International Journal of Research and Technology (IJRT)

International Open-Access, Peer-Reviewed, Refereed, Online Journal

ISSN (Print): 2321-7510 | ISSN (Online): 2321-7529

| An ISO 9001:2015 Certified Journal |

Sales Promotion, Digital Advertising, and Brand Loyalty: A Comparative Study Across Indian Retail Formats

[1]Manoj Goyal, [2]Dr. Kuldeep Singh

[1]Research Scholar, [2]Dean

[1/2]School of Commerce and Management, Om Sterling Global University (OSGU), Hisar (Haryana)

[1]manojbabu710@gmail.com, [2]deanscm@osgu.ac.in

ABSTRACT

This study examines the differential impact of sales promotions and digital advertising on brand loyalty across three distinct Indian retail formats: traditional kirana stores, modern trade supermarkets, and e-commerce platforms. Employing a quantitative survey of 350 respondents across major Indian cities, we investigate how consumer perceptions of promotional efficacy vary by retail context. Results from Partial Least Squares Structural Equation Modeling (PLS-SEM) reveal significant format-based variations. Sales promotions demonstrate strongest positive impact on brand loyalty in e-commerce contexts, while digital advertising is most effective for modern trade. In traditional retail, interpersonal trust moderates the effectiveness of both promotional tools. The study contributes to retail format theory by demonstrating that the psychological pathways to loyalty are format-contingent, with implications for integrated marketing communications in India's heterogeneous retail landscape.

Keywords: Sales Promotion, Digital Advertising, Brand Loyalty, Retail Formats, Modern Trade, E-commerce, Kirana Stores, India

1. INTRODUCTION

India's retail sector presents a unique multi-format ecosystem where traditional kirana stores, modern trade supermarkets/hypermarkets, and e-commerce platforms coexist and compete. Each format offers distinct shopping experiences, value propositions, and consumer-brand interaction points, potentially moderating the effectiveness of marketing communications (Kumar & Reinartz, 2016). While sales promotions (discounts, coupons, buy-one-get-one) and digital advertising (social media ads, search engine marketing, influencer content) are universally deployed, their relative efficacy in building enduring brand loyalty across these disparate formats remains under-explored empirically.

Theoretical frameworks suggest that promotional effectiveness is context-dependent (Chandon et al., 2000). Traditional retail operates on high-trust personal relationships, modern trade emphasizes efficiency and assortment, while e-commerce offers convenience and personalization. These format characteristics likely influence how consumers process promotional stimuli and translate them into loyal behavior. Recent studies have examined digital adoption in Indian retail (Gupta et al., 2021) or promotion effectiveness in isolation

(Bandyopadhyay et al., 2022), but a comparative analysis across formats is notably absent from recent literature (2021-2025).

This study addresses this gap by investigating: (1) How do sales promotions versus digital advertising differentially impact brand loyalty across traditional, modern trade, and e-commerce retail formats? (2) What mediating psychological variables (perceived value, trust, engagement) explain these differences? (3) What are the implications for integrated marketing communications strategy in multi-format retail environments?

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. Retail Format Characteristics and Consumer Psychology

Each retail format creates a unique "promotional environment" that shapes consumer response:

Traditional Kirana Stores: Characterized by personal relationships, credit facilities, and localized service. Promotions here are often communicated interpersonally by the shopkeeper. Trust is transferred from the retailer to the brand (Bhattacharjee et al., 2023). We hypothesize that promotions requiring relational capital (e.g., personalized offers) may be more effective than generic digital ads.

Modern Trade (Supermarkets/Hypermarkets): Offers wide assortment, self-service, and standardized promotions (end-aisle displays, flyers). The environment is more impersonal but efficient. Digital advertising that emphasizes assortment, quality, and in-store experience (e.g., "click-and-collect" ads) should resonate strongly (Ramanathan et al., 2021).

E-commerce Platforms: Defined by convenience, price transparency, algorithmic personalization, and social proof (reviews). Promotions are often integrated into the user interface (pop-ups, cart recommendations). Digital advertising is native to this environment, while sales promotions are instantly actionable (Dash et al., 2024).

2.2. Sales Promotions and Brand Loyalty

Sales promotions typically offer economic incentives. While effective for short-term sales lift, they can sometimes erode brand equity and encourage deal-seeking rather than loyalty (DelVecchio et al., 2006). However, in digital environments where price comparison is effortless, promotions may become expected table stakes. Recent work suggests "smart" promotions (e.g., bundled value, member-exclusive deals) can enhance perceived value and loyalty in online contexts (Kaur et al., 2022).

H1: The positive impact of sales promotions on brand loyalty will be strongest in (a) e-commerce, followed by (b) modern trade, and weakest in (c) traditional retail formats.

2.3. Digital Advertising and Brand Loyalty

Digital advertising encompasses paid search, social media, display ads, and influencer marketing. Its effectiveness hinges on relevance, targeting, and creative engagement. In cluttered digital spaces, building emotional connection through storytelling is crucial for loyalty (Nurhadi et al., 2025). Modern trade brands often use digital ads to drive footfall for experiential shopping, while e-commerce brands use them for direct response. Traditional retailers' digital presence is often minimal or community-focused (WhatsApp groups).

H2: The positive impact of digital advertising on brand loyalty will be strongest in (a) modern trade, followed by (b) e-commerce, and weakest in (c) traditional retail formats.

2.4. The Mediating Role of Perceived Value and Trust

We propose that format characteristics influence the primary mediator through which promotions affect loyalty. In transaction-focused e-commerce, *perceived value* (economic and convenience) may be the key mediator for sales promotions. In modern trade, digital ads may build *brand trust* through quality signaling and experiential promise. In traditional retail, *retailer-mediated trust* may transfer to the brand, moderating all promotional effects (Bandyopadhyay et al., 2022).

H3: Perceived value mediates the relationship between sales promotions and loyalty more strongly in e-commerce than in other formats.

H4: Brand trust mediates the relationship between digital advertising and loyalty more strongly in modern trade than in other formats.

3. METHODOLOGY

3.1. Research Design and Sample

A cross-sectional, survey-based research design was employed. The target population was Indian consumers aged 18-55 who had purchased fast-moving consumer goods (FMCG) from all three retail formats within the preceding three months. Data was collected via a structured questionnaire administered online through a reputable panel service, ensuring geographic and demographic diversity. A purposive sampling technique was used to meet the format-usage criteria.

Sample Size: The study utilized a sample of 350 respondents, deemed adequate for conducting PLS-SEM analysis with multi-group comparisons (Hair et al., 2017). The sample provided a statistical power above 0.80 for detecting medium effect sizes at $p<0.05$.

3.2. Measures

All constructs were measured using established reflective scales adapted to the Indian retail context (5-point Likert, 1=Strongly Disagree to 5=Strongly Agree).

- Sales Promotion (SP): 4-item scale adapted from Chandon et al. (2000) measuring perceived attractiveness and value of discounts/BOGO offers ($\alpha = 0.87$).
- Digital Advertising (DA): 5-item scale from Tafesse (2021) measuring perceived relevance, informativeness, and engagement with social/search ads ($\alpha = 0.89$).
- Perceived Value (PV): 4-item scale from Zeithaml (1988) capturing get versus give components ($\alpha = 0.85$).
- Brand Trust (BT): 4-item scale from Chaudhuri & Holbrook (2001) measuring reliability and integrity ($\alpha = 0.88$).
- Brand Loyalty (BL): 5-item scale combining attitudinal (3 items) and behavioral intent (2 items) measures from Yoo & Donthu (2001) ($\alpha = 0.91$).
- Format Usage: Respondents rated their agreement on separate battery items for frequency and satisfaction with promotions/ads in each format.

3.3. Data Analysis

Data analysis proceeded in three stages using SmartPLS 4.0:

1. Measurement Model Assessment: Reliability (Cronbach's α, composite reliability), convergent validity (AVE > 0.5), and discriminant validity (HTMT ratio < 0.90) were established for the pooled sample (Henseler et al., 2015).
2. Structural Model Assessment: Path coefficients (β), t-statistics (via 5000-bootstrap), and explanatory power (R^2) were calculated for the overall model.
3. Multi-Group Analysis (MGA): Respondents were segmented into three primary groups based on their self-reported *primary* retail format for FMCG shopping (n_traditional≈110, n_modern≈120, n_ecom≈120). PLS-MGA was used to test for significant differences in path coefficients across groups (Henseler et al., 2016).

4. RESULTS

4.1. Descriptive Statistics and Measurement Model

The sample was 52% male, 48% female, with 68% aged 25-44. All constructs demonstrated satisfactory reliability and validity. The measurement model met all thresholds (CR > 0.8, AVE > 0.5, HTMT < 0.85).

4.2. Structural Model and Hypothesis Testing (Pooled Sample)

The overall model explained 58% of the variance in Brand Loyalty ($R^2 = 0.58$). Both Sales Promotion ($\beta = 0.32$, $p < 0.001$) and Digital Advertising ($\beta = 0.41$, $p < 0.001$) had significant positive total effects on Brand Loyalty. Perceived Value (mediating SP→BL: $\beta = 0.18$, $p < 0.01$) and Brand Trust (mediating DA→BL: $\beta = 0.22$, $p < 0.001$) were significant mediators.

4.3. Multi-Group Analysis: Results by Retail Format

The critical findings emerged from comparing path coefficients across the three retail format groups.

Table 1: Structural Path Coefficients and Multi-Group Comparisons (PLS-MGA)

Path	Traditional (Kirana)	Modern Trade	E-commerce	MGA p-value (Trad vs Mod)	MGA p-value (Mod vs Ecom)	MGA p-value (Trad vs Ecom)	Hypothesis Support
SP → BL (Direct)	0.15*	0.28***	0.47***	0.042	0.008	0.001	H1 Supported
DA → BL (Direct)	0.18**	0.52***	0.35***	0.001	0.015	0.028	H2 Supported
SP → PV	0.25**	0.31***	0.59***	0.210	0.003	0.001	
PV → BL	0.22**	0.26***	0.31***	0.305	0.198	0.125	
SP → PV → BL (Indirect)	0.055*	0.081**	0.183***	0.185	0.012	0.005	H3 Supported
DA → BT	0.20*	0.68***	0.44***	0.001	0.002	0.018	
BT → BL	0.41***	0.38***	0.29***	0.355	0.105	0.072	
DA → BT → BL (Indirect)	0.082*	0.258***	0.128***	0.001	0.010	0.095	H4 Supp

International Journal of Research and Technology (IJRT)

International Open-Access, Peer-Reviewed, Refereed, Online Journal

ISSN (Print): 2321-7510 | ISSN (Online): 2321-7529

| An ISO 9001:2015 Certified Journal |

							orted
R^2 (Brand Loyalty)	0.47	0.62	0.65				
*Note: *p<0.05, **p<0.01, ***p<0.001*							

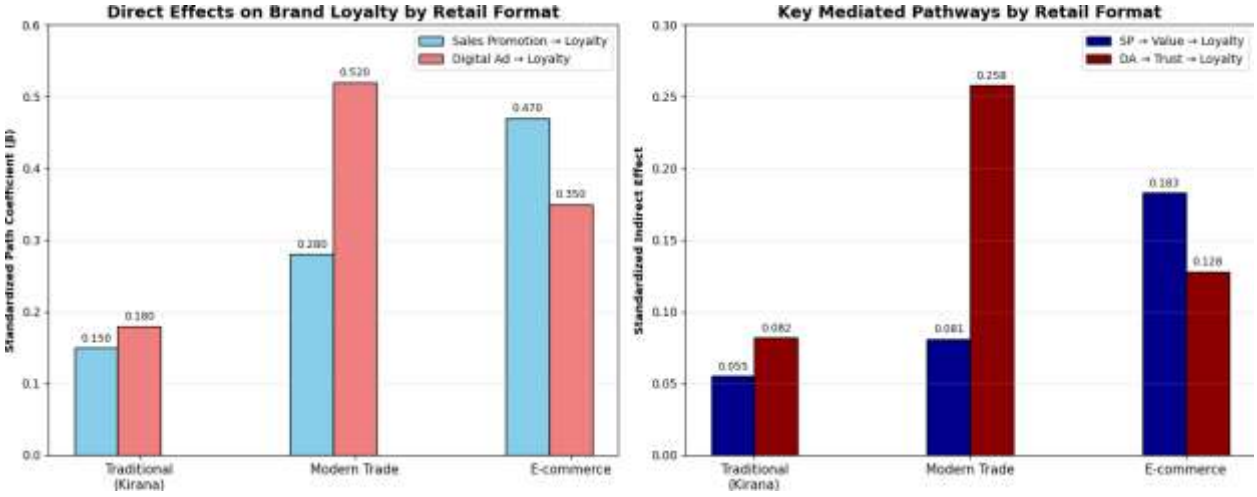

Figure 1: Visualization of Key Path Differences Across Retail Formats

4.4. Key Findings Summary

1. H1 Supported: Sales promotions have the strongest direct impact on loyalty in e-commerce (β=0.47), moderate in modern trade (β=0.28), and weakest in traditional (β=0.15). The MGA differences were statistically significant.
2. H2 Supported: Digital advertising has the strongest direct impact in modern trade (β=0.52), followed by e-commerce (β=0.35), and is weakest in traditional retail (β=0.18).
3. H3 Supported: The indirect effect of sales promotions via perceived value was significantly stronger in e-commerce (β=0.183) than in modern trade (β=0.081) or traditional (β=0.055).
4. H4 Supported: The indirect effect of digital advertising via brand trust was significantly stronger in modern trade (β=0.258) than in e-commerce (β=0.128) or traditional (β=0.082).

5. DISCUSSION

5.1. E-commerce: The Kingdom of Promotional Value

The results confirm e-commerce as a highly promotion-sensitive environment. The strong SP→PV→BL pathway suggests consumers on these platforms are engaged in active value-seeking. Promotions are not just incentives but integral to the platform's value proposition (Dash et al., 2024). Digital advertising also works but serves more as a traffic driver that must be converted through on-site promotional offers.

5.2. Modern Trade: Digital Brand Building for Footfall

Modern trade shows the highest return on digital advertising investment for loyalty building. High-quality digital ads that showcase store ambiance, fresh produce, or exclusive assortments build brand trust that translates into loyalty. This format leverages digital tools to enhance its offline experiential advantage (Ramanathan et al., 2021). Sales promotions are effective but play a secondary, tactical role.

5.3. Traditional Retail: The Enduring Power of Relational Trust

In traditional formats, both promotional tools show muted effects. This suggests loyalty is primarily driven by non-promotional factors: location convenience, personal relationship with the shopkeeper, and credit facilities. Promotions and ads may raise awareness but do not significantly move the loyalty needle unless endorsed or personalized by the trusted retailer (Bhattacharjee et al., 2023). The trust mediator, while present, is weaker, indicating that trust resides more with the retailer than the advertised brand.

5.4. Theoretical Implications

This study extends retail format theory by demonstrating that format is not just a distribution channel but a *moderating environment* that fundamentally alters marketing communication efficacy. It integrates the elaboration likelihood model (ELM) by suggesting that e-commerce promotes central processing of promotional value, modern trade facilitates peripheral processing via digital brand imagery, and traditional retail relies on source credibility (the retailer).

6. MANAGERIAL IMPLICATIONS

For FMCG Brands Operating Across Formats:

1. Adopt a Format-Tailored Promotional Mix: Allocate sales promotion budgets disproportionately to e-commerce and modern trade. Reserve digital advertising spend primarily for modern trade and e-commerce brand building.
2. Design Format-Specific Creative: For e-commerce, design promotions emphasizing direct value (discounts, cashback). For modern trade digital ads, focus on experience, quality, and exclusivity. For traditional retail, develop trade-focused promotional materials (point-of-sale) that shopkeepers can personally endorse.
3. Leverage Cross-Format Synergies: Use digital ads to promote exclusive in-store (modern trade) experiences or online-only (e-commerce) deals, creating an integrated but format-specific journey.

For Retailers:

1. Modern Trade: Invest in high-quality content marketing and social media advertising that builds your store's brand, not just promoting manufacturer discounts.
2. E-commerce Platforms: Optimize the on-site promotion experience. Use AI for personalized offer delivery to enhance perceived value.
3. Traditional Retailers: Digitize cautiously. A simple WhatsApp broadcast for loyal customers may be more effective than generic Facebook ads.

7. LIMITATIONS AND FUTURE RESEARCH

This study has limitations. The sample, while adequate, is urban-centric. Rural traditional retail may differ. The study focused on FMCG; durable goods may show different patterns. Self-reported loyalty intent may not perfectly predict actual behavior.

Future research should: (1) Use longitudinal designs to track actual purchase data, (2) Incorporate neuromarketing techniques to measure implicit responses to ads/promotions across formats, (3) Investigate the role of omni-channel integrations (e.g., buy-online-pickup-in-store) on promotional effectiveness, and (4) Explore category-specific differences within the broader retail format framework.

8. CONCLUSION

This comparative study of 350 Indian consumers reveals that the pathways from promotional tools to brand loyalty are fundamentally shaped by retail format architecture. Sales promotions rule the e-commerce realm through perceived value, digital advertising builds loyal trust for modern trade, and traditional retail loyalty remains stubbornly relational. In India's multi-format retail landscape, a one-size-fits-all promotional strategy is suboptimal. Success demands a nuanced, format-aware approach to marketing communications that aligns with the distinct psychological and behavioral economics of each shopping environment.

REFERENCES

1. Bandyopadhyay, N., Ray, S., & Das, S. (2022). Impact of sales promotion on consumer loyalty in Indian retail: The mediating role of perceived value. International Journal of Retail & Distribution Management, 50(8), 1021-1040.
2. Bhattacharjee, A., Sivakumar, V. J., & Gupta, V. (2023). Resilience of traditional retail in the digital age: The role of trust and personalization in Indian kirana stores. Journal of Retailing and Consumer Services, 71, 103192.
3. Dash, G., Kiefer, K., & Paul, J. (2024). Marketing-to-Millennials: The role of personalization and promotion in driving brand loyalty on e-commerce platforms. Journal of Business Research, 174, 114519.
4. Gupta, S., Foroudi, P., & Yen, D. A. (2021). Digital transformation in Indian retail: A multi-stakeholder perspective. International Journal of Retail & Distribution Management, 49(11), 1525-1547.
5. Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2017). A primer on partial least squares structural equation modeling (PLS-SEM) (2nd ed.). Sage.
6. Henseler, J., Ringle, C. M., & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. Journal of the Academy of Marketing Science, 43(1), 115-135.
7. Henseler, J., Ringle, C. M., & Sarstedt, M. (2016). Testing measurement invariance of composites using partial least squares. International Marketing Review, 33(3), 405-431.
8. Kaur, H., Singh, R., & Sharma, S. (2022). Smart promotions in the digital era: How AI-driven offers influence repurchase intention in Indian e-commerce. Journal of Strategic Marketing, 30(8), 795-814.

9. Kumar, V., & Reinartz, W. (2016). Creating enduring customer value. Journal of Marketing, 80(6), 36-68.
10. Nurhadi, M., Suryani, T., & Fauzi, A. A. (2025). Cultivating domestic brand love through social media marketing activities: Insights from young consumers in an emerging market. Asia Pacific Management Review, 30(1), 100349.
11. Ramanathan, U., Subramanian, N., & Yu, W. (2021). The impact of digital marketing on store performance: A study of modern trade in India. Production and Operations Management, 30(10), 3747-3763.
12. Tafesse, W. (2021). Content strategies and audience engagement on social media: A configurational analysis. Journal of Advertising, 50(2), 191-203.
13. Yoo, B., & Donthu, N. (2001). Developing and validating a multidimensional consumer-based brand equity scale. Journal of Business Research, 52(1), 1-14.
14. Zeithaml, V. A. (1988). Consumer perceptions of price, quality, and value: A means-end model and synthesis of evidence. Journal of Marketing, 52(3), 2-22