

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

MBS

Massey University Library Thesis Copyright Form

Title of thesis: The Effect On Trial And Purchase Behaviour
Of Mail-Drop Product Sampling And Purchase
Incentives Among Non-Users

(1) (a) I give permission for my thesis to be made available to readers in Massey University Library under conditions determined by the Librarian.

(b) I do not wish my thesis to be made available to readers without my written consent for ... months.

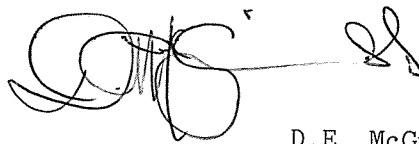
(2) (a) I agree that my thesis, or a copy, may be sent to another institution under conditions determined by the Librarian.

(b) I do not wish my thesis, or a copy, to be sent to another institution without my written consent for ... months.

(3) (a) I agree that my thesis may be copied for Library use.

(b) I do not wish my thesis to be copied for Library use for ... months.

Signed



D.E. McGuinness

Date

10 / 04 / 92

The copyright of this thesis belongs to the author. Readers must sign their name in the space below to show that they recognise this. They are asked to add their permanent address.

NAME AND ADDRESS

DATE

**THE EFFECT ON TRIAL AND PURCHASE BEHAVIOUR
OF MAIL-DROP PRODUCT SAMPLING AND PURCHASE
INCENTIVES AMONG NON-USERS**

A thesis prepared in partial fulfilment of the requirements for the
degree of Master of Business Studies
at Massey University

Dalton Erin McGuinness

1992

ABSTRACT

Escalating expenditure on sales promotion techniques has led to increasing concern over their effectiveness. Techniques such as product sampling and purchase incentives are widely believed to encourage new trial and purchase behaviour among non-users, but few studies have verified this belief empirically.

This thesis reports the results of three pioneering experiments that examine the effectiveness of mail-drop product samples, coupons, and cash-backs, as means of promoting new trial and purchase behaviour among non-users of three brands: a laundry detergent, an instant coffee, and a new toothpaste variant. A sample of 800 households was randomly selected and, for each product, households were assigned to one of four treatment groups: sample plus coupon, sample only, coupon only, and a control group. Trial and purchase data were obtained from 493 households after over two telephone interview waves.

The results indicated that samples achieved much higher rates of new trial and purchase behaviour than coupons. Coupons and cash-backs delivered alone were found to be ineffective means of encouraging purchase behaviour among non-users, and including them with samples only had a marginal, if any, effect on purchase behaviour.

This study has important implications for the practice of sampling and couponing. In particular, coupons may only subsidise purchases that would otherwise be made at full retail prices, which suggests that the current industry practice of providing coupons with samples may be unwarranted.

ACKNOWLEDGEMENTS

I wish to thank my supervisor, Mike Brennan, for his valuable guidance throughout this research and for setting me challenging standards. My thanks also to Phil Gendall for his helpful advice, and to Don Esslemont for always being prepared to discuss anything.

Special thanks to Zane Kearns for his support throughout this project - for not only lending an ear with conceptual issues, but also a hand with monotonous tasks. Grateful thanks also to numerous other people, without whose help with tasks such as selecting the respondents, preparing and distributing the treatments, and interviewing, the sheer size of this project would have been overwhelming.

I am also indebted to the three companies that sponsored the products used in this study.

TABLE OF CONTENTS

Abstract	i
Acknowledgments	ii
Table of Contents	iii
List of Tables	v

CHAPTER ONE: INTRODUCTION

1.1 Background	1
1.2 Sales Promotions	1
1.3 Product Sampling	2
1.4 Purchase Incentives	3
1.5 Sampling-Incentive Combinations	4
1.6 Summary	4

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction	5
2.2 Product Trial	5
2.3 Short Term Purchase Behaviour	10
2.4 Switching Behaviour	19
2.5 Long Term Purchase Behaviour	21
2.6 Summary	24
2.7 Objectives and Hypotheses	26

CHAPTER THREE: METHOD

3.1 Introduction	28
3.2 Products	28
3.3 Sample	30
3.4 Treatments	31
3.5 Procedure	33
3.6 Operational Definitions	37

CHAPTER FOUR: RESULTS

4.1	Introduction	39
4.2	Current Users Vs. Non-Users	39
4.3	New Product Trial	41
4.4	Coupon and Cash-Back Redemption	41
4.5	Non-Usage of Samples	44
4.6	Non-Redemption of Coupons and Cash-Backs	46
4.7	Short Term Purchase Behaviour	48
4.8	Switching Behaviour	51
4.9	Long Term Purchase Behaviour	56
4.10	Summary	58

CHAPTER FIVE: DISCUSSION

5.1	Introduction	59
5.2	Differences Between User Groups	59
5.3	Treatment Differences	60
5.4	Product Differences	66
5.5	Conclusions	68

REFERENCES	69
-----------------------------	----

APPENDICES

1	Detergent Treatments	75
2	Coffee Treatments	77
3	Toothpaste Treatments	81
4	Distributor Notes	84
5	Interviewer Notes	85
6	Questionnaires	91
7	Breakdown of Survey Response Rates	102

LIST OF TABLES

1	Sampling and Couponing Scenario	14
2	Treatments Applied in Each Experiment	32
3	Schedule of Activities and Participating Households	33
4	Treatment Response Rates for Each Experiment	37
5	Effect on Product Trial of Product Sampling and Purchase Incentives	40
6	Effect of Treatments on New Product Trial Among Non-Users	42
7	Reasons Why Non-Users Did Not Try Samples	44
8	What Non-Users Did With Untried Samples	45
9	Reasons Why Non-Users Did Not Redeem Incentives	46
10	Effect of Treatments on Short Term Purchase Behaviour	50
11	Effect of Treatments on Brand Switching	53
12	Effect of Detergent Treatments on Product-Form Switching	55
13	Effect of Coffee Treatments on Category Switching	56
14	Effect of Detergent Treatments on Long Term Purchase Behaviour	57
15	Breakdown of Response Rates for First Interview Wave	102
16	Breakdown of Response Rates for Second Interview Wave	102

CHAPTER ONE: INTRODUCTION

1.1 Background

Over the last decade, New Zealand companies have been through difficult times. Company profits have been adversely affected by a number of factors, including an economic recession, intensified competition and increasingly demanding consumers. To maintain profitability, many companies have had to rationalise their operations and seek more effective promotional methods to increase sales.

Companies have traditionally used advertising as their main method of promoting sales. However, because advertising only tends to provide underlying reasons for purchase and often requires several exposures to stimulate sales (Schultz et al., 1984), its effectiveness has been reduced by several factors including media clutter, brand proliferation, and increasingly fragmented consumer markets (Shimp, 1989). As a consequence, companies are spending an increasing proportion of their promotional budgets on sales promotion, in order to differentiate their brands with direct, action oriented, and short-term incentives to purchase (Berneman, 1990a; Boddewyn & Leardi, 1989; Massey, 1992).

1.2 Sales Promotions

Sales promotions are an assortment of techniques designed to induce immediate sales growth. These techniques include product samples, coupons, cash-back offers, cents-off deals, competitions, point-of-purchase displays, and product premiums. They tend to be emphasised in-store, although some techniques, such as samples and coupons, can also be delivered to consumers' homes.

The overall objective of sales promotion is to generate incremental sales, which have been defined as the additional sales, beyond the normal level of sales, generated by a promotion (Bawa & Shoemaker,

1989). This may be accomplished by stimulating trial and purchase behaviour among non-users of a brand, and by increasing the repeat purchase rate among current users of a brand. The end-objective of encouraging long term purchase behaviour is largely contingent on the performance of other elements of the marketing mix, particularly the product itself (Schultz et al., 1984). Sales promotions are also used to reinforce advertising, satisfy trade requirements, and neutralise competitive activities (Shimp, 1989).

1.3 Product Sampling

Of all forms of sales promotion, product sampling is considered to generate the highest rates of trial among non-users of a brand (Meyer, 1982; Rossiter & Percy, 1987). It is also believed to have the greatest effect on switching between brands, product forms, and in some cases, product categories (Ailoni-Charas, 1984; Schultz & Robinson, 1982). Product sampling involves giving away a trial-size portion of a product to prospective consumers, thereby enabling them to experience the product with little risk and no obligation (Aillon-Charas 1984). Product samples can take numerous forms, such as small product replicas and foil-wrapped sachets, and can be distributed in a variety of ways, such as through mail-boxes, stores, and at other locations; the most appropriate form and distribution method depends on the product and promotional objectives. One of the most common methods for distributing samples of non-food products in New Zealand is mail-drop delivery, where special crews are contracted to deliver items to households in certain areas of selected cities. This method is claimed to generate high rates of sample trial for household products because they are delivered to their ultimate usage point, and the most likely users can be selectively targeted (Aillon-Charas, 1984).

1.4 Purchase Incentives

Purchase incentives are also believed to be effective in generating trial among non-users as they are presumed to make switching financially more attractive, and thus reduce the consumers' level of perceived risk associated with trial (Belch & Belch, 1990; Rossiter & Percy, 1987). Purchase incentives are also commonly used to reward and hold current users of a brand (Dommermuth, 1989; Kotler, 1990).

Purchase incentives include techniques such as coupons, cash-backs, special offers, and other price-deals. Coupons are credit vouchers entitling the holder to a relatively low value discount on the purchase of a particular brand. They are typically delivered to consumers in newspapers, magazines, direct mail pamphlets, coupon booklets, on packaging, and with other sales promotion material such as product samples; the most appropriate method again depends on the product and promotional objectives. Of all media distributed coupons, mail-drop coupons are considered to achieve one of the highest redemption rates as they can be selectively targeted at the most likely prospects of a brand (Belch & Belch, 1990; Schultz et al, 1984; Ward & Davis, 1978).

Cash-backs, also referred to as refund offers, are promotional vouchers that offer a cash refund of a specified sum to consumers if they buy the promoted product at the normal retail price. Consumers fill in the voucher and send it to the manufacturer or an agent, usually with some proof of purchase, for a refund by return mail. Cash-backs are usually attached to the promoted product in-store, but can also be distributed to consumers in print media or by direct mail. They are not as prevalent in New Zealand as coupons, presumably because of the higher administration costs involved.

1.5 Sample-Incentive Combinations

To increase the effectiveness of product sampling and purchase incentives, companies often use these techniques in combination (Ailoni-Charas, 1987; Freedman, 1986). This is based on the assumption that consumers who try and like a sample will supposedly purchase the product more readily if the price of the next purchase is discounted. It has been suggested, however, that purchase incentives may be redundant if consumers like a sample enough to buy the product without them (Haugh, 1979a). This issue is important because several studies have shown coupons are usually redeemed by current users for purchases that would have been made in any case (Neslin & Clark, 1987; Shoemaker & Tibrewala, 1985).

1.6 Summary

Several claims have been made about the effectiveness of sales promotion techniques in achieving trial and purchase among non-users, but little academic research has validated these claims empirically. Because most commercial research in sales promotion is confidential, and because most companies are too involved with other tasks to undertake detailed evaluation, it is difficult to assess whether the escalating expenditure on these techniques is justified.

The purpose of this study is to examine trial and purchase behaviour among non-users in the context of the two most commonly used sales promotion techniques used to achieve this: product sampling and purchase incentives. To place this study in perspective and provide a rationale for the hypotheses tested, the literature relevant to these issues is reviewed in the following chapter.