limitations also influence customer behavior. Customer may have positive feelings about using a credit card and no normative beliefs interfere but credit card might not be accepted as a payment method. This prevents the intended behavior. Intention might also be blocked due to various other reasons.

The model assumes that behavior may be modified by sales promotion stimuli, which change beliefs, attitudes and eventually intentions and behavior. If the intervention influences customers, it changes intentions and eventually changes the behavior. Attitude, social norm and behavioral control are squared in a single box, as opposed as in The Theory of Planned Behavior, because the research does not try to solve precisely on which part the sales promotion influences. Instead, the three are studied as a whole and the changes in them are observed in the behavior.

The Theory of Planned Behavior is very compatible with the studied phenomena of the credit card behavior. It is a general theory to predict social behavior and widely used in many different research projects in different fields of sciences (East 1997, 140). The Theory of Planned Behavior is also applicable in purchases that occur multiple occasions over time, whereas the consumer decision-making process applies mainly to situations of one-off purchases (Harrison 2000).

4. METHODOLOGY

Chapter 4 discusses the choices regarding research design, sampling, data collection and research methods. It begins by an introduction of the assignment and the assigning company. Section 4.2 discusses the differences between quantitative and qualitative research and illustrates the research design. The concept of causality is also discussed in the chapter. Chapter 4.3 covers the population and choices about sampling and data collection. Chapter 4.4 introduces the one-way ANOVA, two-way ANOVA, t-test and cross tabulation that are used in the data analysis. The closing chapter considers reliability and validity of the research.

4.1 Assignment Presentation

The assigning company introduced a new credit card with the intention to make the customers use credit cards more as a daily payment method. To achieve the goal, the loyalty program was introduced to reward customers for the use of the card. The introduction was reinforced with different sales promotion activities. This study is assigned to study the effectiveness of two promotion tools: the opening offer and the birthday promotion.

4.2 Research Design

Research methodology can either be quantitative, qualitative or a combination of both. In quantitative research, data is quantified and statistical methods are used in the data analysis. It aims to give results that are representative to the whole population. In qualitative research, data is verbal or visual and it aims to provide insight and understanding of the given phenomena. (Malhotra & Birks 2000, 155-156) Typical difference between the methods is how different stages of research are separated. The quantitative method makes a clear distinction between the different stages of data collection, preparation and analysis, whereas the qualitative method does not. (Uusitalo 1991, 80)

Instead of being exclusive, qualitative and quantitative methods should be seen as complementary to one and another (Hirsjärvi et al. 2005, 127). Qualitative research can, for example, be used to precede quantitative research in identifying the appropriate variables that can then be measured. Conversely, a quantitative research may be conducted to discover meaningful differences between groups, which can then be analyzed in qualitative manner to gain understanding of the reasons for differences between the groups. It is also possible to use the methods simultaneously. (Hirsjärvi et al. 2005; 127-128. Malhotra & Birks 2000, 18-19)

The decision between the quantitative and qualitative research methods depends on the nature of the research problem and research phenomena. (Uusitalo 1991, 79) This research investigates the causal relationship between sales promotion and consumer behavior by analyzing the data in the company database. The cause and effect relationship and the available numeric data call for quantitative research method.

Causality, in its scientific meaning, has proven a difficult concept. (Uusitalo 1991, 99). To clarify causality, a short introduction of the concept and its prerequisites are discussed. First, causality is conditional to surrounding circumstances. X might be a cause for effect Y, but it only happens if the circumstances are favorable. Also, in social sciences, the relationship between cause and effect tends to be probabilistic. In other words, the appearance of cause makes the effect more probable, but it cannot be demonstrated conclusively. (Malhotra & Birks 2000, 241; Uusitalo 1991, 100-101)

Before causality can be assumed, three conditions have to be satisfied. Due to its probabilistic nature, these prerequisites are necessary but not sufficient in explaining the causal relationship. First, cause and effect must vary together. If the cause changes, the effect must follow or at least the probability of the cause has to increases. Second, time order of causality mean that the cause must occur before or simultaneously with the effect. Finally, it must be that third factors are not explaining the causal relationship. In principle, that requires a closed system, in which all the possible variables are identified. In reality, it is impossible to confidently rule out all possible third factors. However, different experimental research designs can be utilized to reduce the impact of other factors. (Malhotra & Birks 2000, 242; Uusitalo 1991, 101)

The empirical research studies sales promotion in the context of the birthday promotion and the opening offer. Both occasions employ the quasi-experimental time-series design. Quasi-experiment research design is used when a researcher has a control over the time when measurements are taken and influence on who is measured. In quasi-experiment design, researcher lacks the control of scheduling of the treatments and test units are not exposed randomly. (Malhotra & Birks 2000, 256) In this research, the birthday promotion effect is measured in two weeks time periods before, during and after the promotion. The opening offer is studied during and after the promotion in three month periods. In this case however, the design is more limited because measurements of pre-promotion cannot be made. That makes conclusions of causality questionable but still suggestive.

4.3 Population and Sampling

Population characteristics can be studied by conducting a sample or a census. A census study involves the whole population, whereas a sample represents a subgroup of the population. Often, it is not possible or necessary to study the whole population and a sample is conducted. Sampling methods are classified into probability and non-probability techniques. In probability sampling, units of the population are selected by chance and every unit has a fixed probabilistic opportunity of being selected. Probability sampling requires a precisely defined population and a sampling frame. Non-probability sampling is based on the personal judgment of the researcher in selecting the sample units. It may result in good estimates of the population but results are not statistically generalizable to the whole population. Determining the sample size is a difficult task. In general, the more precise the required information has to be the bigger the sample size should be. Statistical approaches based on confidence intervals can also be used in setting the appropriate sample size. In the literature, a rough range of 200-2500 is suggested for a typical sample size. (Malhotra & Birks 2000, 346-390)

The population of the study consists of the credit card customers of the assigning company. All the required data is located in the company database making a census study a feasible solution. The study of the opening offer includes all the credit card customers, who have had a customer relationship of at least seven months, which is the studied time period. The birthday study includes all accounts with a birthday during their customer relationship. Promotional bonuses are earned from purchase transactions only and thus other transactions, such as ATM withdrawals and cash advances were excluded from the data.

4.4 Methods of Data Analysis

Statistical methods of t-test and one-way ANOVA were utilized to study the influence of independent variable sales promotion on the dependent variable credit card purchases. In addition, independent variables age and gender were included in the study aiming to answer whether the effectiveness of sales promotion varies between different age groups and between male and female. First, all the variables were tested independently, after which the interaction influence of the significant variables were investigated together by employing two-way ANOVA and cross-tabulation.

A t-test may be used to compare the differences of means between two groups. It is appropriate with a single interval dependent variable and a categorical independent variable. It can be used to test the differences of two dependent or independent samples, or between a sample mean and a known mean. The t-test requires that the variable is normally distributed, means are known and that variances are roughly similar. (Garson 2008)

One-way analysis of variance is used to test the significance of the differences between the mean values of dependent variable in different categories of an independent variable. The dependent variable must be measured using an interval or ratio (metric) scale and the independent variable must be measured using a nominal or ordinal (categorical) scale. Independent variable can also be called a factor. (Blaikie 2003, 201; Malhotra & Birks 2000, 491)

One-way ANOVA can be applied when there is only one independent variable. Analysis of variance can also be expanded to cover more than one independent variable or dependent variable. Two-way analysis of variance is used when two independent variables exist. Covariance analysis is used in situations where at least one independent variable is present. The difference is however, that independent variables can be measured at least in the interval scale. Multivariate analysis of variance (MANOVA) extends the basic analysis of variance by including numerous dependent variables. (KvantiMOTV 2008)

Categories of the independent variable are fixed, thus called a fixed-effect model. Other assumptions related to ANOVA include homogeneity of the variance of dependent variable in the different categories of independent variable. The dependent variable should also be normally distributed in the different categories of independent variable.

However, moderate deviations in variances and normal distributions are allowed especially with larger sample sizes. With an adequate sample size, homogeneity of variance and normal distribution are usually satisfied. To get adequate results, the sample sizes in both categories of independent variable should also be of equal size. (Garson 2008)

Cross-tabulation examines distributions of two or more variables and their interdependencies. It aims to reveal whether the distribution of dependent variable varies in the different categories of independent variable. Frequencies in the table are expressed in percentages. Categorical variables are required in cross tabulation but metric variables can also be analyzed if they are first recoded into categorical form. Chi-square is the appropriate method to test the statistical significance in cross tabulation. (KvantiMOTV 2008)

In the study of opening offer, one metric dependent variable and one categorical independent variable are tested. T-test is used to compare the differences between the means of credit card transaction amounts during and after the promotion. The null hypothesis states that there is no difference in the purchase transactions in the categories of sales promotion and it is tested by using the t-test. In addition, the influence of the independent variables age and gender are tested by one-way ANOVA and t-test. After individual testing of each variables, statistically significant variables are investigated together by conducting two-way ANOVA and cross tabulation. Also, a cumulative sales graph is formulated to group the total sales of all credit cards. That should increase the understanding of how the sales are spread over the different periods.

The birthday promotion study involves a single metric dependent and categorical independent variable. Thus, one-way ANOVA is used to study whether the category means differ in the population. The null hypothesis states that there is no difference in the credit card purchase transactions in the categories of sales promotion and it is tested by a one-way ANOVA. In addition to the one-way ANOVA, a number of total purchases during each of the periods is analyzed and resulting groups are compared to each other. Individual influence of the variables age and gender are also experimented by statistical methods one-way ANOVA and t-test. After that, two-way ANOVA and cross tabulation are utilized to analyze the interaction influence of the statistically significant variables.

In both studies, variables age and transaction amounts are re-coded into classes for the purposes of cross tabulation. Further analysis is conducted with variables in their original form. The resulting classes for the variable age are: 18-37, 38-47, 48-80 and for the variable transaction amounts: 0-25, 26-50, 51-75, 76-5000. Groups were formulated according to mean values and distributions. Thus, all the groups are fairly equal in size. Classification of variables is necessary but results also in limitations.

4.5 Research Validity, Reliability and Limitations

Research results have to be valid and reliable. Assessments of reliability and internal and external validity are an important part in the evaluations of research results. (Malhotra & Birks 2000, 2467)

Internal validity refers to whether the conclusions drawn from the effects between independent and dependent variable are valid. It assesses the capability of the research to measure the phenomena of interest. External validity refers to whether the results of the research can be generalized to a larger population. Internal validity is the minimum for any research and without it the results are confounded. (Malhotra & Birks 2000, 247) Reliability refers to the consistency of results. If, for example, multiple researchers arrive in the same results, research can be said to be reliable. In quantitative research, statistical methods are used to ensure reliability. (Hirsjärvi 2005, 216)

To infer causal relationship from a quasi-experiment, the three requirements of causality have to be confirmed. First, cause has to precede effect. Second, cause and effect have to vary together. Third, no alternative variables explaining causality may exist. The first two are well satisfied by the quasi-experimental design but due to the lack of random assignment of treatments, the third prerequisite for causality has to be analyzed in more detail. Time order and covariation are accomplished because treatments are forced to occur before the effect and covariation can usually be proved in the statistical analysis. (Shadis et al. 2002, 105) In the time series research setting, measurements before, during and after the effect control for possible extraneous variables and thus meets the third prerequisite for causality. Control group could also be included in the design to further manage the influence of extraneous variables.

Research design in the birthday promotion controls for the extraneous variables and ensures the internal-validity of the research. Measurements before, during and after the effect strengthen the conclusion that third factors are not interfering the results of cause and effect relationship between sales promotion and consumer behavior. Birthdays that are the basis of the promotion are also randomly spread over the calendar year. This eliminates possible effects on sales caused by the year of time. The research design in the study of opening offer does not control the possible influence of third variables and thus results should be interpreted as suggestive. The external validity of the research is strong and results are generalizable to the population of company customers. Also, the appropriate statistical methods ensure the reliability of the research.

The main limitations of the research are related to the data in the study of opening offer and to the lack of marketing communications in the study of birthday promotion. As mentioned previously, the research design in the study of opening offer does not control the possible influence of third variables. The inclusion of the control group or prior to promotion measurements to the research design would solve the problem. That of course is not possible because no prior to promotion data exist for new customers and inclusive nature of the deal eliminates the possibility of a control group. The lack of marketing communications related to the birthday promotion might make the conclusions of the sales promotion influence dubious. The question whether customers remember the sales promotion at the time of their birthday is by all means justified.

Age groups were formulated according to mean values and distributions. Thus, the resulting three groups are fairly equal in size. Classification of variable age was a necessary act for the cross tabulations but also makes the conclusions more uncertain. Majority of the customers are in the middle on the continuum of age and if divided into more classes, the end groups would have been very small and that had resulted in the domination of the groups in the middle. This is why groups were divided only in three. The classification used here is one example only and varying conclusions from other classification might have resulted. However, the current classification is well justified and does not jeopardize the validity of the research.

The fact that the research is conducted on the customers of a single company also limits the external validity of the results. Results can confidently be generalized to the population of the assigning company and for that the external validity is strong. However, it can be questioned whether the customers of the assigning company represent the overall population of credit card customers in, for example, the Finnish markets.

5. RESULTS HOW SALES PROMOTION INFLUENCE ON CONSUMER BEHAVIOR IN FINANCIAL SERVICES

Chapter 5 presents the results of the research. The influence of sales promotion on consumer behavior was studied in two different research settings; the opening offer and the birthday promotion. Chapter 5.1 describes the results of the opening offer that was analyzed using descriptive statistics, t-test, one-way ANOVA and with the help of cumulative sales graph and customer payment history. In addition, the interaction of the variables was analyzed using two-way ANOVA and cross tabulation. Chapter 5.2 explains the results of the birthday promotion analyzed by descriptive statistics, t-test, one-way ANOVA and sales frequencies. Also, interaction between variables was tested using two-way ANOVA and cross tabulation.

5.1 The Influence of the Opening Offer

The study of the opening offer included all the effective credit card accounts that had been open for at least seven months. Transaction data included only purchase transactions because promotional bonuses are only paid from purchase transactions. Money transfers, balance transfers and ATM withdrawals were all excluded from the data. In addition to the promotion, the influence of age and gender were included in the study. That aims to answer whether the effectiveness of sales promotion varies between different age groups and between male and female. The influence of promotion, gender and age group was first tested independently. After that, statistically significant variables were mixed with the promotion to investigate the interaction effect between the variables. The purpose was to elucidate whether sales promotion could be targeted to smaller customer segments.

The descriptive statistics of the opening offer are presented in Table 1. The study includes 9 603 accounts and 286 174 transactions. During the first three months, which is the time of the promotion, 6155 accounts totaled 205 182 transactions. The following three months after the break included 80 992 transactions made by 3448 accounts. The mean value for the credit card transactions during the opening promotion is approximately 51€ and after the promotion approximately 47€. The standard deviation of the results throughout the promotion is about 117 and 103 after the promotion The average amount of purchases per account decreases from about 33 during the promotion to about 24 after the promotion. Thus, credit cards were used more frequently and transaction values were higher during the promotion. However, the value of credit card transactions during the promotion varies only a little more than it did during the normal period.

Table 1. Purchase statistics by promotion and normal periods in the study of opening offer

Period	Mean (€)	Std. dev	Transactions (pcs.)	Accounts (pcs.)	Transactions/ Accounts
Promotion	51	117	205 128	6 155	33.3
Normal	47	103	80 992	3 448	23.5

Table 2 presents the t-test results related to the difference of credit card transaction means in the different categories of the independent variable promotion. The null hypothesis was tested with a confidence level of 95%.

> H_0: There is no difference in the credit card purchase transactions between the periods of promotion and post-promotion.

Table 2. The significance of the differences between promotion and normal period in the study of opening offer

Method	t value	Significance
Satterhwaite	9.42	0.0001

T-test results in Table 2 show that differences in credit card transactions are statistically significant and the null hypothesis can be rejected. The method of Satterthwaite t-test was used due to the unequal variances between the promotion and post promotion groups.

Table 3 presents transaction statistics between female and male customers. Average credit card transaction for both groups is close to 50€ and male customers executed approximately 172 000 transactions while female customers had about 114 000 transactions.

Table 3. Purchase statistics by gender in the study of opening offer

Gender	Mean (€)	Std. dev	Transactions (pcs.)	Accounts (pcs.)	Transactions/ Accounts
Female	49	97	114 116	4 404	25.9
Male	50	123	172 058	5 199	33.1

T-test was applied to test the significance of the difference of credit card transaction means in the groups of independent variable gender. The null hypothesis was tested with a confidence level of 95%.

> H_0: There is no difference in the credit card purchase transactions between the groups of men and female.

According to the t-test results are statistically not significant (Pr < 0.2484) and the null hypothesis cannot be rejected. Thus, there is no difference in the credit card transaction amounts between female and male. The method of Satterthwaite t-test was used due to the unequal variances between the groups.

Statistics of the age groups related to the credit card transactions are presented in Table 4. Customers were divided into three groups according to age. The group 18-37 is the most active group with about 114 000 transactions. The mean purchase of that group is approximately 47€. The second most active group embodies customers in their age of 38-47 with approximately 90 000 purchases and with a mean purchase of 55€. The least active group according to the frequency of transactions is the group 48-80 with about 83 000 purchases and with a mean purchase of 47€. It seems that the youngest customers use the card more often and make smaller purchases on average with the group 48-80, while the age group in the middle makes the largest average purchases. The first group has also the most purchases per account, while other groups are almost equal.

Table 4. Purchase statistics by age groups in the study of opening offer

Age group	**Mean (€)**	**Std. dev**	**Transactions (pcs.)**	**Accounts (pcs.)**	**Transactions/ Accounts**
18-37	47	116	113 712	3 294	34.5
38-47	55	120	89 531	3 124	28.7
48-80	47	102	82 931	3 185	26.0

The null hypothesis was tested with a confidence level of 95% using one-way ANOVA.

> H_0: There is no difference in the credit card purchase transactions between the different age groups.

Results of the one-way ANOVA are presented in Table 5. The results show that differences between the age groups are statistically significant and the null hypothesis can be rejected. According to R-Square, age groups explain only 0.09% of the differences. Levene's test for homogeneity of variance state that variances between the different age groups are equal and thus Turkey's studentized range test (HSD) can be capitalized in comparing groups in pairs to see what groups are different. Pair comparisons show that all the different groups are statistically different from one another.

Table 5. The significance of the differences between the age groups in the study of opening offer

Method	R-Square	Significance
One-way ANOVA	0.000885	< 0.0001

Even though the t-test shows a statistical difference between the promotional and non-promotional groups, it nevertheless does not exclusively prove the causal relationship between the promotion and behavior. That is because the research design fails to fully incorporate the elimination of third variables. To control the alternative explanations, either a comparison group from the same time period or observations of pre-promotion should be included. In that case, all new customers get the promotion at the beginning of the customer relationship. Thus, both solutions are infeasible and results should be interpreted as suggestive in nature.

To further analyze the reasons of difference, a cumulative sales graph was put together. The sales graph in Figure 4 shows the daily cumulative amounts of credit card transactions during and after the promotion. The blue line in the graph represents the transactions during the promotion and the red line is the transactions after the promotion. The x-axis is the distance of transactions from the account opening date measured in days whereas, the Y-axis embodies the cumulative transaction values.

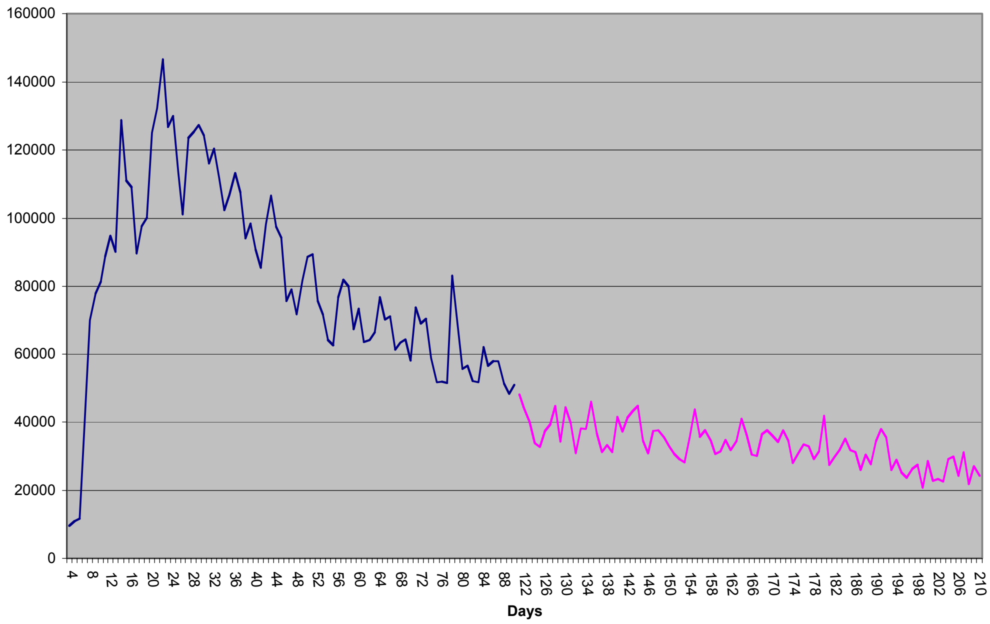

Figure 4. Cumulative Sales Graph

Figure 4 clearly demonstrates the uneven distribution of transaction amounts, in where most of the transactions are undertaken during the first month after the account opening date. After that, a steady decline in transaction amounts follows. One explanation for this is the customers' need for debt. Instead of using the card as a daily payment method and paying back the invoice in full at the due date, it seems that the card is quickly used up to the credit limit followed by minimum paybacks. Instead of the financially rational consumer, who would only take advantage of the bonuses and to postpone payments, it seems that customers simply use the card to increase debt and consumption. That is also backed up by the payment data, which shows that many customers are paying back the smallest possible amount.

Both variables promotion and age group were found to have an influence on credit card purchases independently. Table 6 shows the results of two-way ANOVA that studies the interaction influence of the variables. Each group has significance lower than 0.0001 meaning that in addition to independent influence, promotion and age also have an affect on credit card purchases together. R-square tells that the model explains 0.12% of the differences. However, the model was found to be singular and generalized inverse was used to solve the normal equations. Thus, effects are not uniquely estimable and model does not answer the question of which promotion and age groups in particular are significantly different.

Table 6. The interaction influence of the variables promotion and age in the study of opening offer

Variable	Significance	R-Square
Promotion	< 0.0001	
Age	< 0.0001	
Promotion*Age	< 0.0187	
		0.00121

As explained above, two-way ANOVA states that promotion and age, to some extent, influence credit card purchases together but fails to be more specific about the different groups. To specify the groups that are different, age and credit card transactions were analyzed in the different groups of promotion. The results from the cross tabulation are shown in the following Tables.

Tables 7 and 8 show the actual purchase amounts. Table 7 presents purchases during the promotion and Table 8 has purchases during the normal period.

Table 7. Purchase frequencies by age groups and purchase values at the time of promotion in the study of opening offer

Amount / Age	18-37	38-47	48-80
0-25	44 000	25 000	25 000
26-50	17 000	15 000	15 000
51-75	9 000	8 000	7 000
76-5000	15 000	14 000	10 000

Table 8. Purchase frequencies by age groups and purchase values after the promotion in the study of opening offer

Amount / Age	18-37	38-47	48-80
0-25	15 000	11 000	11 000
26-50	6 000	6 000	7 000
51-75	3 000	3 000	3 000
76-5000	5 000	6 000	4 000

The most eminent conclusion from Table 7 and Table 8 is the considerable drop in purchases in all categories after the promotion. Reasons for that could be due the promotion or by credit limit constrains discussed above with the sales graph. The group 18-37 has the most purchases in all the categories during the promotion and has also the biggest drop after the promotion. However, they remain the most active group in the smallest purchases and fairly even with others in the remaining categories as well. The amount category 51-75 has the least purchases in every age group. Frequencies also show that the card usage is skewed more on the small purchases, which indicates that it is used in small daily transactions.

Table 9 depicts how different age groups are represented in each of the amount categories. It shows age group card usage in each of the amount categories during and after the promotion. It is interpreted vertically and comparisons are made between the groups in each of the amount classes. Numbers in cells are presented in percentages and the first number represent the use during the promotion and the second figure represents purchases after the promotion.

Table 9. The spread of purchase values between the age groups during and after the promotion in the study of opening offer

Amount/Age	**18-37**		**38-47**		**48-80**	
	Promotion	**Normal**	**Promotion**	**Normal**	**Promotion**	**Normal**
0-25	47%	40%	27%	30%	27%	30%
26-50	36%	31%	32%	33%	32%	36%
51-75	35%	30%	34%	36%	30%	34%
76-5000	38%	34%	36%	37%	26%	29%

Table 9 shows that age group 18-37 has performed clearly the most purchases in the smallest amount category 0-25 both during and after the promotion. They are also the most active group in all the other categories during the promotion and have the most purchases in total. Age group 38-47 is fairly even with the group 48-80 in the smallest purchases both during and after the promotion but have steadily increased shares in two of the largest categories. The age group 48-80 is relatively the most active in after the promotion amounts between 26-50.

The most distinguishing conclusion from Table 9 is that the youngest customers seem to be more active during the promotion, after which their purchase frequencies drop the most in relation to other age groups. Transactions drop in total but the purchases of the youngest customers drop the most. The explanation could be that the youngest age group is influenced by the promotion and is taking the full advantage from the promotion. It could also be that they have just reached the credit limit during the promotion and are forced to restrain their credit card purchases in general and in big purchases in particular. One explanation is that older age groups have picked up the credit card as a daily payment method little by little during the promotion and thus purchases drop less after the promotion. The fact that prior to promotion use is unknown however makes conclusions dubious.

Table 10 shows how purchases are spread inside each of the age groups. It shows age group card usage in each of the amount categories during and after the promotion. It is interpreted vertically and comparisons are made between the amounts in each of the age group.

Table 10. The spread of age group purchases between the purchase values during promotion and normal periods in the study of the opening offer

Age/Amount	**0-25€**		**26-50€**		**51-75€**		**76-5000€**	
	Promotion	**Normal**	**Promotion**	**Normal**	**Promotion**	**Normal**	**Promotion**	**Normal**
18-37	52%	52%	20%	20%	10%	10%	18%	18%
38-47	40%	42%	24%	24%	13%	13%	23%	21%
48-80	43%	43%	26%	27%	13%	13%	18%	17%

According to Table 10, purchases of all age groups are weighted on the small purchases, which could be an indication that card is actually used in small daily purchases. The age group 18-37 has conducted more than a half of their purchases in the smallest amount category. It is also noticeable that the purchases in different categories of group 18-37 have remained the same during and after the promotion. What is interesting in the results of Table 10 is that even if the total purchases have dropped considerably after the promotion, it has not changed the purchase patterns. Customers are still making purchases of the same kind but there are only fewer of them. Only the customers between 38-47 had small changes of how they have used the card between the promotion and normal periods. During the promotion there are a little more purchases in the largest amounts, which are then replaced by smaller purchases after the promotion. That could be an issue of credit limit constrains or timing of purchases to get most out of the offer. However, the differences are very small.

5.2 Summary

The study of the opening offer first tested the individual influence of the independent variables promotion, gender and age on dependent variable credit card transactions. Various statistical methods showed significant differences of the dependent variable in the different categories of explaining variables promotion and age. The independent variable gender appears to have had no influence on the dependent variable. Credit card transactions emerged to be on a significantly higher level during the promotion than after it. However, the cumulative sales graph indicates that most of the sales throughout the promotion are conducted during the very first month followed by a steady decline towards the end of the period.

Second, the interaction influence of explaining variables promotion and age on the dependent variable credit card transactions was tested. According to two-way ANOVA, variables promotion and age have also an interactive effect on credit card purchases. However, the effects were not uniquely estimable and the model could not explain the differences in more detail. Thus, cross tabulation were used for further analysis.

Cross tabulation showed that the age group 18-37 was the most active group in the smallest purchases both during and after the promotion. They were also the most active group in the rest of the amount categories during the promotion but their transaction amounts decreased the most afterwards. Other age groups had a smaller decrease in transactions after the promotion and transaction amounts from above 26 became fairly even between all the age groups. However, all groups were using the card more for small purchases. Maybe the promotion offer made customers familiar with the loyalty program and with the idea of daily payments in general and the youngest were influenced the most. Alternative explanation is provided by the credit limit constrains.

5.3 The influence of the Birthday Promotion

The study of the birthday promotion includes all the accounts with a period of three weeks before and after customers' birthday. The study of the birthday promotion studies purchase transactions. Money transfers, balance transfers and ATM withdrawals are all excluded.

Descriptive statistics related to the birthday offer are presented in Table 11. It shows that the amount of 4 993 customers conducted 46 637 credit card transactions during the total of six weeks time around their birthday. Transactions were spread over the time so that two weeks before the birthday offer the number of transactions was 14 936 and throughout the two weeks promotion period transactions totaled 16 620. During the two weeks post-promotion the number of transactions equaled 15 081. The mean euro value for the pre-promotion transactions was 49€ and during the promotion it accounted for 49€. Post-promotion mean ended up being 48€. Standard deviation for the pre-promotion was 115 and 111 for the promotion period. The biggest variation of 119 appeared in the post-promotion period. Average amount of purchases per account increased from about nine prior to promotion to about eleven during the promotion and then fell back to nine after the promotion was over. All in all, the differences of groups were very small but during the promotion both the number of transactions and mean value were the highest. The results in post-promotion period seemed to vary the most.

Table 11. Purchase statistics by pre-promotion, promotion and post-promotion in the study of birthday promotion

Period	Mean (€)	Std. dev	Transactions (pcs.)	Accounts (pcs.)	Transactions / Accounts
Pre-Promotion	48.9	114.7	14 936	1 756	8.5
Promotion	49.2	110.8	16 620	1 540	10.8
Post-Promotion	48.0	119.2	15 081	1 697	8.9

The one-way ANOVA was used to analyze the difference of credit card transaction means in the groups of independent variable promotion. The null hypothesis was tested with a confidence level of 95%.

> H_0: There is no difference in the credit card purchase transactions between the pre-promotion, promotion and after promotion periods.

Results of the one-way ANOVA show that differences between the groups are statistically not significant ($P < 0.5927$) and the null hypothesis cannot be rejected. P should be smaller than 0.05 for the results to be statistically significant. R-Square tells that promotion explains 0.022% of the differences between the groups of pre-promotion, promotion and post-promotion.

Figure 5 shows the number of purchases made during each of the periods. Even if mean comparisons proved statistically insignificant, Figure 5 give supporting arguments for the promotion. The vertical bar one in Figure 5 represents the pre-promotion period, bar number two is the promotion and bar three is the post-promotion period. Figure 5 shows that the number of purchases increases during the promotion period and drops after it during the post-promotion period but remains higher than it was during the pre-promotion. Thus, it seem that customers begin using card more during the promotion and then adopt it as a common payment method. However, the differences of means were not significant and differences between the purchase frequencies are so small that it cannot be stated, with much confidence, to be due to the promotion. Instead, the differences can as well be explained by normal variation. When interpreting the results, one should recall that the birthday promotion was not communicated to customers after they first acquired the card. Thus, it could be argued that many customers have forgotten the offer before their birthday. In that sense, differences seem slightly promising even when statistically not significant.

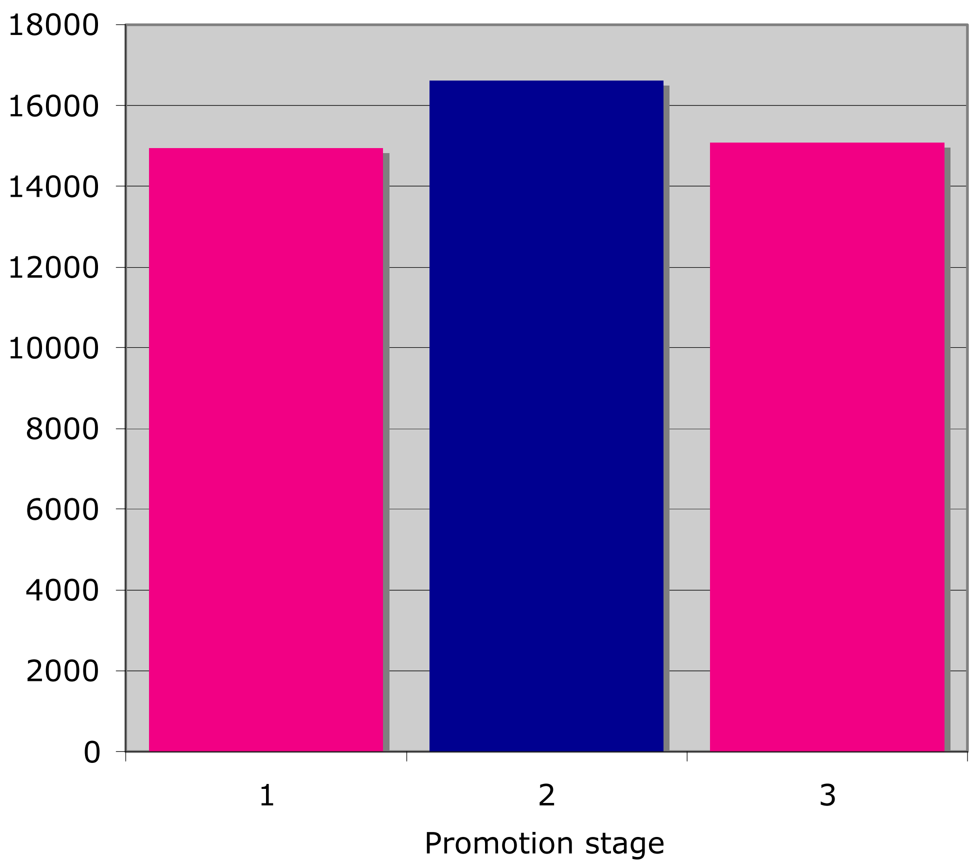

Figure 5. Purchase Frequencies

Research design of the birthday promotion ensures the reliability of the results. The inclusion of the pre-promotion observations adequately controls for third variables. According to the results, it could be argued that no causal relationship exists between sales promotion and consumer behavior. The contextual factors of the research might, however skew the results. The question of how many customers can even remember the promotion at the time of their birthday is a major consideration when interpreting the results.

The influence of gender on the purchase transactions was also studied in the context of birthday promotion. The descriptive statistics related to gender are presented in Table 12.

Table 12. Purchase statistics by gender in the study of birthday promotion

Gender	Mean (€)	Std. dev	Transactions (pcs.)	Accounts (pcs.)	Transactions / Accounts
Female	50	100	17 753	2 270	7.8
Male	48.0	123	28 884	2 723	10.6

Mean purchase for 2 270 female customers was about 50€ and 48€ for 2 723 male customers. However, male customers conducted 28 884 purchases or about 11 per account, whereas female customers had 17 753 purchases and about eight per account. But results of the male group also vary more, which is indicated by the larger standard deviation of 123.

T-test was used to study the difference of credit card transaction means in the groups of independent variable gender. The null hypothesis was tested with a confidence level of 95%.

H_0: There is no difference in the credit card purchase transactions between the groups of men and female.

The t-test results show that the P< 0.0512. Thus, difference is statistically not significant and the null hypothesis cannot be rejected. Thus, gender is not explaining any differences in the credit card purchase behavior.

Table 13 shows the statistics related to the age and credit card transactions. According to Table 13, the age group 38-47 has the largest mean purchase of approximately 54€ followed by the group 48-80 with a mean purchase of approximately 47€. The group 48-80 is the largest in the account quantity but they are all fairly even. The youngest customer group has the smallest mean purchase of approximately 45€. However, in transaction amounts, the group is the largest with 18 047 transactions and 11 transactions per account.

Table 13. Purchase statistics by age groups in the study of birthday promotion

Age group	**Mean (€)**	**Std. dev**	**Transactions (pcs.)**	**Accounts (pcs.)**	**Transactions / Accounts**
18–37	45	116	18 047	1 631	11.1
38–47	54	124	14 873	1 644	9.0
48-80	47	102	13 717	1 718	8.0

Table 14 presents the one-way ANOVA results related to the difference of credit card transaction means in the groups of independent variable age. The null hypothesis was tested with a confidence level of 95%.

H_0: There is no difference in the credit card purchase transactions between the different age groups.

Table 14. The significance of the differences between the age groups in the study of birthday promotion

Method	**R-Square**	**Significance**
One-way ANOVA	0.001167	<0.0001
Levene's test		<0.1239

According to Table 14, results are statistically significant and the null hypothesis can be rejected. Thus, independent variable age group explains differences in the dependent variable credit card transactions. R-Square tells that age groups explain 0.12% of the results. Levene's test for homogeneity of variance tells that variances of the variable credit card purchases are fairly equal. Thus, Turkeys's studentized range test (HSD) can be applied to compare the differences between the groups. According to HSD, groups 18-37 & 38-47 and 38-47 & 48-80 are significantly different. Thus, differences between the groups 18-37 & 48-80 are statistically not significant.

The interaction influence of promotion and age on credit card purchases was analyzed using two-way ANOVA. Results are shown in Table 15.

Table 15. The interaction influence of the variables promotion and age in the study of birthday promotion

Variable(s)	**R-Square**	**Significance**
Promotion		< 0.7428
Age		< 0.0001
Promotion*Age		< 0.3871
	0.002283	

Table 15 tells that independent variable promotion alone and promotion and age together do not have an influence on amounts of credit card purchases. P should be less than 0.05 for the results to be statistically significant. Thus, the null hypothesis cannot be rejected. However, the independent variable age alone seem to result in statistically significant differences in credit card purchases. Considering the previous results of one-way ANOVA on promotion and sales, results are as expected.

Cross tabulation were used to analyze the interaction between age groups and the amounts of credit card purchases. Promotion was previously found to be an insignificant factor and thus left outside frequency distribution analysis. Results of the cross tabulation are presented in Table 16.

Table 16. The spread of purchase values between the age groups in the study of opening offer

Value/Age	18-37	38-47	48-80
0-25€	44%	28%	27%
26-50€	32%	34%	34%
51-75€	33%	36%	31%
76-5000€	36%	36%	28%

The age group 18-37 is the most active group in the smallest purchases but unlike in the opening offer, they are not the largest in the rest of the categories. The group 48-80 is the most active together with the group 28-47 in the purchases between 26-50 with very little differences. The variation between the groups is more convergent compared to the results in opening offer. Only the smallest purchases show any significant differences between the groups.

Table 17 presents the number of purchases in each value group and in different age categories. It aims to provide understanding of how age groups differ from one another in each of the amount category.

Table 17. Purchase frequencies by age groups and purchase values in the study of birthday promotion

Value/Age	18-37	38-47	48-80
0-25€	9 400	6 000	5 800
26-50€	3 500	3 700	3 700
51-75€	1 800	2 000	1 700
76-5000€	3 200	3 100	2 400

Table 17 repeats the relatively same purchase patterns that appeared also during the opening offer. Small purchases dominate and the youngest customers are accountable for most of them. Again, the amount category 51-75 has the least number of purchases in all age groups. Differences in other amounts are even smaller than during the opening offer and thus not very significant.

Table 18 shows how purchases are spread within each of the age group. It shows age group card usage in each of the amount category during and after the promotion. Table is interpreted vertically and numbers in cells are in percentages.

Table 18. The spread of age group purchases between the purchase values in the study of birthday promotion

Age/Value	0-25€	26-50€	51-75€	76-5000€
18-37	53%	20%	10%	18%
38-47	41%	25%	13%	21%
48-80	43%	27%	13%	18%

Table 18 also states the same conclusion that the credit card is mostly used in small purchases. The age group 18-37 has again more than half of their purchases in the smallest category and amounts 51-75 are the least favored for all. The age groups 38-47 and 48-80 have more purchases in amounts 26-50 than the group 18-37 and all are fairly equal in the big purchases between 76-5000.

5.4 Summary

The birthday promotion study first examined the individual influence of the independent variables promotion, gender and age on the dependent variable credit card transactions. One-way ANOVAs and t-test implied statistically significant differences only between the explaining variable age and the dependent variable transactions. Promotion and gender did not have any statistically relevant influence on credit card purchases.

Nonetheless, transaction frequencies showed potentially interesting results regarding the interaction between sales promotion and credit card transactions. According to transaction frequencies, transactions increase during the promotion and decrease on post-promotion but remain at a higher level than prior to promotion. Considering the fact that promotion was not communicated to customers, it is an interesting finding, even if the differences are very small. Two-way ANOVA did not show interaction between sales promotion and age.

Cross tabulations were produced to further analyze the variation in the credit card transactions between different age groups. The same kind of purchase patterns can be found during the birthday promotion that appeared also during the opening offer. Small purchases dominate and the youngest customers are accountable for most of them. Differences in other amounts were smaller than during the opening offer and thus not very significant.

6. CONCLUSIONS

Chapter 6 begins with the summary of the research and discusses about major findings and suggestions for future research. Research is summarized in Chapter 6.1. Major findings including the managerial implications and the discussion of the validity of the theoretical framework are presented in Chapter 6.2. The closing Chapter 6.3 gives suggestions for future research.

6.1 Summary of the Research

This research studies how sales promotion influences consumer credit card behavior by examining credit card purchases before, during and after the promotional periods. It aims to reveal whether or not the promotions have increased the purchase activity and whether the purchase frequencies remained after the end of promotional period.

Severe competition in the Finnish credit card markets and present economic situation make it an interesting and current topic. Multiple market entries from different credit card marketers and strong existing participants create a wide array of credit cards for consumers to choose from. As a result, consumers may have multiple cards in their wallet, which creates the challenge of how to be the card on top of the wallet. The assigning company has tackled this problem by positioning itself as a daily payment method. The main feature in communicating the position to consumers is the unique loyalty program, which rewards consumers for credit card purchases. Communication with consumers is also reinforced using different sales promotion activities, which aim at promoting the benefits of the loyalty program.

Services are distinguished from goods by their unique characteristics and services are considered more difficult for consumers to evaluate than goods are. However, there is variation in the complexity of services and thus many classifications to better conceptualize and understand services are found in the literature. Devlin (1998) classifies services into simple and complex services and Beckett (2000) categorize financial services into general and investment services. Outcomes of investment instruments are uncertain, there is less information available and the available information is difficult for consumers to evaluate. Thus, decision-making about investment instruments is more difficult than for general services.

The cognitive approach of consumer decision-making emphasizes a rational consumer and views purchasing as a problem-solving activity. Gabbot & Hogg (1998) and Harrison (2000) divide consumer decision making in financial services into pre-purchase information search, evaluation of alternatives and post-purchase evaluation. Ajzen & Fishbein (1980) have also contributed to consumer decision-making research by conducting behavior predicting studies. The depth of consumer decision-making varies according to the complexity of a service. In a routine and simple decision, the consumer just buys the service without a conscious decision making process. In contrary, when faced with a decision to buy a complex service, consumer might engage into a long decision process including information search, evaluation of alternatives and post-purchase evaluations.

Research suggests that beliefs, attitudes and intentions predict consumer behavior. Consumers have many different attribute beliefs toward a service and these bundles of beliefs then form their attitude toward the particular service. Attitudes predict behavior and intention is an outcome of many attitudes. Ajzen & Fishbein (1989) suggest that intention is the closest proxy for predicting behavior. According to cognitive approach, consumers aim at rational behavior and do so when there are alternatives, the choice is free and they have capacity to handle the available information. Experience can also shape beliefs, attitudes and ultimately behavior.

The Theory of Planned Behavior by Ajzen & Fishbein (1980) and Ajzen (1991) incorporates the concepts of belief, attitude and intention into behavior predicting research. According to the theory, people behave logically and intentions are the immediate determinant of their behavior. Intention is influenced by one's own attitude toward the behavior. Attitude of others also affect intentions and is referred as subjective norm in the TPB. Individual's belief on how he or she is able to perform the desired action also influence intention and is referred as perceived behavioral control.

The study of consumer behavior in financial services by Beckett (2000) integrates the two broad attitudinal factors of uncertainty and involvement into a model of Consumer Behavior Matrix. The resulting matrix represents four different consumer behavior patterns of repeat-passive, rationale-active, relational-dependent and no purchase. The different quadrants all require different strategic actions from the organization. The challenge for a new marketer is to move competitors' repeat-passive customers into rational active quadrant, while the existing marketer has to retain customers by keeping them inside repeat-passive. No-purchase consumers represent market potential and can be activated by increasing involvement and decreasing uncertainty.

Sales promotion works as a part of promotional mix and its objectives are directly linked to the overall marketing strategy. Each of the promotional categories has their own distinctive tools that are used in reaching the overall communications efforts. In the concept of integrated marketing communications, all the marketing efforts including sales promotion are integrated in a consistent and coordinated manner in order to achieve the greatest communication impact.

In general, sales promotion is used to encourage immediate action in consumers. Value adding and value increasing promotions are targeted with unique objectives towards potential users, competitor loyals, brand switchers and loyal customers. Value increasing promotions change the price or quantity in order to increase the value of a offering. Value adding promotions do not change the price or quantity, but instead, add value to the overall offering by bundling something extra with it. Sales promotion literature identifies possible problems of value increasing sales promotion in financial services and suggests additional use of value adding promotion.

Promotions are often used to increase short-term sales of a product or service. Long-term effects are, however, under an academic debate and different research shows opposing results. According to Ailawadi 2001 sales promotions have a positive long-term effect on sales because promotions persuade consumers to change brands and to buy in a larger quantity. In contrast, other research shows that after a promotional purchase probability for a repeat purchase is lower than after a non-promotional purchase. According to Peattie & Peattie (1993), sales promotions increase the likelihood for repeat purchases. Also, Davis et al. (1992) state that price promotions do not change the long-term purchase patterns of an established brand.

This study used a quantitative research method and the population of the study consisted of the credit card customers of the assigning company. Numeric data in the company database was analyzed by using statistical methods, namely t-test, one-way ANOVA, two-way ANOVA and cross tabulation. SAS 9.3 was used in the data analysis. The influence of sales promotion on credit card purchases was studied in the context of opening offer and birthday promotion.

6.2 Major Findings

The study of opening offer first tested the individual influence of independent variables promotion, gender and age on dependent variable credit card transactions. Various statistical methods showed significant differences in dependent variable in the different categories of the explaining variables promotion and age. The independent variable gender appeared to have no influence on the dependent variable. In general, sales emerged to be significantly higher during the promotion than after it. However, the cumulative sales graph indicates that most of the sales throughout promotion are conducted during the very first month followed by a steady decline towards the end of the period.

Second, the interaction influence of explaining variables promotion and age was tested on the dependent variable credit card transactions. According to two-way ANOVA, variables promotion and age also have an interactive effect on credit card purchases. However, the effects were not uniquely estimable and differences could be explained in more detail and cross tabulation were put together for further analysis.

Cross tabulation showed that the age group 18-37 was the most active group in the smallest purchases both during and after the promotion. They were also the most active group in the rest of the amount categories during the promotion but their transaction amounts decreased the most afterwards. Other age groups had a smaller decrease in transactions after the promotion. All groups were using the card more for small purchases. The conclusion from that could be that the promotion offer made customers familiar with the loyalty program and with the idea of daily payments in general and the youngest were influenced the most. Alternative explanation is offered by the credit limit constrains.

The study of birthday promotion first examined the individual influence of independent variables promotion, gender and age on the dependent variable credit card transactions. One-way ANOVAs and t-test implied statistically significant differences only between the explaining variable age and the dependent variable transactions. Promotion and gender did not have any statistically relevant influence on the credit card transactions.

Nonetheless, transaction frequencies showed potentially interesting results regarding the interaction between sales promotion and credit card transactions. According to transaction frequencies, transactions increase during the promotion and decrease on post-promotion but remain higher than prior to promotion. Considering the fact that promotion was not communicated to customers, it is an interesting finding, even if the differences are very small. Two-way ANOVA did not show interaction between sales promotion and age.

Cross tabulation were produced to further analyze the variation in the credit card transactions between different age groups. Somewhat similar purchase patterns can be found during the birthday promotion that appeared also during the opening offer. Small purchases dominate and the youngest customers are accountable for most of them. Differences in other amounts were smaller than during the opening offer and not very significant.

6.3 Theoretical and Managerial Implications of the Research Findings

The results of the opening offer are statistically significant but the cumulative sales graph indicates that promotion might not fully explain the differences. According to the cumulative sales, it seems that the credit card is, at least partly, a source of extra debt. The birthday promotion results do not show statistically significant differences but purchase frequencies are promising. In the context of birthday promotion, one must recall that the offer has not been communicated to customers after they acquired the card. So, it remains unclear whether customers did not remember the offer or did not acted for it. In the future, customers could be reminded about the offer, for example, by direct mailing, in the bill preceding their birthday or by a SMS.

Opening offer and birthday promotion both show that the most active group is the customers between 18-37 and that they are possibly the most susceptible group to sales promotion. Both studies also show that most of the purchases are very small, that is between 0-25€. That could indicate that the card is actually used in small daily purchases. The earlier discussion of the appropriateness of chosen age groups should also be noted.

If differences in sales were due to sales promotion then results are in line with most of the academic research that sales promotion has a positive influence on short-term sales. The key point in the case is how sales promotion and the loyalty program in general have persuaded customers to use the credit card as a daily payment method and that way contributed to long-term sales. Peattie & Peattie (1993) state that if consumers are satisfied with the brand that is being promoted, it is more likely that they will also buy it later after the promotion is over. Thus, if customers are satisfied, it is likely that long-term sales are also influenced positively.

Peattie & Peattie (1993) also demonstrate that promotion is considered to be an external stimulus and after it is gone consumers are less likely to re-purchase and long-term sales are influenced negatively. Drop in sales after the promotion could prove that. However, to interpret the actual direction of sales, one would need to analyze the prior to promotion purchases, which are unknown in the opening promotion. During the birthday promotion, sales frequencies show positive uplift in sales but with very small differences. Thus, to some extent, results remain unclear.

Even if sales promotion did not influence the actual behavior, the synergies of the integrated marketing communications could still give a reason to the use of sales promotion. Together with other communications, sales promotion explains the benefits of the loyalty program in general and might influence positively the consumer perceptions. The basic philosophy of the Integrated Marketing Communications can be summarized in the following sentence: In the concept of integrated marketing communications, all the marketing efforts are integrated in a consistent and coordinated manner in order to achieve the greatest overall communication impact (Kotler 2006).

Howcroft et al. (2003) state that when evaluating services, consumers first rely on personal sources, after which they seek quality cues mainly from price and from physical aspects of the service. In addition, Peattie & Peattie (1994) state about the crucial role of pricing in the marketing of services and advise cautious use of price-based promotions in the context of financial services. Howcroft et al. (2003) also add that consumers rely on brand loyalty and toward a relationship with the service provider. In that sense, the opening offer and the birthday promotion are well justified. The price is not affected in either of the promotions and they both introduce the important loyalty program and possibly contribute to the company goal of introducing the credit card as a daily payment method.

The theoretical framework of this study adds sales promotion to the Theory of Planned Behavior. It assumes that sales promotion works as an interfering stimulus that affects people's attitudes, intentions and behavior. On the basis of the research, the validity of the theoretical framework cannot be confirmed and it remains open whether sales promotion can be included in the model as the interfering stimulus. However, the theoretical testing of the validity of TPB in general is not the purpose of the research but the underlying concept of the theoretical framework of this study.

The theoretical idea of a rational consumer is not supported by this research. Ideally, a financially rationale consumer would use the card to collect the bonuses and pay back the invoice in full at the due date. Alternative and cheaper forms of consumer credit would be used instead of a credit card. Of course, the theoretical ideal does not fully represent the reality, but results of this research do come close.

6.4 Suggestions for Future Research

The research design in the birthday promotion controls the influence of third variables and thus should give answers about the influence of sales promotion. However, the fact that the birthday promotion was not promptly communicated to customers leaves the results unclear. Marketing communications about the promotion is suggested, after which a future study could be conducted.

The topic of this research could also be studied by different research methods. A mixture of quantitative and qualitative methods could be used to tackle other parts of the theoretical framework. For example, customer attitudes towards credit card use could, in general, open opportunities to better understand consumer behavior. Also, once the promotional influence on behavior is analyzed, attitudinal factors could be identified and results linked together. That should give deeper understanding of consumer behavior and attitudes.

In addition to gender and age, other demographics could also be studied along with sales promotion to discover smaller customer segments receptive to this kind of promotion. If such segments were found, marketing efforts could be targeted to increase marketing efficiency. Any other marketing efforts could also be studied with appropriate measurement and segmented to get an idea of tactics that work for different segments.

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