Padua 2017 Abstract Submission

Title
Wine, wit and wisdom - what promotion flyers can tell us about assortment composition, using the example of wine

I want to submit an abstract for:
Conference Presentation

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Keywords
wine, promotion flyers, assortment composition, German food retail, logistic regression analysis

Research Question
Of what nature are differences in wine assortments across store types and which categories influence the probability of wine being presented in a promotion flyer depending on store type?

Methods
The approach is of descriptive nature, testing for significant product variations across stores. A logit-analysis gives a probability for wine being part of promotion flyer assortments depending on store type.

Results
Wine assortments, advertised in promotion flyers, vary due to divergent strategies and consumer designation, the way of reducing information asymmetry, and the share of wine.

Abstract
Wine, wit and wisdom - what promotion flyers can tell us about assortment composition, using the example of wine
Stephanie Nadezda Güsten
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Introduction
Recently, it can be observed that retailers, regardless of their store type, start to extend their wine compartment in-store and online, both in quantity and quality (BIEHL, 2014). Reasons behind this strategy might be the growing social importance of wine as a life-style product, which no longer is consumed only by an elitist group of wine enthusiasts, but by people of all social classes. Retailers seem to be aware of the potential a solid wine assortment might have with enhancing store attractiveness and enticing consumers. However, little is known how product assortment composition varies across supermarket chains, especially with regard to wine (HWANG et al., 2010). Offering an assortment of products, sufficiently adapted to reflect consumers’ needs, is one of the most important tasks for retailers (LEVY and WEITZ, 2008). Promotion flyers represent one of the most efficient ways of sales promotion, as they trigger the purchase decision of three quarters of consumers (LANGHAUSER, 2006). Moreover, HOFER and KURZ (2007) demonstrate that every second consumer buys a product, which currently is in promotion. This raises the question which products can be identified as important to enhance the attractiveness of a promotion flyer product range.

Much academic research has been done to answer the question whether a larger or a smaller assortment increases consumers’ utilities more. The results are quite diverse. Most consumers prefer large assortments, as
they provide greater variety, over smaller ones. Consumers can therefore fulfill their purchase goal and hence reduce uncertainty in choice (BOYD and BAHN, 2009). Furthermore, greater flexibility with regard to changing preferences of the buying public is given by larger assortments. Otherwise, the immense number of products offered by retailers generates the risk of over-stimulating and demotivating consumers. The key to a positive assortment evaluation through consumers lies within its attractiveness. As long as consumers’ needs are fulfilled with regard to the option of purchasing their preferred alternative, smaller assortments do not fail in attractiveness compared to larger assortments (OPPEWAL and KOELEMEIJER, 2005). Namely, the German discounter Aldi obviously is performing well by offering a very limited product range.

Several research questions arise as a result. The first question is whether (and if yes) of what nature the differences in wine assortments across store types are, as they may occur in quantity, type and repetition of promotions, concerning key information like name, style, origin and quality level of the promoted wine product, as well as the advertised price (LOCKSHIN et al., 2006). Secondly, which categories influence the probability of wine being presented in a promotion flyer depending on store type and with regard to strength and causality.

Data and Methodology
For elaboration, promotion flyers of eight German food retail store types will be used as a proxy to overall store assortment. The selected stores either belong to the store type of discount retailer or super- and hypermarkets, offering a full range of products. The promotion flyers were released every week during the year 2016. Data collection was not reduced to a single product alone, e.g., wine, but involved all products presented in the promotion flyers. Table 1 gives an excerpt of the collected variables. Further categories include near- and non-food classes, labels of quality, origin, and fair trade, as well as types of promotion (e.g., price or quantity) and product information like recipes for associated food or quick response (QR) codes.

Table 1: Excerpt of Data Collection Design

In total, more than 130 individual categories will be included. As mentioned above, promotion flyers of eight different food retailers and a time period of one year (2016) will be incorporated. A maximum collection of 416 promotion flyers is possible. The number of products, advertised in promotion flyers, differs considerably with regard to store type. Discount retail stores offered less than 100 items in the flyer of calendar week (cw) 10, whereas hypermarkets promoted up to 550 individual products. Assuming these numbers to be quite stable within store type, the final data set might contain up to 230,000 observations. On average across stores, 10 wine products were promoted per flyer in calendar week 10. Extrapolated, more than 4,000 wine products might be available for further analyses.

The methodological approach will be of descriptive nature, followed by an empirical analysis whether product variations across stores are statistically significant. Differences in advertised wine assortments across stores and in time will be revealed. After this, a logistic regression analysis will be done giving a probability for wine being part of promotion flyer assortments depending on store type and with regard to strength and causality of the regressors’ influence.

Anticipated Results
Some results may be verbalized in advance. Assortment differences across food retail store types will occur due to divergent strategies and consumer designations. For example, hard discount stores, offering only house brands and a reduced store interior, like Aldi, following an every-day-low-price-strategy, will be leading in price. Mean prices between soft discount stores, like Lidl, offering branded products also, and supermarkets do not differ on a statistically significant level, as can be proven for calendar week 10, exemplary. Soft discount stores recently enhance the quality level of their wine assortments not only by the way of presentation, but also focusing on branded products. In 2014 Lidl’s online offer did include wines priced up to more than 350 Euro (BIEHL, 2014). In addition, supermarkets introduced house brands with prices similar to discount store level into the market to address consumers with a high price-sensitivity.

Another example, where differences across stores might be visible, is the amount and type of information given to reduce information asymmetry, because wine is a product combining experience and trust properties like taste and origin (JANSSEN et al., 2013). Retailers will try to influence the purchase decision in different ways, e.g., by product descriptions and expert ratings or by quality labels (e.g., medals of the German Chamber of Agriculture), origin (e.g., European Protected Designation of Origin) or production (e.g., EU Organic Farming Logo). The bigger the visibility of a product in a promotion flyer, the more information it may contain. Therefore, discount stores are
expected to differ statistically significant from super- and hypermarkets as discount stores often assign a total page for one single wine product or even invest in a special promotion flyer concentrating on wine exclusively. This hypothesis can be proven for calendar week 10, exemplary. The amount of information, given in promotion flyers of this week, varies on a high statistically significant level between discount stores and super- and hypermarkets. As discount retailers provide more space, they might use the whole range of promotion possibilities from reference to expert opinions and labels to recipes for associated food. In comparison to discount stores, super- and hypermarkets highlight a lot of products in their flyers, each with quite a small figure. So supermarkets might have to focus on labelling due to space scarcity.

One further example to differences across store types might be the food-to-non-food-ratio, especially the share of wine. Super-markets (e.g., Edeka) are expected to have among the highest food-to-non-food-ratio as they promote only few non-food products, most of them being near-food. On the contrary, in hypermarkets (e.g., Real) the non-food-share will be higher. Figure 1 illustrates the food-to-non-food-ratios for calendar week 10 in 2016, exemplary.

Figure 1: Food-to-Non-Food-Ratios, Calendar Week 10

Similar the share of wine across store types differs considerably. In calendar week 10 in 2016, discount stores offered the highest share of wine products compared to total promoted assortment as well as advertised food (see Figure 2). Hypermarkets, according to their focus on non-food-products, show the smallest share of wine products, presented in promotion flyers.

Figure 2: Wine Shares across Stores, CW 10, 2016

Referring to the intended logistic regression analysis, several aforesaid categories might be important as regressor variables. For instance, labels, indicating a foreign origin of advertised wine, are expected to positively influence the probability that wine is presented in a promotion flyer. This is due to German consumers’ taste preferring foreign over German wine (HOFFMANN, 2016). Similar results are assumed for red over white and dry over fruity wines respectively. With regard to product price it is hypothesized, that wines of a middle advertised price range are more likely to be in promotion flyers than cheap or rather expensive wines. Cheap wines might not be highlighted in promotion flyers as they do not likely serve as anchor or loss-leader products, neither being part of a daily diet nor offering a large discount in price to be an incentive to purchase. Otherwise, wines which are presented on a still quite high promoted price level might not be attractive for purchase or only entice a small consumer group. On the contrary, a negative impact is expected for a variable giving the alcoholic content of the promoted wine product. A growing consumers´ sensitivity to health concerns and alcohol consumption results in a preference for alcohol reduced wines (FOGARTY, 2010).

Summary
The above mentioned analyses will help to understand how product assortment composition varies across supermarket chains, especially with regard to wine. Differences in wine product attributes in promotion flyers across German food retail store types will be highlighted. Furthermore, the influence of these attributes on the occurrence probability of wine products in promotion flyers will enable to draw conclusions on strategic behavior. Moreover, the growing importance of wine in retail will be demonstrated.

 Literature


File Upload (PDF only)
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<table>
<thead>
<tr>
<th>Store</th>
<th>Week</th>
<th>Product Name</th>
<th>Food Categories</th>
<th>Further Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lidl</td>
<td>1</td>
<td>Wine</td>
<td>Yes, if correct.</td>
<td>Yes, if correct.</td>
</tr>
</tbody>
</table>

Source: own illustration

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![Figure 2: Wine Shares across Stores, CW 10, 2016](source)

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Literature


