

Category-specific coupon proneness: The impact of individual characteristics and category-specific variables

Srinivasan Swaminathan^{a,*}, Kapil Bawa^{b,1}

^a Department of Marketing, College of Business and Administration, Drexel University, 32nd and Chestnut Streets, Philadelphia, PA 19104, USA

^b Zicklin School of Business, City University of New York, Baruch College, One Baruch Way, Box B 12-240, New York, NY 10010, USA

Abstract

In seeking to enhance the effectiveness of coupon promotions, researchers have long sought to identify “coupon prone” consumers. Previous measures of coupon proneness have not examined differences in coupon usage across product categories and have ignored the confounding effect of coupon attractiveness. An Item Response Theory (IRT)-based framework overcomes these limitations and yields category-specific estimates of propensity to redeem coupons that are independent of coupon attractiveness. The authors utilize an IRT-based model to estimate consumers’ category-specific propensities to redeem coupons for two product and two service categories, and investigate how coupon proneness varies across consumers and across categories as a function of individual characteristics and category-specific variables.

The authors find that category-specific measures of propensity to redeem coupons achieve an average accuracy of 89 percent in predicting redemption intentions. Propensity to redeem coupons is also found to be related to category-specific brand loyalty and perceived coupon availability, as well as to individual characteristics such as general coupon proneness, value consciousness and price consciousness. These findings highlight the importance of studying coupon proneness at the category level and suggest that the IRT-based approach has considerable promise as a methodology for studying coupon usage. Using the approach proposed in this study, marketers can forecast the impact coupons are likely to have in their particular category, rather than relying on general coupon proneness measures to predict coupon redemption rates at the category level. The study’s findings can also be used to identify categories and consumer segments where coupon promotions are likely to have a larger impact, and have important implications for managers planning joint couponing strategies.

© 2005 New York University. Published by Elsevier Inc. All rights reserved.

Keywords: Coupon proneness; Variables; Redemption

Coupons continue to be an important promotional tool in many consumer product categories. In 2002, 248 billion coupons were distributed in the United States with an average redemption rate of 1.5 percent (Promo 2003). In that year, consumers saved more than \$3 billion, or \$0.80 per coupon redeemed on average (NCH marketing services 2003). As manufacturers and researchers have sought to enhance the effectiveness of coupon promotions, they have focused considerably on the identification of “coupon prone” consumers and on the measurement of “coupon proneness” (e.g., Bawa & Shoemaker 1987a; Levedahl 1988; Lichtenstein, Netemeyer, & Burton 1990; Narasimhan 1984; Teel, Williams, &

Bearden 1980). While this body of work has yielded valuable insights into coupon proneness, it has also been characterized by two important limitations.

First, previous studies typically measured coupon proneness without taking coupon attractiveness or characteristics into account. Because an individual’s coupon usage behavior depends both on his or her inherent coupon proneness (i.e., the desire to use coupons) and on the attractiveness of the coupons encountered, this could yield an inaccurate measure of coupon proneness. For example, a consumer might have the desire to use coupons but fails to find coupons for his favorite brand. This would lead to him being incorrectly classified as non-coupon prone. Second, although consumers’ coupon redemption behavior varies substantially from one product category to another (Bawa & Shoemaker 1987a; NCH 1996a, 1996b), previous studies have not focused on

* Corresponding author. Tel.: +1 215 895 2137.

E-mail addresses: swaminas@drexel.edu (S. Swaminathan),

Kapil.Bawa@baruch.cuny.edu (K. Bawa).

¹ Tel.: +1 646 312 3287.

measuring consumers' propensity to redeem coupons at the category level. This makes it difficult for managers to predict how individuals will respond to a specific coupon for a specific type of product.

One framework that addresses these limitations is based on Item Response Theory (IRT). The IRT-based approach allows us to distinguish the effects of coupon attractiveness from those of coupon proneness when modeling coupon redemption behavior, and yields category-level estimates of coupon proneness that are independent of coupon attractiveness. The IRT approach was used by [Bawa, Srinivasan, and Srivastava \(1997\)](#) to model the impact of coupon characteristics on coupon attractiveness. The objective of that study was to identify coupon characteristics that maximize coupon effectiveness. However, that research did not focus on analyzing coupon proneness and its variation across individuals and categories. In contrast, the current study employs the IRT framework to investigate how the propensity to redeem coupons is related to various individual and category-related factors.

The paper seeks to contribute to the literature in several ways. First, it seeks to demonstrate the usefulness of the item-response theoretic framework for analyzing variations in coupon proneness across consumers and across categories. Our research would appear to be particularly useful from a managerial standpoint because it can allow managers to predict consumer response to specific coupons and to identify categories in which joint couponing strategies can be most successfully utilized.

Second, it examines the extent to which consumers' latent propensities to use coupons are correlated across categories. For the categories studied, we find that coupon proneness is neither orthogonal nor perfectly correlated across categories, and that a category-specific measure of coupon proneness is a better predictor of redemption intention than a generalized measure of coupon proneness.

Third, it seeks to test a number of hypotheses about how coupon proneness is related to individual and category characteristics such as brand loyalty, usage rate, perception of coupon availability and price consciousness. We find that coupon proneness is greater for categories where brand loyalty is low and perceived coupon availability is high, and for consumers who are more price conscious and value conscious.

Prior research

Broadly speaking, two types of approaches appear to have been used in the past to measure coupon proneness. One approach, exemplified by [Lichtenstein et al. \(1990\)](#), measures coupon proneness using multi-item scales. A second approach uses behavioral measures of coupon proneness such as the observed percentage of purchases made with a coupon, or coupon usage relative to that of the population (e.g., [Bawa & Shoemaker 1987a](#); [Narasimhan 1984](#)).

[Lichtenstein et al. \(1990\)](#) define coupon proneness as the increased propensity to respond to a purchase offer because the coupon form of the offer positively affects purchase evaluations. While reasonable, this definition overlooks the possibility that coupons may not have the same impact on a consumer across all product categories. For example, a consumer who is prone to using coupons in general may choose to disregard coupons in a category where he is highly brand loyal but where coupons for his favorite brand are not available. Thus, if we are to understand and predict consumer response to specific coupons, we need to measure coupon proneness at the level of the product category. This conclusion is supported by the work of [Bawa and Shoemaker \(1987a\)](#), who found that while households' coupon usage across categories is correlated, there is substantial variation from one category to another. [Blattberg and Neslin \(1990\)](#) also note that category redemption rates vary widely and hence managers need to conduct research on category-specific propensity to redeem coupons in order to formulate effective promotional strategies.

For ease of exposition we term the Lichtenstein et al. measure "general coupon proneness" hereafter to distinguish it from the category-specific measure proposed in this study. The multi-item approach proposed by Lichtenstein et al. is rooted in Classical Measurement Theory (CMT) and so is also subject to the limitations that characterize CMT-based measures in general: namely, item dependence and sample dependence ([Hambleton & Swaminathan 1985](#)).

The alternative behavior-based approach used in past research to measure coupon proneness has, on the other hand, typically overlooked the impact of coupon characteristics on redemption behavior. Previous research has identified several coupon characteristics as having an effect on redemption intentions and behavior. These characteristics include coupon face value, distribution media and the prior probability of purchasing the couponed brand ([Bawa & Shoemaker 1987a](#); [Bawa et al. 1997](#); [Reibstein & Traver 1982](#); [Shoemaker & Tibrewala 1985](#); [Ward and Davis 1978](#)). [Raghubir and Corfman \(1999\)](#) have also shown that the past promotional pattern and consumers' expertise moderate the impact of sales promotions. The implication of this body of work is that coupon characteristics can significantly influence redemption behavior, and therefore the measurement of coupon proneness needs to take into account the nature of the coupons encountered.

[Bawa et al. \(1997\)](#) used an IRT-based model of redemption intention to study the role of coupon attractiveness in coupon redemption. The authors investigated the impact of coupon characteristics on coupon attractiveness but did not focus on category-specific coupon proneness and its correlates. In the current study we use the IRT-based model to measure category-specific propensity to redeem coupons. Our objective is to investigate how coupon proneness varies across consumers and across categories as a function of individual characteristics and category-specific variables.

Download English Version:

<https://daneshyari.com/en/article/10438998>

Download Persian Version:

<https://daneshyari.com/article/10438998>

[Daneshyari.com](https://daneshyari.com)