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Discounts or happy money for efficient inventory management? A new trend on Romanian markets in changing the consumer behaviour

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Abstract

Consumer behaviour is one of the basic factors precisely analysed by major companies to identify the main requirements, needs, desires and trends in people's consumption habits and to generate profit. Do these occur when consumers' financial resources are limited and whether consumer habits are changing according to their financial availability? In this study, the impact of discounts on people's buying behaviour, especially during the product's expiration when it is sold with only 50% of the initial price was analysed. An online quantitative research was carried out with a sample of 160 respondents concluding that most of the consumers bought 50% less products even if they are not on their shopping list, most of the time there was only the illusion of an economy, not the saving itself. As a final remark, people are very sensitive when it comes to discounts changing the mindset of individuals who usually waste money for useless amounts of food and other products.

Keywords: Happy money, discount, consumer behaviour, quantitative research.

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1. Price—A sensitive variable on consumer behaviour

It is well-known that the main aspect analysed and researched by corporations is the consumer buying behaviour, there is nevertheless a fight in trying to identify the influence factors as well as their influence and persuasive methods.

Besides factors well defined by specialists as endogenous and exogenous factors of influence, the intricate characteristics of goods and services as a complement to influence factors are tools that deserve the researcher’s attention in the area of behavioural influence. ‘Price elasticity is a widespread use of consumer wishes or the ability to pay for goods and services’ (Huang, Dawes, Lockshin & Greenacre, 2017). This service is very reliable because, in general, the price is a decisive factor in the decision on buying a good or service and consumers are very sensitive to it. We noticed that despite the fact that one of the criteria for choosing products is quality (high quality is favourite for consumers), the price has a significant influence on decisions (low or moderate prices are favourite for consumers).

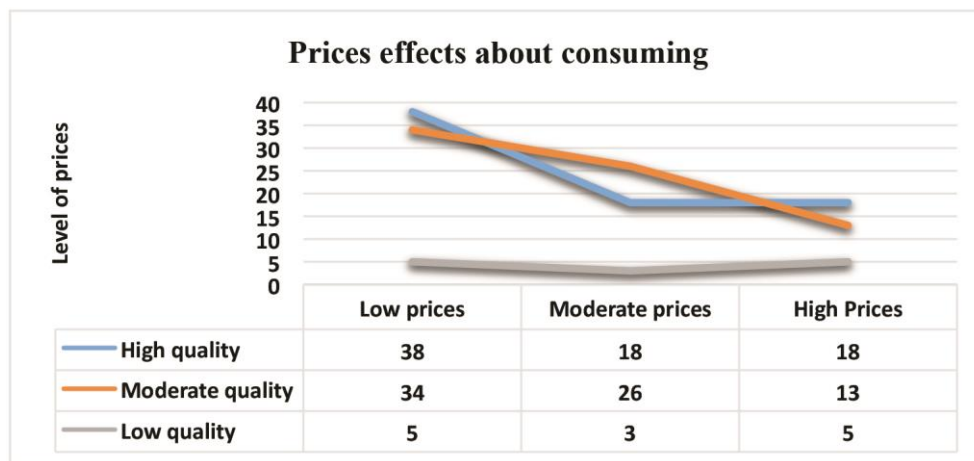


Figure 1. Prices effects about consuming

It seems that pricing decisions have always been a dilemma in marketing policy because the lower the prices, the higher the level of sales. The dilemma occurs when, in the case of new entries products for which sales promotion techniques are required, no discount or any other price operation can be applied.

In everyday situations, the price can be considered as a monetary equivalent attributed to the value of some joy or service, which has a different perspective depending on the angle of view. For the buyer, the price represents not only the equivalent of a balance but also a measure of the expectations regarding the quality and benefits of the purchased product or service. For the seller/producer, on the other hand, the price is seen as the way to cover the expenses incurred by producing/selling the respective asset or service, as well as obtaining the profit. ‘While price changes are an anticipated part of everyday reality, the reason for a price change or for certain characteristics of the transaction could evoke the change in customer perceptions of those products/services (Malc, Mumel & Pisnik, 2016) if a product is inexpensive, then its quality will be questioned while if the price of a product is very high, then buying it will be questioned, which is why setting the price level is a tedious and complicated process to give consumers the most favourable ratio between quality and price. In order to improve consumer perceptions of prices, specialists have been using different price strategies, such as ‘temporary price break (TRP) and unit price, which differ from others because they do not involve changes or discounts in retail prices but only the refraction of prices in a different form. TRP redefines prices as lower amounts based on the consumers that consumers use in everyday life’

(Shirai, 2017). Other methods used include temporary price discounts, or half-life, near the expiration date of products.

2. Discounts—Between happy money for consumers and increasing sales method

The degree of food waste quite high in the last decade seems to have raised problems for specialists and generated the identification of a solution to reduce it. 'About 89 million tons of food becomes food waste each year in the EU alongside all participants in a food supply chain'. The reasons that have led to the increase in the amount of food waste by retailers include inappropriate quality control, overcharging and inaccurate forecasts. A study has shown that 'the amount of food that gets wasted in retailers can be reduced by discarding old products or by applying a dynamically adjustable expiration date (i.e., dynamic lifetime)' (Buisman, Haijema & Bloemhof-Ruwaard, 2017). In a study carried out by Aschemann-Witzel (2018), it was noted that food waste was more common among consumers in situations of price discounts or in the case of convenience, but lower for consumers of conscious value. Basically, when consumers choose certain products just because they are low, then there are chances that they will become food waste, both because of the low quality and because of the expiry date, for products reduced by 50% of this reason. On the other hand, when consumers are anchored in the problem and do not choose low-quality products just because they found them faster or because they had a price discount, the involvement is greater and the risk to food waste is lower. However, the price is one of the main elements of the marketing mix through which consumers can be quickly and efficiently influenced to achieve positive results both at the level of sales and in terms of image or awareness brand.

'The promotion of prices (is temporary price cuts) for certain products applied in stores as well as in the online environment by merchants can also generate positive effects, among which we can recall the brand's brand awareness, brand familiarity, increasing the perceived value or strengthening a positive image of the mark' (Powell et al., 2016). Discounts are one of the most effective ways to boost sales, consumers responding positively to price cuts that stimulate their intention to buy products at bids. While some believe they have made an advantageous purchase, others believe that if they do not need a particular product anyway, they do not have to be bought even if they are at a low price. However, price offers still get positive results in their purpose. 'To combat food waste, supermarkets offer low-priced food in the stores when they are close to the expiration date or perceived as suboptimal' (Aschemann-Witzel, Jensen, Jensen & Kulikovskaja, 2017). And this has the effect of increasing sales for that product category. However, it seems that most consumers do not have a rational reason in the acquisition process, focusing somewhere between the low price and the need for that product. 'It turns out that consumers have proven to be 'optimal' for their 'best' food when they purchase food, so to reduce food waste within the supply chain, the price-based method based on the nearing completion of the product warranty period' (Aschemann-Witzel, 2018).

3. Methodology research

The article registered a sample of 160 respondents in supermarkets via a questionnaire consisting of 22 questions to identify their attitudes to price discounts, awareness of needs for those products and which is the most important attribute in choosing a product.

One of the questions in the questionnaire referred to the most important attributes taken into account by the consumer at the time of the purchase, and the results showed as follows:

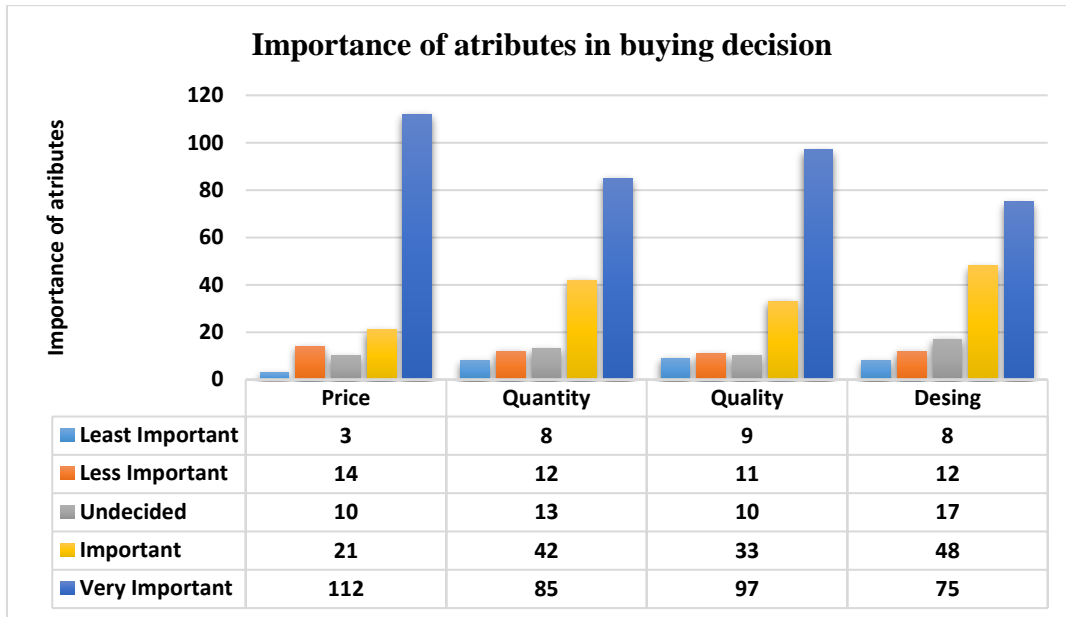


Figure 2. Importance of attributes in buying decisions

For calculating attribute scores and ordering them according to the importance given by consumers, we used the following formula:

$$\text{For Price: } S_p = [(112 \times 5) + (21 \times 4) + (10 \times 3) + (14 \times 2) + (3 \times 1)]/160 = (560 + 84 + 30 + 28 + 3)/160 = 4.4$$

$$\text{For Quantity: } S_q = [(85 \times 5) + (42 \times 4) + (13 \times 3) + (12 \times 2) + (8 \times 1)]/160 = (425 + 168 + 39 + 24 + 8)/160 = 4.1$$

$$\text{For Quality: } S_{qu} = [(97 \times 5) + (33 \times 4) + (10 \times 3) + (11 \times 2) + (9 \times 1)]/160 = (485 + 132 + 30 + 22 + 9)/160 = 4.2$$

$$\text{For Design: } S_d = [(75 \times 5) + (48 \times 4) + (17 \times 3) + (12 \times 2) + (8 \times 1)]/160 = (375 + 192 + 51 + 24 + 8)/160 = 4.0$$

After calculating the scores, we can see that the first place among the attributes considered is the price of the products, followed by a significant difference in quality, quantity and design.

Another question in the questionnaire was structured on the Likert scale to identify consumer behaviour when shopping.

The affirmations used were:

1. *I always buy only the products listed on the shopping list*
2. *I hunt the products on offer*
3. *I always choose the same brand of products regardless of the prices of the others*
4. *I usually buy 50% of the products even if they are not on the shopping list*
5. *I usually do not pay attention to the price cuts*

Respondents' responses were grouped as follows:

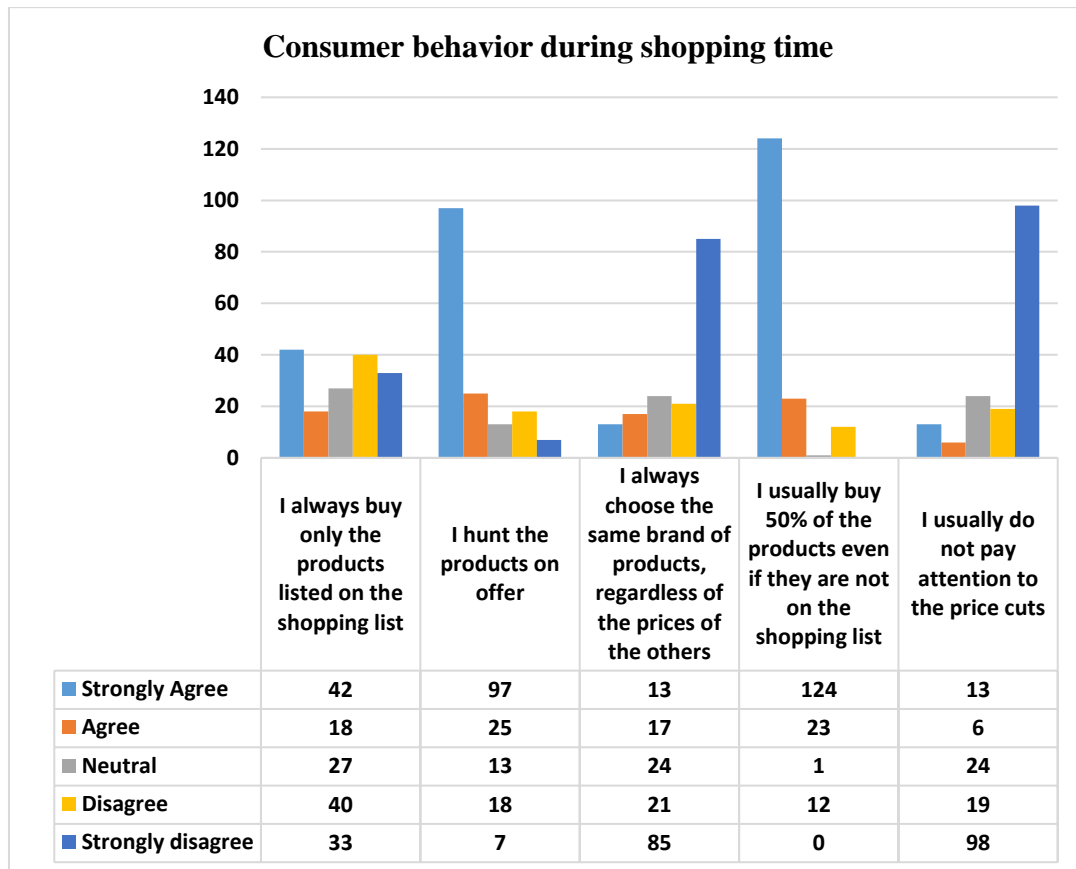


Figure 3. Consumer behaviour during shopping time

To calculate the claims scores and order them according to the importance given by consumers, we used the following formula:

$$A1: [(42 \times 2) + (18 \times 1) + (27 \times 0) + (40 \times (-1)) + (33 \times (-2))]/160 = (84 + 18 - 40 - 66)/160 = \mathbf{-0.025}$$

$$A2: [(97 \times 2) + (25 \times 1) + (13 \times 0) + (18 \times (-1)) + (7 \times (-2))]/160 = (194 + 25 - 18 - 14)/160 = \mathbf{-0.54}$$

$$A3: [(13 \times 2) + (17 \times 1) + (24 \times 0) + (21 \times (-1)) + (85 \times (-2))]/160 = (26 + 17 - 21 - 170)/160 = \mathbf{-0.95}$$

$$A4: [(124 \times 2) + (23 \times 1) + (1 \times 0) + (12 \times (-1)) + (0 \times (-2))]/160 = (248 + 23 - 12)/160 = \mathbf{1.61}$$

$$A5: [(13 \times 2) + (6 \times 1) + (24 \times 0) + (19 \times (-1)) + (98 \times (-2))]/160 = (26 + 6 - 19 - 196)/160 = \mathbf{-1.14}$$

The overall level of consumer behaviour when going shopping can be interpreted according to the values obtained in calculating the scores of each claim and we can see that most consumers buy 50% reduced products even if they are not on the list shopping, with the highest score (1.61).

Despite this, a significant part of the respondents mentioned that they respect their shopping list, but they hunt the products on offer.

As a result of these results, we can conclude that price discounts act as a good incentive for the acquisition decision.

Next, we wanted to find out if the reasons why consumers choose to buy 50% discount products, even if they have limited warranty terms and whether they are rational or purely impulse, and their answers were the greatest measure the following:

- *The low price is a major reason why I buy those products*
- *I need them and take advantage of the offer to buy them at a lower price*
- *Sometimes there are products I cannot afford to buy at full price*
- *Is cheaper, it's a good offer*

By interpreting the answers obtained from the respondent, we can conclude that the reasons why they buy the 50% discount products, even if they expire soon, are not always rational (the need for the products), but most of the time the consumers rely on the offer impulse special and cheap product, considering it an advantage.

Asked if they think they have saved money by purchasing 50% discount products, even if they expire soon, most of the respondents (74%) responded affirmatively.

When respondents who answered yes to the money-saving question by purchasing discount products were asked why they thought they had saved money, most respondents said that *because of the low price, they bought a cheaper one a product that is more expensive normally, so the money gap remains* without even considering the possibility of spending more money by purchasing products that, despite having a low price, would not be it was necessary.

Next, we wanted to find out if respondents who purchase 50% discount products because they expire soon have time to consume them within their shelf-life, or they get into the trash, and most of the respondents have replied that they *do not always* manage to consume the products within the shelf life and that they *sometimes* reach the trash.

4. Conclusions

Following the analysis, we can conclude by saying that price discounts have a major effect on the level of sales of products, consumers are positively reliant on them and by purchasing discount products. The reasons for acquiring certain goods or services to the detriment of others have always been an issue for specialists who wanted to identify and influence them according to their own objectives. Lately, however, it has been noticed that the amount of food waste is steadily increasing, generating concern among specialists about the reasons that led to this, and in order to find a solution, it was proposed to apply the temporary discounts, 50% on products whose shelf life is approaching the end.

Supermarket specialists are aware that this produces favourable results and that's why, in order to reduce the number of products that arrive at the trash because it expires, they are sold close to the expiration date with a significant 50% (discounts are being applied to the cash register). In this situation, most consumers buy those products even if they do not need it or are not on the shopping list, relying on the discounts and considering it as a bargain. In the idea of making savings, most consumers are thrilled when they find such products in supermarkets, without considering the rationality of additional expense that would not have been necessary. If we also take into account the fact that most of those who buy products at 50% discount, because the expiration date is approaching and have no time to consume them in the remaining shelf life, and they finally end up at the trash, we can see it as a waste of money.

We can also take into account the psycho-socio-demographic characteristics of consumers because generally younger people with a higher level of education are more rational in terms of purchasing products at 50% discounts when is close to the expiration date.

We can think that when specialists identify consumers' weaknesses over certain items, they are increasingly using to generate consumer emotional impulses and generate the expected financial results among companies.

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