

Outlining a strategy for supermarket coupons

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Among the major tools of supermarket promotions are coupons, but understanding which types of coupons accomplish the retailer's objectives can be tricky. A field study described in an article appearing in the June 2016 issue of the *Journal of Retailing* can help retailers map the categories and brands they should promote, depending on whether the objective is to increase customer loyalty by rewarding clients for buying brands they are already purchasing or entice them to buy in categories that they are not yet purchasing at the store.

The article, "Which Categories and Brands to Promote with Targeted Coupons to Reward and to Develop Customers in Supermarkets," was researched and written by Professors Ignacio Osuna, of the INALDE Business School-Universidad de La Sabana in Bogotá, and Jorge González and Mario Capizzani, of IESE Business School in Barcelona.

The authors studied data collected from 893 targeted coupon promotions in a mid-size European supermarket chain. The average customer in the sample received an average of about 160 [coupons](#) over a two-year period. There were two types of coupons: the first promoted brands for current [brand](#) buyers to [reward](#) them; the second promoted brands to non-buyers of branded alternatives of a category, where the goal was to motivate them to buy in that category.

The authors found that for a retailer running a shopper-card program that offers different value coupons for regular brand buyers and non-brand buyers, the redemption rates for reward coupons that offered a 10

percent discount were on average as high as five times greater than the rates for cross-category 20-percent-off coupons.

Based on their analysis, the authors make several recommendations for retailers. For instance, the most effective use of reward coupons for brand buyers would be to issue them in categories that consumers buy frequently and that are frequently on sale, even when the brands are relatively more expensive. For those consumers, relatively smaller discounts suffice to encourage redemption - the discounts, in fact, can be substantially lower for reward purposes than for encouraging cross-category buying.

The authors conclude, "Retailers managing targeted coupons should think ahead about what the intended goals of their promotions are and select the right merchandise to promote, considering that customers will react to coupons differently depending on whether they are current buyers of the brand."

More information: Ignacio Osuna et al, Which Categories and Brands to Promote with Targeted Coupons to Reward and to Develop Customers in Supermarkets, *Journal of Retailing* (2016). [DOI: 10.1016/j.jretai.2015.12.002](https://doi.org/10.1016/j.jretai.2015.12.002)

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