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Empirical Comparisons of In-Store Display vs. Feature Advertising and Trade Promotions vs. Consumer Promotions, Measured at the Brand and the Category Levels

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Some recent food marketing trends presently influencing the grocery industry include the facts that the consumer is becoming more demanding and marketing focus must be returned to the point of sale, where more and more consumer decisions are being made; that manufacturers must increasingly pay attention to their important relation with distributors; and that a new type of competition has emerged which requires differentiated point-of-sale standards; and the loss of mass communication budgets and/or the loss of the effectiveness of the mass communication expenditures.

The joint pressure of these factors results in the necessary emergence of new philosophies of management and a redefining of the range of the tools used in marketing. The primary tools include category management and sales promotions. These tools can be used to engage the consumer at the place of sale, and they can also differentiate the store by creating a unique offer. These tools can be used in a fashion to recognize the importance of the distributor by providing the tools to help attract customers. These tools also play an increasingly important role in total marketing budget of manufacturers. As long as promotions are no longer needed for demonstrations, the manufacturer must decide the best manner to distribute the marketing budget. The most important distinction is that between promotions aimed at the ultimate consumer and trade promotions aimed at the distributor. These two decisions are inseparable, and it is essential for the manufacturer to balance the budget between the two and to be capable of comparing their respective effects on sales.

However, based on our knowledge, studies attempting to compare both are rare. Our challenge is to measure the effect of manufacturer promotions on sales and then to compare this effect to several forms of point-of-sale promotions (P.S.P.) vs. product displays and multiple-target promotions (promotions aimed at the consumer) vs. trade promotions. Whereas traditional promotions are in the form of rebates, we are interested in two forms of in-store merchandising, product displays and P.S.P. Trade promotions are classified as financial incentives; we approached them as products given to the retailer. To measure and compare the effects of these various promotions, we used an econometric modeling based on a panel of convenient stores in Quebec Province belonging to five different banners over 82 weeks. Sales of two promoted brands and of their category were followed at the manufacturer level. The presence of displays, in-store P.S.P., and the quantities of products given to the distributor were also recorded. The results confirm a positive effect on manufacturer sales from promotions targeted at the consumer through the distributor. These results will add to the grocery promotion body of knowledge, providing enrichment through the study of two types of promotions little studied until now. It is frequently suspected that some of the special deals given to distributors/retailers are not fully passed on to consumers, but promotions aimed directly at consumers have the full effect intended by manufactures. We found that the effect is complete when measuring the effects at the category level and either only of the concerned with brand promotion.