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## **RETAILER PRICING STRATEGY: DIFFUSE COUPONS EFFECTS CONTINGENT ON STORE FORMAT**

### **Abstract:**

Retail promotion strategies have become an increasingly prominent topic of research due to innovations aimed at helping the management attract customers to their online and offline sales channels. Various promotional and technology tools are being tested to select the ones that will facilitate multi-channel sales. Stores no longer use the model “the same price for everyone” because sophisticated marketing software enables pricing to be tailored to customers with a view to keeping them engaged. Special offer and discount coupons (i.e. POS coupons, FIS and e-coupons) have become a vital part of the retail pricing strategy and a widely used promotional tool in which retailers invest significant marketing resources to create a competitive effect. The paper sets out the concept of promotion pricing and identifies the role of diffuse promotional coupons designed to help retailers attain their marketing and profitability goals. An empirical analysis is performed to determine the effects of coupons in a dynamic Every-Day-Low-Prices (EDLP) strategy employed by a large retail chain using a customer basket records. A univariate statistical analysis (GLM) is carried out to analyse cart data from nearly 25,000 transactions recorded in the course of one year in seven stores. The results of the analysis reveal the effects of most common three types of coupons on basket operational profitability in different store format context. The empirical results obtained from this research and insights gained into the effects of this type of promotion can help retail managers form reasonable expectations regarding the introduction of coupons in retail chain organizations.

### **Keywords:**

retail, pricing strategy, promotional coupons, basket margin, store format

**JEL Classification:** M30, D12