

The impact of competitors store flyers on EDLP/HiLo chain performance:

GPS information and POS data approach

ABSTRACT

Since a store flyer can promote many products simultaneously, it plays an important role for retailers, who can use it to attract more customers. In spite of the importance of understanding the store flyer effect, no research has considered the existence of competitors' flyers. In this study, we obtained store traffic information using global positioning system (GPS) data from shoppers' smartphones, as well as the flyer information of 80 retail chain stores located in different trading areas. We carried out an analysis of flyer effects considering the impact of competitors' flyers. We found that although own-store flyers have a positive effect on the store's performance, competitors' flyers have negative effects on performance; these negative effects are of a magnitude that should not be ignored. If competitors' flyers are excluded from the study, the effect of own-store flyers is overestimated by 19%. Furthermore, we found that promotional-pricing (HiLo) shoppers are more sensitive to competitors' flyers than are customers who purchase at everyday low prices (EDLP). The results can help EDLP chains stop the practice of designating a loss leader brand.