SALES PROMOTION: AN OVERVIEW

CHAPTER 3
SALES PROMOTION: AN OVERVIEW

The marketing communication environment is undergoing a thorough change due to the fragmentation of markets and vast improvements in information technology. Mass marketing and mass media have been replaced by segmented or one-to-one marketing and more specialized and highly targeted communication efforts. Though mass media communication channels like newspapers, magazines and television remain important, their dominance is declining. Advertising was viewed as the crown jewel of marketing communication and the primary tool for brand building for many years. However, more marketers are recognising that brands are the sum total of all marketing communications and that no single Integrated Marketing Communication tool is capable of building brand image, sales and relationship with consumers, as well as the trade, at the same time. A variety of companies from package goods, fast food and electronic and automotive to consumer electronics and financial services are making branding the core of their marketing strategies. In the process, they are recognising that a solid branding strategy requires true integration of all the various marketing communication tools. Moreover, many are discovering that sales promotion is the engine that drives the sales numbers.

Marketers generally agree that advertising is essential in positioning a brand and building its promises, personality and image. But, today’s consumers are concerned about more than a promise or brand image. They want image to be accompanied by an offer or extra incentive. Now sales promotion is being used to build customer equity and is taking centre stage alongside advertising. The new mandate is to deliver experience that deepens each consumer’s relationship with the brand. In the past sales promotion specialists would be brought in after key strategic brand building decisions
were made. They were viewed as tacticians whose role was to develop a promotional programme such as a contest or sweepstake, coupon or sampling programme that would create a short-term spike in sales. However, many companies are now making promotion specialists as part of their strategic brand building team.

3.1 The Marketing Mix

Marketing mix includes everything that the marketer uses to create a blend that would influence the demand for its products or services. It is a set of controllable, tactical marketing tools that the firm uses to achieve its objectives in the target market. Popularly, 4 Ps are used to represent the elements of marketing mix. Each ‘P’ stands for product, price, place and promotion. A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. The price is the sum that the customer pays in exchange for the product or to get a service performed. The place refers to marketing activities undertaken to make the product or service available to consumers at convenient locations where they are normally expected to shop for such things. Finally, promotion includes marketing activities used to inform, persuade and remind the target market of an organisation, its products, services and other activities.

Some people argue that ‘people’ is the most important element of the marketing system and added another ‘P’ with the conventional 4Ps. ‘People’ can be interpreted as customers or as staff. Service marketers have developed a new approach by forming a 7 Ps concept. Physical evidences (e.g. building and uniforms) and Processes (methods of producing, delivering and consuming the service) are the additional Ps. Now fast moving consumer goods marketers have also accepted 7Ps.

All of the marketing mix variables communicate in their own way. A poor-quality product or service generally says more than any amount of advertising. A high price sends a different message to a low price. Some times
price is used by many buyers as an indicator of quality. The various places of purchase give different experience to the buyers. For example, an item purchased from a supermarket has a different perceived value to an item purchased from a street stall. Promotion has its own communication tools like advertising, personal selling, sales promotion and publicity. The fifth P, people or staff creates a good or bad experience through the quality of service delivered at any particular time. Physical evidence communicates, as demonstrated by the physical presence, style, location etc. It grabs attention, interest and, to some, creates the desire to enter and explore. Process the final ‘P’, also communicates in terms of likes or dislikes of the consumers about the method of producing and delivering the goods or services.

3.2 The Promotion

Promotion is the communication process in marketing that is used to create a favourable predisposition towards a brand of product or service, an idea or even a person. It is the marketing function, which is concerned with persuasive communication of the components of marketing programme to target audiences with the intent to facilitate exchange between the marketer, and the customer, which may satisfy the objectives of the consumers and the organisation. Promotion seeks to persuade the audience in the target market to develop a new attitude or change the existing one, as it is a persuasive communication. It is goal oriented and the objective may be to create brand awareness, to educate the consumers, to create positive image and the ultimate goal is to sell the product or service.

3.2.1 Role of Promotion in the Marketing Mix

Marketing mix refers to a wide range of responsibilities of marketers related to the conception, pricing, promotion and distribution of a brand. Promotion plays a key role in the marketing mix because it is essential to the successful implementation of the three other mix factors, i.e., product, pricing and physical distribution.
Promotion affects the product area of the marketing mix in four important ways:

- Information and Persuasion: - Target audiences learn about a brand’s features and benefits through the communication transmitted by various promotional tools. Advertising and personal selling communicate brand images to the targeted audiences.

- Introduction of new brands or brand extensions: - When new brands or extensions are brought to market, the promotion process is largely responsible for attracting attention to the new market offering. Sales promotion and POP displays are used for the purpose.

- Building and maintaining brand loyalty among consumers: - Brand loyalty occurs when a customer repeatedly purchases the same brand to the exclusion of competitor’s brand. While advertising reminds consumers of the value of a brand, sales promotion provides an extra incentive to consumers to remain brand loyal. When a firm creates and maintain positive association with the brand in the minds of consumers, the firm has developed brand equity.

- Building and maintaining brand loyalty with in the trade: - Wholesalers and retailers will favour one brand over others if they get necessary support from manufacturers. Marketers can provide the trade with training programme, collateral materials, displays and traffic building special events.

The promotional mix affects two aspects of price i.e., at a consumer level and related to trade. In the consumer market sales promotion can offer a price concession or an incentive to buy a brand. While coupons reduce the price in an obvious way, rebates give consumers a choice on how to use an extra bonus in the pricing system. Incentives like premium or sweepstakes give reasons to buy a brand. In the trade market, special promotions like case-
lot discounts, cooperative advertising and incentive contests affect the end price and can affect the wholesalers and retailers preferences for one brand over others.

Promotion can affect consumer access to a brand and securing trade cooperation. When special POPs or brochure materials are used at the retail level, consumer access to the brand is increased. Cooperative advertising will inform the consumers about location of retail outlets. Cooperative advertising, slotting fees, vendor support programmes and incentive programmes are promotional techniques that convince wholesalers to carry brands.

3.3 The Promotion Mix

Promotion mix is a blend of promotion tools used by a firm to carry out the promotion process and to communicate directly with target market (or audience in the language of communication). These communication tools include advertising, the internet, direct marketing and e-commerce, sales promotion, event sponsorship, point of purchase displays, support communications (like brand placements in films, and specialty items), public relations and personal selling.

Figure 3.1
Diagrammatical Representation of the Relationship Between Promotion, Promotional Mix and IMC

(Promotion: Promotion Mix: IMC:

Processes Tools Management

(Source: Promotion & Integrated Marketing Communication, Richard J. Semnik, page-9)
The Promotional mix can include some combination of many approaches or just one or two promotional tools.

3.3.1 Advertising

It is the most glamorous and elaborate of all the promotional tools. Advertising is defined as a paid, mass mediated attempt to persuade. Accordingly if a communication is not paid for, it is not advertising. For example, a form of promotion called publicity is not advertising because it is not paid for. Another feature of advertising is that it is mass mediated, i.e., it is delivered through a communication medium designed to reach more than one person- or mass of a people. Advertising media include television, radio, newspapers, magazines, direct mail, billboards, internet and videocassettes. The mass mediated nature of advertising creates a communication environment where as the message is not delivered face-to-face. Finally, advertising includes an attempt to persuade. Advertisements are communications designed to get someone to do something. Thus advertisements inform the consumer for the purpose of getting the consumer to like the brand and eventually buy the brand.

According to Stanely M.Ulanoff, “advertising is a tool of marketing for communication of ideas and information about goods or services to a group; it employs paid space or time in the media or uses another communication vehicle to carry its message; and it openly identifies the advertiser and his relationship to the sales effort.”

Around $500 billion is spent around the world as the cost of media time and space. If all the costs of producing ads and the salaries of people working in the industry are added, the amount is well over $1 trillion a year.

3.3.2 Internet Advertising

It is a form of advertising in which the message is carried over the internet rather than the traditional mass media. Internet media for advertising
consists of e-mail, usenet and the World Wide Web. E-mail is frequently used by marketers to reach potential and existing customers. A variety of companies collect e-mail addresses and profiles that allow marketers to direct e-mail to a specific group. People who wish to discuss specific topics through the internet often join electronic mailing list. A message sent to the list’s e-mail address is then resent to everybody on the mailing list. Usenet is a collection of discussion groups in cyberspace. People can read messages pertaining to a given topic, post new messages and answer messages. The phenomenon of World Wide Web is the universal database of information available to most internet users, and its graphical environment makes navigation simple and exciting. Apparels, airlines and books were the most frequently promoted goods through internet. Price offs followed by free gifts offer was the most commonly used type of promotions. The scope of internet is truly impressive given that it is a communication medium, which is only a decade old. About 200 million people worldwide or 4.7 percent of the population is online.

3.3.3 Sales Promotion

It is the use of incentives to generate a specific and short-term response in a household consumer, trade buyer or business buyer. Free samples, coupons, premiums, sweepstakes and contests, rebates, and price discounts are some of the primary methods of sales promotion in the consumer market. The business market relies more on trade shows, demonstrations, premiums, price or merchandise allowances, and sales force or dealer contests as sales promotion techniques. Sales promotion is designed to stimulate short-term purchasing in a target market and enhance dealer effectiveness in promoting a firm’s brand. This promotional option is valuable to marketers because it provides a way to get a consumer who is using a competitor’s brand to switch to the marketer’s brand. It is also a way to move stagnant inventory and create needed cash flows.
3.3.4 Direct Marketing

Direct marketing is an interactive system of marketing that uses one or more advertising media to effect a measurable response and/or transaction at any location.\(^8\)

Direct marketing is interactive in that a marketer is attempting to develop an ongoing dialogue with the customer. Direct marketing programmes are commonly planned with the notion that one contact will lead to another and then another, so that marketer's promotional message can become more focused and refined with each interaction. Direct marketing is designed to elicit a direct response by using a combination of media. Moreover, transactions in direct marketing can occur anywhere.

3.3.5 E. Commerce

It is a business conducted between buyers and sellers using electronic exchange media. E-commerce is quickly emerging as a significant form of direct marketing. The scope and nature of e-commerce is almost exactly the same as direct marketing. In using an e-commerce structure and methods, marketers make direct contact with consumers and business buyers; they intent to communicate information, and they hope to bring about a transaction through the contact. Where as the transaction in direct marketing takes place through traditional means of contact between buyers and sellers i.e., by using phone or mail, in e-commerce the transaction is electronic and typically takes place by computer and internet.

3.3.6 Sponsorships, Point-of Purchase and Supportive Communications

Sponsorship involves funding an event (like a motocross competition) or a charitable cause (such as public television fund raising) or creating an event in order to highlight a firm's brand to a specific target audience.
Point-of-Purchase (POP) promotion refers to materials used in the retail setting, to attract shopper's attention to a company's brand. In-store displays, banners, end-of-aisle displays, wall units and floor stands are ways to attract shoppers to a brand.

Supportive communication includes a variety of ways marketer communicates to target audience outside of mainstream media or electronic communications. Directories, specialty advertising items and brochures are some of the examples for supportive communications.

### 3.3.7 Public Relations

Public relation is used to highlight positive events in an organisation, such as quarterly sales and profit of noteworthy community service programmes carried out by the firm. It uses techniques like press releases, newsletters and community events to reach target audiences.

### 3.3.8 Personal Selling

Personal selling is the presentation of information about a firm's product or service by one person or a small group of people. It is the only one-to-one communication that can deliver a completely customized message based on feedback from the receiver of the message. Personal selling is the dominant variable in the promotional mix of many corporate marketers. Complex products and services, high purchase prices and negotiated contracts warrant the customized communication of personal selling.

### 3.4 Promotion Mix Strategies

Marketers can choose from two basic promotion mix strategies—push promotion or pull promotion. The relative emphasis on the specific promotion tools differs for push and pull strategies. A push strategy involves pushing the product through the distribution channels to final consumers. The producer directs its marketing activities (primarily personal selling and trade
promotions) towards channel members to induce them to carry the product and to promote it to final consumers. Using a pull strategy, the producer directs its marketing activities (primarily advertising and consumer promotions) towards final consumers to induce them to buy the product. If the pull strategies are effective, consumers will demand the product from the channel members, who will in turn demand it from producers. Thus, under a pull strategy, consumer demand “pulls” the product through the channel.

3.5 Integrated Marketing Communication

In the past companies around the world were engaged in mass marketing i.e., selling highly standardised products to masses of customers. They developed effective mass media advertising techniques to support this strategy. Currently targeted marketing has taken the place of mass marketing. Marketers are now developing focused marketing programmes designed to build closer relationship with customers in more narrowly defined micro markets. Moreover vast improvements in information technology are speeding the movements toward segmented marketing. The shift from mass marketing to segmented marketing has had a dramatic impact on marketing communications. The dominance of mass-media communication channels like television and magazines has declined. Marketers are now making increased use of new and highly targeted media like highly focused specialty magazines, cable television channels, CD catalogues, web coupon and airport Kiosks.

Again, no one person or department was responsible for thinking through the communication roles of various promotion tools and coordinating the promotion mix. Today, however, more companies are adopting the concept of Integrated Marketing Communication. Under this concept, the company carefully integrates and coordinates its many communication channels to deliver a clear, consistent and compelling message about the organisation and its products. It is a new way of looking at the whole where
once we only saw parts, such as advertising, public relations, sales promotion, purchasing, employee communication and so forth. It is realigning communication to look at it the way customer sees as a flow of information from indistinguishable sources".  

Figure 3.2
IMC- Carefully Blended Mix of Promotion Tools

3.5.1 Factors Contributing to IMC’s Raising Prominence

Several factors have contributed to the growing prominence of IMC:

- Fragmentation of the media: - Proliferation of the media options available to marketers, reach of advertising to precise locations such as airport, and growth of print media have led to raising importance of IMC. The proliferation and fragmentation of media have resulted in
less reliance on mass media and more emphasis on other promotional options such as direct mail and event sponsorship.

- Better audience assessment through data base technology: - Customer and non-customer profiles can be created with the help of database developed and managed by the firms. This lead the marketer away from mass media to promotional tools that reach the segment that has been targeted.

- Consumer empowerment: - Consumers today are more powerful and sophisticated than their predecessors. Empowered consumers are more skeptical of commercial messages and demand information tailored to their needs.

- Increased advertising clutter: - The proliferation of advertising stimuli has diluted the effectiveness of any single message.

- Shifting channel power: - The new powerful retailers are able to demand promotional fees and allowances from manufacturers, which divert funds away from advertising and into special events, in-store displays or other promotions.

- Desire for greater accountability: - In an attempt to achieve greater accountability for promotional spending, firms have reallocated marketing resources from advertising to more short-term and more easily measurable methods such as direct marketing and sales promotion.

3.6 Sales Promotion

Sales promotion is a key alternative for marketers within the promotional mix. Sales promotion can attract attention and give new energy to the promotional effort. Unlike advertising, effect of sales promotion can be measured in the short-run. Sales promotion has proven to be a popular
complement to mass media advertising because it accomplishes things advertising cannot.

3.6.1 Definitions of Sales Promotion

In the words of Richard, Semnik, "sales promotion is the use of incentive techniques that create a perception of greater brand value among consumers, the trade and business buyers. The intent is to create a short-term increase in sales by motivating trial use and encouraging larger or repeat purchasing". 10

According to George, E., Belch and Michel, A., Belch, sales promotion is "a direct inducement that offers an extra value or incentive for the product to the sales force, distributors, or the ultimate consumer with the primary objective of creating an immediate sale." 11

According to Roger, A., Strang, "sales promotions are short-term incentives to encourage purchase or sale of a product or service".

In the opinion of John, A., Quelch, "sales promotions are temporary incentives targeted at the trade (called trade promotions), or at end consumers (consumer promotions). While sales promotions generally aim to change purchase behaviour, they vary in whether they attempt to persuade trade customers or end consumers to buy a product for the first time, to buy more, to buy earlier, or to buy more often".

Philip, Kotler is of the view that "sales promotion consists of a diverse collection of incentive tools, mostly short-term, designed to stimulate quicker and/or greater purchase of particular products/service by consumers or the trade".

In the words of Robert, C., Blattberg and Scot, A., Neslin, "sales promotion is an action-focused marketing event whose purpose is to have a direct impact on the behavior of firm's customers".
"Sales promotion comprises that range of techniques used to attain sales/marketing objectives in a cost effective manner by adding value to a product or service either to intermediaries or end users, normally but not exclusively within a defined time period". - Institute of Sales Promotion, UK.

According to Stanely, M., Ulanoff "sales promotion consists of all the marketing and promotion activities, other than advertising, personal selling and publicity, that motivate and encourage the consumers to purchase by means of such inducements as premiums, advertising specialties, samples, cents-off coupons, sweepstakes, contests, games, trading stamps, refunds, rebates, exhibits, displays and demonstrations. It is employed, as well as, to motivate retailers, wholesalers, the manufacturers, sales force to sell through the use of such incentives as rewards or prizes (merchandise, cash and travel), direct payments and allowances, cooperative advertising and trade shows".

"The term sales promotion refers to many kinds of selling incentives and techniques intended to produce immediate or short-term sales effects. Typical sales promotion includes coupons, samples, in-pack premiums, self liquidating premiums, value-packs, refunds and rebates, price-off packs, contests, sweepstakes, trade shows, continuity plans and others. Sales promotion techniques can be applied across a broad range of products- from chewing gum to houses and cars. Perhaps the only unifying theme among these various methods is that they all must be communicated to the appropriate audience to be effective". – John, C., Totten and Martin, P., Block

3.7 Importance and Growth of Sales Promotion

Most advertising designed to affect demand have awareness and preference building effect for a brand over a long run. On the other hand the role of sales promotion is to elicit an immediate purchase from a customer. Sales promotions are used across all consumer goods categories and in the trade market as well. Sales promotion involves some type of inducement that provides an extra incentive to buy. This incentive is usually the key element
in the promotional programme. The incentive may be a coupon or price reduction, the opportunity to enter a contest or sweepstake, a money-back refund or rebate, or an extra amount of a product. The incentive may also be a free sample of the product, given in the hope of generating a future purchase, or a premium that serves as a reminder of the brand and reinforces its image. Most sales promotion offers attempt to add some value to the product or service. Sales promotion can also provide an inducement to marketing intermediaries such as wholesaler and retailer.

Sales promotion is essentially an acceleration tool, designed to speed the selling process and maximise sales volume. By providing an extra incentive, sales promotion techniques can motivate consumers to buy a larger quantity of a brand or shorten the purchase cycle of the trade or consumers by encouraging them to make more immediate action. Moreover, sales promotion activities can be targeted to different parties in the marketing channel. Sales promotion can be broken in to major categories: consumer oriented, sales force oriented and trade or business oriented promotions.

Table given below shows the role of advertising and sales promotion:

Table 3.1
Role of Advertising and Sales Promotion

<table>
<thead>
<tr>
<th>Purpose of sales promotion</th>
<th>Purpose of advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stimulate short-term demand</td>
<td>Cultivate long-term demand</td>
</tr>
<tr>
<td>Encourage brand switching</td>
<td>Encourage brand loyalty</td>
</tr>
<tr>
<td>Induce trial use</td>
<td>Encourage repeat purchase</td>
</tr>
<tr>
<td>Promote price orientation</td>
<td>Promote image/feature orientation</td>
</tr>
<tr>
<td>Obtain immediate, often measurable result</td>
<td>Obtain long-term effects often difficult to measure</td>
</tr>
</tbody>
</table>

Source: (Richard Semnik, Integrated Marketing Communication, p 384)
3.8 Growth in the Use of Sales Promotion

The role and importance of sales promotion in a company's integrated marketing communication programme has increased dramatically over the past decade. Marketers have shifted the emphasis of their promotional spending from mass media towards consumer and trade promotions. The strong economy has resulted in massive consumer spending, which has helped push the sales promotion industry to annual growth rate of 5 to 7 percent. In 1999 spending on promotion reached a record of $93 billion, while another $155 billion was spent on promotions targeted at retailers and wholesalers. Consumer packaged firm continues to be the core user of sales promotion programmes and tools. However sales promotion activity is also increasing in new categories, including health care, computer hardware and software, electronics and deregulated utilities.\(^{12}\)

Currently the budget allocation stands at about 46 percent for advertising, 29 percent for trade promotions and 28 percent for consumer promotion.\(^{13}\)

Some of the reasons for this shift are as follows:

- Demand for greater accountability: - Immediate effect of sales promotion can be measured easily as compared to advertising.

- Short-term orientation: - Many organizations are developing marketing plans based on short-term revenue generation.\(^{14}\) This along with the pressure from stock holders to produce better quarter-by-quarter revenue and profit per share prompt marketer to turn to sales promotion.

- Consumer response to promotion: - Coupons, premiums, price-off deals and other sales promotions increase the value of a brand in the minds of consumers.
• Proliferation of brands: - In order to gain consumers attention in a market flooded with numerous brands, marketers often use sales promotion strategies.

• Increased powers of retailers: - Powerful retailers are now demanding more deals from marketers. Moreover manufacturers use more and more sales promotion devices to gain and maintain good relations with the new, powerful retailers.

• Media clutter: - Advertising media are cluttered with ads all seeking the attention of a common target. The combination of advertising and creative sales promotion has proven to be a way to break the clutter.\textsuperscript{15}

### 3.9 Sales Promotion Objectives

Sales promotion can accomplish the following tasks:

• Stimulate sales force enthusiasm for a new, improved, or mature product.
• Invigorate sales of a mature brand.
• Facilitate the introduction of a new product to the trade.
• Increase on-and off-shelf merchandising space
• Neutralise competitive advertising and sales promotion.
• Obtain trial purchase from customers.
• Hold current users by encouraging repeat purchases.
• Increase product usage by loading consumers.
• Pre-empt competition by loading consumers.
• Reinforce advertising.
• Target a specific market segment.
• Enhance integrated marketing communications and build brand equity.
3.10 Consumer Sales Promotion

There are different groups who might be targeted by sales promotion: consumers, trade and the sales force. Sales promotions originating from manufacturers may be directed at consumers, resellers, or both. Simultaneously, the manufacturer may also have a promotion programme for its own sales force. Sales promotion may also be originated from retailers and aimed at consumers, though their objectives are different from those of the manufacturers.

Consumer promotions are that a manufacturer offers consumers directly. In the use consumer goods marketers allocated only 30 percent of their budget to sales promotion, with about 70 percent allocated to mass media advertising. Today the percentages are just the opposite according to some recent estimates.16

3.11 Objectives of Consumer-Market Sales Promotion

In every product category, whether durable products or consumer packaged goods, there are several brands available to wholesalers and retailers to choose among and for consumers ultimately to select or reject for personal or family consumptions. Consumer promotions are used because they accomplish goals that advertising by itself cannot achieve. Consumers oftentimes need to be introduced to buy now rather than later, to buy your brand rather than a competitor’s, and to buy more rather than less. Sales promotions are uniquely suited to achieving these imperatives. Following are the important objective of consumer-market sales promotion:

- Stimulate trial purchase: - A reduced price or offer of a rebate may stimulate trial purchase. Sales promotion reduces customer risk on trial purchase.
• Stimulate repeat purchase: - In-package coupons good for the next purchase, or the accumulation of point with repeated purchase, can keep consumers loyal to a particular brand.

• Stimulate larger purchase: - Price reduction or two-for-one sales can motivate consumers to stock up on a brand, thus allowing firms to reduce inventory or increase cash flows.

• Introduce a new brand: - As sales promotion can attract attention and motivate trial purchase, it is commonly used for new brand introduction.

• Combat or disrupt competitor’s strategies: - Because sales promotion often motivates consumers to buy larger quantities or try new brands, they can be used to disrupt competitor’s marketing strategies.

• Contribute to integrated marketing communication: - In conjunction with advertising, direct marketing, public relations and other programmes being carried out by a firm, sales promotion can add yet another type of communication to the mix. It is an additional and different message with in the overall communication effort.

3.12 Benefits of Sales Promotion to Consumers

All promotion techniques provide consumers with rewards that encourage certain forms of behaviour desired by brand managers. These rewards or benefits are both utilitarian and hedonic. Consumers who use sales promotions receive utilitarian or functional benefits of obtaining monetary savings, reducing search and decision costs and obtaining improved product quality made possible by a price reduction that allows consumers to buy superior brands they might not otherwise purchase. Hedonic benefits that sales promotion imparts to consumers include, accomplishing a sense of being a wise shopper when taking advantage of a sales promotion, achieving a need
for stimulation and variety when trying a brand one might not otherwise purchase if it were not for an attractive promotion and obtaining entertainment value when the consumer competes in a promotional contests or participates in a sweepstakes. Monetary and non-monetary promotions provide consumers with different levels of three hedonic benefits (opportunities for value expression, entertainment and exploration) and three utilitarian benefits (savings, higher product quality and improved shopping convenience). A sales promotion’s effectiveness is determined by the utilitarian and hedonic nature of the benefits it delivers and the congruence these benefits have with the promoted product.17

The rewards consumers receive from sales promotion sometimes are immediate, while at other times they are delayed. An immediate reward is one that delivers monetary savings or some other forms of benefit as soon as the consumer performs marketer specified behaviour. For example, the customer receives cash savings at the time he redeems a coupon. Delayed rewards are those that follow the behaviour by period of days, weeks, or even longer. For example, the consumer may have to wait six or eight weeks before a mail-in premium item can be enjoyed.

3.13 Decomposing the Promotional Bump

The increase in response to a promotion is called the promotional bump. Decomposing the bump means breaking down the bump in to its various components. Analysis has identified four sources for the sales increase due to promotion. These are incremental consumption, brand switching, stockpiling and store switching. Cross brand effect (secondary demand), cross period effect (primary demand borrowed from other time periods), and category expansion effect (remaining primary demand) contribute about one-third on average to the sales promotion bump.18
3.13.1 Incremental Consumption

Incremental consumption is the consumer's higher use of a product relative to the normal level. In general, for many products incremental consumption is low. Consumption of many routine grocery items such as toilet tissue, milk, or pickle is unlikely to increase much because the items are on discount. The reason is that even consumers who are price sensitive are likely to buy based on needs. However, consumption for all these categories may increase substantially for discounts that are very steep, atypical, or unexpected.\(^{19}\)

One study shows that sales promotion increases consumption because of higher usage rate and stockpiling.\(^{20}\)

Stockpiling indeed causes people to consume products at a faster rate, especially when the product is convenient to consume. This is because stockpiling accelerates both consumption incidence and quantity when the product is convenient to consume, but only influences consumption quantity when the product requires preparation. In addition, stockpiling triggers impulse consumption incidences because it raises the salience of these products at the point of consumption. When a product is being consumed, however, stockpiling increases the quantity consumed because the product is perceived as relatively inexpensive to consume.\(^{21}\) Moreover consumers tend to conserve diminishing resources so that the amount they would use generally decreases as the supply decreases.\(^{22}\)

3.13.2 Brand Switching

Brand switching is the consumer's purchase of a rival brand rather than one he or she regularly buys. The biggest component of incremental sales for most consumer products and service comes from brand switching.\(^{23}\) This is mainly because retailers offer many brands marketed by competing manufacturers which are quite similar to each other, especially in price. In
such a scenario, when any one brand is on a promotional offer, it is often preferable to its rivals. More than 80% of the sales increase due to promotion comes from brand switching.\textsuperscript{24}

3.13.3 Forward Buying and Stockpiling

Forward buying means buying future requirements in the current period to take advantage of current trade deal. Stockpiling refers to holding a higher inventory of goods than needed to meet current demand. Analysis of consumer's response to sales indicate that forward buying and stockpiling in response to promotions are not a major component of incremental sales. Dips in sales before or after a promotion are not very big.\textsuperscript{25}

For durable products, one of the reasons for the absence of forward buying or stockpiling may be the hassle of stockpiling, the lack of storage space, the tie-up of capital or the danger of spoilage or obsolescence. But for some grocery products, consumers tend to stock up because they are inexpensive, easy to store and do not spoil. Another reason for low stockpiling by consumers may be that retailers offer an abundance of promotions, so that consumers can always buy one or another brand on promotion.

3.13.4 Store Switching

Store switching refers to a change in the store that a consumer frequents because of a promotion. The store switching on a consumer's purchase occasion depends on the price of a brand and savings during a retail promotion relative to the basket of items that a consumer purchases on that occasion.
3.14 Consumer Sales Promotion Techniques

### Table 3.2

<table>
<thead>
<tr>
<th>Promotion Types</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Couponing – consumer direct</td>
<td>100%</td>
</tr>
<tr>
<td>Cents-off promotions</td>
<td>98%</td>
</tr>
<tr>
<td>Couponing in retailer's ads</td>
<td>93%</td>
</tr>
<tr>
<td>Couponing in store (shelf dispenser, handouts)</td>
<td>88%</td>
</tr>
<tr>
<td>Sampling new products</td>
<td>85%</td>
</tr>
<tr>
<td>Sampling established products</td>
<td>78%</td>
</tr>
<tr>
<td>Money-back offers/other refunds</td>
<td>78%</td>
</tr>
<tr>
<td>Premium offers</td>
<td>78%</td>
</tr>
<tr>
<td>Electronic retail promotions</td>
<td>76%</td>
</tr>
<tr>
<td>Sweepstakes</td>
<td>73%</td>
</tr>
<tr>
<td>Internet promotions</td>
<td>71%</td>
</tr>
<tr>
<td>Contests</td>
<td>71%</td>
</tr>
<tr>
<td>Prepricing (on product package)</td>
<td>58%</td>
</tr>
<tr>
<td>Other</td>
<td>27%</td>
</tr>
</tbody>
</table>

(Source: George E. Belch and Michel A. Belch, “Advertising and Promotion - An Integrated Marketing Communication Perspective” page 539.)

3.15 Coupons

A coupon is a promotional device that rewards consumers for purchasing the coupon-offering brand by providing either rupees-off savings or free merchandise. Free merchandise offer typically comes in the form of “buy 2, get 1 free” in which free item is either another unit of the same brand or a different brand. A coupon entitles a buyer to a designated reduction in price for a product or service. In 1999 marketers invested $6.9 billion in coupons as a sales promotion technique.26
3.15.1 Forms of Couponing

Instantly redeemable coupons: - Instantly redeemable coupons are peelable from the package and are designed to be removed by the consumer and redeemed at checkout along with purchase of the couponed brand. Instant coupons provide a significant price reduction and an immediate point-of-purchase incentive for consumers.

Shelf-delivered coupons: - Shelf-delivered coupon devices are attached to the shelf alongside coupon sponsoring brands. Consumers interested in purchasing a particular brand can pull a coupon from the device and then redeem it when checking out.
Scanner-delivered coupons: - Several electronic systems for dispensing coupons at the point of purchase have been introduced in recent years.

Mail-delivered coupons: - Marketers typically use mail delivered coupons to introduce new or improved products. Mailing can be directed either at broad cross-section of the market or targeted to a specific geo-demographic segments. The major disadvantage of mail-delivered coupon is that it is relatively expensive compared with other coupon distribution methods.

FSIs and other media delivered coupons: - Coupons are also distributed as freestanding inserts in Sunday newspapers. The cost of distributing coupons under this method is comparatively low. Coupons are also distributed in magazines and as part of the regular newspaper page. Redemption rate of coupons so distributed is very low.

In- and on-pack coupons: - Here, coupons are included either inside a product’s package or as part of a package’s exterior. Such coupons cannot be removed until the buyer reaches home and redeemed on subsequent purchase occasion. It is a very successful method of coupon distribution since the cost of distribution is very low and the redemption rate, and hence the repeat purchase prospect, is very high.

Online couponing: - A number of internet sites now distribute coupons. Consumers print the coupons on their home printers, and then redeem the printed coupons along with the purchased item at checkout.

3.15.2 Advantages of Coupons

- Coupons make it possible to give a discount to price sensitive customer while still selling the product at full price to other consumers.
- Coupons can induce brand switching.
- A manufacturer can control price discounts through appropriate timing of coupons.

- Coupon is an excellent method of stimulating repeat purchasing.

- Coupons can get regular users to trade up with in brand array.

### 3.15.3 Disadvantages of Coupons

- Marketers cannot control the redemption timing of coupons, which may affect its impact.

- Heavy use of coupon by regular users of a firm's product reduces its profitability.

- Couponing is very expensive (cost of production, distribution and handling charges is nearly two-third of the face value of coupons)

- Fraud is very common in the redemption of coupons.

### 3.16 Price-off Deals

Price-off deals offer a consumer rupee off merchandise at the point of purchase through specially marked packages. A 10 percent or 20 percent price reduction is a typical price-off offer. A price-off is clearly labeled as such on the package. Price-off reduces the price of a brand to that of a competitor and gives a direct and positive benefit to the consumer. It increases the value of the brand. Immediate price reduction is the technique that exerts greatest influence on the brand choice process of the consumer. This type of promotion is effective when the marketer's objective is any one of the following: (1) to reward present brand users; (2) to get consumers to purchase larger quantities of a brand than they normally would, thereby effectively preempting the competition; (3) to establish a repeat purchase pattern after an initial trial; (4) to ensure that promotional offers do, in fact, reach to consumers; (5) to obtain off-shelf display space when such allowances are
offered to retailers; and (6) to provide the sales force with an incentive to obtain retailer support. But retailers are not very enthusiastic about such an offer because it can create inventory and pricing problems to them.

Exhibit 3.2 Amulya's Price-Off Offer

3.17 Premiums and Advertising Specialties

Premiums are articles of merchandise or service offered by a manufacturer to induce action on the part of the sales force, trade representatives, or consumers. Consumer oriented premiums are versatile promotional tools possessing the ability to generate trial, encourage repeat purchasing, and reinforcing brand images. Items are offered free, or at a reduced price with the purchase of another item. The free item can be a
related product such as a toothbrush with a pack of toothpaste. A two-for-one offer is a type of premium. A free premium provides consumers with an item at no cost or a free related item is placed in the package. In advertising specialties, a message is placed on useful items like t-shirts, coffee mugs, computer mouse pads, pen and calendars.

Exhibit 3.3

3.3a: Pril Glass and Surface Cleaner Worth Rs.50 Free With 1Kg of Henko Stain Champion & Emami Talc – Buy One, Get One Free

3.3b. Super Silver Pack of Chandrika Toilet Soap, Save Rs. 5/-

There are different types of premium offers. Firstly, premiums are offered as free with purchase. This form of premium is generally used by marketers of durable goods. It is useful for generating trial purchase. Another form of premium is mail-in offers. Here consumers receive a free item from the sponsoring manufacturer in return for submitting a required number of proofs of purchase. In addition to achieving consumer’s trial purchase, this type of premium is also aimed at accomplishing customer’s holding objectives by rewarding consumer’s brand loyalties and encourage repeat
purchase behaviour. Under in-, on-, and near-pack premium offers a free item inside or attached to a package or make the package itself the premium item. Such premiums offer consumers immediate value and encourage increased product consumption from customers who like or prefer the premium offering brand. Finally, self-liquidating offer is another scheme where the cost of the premium item is payable by the consumer himself and hence it is self-liquidating. The cost covers marketers purchasing, handling and, sometimes, the mailing charges.

Consumer appreciation of premium-based promotional offers is more positive when the premium is direct than when it is delayed, when there is a relatively lower quantity of product to purchase, when the value of the premium is mentioned, when brand attitude is positive, when interest in the premium is great, and when consumers are characterised by deal-proneness and compulsive buying tendencies.28

3.18 Bonus Packs

Bonus packs are extra quantities of a product that a company gives to consumers at the regular price. Bonus Pack results in a lower cost per unit for the consumer and provides extra value as well as more products for the money. They are sometimes used as an alternative to price-off deals or coupons when these tools are either overused or resisted by the trade. The extra value offered to the consumer is readily apparent and for that reason can be effective in loading current users and thereby removing them from the market.
3.19 Contests, Sweepstakes and Games

A contest involves a competition for customers, which requires some ability or skill. Winners are determined by a panel of judges or on the basis of points scored by participants. The participant must act according to the rules of the contest and may or may not be required to submit proofs of purchase.

A sweepstake is a promotion in which winners are determined purely by chances. Accordingly, proof of purchase cannot be required as a condition for entry. Consumers need to send entry forms to participate in a sweepstake. Sweepstakes are relatively inexpensive, simple to execute, and are able to accomplish variety of marketing objectives. In addition to reinforcing a brand’s image and attracting attention to advertisements, well designed sweepstakes can promote increased brand distribution at retail, augment sales
force enthusiasm, and reach specific groups through a prize structure that is particularly appealing to consumers in the group.

Unlike sweeps and contests, which delay gratification and require the consumer to wait an extended period before determining whether he or she has been a winner, games provide an instant reward. In this case, the consumer learns on opening the package at home whether he or she has been fortunate enough to win a grand prize.

Contests and sweepstakes often create excitement and generate interest for a brand, but the problem of administering these promotions is substantial. Moreover, the contestant’s interest may be limited to the contest rather than the message a promotion carries.

3.20 Sampling and Trial Offers

Sampling is a sales promotion technique designed to provide a consumer with an opportunity to use a brand on trial basis with little or no risk. Sampling includes any method used to deliver an actual or trial-sized product to consumers. It is a very useful technique of promotion. Estimates suggest that nearly 90 percent of consumer-product companies use sampling in some manner and invest approximately 1.12 billion a year.

A study shows that consumers are very favourable towards sampling, with 43 percent indicating that they would consider switching brands if they liked a free sample that was being offered. Sampling is very useful for new products and in areas with weak market share for an established brand.

Six methods of sampling are mainly in use. Firstly, in-store sampling is a method used for food products and cosmetics. Consumers at the point of purchase may be swayed by a direct encounter with the brand. A second method of sampling technique is to distribute the sample door-to-door. Though it is expensive, it can be effective if the market is able to identify the correct market segment. Thirdly, samples are delivered through the postal
services. It is an expensive method of distribution and the sample must be small item to be economically feasible. Fourthly, newspaper sampling is another technique. This method is very popular for beauty and health care products. On-or in-pack sampling is the fifth method of sampling. Here the sample item is attached to another product package. In yet another method of sampling, the sample is dispersed at malls —shopping centres, fair grounds and recreational areas. Finally, brand managers are increasingly distributing samples online by using the services of companies that specialises in online sample delivery.

In a study on the effectiveness of sampling conducted over 30000 households, it was found that households who did not receive free samples, an average of about 11 percent made trial purchases and 32 percent households made repeat purchases of the brand. On the other hand these figures were 16 percent and 36 percent respectively for families who received samples.  

3.20.1 Sampling Problems

- Sampling is expensive
- Mass handling of samples can be mishandled by the postal service or other distributors
- Samples distributed door to door or high traffic locations may suffer from wasted distribution and not reach the hands of potential customers
- In- or on-pack sampling excludes consumers who do not buy the carrying brand.
- In-store sampling often fails to reach sufficient number of consumers to justify its expense.
- Consumers may misuse sampling
- Pilferage can occur when samples are distributed through mail.
Trial offer, used for more expensive item, also aimed at inducing the users to buy the brand. Exercise equipments, appliances, watches, hand tools and consumer electronics are typical of items offered on a trial basis. Segments chosen for this sales promotion technique may have high sales potential.

3.21 Rebates

A rebate is a money back offer requiring a buyer to mail in a form requesting the money back from the manufacturer rather than from the retailer. Marketers are fond of rebates because they provide an alternative to the use of coupons and stimulate consumer purchase behaviour. Rebate offers can reinforce brand loyalty, provide the sales force with something to talk about, and enable the manufacturer to flag the package with a potentially attractive deal. Refund offers are used both by CPG companies and durable goods companies. A recent survey of the packaged goods companies revealed that 76 percent had used a money back offer. This technique is helpful to increase the quantity of products purchased because it is offered for multiple and large packets. Moreover only 5 percent to 10 percent buyers bother to mail the rebate form and get the refund. 33

Rebate offer consumers delayed rather than immediate value, since the consumer must wait to receive the reimbursement. In using these programmes, manufacturers achieve customer-holding objective by encouraging consumers to make multiple purchases or by rewarding previous users with a cash discount for again purchasing the manufacturers brand. Rebate offers also attract switchers from competitive brands who avail themselves of attractive discount offers.

3.22 Frequency (Continuity) Programmes

Continuity programmes, also called loyalty programmes or point programmes, reward consumer’s repeat purchasing of a particular brand by
awarding points leading to reduced prices or free merchandise. Frequent flyer programmes of airline companies, frequent stay programmes of hotels and frequent renter programmes of auto rental chains are examples of this type of techniques. These programmes encourage consumers to stick with a particular airline or hotel to accumulate requisite number of points as quickly as possible. The programme need not be based on point accumulation and instead may simply require a certain number of purchases to be eligible for purchases. Continuity programmes have the greatest value when a consumer’s loyalty is divided among several brands since they will encourage the consumer to buy the particular brand more frequently.

3.23 Event Marketing and Event Sponsorships

Event marketing is a type of promotion where a company or a brand is linked to an event or where a theme is actively developed for the purpose of creating experience for the consumers and promoting a product or service. Marketers often do event marketing by associating their product with some popular activity such as sporting event, concert, fair, or festival. Marketers, sometimes, also create their own events to use for promotional purposes. An event sponsorship is an integrated marketing communications activity where a company develops actual sponsorship relations with a particular event and provides financial support in return for the right to display a brand name, logo, or advertising message and be identified as a supporter of the event.

3.24 Overlay and Tie-in Promotions

Promotions often are used in combination to accomplish objectives that could be achieved by using a single promotional tool. These techniques, individually or in conjunction with one another, are used oftentimes to promote simultaneously two or more brands either from the same company or from different firms.
3.24.1 Overlay Programmes

The use of two or more sales promotion techniques in combination with one another is called overlay or combination programme. When used individually, promotion tools (particularly coupons) may never be noticed by consumers. A combination of tools, such as the use of a coupon offer with another promotional device, increases the likelihood that consumers will attend a promotional message and process the promotion offer. Moreover, the joint use of several techniques in a well coordinated promotional programme equips the sales force with a strong sales programme and provides the trade with an attractive incentive to purchase in larger quantities and to display activity.

3.24.2 Tie-in Promotions

The simultaneous use of promotion of multiple brands in a single promotional effort is called a tie-in or group promotion. Growing number of companies use tie-ins to generate increased sales, to stimulate trade and consumer interest, and to gain optimal use of their promotional budgets. Tie-in promotion is cost-effective because the cost is shared among multiple brands. Two or more brands, either from the same company (intracompany tie-ins) or from different companies (intercompany tie-ins) are involved in a tie-in.

3.25 Trade Market Promotion

Promotion can also be directed at the members of trade i.e., wholesalers, distributors and retailers. Effective trade promotion can generate enthusiasm for a product and contribute positively to the loyalty a distributor show for a brand.
3.26 Objectives of Trade Promotion

- Obtain initial distribution: - Sales promotion incentives can help a firm gain initial distribution and shelf placement.

- Increase order size: - Sales promotion techniques can encourage wholesalers and retailers to order in large quantities, thus shifting the inventory burden to the channel.

- Encourage cooperation with consumer-market sales promotion: - Cooperation of the distribution channel members is very essential for the success of any consumer market sales promotion, for this purpose, marketers often run trade promotions simultaneously with consumer promotions.

- Increased store-traffic: - Retailers can increase store-traffic through special promotion or events. It can be achieved through door-prize drawings, parking-lot sales or live broadcast from the store. A manufacturer designed promotion that generates interest with in target audience can drive consumers to retail outlets.

3.27 Trade-Market Sales Promotion Techniques

Sales promotions directed to wholesalers and retailers take different forms. These schemes are briefly discussed below.

3.27.1 Displays and Point-Of-Purchase Materials

POP displays are an important promotional tool because they can help a manufacturer obtain more effective in-store merchandising of products. They are useful in reaching the consumer at the point of purchase and often encourage retailers to support one’s brand. Point-of-purchase materials usually supplied by manufacturers include end-of-aisle displays, banners, posters, shelf cards, motion pieces, and stand-up racks, among other things. POP promotion can help win precious shelf space and exposure in retail
setting. Advertisers invested $14.4 billion on POP materials in 1999. This is more than the amount spent on magazine or radio advertising.\textsuperscript{34}

3.27.2 Incentives

Manufacturers may develop contests or special incentive programmes to stimulate greater selling effort and support from reseller management or sales personnel. Contests or incentives programmes can be directed towards managers who work for a wholesaler or retailer as well as towards store or department managers at the retail level. Incentives to members of trade include awards in the form of travel, gifts or cash bonuses for reaching targeted sales level. Push money, another incentive, is carried out through a programme in which retail sales people are offered a monetary reward for featuring a marketer's brand with shoppers.

3.27.3 Allowances

Various forms of allowances are offered to retailers and wholesalers. It includes mercantile allowances, slotting fees, bill-back allowances and off-invoice allowances. Under the mercantile allowance scheme, the reseller gets extra cases of the product with the purchase of specific amounts. Slotting allowances are fees retailers get for providing a slot or position to accommodate a new product. Manufacturers often give retailers allowances or discounts for performing certain promotional or merchandising activities in support of their brands. Such a scheme is called bill-back allowances. In the case of off-invoice allowances a certain amount or percentage is deducted from the invoice.

3.27.4 Sales Training Programmes

Another form of manufacturer-sponsored promotional assistance is a sales training programme. Under this technique marketer provides training to retailer store personnel who sell consumer durables and specialty goods such as cooling systems, exercise equipments and personal computer. Training
programmes equip sales personnel with sufficient knowledge about the features, benefits and advantages of these products.

3.27.5 Cooperative Advertising

It is an advertising programme designed by the manufacturer of a product in cooperation with other members in the channel. Under the programme manufacturer either set specifications about the content and size or send templates for an ad. More than one party shares the cost of the advertising. Generally manufacturer pays a part of the advertising a retailer runs to promote the manufacturer’s brand and its availability in the retailer’s place of business.

3.28 Business –Market Sales Promotion Techniques

3.28.1 Trade Shows

At trade shows, related products from many manufacturers are displayed and demonstrated to members of trade. Company representatives display and demonstrate its products and explain its features and functions. This technique is particularly suitable for small firms that cannot advertise and have a sales force too small to reach its potential customers.

3.28.2 Business Gifts

Business gifts are given as a part of building and maintaining a close working relationship with suppliers. Gifts may include small items like logo golf balls, jackets or small items of jewellery

3.28.3 Premium and Advertising Specialties

Items carrying firm’s brand name like key chains, ball caps and t-shirts are also appealing to business buyers.
3.28.4 Trial Offers

Trial offers are attractive to business buyers because the items they buy usually involve high cost and long life. They can reduce risk of selecting a wrong item.

3.28.5 Frequency Programmes

The high degree of travel associated with many business professions make frequency programme an ideal form of sales promotion for the business market. Airlines, hotels and restaurants frequency programmes are dominated by the business market travelers.

3.29 Sales Force Promotion Tools

3.29.1 Sales Contests

Sales contests offer prizes to sales representatives who perform better than his fellow representative, which is judged on the basis of additional units sold over and above one’s quota. Though a very effective devise of promotion, sales contests may create professional jealousy as well as dissatisfaction among sales people.

3.29.2 Sales Conference

Meeting with sales people at regular intervals provide the senior executives a chance to know the feelings, problems, work satisfaction and apprehensions related to their work.

3.29.3 Personal Correspondence, Company Bulletins, etc

Personal correspondence and company bulletins help to stimulate the work force because they increase the morale of their work.

Sales force can also be motivated by giving non-financial or psychic wages in the form of providing opportunities to attain the desire for status or recognition inside and outside of the company or desire to excel.
3.30 The Risks of Sales Promotion

- Creating a price orientation: - Consumer perceives a brand that is promoted as a cheap with no real value or benefit beyond low price. This is against the concept of integrated marketing communication. Price promotions affect pre-trial brand evaluations unfavourably in some specific conditions i.e., when the brand has not been promoted earlier; when promotions are used as a source of information about the brand, when the evaluator is not an expert; and when promotion is uncommon in the industry. 35

- Borrowing from future sales: - Since a sale promotion strategy mainly has a short-term effect, it can be used only to reduce inventories, increase cash flows or periodic boosts in market share. Sales promotion usually results in reduced sales during the next few times periods of measurement.

- Alienating customers: - When a firm heavily relies on sweepstakes or frequency programmes to build loyalty among customers, particularly their best customers, there is the risk of alienating these customers with any change in the programme.

- Time and expenses: - Sales promotion is time consuming for the marketers and the retailers in terms of handling promotional materials and protecting against fraud and waste in the process. Advertising should not be compromised for sales promotion, as it is a long-term franchise-building process.

- Legal considerations: - Before initiating a sales promotion programme, particularly coupons, games and sweepstakes and contests, a firm should check in to various laws in order to safeguard its interest. They should clearly state the rules and conditions related to the programme so that customers are fully informed.
References:


