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Refunding: An Inflation Fighter?

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As prices continue to rise, food shoppers are continually looking for ways to hold the food budget in line. Refunds offered by food manufacturers are often considered as one alternative.

Manufacturers have been offering refunds for years. But recently, the offers have increased in number and in monetary value. It has been estimated that manufacturers spend at least \$1 billion annually in cash refunds and merchandise give-aways to consumers.

Refunding typically involves sending the manufacturer a specified number of proofs of purchase—box tops and/or bottoms, labels, net weight statements, wrappers, and universal product codes—from products purchased. In return, the shopper receives either cash or a coupon good for a price reduction on a future purchase.

Refund offers usually are printed on official refund forms which inform the shopper of the number and kind of proofs required, the name of the refunding company, and the expiration date of the offer. Although an expiration date is given, manufacturers often extend the deadline to accommodate late requests.

Many manufacturers do not even require an official refund form. Although manufacturers may include refund forms with the promoted products, retail stores are under no obligation to display the promotion material.

According to the Nielsen Clearing House Consumer Refund Report, most offers run for at least 4 months and require up to three proofs-of-purchase. Typically, the longer the promotion runs and the more frequently a product is purchased, the more proofs-of-purchase are required.

In spite of the apparent value, most consumers do not take advantage of refund offers. The Nielsen study reported that 74 percent of U.S. households were aware of refund offers, but fewer than one-third had ever used them. In 1976, only 17 percent of the households—about 9 million—engaged in refunding. The total number of actual redemptions that year was about 37 million.

Consumer response to particular refund offers is usually determined by four factors: (1) the number of proofs-of-purchase required by the manufacturer; (2) the medium used to advertise the re-

fund offer; (3) the monetary value of the actual refund; and (4) the length of the promotion.

Manufacturers can also influence response by the design and structure of the refund campaign. Other factors affecting consumer response include the product or brand being promoted, the consumer's need for or interest in the product, and the complexity of the refund offer.

Varieties and Values

The actual refund can be either cash, check, or coupon. Recent refunding innovations include the variable refund and the "surprise bounceback" coupon. The variable refund gives the consumer a choice of reward. For example, the offer might require three proofs-of-purchase for a \$4.00 cash refund, two proofs for \$2.50, and one proof for \$1.50.

The "surprise bounceback" coupon usually is included as a bonus with the actual refund. It may be redeemed by purchasing the advertised product, a different product manufactured by the same company, or a totally unrelated



New England: Trends in Grocery Stores and Eating Places

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Value of Refund Offers Issued in 1976

Value	Cash offers issued	Coupon offers issued
	Percent	
Less than .50	10	6
.50	49	16
.51 to .99	5	3
\$1.00 or more	36	17
Free product	—	58

Source: A. C. Nielsen

product distributed by another company.

According to industry spokesmen, the value of refunds has been on the increase in recent years, due in part to rising grocery prices and increasing postal rates. The average refund increased in value from 25 to 35 cents in the 1960's to around 80 cents in 1977.¹ Although research data are not available, the current average refund is estimated to be worth \$1.25.

Refund Advertising

Three primary methods are used to advertise refund offers: (1) regular print media (newspapers, supplements, and magazines); (2) point-of-sale display; and (3) in- or on-package advertising. About 41 percent of the total number of refund offers advertised appear in the print media, 26 percent at point of sale, and 16 percent in or on the product package. Multimedia advertising (a combination of methods) accounts for 16 percent of the offers, according to Nielsen.

Response rates do differ by the way in

which refund offers are advertised. Of the three methods listed, the average response rate is proportionately higher for those offers included inside or on the product package. Average response rates are proportionately lower on offers using only print media. Although print advertising shows a lower response rate, it probably elicits more refunds in total because of the exposure.

Regardless of how the offer is advertised, slightly more people respond to coupon offers than to cash refunds. However, different types of refund offers using the same medium show only marginal differences in the response rate.

A fairly recent consumer-oriented innovation in refund advertising is the refund bulletin. Refund bulletins are compiled by private individuals, not connected with manufacturers. Their purpose is to inform consumers of the available refund offers. The bulletins usually are published monthly and each contains over 100 new refund offers, pertinent information about the offers, an exchange section, and tips for the beginning refunder.

Who Uses Them?

According to the 1977 Nielsen survey, most refunders are between the ages of 31 and 59. Although younger shoppers are proportionately more aware of refund offers, they participate less often. Generally, households with at least 4 to 5 members engaged in refunding more frequently than smaller households. As incomes increase, and households spend more for weekly grocery purchases, the incidence of refunding also increases.

Although low-income shoppers could probably benefit the most from refunding, they are less aware and participate less frequently than higher income groups. The grocery budget, in part, may limit participation of those low income households who are aware of refund offers. Generally, the nationally advertised products offering refunds cost more to purchase than products with private labels. ■

U.S. grocery store sales rose about 2 percent in constant dollars between 1972 and 1977. At the same time, grocery store sales in New England—Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont—actually declined about 4 percent, after adjusting for inflation. Nationally, sales at eating places, measured in constant dollars, rose 20 percent between 1972 and 1977. Sales in New England grew less rapidly, at a real growth of nearly 16 percent.

Grocery Stores

Grocery stores had more sales and, except for eating places, more paid employees in 1977 than any other retail business sector in New England. Grocery store sales—at \$8.6 billion—accounted for 21 percent of total retail sales in the region.

Although store sales increased in some States and decreased in others, aggregate changes nearly were offsetting. Connecticut, Maine, and New Hampshire had annual increases of 0.2, 1.4, and 1.2 percent, respectively. Massachusetts, Rhode Island, and Vermont had annual losses of 0.6, 0.4 and 1.1 percent.

Connecticut and Maine had the greatest percentage decreases in store numbers. Except for New Hampshire and Vermont, States that had above average gains in store sales generally experienced above average losses in number of stores. In New Hampshire, there were increases in both average sales per store and number of stores. And in Vermont, although average sales per store decreased, the number of stores actually increased.

The decline in total grocery store sales per store in New England occurred despite a 1.5-percent increase in population, a 4.4-percent increase in real per capita income, and a 3.4-percent decrease in number of stores between 1972 and 1977. With such favorable growth conditions, total sales and sales per store normally would be expected to increase. Several factors could account for the decrease—increased away-from-home eat-

¹“Promotions with Consumer Refunds,” Nielsen Clearing House Refund Report, 1977.