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Competitive advertising within store flyers: A win–win strategy?

Aîda Mimouni Chaabane [a,*], Ouidade Sabri [b], Béatrice Parguel [c]

[a] University of Cergy-Pontoise (THEMA Research), IUT Techniques de Commercialisation, 34, Boulevard Bergson 95200 Sarcelles, France
[b] Sorbonne Graduate Business School, IAE de Paris (GREGOR Research), 21, rue Broca, 75005 Paris, France
[c] Université Paris-Est (IRG), Route de Choisy, 94010 Créteil, France

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ABSTRACT

This study investigates the effect of competitive advertising within store flyers on both manufacturers and retailers. Prior research implies that competitive advertising may be detrimental for manufacturers and beneficial for retailers. Findings from an intersubject experiment that uses various familiar and unfamiliar competing brands confirm that store flyers' competitive advertising improves consumers' perceptions of the variety of the retailer's assortment, which has a positive impact on intentions to visit the store and buy. However, increasing the number of competing brands does not harm manufacturers; rather, it enhances recognition of brands, especially for well-known brands. This article concludes with a discussion of the theoretical and managerial implications of these findings for the design of store flyers.

1. Introduction

Store flyers, a specific form of feature advertising, are printed advertisements used by retailers to present their assortment, promote new products and stores, and communicate about price specials (Miranda and Konya, 2007; Pieters et al., 2007). They also represent increasingly important portions of retailers' communication budgets. In 2002, US retailers spent $8 billion on store flyers and feature advertising inserted in newspapers, which represented approximately half of their total advertising spending (Bodapati and Srinivasan, 2006). In France, the figures have been even higher. In 2006, retailers distributed 13 million store flyers, which accounted for 66% of their communication investments (Aubril and Puget, 2007).

Both manufacturers and retailers attribute a strategic role to store flyers. Manufacturers advertise in store flyers to achieve point-of-sale communications and a good in-store promotion (e.g., aisle-end displays, product displays). Furthermore, store flyers enhance manufacturers' brand purchase and choice rates (Moriarty, 1983; Blattberg and Neslin, 1990). As for retailers, empirical evidence indicates that store flyers build store traffic (Burton et al., 1999; Volle, 2001; Gijsbrehts et al., 2003; Miranda and Konya, 2007), increase purchases of advertised and unadvertised products, and increase the amount consumers spend on these products (Burton et al., 1999), which implies a favorable effect on profits and margins (Volle, 2001). Moreover, store flyers offer a flexible means to convey a good price positioning, which is a key attribute of the retailer's store image in price-sensitive settings (Volle, 2001). Store flyers also help retailers communicate about the variety present in their store assortment (Arnold et al., 2001). Finally, retailers rely on store flyers as a source of income, earned from the fees charged to manufacturers to appear in them (Gijsbrehts et al., 2003; Pieters et al., 2007).

To reach these various objectives, retailers might increase the number of promoted products presented on the same advertisement display page (Leterrier, 2003). However, doing so means they increase the likelihood that competing brands might advertise simultaneously, which would reduce the effectiveness of store flyers for manufacturers. This study therefore raises a key question—what is the effect of competitive advertising on store flyers' effectiveness? This issue is all the more relevant in the case of out-of-store flyers (e.g., printed or inserted in newspapers, direct mail flyers) relative to in-store flyers. There is a time lag between exposure to out-of-store flyers and the purchase opportunity; hence increasing the number of competing brands in a flyer may affect consumers' memory performance at the point of purchase, more so than it would for in-store flyers. Furthermore, if they really want to boost traffic and attract new customers, retailers should be more interested in the efficiency of out-of-store flyers.

Investigating the impact of competitive advertising contained within store flyers thus represents a hot topic for both manufacturers and retailers. If increasing the number of competing brands has negative effects on brand awareness, manufacturers' investment in store flyers might be inefficient or even pointless. To achieve a positive return on their investment, they would need to resort to other strategies—such as buying an

* Corresponding author. Tel.: +33 1 34 38 26 28; fax: +33 1 34 38 26 27.
E-mail addresses: aida.mimouni@u-cergy.fr (A. Mimouni Chaabane), ouidade.sabri@yahoo.fr (O. Sabri), beatrice.parguel@u-pec.fr (B. Parguel).

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exclusive page to promote their own brands. Retailers also need to guarantee the success of exposures in store flyers by convincing manufacturers—who largely finance these flyers—of the positive effects on their brands and sales.

2. Conceptual framework

Competitive advertising occurs when a target brand appears with advertisements from other, competitive brands. It might result when advertisements present the same contextual elements, such as pictures, colors, or brand promise (Burke and Srull, 1988; Keller, 1991; Kumar, 2000; Kumar and Krishnan, 2004; Pieters et al., 2007; Zhang et al., 2009), or contain directly competing brands (Keller, 1987; Kent and Allen, 1994; Kent and Kellaris, 2001; Kumar and Krishnan, 2004; Laroche et al., 2006; Danaher, 2008).

Pieters et al. (2007) and Zhang et al. (2009) have examined the effect of competitive advertisements in store flyers on attention and sales. Attention to a whole page decreases with contextual competitive advertising (Pieters et al., 2007). That is, when the design elements (i.e., brand, pictorial, text, price, promotion) of the advertisements are similar, consumers pay less attention to them. Furthermore, contextual competitive advertising is detrimental to sales, because it decreases attention to the promoted brands (Zhang et al., 2009). However, to our knowledge, no research considers the issue of directly competing brands in store flyers and their likely effect on brand memory. Prior studies also mainly adopt the manufacturer's point of view, even though the communication in store flyers represents two sources, retailers and manufacturers, who pursue different objectives. Retailers advertise a bundle of offers that are simultaneously attractive and seek greater impacts of the display page as a whole; manufacturers are interested only in the attractiveness of their specific offer. As a result, competitive advertising within store flyers deserves further investigation and from dual perspectives.

2.1. Effects of competitive advertising within store flyers on manufacturers

Store flyers represent a special form of informative advertising that increases sales by attracting customers' attention (Burton et al., 1999; Chandon et al., 2000; Zhang et al., 2009). Accordingly, manufacturers who aim for positive outcomes of advertising in store flyers must first ensure that consumers who view the flyer remember the appropriate brand information.

The effect of exposure to competitive advertising is a well-documented topic among advertising researchers (Keller, 1987, 1991; Burke and Srull, 1988; Kent and Allen, 1994; Kumar, 2000; Kent and Kellaris, 2001; Kumar and Krishnan, 2004; Laroche et al., 2006), who find that the number of competing brands has a negative effect on memory, due to interference. Interference is "the process by which our ability to recollect some information is hindered by our exposure to some other information" (Kumar, 2000, p. 155). Learning new information about a stimulus may reduce recall of older information stored in the memory. Additional learned attribute information about competing brands also results in a multiplication of links between the information and brands, which weakens the association between the brands and their advertising memory traces. In such conditions, target information may become inaccessible or confused (Burke and Srull, 1988; Keller, 1991).

As a special form of advertising (Burton et al., 1999), store flyers should be subject to similar findings. They naturally present denser information than most advertising exposure situations (Gijsbrehts et al., 2003). Because the various brands try to attract attention using similar economy-oriented attributes, there is little distinction between the competing brands and no salient cue that consumers can use to enhance their recall of one particular brand (Pieters et al., 2007). On the contrary, print advertising usually presents brands on separate pages, to allow them to benefit from sufficient space to communicate their promises in a creative and differentiated way. The effects of competitive advertising within store flyers on memory therefore may be more important than those pertaining to general print competitive advertising.

However, exposure to promoted brands in general print advertising can be controlled by consumers. A consumer involved in reading an article can skip an advertisement and avoid (in real-life settings) exposure to that advertisement. In contrast, consumers generally choose to be exposed to advertisements in store flyers, especially direct mail flyers. Because they are likely more involved in this situation, they may process the information more extensively. Consequently, we expect that store flyers are more resistant to the potential negative effects of competitive advertising.

This discussion in turn implies that the effects of competitive advertising within store flyers may be different from and more complex than those of advertising in general and print advertising in particular. Considering that previous work on competitive advertising and interference points to and empirically supports the idea of a negative relationship between the number of competing brands and memory, we lean toward the first argument and postulate the following hypothesis:

H1. *Exposure to competitive advertising within store flyers has a negative effect on memory for the (a) brand and (b) promotional offer.*

Brand familiarity—defined as the consumer's level of direct and indirect experience with a product (Alba and Hutchinson, 1987)—plays an important role for competitive advertising effects (Kent and Allen, 1994; Kent and Kellaris, 2001; Kumar and Krishnan, 2004; Laroche et al., 2006). According to previous research, attention to both familiar and unfamiliar brands is negatively affected by competitive advertising (Kumar and Krishnan, 2004; Laroche et al., 2006), but this effect is minor for well-known brands (Kent and Allen, 1994; Kent and Kellaris, 2001). Messages from competing brands generate less confusion because they benefit from a strong memory structure and richly coded associations. Thus, consumers may be more willing to pay attention to advertisements about brands with which they are familiar and retain more information about these brands (Keller, 1987; Kent and Allen, 1994; Laroche et al., 2006). Keller (1987) notes, for example, that consumers engage in more extensive and complete processing of advertising for brands they already know well. This processing may also enhance the link between a familiar brand and the advertisement and ease information retrieval. Consequently, brand recall and recognition should be higher for familiar than for unfamiliar brands. This discussion leads to the following hypothesis:

H2. *Brand familiarity reduces the negative effect of exposure to competitive advertising within store flyers on memory for the (a) brand and (b) promotional offer.*

2.2. Effects of competitive advertising within store flyers on retailers

To drive traffic and increase sales, retailers need to ensure that consumers' perceptions of their assortment are positive (Oppewal and Timmermans, 1997). Literature on assortment perceptions shows that it depends on the space allocated to a given product category (Kahn and Wansink, 2004), as well as category attributes (Broniarczyk et al., 1998). The more the attributes in a product