# Sales Promotion

6


AP Photo/Franklin Reyes

## Learning Objectives

Upon completing this chapter the student will be able to:

- Define sales promotion and list advantages and disadvantages of using this IMC tactic.
- Distinguish between consumer and trade promotions and explain the types of tactics used in each category.
- Describe the process of planning for sales promotions.

## Pre-Test

1. Which of the following is NOT an advantage of sales promotions?
   a) It is easy to measure the success of most sales promotions.
   b) Sales promotions coordinate well with other IMC tactics, including online marketing and advertising.
   c) Frequent sales promotions are always good for a company's image.
   d) Sales can be kept more level throughout the year when sales promotion incentives are offered.
2. In which type of trade promotion does a retailer receive a discount or incentive from a manufacturer in exchange for performing a specific function?
   a) Trade incentive
   b) Trade contest
   c) Trade allowance
   d) Trade show
3. A toothpaste promotion manager would like to see 5,000 new customers try the toothpaste brand in March. This is an example of which type of sales promotion objective?
   a) Defending current customer base
   b) Obtaining product trial or repurchase
   c) Targeting a specified targeted market segment
   d) Increasing consumption of an established brand

*Answers*

1. c) Frequent sales promotions are always good for a company's image. The correct answer can be found in Section 6.1
2. a) Trade incentive. The correct answer can be found in Section 6.2
3. b) Obtaining product trial or repurchase. The correct answer can be found in Section 6.3

## Introduction

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Sales promotions can greatly increase sales, especially when they complement other IMC tactics. For example, Creative Display Now (creativedisplaysnow.com) developed an in-store floor display to hold Gatorade's G Series® (sports drinks) in 2011. The structure was a one-piece column with images of Usain Bolt, the Olympic gold medalist. The brand message had high visibility and communicated product benefits. As a result of the point-of-purchase display, products on the display sold at four times the rate of those on the shelf (Ruggle, 2011).

In earlier chapters we discussed the development of the marketing and integrated marketing communications plans. In Chapter 4 we looked at advertising and in Chapter 5 the concept of personal selling was covered. Those areas make up the framework for the development of integrated marketing communication; however, there are other tactical areas that work in conjunction with advertising and selling. This chapter focuses on the development of a sales promotional plan that must be integrated with the sales and advertising functions. Working with the other elements of the IMC mix, sales promotion can generate a synergistic effect for the IMC plan. The use of sales promotions has seen a significant increase in overall spending in the past decade for both consumer and trade promotions.

## 6.1 Sales Promotion and IMC

In an earlier chapter we defined sales promotion as incentive and interest-creating activities that are designed to get customers to buy immediately instead of waiting. Let's look at a more formal definition. Sales promotions (also called promotions) are ". . . all promotional activities (excluding advertising, public relations, personal selling, direct marketing, and online marketing/social media) that stimulate short-term behavioral responses from (1) consumers, (2) the trade (e.g., distributors, wholesalers, or retailers), and/or (3) the company's sales force" (Shimp and Andrews, 2013, p. 512). Promotion includes all types of communication, but sales promotions are limited to executions that stimulate short-term responses. For example, a **coupon** for a department store typically expires so a person has a small window in which to use the coupon. The coupon is a sales promotion piece. The act of communicating about the coupon via a website or a magazine is promotion. The goal of sales promotions, in conjunction with other elements of the IMC mix, is to create immediate short-term sales, customer traffic, or exposure for products and services.


*PRNewsFoto/CarMD.com Corporation*

▲ Point-of-purchase displays, such as this one, are sales promotion items that can greatly increase sales.

Historically, many marketing experts believed sales promotions would erode brand equity. They believed any kind of incentive encouraged channel members, including consumers, to focus too much on price. However, the view changed as marketers realized that sales promotions can complement other IMC efforts and can help differentiate a brand from the competition. The use of sales promotions can strengthen sales and help to engage consumers and shoppers, with an additional benefit of creating even more sales, store traffic, or behavioral changes.

Sales promotions can take many different shapes, and there are numerous executions that can be generated using sales promotions. In recent years, promotional professionals have developed metrics for measuring the effectiveness of sales promotions, particularly at the point-of-sale for products and services. Because many consumer purchases are impulse buys, point-of-sale promotions will drive additional sales for both retailers and suppliers.

### Advantages and Disadvantages of Sales Promotions

As is true of all IMC tactics, there are advantages and disadvantages to the use of sales promotions. We will take a look at the positive aspects of sales promotions followed by a look at the negative aspects.

#### *Advantages of Sales Promotions*

There are several advantages to using sales promotions as part of a company's IMC mix. One advantage is that they result in immediate sales, as when a person takes advantage of a buy one get one (**BOGO**) promotion. BOGO is a type of consumer promotion. Another advantage is increased sales for a retailer when new products are introduced or a product is featured in a sale. When a sales promotion is not immediate, there is usually a deadline associated with the sales promotion. For example, a person may be entitled to a free product if he or she attends a grand opening of a store, but after the grand opening the offer is no longer available. Manufacturers also impose deadlines for other companies to launch sales promotions. In addition, sales promotions are easy to track. Coupons, for example, have a code associated with them so that a manufacturer and retail managers know how successful the promotion was.

Another advantage is that sales promotions help to complement other IMC tactics. Often a sales promotion is used with advertising or with online communication methods. Sales promotions can easily be incorporated into an IMC plan. For example, a salesperson can offer "free shipping" to catch a prospect's attention and increase sales volume. Sales promotions can also complement B2B efforts. For example, salespeople via personal selling may give items such as calendars and desk accessories to existing or potential customers to build goodwill and strengthen relationships. Sales promotions can also be used to differentiate a company from a competitor.


Roberto Herrett/age fotostock/SuperStock

▲ BOGO offers are used by retailers to move products and increase traffic.

Sales promotions can help keep sales consistent throughout the year. A company that experiences lower sales in February, for example, may implement sales promotions to help level out sales. Sales promotions can also encourage trial of a product. When a new product comes out, the company may use coupons to encourage people to try the product with the hope that the customer will like the product and purchase it in the future without the use of a coupon. Similarly, a customer may try a product with the use of a sales promotion and like the product so much that he or she switches brands as a result. From the trade perspective, a company can use sales promotions, such as discounts to a retailer, to encourage sales.

### *Disadvantages of Sales Promotions*

Sales promotions are short-term. This is a disadvantage because their use often does not build brand loyalty. With a new product introduction for example, if the product quality is poor, sales promotions may increase short-term sales, but the product will not last if customers do not buy it again. The same is true for B2B promotions. Poor quality products will weaken relationships in the supply chain. Or customers, accustomed to sales promotions, may choose to wait for sales promotions before they buy, which can erode long-term profits.

Another disadvantage is that the overuse of sales promotions may damage the company image. A customer may wonder what is wrong with a product if the company uses too many sales promotions to sell it. Often brand managers find it easy to continually offer trade deals, which do not help the company image. These actions may also increase price sensitivity among customers. For example, a manufacturing company offering trade discounts to a retailer may find that the retailer grows to expect significant discounts when purchasing. Likewise, a retail customer may not shop at a retailer unless he or she has a coupon or there is a sale.

**Table 6.1 Advantages and disadvantages of sales promotions**

| Advantages | Disadvantages |
|---|---|
| • Immediate sales<br>• Easy to measure<br>• Helps other IMC areas<br>• Helps keep sales consistent<br>• Encourages trial of a product<br>• Entices customers to switch brands | • Sales are short-term<br>• Customers may wait for sales promotions<br>• May damage image<br>• Companies rely too much on sales promotions, which may increase price sensitivity |

### *Learning Check*

Reflect on your learning by answering the following questions:

1. What are the advantages and disadvantages of using sales promotions?
2. If you were a manager trying to move product, what other IMC tactics would you use in conjunction with sales promotion?
3. How do you think frequent sales promotions damage a company's image?

## 6.2 Types of Sales Promotions

There are many types of promotional tactics that can be used by businesses. Each of these tactics is associated with either **consumer promotions**, which are directed to the final user, or **trade promotions**, which are directed at retailers or wholesalers instead of consumers. Table 6.2 shows a sampling of major consumer sales promotions tactics and Table 6.3 shows main trade promotions. Although many different types of promotional activities are mentioned, only the main tactics will be discussed in detail within the chapter.

**Table 6.2 Types of consumer promotions**

| Type | Description | Example |
|---|---|---|
| **Coupons** | A document that can be exchanged for a discount off the price of a product or service | On many websites, there are printable coupons that can be redeemed online or in store. |
| **Sampling** | A free sample of the product is provided; this may be done at point-of-sale, or it may be done through the Internet, mail, attached to a product, or through an advertisement | A company representative cooks sausage at a local market and gives out free samples to customers in the store. |
| **Cash refunds or rebates** | Return, reduction, or refund on the purchase price of a product or service | Customers buying three boxes of cereal will receive a $2 refund in the mail if they send a form and proof of purchase to the manufacturer. |
| **Cents-off** | Tagging a product's package with a discount off the regular price of the product which can be peeled off; many times two products may be packaged together for the same effect | A person buying a razor may find an attached peel-off coupon that gives 50 cents off the product. |

*(continued)*

| Type | Description | Example |
|---|---|---|
| **Premiums** | When consumers purchase a set amount of products, they receive a gift. | Customers receive a free purse if they purchase branded perfume. |
| **Sweepstakes, games or contests** | Sweepstakes are drawings of chance and are free to enter (no purchase required); contests or games may not be free and require skill or are based on both chance and skill. | Companies often hold sweepstakes to increase brand recognition and sales. |
| **Point-of-purchase (POP) display or point-of-sale (POS) display** | Specialized sales promotions located in a retail store; they often hold products and are found near the check-out location. | A store may set up POP display that holds batteries for a specific brand. |
| **Frequency or loyalty programs** | Consumers are rewarded for frequently making purchases of a business's products. | The airlines often use frequency programs, commonly referred to as frequent flyer programs. |
| **Free trials** | Provides an opportunity for a customer to try a product before buying. | A customer may receive a free subscription to a magazine for a short period with the hope that the customer will become a paying customer. |
| **Warranties and guarantees** | **Warranties** are assurances about a product or service and **guarantees** are a promise that the product or service will perform. | Some Craftsman hand tools (Sears) will be repaired or replaced free of charge for the lifetime of the tool. |
| **Tie-in promotions** | A type of cross promotion in which two or more brands (or companies) join to develop coupons, refunds, contests, rebates, etc. | A video game and movie join forces to increase sales of both. |
| **Cross promotions** | One brand is used to advertise or promote another noncompeting product, brand, or service. | A fast food chain promotes a children's movie by providing toys from the movie in a kid's meal. |

**Table 6.3 Types of trade promotions**

| Type | Description | Example |
|---|---|---|
| **Trade allowances** | An allowance provides the business with cash or merchandise incentives for featuring a brand, product, or service in a special way. There are also allowances for the trade creating and featuring displays of a manufacturer's products or services (called a display allowance). | A manufacturer may offer another company an advertising or IMC monetary allowance for advertising the manufacturer's products. |
| **Trade contests** | Contests offered by manufacturers to intermediaries as well as retail salespeople and retail stores to motivate them to increase their sales performance over a given period. | A manufacturer offers an expense paid trip to the top salesperson for a chain of retail stores the manufacturer sells to. |
| **Trade incentives** | The retailer performs a function in order to receive certain funds. | A retailer must feature a company's products in its weekly circular to receive a 10% discount on its next order. |

*(continued)*

| Type | Description | Example |
|---|---|---|
| **Trade shows (and conventions)** | Trade shows are large events that bring together many sellers to showcase their products or services. | The National Show for Pet Retailers is a trade show held in Las Vegas, NV. |
| **Sponsorships** | A company pays for all or a portion of an event in exchange for recognition. | Adidas agrees to be one of the sponsors for the Olympic games. In exchange, the Adidas logo is placed on all Olympic marketing material. |
| **Price-off** | During a specific period of time, discounts are given on products offered. | A manufacturer gives a 25% discount to a retailer who buys swimsuits for three stores. |
| **Free products** | Free cases of products are offered to the trade if certain quantities of a product or service are purchased. Many times manufacturers want the trade to offer a particular product style, flavor, size, etc. In these instances, free products are used as a promotion tactic. | A free case of soda is given to a retailer for every 10 cases purchased. |
| **Specialty advertising** | Low-cost items that carry the company name, brand name, or some other type of information are given to trade customers (and often to consumers), such as pens at banks. | Flash drives, memo books, pens, laser pointers, tote bags, stress balls, and even t-shirts may be used as part of a specialty advertising program. |

In addition to trade and consumer promotions, promotions are sometimes used by sales departments to induce their salespeople to perform some function or sell a particular product or service. These are called **sales force promotions**. The difference between trade contests and sales force promotions is that trade contests are aimed toward other businesses while sales force promotions are aimed toward a company's own sales force. An example of a sales force promotion would be a sales contest, used to incentivize the sales force to increase their overall sales for a given period. If the sales force reaches their stated objectives, they can win a trip, money, gifts, or some other type of reward.

Let's look at each of the main promotional tactics in more detail. Whether the marketing manager is dealing with consumer promotions or trade promotions, decisions need to be made with respect to the *budget*, *size of the incentive* to be offered, and the *conditions for participation*. Subsequently, decisions need to be made with regard to the actual *promotion and distribution* of the incentive and the *duration* of the promotion. Finally, *measures* need to be in place to determine the overall effectiveness of the promotions (Chandrasekar, 2012). In the next sections, we will discuss consumer and trade promotions in more detail and discuss numerous tactics that can be implemented for both of these categories.

## Consumer Promotions

Consumer promotions can account for between 65% and 75% of all marketing expenditures for many of the consumer packaged-goods companies (Kotler, 2003). There are numerous reasons why a large percentage of the marketing budget goes to sales promotions. Today's product managers are under tremendous pressure to increase sales, consumers expect deals, and the effectiveness of a firm's advertising efforts may be decreasing. In addition, the increased competition makes it difficult for consumers to differentiate among competing brands. Sales promotions may help gain the competitive advantage needed to stay relevant.

While advertising makes a consumer aware of the product, sales promotions serve as the incentive for the consumer to purchase the product or service. Marcom planners will often generate promotions in order to promote increased sales. For branding campaigns, sales promotions are used to achieve various sales-influencing objectives for the brand. Remember sales promotions = promoting sales (Shimp and Andrews, 2013). It is important for IMC planners to understand the market and customers prior to initiating the sales promotions plan. Additionally, it is important to take into account all areas of the IMC mix prior to the launch of any sales promotion.

SALES PROMOTIONS = PROMOTING SALES!

## Tactics

Consumer sales promotions consist of short-term incentives to encourage the purchase or sale of a product or service. The product life cycle (PLC) is often a consideration when making sales promotion decisions. For example, a new product may require a bigger portion of the budget going to sales promotions to achieve a successful launch. Let's take a look at common sales promotion tactics.

### *Coupons*

One of the most popular consumer sales promotion tactics is the use of **coupons**, which offer customers a savings when they purchase the specified product. A coupon can be expressed as a percentage off (e.g., 20%) or an actual amount, for example, 35 cents. According to a report on coupons (CPG Coupons, 2013), 80% of consumers redeem coupons regularly. In 2012, people in the United States redeemed 2.9 billion coupons, a 17% drop from 3.5 billion coupons redeemed in 2011. The drop was attributed to a shift in the types of coupons available to consumers. There were fewer food coupons, which are redeemed more frequently, and more product coupons, which are redeemed less frequently. The top cities for coupon redemption were Atlanta, Tampa, St. Louis, and Cincinnati (Smith, 2012). As can be seen, coupons are an important tool and tactic for IMC planners.

Coupons have many advantages, but also have many disadvantages (Berman and Evans, 2013). Both are summarized in Table 6.4.

**Table 6.4 Advantages and disadvantages of coupons**

| Advantages | Disadvantages |
|---|---|
| • With manufacturers' coupons, the manufacturer pays a retailer to advertise, and also pays for the redemption of manufacturers' coupons; this is a key advantage for retailers.<br>• 80% of consumers regularly shop using coupons<br>• Consumers perceive they are getting a good value<br>• Promotional and advertising effectiveness can be measured based upon coupon redemption rates | • Coupons often create a negative consumer perception of the brand or retailer's image<br>• Many consumers will only shop if coupons are available<br>• There is a lot of coupon clutter<br>• There is a cost associated with issuing coupons, especially for the manufacturer<br>• There is coupon fraud at both the manufacturer and retail levels |

An increasingly popular source for securing coupons can be found on Internet sites. Table 6.5 shows the most popular Internet sites to obtain coupons.

**Table 6.5 Top coupon Internet sites**

| | |
|---|---|
| • www.coolsavings.com | • www.fatwallet.com |
| • www.couponmountain.com | • www.greatcoupons-online.com |
| • www.couponcabin.com | • www.groupon.com |
| • www.couponheaven.com | • www.livingsocial.com |
| • www.coupons.com | • www.retailmenot.com |
| • www.coupons2Redeem.com | • www.slickdeals.net |
| • www.dealfind.com | • www.smartsource.com |
| • www.ebates.com | |

*Free-Standing Inserts*

Coupons may be delivered through direct mail and print media. They can also be found on a package (called peelies), in a package (called bounce back coupons), or distributed in the store (scanner delivered upon printing of receipt). Most of all print media coupons are found in **free-standing inserts (FSIs)**, which are coupons and other promotions distributed in separate publications such as newspapers and magazines. For newspapers, Sundays and Thursdays are days with high FSIs. Consumers have grown to expect these FSIs in their newspapers. Large consumer goods producers such as Proctor & Gamble often have their own FSI at least once a month. The objective of FSIs is to encourage the consumers to use the coupons on their next trip to the store. Retailers support FSIs because they can increase store traffic and increase store sales.

According to Kantar Media, FSI coupon distribution has increased by 18% over the last 10 years. The greatest activity for FSIs in 2012 was the pre-Super Bowl promotion week. Coming in second was the pre-Thanksgiving promotion week. The largest category using FSIs was the consumer packaged-goods industry. Of retailers, Walmart, Walgreens, Target, and Family Dollar Stores® were the top users of FSIs (Kantar Media, 2013).

*Coupon Fraud*

Coupon fraud exists despite the many places available on the Internet and elsewhere to get coupons. Coupon fraud occurs when someone tries to use coupons illegally. It is estimated that companies lose about $500 million a year due to counterfeit coupons alone (Chan, 2013). Coupon fraud may lead to an increase in the consumer price of goods. Internet coupons downloaded at home come under the greatest scrutiny from retailers. Some retailers have even refused to accept Internet coupons because of the potential for fraud. Consumers as well as manufacturers have become more proactive in their effort to detect coupon fraud. In order for a consumer, manufacturer, or retailer to ensure a coupon obtained from the Internet is legitimate they can go to the Coupon Information Corporation (http://www.couponinformationcenter.com/), an organization that is leading reform to improve security in the coupon industry. Consumers can find tips for spotting counterfeits at


Tim Boyle/Getty Images

▲ Subway discontinued its customer appreciation program because counterfeiters were using high-tech printers to make Sub Club stamps to earn free meals.

http://couponing.about.com/od/groceryzone/a/webprintcoups.htm. Some suggestions include checking for barcodes on the coupon, not redeeming too many Internet coupons at one time, and never paying for coupons. Selling coupons is a crime.

## *Case in Point: Counterfeit Coupon Creator Finally Caught*

In 2012 Robin Ramirez, a 40-year-old woman from Phoenix, AZ, was arrested for running the largest counterfeit-coupon enterprise in U.S. history. Robin owned 26 vehicles, a boat, and three condominiums that she paid for with coupon fraud money. Ramirez sold fake coupons online. The fake coupons were from over 240 brands and totaled $40 million. In 2013, she was sentenced to two years in state prison and may have to pay up to $5 million in restitution. She convinced her husband she was running a legitimate business (Chan, 2013).

How did she pull off such a sophisticated scam? She started out selling fake coupons on eBay. In 2007, she launched a website called savvyshoppersite.com. Companies that were targeted in the scam wanted to find out who was committing fraud. These companies partnered with the Coupon Information Corporation to hire private investigators who tracked the coupons to Phoenix, AZ. Despite the use of fake identities and addresses, search warrants for the website eventually proved that Ramirez was behind the scam.

To pull off the fraud, Ramirez collected product coupons and arranged with a foreign printing company to produce the coupons in mass quantities. She often added a counterfeit hologram that signaled the coupons were real. She then sold these coupons online for half the face value. Coupons ranged from $2 to $70. The coupons were of such high quality that retailers accepted them and it was not until the coupon reached the manufacturers that the fakes were detected (Gunter, 2013).

**Reflection Questions**

1. Why do people attempt these scams?
2. Do you think the sentence was too harsh? Not harsh enough?
3. How can manufacturers prevent coupon fraud?

**Cost of Coupons to Company**

It's great to use coupons as a sales promotion tool, but what's the cost to the company? When assessing costs associated with the use of coupons, many variables need to be considered to calculate the cost per coupon. Sales promotion professionals must be cognizant that there may be some hidden costs associated with this practice, not just the redemption cost. First, sales promotion professionals need to calculate the distribution cost of the coupon. What will it take to have the coupons distributed to the target market? How will they be delivered? Many times, coupon distribution costs can be mitigated by piggybacking on other IMC tactics. For example, coupons may be delivered along with print advertising and the cost may be shared with media and advertising. Second, what is the redemption rate? Even at 1%, redemption costs will be the highest cost associated with the use of coupons. What is the cost of redemption based upon the redemption rates? Third, there will be costs associated with the handling of coupons, especially at the retail level. What are the handling and processing fees that will be associated with the coupon redemption? Fourth, what are the creative expenses? The coupon must be designed, and there will be a cost associated with that function. By looking at these key points, sales promotion personnel will be able to calculate a cost per coupon. To illustrate this point see the example below.

Example: Cost per coupon redeemed

This example is for illustrative purposes and the numbers are fabricated.

| | |
|---|---|
| Distribution costs: 50,000 circulation × $5.00 CPM | $250 |
| Redemption rate of 3% | $1,500 |
| Cost of redemption: 1,500 × $2.00 (coupon face value) | $3,000 |
| Handling costs and fees: 1,500 redemptions × $ 0.15 | $225 |
| Creative costs associated with coupon | $2,000 |
| Total cost: $250 + $3,000 + $225 + $2,000 | $5,475 |
| Cost per coupon redeemed: $5,475 ÷ 1,500 | $3.65 |

As can be seen from the example, sometimes the cost of a coupon is high from the company's perspective. The return on investment is important to consider when using coupons.

### *Sampling*

**Sampling** is an effective sales promotion tactic in which a company offers the consumer a free sample of a product. Often viewed as the best way to introduce a new product to the market and generate excitement, it is also the most expensive consumer promotion. Sampling can occur in the store, through the mail, or by selecting a subset of people to receive a sample.

Samples can be useful in breaking down resistance to new and different products. A company representative may provide samples to those who pass by a table in a retail store, for example. A coupon that provides an incentive to buy the product is usually handed out along with the sample.

## *Case in Point: Pepsi Uses Samples to Drive Facebook Likes*

In an attempt to drive customers to Facebook, Pepsi is creating a new twist on the tactic of sampling. Pepsi has created vending machines that provide free samples of Pepsi products—with a catch. In order to get the free sample, consumers have to go to Facebook and give Pepsi a Like on Pepsi's Facebook site. Pepsi also tied in the use of m-commerce by allowing smartphone users the ability to simply stand by the screen and Like the Facebook page. They then choose their favorite flavor (or one they want to try) and the can comes immediately. Those without a smartphone can log into the Pepsi Facebook page via a large touchscreen on the machine. As soon as they Like the Facebook page, they too get their selected product. The objective of the promotion is to collect customer data. Users of Pepsi (and potential users) provide Pepsi with individual data via social media sites, in this instance, Facebook. Pepsi will look at the data generated and use it to develop a more effective integrated marketing communication plan. The concept was first tested at a Beyoncé concert in Belgium where a significant percentage of the fans opted for the free beverage and Liked the Pepsi Facebook page. Based upon its success, Pepsi began to offer the vending machines in the United States (Kooser, 2013).

Take a look at Pepsi's promotion video about the Like machine: http://www.youtube.com/watch?feature=player_embedded&v=O4YrQpupEO8

**Reflection Questions**

1. Do customers think about sharing their personal data with a company before getting a free product?
2. Would you Like a product on Facebook in exchange for a free sample?
3. What will Pepsi do with the information they collected?

### *Cash Refunds and Rebates*

**Cash refunds and rebates** represent a return, reduction, or refund on what has been paid for a product or service. They are similar to coupons except that the price reduction occurs after the purchase rather than at the retail outlet. While the cash refund or rebate is enticing and can often be the reason for the purchase, the National Consumers League, a consumer advocacy group, estimates that only 2% to 3% of rebate forms are successfully submitted. This figure differs widely from figures provided by rebate centers such as Parago (www.parago.com), who report that as many as 47% of consumers file rebates on a yearly basis (Heller, 2011). The trend toward paperless rebates may make rebates more popular. The challenge for the manufacturer is to differentiate its rebate from others on the market, making it a unique opportunity for the consumer.

### *Cents-Off Deals*

**Cents-off deals** (also called price-packs) offer consumers a temporary price reduction off the regular price of a product. This may take the form of a coupon affixed directly on the product that can be peeled off (called a peelie). Cents-off deals can also be tied to special promotions. This can be a way to stimulate sales of an existing product, or perhaps a product that is declining in sales.

One interesting take on the use of price-packs is a campaign run by Pizza Hut. In the summer of 2013, Pizza Hut developed a promotion that offered a large one-topping pizza for only $5.55. The move was undertaken to drive summer sales of Pizza Hut pizzas. Pizza Hut used the $5.55 promotion as a tie-in to its 55th anniversary promotional hook. The promotion ran for 10 days (June 5–15) and was only good on take-out pizzas. The take-out angle helped reduce costs associated with pizza delivery. Because pizza sales are slow in the summer months, many pizza companies rely on heavy promotions during this period in order to drive immediate business into their retail outlets. The promotions look like they cost the companies money; however, when consumers buy pizza, they also purchase side items such as soft drinks to supplement their meal (Horowitz, 2013).

### *Premiums*

**Premiums** are goods offered either free or at low cost as an incentive to buy a product. Premiums can enhance a product's image. One option available to the consumer is the *free in the mail premium*, which requires a mail-in proof-of-purchase to receive some type of merchandise. Another option is the *self-liquidating premium*, which requires the consumer to mail in a specified dollar amount to cover the handling and shipping and perhaps cost of the premium. The last option is the *in or near pack premiums* (merchandise is available in or is attached to the product's package). Consumer goods manufacturers need to exercise caution when selecting the premium to ensure that it fits with their IMC plan. Fads should be avoided. Premiums need to match the target market for the product and the firm should not expect the premium to increase short-term profits.

### *Sweepstakes, Games, and Contests*

**Sweepstakes** are drawings of chance and are free to enter (no purchase required). **Contests** and games may not be free and require skill, or are based on both chance and skill. The chance of winning a sweepstake is based on a probability factor. The probability of winning must be clearly stated on all advertising materials. The primary goal of contests and sweepstakes is to create awareness and encourage customer traffic. While contests and sweepstakes may not boost sales in the short run, they can increase brand awareness and possibly affect brand image over a longer period of time.

Contests and games provide the consumers with an opportunity to win something by taking some kind of action. A contest may require consumers to submit an essay, which will be evaluated by judges selected by the sponsoring firm. Other contests may require contestants to answer questions on a game show such as *Jeopardy*. Another type of contest requires the consumer to make a purchase in order to enter the contest. It is important that the prize offered is enticing and exciting enough for the consumer to want to take advantage of the opportunity. Scratch-off games are popular because they provide instant results. Sometimes offering several levels of prizes is enough to entice the consumer.


PRNewsFoto/The Hershey Company

▲ Contests and sweepstakes seek to promote product awareness and encourage customer traffic.

### *McDonald's® Sponsors Dunk Contest*

This video features highlights of McDonald's All American dunk contest:

http://www.youtube.com/watch?v=nYESAzucqR0

Heineken® has taken a unique approach in the development of a contest to engage its male consumers. Heineken launched a promotion called "Dropped" which asks its male consumers (ages 21 and over) to submit an entry to Heineken that will allow them to be removed from the grind of daily life and dropped into the "great unknown." Men who wished to participate submitted a video with their thoughts on an everyday journey. They uploaded it to an online site and tweeted the link using #dropped. The winners are dropped into a remote site where they are followed on their "legendary travel experience." Heineken developed a promotional campaign called "Legends," and has several executions of the campaign, rewarding thrill seekers with adventures out of the seekers' comfort zones. Heineken developed a YouTube channel where viewers watch the winners' travels. Viewers of the videos on YouTube have to confirm their age prior to watching the videos to prevent underage viewers. Viewers may add their own comments and share their own travel experiences. Fans also follow the adventures on Heineken's Facebook page (Irwin, 2013).

#### *Point-of-Purchase and Point-of-Sale*

**Point-of-Purchase (POP)** or **Point-of-Sale (POS)** promotions are popular with retailers and packaged-goods manufacturers. These promotions occur in the store or close to the time of receiving payment. The impact of point-of-sale advertising and promotion has grown over the past 20 years, and the point-of-purchase industry has developed a metric that can be used to assess the effectiveness of point-of-sale promotions. One of the largest trade associations focusing on point-of-sale promotions and other activities is the Point-of-Purchase Advertising International (POPAI) at www.popai.com. POPAI is the only not-for-profit trade association for the marketing-at-retail industry. They offer many services to POPAI members including research studies, education, and certification programs. The association examines ways that marketers can leverage consumer decision making at the point of purchase (Liljenwall, 2004).

#### *Frequency or Loyalty Programs*

With **frequency or loyalty programs**, consumers are rewarded for frequently making purchases of a business's products or services. This could take the form of a formalized program (most


Emile Wamsteker/Bloomberg via Getty Images

▲ A loyalty program is a sales promotion that rewards frequent customers.

expensive) with rules and regulations, or the simple punch card given to record visits or purchases. It is important to ensure the program is user-friendly and easy to understand. If loyalty programs are too difficult to use or understand, the program could backfire and alienate customers. The Small Business Administration (www.sba.gov) offers seven tips for starting a small business loyalty program (Beesley, 2013).

1. Start with a loyalty punch card. This is a low-tech option that is useful for businesses new to loyalty programs. With a punch card, a free gift is offered after a certain number of purchases have been made.
2. Start an opt-in program. With this method, customers are asked to share their email addresses and are added to an opt-in email list. Customers can receive special offers only available via email.
4. Consider a premium loyalty program. Customer-relationship management software is required for this method and is used to track high value purchases. Customers who meet thresholds are invited to join.
5. Offer branded loyalty membership cards. Use a commercially available loyalty card service and develop a store card. These cards allow a business to track customer spending.
6. Add a digital component. A business could use a company that provides apps to develop a mobile payment platform and deliver coupons or other sales promotions.
7. Choose your incentives carefully. A company should be selective with what is offered to customers as rewards. Too many free items can erode brand image.
8. Communicate regularly with your members. Businesses need to treat the customer with respect. Make sure all communications are relevant to the target market.

### *Cross Promotions and Tie-ins*

**Cross promotions** are when one brand is used to advertise or promote another noncompeting product, brand, or service. These types of promotions are growing in popularity. A **tie-in** is a type of cross promotion in which two or more brands (or companies) join to develop coupons, refunds, contests, rebates, etc. **Cross ruffing** is a type of cross promotion that occurs when two promotional materials are packaged together. An example of this is when a coupon is placed on one product for another product. The products chosen need to fit together logically. For example, placing a Cheese Whiz (bottled cheese spread) coupon on a package of frozen broccoli creates a synergistic effect for both of the company's products while driving sales for both.

## Consumer Behavior at the Point of Purchase

Examining consumer behavior at the point of purchase helps to explain how consumers make a decision to buy, and how the marketer can impact that decision (Liljenwall, 2004). As discussed in Chapter 2, the consumer decision process involves five steps that consumers follow when making a buying decision. These steps include problem awareness, search for information, evaluation of

## *Case in Point: Hoover's Sales Promotion Fiasco*

When planning a sales promotion, a company has to provide a big enough incentive to catch attention, but not so big that the company doesn't get a return on the investment. Hoover Company learned this lesson the hard way when a sales promotion received so much attention that the company had to halt the promotion. The resulting publicity hurt the brand.

In 1992, the UK arm of Hoover planned a sales promotion to reduce overstock of vacuum cleaners. The sales promotion gave consumers two free return airplane tickets to England from one of six European cities if they spent at least 119 pounds ($236 at the time) on a Hoover vacuum cleaner or Maytag product. The exchange rate at the time was U.S. $1.98 for every British pound. The company estimated that 50,000 people would partake in the promotion. Executives made the paperwork difficult for redemption, thinking that people would buy a product but never follow through with the application. Instead of 50,000 applicants, there were 200,000 applicants. Company executives were so happy with initial results that they expanded the promotion to include return tickets from the United States.

The tickets were worth more than a customer spent on a Hoover or Maytag product (Rivkin, 2011). Stores ran out of Hoover products and could not meet demand. The company stepped up production and had to get more company people involved in handling all the applicants. Because Hoover did not purchase tickets up front, the company had to scramble to find airline tickets, which cost the company millions more pounds than anticipated. Customer complaints increased as people did not receive their tickets (Blackhurst and Hotten, 1993). The marketing executives responsible for the promotion were eventually fired.

The Hoover Holiday Pressure Group formed and sued the company. The group spent six years fighting the company to make sure everyone received their tickets. In the end about 220,000 people did get to fly, but it cost the company over 50 million pounds (Chan, 2004).

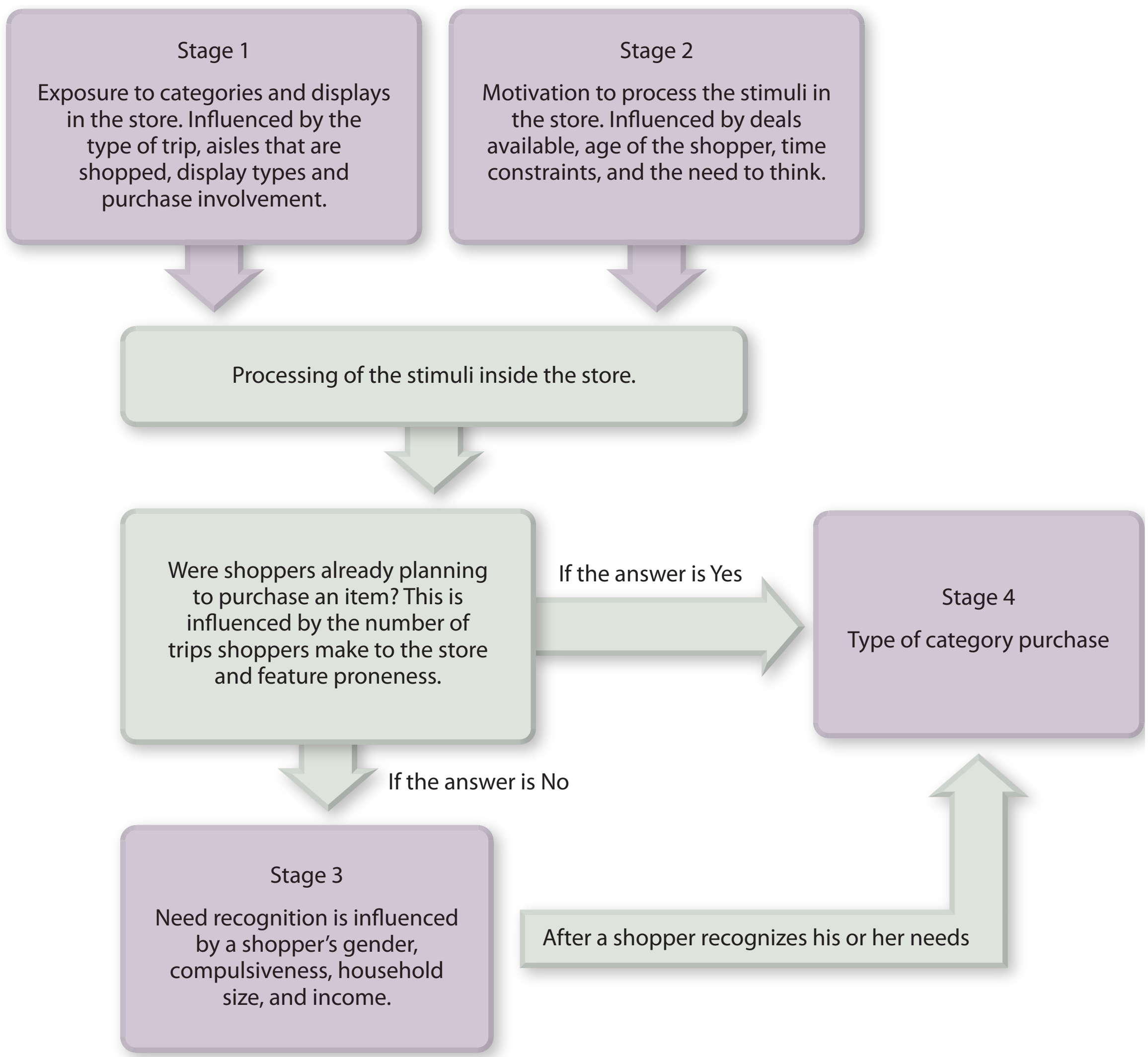
**Reflection Questions**

1. What could the executives have done differently to ensure the success of the sales promotion?
2. How can a company recover from such a mistake?

alternatives, purchase, and post-purchase evaluation. In the first step, the consumer knows little or nothing about a product or service. In order to get the consumer's attention, it is necessary to expose the shopper to the products and services offered. The customer may then become aware of an unsatisfied need. In-store displays (among other promotional methods) for various product categories may be used to create that exposure. Once exposed to a product category, the search for information step is shortened because the product is available for immediate purchase. The evaluation of alternatives step also occurs in the store. Shoppers must be offered some type of motivation in order to process the in-store stimuli, such as point-of-purchase displays. Once the exposure and motivation have been created, the shopper will experience a need recognition for the product. The need recognition comes from an IMC synergy and the fact that promotional activities are taking place at the point-of-sale. The IMC synergy may have been created by exposure, motivation, and previous shopping experiences combined with advertising, personal selling, branding, and other areas of the IMC tactical executions. Once the recognition occurs, the shopper will make a decision either to buy the product or to continue shopping.

A model developed by researchers J. Inman and R. Winer (1998) depicts the in-store consumer decision-making process and is helpful to retailers to understand where sales promotions can be used (Figure 6.1). The researchers suggest that why consumers take a trip to the store has an impact on their behavior. Is the trip for a convenience product or a major purchase? By understanding the type of trip the shopper is making, retailers can react by executing sales promotion tactics that please or excite the shopper. In addition to understanding the type of trip, retailers should try to understand which aisles in the store are being shopped and the types of displays needed to interest the consumer in purchasing.

**Figure 6.1 A model of in-store consumer decision making**




Source: Adapted from Inman & Winer. (1998).

Inman and Winer's model shows that a consumer's deal proneness will also have an impact on his or her shopping behavior. **Deal proneness** is a shopper's propensity to purchase products that are on sale or when the shopper is offered some type of deal. Closely related to deal proneness is **feature proneness**. Consumers are feature prone when they use coupons, FSIs, or some other type of circular, e-coupon, or other feature to encourage them to make a purchase. Understanding which consumers are feature prone and which are not will help the retailer create more effective sales promotion tactics, creating more success for the retailer. As stressed in search and post-purchase evaluation steps of the five-step decision-making process, the Inman and Winer model stresses that retailers need to be aware of the consumer's purchase involvement toward a particular product or service. Finally, retailers need to understand that a consumer's compulsiveness will also influence the buyer's behavior. **Compulsiveness** is the degree of openness shoppers have to impulse purchases. The more a consumer feels that impulse purchases are acceptable, the more compulsive he or she is toward purchasing. For example, when you go grocery shopping, do you come home with many unplanned items such as cookies, chips, soda, or granola bars? If so, you are high in compulsiveness.

## Trade Promotions

Trade promotions are sales promotions aimed at the intermediaries in the marketing channel. The strategy behind trade promotions is to persuade resellers to carry new items and more inventory, buy ahead, promote the company's products, give products more shelf space, and push products to consumers. Manufacturers direct more sales promotion dollars toward retailers and wholesalers than to final consumers. In this section, we discuss the major types of trade promotions.

### *Trade Allowances*

Manufacturers can offer a **straight discount** (also called price-off, off-invoice, or off-list) which is a dollar or percentage amount off the bill. The discount encourages intermediaries to carry the manufacturer's goods or to order a larger quantity of the goods. Manufacturers may offer a **trade allowance**, which is some type of monetary or other compensation in return for the retailer's agreement to feature the manufacturer's products in some way. Manufacturers may offer free goods like extra cases of merchandise, to resellers who buy a certain quantity or who feature a certain flavor or size of a product. They may offer **push money** which is cash or gifts to dealers or their sales forces to "push" the manufacturer's goods down the channel of distribution. Table 6.6 summarizes the main types of allowances.

**Table 6.6 Types of trade allowances**

| Type | Description |
|---|---|
| **advertising allowance** | A manufacturer compensates retailers for advertising its products. |
| **display allowance** | A manufacturer compensates retailers for using special displays in their stores. |
| **bill back allowance** | Allowances are given to retailers for featuring a particular brand in their ads or for using special displays in the store. After receiving a bill from the retailer for services rendered, the manufacturer grants an allowance toward the retailer's next purchase. |
| **slotting allowance** | Allowance in which manufacturers pay retailers to carry the product or service. |

Slotting allowances are controversial because these fees often prohibit small businesses from getting products onto shelves due to the bigger companies using their leverage to keep shelf space. The word "slotting," refers to gaining shelf space on the food retailer's shelf. For every new product that a food retailer wants to place on shelves, either another product will be removed, or the space allocated to that other product will be minimized. This is a risk to the food retailer since the retailer does not know if the new product will be well received by the consumer. The retailer could potentially lose money from lost sales of the product removed from the shelf.

**Exit fees** are fees retailers charge to remove a product from the shelf. The vendor, wholesaler, or manufacturer signs a contract with the retailer stipulating an average volume of weekly traffic during a specified period. If this volume is not achieved, the retailer charges the vendor for the removal of the product (also called a handling charge). Only 4% of retailers use exit fees, compared to 82% who use slotting allowance fees. (Heller, 2002)

In order to increase their profit margins retailers often engage in forward buying and diverting. **Forward buying** induces retailers to purchase large quantities of products and then stockpile them in order to take advantage of a temporary price reduction. When a manufacturer restricts a deal to a limited geographical area, the wholesalers and retailers buy abnormally large quantities of the goods at the reduced price and often resell the goods to wholesalers and retailers at a higher price in other geographical areas. **Diverting** occurs when a retailer purchases a product at a reduced price in one geographical area and ships it to another geographical area where it is sold at a higher price. When considering diverting, the firm must consider the additional transportation costs, and what profit level will be realized. Often it is determined that it is not profitable to divert the product. As a result, forward buying is more often used than diverting.

### *Trade Contests*

**Trade contests** are offered to intermediaries as well as retail salespeople and retail stores to motivate them to increase their sales performance over a given period. Often these are referred to as **spiff money** and may include vacations, big-screen televisions, or computers. A contest can be between a broker and agent who handles the manufacturer's goods or could simply be a sales volume contest among retail stores or retail salespeople. The ideal retail contest could be a contest among retail operations in a certain region for the highest level of sales volume within a certain amount of time.

### *Trade Incentives*

**Trade incentives** are similar to trade allowances except trade incentives involve the retailer performing actions in order to receive certain funds. The goal is still the same as trade allowances, which is to encourage retailers to push the manufacturer's product or increase the purchase of the manufacturer's products. The three most popular trade incentives are:

1. **Cooperative merchandising agreements (CMAs)** are formal agreements between the manufacturer and retailer committing the retailer to a specific marketing effort. A typical CMA might require the retailer to feature the manufacturer's brand in an advertisement. Manufacturers like this type of agreement because the retailer has to perform a function in order to receive the allowance or incentive. The promotion is welcomed by retailers because it allows the retailer to rely on and develop calendar promotions.
2. **Cooperative advertising** occurs when the manufacturer agrees to reimburse the retailer a certain percentage of the advertising costs associated with promoting the manufacturer's products. Manufacturers generally have specific guidelines concerning the placement and content of the ad. Usually no competing products may be advertised. Co-op advertising programs allow retailers to use the manufacturer's dollars to expand their advertising programs.
3. **Premiums and bonus packs** are another trade incentive where retailers receive free merchandise instead of discounting the price of the product. For example, a retailer may receive a premium such as a free carton for every twelve cartons they order. A bonus pack may be offered if the order is placed within a certain period of time.

### *Trade Shows*

**Trade shows** are used throughout the B2B markets as vehicles for firms to sell to the industry and have become quite sophisticated with recent technological advances. This forum allows firms to introduce new products, find new leads, meet new customers, educate the customers, and reach customers unavailable to them. At the trade shows, the manufacturers use reminder advertising by providing free **specialty advertising** items that carry the company's name such as jump drives, pens, pencils, calendars, paperweights, matchbooks, memo pads, and yardsticks.

George Doyle/Stockbyte/Thinkstock

▲ Trade shows allow companies to introduce new product and increase the customer base. Have you ever attended a trade show? Did you purchase anything?

Sponsorships are gaining in popularity. When an organization pays part or all of a program's cost in exchange for recognition it is called a **sponsorship**. Sponsorship is an effective way to generate communication and awareness for a company's brands, products, and services.

Since 2010, sponsorships have accounted for around $17 billion in expenditures for North America alone. Of those sponsorships, approximately 68% are aimed toward sports; approximately 10% for entertainment, tours and attractions; 5% on the arts; 3% on association memberships and 9% on cause-related marketing efforts (*Promo*, 2009). The concept of sponsorship is to create a positive association between a company's brand and the target market. It's great to have customers say positive things about a brand as it strengthens the brand's value. Companies like State Farm® and MillerCoors have achieved success in sponsoring sports events.

There are numerous reasons for the development of events promotions, and in particular sponsorships for those events. Some of the reasons businesses undertake sponsorships are shown below (Kotler and Keller, 2012).

1. enhance the corporate or organizational image
2. create experiences that will evoke positive feelings from consumers and link those experiences to a company or organizational brand
3. allow for merchandising or other promotional reasons
4. entertainment
5. identify with customers
6. create awareness
7. reinforce brand perceptions
8. show commitment to the community

When a company chooses an event to sponsor that aligns with the values of its customers there is a higher likelihood of customers connecting with the brand. This can also reinforce consumer perceptions about the brand, product, or service. This is particularly important for sports sponsorships. In order to reach a male-dominated target market or audience, sports and video games provide some of the best avenues to communicate with the market. A sports marketer will have the ability to directly relate products and brands to a particular event, such as the World Series, which


PRNewsFoto/Major League Baseball

▲ Budweiser is designated the Official Beer Sponsor of Major League Baseball. Who is this sponsor's primary target audience?

builds additional credibility for the brand. By sponsoring sporting events, IMC professionals can reinforce the consumer perception that these products are effective and are used by the top performers in each of the sporting categories (like Michael Jordan's Nike shoes). Sponsorships also allow a company to show an interest and a commitment to the communities in which businesses are involved. For example, AT&T provided seed money to start a nonprofit organization called "Curing Kids Cancer" (www.curingkidscancer.org). This demonstrates to consumers that AT&T cares about children. The use of sponsorships and events is an effective way to show the target market that a company embraces corporate social responsibility (CSR). This reason is extremely important if a company has made cause-marketing a cornerstone of its overall strategy (Kotler and Keller, 2012).

Although sponsorships offer a great marketing opportunity, they must be measured. Many times sponsorships will not help the IMC professional reach his or her objectives, but can be used to create goodwill. The overriding goal of business is to sell and drive profits. Because of that, promotion planners need to measure the effectiveness of their sponsorship and event marketing programs and tactics. Are the events providing assistance in reaching the IMC objectives? Are they driving business? What is their overall impact on the IMC program? To answer these questions, there must be accurate measurement of the entire sponsorship program. Some guidelines for measuring a high performance sponsorship program are shown below (Measuring High Performance Sponsorship Programs, 2009):

1. Measure outcomes, not outputs. In other words, focus on what the sponsorship actually produced for the business, not on what the sponsor received.
2. Define and benchmark objectives on the front end. Don't wait until after the sponsorship to determine what should be achieved. Make sure to develop objectives that are measureable.
3. Measure return for each objective against prorated share of rights and activation fees. In other words, make sure that all costs and benefits are measured to determine if objectives have been achieved.
4. Measure behavior. Are there changes in the behavior of the target audience or target market as a result of the sponsorship?
5. Apply the assumptions and ratios used by other departments within the company. This is particularly important for the overall IMC plan. Quantify the objectives and use statistical analysis to show that the events or sponsorships are effective when compared across the IMC plan and across the business plan.
6. Research the emotional identities of customers and measure the results of emotional connections.
7. Slice the data. Each individual sponsorship will have a different impact upon the targeted market groups. Create market segments germane to the sponsorship objectives for each of the segments. This should provide the event or sponsorship planner specific effects on the customers from all targeted segments.
8. Capture normative data. Utilize a core set of criteria and rationale that will be applied across all the various sponsorship and event activities.

While sponsorships are an effective sales promotion tactic, it is imperative that the sponsorship and event activity outcomes are measured.

### Learning Check

Reflect on your learning by answering the following questions:

1. What are the main consumer sales promotions used?
2. What are some of the benefits and drawbacks of using coupons?
3. What type of consumer promotions do you think are most successful?
4. What do you think makes a good point-of-purchase display?

## 6.3 Sales Promotion Planning

Promotional plans and campaigns should be developed for the entire IMC campaign period, typically a year. They should also be refined or changed during the campaign if they are ineffective, or if a specific promotional execution is more effective than the others. The responsibility of making sure the executions are up and running and that they're effective falls on the promotion manager in conjunction with the account executive. Figure 6.2 shows a template for a sales promotion plan.

**Figure 6.2 Sales promotion plan template**

Trade
- ☐ Objectives:
- ☐ Strategies (or Strategy):
- ☐ Tactics:
- ☐ Rationale:
- ☐ Evaluation Methods:

Consumer
- ☐ Objectives:
- ☐ Strategies (or Strategy):
- ☐ Tactics:
- ☐ Rationale:
- ☐ Evaluation Methods:
- ☐ Consumer:

*Sales Promotion Schedule/Budget.* Insert the specific, overall sales promotions executions to be used for both trade and consumer promotions. Remember, it is necessary to include timelines and costs associated with each of the promotional executions. There needs to be rationale included for the timing of the sales promotion activities.

*Overall Sales Promotions Effectiveness (Evaluation and Control):* In this section include all methods that will be used to evaluate and measure the effectiveness of your sales promotion campaign. What is the overall return on sales promotion objectives you expect to generate? What outcomes do you expect to achieve?

### Developing Sales Promotion Objectives

The first step in the development of sales promotion recommendations is for the IMC planner to state the objective for the sales promotion. As in all the other IMC areas, the objective should be SMART (specific, measurable, attainable, relevant, and time-bound). Examples of potential promotion objectives available to the IMC planner are to introduce new products, stimulate sales, or encourage multiple purchases. Keep in mind that the trade and consumer promotion objectives should be closely linked. Both of these types of sales promotion objectives share similar end goals, the difference is toward whom the promotions are aimed and in the incentives provided to each group. Typically, point-of-purchase promotions serve as a bridge between both the trade and final consumer promotions. For promotional executions aimed toward the end user or consumer, five basic objectives are listed below (Belch and Belch, 2012).

**Table 6.7 Main types of sales promotion objectives**

| Objective | Example |
|---|---|
| Increase consumption of an established brand | Increase consumption of Brand X from 7% to 10% within 12 months ending December 2014. |
| Obtain product trial and repurchase | Get 2,500 customers to try Brand X in a one month time frame from June 1 to June 30. |
| Enhance integrated marketing communications and building brand equity | Assist the sales force in selling 4,000 units of Brand X from June to August 201X. |
| Target a specific targeted market segment | Increase market share of Brand X in the young professionals' market segment from 1% to 10% in one year. |
| Defend current customer base | Maintain 95% of our current customers each month. |

## Sales Promotion Creative Brief

When generating objectives and the promotional campaign, it is best to start with a creative brief developed specifically for the trade promotions. This brief should also be integrated into the overall IMC plan. Figure 6.3 shows a sample brief that will be useful to develop a sales promotion plan.

**Figure 6.3 Sales promotion creative brief template**

Product or Service: ______________________ Brand: ______________

Account Executive
(or project contact): ______________________

Project Number: ________ Project Initiation Date: ________ Project Period: ________

**Needed Situation Analysis Information**

IMC Strategy: ______________________

Brand Strategy: ______________________

Promotion Strategy (see below for promotion strategy information): ______________

Relevant Research: ______________________

Advertising Campaign: ______________________

Media Campaign: ______________________

Target Audience: ______________________

Key Competitor and Competitive Analysis: ______________________

Promotional Campaign Requirements: ______________________

Budget: ______________________

Call to Action: ______________________

Keep in mind that each of the promotional executions has strengths and weaknesses. Each promotion tactic must be well thought out and integrated into a seamless IMC plan. The IMC planner and promotional specialist can use the brief to assist in the program's development. In particular, the brief should reflect the requirements to run a successful campaign. Make sure the promotional creative brief is integrated into the overall IMC plan.

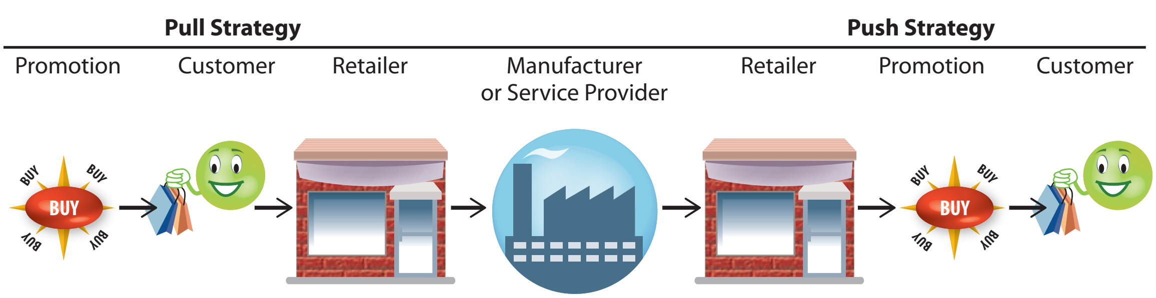
With the brief in hand, the IMC planner can begin to develop the promotional strategies. Once the strategies are developed, insert them into the plan.

## Sales Promotion Strategies

After the sales promotion objectives have been developed, strategies need to be developed in order to achieve the selected objectives. The strategies provide the specifics of the consumer sales promotion. Each strategy should guide the promotional specialist in the development of an integrated plan. All executions should be guided by the overriding strategy.

The three types of sales promotion strategies are push, pull, or a combination of the two. With a **push strategy** a company uses sales promotions to convince intermediary channel members to "push" the product through the channel of distribution to the final consumer. A **pull strategy** aims sales promotions to the final consumer to "pull" the product through the channel of distribution. Figure 6.4 illustrates these two strategies. By targeting the final consumer, the manufacturer hopes the consumer will ask other channel members, such as retailers, about the product and create interest for a retailer to carry the product. A company may use a combination of these two strategies. Many computer retailers will offer a manufacturer rebate and a premium such as free speakers, with a purchase.

**Figure 6.4 Pull and push strategies**




## Sales Promotion Executions

In the previous sections we have discussed tactics, or executions. While artistic or graphic representations are often used, a description of the execution of the sales promotion is absolutely critical. In addition, it may be useful to include the strengths and weaknesses of the executions. This will be useful when the rationale for the executions is explained. For example, promotional specialists that want to use coupons may indicate that the objective is to "motivate consumer trial" of the brand or service. As such, it creates instant gratification for shoppers and drives customer purchases of the brand or product. Many coupons however, have low redemption rates and are inconvenient to retailers. All executions should have examples. Examples show what is to be used and how the promotions fit with the other IMC mix variables.

It is important to provide a rationale for every specified consumer sales promotion activity. Each activity needs to be justified and the associated costs need to be explicit. Normally, a cost benefit analysis will suffice.

### Evaluation of Sales Promotions

After developing and executing consumer sales promotion activities, an evaluation plan is needed to determine their overall effectiveness. If the goal is not achieved, the IMC planner needs to identify the specific reasons why. Perhaps the objective was unrealistic. The IMC planner needs to use this information for restating the objective in the future. However, the reason may have been due to an uncontrollable variable (the economy, competition, technology) and beyond the control of the IMC planner.

> ❯ ***Learning Check***
>
> Reflect on your learning by answering the following questions:
>
> 1. What are the types of objectives most used with sales promotions?
> 2. What is the difference between pull and push strategies?
> 3. Which sales promotion strategy do you think is more effective when targeting other businesses?

## Summary and Resources

This chapter focused on the tactic of sales promotions. Sales promotions are used to promote sales, typically short-term. A distinction was made between sales promotions aimed toward the trade, and promotions aimed toward the end user of the product or service. Sales promotions are ancillary tactics that help the major categories of advertising and personal selling. Any promotion aimed at the trade is used to increase sales in a B2B setting. Consumer promotions are used to stimulate the final consumer to act by making purchases. Often the promotions are used to increase the frequency or quantity of product purchased. Promotions such as event marketing may also be used to generate brand or company awareness.

Information was provided as to where the sales promotion tactic fits into the overall integrated marketing communication plan. Additionally, templates were provided that help make sure the sales promotions are seamless and integrated with the other IMC activities and tactics.

## Post-Test

1. Which of the following is NOT an advantage of sales promotions?
    a) It is easy to measure the success of most sales promotions.
    b) Sales promotions coordinate well with other IMC tactics, including online marketing and advertising.
    c) Frequent sales promotions are always good for a company's image.
    d) Sales can be kept more level throughout the year when sales promotion incentives are offered.

2. In which type of trade promotion does a retailer receive a discount or incentive from a manufacturer in exchange for performing a specific function?
   a) Trade incentive
   b) Trade contest
   c) Trade allowance
   d) Trade show
3. A toothpaste promotion manager would like to see 5,000 new customers try the toothpaste brand in March. This is an example of which type of sales promotion objective?
   a) Defending current customer base
   b) Obtaining product trial or repurchase
   c) Targeting a specified targeted market segment
   d) Increasing consumption of an established brand
4. Why is the short-term nature of sales promotions sometimes a disadvantage?
   a) Because though they encourage short-term sales, they often do not build brand loyalty.
   b) Because customers prefer the more long-term discounts that come with other types of IMC elements.
   c) Because the deadlines associated with sales promotions keep many customers from being able to use them.
   d) Because they do not have a chance to improve sales as much as long-term marketing efforts can.
5. Which type of consumer promotion is the most expensive for the company?
   a) Sampling
   b) Cash refunds and rebates
   c) Coupons
   d) Premiums
6. When creating sales promotion objectives and campaigns, it is suggested to begin with a(n)
   a) sponsorship idea in mind.
   b) push strategy.
   c) sales promotion creative brief.
   d) analysis of the competition.

*Answers*

1. c) Frequent sales promotions are always good for a company's image. The correct answer can be found in Section 6.1.
2. a) Trade incentive. The correct answer can be found in Section 6.2.
3. b) Obtaining product trial or repurchase. The correct answer can be found in Section 6.3.
4. a) Because though they encourage short-term sales, they often do not build brand loyalty. The correct answer can be found in Section 6.1.
5. a) Sampling. The correct answer can be found in Section 6.2.
6. c) sales promotion creative brief. The correct answer can be found in Section 6.3.

## Key Ideas

- While promotion includes all types of communication, sales promotions are limited to executions that stimulate short-term responses.
- Sales promotions can complement other IMC efforts and can help differentiate a brand from the competition.
- The use of sales promotions can strengthen sales and help to engage consumers and shoppers with an additional benefit of creating even more sales, store traffic, or behavioral changes.
- When a sales promotion is not immediate, there is usually a deadline associated with the sales promotion.
- Sales promotions are easy to track with the use of codes, website addresses, redemption rate information, or determining the increase in sales as a result of the promotion.
- Sales promotions can be associated with consumer promotions, directed to the final user; trade promotions, directed at retailers or wholesalers instead of consumers; or sales force promotions, directed at the company's own sales force.
- Decisions regarding sales promotions include the budget; size of the incentive to be offered; conditions for participation, promotion, and distribution of the incentive; duration of the promotion; and how the sales promotion will be measured.
- The strategy behind trade promotions is to persuade resellers to carry new items and more inventory, buy ahead, promote the company's products and give them more shelf space, and push products to consumers.
- Examining consumer behavior at the point of purchase helps explain how consumers make a decision to buy, and how the marketer can impact that decision.
- Promotional plans and campaigns should be developed for the entire IMC campaign period, typically a year. They should also be refined or changed during the campaign if they are ineffective, or if it is discovered that a specific promotional execution is more effective than others.
- Sales promotion strategy should guide the promotional specialist in the development of an integrated plan. All executions should be guided by the overriding strategy.

## Key Terms

**advertising allowance** A manufacturer compensates retailers for advertising its products.

**bill back allowance** Allowances are given to retailers for featuring a particular brand in their ads or for using special displays in the store; after receiving a bill from the retailer for services rendered, the manufacturer grants an allowance toward the retailer's next purchase.

**BOGO** A sales promotion; stands for buy one (product) get one (product).

**cash refunds/rebates** Money returned to someone (usually the trade or end user) for making a purchase.

**cents-off deals** (also called price-packs) Offer consumers a temporary price reduction off the regular price of a product.

**compulsiveness** The degree of openness shoppers have to impulse purchases.

**consumer promotions** Sales promotions that are aimed to the final user of a product or service.

**contest** A sales promotion that may not be free and requires skill to win or is based on both chance and skill.

**cooperative advertising** Two or more companies or divisions share the costs associated with some type of advertising or promotion.

**cooperative merchandising agreement (CMA)** Formal agreement between the manufacturer and retailer committing the party to a specific marketing effort.

**coupon** A piece of paper used in place of money (usually by the end user).

**cross promotions** When one brand is used to advertise or promote another noncompeting product, brand, or service.

**cross ruffing** A type of cross promotion that occurs when two promotional materials are packaged together.

**deal proneness** A shopper's propensity to purchase products that are on sale or when the shopper is offered some type of deal.

**display allowance** A manufacturer compensates retailers for using special displays in their stores.

**diverting** Occurs when a retailer purchases a product at a reduced price in one geographical area and ships it to another geographical area where it is sold for a higher price.

**exit fees** Fees retailers charge to remove a product from the shelf.

**feature proneness** A consumer who likes to use coupons, FSIs, or some type of circular, e-coupon, or other feature to encourage the consumer to make a purchase.

**forward buying** Buying products or services at today's price to sell or deliver at a later date.

**free-standing inserts (FSIs)** Coupons and other promotions distributed in a separate publication such as newspapers and magazines.

**frequency or loyalty programs** A sales promotion in which consumers are rewarded for frequently making purchases of a business's products or services.

**guarantees** A promise that the product or service will perform as stated.

**point-of-purchase (POP) display or point-of-sale (POS) display** Specialized sales promotions found in a retail store; they often hold products and are found near the check-out location.

**premiums** A free item given to a buyer, typically for the buyer's patronage.

**premiums and bonus packs** Trade incentives by which retailers receive free merchandise instead of discounting the price of the product.

**price-off** Discounts are given on products offered during a specific period of time.

**pull strategy** A company aims sales promotions to the final consumer to "pull" the product through the channel of distribution.

**push money** Cash or gifts given to resellers for their attempts at "pushing" a manufacturer's product to end users at point of sale.

**push strategy** When a company uses sales promotions to convince intermediary channel members to "push" the product through the channel of distribution to the final consumer.

**sales force promotions** Promotional activities aimed toward a company's sales staff

**sampling** Products given free to consumers in order to create future sales of the product or service.

**slotting allowance** Fees paid by product manufacturers, to retailers, in order to have the retailers carry their products.

**specialty advertising** A type of sales promotion that provides free, typically low-cost items to the trade or consumers in order to create a reminder of the company or product.

**spiff money** Money or other incentives that are used to motivate retailers or salespeople to increase their sales performance over a given period.

**sponsorship** A type of sales promotion in which an organization pays part or all of a program's cost in exchange for recognition.

**straight discount** (price-off, off-invoice, or off-list) A monetary deduction given to intermediaries to carry a product (or product line; straight discounts are often given to retailers who order large quantities of products.

**sweepstakes** Drawings of chance that are free to enter (no purchase required).

**tie-in** A type of cross promotion in which two or more brands (or companies) join to develop coupons, refunds, contests, rebates, etc.

**trade allowance** Some type of monetary or other compensation given by an intermediary to a retailer in return for the retailer's agreement to feature the manufacturer's products in some way.

**trade contests** Types of promotional activity aimed toward the trade, where the trade may answer questions or engage in an activity that results in a prize being awarded.

**trade incentive** A promotional activity where the trade undertakes a function on behalf of the manufacturer or service provider; trade incentives are similar to allowances.

**trade premiums** An incentive where retailers receive merchandise free of charge instead of receiving a discount on merchandise.

**trade promotions** Any promotional activity aimed toward the trade.

**trade shows** Large events that brings together many sellers to showcase their products or services.

**warranties** Assurances about a product or service.

## Discussion Questions

1. What are sales promotions? Why do companies rely on sales promotions? Where do they fit in the overall IMC plan?
2. What is the difference between a consumer promotion and a trade promotion? Why do you think these promotions differ?
3. What impact do coupons have on the consumer?
4. Why do most retailers pay close attention to their promotions at point-of-sale? What is the benefit compared to the cost of developing these types of promotions?
5. Defend the statement "Trade promotions are important to having a synergistic IMC plan."

## Critical Thinking Exercises

1. Go online to one of the coupon sites shown in Table 6.5 and select three coupons that interest you.
   a) Why do you think the company placed the coupons on this site?
   b) What effect do you think the coupons will have on the purchase of products and services?
   c) Do you think the coupons will increase the likelihood you will buy this product?
2. Use the Internet to find an event with multiple sponsors. List four of the sponsors and state why each would sponsor the event. Include concepts from the chapter in your analysis.
3. Go to a retail store and write down three sales promotions that the store is having. What is the purpose behind each promotion? Explain what makes them effective or ineffective.
4. Evaluate the Inman and Winer model of in-store decision making (Figure 6.1). Is there anything the model does not consider? Apply the model by providing an example of a person going to a store.

## Continuing Project

As with the other tactical executions, it is necessary to create a plan for sales promotions. Presented below is a template that you can use to insert your sales promotion plan. Keep in mind that this plan will need to be integrated into the overall IMC plan.

Trade
Objective:

Strategies (or Strategy):

Tactics:

Rationale:

Evaluation Methods:

Consumer
Objectives:

Strategies (or Strategy):

Tactics:

Rationale:

Evaluation Methods:

Consumer:

Sales Promotion Schedule/Budget. Insert the specific, overall sales promotions executions to be used for both trade and consumer promotions. Remember, it is necessary to include timelines and costs associated with each of the promotional executions. There needs to be rationale included for the timing of the sales promotion activities.

Overall Sales Promotions Effectiveness (Evaluation and Control). In this section include all methods that will be used to evaluate and measure the effectiveness of your sales promotion campaign. What is the overall return on sales promotion objectives you expect to generate? What outcomes do you expect to achieve?

## Additional Resources

Institute of Promotional Marketing (UK)—Trade association: http://www.theipm.org.uk/

Sales Promotion Careers—Explains what is involved in sales promotion positions: http://www.aroj.com/careers/marketing-sales-and-advertising/sales-promotion-executive.html

List of sales promotion agencies—http://www.dmnews.com/sales-promotion-agencies/directory/4661/1/#

Point of Purchase Advertising International—Largest trade group of professionals interested in marketing at retail: http://www.popai.com/

Coupon Information Corporation—An organization that attempts to improve security in the coupon industry: http://www.couponinformationcenter.com/

Promotional Marketing (UK)—A source of news on the industry: http://www.promomarketing.info/

## *Case Study: J. C. Penney and the Failed Sales Promotion Strategy*

In October 2011, J. C. Penney hired Ron Johnson as chief executive officer. Johnson is a veteran of Target Corporation and Apple®. He is credited for Apple's genius bar concept. Johnson's first move was to change J. C. Penney's sales promotion strategy from a promotion focus based on sales and coupons to a simpler format called Everyday Low Pricing (EDLP) strategy, with occasional promotions (Misonzhnik, 2012). The campaign about the changes launched in February 2012. J. C. Penney spent $80 million a month on marketing to promote the IMC campaign, which included television commercials with comedian Ellen DeGeneres. The new pricing was called "Fair and Square." The three-tiered strategy included

1. everyday prices,
2. month-long values,
3. and best prices.

For the best prices, J. C. Penney marked down merchandise every first and third Fridays of the month. This was unlike the sales promotional pricing strategy of other department stores in which sales promote percentage-off merchandise and the store offers coupons or special promotions.

Company management believed these changes would make pricing less confusing for customers. In a launch event held in New York City in January 2012, Johnson said

> "The department store is the number one opportunity in retail today. We are going to rethink every aspect of our business, boldly pursue change, and create long-term shareholder value, as we become America's favorite store. Every initiative we pursue will be guided by our core value to treat customers as we would like to be treated—fair and square. Beginning February 1, we will have Fair and Square Pricing, making every day a great day to shop" (J. C. Penney's Transformation . . ., 2012).

The move was meant to revitalize the struggling retailer. This transformation also involved rearranging the selling space and opening "stores within a store" to better place consumer attention on the merchandise. The transformation included other changes to the IMC, including a new logo and creating a new brand identity.

In April 2013, Ron Johnson was fired. The new strategy did not work as indicated by losses of more than $1.1 billion in the year ending February 1, 2013. The stock dropped 60% in one year (Hall, 2013). The company plans to move back to using frequent sales promotions.

**Critical Thinking Questions:**
1. What are the advantages and disadvantages of Johnson's sales promotion strategy?
2. What factors cause a consumer to choose one department store over another?
3. Why do you think the change in strategy did not work?