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A STUDY OF THE EFFECTIVENESS
OF COUPONING IN
NEW ZEALAND

A thesis presented in partial fulfilment
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ABSTRACT

The increasing role played by Consumer Sales Promotions in the Promotional mix has not been matched by an equal interest shown in the marketing research with regard to their effectiveness.

Existing evidence of Sales Promotions impact on sales and profitability presents limitations stemming from the nature of the data utilised.

Improving the quality of the data used for the purpose of the assessment of Sales Promotions effectiveness ultimately depends on the researcher's ability to gain control over the other influential factors affecting sales during the promotional activities. This means that such research should follow the principles of experimental designs.

One area of sales promotion experiencing growth amongst grocery products is couponing. Yet, very little experimental research has been undertaken in that area.

This thesis reviews the existing promotion and coupon literature and describes an experiment allowing a better assessment of coupon effectiveness and profitability in the New Zealand case.

In recognition of the managerial difficulties encountered in the routine application of an experimental approach, this thesis also utilises a cost effective consumer survey in order to investigate a number of coupon related issues.

A nationwide experiment was conducted in New Zealand using magazine insert as a means of coupon distribution. The sales of three fast-moving consumer goods were monitored over an eight week period for a representative sample of supermarkets within each of three geographically defined treatment units enjoying different levels of discount.

The results of this experiment did not allow the positive identification of a significant sales increase as a result of the couponing activity.

The conventional consumer-survey method would not have enabled the product managers to forecast accurately the sales response to the alternative coupons distributed, although it did indicate that in some instances, the lower discount level would trigger a higher redemption.

The study therefore suggests that experimentation should be more readily used by promotion decision-makers to assess the effectiveness of the different activities with which they are involved. Magazine-distributed coupons, for instance, failed to generate a significant increase in sales with obvious implications for the profitability of the products concerned.

PREFACE

Marketing is a young discipline. As such, it goes through periodic identity crisis and experiences chronic growing pains. One of the issues of debate is whether Rigour or Relevance should be predominant in Marketing Research.

Most of the academic marketing research output is of little relevance to the practising marketers and likewise, most of the concepts and principles used by marketers are questioned by marketing academics.

A study like this one is evidence that such a conflict can be solved. A scientific approach allows a better assessment of the impact of coupons and as such, enables marketers involved in the promotion of a large number of grocery products to make better decision, and therefore to maximise the return of their promotional investment.

As marketing matures, perhaps a balance can be struck between rigour and relevance which will be beneficial to both practitioners and academics involved in this area of business.

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