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# **THE LONGER-TERM EFFECTS OF PRICE PROMOTIONS**

**A thesis presented in partial fulfilment of the requirements  
for the degree of Masterate of Business Studies at  
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## ABSTRACT

Retail price promotions are, arguably, the most prevalent promotional tool used by marketers today. In many markets, particularly those involving fast moving consumer goods, retail price promotions account for a large (and increasing) proportion of typical marketing budgets.

Yet despite the frequency with which price promotions are used, the price promotion literature represents a relatively new research field. In particular, the *longer-term* effects of price promotions remain under-researched, despite their salience to both marketing academics and practitioners. Given the ubiquity of price promotions, and the correspondingly large expenditures that are associated with them, redressing this lack of research would appear to be of considerable importance.

The research reported in this thesis replicated and extended a study which was conducted by UK researchers in 1994. Scanner panel data, collected over a period of six months, was used to investigate the longer-term effects of price promotions on consumer behaviour, for several fmcg brands. Overall, it was found that price promotions have negligible longer-term effects on sales levels, repeat buying behaviour, the introduction of new buyers, and average purchase frequencies.

The key implication that arises from these findings is that, generally, expenditure on price promotions should be reduced. Price promotions should be employed sparingly to allow greater emphasis on elements of the marketing mix that provide more lasting returns.

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