
Comments on
Price Promotion and Brand Loyalty;
Empirical Evidence for the German Ready-to-eat Cereal Market
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The question

- Price promotion= instrument to attract customers
- The promotional decision trade-off:
 - new consumers switch to the promoted brand (+)
 - loyal consumers buy it at a lower price (-)
- Empirical study to test the impact of brand loyalty on retailers' promotional pricing strategies (Ready to eat breakfast cereals in Germany)

Methodology

- Price promotions are measured along 2 dimensions: the promotion magnitude & the frequency over time
- Independent variables:
 - 3 alternative measures of brand loyalty (brand run, repurchase probability, return probab.) and the size of the loyal segment are defined and computed
 - Dummies: manufacturer effect, retail chain effect and discounter effect.
- IV Tobit
 - Dependent variables are left censored,
 - Loyalty is endogenous (Huang, Perloff & Villas-Boas, 2006)

Ready-to-eat breakfast cereals market

Consumer	Retail
2000 & 2001	
14 000 households, daily food purchases 375 EAN	108 retailers 142 EAN
Measures of brand loyalty	Definition of price promotion
129 EAN MS>1% & a significant number of consumers ↓ 23 sub brands belonging to 4 corporate brands (Kellogg's, Nestlé, Dr. Oetker, Kolln) 108 retailers belonging to 5 retail chains (Metro, Markant, Tengelmann, Edeka and Rewe) ↓ 1729 price series (<math>108 \times 23</math>)	

Result:

Stronger brands are promoted less often & at lower discounts than weaker brands.

Questions

- Promotion = final price reduction for the consumer. But who initiates the promotion: the producer or the retailer? This impacts on loyalty : loyalty to the brand or to the retailer?
- Is it possible to compute store loyalty?
- Did you consider to add cross variables? (Retail chain*Manufacturer)
- Did you take into account the quantity purchased (storable product)? This can be of interest to analyze the brand run.
- The choice set is not the same for each consumer. How to take this into account?

Questions

- The segment size variable. To define this variable, you count all households being loyal towards a brand:
 - Is it linked to the sample size?
 - Is it possible to compute the segment size from probabilities?
 - Independent of the brand loyalty variable?
 - Instrumentation of this variable?