

Why do manufacturers issue coupons?

An empirical analysis of breakfast cereals

The authors of this article want to study about how coupon impact to the shelf price of breakfast cereal. Also, discuss about price discrimination in oligopoly. The authors obtain the data from 2 sources which are from the IRI Infoscan Data Base at the University of Connecticut ,and supermarkets in metropolitan areas and rural towns. The data is distributed in type of panel data. In the regression model the authors had set the shelf price is the study variable or dependent variable, the independent variable that interesting is dollars off variable which is meaning that the discount from coupon and the authors also consider the probability of using in coupon to make this model least error. The result of this article from the data the authors summarized that there is negative correlation between shelf price and a number of increases in coupon issued. One possible brand-time relationship deserves mention: the negative relationship between coupons and prices could reflect manufacturers, facing particularly intense competition from generic manufacturers, that both couponed heavily and reduced prices. Also, couponing within the brands facing strong generic competition was negatively correlated with increases in generic sales.

In my opinion, this topic is interesting but I think it is hard to understand for me. This paper can be the prove that company launch the coupon to customers there is negative effect not only the value of coupon, but also impacting to the shelf price. As I know, I consider this article is relevant to economic theory in price discrimination and game theory. From the article I speculate that regression model which the authors used it as main method to describe what they desire to study is proper to their question and can make me more understand what they want to communicate. Moreover, the variables that they conducted are appropriate for answer the question which are expected value of coupon use, brand and cities specific demand or cost of selling cereal, trend of price of cereal overtime. In my opinion, the result of this article is the surprising thing that I cant imagine before.