

THE IMPACT OF PRICE PROMOTION TYPES ON SALES AND BRAND PERCEPTION OF PREMIUM PRODUCTS

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ABSTRACT

Price promotion represents one of the instruments most frequently used by marketing and sales managers to increase sales. As even for premium brands an increasing use of price promotions can be observed, questions regarding the duality of sales and brand impacts of price promotion activities gain in relevance. A broad variety of studies have investigated sales promotions in general and price promotions in particular. While the general positive sales effects of price promotions have been thoroughly investigated, the negative effects for the brand may be underestimated. Understanding such effects, however, is vital for companies that rely on strong brands, especially manufacturers of premium products. Despite the different arguments about the positive and negative effects of price promotion, current knowledge is based on different objects of research and separated studies, focusing either on sales impact or on brand perception. Furthermore, previous research has often considered price promotion in general or concentrated on one or two specific types. Our study contributes to the existing literature by proposing a framework to distinguish four different price promotion types and by consistently investigating sales as well as brand perception impacts of these specific activities.

We distinguish between direct and indirect price reduction as well as the use of a precondition to investigate the sales and brand perception impacts of four different types of price promotion. Based on actual sales figures the results show that direct price reductions have the strongest positive sales impact. The impact on brand perception, based on survey data, shows differentiated results; the more common price promotions show the lowest negative brand impact.

References available upon request.