

Retailers may be doing customers a favor with early jump on holiday sales

October 17 2022



Credit: Unsplash/CC0 Public Domain

It isn't even Halloween, and some retailers already are putting out Christmas merchandise and promoting gift buying. Manufacturers and retailers often put out cards for Valentine's Day, chocolate eggs for Easter and a plethora of pumpkin-spiced treats ahead of Halloween and

Thanksgiving many weeks ahead of the holidays.

But it's not just about getting a jump on holiday shopping for [retailers](#). Advance sales of seasonal items also benefit consumers with reduced retail prices, according to new research from the Indiana University Kelley School of Business.

The article "Advance Selling in Marketing Channels," accepted for publication in the *Journal of Marketing Research*, reported that advance selling can alleviate a common supply-chain issue—double marginalization—when manufacturers, wholesalers and retailers apply their own set of profit margins that lead to higher prices for consumers.

"Advance selling results in a win-win-win outcome," wrote Krista Li, associate professor of marketing and Weimer Faculty Fellow at the Kelley School and co-author of the study.

"This benefit comes from offering retailers or consumers the option to buy either in the advanced period or in the spot period, which induces manufacturers, or in some cases retailers, to compete with their future selves, because consumers can buy now or wait to do so later," she said. "As a result, advance selling constrains manufacturers' pricing power and reduces average [retail prices](#)."

The spot period is when there is an immediate need to make a purchase, like candy right before Halloween or stocking stuffers at Christmas.

Sales of seasonal products such as holiday decorations, clothing, and summer or winter entertainment items and sports gear typically account for a fifth to one-third of all consumer purchases during the year.

"Manufacturers frequently advance sell seasonal products to consumers through retailers and therefore face unique challenges to coordinate

channels effectively over time," the researchers wrote. "In particular, when a manufacturer advance sells with a low wholesale price, its retailer may stockpile the product and spot sell it during the consumption season.

"Our results suggest that retailers such as Walmart and Target should not advance sell seasonal products when they can stockpile products for spot selling."

Their findings also suggest that manufacturers should advance sell their products when a retailer can't stockpile seasonal items such as holiday decorations and the holding cost is low.

The benefits of advance selling are higher if the product is easier for producers to stockpile, the retailer cannot stockpile them, and the [manufacturer](#) sets dynamic wholesale prices, where the before-season price does not have to be the same as the in-season price.

The study presumes that [consumers](#) "are sophisticated and forward-looking in making purchase decisions," but it doesn't specifically consider those who stock up on candy corn or decorations at "after holiday" sales.

Li's co-author is Xi Li, associate professor of marketing at the University of Hong Kong.

More information: Krista J. Li et al, EXPRESS: Advance Selling in Marketing Channels, *Journal of Marketing Research* (2022). [DOI: 10.1177/00222437221112644](https://doi.org/10.1177/00222437221112644)

Provided by Indiana University

Citation: Retailers may be doing customers a favor with early jump on holiday sales (2022, October 17) retrieved 2 May 2024 from <https://phys.org/news/2022-10-retailers-customers-favor-early-holiday.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.