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Understanding the impact of store flyers on purchase behaviour: An empirical analysis in the context of Spanish households

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ABSTRACT

The purpose of this paper is to analyse how Spanish consumers are really influenced by store flyers. The present study examines decisions of households regarding: (i) incidence (using a binary logit model); (ii) brand choice (using a multinomial logit model); and (iii) quantity (using a Poisson model). The models described above are applied to scanner choice datasets of the purchases made by Spanish households in two product categories (olive oil and coffee) over 53 weeks. The study finds that the main effect of such flyers is brand switching, rather than acceleration or stockpiling. However, consumers are not homogeneous in these responses to store flyers. Price sensitivity is found to be a more important driver of flyer-proneness than brand loyalty; moreover, the study finds a strong relationship between price-sensitive, flyer-prone consumers and decisions on incidence, choice, and purchase quantities. In contrast, the influence of the presence of brands in store flyers on incidence of purchases is not more prevalent among brand-loyal consumers than among non-brand-loyal consumer; however, such flyers are able to induce loyal users to stock up on their preferred brand. The managerial implications underline that manufacturers and retailers should be aware that the inclusion of a brand in store flyers (without necessarily offering a price discount) can simultaneously cut promotional costs and increase sales profits. In addition, managers should use other types of promotions (such as in-store displays) to encourage consumers to stock up on the brand.

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1. Introduction

The weekly advertising of price reductions in newspaper inserts and store flyers is a frequently used promotional tool in retail business (Blattberg and Neslin, 1990; Mulhern and Leone, 1990; Pieters et al., 2007; Zhang et al., 2009). Major distribution vehicles for feature advertisements include: (i) run of press (ROP) advertisements (advertisements printed on the pages of newspapers), (ii) free-standing inserts (FSIs) (brochures or leaflets inserted in, and distributed with, newspapers and magazines), and (iii) door-to-door (DTD) and direct mail (pre-printed materials delivered directly to postal code areas or targeted households).

Each year, retailers spend millions of dollars on feature ads (Arnold et al., 2001). In particular, store flyers represent one of the most important media for featuring retail and manufacturer promotions in many countries (Gijbrecchts et al., 2003; Mimouni-Chaabane et al., 2010; Volle, 2001; Ziliani and Ieva, 2015). US

retailers spent more than \$20 billion on flyers in 2010 (PRIMIR, 2013), which represented 65% of their average marketing budget (Nielsen, 2012). Similar figures have been reported for European retailers. In 2012, flyers accounted for 50% and 60% of the average retail marketing budget in Italy and France, respectively (Nielsen, 2012), for an investment of one billion EUR in each country (De Camillis, 2012). In 2010, marketers spent EUR373 million on store flyers in Denmark (Jensen et al., 2014: 1).

No clear definition of store flyer exists (Cox and Brittain, 1993), and various terms tend to be used to refer to it. Terms such as catalogue, brochure, leaflet, free sheet, circular, or shopper guide can be found as synonyms for flyer. For the purposes of the present study, the definition suggested by Schmidt and Bjerre (2003: 379) will be adopted: a 'flyer' is "a frequently distributed free printed matter, part of the mass communication marketing from the sender(s), with a minimum of four¹ pages, immediately readable,

¹ Nowadays, store flyers comprising between 10 and 20 pages are very common. Even more, flyers related to 'special' periods of the year (e.g., Christmas or Easter time) might comprise more than 40 pages of length.

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targeted at private households or firms". Compared to feature promotions in newspapers and magazines, store flyers typically comprise promotions for a larger number of products, with complex cross-category relationships (Gijbrecchts et al., 2003).

The increasing use of store flyers is due, in part, to the fact that they influence shoppers both at home and in store (Ziliani and Ieva, 2015). In addition, store flyers, as a special form of advertising (Burton et al., 1999), allow retailers to naturally present denser information than most advertising exposure situations (Gijbrecchts et al., 2003) in order to promote more products or to use the advertising space available for other design elements (Swoboda et al., 2010: 594). Hence, retailers—along with those CPG manufacturers who are willing to pay to have their brands featured—are increasingly using out-of-store flyers (i.e., direct-mail flyers) as the main vehicle for presenting their assortment in order to promote new products and communicate about price specials and other promotions taking place in the store. Store flyers are a source of marketing contributions from manufacturers who also rely heavily on them to reach consumers directly (Srinivasan et al., 1995; Volle, 1997). Thus, promotions featured in store flyers represent two sources², manufacturers and retailers, who pursue different objectives (Mimouni-Chaabane et al., 2010). Manufacturers are mainly interested in the attractiveness of their specific offer, seeking for an increase of brand purchases. Retailers seek greater impact of the store flyer as a whole, pursuing an increase in store traffic and (their private label) sales.

Given the significant promotional costs entailed with the widespread use of store flyers, practitioners and academics share an interest in understanding how they influence consumer behaviour, and hence retailer performance (Ailawadi et al., 2009). However, the increasing budget share of store flyers as a promotional tool in retailing has not been reflected in terms of research attention in the marketing literature. As Bodapati and Srinivasan (2006: abstract) observed:

It is ... not surprising that grocery retail planners across competing stores expend considerable thought on what items to advertise each week and at what levels of prominence. What is surprising, however, is that we marketing scientists do not know much about the manner and extent to which feature advertising in a competitive environment influences where and how customers shop.

Although several studies have examined the impact of feature advertising on consumer behaviour (Che et al., 2007; Gedenk and Neslin, 1999; Niraj et al., 2008; Pancras and Sudhir, 2007), relatively few have specifically examined promotions advertised through store flyers (Chiang, 1991; Gijbrecchts et al., 2003; Gupta, 1988; Mimouni-Chaabane et al., 2010; Miranda and Kónya, 2007; Luceri et al., 2014; Schneider and Currim, 1991; van Heerde et al., 2004). The majority of extant studies have focused on advertisements published in newspapers or on in-store feature advertising (Pieters et al., 2007), which probably reflects the fact that these are the principal distribution vehicles for feature advertisements in the United States and Europe (Gázquez-Abad et al., 2014; Jensen et al., 2014). Given the significant costs entailed with the insertion of promotional issues in newspapers, ROP and FSI feature advertising typically involves one or more (but not many) pages of printed materials. Yet, while the relevance and interest of these studies goes unquestioned, they provide few generalisable insights (Swoboda et al., 2010), because both physical (e.g., available advertising space) and promotional characteristics of store flyers strongly differ from those of advertisements published in newspapers or feature advertising using other media. In addition,

almost all the existing flyer-related research looks at the retailer's perspective. Although it is reasonable that researchers first focus on how store flyers affect consumers' store-related decisions (e.g., store choice, store traffic, or store image), it is paramount that we conduct research looking at the brands' perspective. From the manufacturers' point of view, to know the influence of store flyers on brand-related decisions (e.g., choice or quantity) is especially important. This is also remarkable for retailers in terms of their own brand. Hence, we will use the brand as our focal level of analysis. On the other hand, most studies typically have used feature advertising (including store flyers) as a support variable, crucial to correctly identifying price elasticities, which has been the main focus of previous studies (e.g., Bolton, 1989; Haans and Gijbrecchts, 2011; Leeflang et al., 2008; Mela et al., 1997; van Heerde et al., 2004). To complicate matters further, there are indications that feature advertising effects are moderated by consumers' characteristics (see e.g., Blattberg and Neslin, 1990; Burton et al., 1999; Garretson and Burton, 2003; Gázquez-Abad et al., 2014). However, while the range of socio-demographic and behavioural aspects investigated is growing, only limited research has been devoted to psychographic and purchasing habits. In particular, how price sensitivity and brand loyalty may be related to consumers' use of feature advertising is an under-explored area.

All previous considerations leave managers with little insight into the understanding of how store flyers work, such that more research is needed on the issue. In this study, we shed more light on the understanding of how store flyers—as the main promotional tool—affect consumers' purchase behaviour. In order to enhance this knowledge, such impact is measured both when the presence of a brand in store flyers is combined with a price cut and when it is not. In particular, this paper examines decisions of households regarding incidence (using a binary logit model), brand choice (using a multinomial logit model), and quantity (using a Poisson model). In examining such decisions, customers' heterogeneity (price sensitivity and brand loyalty) is considered. This methodological framework is applied to scanner choice datasets of the purchases made by Spanish households in two product categories: olive oil and coffee. Olive oil plays a leading role in the cultural life of all Mediterranean societies, and consumers are well informed about the main brands that compete in the market. Coffee is a traditional store loss leader with frequent promotions. Spanish households are highly familiar with store flyers, as they command a substantial part of Spanish retailers' promotional budget. In 2014, Spanish retailers spent EUR569.2 million on store flyers and DTD advertisements (Infodex, 2015).

2. Theoretical framework

2.1. Impact of store flyers on buying decisions (incidence, quantity, choice)

Both Gupta (1988) and Chiang (1991) have investigated the impact of promotions advertised through store flyers in terms of when, what, and how much to buy (although the former studied only in-store flyers, whereas the latter considered both store flyers and newspaper advertisements). Gupta (1988) found that feature and/or display promotions are likely to accelerate purchases over time; moreover, he identified some evidence of a synergistic effect from the simultaneous use of price reductions and flyers. However, it should be noted that this author did not distinguish between feature and display promotions; indeed, this variable was defined as a brand being "either on feature or display in store" (Gupta, 1988: 345).

Schneider and Currim (1991) considered brand choice set size, purchase quantity, and purchase timing in assessing a household's

² Once or twice a year, retailers print flyers exclusively featuring private labels.

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