

## Retailer branding of consumer sales promotions. A major development in food marketing?

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### ABSTRACT

This article examines retailer branding of consumer price promotions. It discusses the mechanics of price promotions, consumers' reactions to them and the benefits that accrue to those that use them. It describes how large food retailers can now deploy branded price promotion systems that are fundamentally different to 'traditional' price promotions in both their mechanics and their effects on consumer decision processes. The article describes a field experiment that compared the performance of a food retailer's branded price promotion system with that of a generic (manufacturer) price promotion. The research involved three experiments that covered two food categories (sliced bread and margarine) and two levels of discount (10% and 20%). The results indicate that food retailers are able to attach powerful brands to their price promotion systems, and these brand heuristics can significantly increase consumer purchase intent relative to an equivalent generic/manufacturer promotion. This incremental heuristic effect was stable in both categories and for both levels of price discount studied. These results are consistent with the predictions of alternative, non-cognitive and heuristic based models of food consumer choice that have been published recently in *'Appetite'*.

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### Introduction

The experimental research described in this article was undertaken in Dunedin, New Zealand in late 2010. Its purpose was to establish if a retailer could use its control of the retail category environment to brand a price promotion system. If such a brand could be successfully deployed by a retailer, then the ownership of the intellectual property associated with it would allow them to establish a significant level of control over price promotion within the retail environment. As price promotion represents the industry's largest single marketing budget, with over double the expenditure relative to advertising reported in a recent analysis (Ailawadi, Beauchamp, Donthu, Gauri, & Shankar, 2009), confirmation of the successful development of any such retailer brand would have profound commercial implications for the industry as a whole.

Confirmation of this development would also have theoretical implications. The typology of four retailer brand types that is consistently presented within the research literature (Anselmsson & Johansson; 2009) would have to be augmented by at least one additional major retailer brand type related to price rather than

to product. In addition, recent publications within *'Appetite'* have suggested that non-cognitive and heuristic decision models can be described and used effectively as a basis for understanding the decisions of the food consumer (Hamlin, 2010; Schiebehenne, Miesler, & Todd, 2007). Demonstrating that temporary price reductions (promotions) in the food industry can be branded by retailers, and that consumers' responses to them can be heavily moderated by these brand cues in a manner that is not consistent with reasoned decision processes would offer further empirical support to this school of thought.

Retailer branded price promotions are not a hypothetical development. This article describes the impact of a system of this type that is already fully developed and deployed nationwide within a developed economy by a large food retailer, and that is supported by a continuing heavy investment. The only theoretical issue that this research addresses is whether this investment has successfully created brand like behaviours with regard to a price promotion system.

Despite the substantial implications of retailer branded price promotions for the food industry worldwide, there appears to be no mention of them in either the food research literature or in any other relevant discipline. Wider literature searches using Google™ and Google Scholar™ on terms such as *'branded promotion'*, *'sales promotion brand'*, *'consumer promotion brand'*, *price*

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branding', etc. return no 'hits' that are relevant. While there are very large research literatures on both retailer branding and price promotion of individual products (Sigué, 2008; Huang & Huddleston, 2009), there appears to be no overlap between them that would address the branding of price promotion. There is a literature on branded loyalty programmes which usually involve some form of price discount or related incentive, and which may be owned either by the retailer or a third party, these programmes are targeted at store level behaviours, rather than the individual product level behaviours that existing retailer brands are associated with.

The theory that supports this work is therefore developed from basic principles in the first part of this article. A brief discussion of product level price promotion serves as a basis for the development of the theory of category level price promotion systems. The reasons why price promotion can only be branded at the category level are identified. A category level branded price promotion system that is currently deployed within New Zealand by a national retailer is then described. The parameters of successful brand development for this system are then defined as a set of research propositions with regard to consumer reactions to it. Whether these parameters have been satisfied with regard to one target market is then tested via three field experiments. Finally, the commercial and theoretical implications of the results are discussed.

### Price promotion at the product/brand level

Food marketing expenditure worldwide is dominated by promotion that supports the transaction, rather than by advertising that supports the product (Belch & Belch, 2011; Kolker, 2004; Mullin & Cummins, 2008; Peattie, 2003). Price promotions in the form of temporary price discounts form the majority of this promotional budget, and are thus the largest item of marketing expenditure within the food industry (Ailawadi et al., 2009, 2010; Srinivasan & Anderson, 1998).

The scale of this activity supports a very large body of research literature on price promotions and related consumer behaviours. This research is heavily orientated towards the use of historical time series sales/scanner data to analyse the forms and sources of the three curves shown in Fig. 1 over both the short and long term and from both a strategic and tactical perspective (Hawkes, 2009).

The overall patterns of response to a price promotions are summarised in Fig. 1, a more detailed discussion is given in van Heerde and Neslin (2008, chap. 5). Research addressing price promotion is primarily directed at one or more of the following three propositions: (1) Price promotion leads to a long term increase in sales/profit of an individual product; (2) Price promotion leads to long term growth in sales/profit of a product category; (3) The manufacturer/investor is the beneficiary of these movements.

These propositions are of interest because the substantial investment involved in price promotion within a category is only strategically worthwhile if either the solid line representing long term incremental sales in Fig. 1 stays above the dashed line representing long term base sales position (Proposition One), or if the dashed line representing the long term base sales position trends up to meet the incremental sales line as part of a process of overall category growth (Proposition Two). If promotions do not lead to a change in an individual product's position, but to an overall category growth, then the question arises as to which channel participant is the major beneficiary – the manufacturer, the retailer or the consumer? (Proposition Three). The research literature on these longer term strategic outcomes has, to this point, failed to establish a consistent position with regard to any of these propositions. However the most recent research available reports little if any long term changes in consumer choice and therefore little, if any positive strategic outcomes for the promoter (Vallette Florence, Guizini, & Merunka, 2011; Yi & Yoo, 2011).

Research that is directed towards the short term (tactical) use of price promotions examines the sources of the transactions identified as 'incremental trial sales' in Fig. 2. There is a strong consensus within the literature that price promotions do have a significant impact on short term sales (Hawkes, 2009; van Heerde, Leeflang, & Wittink, 2004). The sources of this sales 'bump' have been identified as brand switching, product switching, category switching, temporal switching (stockpiling), and industry level switching of funds from non-food expenditures. Despite the undisputed presence of the bump, its sources and benefits remain disputed (Leeflang, Parreno Selva, Van Dijk, & Wittink, 2008).

### Price promotion at the category level – Theory

Historically, the body of research described above has concentrated on the promotion of individual products. Such price promotions are, or are assumed to be, individual supplier funded/controlled and unbranded (generic) in nature. Until recently, the

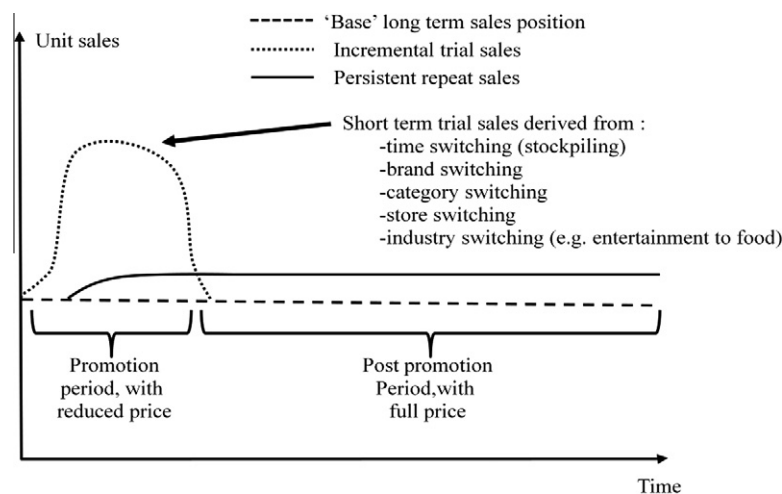


Fig. 1. Consumer response to a price promotion on a single product over time.

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