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“How does Estée Lauder GWP impact the long-term health of the brand?”

by

Alison Day

2006

A Dissertation presented in part consideration for the degree of
Master of Business Administration

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Executive Summary

In recent years, sales promotions have grown in importance, becoming one of the most popular tools in the marketer's kit (Jones 1990) and there is evidence that the trend in promotional activity is upwards. Additionally, due to increasing high street competition, retailers are compensating with extra promotions, more discounts and larger price reductions (British Retail Consortium, 2006). Whilst it is generally recognised that promotions do increase sales in the short-term (Blattberg & Neslin 1995), researchers and practitioners have questioned the other effects that promotions may have in the long-term for the companies that use them.

In 2005, the premium cosmetics market was estimated to be a \$20 billion US dollar worldwide industry (Datamonitor, 2006). In certain geographic markets, particularly the US and UK, promotional activity (Gift With Purchase (GWP)) plays an important role in competition. This promotional activity creates significant sales volume for some premium cosmetics brands, and as sales volume determines market share - a key short-term performance indicator on which management are measured, this promotional activity is heavily relied upon in the short-term to deliver results.

This research investigates the promotion of premium cosmetics through free gift promotions, and the impact that these have on the long-term health of brands. The research focuses on a behavioural perspective, specifically looking at how GWP influences consumer's opinions and attitudes in such a way that their future behaviour towards the brand would be affected (for example likelihood of re-purchase). The research focuses specifically on the Estée Lauder brand within the UK market.

There is extensive existing research into promotions generally. This existing research focuses heavily on mass-market low-involvement goods, predominantly grocery products in supermarket environments, where the promotional vehicle consists of money off coupons or vouchers, or straight price reductions. Little research exists into free gift promotions or promotion of high-involvement goods.

This research takes a qualitative interpretivist approach, using in-depth interviews. As there is little existing research into consumer attitudes towards free gift promotions in

high-involvement goods, there is little upon which to base quantitative analysis. By interviewing Estée Lauder customers in a qualitative way, the aim is to elicit the customer's perceptions rather than searching for external causes to explain their behaviour.

In order to ensure that the purpose and findings of this research are communicated in a methodical fashion, this dissertation is structured as follows:

Section 1 – Introduction. This section sets out the background to the research area, and introduces the research question in more detail.

Section 2 – Literature review. This section analyses the existing literature relevant to the research question.

Section 3 – Research methodology. This gives some background to the general theory of research, and focuses on the research method selected – in-depth interviews. The justification for the choice of methodology for this research is addressed, and details of how the research was carried out explained.

Section 4 – Findings and discussion. This section highlights the results arising from conducting the in-depth interviews, and then discusses the implications in terms of addressing the research question. The findings are also discussed in terms of the existing literature.

Section 5 – Conclusions, reflections and limitations. This section summarises the outcomes of the research, highlights managerial implications arising, and areas for future research. Finally, some potential limitations of this research that should be considered in interpreting the results are highlighted.

To summarise, this research investigates how Estée Lauder GWP promotions impact the long-term health of the brand from a behavioural perspective, using in-depth interviews of Estée Lauder customers as the research method. The dissertation is broken down into five sections to aid clarity and presentation of the research and its findings.

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1. Introduction

1.1 Overview of general promotions issues

Sales promotions have grown in importance, becoming one of the most popular tools in the marketer's kit (Jones 1990). Although it is difficult to pinpoint the current size of sales promotion expenditures, there is evidence that the trend is upwards, demonstrated by statistics from various trade organisations (British Retail Consortium 2006). Blattberg, Briesch & Fox (1995) suggests the following explanations for this trend:

- Advertising has become less effective with consumers bombarded by various media
- Many product categories are mature, and many households now have items previously considered as luxuries
- Many product categories offer undifferentiated commodity products
- Short-term orientation of managers
- More difficult to forecast demand in volatile markets, and therefore a need to reduce excess inventories

Additionally, there is evidence that due to increasing high street competition, retailers are compensating with extra promotions, more discounts and larger price reductions (British Retail Consortium, 2006).

Whilst it is generally recognised that promotions do increase sales in the short-term (Blattberg, Briesch & Fox 1995), researchers and practitioners have questioned the other effects that promotions may have, both positive and negative, and short-term versus long-term (Jones 1990). Jones argued that promotions leave three long-term 'legacies':

- Sales are not increased, but 'pulled forward' from future periods (an acceleration effect)
- Promotions fuel the flames of competitive retaliation more than other marketing activities
- Promotions can devalue the image of the promoted brand in consumer's eyes

These points are widely researched and debated in existing literature.

1.2 Overview of the premium cosmetics market

In 2005, the premium cosmetics market was estimated to be a \$20 billion US dollar worldwide industry (Datamonitor, 2006). Within the industry, 'premium cosmetics' is the term used to define a relatively small number of brands that develop, market and sell skincare, fragrance and colour cosmetic products through limited distribution channels such as department stores, perfumeries and chemists.

In certain geographic markets, particularly the US and UK, promotional activity plays an important role in premium cosmetics competition. 'Gift With Purchase' (GWP) promotions are prevalent amongst key brands within the industry, and generally consist of a bag or carton of sample sized products given away with a qualifying purchase, for example any two products (see appendix 1 for example). Sales made whilst on promotion account for a significant percentage of total sales, estimated at around 10% of total industry sales within the UK in 2004 (European Forecasts 2005). For some of the market leaders in the UK (Estée Lauder, Clinique), the proportion of promotional sales is between 20% and 25% (Estée Lauder Companies 2006).

The past 10 years have seen much change within the industry, with a number of new entrants taking market share from the established 'generalist' brands. These new entrants often focus on one product category only, i.e. skincare, make-up, or fragrance, whilst the generalist brands compete across all product categories. The following changes have been observed:

- New market entrants not offering GWP, yet gaining market share
- Declining market share of brands that offer GWP promotions

(European Forecasts 2005).

To summarise, GWP promotions are a key element of the marketing communications of some premium cosmetics brands. However, recent changes in the industry outlined above question whether GWP promotions give the competitive advantage that they were originally intended to.

1.3 Introduction to the research question

As outlined above, promotional activity creates significant sales volume for some premium cosmetics brands. As sales volume determines market share - a key performance indicator on which management are measured, this promotional activity is heavily relied upon in the short-term to deliver results. However, as changes within the industry are demonstrating, consumers are becoming increasingly willing to buy into brands that do not have promotional offerings.

There has been much academic research in the area of consumer promotions from a variety of perspectives, including numerical perspectives, such as measuring changes in sales volumes caused by promotional activity, and also from behavioural perspectives, for example investigating how promotions influence consumer opinions, attitudes and behaviours towards a brand. Most of the existing research focuses on mass-market promotions in low-involvement 'commodity' type purchases, such as household goods or grocery items sold in supermarket environments. The research into these mass-market promotions has focused on two types of promotion: temporary price reductions, and coupons/vouchers.

There has been very little research undertaken into promotions where free goods are offered upon a qualifying purchase, and also very little research into the promotion of high-involvement goods, i.e. luxury or premium goods. There is therefore a gap in existing research in this area.

This research investigates the promotion of high-involvement goods, specifically luxury cosmetics through GWP promotions from a behavioural perspective, specifically looking at how GWP influences consumer opinions and attitudes in such a way that future behaviour towards the brand is impacted (for example likelihood of re-purchase). The research focuses specifically the Estée Lauder brand within the UK market.

Existing research covered by this dissertation

There has been a significant amount of research into mass-market promotions within supermarket type environments, where the promotional vehicle consists of a price reduction or coupons/vouchers. A significant amount of this literature is grounded in consumer behaviour theory, in particular why consumers react to promotions and the

inferences they then make about the promoting company, themselves and also about other consumers who purchase goods on promotional deals. The general promotions literature and the literature investigating promotions from a consumer behaviour perspective are therefore drawn upon during this research.

Given that much of the existing research covers mass-market promotions, and the research area of this dissertation is the promotion of luxury goods, existing research into luxury goods is also covered, to understand what constitutes luxury goods, and how consumer behaviour differs in respect of luxury and mass-market goods.

Summary of purpose and scope of dissertation

This research investigates how GWP promotions impact the long-term health of the Estée Lauder brand via the impact that the promotion has on consumer opinions and attitudes. This perspective is important because the future behaviour of the consumer towards the brand will be impacted by any changes in their opinions and attitudes, and therefore understanding how GWP promotions impact these is important to the brand in the long-term.

Specific areas focused on in this research are:

- 1) How consumers respond to various promotional benefits
- 2) How promotions and their frequency impact consumer opinions, attitudes, and behaviour
- 3) The impact of GWP promotions on consumer perceptions of quality and value
- 4) The potential effect of GWP promotions on consumer reference prices
- 5) Whether promotion of luxury goods differs from promotion of non-luxury goods, and implications arising from the luxury nature of the products

To summarise, the research question to be addressed by this dissertation is:

“How does Estée Lauder GWP impact the long-term health of the brand?”

2. Literature Review

“How does Estée Lauder GWP impact the long-term health of the brand?”

Promotions are a key element of brand marketing communications, and form a key part of an integrated marketing communications strategy (Schultz 2004). Marketing scholars have long realized the importance of consistency in the management of the marketing mix (Park & Zaltman 1987), and ensuring that the promotional activity works as part of the overall integrated marketing communication strategy to enhance rather than dilute brand equity (Swait & Erdem 2002 & Schultz 2004).

Deci (1971) provided empirical evidence that rewards can undermine a person's motivation, attitudes and behaviours. This finding is important for marketing research because it suggests that promotional rewards undermine consumer product and brand evaluations (Dodson, Tybout & Sternthal 1978, Scott & Tybout 1979). This suggests that there are circumstances in which promotions do not work effectively as an element of overall marketing communication, and when this happens, there can be a negative impact on consumer's evaluations, which ultimately negatively impacts brand equity.

2.1 Overview and definitions

There are many definitions of what constitutes a sales promotion. Kotler (1988) proposed the following definition, recognising the importance of promotions from the perspective of increasing sales:

“Sales promotion consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker and/or greater purchase of a particular product by consumers or the trade” (Kotler 1988)

Shimp (2000) proposed an alternative definition, emphasising the point that promotions are a tool used to communicate with customers:

“Sales promotions are marketing communications activities used to encourage the trade and/or end customers to purchase or take other relevant action by affecting the perceived value of the product being promoted or to otherwise motivate action to be taken”.

Blattberg & Neslin (1995) proposed that promotions have the following attributes:

- **Action focus** – there is an emphasis on getting the customer to take action.
- They are ‘**marketing events**’, a collection of distinct incentives, usually with a limited time frame.
- **Direct impact on behaviour** - promotions are designed to directly impact purchase behaviour, although there are also implications on the cognitive state of the consumer – buying on promotion may affect the consumer’s attitude toward the brand. Raghurir (2004) argued that positive and negative attitudes could be triggered in the consumer, only some of which may be intended by the promoting firm.

To summarise the above, Blattberg & Neslin (1995) suggested the following definition:

“Sales promotion is an action-focused marketing event whose purpose is to have a direct impact on the behaviour of the firm’s customers”.

All of the above are generic sales promotion definitions. Gift with Purchase (GWP) is a specific type of promotion whereby sample sized products are given away upon a qualifying purchase. GWP can be defined as:

“A customer service event designed to reward existing customers and recruit new customers by enabling product trial across all categories” (Estée Lauder Companies 2005).

This definition does not specifically state that GWP is designed to have a direct impact on purchase behaviour and increasing sales, as proposed in the definitions of sales promotions given by Kotler (1988) and Blattberg & Neslin (1995). However, it does have some common ground with the definition proposed by Shimp (2000), in that it recognises that GWP is a tool used to communicate with customers. There is very little existing research into gift with purchase promotions in any industry, hence a shortage of definitions to clearly define how GWP differs from other promotions.

2.1.1 Existing literature – consistent and conflicting findings

In a review of findings across the promotions literature, Blattberg, Briesch & Fox (1995) identified certain ‘empirical generalisations’. These generalisations were consistently found and verified in multiple studies involving different researchers.

- 1. Temporary retail price reductions substantially increase sales** (in contrast with advertising where a substantial spike in sales is not always seen). Therefore the literature agrees that sales promotions do increase sales in the immediate term
- 2. The greater the frequency of promotions, the lower the height of the sales spike**, therefore although promotions do increase sales, the more often they occur, the less effective they are
- 3. The frequency of promotions changes the consumer’s ‘reference’ price** – i.e. the price they expect. If a product is promoted frequently and deeply discounted, the consumer’s reference price of the product decreases. Blattberg, Briesch & Fox (1995) argued that a lower reference price reduces the premium that can be charged for a brand, thus reducing brand equity. The effect of promotions frequency on reference price was corroborated by Lattin & Bucklin (1989) and Kalwani & Yim (1992).

Blattberg, Briesch & Fox (1995) also highlighted areas where there are conflicting empirical results:

- 1. Whether the majority of promotional sales come from ‘switchers’**, i.e. regular users of other brands. The implication of this is that once the promotion finishes, consumers may revert back to alternative brands, therefore not resulting in a long-term sales increase.
- 2. Whether there is a trough in sales when the promotion finishes**, due to the promotion having an ‘acceleration’ effect. The implication here is that if the promotion simply accelerates sales that would have happened anyway at a later date, profit margins are eroded by the cost of the promotion.
- 3. Whether there is a negative long-term effect of promotions.** This is a widely debated point, and is covered in more detail later in this literature review.

2.1.2 The effect of sales promotion on brand equity

Within the literature, the impact of promotions on brand equity is widely discussed. Building a strong brand is the goal of many organisations, due to the fact that higher brand equity has been found to lead to higher prices (Firth 1993), greater market share (Park & Srinivasan 1994) and higher consumer response to advertising and promotions (Keller 1998). In the context of sales promotions, it has been argued that promotions destroy brand equity (Mela et al. 1997) because they enhance only short-term performance by encouraging sales and brand switching (Dodson et al. 1978, Gupta 1998), and may convey a low quality image.

There are many definitions and measurements of brand equity, both quantitative and qualitative. Keller (1993) conceptualised the measurement of brand equity from the standpoint of the individual consumer, and defined brand equity qualitatively as “the differential effect that brand knowledge has on consumer response to the marketing of that brand”.

Blattberg & Neslin (1995) recognised that promotions have an impact on the cognitive state of the consumer: i.e. buying on promotion may affect the consumer’s attitude toward the brand. This point is highlighted regularly in the literature (Scott & Yalch 1980, Scott & Tybout 1979, Tybout & Scott 1983). Raghurir (2004) argued that positive and negative attitudes can be triggered in the consumer, only some of which may be intended by the promoting firm, such as inferences regarding value or quality about the promoted product. Therefore to the extent that such inferences affect future consumer purchase behaviour, sales promotions can impact brand equity from the standpoint of the individual consumer, and therefore affect the long-term health of the brand.

This section of the literature review has covered some key definitions of promotions, and outlined some of the key generic consistencies and inconsistencies in the literature. The impact that promotions have on consumer-based brand equity, and therefore the long-term health of the brand, has also been considered.

2.2 Consumer responses to promotions

There is significant existing research into how consumers respond to promotions, and various researchers have approached the area from different perspectives. Much of the existing research focuses on mass-market promotions in low-involvement purchases, such as household goods or grocery items. This section of the literature review covers the key areas of existing research into consumer responses to promotions from various perspectives.

2.2.1 Attribution theory and consumer brand evaluations

A significant amount of the existing research is grounded in consumer behaviour theory to understand how and why consumers respond to promotions. Attribution theory is part of consumer behaviour theory, and addresses how people ‘infer’ attributes about objects or events in their environment, going beyond directly observable data to complete their perceptions and mental representations. When a consumer purchases on promotion, they make inferences about the promoting firm, themselves, and the products they purchase on promotion (Smith & Hunt 1978).

Such inferences directly impact the evaluation of the brand stored in the consumer’s memory, thus directly impacting their propensity to repurchase the brand in the future, or recommend it to others. Consumer ‘brand evaluations’ are widely referred to in the literature in assessing consumer responses to promotions (Raghubir 1999, Raghubir 1995, Davis et al. 1992, Boulding 1989). In defining brand evaluations some refer to the framework suggested by Farquhar (1989), who argued that such evaluations are strong determinants of product purchase behaviour. Farquhar proposed that there are three types of evaluation stored in a consumer’s memory:

- **Affective evaluations** – emotions and feelings towards a brand
- **Cognitive evaluations** – inferences made from beliefs about the brand (e.g. the brand is high quality)
- **Behavioural evaluations** – developed from habits or heuristics towards the brand (e.g. the brand is the only one my family uses).

Farquhar (1989) proposed that if positive affective, cognitive and behavioural evaluations are held by the consumer, then the impact of a promotion is less likely to

negatively impact the consumer's evaluation of the brand. A further point made by Farquhar is that evaluations arrived at as a result of direct behavioural experience, i.e. using a product are far more accessible to a consumer.

Settle & Golden (1974) tested attribution theory in promotional situations, and found that consumers draw both positive and negative evaluations about promoting brands. When consumers attribute the reason for a promotion to be driven purely by the promoters desire to sell more of the product, negative evaluations are drawn. Other researchers have carried out similar studies (Scott & Yalch 1980, Scott & Tybout 1979, Tybout & Scott 1983) and have also found that where consumers attribute their reason for purchasing a product solely to the fact that it is promoted, they hold negative evaluations about the brand.

Tybout & Scott (1983) further found that consumers with 'well-formed internal knowledge' (e.g. prior direct experience/use) about a brand attribute their choice of that brand to internal causes, and in these cases promotions serve as reinforcement of their choice and enhance their attitude towards the brand. However, consumers without well-formed knowledge attribute their choice of the brand solely to the fact it was promoted, and in these instances attitude towards the brand is undermined. This finding was corroborated by Raghurir (1995) and Raghurir (1999), which further found that the effect on consumer evaluations is mediated by the attribution the consumer makes for the promotion – in industries where promotion is common, negative attributions are not made, as consumers accept that there are competitive factors. Raghurir also found that brands that promote less often than other brands in an industry are evaluated more favourably - therefore, if promotions within a given industry are common, and if consumers have prior experience and knowledge of a brand, they are less likely to form negative evaluations about the brand as the result of a promotion.

Finally, (Mizerski et al. 1979) noted that measurement of consumer inferences and attribution processes is difficult as the process by which consumers make attributions and inferences is not always a conscious one. Therefore information may be lost or distorted when trying to bring attributions to the conscious level in the consumer. Mizerski et al. (1979) therefore argued that attempts to make the process conscious might not always be accurate.

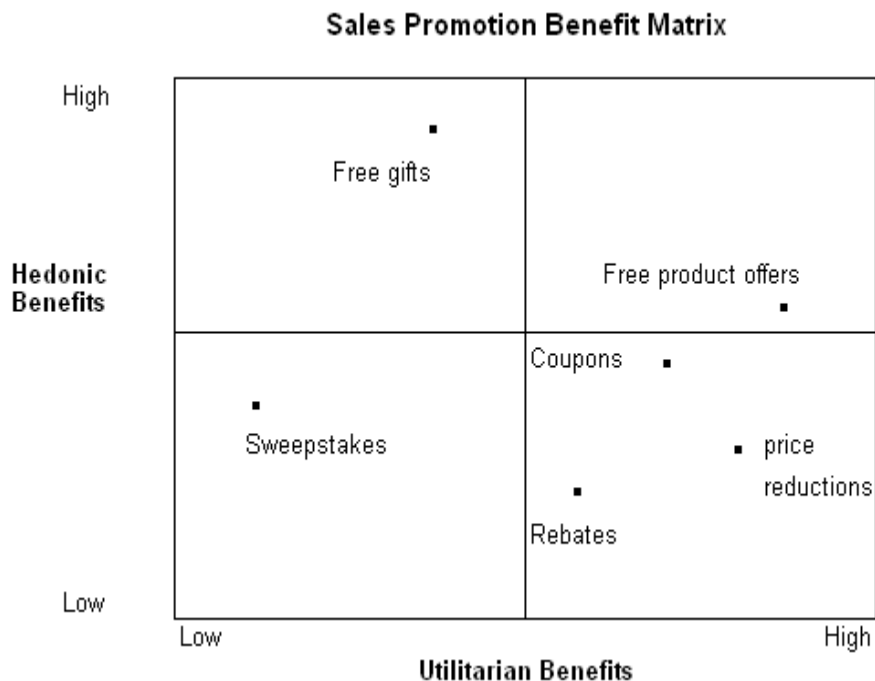
2.2.2 Consumer benefits and the benefit congruency framework

In researching the effectiveness of sales promotions, Chandon et al. (2000) argued that the success of a promotion from the firm’s perspective is dependent on the benefits that the promotion offers to consumers. The research distinguished between ‘utilitarian’ and ‘hedonic’ promotional consumer benefits, proposing that utilitarian benefits are functional, a means to an end, and help consumers maximise the utility, efficiency and economy of their purchasing. Conversely, hedonic benefits were defined as experiential and affective, appreciated for their own sake without regard to their practical purposes (Hirschman & Holbrook 1982). The benefits were detailed as follows:

Utilitarian	Hedonic
Monetary savings Higher product quality Improved shopping convenience	Opportunities for value expression Entertainment Exploration

Chandon et al. (2000)

Their research further argued that a greater consumer response is elicited when the promotional benefits offered are congruent with the product being promoted – i.e. utilitarian promotional benefits will be more effective for utilitarian products. They captured this in the ‘benefit congruency framework’ below.

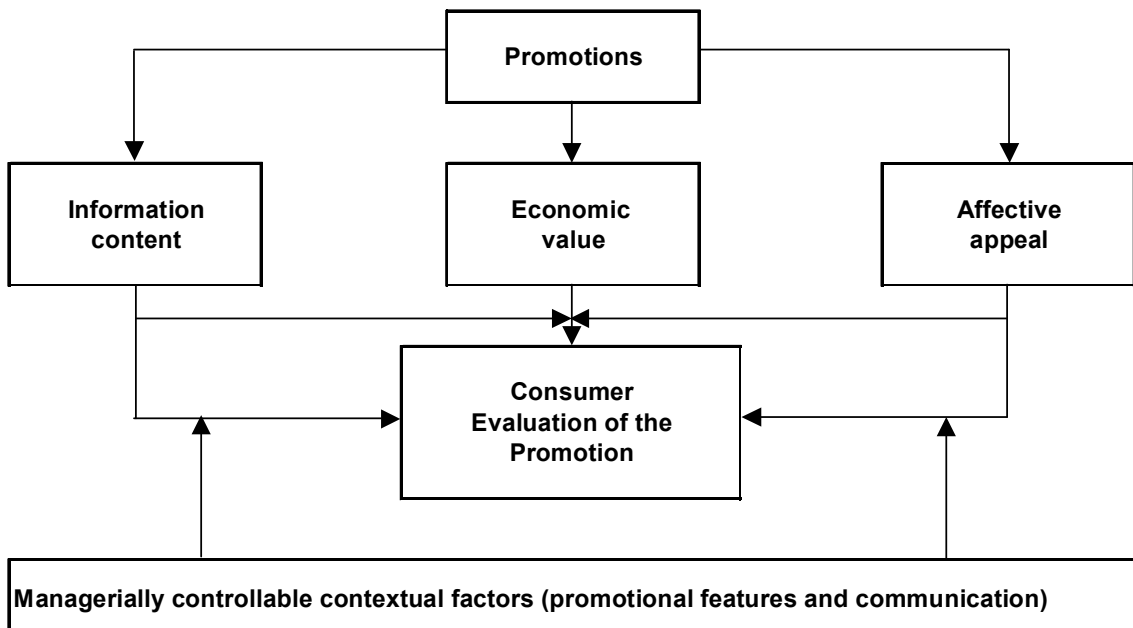


Chandon, et al. (2000)

2.2.3 Informative and affective effects of promotions

In research building on that of Chandon et al. (2000), Raghurir et al. (2004) argued that sales promotion positively and negatively influences consumer evaluations of promotions through three routes, summarised in the following model:

- Changing economic utility associated with the purchase – **economic route**
- Influencing consumer beliefs about brand/industry – the **informative route**
- Affecting the feelings and emotions aroused in the consumer – **affective route**



Raghurir et al. (2004)

Informative effects

Raghurir et al. (2004) proposed that promotions communicate inferential information to consumers about unknown aspects of the brand or industry, which lead to them making inferences they might not otherwise have made, e.g., consumers assign causes for managerial actions, and infer missing information from information that is contextually available. Raghurir summarised the most common informative effects as follows:

Informational Routes of Promotion Effects

Customer related information

- Increase consumer awareness (an advertising effect)

Brand related information

- Presence of restrictions (qualifying purchase value etc) signals customer demand for the promotion
- Deep discounts (and being offered for free) leads to consumer perceptions of low costs and high margins
- Promotions lead to lower quality perceptions especially when others in industry do not promote
- Promotions lower price expectations for the brand
- Presence of a promotion may create uncertainty about the value of the brand

Industry related information

- Asymmetric deal patterns may indicate quality variation across firms
- Promotional patterns of competing firms signals level of competition in the industry
- Frequent promotions in an industry lead to perceptions of low costs and high margins in the industry

Raghubir et al.(2004)

Affective effects

Affective influences are the feelings and emotions aroused by exposure to a promotion, purchase on a promotion or missing a promotion. Raghubir et al. (2004) proposed that promotions could cause consumers to draw inferences about themselves – for example being a ‘smart’ purchaser. There is also the potential negative effect of feeling embarrassment at being cheap, or feelings of regret if a promotion is missed out on. Raghubir et al. (2004) argued that “free” offers are high on affective dimensions as they allow customers to explore and satisfy their need for variety by trying new product categories. The following table summarised the key affective benefits proposed by Raghubir et al. (2004).

Affective Routes of Promotion Effects

	General	Specific
Positive	<ul style="list-style-type: none">- Hedonic benefits and entertainment of buying on a promotion- Exploration and thrill of trying new thing	<ul style="list-style-type: none">- Feeling of being smart to buy on promotion- Feeling of being lucky to avail of the deal
Negative	<ul style="list-style-type: none">- Annoyance of dealing with coupons or restrictions- Offering targeted promotions leads to perceptions of unfairness by those who receive shallower discounts	<ul style="list-style-type: none">- Disappointment and regret of missing out on promotion- Embarrassment of appearing cheap

Raghubir et al. (2004)

2.2.4 Promotions impact on reference price & value discounting hypothesis

There is much literature regarding how promotions impact the consumer's 'reference' price – i.e. the standard price they expect to pay for a product (Blattberg, Briesch & Fox 1995, Lattin & Bucklin 1989 and Kalwani & Yim 1992). The literature suggests that if a product is promoted frequently and deeply discounted, the consumer's reference price for the product decreases. Blattberg, Briesch & Fox (1995) further argued that a lower reference price reduces the premium that can be charged for a product, and as lower product premiums mean lower margins, this would eventually have a negative impact on the brand. This suggests that if consumers perceive promotions to be particularly frequent, or overly generous, there could be a negative effect on the overall perceived value of the brand.

As an extension to the reference price literature, Raghubir (2004) undertook research specifically into 'free gift' promotions, and proposed the value-discounting hypothesis suggesting consumers 'discount' the value of promoted goods, in particular those offered for free. Raghubir (2004) proposed that by virtue of being offered as a free gift, consumers place a lower value on products and as a result are willing to pay less for them when offered at a regular price.

The work of Lattin & Bucklin (1989), Kalwani & Yim (1992) and Blattberg, Briesch & Fox (1995) focused on promotion of products that can also be sold at full price.

Raghubir (2004) was slightly different, looking at promotions where products that could be sold as stand alone products were given away as free gifts with the purchase of other stand alone products, sometimes from a different product category – for example a free pen with the purchase of a bottle of alcohol. Raghubir (2004) concluded that whilst free products enhance the value of the transaction for the consumer, there are a number of inferences that may be drawn on the basis of the offer, both about the product being offered as a gift and about the brand offering the gift. Attributions the consumer makes about the reason for the promotion could be 1) the product is overpriced 2) the manufacturer can't sell its products or 3) that the product is low quality etc.

Raghubir (2004) concluded the following:

- Promotions can lead to inferences about profit margins, and value of free gifts
- A free gift of ambiguous value is perceived to be higher value if offered by a higher priced brand as compared to a lower priced brand
- Non users/novices in a product category are more likely to draw negative inferences about the value of free gift

Whilst there is significant research into promotions, the bulk of the literature reviewed so far has focused on general promotions, in particular price promotions in low-involvement grocery goods. Whilst the research of Chandon et al. (2000) recognised that there are promotions of 'hedonic' products as well as utilitarian ones, they did not specifically research how promotion of hedonic products affect the brand as opposed to promotion of utilitarian products. Raghubir (2004) reviewed above is the only existing research carried out specifically into free gift promotions. The perspective that Raghubir (2004) examined was how free gift promotions serve as a source of information about the underlying value of the product offered as a free gift.

2.2.5 The debate of whether promotions negatively affect brands

The issue of whether promotions negatively affect brands long-term is widely debated (Blattberg, Briesch & Fox 1995), with studies generating conflicting findings.

Early research found promotions have a negative long-term effect. Dodson et al. (1978) found that buying on promotion lowered consumer evaluations, and resulted in lower repurchase probabilities. Strang (1975) found a detrimental long-term effect when promotional expenditure increases at the expense of advertising. Shoemaker & Shoaf (1977) found that where consumers are induced to switch brands by a promotion, the likelihood that they will repurchase the brand again is less than a consumer who switched on a non-promotion purchase. Olson (1978) concluded that price promotions lead to inferences of lower quality. This is corroborated by Keller (1998) who concluded that regular use of price promotions strengthens a 'discount' association with the brand, thus diminishing brand equity.

Later studies have questioned the findings of earlier studies. Johnson (1984) disputed that promotions have a negative effect long term on brand loyalty, although countered this with the same argument as Strang (1975), that if promotions are increased at the expense of advertising, then this may be detrimental. Totten & Block (1987) and Neslin & Shoemaker (1989) found no negative long-term impact. Davis et al. (1992) also found no evidence of a long-term detrimental impact although countered that this was partly attributable to the industry that was the subject of their research – low-involvement grocery purchases. In such low involvement purchases promotions should have a strong influence at point of purchase, but that effect should fade almost immediately (Assael 1987).

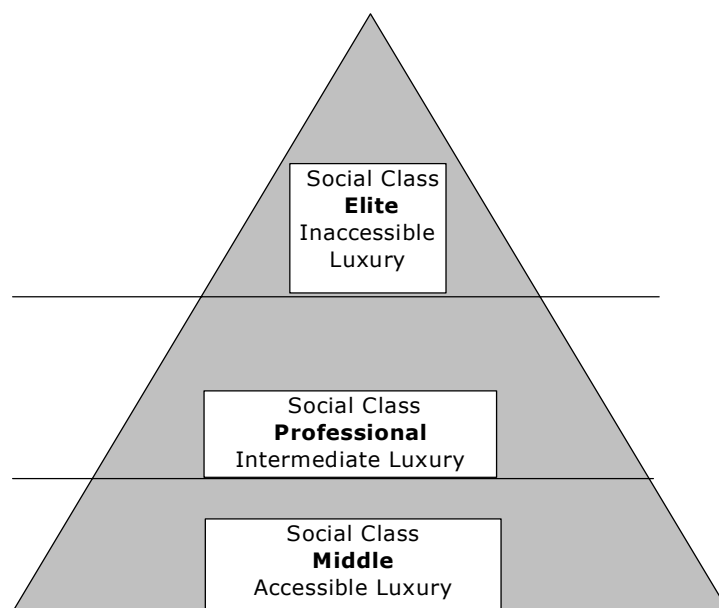
Much of the research above has a different definition or measurement of what is considered 'detrimental'. Strang (1975) focused on the impact of promotions in relation to advertising and the resulting long term effects on sales and profits, whilst Shoemaker & Shoaf (1977) focused on the likelihood that promotions induce consumers to switch brands, and the effect on repurchase probabilities. Most of the above research has been conducted in mass-market consumer packaged goods categories, such as detergents, foods, and general personal care items – arguably low ticket and low involvement goods, with the exception of Raghurir (1995), which focused on services.

2.3 Luxury goods markets

2.3.1 What constitutes a luxury good?

Within the existing literature, there is lack of consensus on the definition of luxury goods. Although marketing researchers have defined products into categories, such as convenience goods, shopping goods, speciality goods and preference goods (Holton 1958, Bucklin 1963, Sheth et al. 1988), there are relatively few classifications relating specifically to luxury goods products.

Economics provides the most precise definition in that a luxury good is one that has an upwards-sloping Engel curve, i.e. as income rises a greater proportion is spent on such goods. Vickers & Renand (2003) argued that in attempting to define luxury goods, the context of a particular country's socio-economic position should be considered. In developed Western economies, some products are mass which in less developed countries may be considered luxury. Lunt (1992) and Matsuyama (2002) examined the relationship between necessity and luxury. They argued that two people with equal intelligence can have different opinions on the meaning of luxury depending on their necessity for a particular good – i.e. transport in a rural area could be considered necessity rather than luxury. Alleres (1990) defined a three level hierarchy to classify luxury based on the accessibility of the product to different social classes of consumers.



A Hierarchy of Luxury Goods Products (Alleres 1990)

Alleres (1990) proposed that inaccessible luxury relates to an elite socio-economic class, and such products are distinctive and offer high social prestige. Intermediate luxury is more attainable, and finally, accessible luxury relates to lower end products purchased in the pursuit of a higher social status. This is the sector that Silverstein & Fiske (2003) argue has grown significantly in recent years.

Catry (2003) proposed that the concept of widely sold luxury goods is an oxymoron, arguing that exclusivity is central to the concept of 'luxury'. Silverstein & Fiske (2003) proposed that the boundary between luxury and mass goods is becoming blurred, which supports the proposal of Catry (2003) that luxury goods are becoming more widely distributed. There is evidence that globally, the number of buyers of 'luxury' goods is increasing, driven by the following trends:

Blurring the boundaries between luxury and mass goods
Consumers adopting a trading up and trading down strategy
Selective extravagance - mixing cheap and expensive goods together
'Accessible super-premium' goods (i.e. affordable luxury such as Starbucks)
Old luxury brand extensions – cheaper versions of traditionally super luxury goods – BMW
Increase in 'mass prestige goods' – those that occupy a pricing spot between premium and mass

Adapted from Silverstein and Fiske (2003)

Silverstein & Fiske (2003) argued that these trends make luxury goods more accessible to consumers who historically may not have purchased goods considered to be 'luxurious'.

2.3.2 Why do consumers buy luxury goods?

There is much research to support the view that consumer behaviour and perceptions differ with respect to luxury and mass consumer goods, and that the reasons why consumers buy each type of good differ (Vickers & Renand 2003, Tsai 2005, Vigneron et al. 2004). The market for luxury goods has grown substantially in recent years (Anon. 2005) driven by a rapid rise in standards of living, flexible payment systems, and in the UK, property equity release. As a result, luxury goods product

management has become an important area for practitioners; however, less attention has been given to it in the academic literature.

Vickers & Renand (2003) undertook a qualitative study to better understand what constitutes luxury goods and also consumer behaviour in relation to purchase of such goods. They proposed that luxury goods are differentiated from other goods by the extent to which they exhibit a distinctive mix of three dimensions:

- Functionalism – i.e. the product needs to fulfil a certain function
- Experimentalism – the product needs to fulfil a sensory/cognitive need
- Symbolism – the consumers need for self-enhancement, status, and ‘group membership’.

Whilst the research recognised that standard non-luxury goods could also be classified within the same dimensions, it was argued that the mix is different, with non-luxury goods having a higher element of functionalism, and luxury goods higher on symbolic and status driven dimensions. The research concluded the following:

- the purchase of luxury goods is an expression of personal and social identity
- the principal value of luxury goods is psychological
- purchase and consumption of such goods is dependent on both social and individual cues.

Therefore, the work of Vickers & Renand (2003) suggests that consumers purchase luxury products not for functional product attributes, but more for the experimental and symbolic aspects that the product offers.

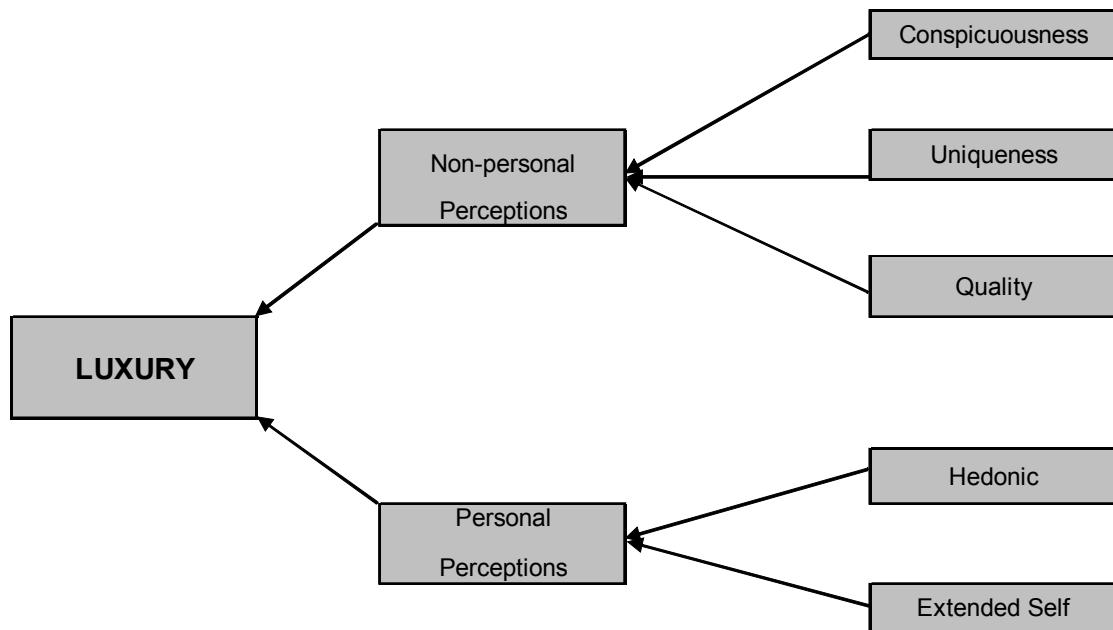
Tsai (2005) investigated personal orientation towards luxury brand consumption, and how this affected repurchase behaviour. This research found that as well as purchasing luxury goods for social reasons, i.e. to feel part of a social group, or buying to impress others, there is a high degree of internal reasoning that consumers may go through. Tsai proposed that there are two separate groups of consumers – socially orientated and personally orientated. Socially orientated consumers motives are displaying their status, success, and distinction in peer groups, whereas personally orientated by the following motives:

- Self-gift giving, and self-directed pleasure – buying luxury products for hedonic reasons
- Congruity with internal self. Tsai proposed that individuals with high personal orientation and individualistic traits (traditionally more common in western cultures) are more ‘private conscious’ as opposed to ‘public-conscious’. To these consumers, congruity between a products image and their perception of their internal self is important. For example, individuals may feel the image of certain brands epitomise their perception of their own self-image or lifestyle
- Independent self-construal – propensity to be individualistic, egocentric, autonomous, and self-reliant. Independent self-construal predicts self-directed pleasure, self gift giving, congruity with the internal self, and quality assurance.

To summarise, Tsai (2005) concluded that reasons for luxury brand purchase have both social and individual dimensions – i.e. consumers may purchase such goods to create a feeling of belonging to a social group, or because they feel a strong individual congruity with a brand.

2.3.3 Different ‘Levels’ of luxury

Luxury and mass are at opposite ends of the spectrum, and there are many points in-between the two. Furthermore, there are many levels of luxury – not all luxury brands are equally luxurious. Vickers & Renand (2003) highlighted need for congruence between the seller’s desired position of the product and the consumer’s perceived position of it. Vigneron & Johnson (2004) sought to define a framework within which the level of a brand’s luxury could be determined. They developed the following model, showing five dimensions by which luxury brands can be measured.



Vigneron & Johnson (2004)

The classifications above for measuring luxury brands shares common ground with the research conducted by Tsai (2005), recognising the importance of both personal and non-personal/social dimensions related to purchasing of luxury goods brands.

2.3.4 Promotions in luxury goods markets

The luxury goods literature is relatively sparse in comparison to the general promotions literature, and research into promotions in such goods is very sparse. Chandon et al. (2000) recognised that promotions of high-involvement products exist, and through their benefit congruency framework proposed what types of promotion may be more effective for such products. However, their research does not specifically refer to ‘luxury’ goods, or to high price points, but instead focuses on goods which offer the consumer hedonic benefits.

2.4 Summary of literature review

This section summarises the literature review to highlight key points:

Section 2.1

The first section of the literature reviewed the following:

- key definitions
- areas where the literature is either consistent or shows conflicting findings
- the impact of promotions on consumer-based brand equity

The definitions give an overview of promotions from the firm's perspective, and only a small sample of many available definitions from the literature were included in the review. As there is little existing research into GWP promotions, the definition taken from industry gives the perspective of one firm only. The review of consistencies and conflicting findings within the literature gives an indication of those areas that have been most widely researched to date – mainly the effect of promotions on sales levels, the effect on consumer reference prices, and whether there is a negative long-term effect. Finally, the literature relating to the impact of promotions on consumer-based brand equity was reviewed as to the extent to which promotions trigger consumers to hold evaluations in their memory about a brand has a direct impact on the future behaviour of the consumer, and therefore an impact on brand equity from a consumer-based perspective.

Section 2.2

The second section reviewed the literature regarding existing research into the various ways in which consumers respond to promotions. The key perspectives reviewed were:

- Attribution theory and consumer brand evaluations – Farquhar (1989), Raghurir (1995) and Raghurir (1999)
- Types of consumer benefits (utilitarian vs. hedonic) – Chandon et al. (2000)
- Informative and affective effects of promotions – Raghurir et al. (2004)
- The effect of promotions on reference price – Blattberg, Briesch & Fox (1995)
- The value-discounting hypothesis – Raghurir (2004)
- The debate of whether promotions negatively affect brands – Blattberg, Briesch & Fox (1995), Strand (1975), Shoemaker & Shoaf (1977)

The existing promotions literature is vast, and the sections reviewed above were chosen for their relevance to how promotions can affect consumer evaluations in such a way that may have a long-term impact on the brand. In all of the above studies except one, the markets that were subject of the research were grocery or supermarket goods with a low price. The type of promotion researched in all but one piece of literature was either a) price reductions or b) money off coupons and vouchers.

The only researcher who has looked specifically at promotions where gifts are the incentive earned by a qualifying purchase is Raghubir (2004) who examined how free gift promotions serve as a source of information about the underlying value of the product offered as a free gift. Therefore, the existing literature with regard to GWP promotions is very sparse, and what research does exist looks at how consumers value the free product itself. No existing research has been found with regard to how free gifts affect the attitude of the consumer towards the promoting brand.

Section 2.3

The third section of the literature review looked at luxury goods markets, and reviewed the existing research regarding what constitutes a luxury good, and how consumer purchase behaviour differs with regard to luxury and non-luxury purchases. As stated above, the literature reviewed in section 2.2 was predominantly focused on grocery and supermarket items. No existing literature was found that looked specifically at promotion of luxury good items. Recent literature has argued that the market for luxury goods has grown in recent years, and continues to grow substantially (Anon. 2005 and Silverstein & Fiske 2003).

Summary

An abundance of literature was found regarding promotions of low-involvement commodity type goods, where the promotion methods were price reductions or money off coupons. Very little literature was found regarding free gift promotions, and none was found with regard to promotion of luxury goods. There is therefore a gap in the existing literature with regard to both free gift promotions and luxury goods promotions. This, in conjunction with evidence that retailers are engaging in increasing levels of discounting and promotions, makes the research area identified important for managerial reasons, because as high street competition increases retailers will look to high margin products to deliver enhanced profits. Promotions

funded by the manufacturer are a low cost way for retailers to increase sales. The research area is important for academic reasons in order to address a gap in the existing research in what is a growing area in practice.

3. Research methodology

3.1 What is research?

Johnson (1994) defined research as “a focused and systematic enquiry that goes beyond generally available knowledge to acquire specialised detailed information, providing a basis for analysis and elucidatory comment on the topic of enquiry”. Johnson highlighted four key issues in this definition:

1. Research should be focused, not general
2. Systematic – the approach should be structured and organised
3. Beyond generally available knowledge – the aim is to add to present knowledge
4. Results should provide a solid base for analysis and comment

Whilst research is academic in nature and seeks to add to existing theory, business and management research usually has consequences or implications for management practice (Easterby-Smith et al. 1991).

'Research design' is a general term covering various issues associated with the research. It includes the research aims, selecting an appropriate methodology and data collection techniques, the chosen methods of data analysis and interpretation, and analysis against the appropriate literature. The research design should ensure that the research questions and objectives are fully addressed, and that the method of undertaking the research is well planned and carried out in a systematic way. The method used to transform data into meaningful conclusions should also be clear (Easterby et al. 2002).

Research can be either deductive or inductive. With deductive research, theory is used as a basis and guide, and methods used are more structured taking theory as a starting point, and then generating and testing hypotheses. In contrast inductive research is a more unstructured process where observations are made, patterns recognised, and the resulting explanations and analyses emerge.

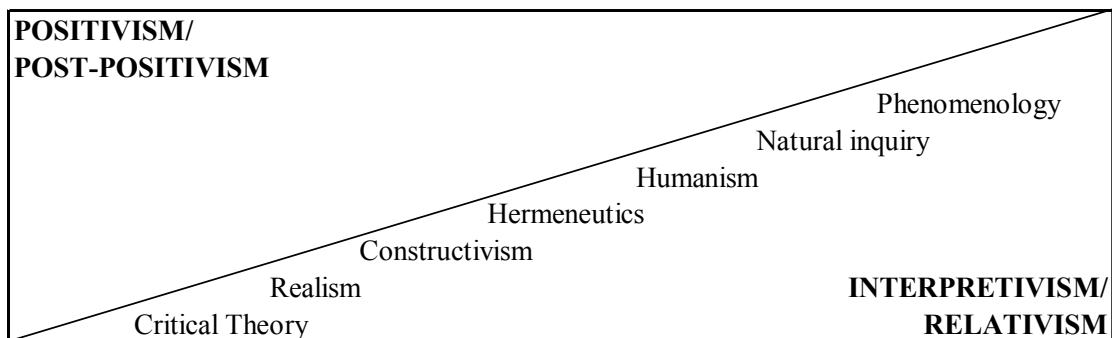
Research Philosophy

Research philosophy underpins the choices and decisions to be made in staking out a research position. Consideration of the philosophy of research helps to contribute a

deeper and wider perspective of research so that our own specific research projects can have a clearer purpose within the wider context (Carson 2005).

The diagram below shows a continuum of research philosophies, with positivism and interpretivism at opposite ends of the spectrum. Positivism assumes the world is external and objective, and quantitative methods describe, explain and test cause-and-effect relationships in an objective way. Statistics and mathematical techniques are applied to measure independent facts about a ‘single reality’ that is assumed to exist by the positivist school of thought. By contrast, interpretivism and qualitative research gives consideration to multiple realities, different perspectives, researcher involvement, and takes into account any contextual implications that may be relevant. As the diagram shows, there are many points along the continuum, reflecting that a mix between positivism and interpretivism principles can be applied to varying degrees depending on the research in question.

Continuum of research philosophies



Carson et al, (2005)

Positivism has been considered by many scientific researchers to be the ‘correct’ scientific paradigm, however, interpretivism avoids the rigidities of positivism in certain situations. Instead of explaining causal relationships with objective facts and statistical analysis, interpretivism uses a more personal process to understand reality. Carson et al. (2005) identified the following general differences between the two paradigms:

Quantitative/Positivist	Qualitative/Interpretivist
Researcher is independent Large samples Theory testing	Researcher involved in the study Small in-depth samples Theory building

Carson et al (2005)

Qualitative research

Qualitative research is an interpretative, descriptive way to collect and analyse information. Its techniques include interviews, observations, and case studies to study things in their ‘natural setting’ (Denzin & Lincoln 1994). The interpretation process involves analysing data and drawing out inferences about meanings that may not be immediately apparent.

Researchers who support qualitative techniques argue that no two situations are the same, and research cannot be measured in the conventional sense, since it takes place in everyday settings rather than in a laboratory (Carson et al. 2005). The researcher is often part of the research being carried out, observing a great deal, and results are mostly descriptive in nature. Qualitative research aims to produce rounded and contextual understandings on the basis of ‘rich and detailed data’. This richness of meaning combined with observing behaviour is how qualitative researchers understand the social meaning of the world (LeCompte & Preissle 1994).

3.2 Interviews as a qualitative research method

One of the main techniques used in qualitative research are interviews (Carson et al. 1995). Whatever an interview’s form, its purpose is to get inside someone’s head and enter into their perspective (Patton 1990) to understand feelings, memories and interpretations that are not observable in other ways. The researcher needs to be mindful not to impose their own perspective on the respondent, even though researcher comments and contributions based on prior experiential knowledge will influence the data collection. ‘Informed consent’ is an ethical requirement for research, and confidentiality of the respondent’s data and agreement to be interviewed should be confirmed (Carson et al. 2005).

There are the following advantages and disadvantages of using interviews as a research method.

Advantages

- They can be used in a variety of contexts and situations
- They can be either a highly structured, or a more flexible free-ranging conversation
- Mis-understandings or mis-interpretations can be quickly resolved
- The researcher can re-word or re-order questions mid interview if necessary

Disadvantages

- Interviews can be very time consuming to conduct and transcribe
- Small sample sizes may not be representative of the population
- Issues of bias and researcher involvement need to be considered
- The interviewer-interviewee relationship is important
- The skill of the interviewer at questioning and probing the respondent are central to the quality of the data obtained

Interview preparation and planning is a key part of the process. It is essential for the researcher to know the background area well, and select the right type of interview to best address the objectives of the research. Options to be considered are whether the interview is conducted with a group or individuals, face to face or over the phone, and whether the conversation will take a structured or unstructured style. Selection of the interviewees needs to be considered to ensure the sample has sufficient relevant experience of the research area, but also that the sample is not biased. Conversations should only be taped with the permission of the respondent.

Structured vs. unstructured interviews

In a structured interview the interviewer has a list of prescribed questions for the interviewee. Unstructured interviews take the form of a discussion, and the interviewer directs the conversation by identifying a number of topics and guides the interviewee to talk them through in their own time. This provides a great deal of information, but interpretation can take longer than with structured interviews, so usually a smaller number of interviews are carried out. Unstructured interviews are excellent where the aim is to understand the perspective of the interviewee and the personal meanings they attach to different situations (Carson et al. 2005).

3.3 Justification of chosen research methodology

Given that this research investigates how sales promotion causes consumers to hold opinions about a brand that may affect their future behaviour towards it, the focus of the research was not to gather facts and measure how often things occur, but to appreciate the different constructions and meanings that people place upon their experience with regard to GWP promotions. The aim was to understand what perceptions people have of promotions and whether the promotion itself causes the consumer to draw positive or negative inferences, rather than searching for external causes and fundamental laws to explain consumer behaviour.

Given these research objectives, a qualitative interpretivist approach using in-depth interviews was selected as the most appropriate method. There was little existing research in the area of consumer attitudes towards promotions in luxury goods markets, and therefore little upon which to base quantitative analysis. Therefore, by selecting a qualitative approach the aim was to build theory upon which later research can base quantitative analysis.

3.4 Research design and details of interviews

As outlined above, in order to properly address the research aims and questions, in-depth interviews were chosen as are the most appropriate method for gaining in-depth understanding of consumer's views. In order to gain the most accurate and 'true' responses from each respondent, the research was conducted in the department store environment whilst the store was on promotion. Estée Lauder customers were invited for interview in a quiet location within the store, away from the counter so that they felt comfortable and able to give true and honest views without feeling pressure to make positive comments. The interviews were conducted in line with guidelines and code of conduct laid down by the Market Research Society (2002), and permission to record the conversations was requested from the interviewees prior to commencing the interviews.

The choice of store in which to conduct the research had implications for the outcome of the research. The consumer demographic of stores varies considerably, so choice of store was an important element of the research design. In order to get a sample that was as representative of the general population of Estée Lauder consumers as

possible, a House of Fraser store was chosen as opposed to a niche store such as Harrods, Selfridges or Harvey Nichols. House of Fraser was chosen due to the timing of the House of Fraser promotion coinciding with this research.

Points considered in designing interview method

In designing the interview, the following guidelines were considered to ensure the interviews met their objectives, and generated sufficient material to properly address the research question.

- Ensure the choice of sample is explained and justified
- Devise a prompt list of discussion areas, ensuring the research questions and objectives are fully addressed (appendix 2)
- Start the interview with more closed questions and move to more open questions as interviewee becomes comfortable
- Be clear about type of information to be elicited from each discussion area
- Ensure a clear explanation is given showing how the research was carried out, analysis performed and conclusions reached, as well as explaining how the data was transformed into meaningful conclusions

These considerations ultimately affect the quality of the findings, their interpretation, and relevance to the research area.

Details of the interviews conducted

Twelve interviews were conducted, all with female respondents, lasting between 25 and 50 minutes (see table of respondents below). Customers were intercepted at the point of purchase by the consultant, with the consultant explaining what was involved in taking part in the research. The customers interviewed purchased between two and nine items, with a total purchase value of between £38.50 and £540. Eleven of the interviewees accepted the free gift as part of the promotion, with one customer declining the gift stating that she had no use for it. All interviewees were given free product with a retail value of £65 for taking part in the interviews. This was communicated to them at the point of purchase as an incentive to participate - all twelve interviewees accepted this free product. Ten of the interviewees had purchased on an Estée Lauder GWP promotion in the past.

Further details regarding each respondent are shown in the table below.

Table of respondents

No	Occupation	Age Range (yrs)	Purchase Value	Accept GWP? (Y/N)	Length of interview	Transcribed? (Y/N)
1	Air Hostess	20-30	£39.00	Y	25 mins	Y
2	Professional	30-40	£46.50	Y	30 mins	Y
3	Retired	50+	£52.50	Y	42 mins	Y
4	Professional	30-40	£45.00	N	37 mins	Y
5	Retired	50+	£540.00	Y	47 mins	Y
6	Professional	20-30	£125.00	Y	29 mins	Y
7	Housewife	40-50	£83.00	Y	40 mins	Y
8	Farmers wife	50+	£220.00	Y	50 mins	Y
9	Student	20-30	£38.50	Y	49 mins	Y
10	Professional	40-50	£74.00	Y	45 mins	Y
11	Housewife	40-50	£44.00	Y	38 mins	Y
12	Retail worker	20-30	£41.00	Y	42 mins	Y

3.5 Data analysis

Subsequent to the interviews, the taped results were fully transcribed and analysed to spot themes, trends, and consistencies. A form of content analysis was then used, sorting sections of the transcribed interviews into common groups based on key themes resulting out of both the literature review and the interviews (see appendix 3 for coding structure). Certain words indicated relevance of certain statements to particular themes. This approach enables the analyst to spot, extract, and cluster the data into segments relating to a particular question, hypothesis, or theme (Miles & Huberman 1994).

Appendix 3 summarises the coding structure used to analyse the data arising from the transcribed interviews. The transcribed interviews were sorted into groupings consistent with the sub-headings in which the findings (section 4) have been structured. For each sub-heading, certain areas of conversation were deemed to be relevant, and certain words or phrases indicated relevance to each sub-heading.

4. Findings

This section discusses the results arising from the interviews, and relates them to relevant areas of the literature review where appropriate. The key research question of this dissertation was to investigate how Estée Lauder GWP impacts the long-term health of the brand, specifically from the perspective of how consumer behaviour is influenced. The key areas/themes in addressing this question, identified from the literature review and the data analysis are as follows. These headings form the structure for the remainder of the findings section.

1. general points
2. hedonic vs. utilitarian benefits
3. impact of promotions on consumer behaviour and attitudes towards the brand
4. the effect of promotions on perception of quality and value
5. the effect of promotions on customer reference prices
6. issues arising from promotion of luxury goods – brand image and positioning
7. issues relating to the frequency of promotions

4.1 General points

As the literature review highlighted, consumers respond to promotions in a variety of ways for different reasons. The research found that the ‘triggers’ for the individuals interviewed to respond to the promotion varied, with some customers being aware of the promotion and making a special trip to the store, and others responding opportunistically.

Whilst this research did not set out specifically to verify findings from existing literature, for the promotion investigated it was found that sales substantially increased compared to preceding weeks, and also increased marginally over the same period in the previous year. Therefore, Blattberg, Briesch & Fox’s (1995) finding that sales promotions increase sales was corroborated in this research. Additionally, four customers stated they were buying products earlier than they otherwise would have done (acceleration effect). Blattberg, Briesch & Fox (1995) observed that existing literature was not conclusive on whether there is a trough in sales when the promotion finishes due to accelerated sales caused by the promotion: this research found that an acceleration effect does occur (in line with Jones 1990), so a trough in sales after the promotion would be reasonable to expect compared to if there was no promotion.

4.2 Hedonic vs. utilitarian benefits

Within the interviews when discussing GWP promotions, the interviewees frequently used words and expressions that could be described as both hedonic and utilitarian. The interviewees referred to the opportunity to ‘experiment’ with products that they might otherwise not try, and also referred to the gift as a bonus, treat or reward for them. Interviewees gave the following insights:

‘I came to buy a mascara, but ended up sitting down for half an hour having my make up done. It was nice to be pampered, and I bought five things I didn’t intend to!’

Respondent 1

‘it’s great to get the opportunity to experiment with all these new products without having to buy them and finding they don’t suit me’.

Respondent 11

Out of the twelve interviewees, only one gave a response that could be categorised as negative towards the gift, stating that they did not have a use for it. In further discussion, it was found that this customer was a user of multiple cosmetics brands, including some of the ‘super premium’ brands such as Crème De La Mer, with a high average price point compared to Estée Lauder. This customer appeared to have gift ‘fatigue’, having received a number of free bags and sample-sized products in the past. For this customer, the gift did not represent any benefit, hedonic or utilitarian, and the promotion was more of an ‘annoyance’ than a benefit:

‘I still use Estée Lauder because I love Advanced Night Repair – I’ve used it for years and there’s nothing I’ve found anywhere else that comes anywhere near to it. But I wouldn’t buy the rest of my products here [Estée Lauder] anymore, or from any of the other big brands. There are nicer brands to buy these days if you can afford them, like Crème De La Mer or La Prairie’

Respondent 4

The customers interviewed also referred to utilitarian benefits offered by the promotion. Some interviewees referred to ‘needing’ to buy something, referring to the products more as essentials than luxuries. The sample-sized elements in the gift

were thought to be ‘convenient’ in size, and ‘practical’ for travel or keeping in handbags.

‘I find the little products in the gift so useful – perfect for my handbag or for when I travel. I travel a lot, so I always try and find a gift if one is running so I can stock up’.

Respondent 1

With regard to the cosmetics bag, this was referred to by one interviewee as follows:

‘quite practical – even if I don’t use it for my make-up my daughter will use it as a pencil case’.

Respondent 11

To summarise, the interviews highlighted that the promotion offered both hedonic and utilitarian benefits for the customers interviewed. This is broadly consistent with the literature of Chandon et al. (2000), who proposed that free gift promotions give consumers a mix of both utilitarian and hedonic benefits, however, whilst hedonic aspects of the GWP promotion were clearly important to the customers, there was more reference utilitarian benefits than may have been expected from Chandon et al. (2000) benefit congruency framework.

4.3 Impact of promotions on consumer behaviour and attitudes

Three areas are considered in this section:

- Impacts of promotions on general consumer behaviour and attitudes
- Informative and affective promotional effects
- Likelihood of repurchasing the brand

Impact on consumer behaviour and attitudes

With regard to how the promotion impacted consumer behaviour and attitudes, the research found the following:

Interviewees generally stated that Estée Lauder is well known within the industry for GWP promotions.

‘I think it’s marvellous that they [Estée Lauder] give these gifts to their customers – I’ve been using it [Estée Lauder] for years because of the gifts – no other brands really offer such good gifts as Estée Lauder’

Respondent 8

Some interviewees said that the brand was well known for GWP promotions compared to competitor brands, in terms of frequency, rather than in terms of content/size/value of the giveaway.

‘there always seems to be an ad in the Sunday magazines for Estée Lauder promotions – I think that there’s nearly always one running somewhere if you’re prepared to go to different stores’

Respondent 9

‘I buy quite a lot of Estée Lauder products, probably ever six weeks or so. I always make sure I find the store that has the gift by calling Customer Services [at Estée Lauder]. In London it’s easy as there’s normally a promotion on in one of the stores so I don’t usually have to wait’

Respondent 3

Within the literature, Raghurir (1999) proposed that in industries where promotions are common, brands that promote more frequently than others are sometimes evaluated negatively compared to the competition. However, as the above statements highlight, the customers interviewed did not appear to make any negative evaluations or attributions about Estée Lauder on this point: they spoke positively, and all were previous customers and regular users of the brand. The fact they were regular users of the brand could be seen as verifying the findings of Tybout & Scott (1983) who found that consumers with ‘well-formed internal knowledge’ about a brand, e.g. prior direct experience/use attribute their choice of that brand to internal causes and in these cases promotions can serve as a reinforcement of their choice and enhance their attitude towards the brand.

The research also found that some customers were making purchases because of the promotion, and would not have been purchasing on that day in the absence of the promotion. However some stated that they would have bought the products at a later date but wanted to get the gift, so purchased earlier.

‘No, I wasn’t planning to buy anything today, but when I realised there was a gift I thought I would replace my foundation. My other one hasn’t run out yet but I can keep this one until I need it. I got a new lipstick as well as I needed to buy two products to get the gift’.

Respondent 9

‘I wasn’t going to get anything today, but I thought I would stock up on a couple of things so that I got the gift too rather than leaving it for a couple of weeks’

Respondent 7

Tybout & Scott (1983) found that when consumers attribute their reason for purchasing a product solely to the fact that it was promoted, they sometimes hold negative evaluations about the brand. However, this did not appear to be the case with the customers interviewed - none appeared to attribute any negative evaluation about the brand due to this. The fact that some customers referred to the fact that they would have bought the product anyway at a later date suggests that the promotion had the effect of accelerating sales from a future period (in line with Jones 1990).

The research also found that customers thought that Estée Lauder's motivation for offering free gifts were to reward customers, and to get customers to try new products.

'well, I think it's quite a good way for them to get customers to try new products without having to buy them. They're quite pricey, so customers might not want to splash out on a product if they haven't tried it first'

Respondent 9

Settle & Golden (1974) found that when consumers attribute the reason for a promotion to be driven purely by the promoters desire to sell more product, negative attributions are made. However, as the above statements show, none of the customers attributed the reason for Estée Lauder offering the GWP promotion as being the desire to sell more products in the immediate term, nor did it appear that any negative attributions were made.

Informative and affective promotional effects

Raghubir et al. (2004) proposed that promotions sometimes serve as a communication tool, communicating certain informative and affective information to consumers. The research found that GWP promotions indicated to customers that the margins made by Estée Lauder must be significant to enable them to give away so many free gifts – an informative effect.

'they [Estée Lauder] must be making a lot of money to be able to give away the free gift, even though I'm sure the bags aren't expensive. Still, I like the fact that they give something back to me as a customer; it's like a reward for coming back. And I choose to buy the products because I like them, not because I have to. It's one of my luxuries'

Respondent 10

This point was mentioned by a number of the interviewees. Raghubir et al. (2004) proposed that 'deep discounts (and being offered for free) leads to consumer perceptions of low costs and high margins, in both the brand and the industry', and that this could lead to customers making negative evaluations. However, again, the interviewees did not appear to make any negative evaluations on this point.

With regard to affective effects, two positive effects in particular were apparent in a number of the interviews that were proposed in the literature. These were ‘hedonic benefits and entertainment of buying on promotion’ and ‘exploration and thrill of trying new things’. These were mentioned frequently in the interviews.

Two negative affective effects also surfaced in the interviews. The customer who turned down the gift stated:

‘I don’t need the freebies – I know what I like, and I can afford to buy the brands I want. I think some of the customers only buy if there’s a freebie - it’s a bit cheap’

Respondent 4

(the customer’s meaning of cheap was clarified as being in reference to the behaviour of other customers rather than in reference to quality/value).

The second negative affective effect was ‘disappointment and regret of missing out on a promotion’. One customer was accompanied by her grandmother, who had been into the John Lewis store next door to House of Fraser not realising there was a promotion on next door. The grandmother had purchased over £500 of Estée Lauder product in John Lewis, and felt aggrieved at not receiving a free gift. Again, this could potentially have a negative effect on the brand long-term: it is commonplace for many towns to have more than one Estée Lauder account, and usually only one store group runs a promotion at any one time.

Likelihood of repurchasing the brand

The impact of the promotion on the likelihood that the customer will repurchase the brand at a later date has a direct impact on the long-term health of the brand, so is therefore an important point. Whilst it is difficult and subjective to ascertain the customer’s likely future purchase behaviour from an interview, past behaviour can be assessed.

Many of the customers had previously purchased products on other Estée Lauder GWP’s. To the extent that the sample of twelve interviewees is representative of the general population of Estée Lauder customers, this would indicate that the promotion has a positive effect on the customer’s likelihood to purchase the brand at a later date. However, it should be borne in mind that this positive effect only extends to existing

Estée Lauder customers, as only existing Estée Lauder customers were interviewed. Customers who have not previously purchased the brand could be both positively and negatively affected by GWP advertising, point of sale imagery or word of mouth in a way that would affect future behaviour towards the brand.

4.4 Effect of promotions on perceptions of quality and value

The literature review highlighted that promotions have been found to be an indicator of both quality and value of the brand and its products.

The following findings emerged from the research with regard to quality:

Three interviewees commented specifically on the make-up brushes within the gift (see appendix 1). One felt that they looked cheap, because of the plastic handles.

'The brushes look very cheap and gimmick-y - they're more like children's paint brushes'

Respondent 11

'Good make-up brushes are expensive – 'you wouldn't get three good brushes for free'.

Respondent 3

This raises an interesting point, as the two customers were presuming that the brushes couldn't be high quality if they were free – consistent with Raghubir's (2004) 'value discounting hypothesis' outlined in the literature. However, the same customers spoke positively of the gift as being a bonus for them.

2) The quality of the cosmetics bag element of the gift was frequently commented on as being poor quality. One interviewee stated:

'I always think of Estée Lauder as having really good quality products, but this bag looks quite cheaply made and feels plastic-ky. I'm surprised they haven't gone for something that looks more expensive'

Respondent 11

This apparent mismatch between the perceived quality of the brand and the quality of the bag was also commented on by the interviewees as being an ongoing issue and not a one-off. It could be argued that this would ultimately have a negative impact on the long-term health of the brand. If many customers are repeat promotion purchasers, as

was the case with this sample, repeated experience of inferior bag quality could damage the quality image of the brand.

3) The interviewees consistently commented on the fact that the brand has quality products (with the exception of the bags and brushes), and being able to try these products for free was a real bonus. In this respect, the promotion did not appear to trigger negative inferences as far as quality was concerned, as suggested by Raghurir (2004). However, whilst the products were generally thought to be high quality, one interviewee commented on the fact that the sample packaging looked cheap, and not the same quality of the full size saleable product.

With regard to value, many of the interviewees commented on the fact that as well as giving the opportunity to experiment and try new things (hedonic benefit) the free gift enhanced the value of their overall purchase, as although the products are expensive, they got something for free (utilitarian benefit).

‘the products are quite expensive, so at least by getting the gift I feel I’m getting more for my money’

Respondent 9

Raghurir (2004) proposed that where a free gift is of ambiguous value, it is perceived to be of a higher value if offered by a higher priced brand. In as much as the customers considered the products to be expensive, the findings corroborate the research of Raghurir (2004). Respondent 4 who turned down the gift had a different viewpoint: she felt that gift devalued her overall purchase by ‘cheapening’ the brand.

In considering potential impact on the long-term health of the brand, the findings relating to the bag and the brushes could have a negative long-term impact. Some of the interviewees appeared to have formed an attribution in their mind that Estée Lauder bags are poor quality. Whilst the bag is not a core product, the fact that customers could not reconcile in their mind the mismatch between quality product and poor quality cosmetics bags could cause the customer to make negative evaluations about the brand that may affect future behaviour towards it.

4.5 Effect on reference price, and manufacturer vs. retailer promotions

Through the interviews, it was clear that a number of the customers were regular promotional purchasers, who wait for a promotion to be available before purchasing products.

'I buy quite a lot of Estée Lauder products, probably ever six weeks or so. I always make sure I find the store that has the gift by calling Customer Services [at Estée Lauder]. In London it's easy as there's normally a promotion on in one of the stores so I don't usually have to wait'

Respondent 3

Also, a number of the customers referred to the retailer promotions – 3 for 2's, and retailer discount days. One customer stated:

'I always wait for a promotion or a Spec day to buy the products I need – they're so frequent now that it makes sense to wait and get the best value I can'.

Respondent 2

(‘Spec days’ are ‘Spectacular days’ - House of Fraser promotions where everything in the store has a 10% discount for the day).

This suggests that some customers avoid purchasing at full price. The literature review highlighted that if products are promoted frequently, the consumers reference price for the product changes (Blattberg, Briesch & Fox 1995, Lattin & Bucklin 1989 and Kalwani & Yim 1992). It was also argued that a lower reference price could reduce the premium that can be charged for a product.

GWP promotions are frequent, however, they are slightly different in that the promotional element, i.e. the free gift, is not a standard saleable product. Therefore the consumer has no ‘reference price’ for the promoted product. It does however raise the question of whether the reference price of the brand overall is affected – i.e. by virtue of promoting frequently, the consumer may expect to pay less for their standard saleable Estée Lauder products.

As well as there being a high level of awareness of GWP promotions emerging from the interviews, the interviewees frequently referred to other promotional techniques applying to premium cosmetics (mainly retailer promotions) without mention of these other promotional techniques being suggested by the interviewer – for example, 3 for 2 offers, Boots Advantage points promotions, and also retailer discount days such as those offered by House of Fraser or Debenhams where a percentage discount is offered for a limited period. The customers interviewed demonstrated an orientation towards both manufacturer (i.e. GWP) promotions, and other types of promotions such as retailer promotions, and did not overtly differentiate between who was offering the promotion. The high awareness of retailer promotions as well as manufacturer promotions is important for this research because:

- for retailer promotions, negative consumer attributions are unlikely to be levelled at specific brands, as all brands are discounted.
- the trend of the increasing number of retailer discount days identified by the British Retail Consortium (2006) effectively means that premium brands can be obtained at a discount more often than in the past, thus having a potentially permanent impact on consumer reference prices, and also potentially an impact on the sales volumes of GWP promotions. Therefore retailer promotions indirectly affect manufacturer promotions.
- with retailer promotions, the promotional vehicle is consistent with those that have been widely researched within supermarket environments, i.e. discounts, and vouchers. Therefore, although there are similarities in that both manufacturer and retailer promotions offer the customer something extra (whether it be a discount or a gift) there may also be considerable differences in the way the two types of promotion affect consumer evaluations of the brand.

Although this research sets out to specifically research GWP promotions, a high customer orientation to promotions generally within premium cosmetics has been found. The interviews also gave evidence that both types of promotion can have the effect of encouraging customers to wait to purchase their cosmetics until there is a promotion available, either retailer or manufacturer. This would impact the long-term

health of premium cosmetics brands through reducing profitability due to fewer sales made at full-margin, and long-term erosion of consumer reference prices of the brand.

The impact of retailer and manufacturer promotions on each other was not envisaged at the outset of the research, and is therefore a serendipitous finding. The consequences are potentially significant, however, a detailed investigation is outside of the scope of this research, but is worthy of further academic research.

4.6 Promotion of luxury goods – impact on brand image and positioning

This research set out to understand whether the ‘luxury’ nature of premium cosmetics would lead to promotions having a different impact than would be the case with promotion of non-luxury or utilitarian goods.

Within the interviews, some customers voluntarily used the word ‘luxury’ to describe the brand, or the experience of purchasing the brand’s products.

‘A few years ago I found myself in a position to be able to afford something a bit better – a bit more luxurious, and to be able to treat myself occasionally. That’s when I started using the brand’

Respondent 8

The fact that many of the interviewees described their purchases as a ‘treat’ suggests that the experience offered by the gift is not an everyday one. In describing the brand, the interviewees frequently spoke about the brand having a ‘glamorous’ image, especially when talking about the advertising imagery. To the extent that glamour and luxury are related, this again would suggest that the customers consider the brand to be luxurious. From all of these points, it is reasonable to consider that the customers who purchased on promotion overall consider the brand to be a luxury brand to a greater or lesser extent.

The literature review highlighted that the reasons consumers purchase luxury goods differ from the reasons for purchasing non-luxury goods, with the degree to which luxury goods fulfil functional, experimental and symbolic dimensions being important (Vickers & Renand 2003). The interviews highlighted that the purchases were fulfilling both functional and experimental dimensions for the customers, consistent with the research (Vickers & Renand 2003): the interviewees spoke about their ‘need’ to purchase certain products, and about not being able to leave the house without their make up on, which suggests that the products have a high functional dimension. The gift, in offering the opportunity to try new products clearly fulfils an experimental dimension.

'it's great to get the opportunity to experiment with all these new products without having to buy them and finding they don't suit me'.

Respondent 11

The interviewees spoke less about the symbolic dimension fulfilled by purchasing the brand. Reference was made by two interviewees that a few years ago, they reached a point in their life where they felt they could afford and 'deserved' something better than the mass-market products they had been purchasing, so this alluded to a symbolic dimension – reaching a point in their life where they wanted something better. However, there was no specific references made by any of the interviewees about buying Estée Lauder products because of what they symbolise.

Another perspective in the literature with regard to luxury goods purchase is that some consumers purchase luxury goods for personal reasons, such as self-gift giving, and self-directed pleasure (Tsai 2005). This was a recurrent theme in the interviews, with customers 'treating' themselves or buying themselves a present.

Vickers & Renand (2003) also highlighted the need for congruence between a seller's desired market positioning and the consumer's perceived position of it. Many of the customers interviewed were repeat promotional purchasers. It is reasonable to assume from this that the customers are attracted by the promotion: indeed half said that they would not have purchased in the absence of the promotion. This could suggest that to these consumers, the brand is 'accessible luxury' as defined by Alleres (1990), and that the promotion is offering them the chance to buy into the brand when they might not otherwise choose to spend quite so much. Given that the interviews were conducted during the promotional period, quite different consumers may have been found at the Estée Lauder counter during the non-promotional period. It is therefore difficult from this research to get a conclusive view of either the overall consumer perception of the brands' luxury positioning, or indeed the brands desired luxury positioning.

Does the GWP promotion affect the consumer's perception of luxury?

Within the literature, Catry (2003) proposed that the concept of widely sold luxury goods is an oxymoron, arguing that exclusivity is central to the concept of luxury. To the extent that promotions increase sales levels, making goods more widely available

and therefore less exclusive, it could be argued that GWP promotions have the effect of making the Estée Lauder brand to be perceived as less luxurious, either by existing or potential customers. From the interviews, it was clear that different customers have different perceptions regarding how luxurious, or indeed how aspirational the Estée Lauder brand is.

Those customers interviewed, except one, spoke about the brand in a way that suggested they did perceive it to be aspirational. Words such as treat, extravagance, indulgence and ‘trade-up’ were used when talking about their promotional purchases.

‘Well, yes, the products are expensive, but I am selective about what I spend my money on. I am extravagant when it comes to looking after my appearance, so to me it’s worth spending a bit more to get something that works’

Respondent 8

‘we all have some weaknesses: I don’t drink or smoke so I think I can justify indulging myself occasionally’

Respondent 11

For the customer who turned down the gift (respondent 4), the brand was not perceived to be aspirational. There is a chance that the sample of customers selected could be biased here – all existing Estée Lauder customers purchasing during the promotional period. This does not give insight into how non-Estée Lauder customer perceptions of the luxuriousness of the brand may be affected by the promotion.

‘But I wouldn’t buy the rest of my products here [Estée Lauder] anymore, or from any of the other big brands. There are nicer brands to buy these days if you can afford them, like Crème De La Mer or La Prairie’

Respondent 4

To summarise, it is reasonable to conclude that Estée Lauder is a luxury brand to those customers who purchase on promotion. It is not clear whether this ‘luxury’ perception would extend to non-promotional purchasers. With regard to how the promotion affects the luxury status of the brand, this is not conclusive. For those customers interviewed, there did not appear to be a negative effect on perceptions of

the luxury brand image, however, further research would be needed to ascertain the impact of GWP on potential Estée Lauder customers. This is an area worthy of further academic research.

4.7 Frequency of promotions

The research found that customers perceive that promotions within the industry are frequent, and also that promotions on the Estée Lauder brand are frequent.

'there always seems to be an ad in the Sunday magazines for Estée Lauder promotions – I think that there's nearly always one running somewhere if you're prepared to go to different stores'

Respondent 9

'I always wait for a promotion or a Spec day to buy the products I need – they're so frequent now that it makes sense to wait and get the best value I can'.

Respondent 2

Within the literature review, frequency of promotions was found to be significant for the following reasons (Blattberg, Briesch & Fox 1995):

- The greater the frequency of promotions, the lower the height of the sales spike
- The frequency of promotions changes the consumer's 'reference' price
- Frequent promotions within an industry can lead to perceptions of low costs and high margins in an industry (Raghubir et al. 2004)

As highlighted above in the findings on reference price, the research found evidence to suggest that the frequency of promotions can change the consumer's reference price of the brand (for example, customers waiting to make a purchase until there is either a manufacturer or a retailer promotion available).

Within the findings regarding the impact of promotions on consumer behaviour and attitudes, it was found that Raghubir's (1999) suggestion that frequent promotions within an industry can lead to perceptions of low costs and high margins was also true, although not necessarily in a negative manner. A reason why this research found no negative impact here is due to the fact that Estée Lauder products are not an everyday necessity, whereas Raghubir (1999) was researching promotions in grocery items which are arguably more of a necessity.

To summarise, the findings of this research is that frequency of promotions does have an impact the brand in ways that could negatively affect its long-term health.

4.8 Discussion of findings

The research question of this dissertation is to investigate *how* Estée Lauder GWP affects the long-term health of the brand via the impact that the promotion has on consumer opinions and attitudes. This perspective is important because the future behaviour of the consumer towards the brand will be impacted by any changes in their opinions and attitudes, and therefore understanding how GWP promotions impact these is important to the brand in the long-term. From the findings above, a number of potential effects were identified, both positive and negative. The key findings are summarised below.

Hedonic vs. utilitarian benefits

The research found that customers used language that could be described as both utilitarian and hedonic when describing the promotion and the gift. Within the literature review, Chandon et al. (2000) proposed the benefit congruency framework which stated that for free gift promotions, the hedonic elements of the promotion are more effective than utilitarian benefits. Within this research, the customers interviewed undoubtedly valued the hedonic elements of the promotion: the opportunity to experiment with new products, the fact that the gift represented a bonus or treat etc. However, they also appeared to place high value on certain benefits that could be classified as more utilitarian: the convenient size of the samples, and their practicality etc. The bag, whilst not aesthetically pleasing to all of those interviewed also represented a utilitarian benefit.

To summarise the finding from the research, whilst hedonic aspects of the GWP promotion were clearly important to the customers, there was more reference utilitarian benefits than may have been expected from Chandon et al. (2000) benefit congruency framework.

Also worthy of note is that in talking about retailer promotions where the promotional vehicle is a price discount, the interviewees were placing value on benefits that the literature outlined as utilitarian, e.g. monetary savings in relation to purchases that are non-utilitarian in nature.

The range of benefits, both hedonic and utilitarian offered by the GWP promotion can be viewed as a strength that could positively impact the brand in the long-term. The free gift appears to be appreciated for a range of reasons, and this could help to increase its appeal to a wider audience. However, an alternative perspective could be taken, in that by being appreciated for utilitarian reasons, the luxury perception of the brand could be compromised. For example, the customer who stated that the bag may serve as a pencil case for her daughter may or may not have viewed other luxury bags, for example a Prada make-up bag, as a utilitarian item such as a pencil case.

Consumer attributions and informative/affective effects

The research found that Estée Lauder is well known within the industry for frequent GWP promotions. Raghubir (1999) proposed that in industries where promotions are common, such as premium cosmetics, this could be viewed negatively, however this did not appear to be the case. In terms of the long-term health of the brand, this could have both positive and negative implications: positive in that the GWP promotions could be regarded as generous and customer-focused, but potentially negative in that the brand may experience a ‘backlash’ if it were to change its promotional strategy in the future. The fact that customers did not appear to view frequency as negative could have been influenced by the sample of interviewees (all customers who purchased in the promotional period), who were perhaps more perceptive to Estée Lauder GWPs than other brands. A reputation for frequent promotions could be keeping other potential customers away from the brand.

The research also found that some customers were making purchases because of the promotion, and would not have purchased on that day in the absence of the promotion, although some would have bought the products at a later date. In terms of the long-term health of the brand, there is a potentially negative impact here in that the profit margin of the transaction is decreased (to meet promotional costs). However two customers stated that they had bought an extra product to meet the two-item purchase qualifier, so it is not clear to what extent this negative impact might be as total sales overall were lifted.

The research also found that customers thought that Estée Lauder’s motivation for offering free gifts was to reward customers, and to get customers to try new products. Farquhar (1989) proposed that customer evaluations arrived at as a result of direct

experience, i.e. using a product are far more accessible to a consumer. Overall, this could have a positive impact on the brand in the long-term, as the direct experience of the product is likely to increase sales, and customers appear to be attributing positive evaluations about Estée Lauder's motivation for offering the gift.

Raghubir et al. (2004) proposed that promotions serve as a communication tool to customers, communicating certain informative and affective information to consumers. The research found this to be true, and in particular found that the interviewees consistently perceived that the profit margins in premium cosmetics must be high, due to high prices, and the fact that brands could afford to give away the gifts. Again, contrary to existing research (Raghubir 2004) this did not appear to be a negative point for the interviewees: this could be because the perception relates to the whole industry. For Estée Lauder, there could be a positive long-term effect on the brand in that it shares some of this profit back with customers through the GWP promotion, as highlighted by one of the interviewees. Other positive affect effects were found by the research:

- Entertainment of buying on promotion
- Exploration and thrill of trying new things

Both of these points were mentioned regularly by the interviewees. Because of the nature of the goods being purchased, these effects could be stronger than may be the case if the product was a utilitarian grocery item.

There are two potentially negative impacts of GWP to the brand which surfaced in the research:

- 'Cheapening' of brand image
- Disappointment at missing out on a promotion

The extent to which these are risks is difficult to quantify from this research, but if they were significant, the potential impact on long-term brand health would also be significant. Further research could focus on this area.

Likelihood of re-purchasing the brand

The research showed that previous promotional purchasers had returned to make a purchase at a subsequent promotion. To the extent that the promotion induces customers to return to the brand, there is a positive impact on the long-term health of the brand.

However, there is also a negative aspect. To the extent that some consumers are returning in promotional periods, sales are made at lower margin. This research did not show whether promotion purchasers also make non-promotional purchases, although some said they did. Also, by perpetuating a promotional association with the brand, there may be a negative long-term effect by deterring other customers.

Impact on perceptions of quality and value

The research found that the brush and the bag elements of the gift were felt to be lower quality than expected. The saleable products from Estée Lauder were generally held to be of good quality, and thus there was a mismatch in the interviewees' eyes between the gift and the saleable products.

Within the literature, Dodson et al. (1978) and Gupta (1998) both found that promotions might affect brand equity by conveying a low quality image. Olson (1978) concluded that promotions lead to inferences of lower quality, and Raghurir (2004) found that they lead to inferences of both lower quality and value.

With regard to the long-term health of the brand, the risk here is that the gift could permanently 'downgrade' the premium image of the brand if a mismatch between saleable products and gift quality continues. There could also be a risk that if the gift has a reputation for being below the general quality expected from Estée Lauder, it could be deterring potential customers away from the brand.

With regard to value, the free gift appeared to enhance value of the overall purchase, so in the long-term, this in isolation could be regarded as a positive impact. However, an alternative perspective could be that some customers when purchasing premium cosmetics are looking to treat themselves: they are not necessarily looking for value. This would explain the more recent success of some of the 'super premium' brands such as La Prairie and Crème de La Mer.

Findings with regard to reference price

The findings with regard to reference price were potentially negative to the brand long-term. The research showed instances of customers waiting to make their purchases until either a retailer or manufacturer promotion is available, which could permanently reduce the consumer reference price of the brand. This finding could have been exacerbated by the fact that only promotional customers were interviewed, so verification of whether this negative impact is a true risk would require further research.

Impact of manufacturer and retailer promotions on each other

Whilst this research set out to investigate GWP (manufacturer) promotions, it was found that the interviewees were very aware of the variety of promotions available to them in purchasing premium cosmetics. To the extent that GWP offers consumers a reason to come to the Estée Lauder counter and purchase rather than going to a competitor brand, the GWP could be seen as having a positive effect. However, the profusion of promotions, both retailer and manufacturer appear to have the effect of inducing some consumers to wait and make their purchases when a promotion is available, as they perceive that they will not have to wait for long until they can make their purchase at a lower price. However, it is not clear from this research to what extent this is due to the volume of retailer promotions or the volume of manufacturer promotions. If this trend continued, the volume and variety of promotions could affect the long-term health of the Estée Lauder brand (and other premium cosmetics brands) by permanently reducing the consumer's reference price of the brand's products, as proposed by Blattberg, Briesch & Fox (1995). A permanent 'discount' association would also devalue the brand in the customer's eyes, in line with (Jones 1990), who stated that as a rule, promotions never improve a brand image or help the stability of the consumer franchise.

Luxury brand image and positioning

The findings with regard to luxury brand image and positioning are difficult to interpret. From the interviews alone, it is reasonable to conclude that Estée Lauder is a luxury brand to those consumers who purchase on promotion. The references regarding the fact that the promotion enables them to 'experiment' with products, and the references to treating themselves, and to the 'glamorous' image of the brand all contribute to this. Other terms such as extravagance, indulgence and 'trade-up' are

further indicators that the brand is perceived not to be purely utilitarian. However, as only promotional consumers were interviewed, it is not clear whether this 'luxury' perception would extend to non-promotional purchasers. Given that non-promotional purchases represent around 75% of sales, the impact on this section of consumers could have a more significant effect on long-term brand health (assuming non-promotional purchasers are different customers from the promotional purchasers).

A further point is that Blattberg, Briesch & Fox (1995) found that a change in reference price could affect the premiums that can be charged for certain products. Given that premium cosmetics, and many other luxury goods are sold at high premiums, a change in reference price could be deemed more detrimental to such brands than would be the case with low-involvement mass-market goods.

Frequency of promotions

The research found potentially negative effects on the long-term health of the brand with regard to promotions frequency. There is the potential that frequent promotions could permanently impact consumer reference prices of the brand, by inducing customers to wait until there is a promotion (knowing that they might not have to wait too long) rather than making purchases at full price.

The research also found that although promotions within the industry were considered to be frequent, and consumers did perceive that margins in the industry must be high, this did not necessarily lead to them making negative evaluations about the brand as suggested by the literature. This could be because of the type of good (premium cosmetics) being a 'choice' purchase, rather than a necessity purchase as was the subject of Raghubir (1999).

Summary

Overall, the way in which the interviewees spoke about the promotion, the brand and the products was particularly positive. Care was taken by the interviewer to remain neutral, and to elicit as balanced feedback as possible, therefore the positivity with which the interviewees spoke about the brand and the gift leads to the conclusion that GWP has certain positive effects long-term, by enhancing the evaluations of promotional purchasers. Farquhar (1989) argued that consumer evaluations arrived at as the result of direct experience of brands or products are more likely to be accessible

to the consumer. To the extent that many of the interviewees were previous promotional purchasers, it could be argued that by encouraging direct product trial GWP positively affects consumer evaluations and makes them readily accessible in the consumer's minds, and therefore more likely to repurchase the brand in the future.

Many of the customers interviewed perceived the gift as a reward, and had returned to the brand after previous promotional purchases. On the face of it, this would have a positive long-term effect: any marketing tool which encourages loyalty and repeat purchase is positive, as arguably it is cheaper to retain existing customers than to attract new ones.

The following two tables summarise the findings from the interviews in a simplistic format differentiating between effects that could be deemed positive or negative in the way in which Estée Lauder GWP may affect the long-term health of the brand. It should be noted that these findings arise out of the research that has been conducted and explained above, and therefore the limitations outlined in section 5 should be borne in mind in the interpretation of these results.

Ways in which Estee Lauder GWP affects the long-term health of the brand

Positive
<ul style="list-style-type: none"> Promotions increase sales in the short term (in line with Blattberg, Briesch & Fox (1995))
<ul style="list-style-type: none"> GWP promotions do not devalue the brand image in the promotional purchaser's eyes
<ul style="list-style-type: none"> GWP enhances the brands luxury positioning depending on how aspirational brand is perceived to be by the individual customer
<ul style="list-style-type: none"> GWP has a positive effect in that it enables some consumers to access more luxury than they otherwise might afford
<ul style="list-style-type: none"> Estee Lauder well known within industry for GWP - construed as positive as the brand is customer focused
<ul style="list-style-type: none"> GWP customers have a high likelihood of repurchase - enhancing future sales, although at a lower margin
<ul style="list-style-type: none"> GWP enhances consumer perceptions of value, as the gift is free thus enhancing overall value of the purchase
<ul style="list-style-type: none"> GWP promotions offer a mix of hedonic and utilitarian benefits to consumers, widening the appeal of the brand
<ul style="list-style-type: none"> GWP promotions are appreciated for the utilitarian benefits offered
<ul style="list-style-type: none"> GWP is perceived by customers as a treat, and a self-gift giving opportunity
<ul style="list-style-type: none"> GWP gives the opportunity for customers to experiment, fulfilling a hedonic dimension
<ul style="list-style-type: none"> GWP gives the opportunity for customers to try new products, potentially enhancing future sales

Ways in which Estee Lauder GWP affects the long-term health of the brand cont.

Negative
<ul style="list-style-type: none"> • Promotions increase sales in the short-term (in line with Blattberg, Briesch & Fox (1995)), but could be detrimental to long-term sales
<ul style="list-style-type: none"> • The sales acceleration effect (Jones 1990) has the effect of reducing future period sales, and reducing profit margins
<ul style="list-style-type: none"> • High customer awareness of premium cosmetics promotions creates a permanent discount association with the brand
<ul style="list-style-type: none"> • High customer awareness of all premium cosmetics promotions permanently affects consumer reference prices
<ul style="list-style-type: none"> • Interaction between retailer and manufacturer promotions increase perceptions of frequent promotions, thus affecting reference prices
<ul style="list-style-type: none"> • Increasing incidence of retailer promotions detracts from customer importance placed on making purchases on GWP promotions
<ul style="list-style-type: none"> • Estee Lauder is well known within industry for GWP – there could be a potential backlash if future promotional activity changes
<ul style="list-style-type: none"> • Possibility of cheapening brand image - 'free' construed negatively by some consumers
<ul style="list-style-type: none"> • Possibility of alienating current customers who miss out on a promotion
<ul style="list-style-type: none"> • Impact on perceptions of quality due to elements of the gift (bag and brushes), not congruent with perception of overall Estée Lauder product quality
<ul style="list-style-type: none"> • High likelihood of repurchase - enhanced future sales, but at a lower margin, and could increase customer promiscuity

5. Conclusions

5.1 Summary

The research highlighted a variety of ways in which Estée Lauder GWP could potentially impact the long-term health of the brand. Whilst the findings aimed to classify the effects as positive and negative, the potential impact of some of the points in the long-term are difficult to judge, without further specific research in each area.

In particular, the extent to which GWP differs from other promotions due to the fact that the promoted products are ‘luxury’ items, and the effect this would have on the brand in the long-term is unclear. For the customers interviewed, there was a perception of the brand being luxurious, and the promotion was positive as it made the brand more accessible to them: it was easier for them to justify ‘treating’ themselves. However, the effect on non-promotional Estée Lauder customers and consumers of other brands is unknown.

This research set out to investigate GWP promotions: the serendipitous finding that retailer and manufacturer promotions impact each other within premium cosmetics environments, and the resulting impact on consumer behaviour is an area where further research is needed to fully understand the implications. Due to the fact that discount and promotional activity is increasing in practice (British retail Consortium 2006) this is an area that will have direct implications for management practice in the future.

5.2 Managerial implications

Hunt (1976) regarded marketing as a scientific discipline, and proposed that there is a responsibility of marketing academics to provide new knowledge about both the micro and macro dimensions of marketing to practitioners. Gill & Johnson (1991) proposed that research for marketing and management needs to provide and involve procedures for solving managerial problems and addressing business issues, in tandem with trying to advance knowledge: research must be useful, and have practical implications. To this extent, this research has highlighted the following implications for practitioners:

General Implications for Marketing Managers

1) The potential impact and interaction of retailer and manufacturer promotions need to be considered in tandem when planning any promotional activity. As consumers do not always differentiate between who is offering the promotion, retailer promotions can impact consumer opinions and attitudes of specific brands: conversely manufacturer promotions can impact consumer perceptions of specific retailers.

2) Spiral of promotional activity. Consumers who have become used to benefiting from promotions are likely to react adversely if promotions are ceased. The interviewees in this research were repeat promotional purchasers, who had a high understanding of when and promotions were available. This needs to be carefully considered by practitioners in planning any changes, both increases and decreases in promotional activity.

3) Pricing. This research found that promotions could impact consumer reference prices in the longer term, particularly if there was a trend towards customers waiting until a promotion is available to make their purchases which could result in a permanent discount or promotional association with the brand. The overall pricing structure, i.e. prices charged for non-promotional sales therefore needs to be carefully considered.

Implications for Estée Lauder Marketing Managers

1) Adverse feedback was given regarding the quality of the gift bag, and the brush element of the House of Fraser gift. If this was a general trend, the inferior quality of promotional items could impact the brand image in consumer's eyes, and detract from the luxury positioning of the brand.

2) The findings indicated that Estée Lauder has a reputation within the industry for frequent GWP promotions. The customers interviewed also spoke particularly positively about the gift as being a treat, or a bonus. Given that sales made during promotional periods accounts for between 20% and 25% of total business, any changes to promotional activity need to be very carefully considered so as not to alienate this body of customers. Any changes to promotional activity which resulted in the customers not re-purchasing from the brand in the future could have a significant impact on market share.

3) Vickers & Renand (2003) stressed the need for the manufacturer's view of its luxury market positioning needs to be parallel to the consumer's view of luxury positioning. From the research, it was found that customers purchasing within the promotional period were repeat promotional customers: Estée Lauder could consider having a dual marketing strategy to separately target and manage promotional and non-promotional customers. Specific marketing activity aimed at customers who purchase when there is not a promotion could help to protect profitability and market share in the long-term.

4) Careful consideration of the impact of promotions on non-promotional Estée Lauder customers, and on potential Estée Lauder customers is necessary to ensure the effects are fully understood. Specific marketing activity aimed at these customer groups is one method of addressing this, however the range of potential ways in which GWP could be impacting the views of these customer groups needs to be considered.

5.3 Areas for future research

Through conducting this research, areas have emerged that have highlighted a requirement for future academic research. These are:

- 1) Research into promotions of other luxury goods. As the literature review highlighted, there was no existing research found into the promotion of luxury goods. Further academic research in this area would provide a basis for comparison of this research, and enhance understanding of the impact of promotions on luxury goods brands.
- 2) Further research into free gift promotions in other industries. Again, the literature review highlighted that there was little research into promotions where free gifts were the promotional vehicle. Further academic research in this area would enhance understanding of how free gifts differ to more common promotional vehicles, such as vouchers and discounts, and whether free gifts affect consumer perceptions of the brand differently.
- 3) Retailer promotions. The extent to which promotional customers were aware of these, and the extent to which such promotions influenced consumer behaviour was not envisaged at the outset of the research. The way in which

retailer promotions interact with manufacturer promotions, both within premium cosmetics and other industries would provide a better basis for understanding the long-term impacts of promotions on general brand health, and provide practitioners with wider appreciation of potential impacts in planning their promotional activity.

- 4) Research into other customer groups. This research focused specifically on consumers who purchased Estée Lauder goods as part of a promotion. Existing customers who are non-promotional purchasers, and lapsed/latent customers were not part of the sample of customers interviewed. Future research into these customer groups would enhance understanding of this research, and again provide practitioners with wider appreciation of potential impacts in planning their promotional activity.
- 5) Research specifically into negative impacts of GWP promotions. Through the research, two negative affective effects of promotions were surfaced:
 - ‘Cheapening’ of brand image
 - Disappointment at missing out on a promotion

The potential effect of these on the long-term health of the brand could be significant, and future academic research specifically into negative effects of free gift promotions would guide practitioners in planning and executing promotional activity.

5.4 Reflections and limitations

In conducting this research, every effort has been made by the researcher to adhere to generally recognised academic best practice. As the nature of this work has been qualitative/interpretivist, the researcher has been involved in the research process and its progression. Being a subject in the research demands that the background and previous experience of the researcher be explained (Storbacka 1994). Previous experience informs the researchers approach or the experiential knowledge of the researcher in relation to the research area and this will have an impact upon how they structure an understanding and may simultaneously prevent them from seeing a

certain aspect of the problem (Carson 2005). The researchers pre-understanding of the research area is largely a result of their own experience (Gummesson 1991). Pre-understanding, knowledge and experiential learning are essential in order to fully understand processes in a marketing or managerial context. For example, specialisation in a particular industry contributes considerable institutional knowledge which will be useful when doing research in such a context (Carson 2005).

With this in mind, the researcher's current and past employment in the premium cosmetics industry (10 years) should be considered in the interpretation of the research results.

There are the other following limitations with this research that should be borne in mind when interpreting the results of this research:

- 1) Choice of sample. Only existing Estée Lauder customers who purchased during the promotional period were interviewed. Whilst this has given specific insight in an in-depth manner into this group of customers, different findings may have been obtained if existing Estée Lauder customers who were non-promotional purchasers, or lapsed/latent customers had been interviewed. Certain findings may have been magnified, given that promotional purchasers may exhibit very different behaviour to non-promotional purchasers. A different sample of interviewees, such as a cross-section of a given age group of women, or income bands may have generated different findings.
- 2) Store and town in which the research was conducted. The choice of store in which the research was conducted influenced the findings, as the customer profile varies considerably from store group to store group. House of Fraser was chosen due to its market positioning being mid-range, and therefore likely to be more representative of Estée Lauder customers nationally. The choice of town, London, is also likely to have impacted the findings, due to different demographics, incomes and also tourists visiting the capital.
- 3) The responses of the interviewees are likely to be influenced by their social status. The Market Research Society publishes a widely used social grading system, commonly called the 'ABC1' system that classifies consumers based on

profession/incomes. The system is widely used by advertisers and marketers. The findings of this research will have been influenced not only by the store and town as mentioned above, but also by this 'social profile' of the interviewees. Also, this social profile may determine how specific consumers define Estée Lauder on their scale of luxury: some may find the brand more aspirational than others depending on affordability etc.

- 4) Finally, as this research used a qualitative, interpretivist approach using in-depth interviews, the aim was to produce rounded and contextual understandings on the basis of 'rich and detailed data'. This richness of meaning combined with observing behaviour is how qualitative researchers understand the social meaning of the world (LeCompte & Preissle 1994). As such, twelve customers were interviewed. Clearly it can not be assumed that findings based on interviewing twelve customers is representative of all Estée Lauder customers, and alternative research methods may have resulted in different findings.

Concluding comments

This research set out to understand how Estée Lauder GWP impacts the long-term health of the brand. From the findings of the research, a number of possible effects were identified, both positive and negative. GWP promotions are undoubtedly viewed positively by a large section of consumers who purchase on promotion: to the extent that these shoppers may go elsewhere in the absence of Estée Lauder GWP, the promotions can be viewed positively as a method of increasing sales, a customer retention tool, and a tactic to maintain market share. However, what is not clear from this research is the impact of GWP on those consumers who do not purchase on promotion – both existing Estée Lauder customers who purchase without the inducement of a gift, and also potential, latent and lapsed customers. GWP may well have other effects on these groups that would impact the long-term health of the brand in a variety of ways.

At Unilever, a saying describes promotional activity as a vicious circle of 'promotion, commotion, demotion' (Jones 1990). This research has helped to increase understanding of the impact that Estée Lauder GWP may have on the brand in the long-term, however, it raises as many questions as it answers. The promotion of high-

involvement goods, and free gift promotions are areas that require significant future research to ensure that management practice is aided by academia to ensure that long-term effects are balanced against short-term gains – a fundamentally important point for luxury goods businesses that rely on the long-term value of their brands for their future survival and success.

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7. Appendices

Appendix 1 – House of Fraser gift visual

Appendix 2 – Outline of question areas for semi-structured interviews

The points below were used as general discussion topics when conducting the interviews. The list was not adhered to rigidly, but was used as a guide to ensure key discussion points had been covered.

General opening discussion re cosmetics purchasing habits
Personal thoughts/opinions regarding cosmetics – how and when purchased etc
Awareness of promotions in the industry, other brands, frequency etc
Discussion re: the customer's promotional shopping behaviour
Opinions and thoughts on the cosmetics industry
Opinions and thoughts on the gift and its contents
Perceptions of quality and value of the gift and the brand
Thoughts and opinions on the Estée Lauder brand, advertising and image
Wrap up

Appendix 3 – Coding structure for data analysis

Sub-Heading	Conversation Topics/Areas	Specific Words/phrases
1) Promotional Benefits (Utilitarian, Hedonic etc)	<ul style="list-style-type: none"> • Opinions on EL brand • Opinions about GWP promotions • Promotional purchase behaviour • Product trial 	Saving, convenient, practical, value, experiment, bonus, treat, reward, indulge, luxury, extravagant, pampered, opportunity
2) Impact on behaviour & attitudes	<ul style="list-style-type: none"> • Opinions about GWP promotions • Opinions on EL brand • Past experience of EL • Opinions about the gift • Purchase timing • Perception of frequency • Mention of other brand names and comparison to EL to these 	
3) Impact on perceptions of quality and value	<ul style="list-style-type: none"> • Opinions on EL brand • Opinions about the gift • Opinions about GWP promotions 	Cheap, expensive, value, quality, poor quality, good quality, pricey, gimmick, plastic, ‘more for money’
4) Impact on reference price	<ul style="list-style-type: none"> • Opinions about GWP promotions • Purchase timing • Perception of frequency 	Discount, discount day, waiting (to purchase), frequent, value, 3 for 2, Advantage Card, profit, margin
5) Luxury goods implications	<ul style="list-style-type: none"> • Opinions about GWP promotions • Opinions about EL brand 	Luxury, treat, extravagance, indulgence, trading up
6) Impact of promotions frequency	<ul style="list-style-type: none"> • Purchase timing • Perception of frequency 	Frequent, often, ‘always on promotion’