

Price Promotions and Store Flyers: Complementary promotional techniques?

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Introduction

In an environment as competitive as the retail distribution sector, and given that an estimated 69% of people do not draw up a shopping list before visiting a particular store (Corstjens & Corstjens, 1995), aspects such as the advertising of the store's promotions play a very important role in attracting consumers to the store and influencing their spending behaviour inside.

In this respect, one of the aspects of most concern to the marketing managers of retail stores is to what extent using store flyers is effective as part of their marketing strategy. This is because firms spend large sums on producing and subsequently disseminating this material. Thus, according to data from IRI (Information Resources Inc.), the promotional technique most used by hypermarkets is price cuts (7.3% of the total promotion budget), followed by the use of store flyers (6.6%). The

increasing use of store flyers is due in part to the fact that it is a means of promotion that provides a much quicker response than what tends to be demanded of traditional advertising media (e.g., newspapers or magazines). Store flyers also allow retailers to include more product categories and brands compared to these media, and allow distributors to stress their own brand. On the other hand, and apart from the above-mentioned benefits, advertising promotions in store flyers can provide an important source of revenues for distributors from fees charged to manufacturers whose brands appear in them.

The use of store flyers to promote selling brands has been practised extensively in retailing. These promotions are also featured inside the retail outlets in order to get a more effective impact on both communication and consumer choice. However, retailers do not know exactly how

Table 1 | Description of the brands

	(1)	(2)	(3)	(4)	(5)
Carbonell (NB)	26.67	2.69	1	10	0
Private Label (SB)	22.38	2.04	1	10	3
Coosur (NB)	16.34	2.34	3	4	0
La Masía (NB)	11.87	2.42	1	6	3
La Española (NB)	9.83	2.4	1	6	2
Elosúa (NB)	4.01	2.35	0	0	0
Giralda (NB)	3.87	2.26	2	2	0
Ybarra (NB)	2.45	2.44	0	3	3
Premium Price Brand (SB)	2.17	2.09	0	0	0
Mueloliva (NB)	0.41	2.55	0	0	0
TOTAL	100		9	41	11

Notes: NB=National brand, SB=Store brand (1) Market share (%) (2) Average price (EUR) (3) Number of weeks promoted in price (4) Number of weeks featured in store flyers (5) Number of weeks promoted in price and featured in store flyers

effective it is to use price promotions and store flyers at the same time in improving their sales.

In this article, we give some evidence about the effect of simultaneous use of these two promotional techniques on brand sales level. More precisely, we analyse brands' sales levels in different situations:

- when brands are only promoted in price
- when brands are only featured in store flyer, and
- when brands are both promoted in price and featured in store flyers.

In the analysis, we use choice panel data from the olive-oil sector (0.4% acidity, one litre bottle) collected by scanner in a Spanish hypermarket. This hypermarket belongs to an international distribution group. The choice set comprises the 10 brands sold in the establishment at the time of analysis: eight national brands (Carbonell, Coosur, La Masía, La Española, Elosúa, Giralda, Ybarra and Mueloliva) and two store brands (private label and premium price brand). Table 1 above gives some basic data about the ten brands analysed.

Table 1 shows that during 41 weeks one (or more) brand appear(s) in store flyers, while only during 20 weeks, brands are promoted in price. In addition, only 11 out of these 20 times a brand is promoted in price, it is also featured in store flyers. This result confirms (as many authors suggest, for example Volle, 2001) that not all the products appearing on the flyers have reduced price: indeed, there are lots of them without any price discount or any other promotion. However, consumers believe all products appearing on the

flyers are (also) promoted in price, and for this reason is common to observe consumers looking for promotions featured in flyers while they are shopping. In this sense, they do not look for other brands not appearing in flyers.

Results

Table 2 below summarises the comparison of sales level in each promotional situation.

Table 2 shows when brands are only appearing in store flyers (not promoted in price), both average sales level (217 bottles) and maximum sales level (496) are the highest. Surprisingly, when brands are both promoted in price and featured in store flyers, average sales level (138) as well as maximum sales level (267) are the lowest. Figure 1 overleaf depicts the average sales increase in each promotional situation over a non-promotional situation.

As we can observe from figure 1, when a brand is promoted in price and featured in store flyers, the increase of sales is 'only' 74.68%, while when brand is either promoted in price or featured in store flyers, this increase is higher (126.582% for brands promoted in price and 174.684% for brands featured in store flyers).

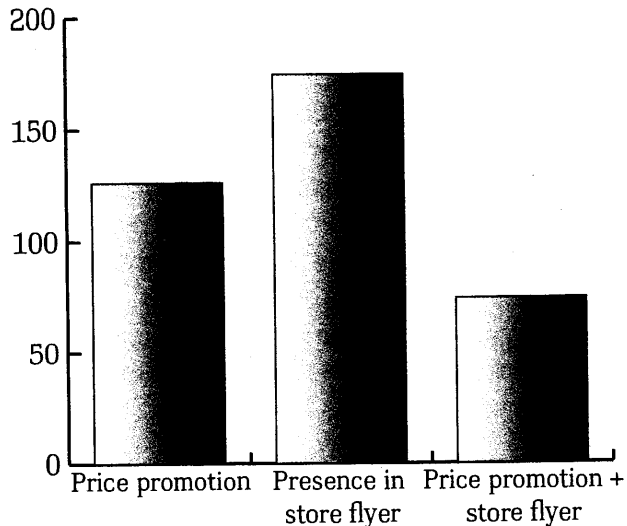
We can conclude that is much more effective (in term of sales) to employ only one of these two promotional techniques instead of using both at the same time. Moreover, if we consider the higher costs derived from the use of two promotional techniques together, the retailer must employ only one of them. More specifically,

Table 2 | Summary of the results: promotional situations

	Average sales	Minimum	Maximum	Av. % increase over a non-promotional situation
Non-promotional situation	79 ¹	0	454	-
Promoted in price	179	0	312	126.582
Featured in store flyer	217	4	496	174.684
Promoted in price + Featured in store flyer	138	18	267	74.68

Note: 1= number of bottles

Figure 1 | Average sales increase (%) over a non-promotional situation



featuring brands in a store flyer is more effective than promoting them in price, probably as a consequence of consumers' belief that all products appearing on the flyers are (also) promoted in price.

All these results confirm the relevance of the store flyer within the promotional strategy for fast-moving consumer goods brands, since they have a direct, positive effect on their sales levels and improve the efficacy of other promotional tools on the consumers' choice behaviour. From the perspective of retail management, knowing this superiority may be essential if firms are to make more efficient use of their promotional budgets.

Further Research

There are several limiting factors that affect these results. Firstly, the research has involved just one product category, although our findings can be validated with other categories. In this sense, the characteristics of the category analysed (the leading brands are national, the private label has a large market share, and the distributor has a second brand, PPB) makes us think that the results we have obtained can be extrapolated to any type of mass consumer good. In this respect, we would recommend validating these results by analysing other product categories.

References

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