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## What distinguishes passive recipients from active decliners of sales flyers?



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## ABSTRACT

While sales flyer ad spending in Denmark has increased over the last decade, the proportion of consumers declining to receive such flyers has been ever-increasing. To address this paradox, attitudinal and behavioural factors distinguishing passive recipients from active decliners of sales flyers are examined. The results reveal that decliners compared to receivers are less price conscious and that they perceive flyers as more inconvenient and less useful. Although decliners generally use other media less for deal searching than receivers, they are more inclined to search for grocery deals on the Internet. To reach the decliners, retailers could focus on the possibilities of the Internet, but to stop the trend of escalating numbers of decliners, retailers will have to address the perceived inconvenience and uselessness of sales flyers.

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### 1. Introduction

In 2010 marketers spent EUR 373m on sales flyer advertising in Denmark. This approximates EUR 301m spent on television advertising the same year (Dansk Oplagskontrol, 2010). From 2004 to 2010 spending on sales flyer advertising increased by 16 per cent, whereas spending on television advertising increased by only 6 per cent. In addition, spending on advertising in daily newspapers and direct mails decreased by 32 and 25 per cent, respectively, in the same period (Dansk Oplagskontrol, 2010). Thus, in spite of the growth in new media and the opposition from environmental activists, but also independent of the financial crisis, which has adversely affected many other advertising media, sales flyers prevail as an important medium. Other studies have reported retailers spending between one third and one half of their marketing budgets on sales flyer promotions (Volle, 1997; Arnold et al., 2001).

One of the explanations for the growth in advertising spending on sales flyers is the parallel growth in the relative power of retailers as compared to FMCG manufacturers. Retailers generally charge manufacturers fees for featuring their promotions in the retailer's sales flyer. In some countries it is more or less institutionalized that

retailers demand that FMCG manufacturers use fixed amounts for advertising in retailer sales flyers and such fees constitute an important source of income for retailers (Miranda and Kónya, 2007). Hence, many FMCG manufacturers perceive this requirement as a hidden 'listing fee' and question whether advertising in sales flyers is worth it. Sales flyer advertising thus represents a latent conflict between retailers and suppliers.

Furthermore, the growing number of households who have registered as non-receivers of sales flyers with the postal authorities poses a threat to the status of sales flyer advertising. Thus, 23.9 per cent of Danish households (Post Danmark, 2012) have the officially approved "no flyers, please" sticker on their letterbox. In comparison, the equivalent proportion reported by Schmidt and Bjerre (2003) was around 10 per cent, hence the proportion of Danish households declining receipt of sales flyers is growing rapidly, with no perceptible trend change in the horizon.

This raises some interesting questions: who are these active decliners of sales flyers? Do they acquire information about price deals and new products in alternative ways? If so, how? For instance, in recent years the Internet has provided consumers with an alternative access to sales flyers, which could reduce the threat of the growing numbers of decliners, depending on who utilises this option. The increasing environmental burden of sales flyers has raised a public debate in Denmark concerning the effort involved in declining sales flyers. Thus it has been suggested that the load ought to be reversed. Hence, receipt of sales flyers should require an active opt-in by those consumers who wish to receive them instead of an opt-out for those who do not wish to receive

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them. With an opt-in solution the number of decliners most likely will increase as some of the present passive recipients of sales flyers probably will not go through such extra efforts. This too raises some interesting questions: what characterises the passive receivers of sales flyers? How do they use sales flyers? How do they differ from decliners?

Answers to these questions can provide retail managers with insights into how they can deal with the threat of the downward tendency and optimise their use of sales flyers and other media in the future. For instance, knowledge of how decliners use other media to keep informed about promotions, new products and store openings might provide retailers and manufacturers with an alternative route to communicate with the declining segment. Distinguishing receivers and decliners of sales flyers is also important as this may provide input to new strategies as regards retailers' use of this media. Is it, for example, possible to reverse the drop in receivers by adapting the sales flyer concept? Can retailers and manufacturers approach the decliners in other ways?

To summarise, the main objective of the study presented below is to examine what distinguishes passive recipients from active decliners of sales flyers, and thus also to characterise the two different segments. Furthermore, we examine receivers' use of sales flyers.

Research on consumer perceptions of, attitudes towards, and use of sales flyers is relatively limited. In addition, most of what is known is not research-based but could be characterised as industry studies carried out by marketing agencies (e.g., Gallup and GfK) on behalf of retailers or manufacturers (Schmidt and Bjerre, 2003). In relation to this, Burton et al. (1999) argue that there is a lack of research examining characteristics of consumers who consciously choose to be exposed to sales flyers. Since the study by Burton and colleagues, only two studies (Miranda and Kónya, 2007; Schmidt and Bjerre, 2003) have addressed consumer attitudes and behaviour towards sales flyers.

Schmidt and Bjerre (2003) identified three clusters of consumers with different attitudes towards sales flyers; however none of them were solely composed of active decliners of sales flyers. When characterising shoppers' tendency to purchase items as a result of their appearance in the sales flyer, Miranda and Kónya (2007) excluded almost one-third of the respondents from their original sample due to these respondents reporting to trash the sales flyers on receipt. Hence, Miranda and Kónya were forced to ignore this large and interesting flyer-trashing segment. Based on this they state: "Even so it would have been instructive to find out whether this cohort had some common features as those who read flyers..." At least part of the flyer-trashing segment would be likely active decliners of sales flyers if they had such an option.

No research therefore exists that deals with the differences between recipients and decliners of sales flyers. To fill this research gap we applied a matched sample survey with 1032 respondents (50/50 recipients and decliners of weekly sales flyers) in order to examine consumer attitudes and behaviours toward sales flyers. A discriminant analysis was carried out to examine the discriminative effect of price consciousness, environmental concerns, dispersion of store patronage, deal information processing from other media, deal-related behaviour, shopping behaviour, attitudes towards sales flyers, and demographics.

## 2. Background

Various terms have been used when referring to 'flyers': store flyers, circulars, leaflets, feature, weekly grocery advertisement, and sales flyer. We use the latter term, sales flyer. Danish retail advertisements mainly cover weekly sales flyers with price specials, new products, recipes, and other information. Today, all major Danish FMCG retail chains (even discounters) distribute

sales flyers every week to private households. In addition, it is now possible to read sales flyers online either as a supplement to the distributed version (e.g., if distribution failed or was delayed) or as an alternative to the distributed version.

### 2.1. Receiving and declining sales flyers

It has been estimated that each Danish household receives 60 kilos of sales flyers annually. This has resulted in a growing number of consumers declining to receive sales flyers. These households order a standard sticker saying "no flyers, please" and place it on their letterbox to inform distributors to ignore their letterbox, which is consumers' legally instituted right in Denmark. Thus, to decline receipt of sales flyers consumers must make an active effort. On the other hand, if consumers do nothing they will receive these sales flyers, even if they do not read them, i.e. they will stay passive receivers.

Danish consumers are not unique when it comes to declining to receive sales flyers. Similar initiatives exist in other countries such as the US and the UK, where direct marketing associations have created mail preference lists through which consumers can decline to receive certain categories of flyers or decline to receive any type of marketing material (Mailing Preference Service, 2012; DMAchoice.org, 2012). Much like the Danish system, the mail preference lists only protect consumers against marketing material from companies who are members of the association, which means that consumers may still receive some forms of uninvited promotions from small local businesses. On the other hand, US consumers are better protected from unwanted promotion as it is unlawful to place any item, including sales flyers, in a US mailbox without postage being paid,<sup>3</sup> and US consumers can furthermore protect themselves using 'no soliciting' signs. Thus, in many ways the Danish situation is comparable to that of other countries, the main difference being the sheer amount of sales flyers distributed to Danish consumers each week, which results in a rather large proportion of decliners of this advertising media.

### 2.2. Previous research related to sales flyers

Studying sales flyers is part of the pre-store search activities that may take place for a number of reasons: comparison of prices between retail chains, bargain hunting, aid in writing a shopping list, and ultimately deciding which store to shop at (e.g., Avery, 1996; Urbany et al., 1996). In relation to this, Inman and Winer (1998) found that 'feature prone' consumers are more likely to plan their purchase before the store visit. From a cost-benefit point of view (Stigler, 1961), pre-store search activities should be negatively related to in-store search activities. However, rather than information substitution, research has demonstrated information complementarity in that consumers, reporting to have used the sales flyer to choose a particular item, also report actively searching for prices in-store (Avery, 1996; Dickson and Sawyer, 1990; Jensen, 2001).

Previous studies of consumers' perceptions of and behaviour in relation to sales flyers have focused on diverse aspects. In one of the most recent studies, Miranda and Kónya (2007) examined what influences whether or not consumers purchase grocery products in response to the products being featured in sales flyers. They found a positive effect of shopping frequency and the perceived importance of staying informed of price specials, the latter approximating deal proneness. In addition, Miranda and Kónya's results indicate that shoppers who look forward to receiving sales flyers, i.e. flyer-seeking shoppers, are more likely to purchase items featured in the sales flyer

<sup>3</sup> 18 U.S.C. Section 1725: US Code – Section 1725: Postage unpaid on deposited mail matter.

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