

RETAIL SALES CAMPAIGNS: A COMPARISON OF OBJECTIVES AND ACTIVITIES BETWEEN NZ AND HUNGARY

Retailers frequently go on sale. However, do we know the objectives and marketing activities retailers undertake in each type of sale campaign? This study sets out to address the question by surveying the clothing and shoe retailers in New Zealand and Hungary. Change-of-Season Sales are found to be the most frequently used sales type by the retailers studied and these sales are linked with objectives of moving a volume of stock and activities such as co-ordination of media across all forms. Other types of sales campaigns, Christmas and General Sales, are linked with different promotional objectives and activities such as increasing profit and dollar sales, and stock management. Managerial implications are accorded.

RELEVANT LITERATURE

Most of the prior research that includes discussion of sales types focused on the idea that different types of retailer prefer different types of sales. Warner and Barsky (1995) found that apparel retailers marked down various products differently from retailers of other products. Essentially, Warner and Barsky (1995) assert that various store types handle sales differently due to the overriding strategy that the store is focusing on. Lazear (1986) on the other hand suggests that the phenomenon of the retailer sale has arisen from an economic need on the part of the retailer to move stock that is becoming increasingly difficult to sell.

The author also notes that once a price-markdown has been used, it is unusual for the product to return to the original amount, because as the season ends, the difficulty of selling that item increases (Lazear 1986). While this may be true of the seasonal sale (and therefore seasonal products), one can question the validity of this assumption with regards to the now prevalent general and Christmas sales, where stock may only be marked down for a limited period or a special event.

The 'movement of stock' objective has, however, been largely supported throughout the literature (Pashigian and Bowen 1991; Pashigian 1988; Bitran, Caldentey and Monschein 1998; Mantrala and Tandon 1994) and while these authors do not address marketing objectives of the retailer specifically, they do observe similar effects in terms of stock clearance prices as mentioned by Lazear (1986). It is necessary, therefore, to consider whether movement of stock is the most important objective to retailers who engage in sale activities, or whether there are other promotional objectives not considered by previous authors that are of equal or lesser importance to the retailer. This remains an academic gap for us to fill.

Additionally, when one examines the academic literature in regards to the marketing activities undertaken by retailers during a sale, there is again a distinct gap. Retailer sales are often treated as activities in themselves and as such, most of the literature focuses on optimal timing and pricing rather than how the sale is actually marketed (Pascal 1999; Groebner and Merz 1990; Bitran *et al.* 1998). Some authors examine the effect of a retailer sale without considering the marketing activities that were part of the sale in the first place.

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Much of the prior literature discusses promotion objectives and marketing activities of the retailer in terms of sales with no distinction between different types of sales. The purpose of this study is to examine whether there are differences in the promotion objectives and marketing activities with regards to different sales campaigns. If so, which objectives and activities are more successful? The current study will examine the objectives and activities of sales undertaken by retailers in New Zealand and Hungary. Both are Western countries, but have different economic and cultural backgrounds. Hungary is a European nation far back from those "Old Europe" in economic development terms, constrained by a long period of communist control and so we might expect a different management approach compared to New Zealand which is a "new world" nation, but with European origins. In economic development terms it is more mature than Hungary.

METHODOLOGY

The sampling frame for the New Zealand data set was the respective main cities' Yellow Pages list of clothing and shoe retail stores located in Auckland, Wellington, Hamilton, Christchurch and Dunedin. The Hungarian study was concentrated on these major cities namely Budapest, Zalaegerszeg, Tatabánya, Debrecen, Veszprem. Two sets of mailings occurred, three weeks apart. In each mailing, a cover letter with the University letterhead, a questionnaire and a reply-paid envelope were directed to the manager of each retail store. For large retailers, the questionnaire was mailed to the head office. The New Zealand sample yielded a response rate of 39% (287 responses), and the Hungarian sample a response of 76% (328).

The first set of items on the questionnaire covered a description of the most recent advertising campaign undertaken by the retailers (for example Spring, Summer, Winter, Christmas, Pre-Christmas, Anniversary, Moving/Opening/Renovating or Other Sales) and the duration and pricing used for the campaign. One item included in this set asked respondents to indicate the effectiveness of their most recent advertising campaign in terms of reaching their objectives. The next set of questions is related to the objectives of the retailer while the third set focused on the marketing activities of the retailer during the campaign.

Each statement was measured with a seven-point scale (1 = strongly disagree/very unimportant to 7 = strongly agree/very important). A check item was included in the questionnaire to establish each respondent's job responsibility within the retail firm. The questionnaire was pre-tested before being sent to respondents. The Hungarian questionnaire sets were translated into their respective languages by a native speaker.

RESULTS

The majority of the respondents were store managers/owner managers. Clothing retailers represented more than 80% of the responses. Most of the retailers (78%) have 5 or less outlets and employ less than 10 employees. This sample is similar to that used to that used by Smith and Sparks (2000) in their analysis of the role and function of small firms in Scotland.

Frequency of Sales Types

The frequency of each of the three sales types in New Zealand and Hungary was examined. *Change-of-Season Sales (C.O.S.)* appear to be the most popular sales type in both countries. For New Zealand, the second most popular sales is *General Sales* (including opening/moving/renovating and anniversary sales), although it is proportionately less frequent than *C.O.S. sales*. In contrast, the Hungarian retailers tend to emphasise *Christmas Sales* more than *General Sales* or *C.O.S. sales*. This could again be due to the fall of Communism and the revival of Roman Catholicism in Hungary which was once banned during the Communist reign. In terms of the duration of the last promotional sale, most retailers in two countries felt that their last sale had run for the right duration (80.8% and 80.5% in New Zealand and Hungary respectively). These results are similar to those of pricing effectiveness, as retailers in the two countries again generally believed that their last sale was priced in the most appropriate manner.

Retailers' Promotion Objectives and Marketing Activities

Retailers' objectives with respect to their last promotion campaign were factor analysed and categorised into three main groups – *Sales Orientation*, *Competitor Focus* and *Volume Orientation*. *Sales Orientation* objective appears to be the strongest group and include variables such as increasing dollar sales and profits, attracting and exciting customers, sustaining customer loyalty and reinforcing the store's quality image. Next factor is the *Volume Orientation* objective which includes moving a certain volume of stock and the traditional seasonal sale concept.

The *Competitor Focus* objective includes variables like gaining a competitive edge over rivals and reacting in a defensive manner to competition. Comparatively, the New Zealand retailers preferred the Volume Orientation (mean 5.51) followed by Sales Orientation (5.13) and Competitor Focus (3.68) objectives. In contrast, the Hungarian retailers liked Volume Orientation (mean 5.78), followed by Competitor Focus (5.44) and Sales Orientation (4.14) objectives. This difference between the two countries however can be somewhat attributed to the fact that Hungarian retailers are still coming to terms with the new type of competitive market that the fall of Communism in Hungary has precipitated. For these retailers, who had previously not had to deal with competition in the manner that New Zealand retailers have, a competitor focus may in fact be a symptom of the changing market that they are experiencing.

The marketing activities of retailers, in terms of the last advertising campaign that they had undertaken were studied in order to examine which activities retailers across the two countries tend to use in order to reach their aforementioned promotion objectives. The factor analysis of retailers' marketing activities during their last promotional sale identified four groups namely; *Inventory Management* (including availability and demand for stock), *External Advice and Support* (including planning advice from external sources and use of external promotional materials), *Promotional Co-ordination and Planning* (including planning and co-ordination of all media) and *Physical Displays* (including all manner of ticketing, signage and displays of stock).

Our study showed both New Zealand and Hungarian retailers nominated Inventory Management as the most important activity preceding a sale. This finding is in concert with the findings by Pashigian and Bowen 1991; Pashigian 1988; Bitran, Caldentey and Monschein 1998; Mantrala and Tandon 1994). External Advice and Support activity is the least important in both countries.

Retailers' Promotion Objectives and Activities per Sales Type

Successful and unsuccessful retailers in each country were determined through an analysis of responses to the research item that covered the perceived effectiveness of their last campaign in reaching set promotion objectives. Responses above the mean have a successful promotion campaign while those below the mean have an unsuccessful campaign (see Table 1).

Promotion Objectives

To be successful in a *C.O.S. Sales*, New Zealand retailers preferred a *Volume Orientation* promotion objective. For General Sales, the promotion objective is Sales Orientation. To the Hungarian retailers, Competitor Focus and Volume Orientation objectives are most effective for *C.O.S Sales*, but for *Xmas Sales* the objective is merely focussing on the competitors.

Marketing Activities

As shown in Table 1, successful New Zealand retailers preferred *Promotional Co-ordination and Planning* activities significantly more than unsuccessful retailers when undertaking a *C.O.S. Sale*. Hungarian retailers however, show a different story, preferring *Inventory Management* activities to the others. For Christmas Sales, *Inventory Management* activities were preferred by successful New Zealand retailers. This result is reinforced by the Hungarian data, which shows successful Hungarian retailers as more likely to use *Inventory Management* activities than unsuccessful retailers, although the difference between the two groups is not statistically significant. In the case of General Sales, *Inventory Management* activities are again seen as most important by successful than unsuccessful

New Zealand retailers. There are also statistically significant differences between successful and unsuccessful retailers' use of *Promotional Co-ordination and Planning* and *Physical Display* activities. Successful Hungarian retailers also preferred *Inventory Management* activities and *Promotional Co-ordination and Planning* when undertaking General Sales.

TABLE 1: FACTORISED OBJECTIVES AND ACTIVITIES VS. TYPES OF PROMOTIONAL CAMPAIGN

| OBJECTIVES AND ACTIVITIES | | C.O.S. | | XMAS SALE | | GENERAL SALE | |
|---------------------------|--------------------------------------|---------------|-------------|--------------|-------------|--------------|-------------|
| | | S. | Us. | S. | Us. | S. | Us. |
| New Zealand n = 287 | | | | | | | |
| Objectives | <i>Sales Orientation</i> | 4.99 | 4.78 | 5.49 | 5.32 | 5.65* | 4.85 |
| | <i>Competitor Focus</i> | 3.41 | 3.78 | 4.06 | 3.75 | 4.01 | 3.55 |
| | <i>Volume Orientation</i> | 6.04** | 3.73 | 5.41 | 5.07 | 4.60 | 4.51 |
| Activities | <i>Inventory Management</i> | 4.16 | 3.89 | 5.31* | 4.04 | 5.14* | 2.85 |
| | <i>External Adv. & Support</i> | 1.07 | 1.38 | 1.96 | 1.92 | 1.13 | 1.01 |
| | <i>Promo Coordination & Plan</i> | 4.67** | 3.79 | 4.53 | 3.79 | 4.70* | 3.27 |
| | <i>Physical Displays</i> | 4.34 | 4.14 | 4.63 | 4.13 | 3.79* | 2.69 |
| Hungary n = 382 | | | | | | | |
| Objectives | <i>Sales Orientation</i> | 6.02 | 5.59 | 5.97 | 5.62 | 5.94 | 5.33 |
| | <i>Competitor Focus</i> | 4.42** | 3.63 | 4.75* | 4.05 | 4.11 | 3.86 |
| | <i>Volume Orientation</i> | 5.62** | 5.61 | 5.43 | 5.40 | 4.93 | 4.53 |
| Activities | <i>Inventory Management</i> | 6.27* | 5.95 | 6.17 | 5.88 | 6.14 | 5.92 |
| | <i>External Adv. & Support</i> | 5.42 | 5.53 | 5.23 | 5.37 | 5.44 | 5.92 |
| | <i>Promo Coordination & Plan</i> | 5.34 | 5.32 | 5.65 | 5.22 | 5.77* | 4.82 |
| | <i>Physical Displays</i> | 5.60 | 5.43 | 5.47 | 5.59 | 5.77 | 5.89 |

Note: ** = significant difference at 0.01 & * = significant difference at 0.05, as per *post hoc* test.
S = Successful retailers; Us = Unsuccessful retailers.

DISCUSSION AND MANAGERIAL IMPLICATIONS

This study has identified that there are three main sales campaigns used by clothing and shoe retailers in New Zealand and Hungary and these being *Change-of-Season Sales*, *Christmas Sales* and *General Sales*. Of the three sales campaigns, *Change-of-Season Sales* is the most frequently used across the two countries. This could be an indication of not only the fact that fashion items such as clothing and shoes have a high seasonality, but that sales themselves are becoming more prevalent as a means of promotion in the retail market. In terms of promotion objectives, with no distinction between sales campaigns, retailers in both countries view volume orientation as the most important. These findings have highlighted what was found in the literature review, where most authors believe that movement of stock volume is the likely objective for a retailer to hold a sale (Pashigian and Bowen 1991; Bitran, Caldenty and Monschein 1998; Mantrala and Tandon 1994; and Lazear 1986). When promotional objectives and marketing activities of successful versus unsuccessful retailers are looked at in terms of the three different sales campaigns, some obvious patterns can be established. When a *C.O.S. Sale* is undertaken, a *Volume Orientation* and use of *Promotional Co-ordination and Planning* activities such as careful planning and co-ordination of all media are most likely to be used by successful retailers. When a *Christmas Sale* forms the basis of the campaign, a *Sales Orientation* and use of *Inventory Management* activities such as management of stock and forecasting of demand is most likely. Lastly, during a *General Sale*, successful retailers tend to have *Sales Orientation* objectives and an *Inventory Management* focus in terms of their marketing activities, as they would during their *Christmas Sales*.

It would seem therefore, that *Christmas Sales* and *General Sales* are linked in terms of their objectives and can thus be grouped as distinct from *C.O.S. Sales*. Reasons for this are many, but one of the most obvious is that retailers in a highly seasonal industry, such as clothing and shoe sales, would give primary importance to the promotional objectives and marketing activities used for a *C.O.S. Sale* as compared to any other sales. Managerially speaking, it is evident that in a seasonally uncertain retail environment, there should be a focus on objectives such as the movement of stock and maintenance of traditional seasonal sales that consumers may have come to expect. To achieve these objectives, retailers in highly seasonal industries should therefore concentrate on carefully planning the promotion, co-ordinating all media used in the most effective manner and using print media as a means of support for the campaign.

Other sales, including *Christmas* and *General Sales* are deemed to be of secondary importance to clothing and shoe retailers, and as such, have different focuses in terms of their objectives and the activities used to meet these objectives. When a clothing and shoe retailer has objectives such as increasing dollar sales and profits, reinforcing store image, attracting new customers or generating in-store excitement, they should look to Christmas or General Sales to meet these objectives. This can be achieved through marketing activities such as arranging the timely availability of stock, promoting stock for which there is a demand and forecasting this demand correctly. In sum, the study has shown that the main objectives for clothing and shoe retailers continue to be volume-based objective and followed by sales-based objective. This fits what was originally shown in the literature, but this study makes the important distinction that these objectives and the marketing activities needed to reach them, are indeed dependant on the type of sale campaign undertaken by the retailer.

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