

# Department of Marketing



## Research Seminars Series Els Breugelmans KU Leuven (BE)

May 7, 2026 | 12:00 - 13:00 | TC Hall

### A Brand-New Promotion-Free World: Learnings from a Price Promotion Ban

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**Abstract:** Price promotions are often seen as a “necessary evil”: while their costly practice may generate short-term sales spikes, their long-term effectiveness has long been scrutinized. However, brand manufacturers are reluctant to unilaterally abandon price promotions, out of fear of competitive repercussions. As such, a retailing world without price promotions long remained an improbable yet intriguing proposition. In this study, we exploit a formal ban on price promotions that encompassed an entire retail market, to investigate which brands truly stand to gain from a world devoid of price promotions. Specifically, we consider how various brand characteristics related to prior promotional intensity, price positioning, branding and line length determine which brands win, and which ones struggle when promotions are absent. Our analyses reveal that the effect of the price promotion ban on brand performance substantially differs between brands: while brands typically boasting deep discounts are worse off, private label brands triumph over their national brand competitors. Moreover, brands with a longer line length gain more; an effect that is even more pronounced in hedonic categories. Finally, category sales remain unaffected by the ban, indicating that price promotions merely shift market share among brands.