

CHAPTER 3

PROMOTION MANAGEMENT - AN OVERVIEW

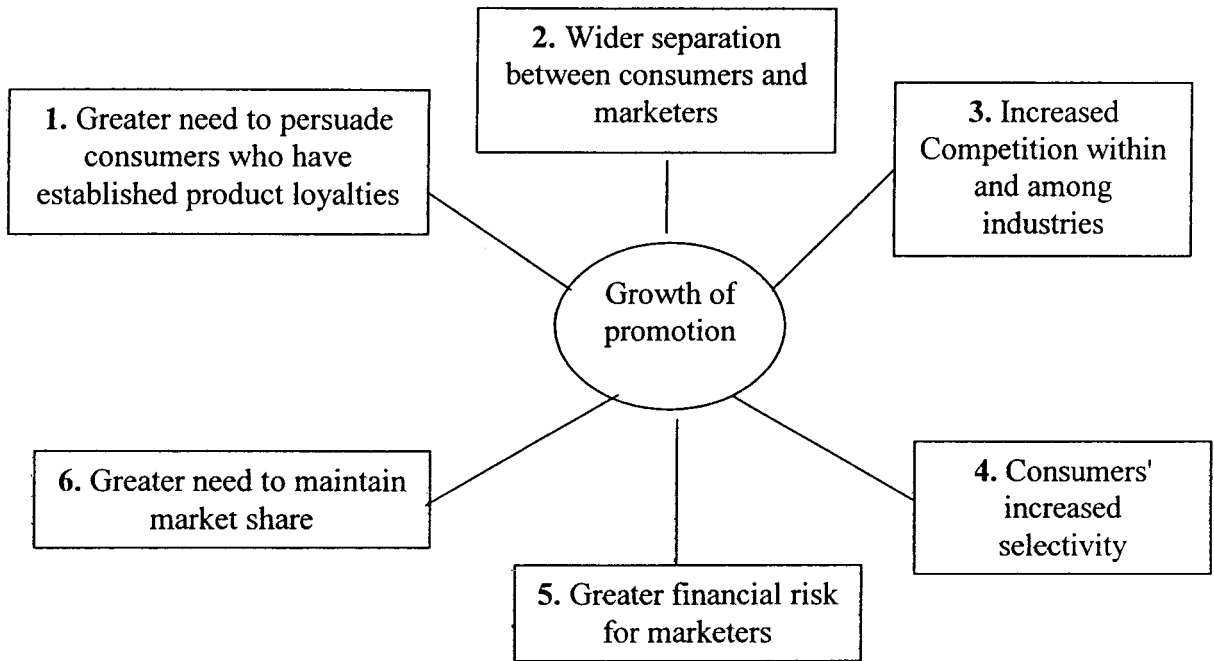
The term 'Promotion ' is originated from the Latin word 'promovere' which means to move forward. Marketers use the word 'promotion' as a communicative activity, the purpose of which is to move forward a product, service or idea in a channel of distribution. Promotion is concerned with effectively communicating the results of the marketing strategy to target audiences. Promotion is an active explicit form of marketing communication.

Promotion highlights the marketing elements in order to increase the odds that consumers will buy and become committed to a product. Thus promotion can be defined as "the marketing function concerned with persuasively communicating to target audiences the components of the marketing program in order to facilitate exchange between the marketer and the consumer and to help satisfy the objectives of both"¹. The basic purpose of promotion is to facilitate the movement of products and product-related information through the marketing network.

Need for Promotion

As a key part of the marketing program promotion is essential in order to create customer awareness of a product and its characteristics. Many factors have increased the importance of promotion, but we can isolate six key factors as illustrated by the following figure.

Fig. 3.1. Factors contributing to the increased importance of promotion



- 1) Promotion is essential to persuade consumers who have established product loyalties. As there are so many product choices consumers often settle on a particular 'satisfactory brand' and purchase it repeatedly to reduce the effort involved in choosing another product. Thus, the target market often includes people who have established product loyalties. To change the buying habits of such people promotion becomes essential for the marketer.
- 2) A second reason for the rising importance of promotion is the widening physical and emotional distance between producers and consumers. Once marketing intermediaries are involved it is not enough for a producer to communicate only with the ultimate consumers. Marketing intermediaries must also be informed about products. Wholesalers must promote products to retailers, and retailers must promote products to consumers.

- 3) Intense competition within and between industries has placed pressure on the promotional programs of individual sellers. Most colleges and universities, for eg., must deal directly with other colleges and universities as well as with all other organizations that offer people educational and vocational alternatives.
- 4) Consumers are beyond the need to fulfill their basic physiological requirements and are moving toward fulfilling their desires. As they allocate their limited resources to the purchase of desires rather than basic needs, they become more selective in their choices. A good promotional program helps consumers make these choices in a more satisfying way.
- 5) The promotional effort is usually the largest part of the total marketing expense. Managers must be certain that the high level of expenditure produces the desired results.
- 6) Finally, during times of economic decline, product planning, distribution channels, and pricing structure change little.² Promotion is needed in order to maintain the level of sales and profit required for a firm's survival. Redesigning messages, advertising differently and smarter, and improving sales promotion offers are some of the ways to stimulate consumer.

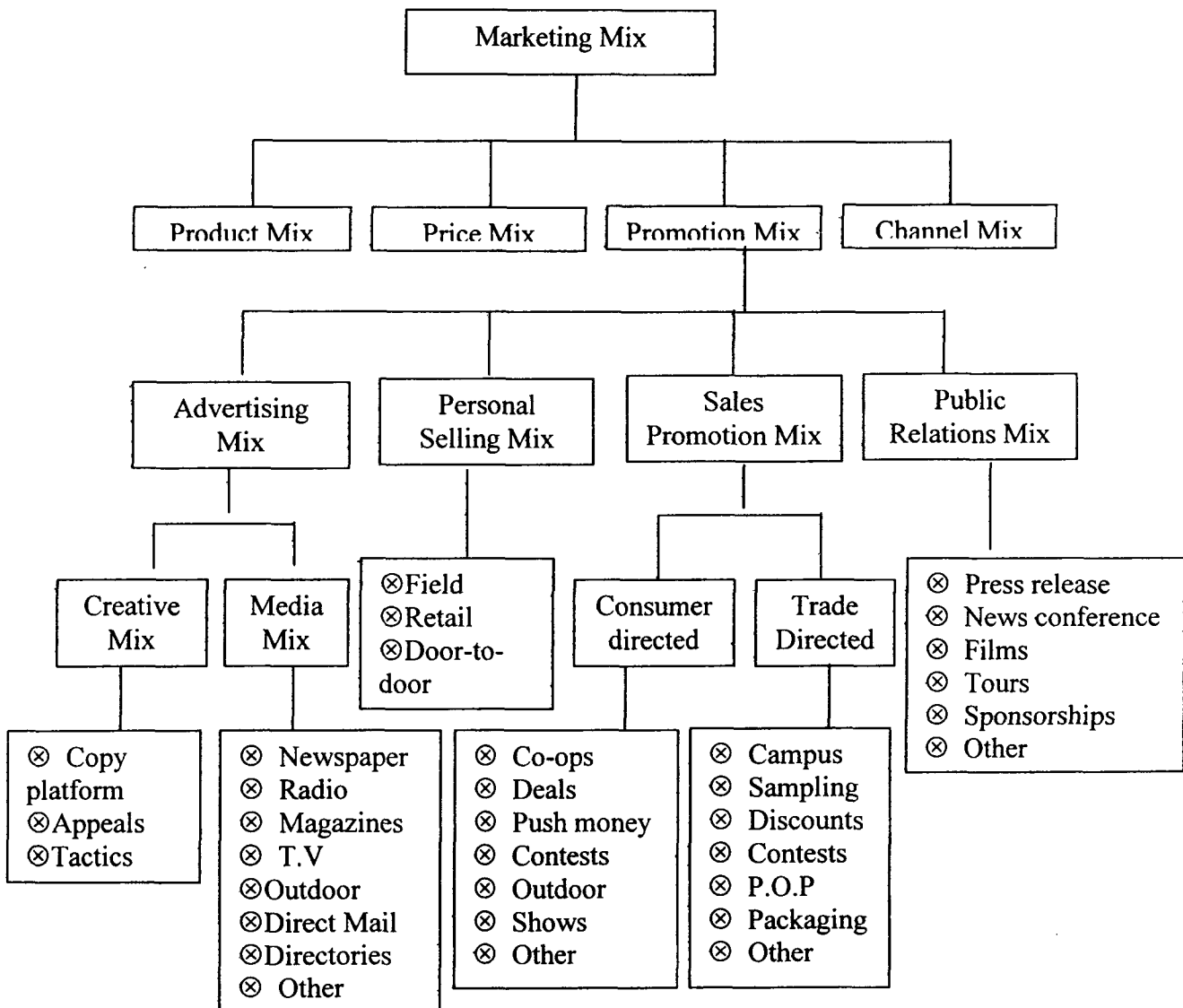
The Promotional Mix

The utilization of the common forms of promotion viz., advertising, personal selling public relations and sales promotion, in a manner that helps to achieve promotional objectives is referred to as the promotional mix. The concept of promotional mix assumes that there is variety of means for communicating with consumers and the final selection of them will depend on the jobs assigned to promotion and the environment in which these jobs are to

be performed. The concept further assumes that while certain promotional types may be better suited for some task than others all promotional types are compatible and interchangeable.

From the following figure, it can be seen that the promotional mix is one of the four major parts of the marketing mix.

Fig. 3.2. Components of the Promotion Mix



The components of a promotional mix are variable depending on such matters as the task assigned to promotion and the environment in which the promotion

must operate. The above figure is a generalization of the promotional mix. It shows that the promotional mix consists of four basic constituents (1) advertising (2) personal selling (3) sales promotion and (4) public relations. All focus upon consumer. A brief discussion of each of these four elements will give some idea of the possible extent and complexity of the promotional mix.

Advertising: Advertising is any paid form of non-personal communication and promotion of ideas, goods or services by an identified sponsor. Although some advertising (such as direct mail) is directed at specific individuals, most advertising messages are tailored to a group and use mass media such as radio, television, newspapers, magazines and outdoor. According to the American Marketing Association advertising may be defined as, "any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor."³ It is non-personal as contrasted with personal selling, it is paid for by identified sponsor as contrasted with publicity.

Advertising is employed for promotion to large audiences. In fact, it is often referred to as mass selling. An important characteristic of advertising that usually distinguishes it from personal selling is the high degree of control that can be maintained over its promotional efforts.

The means through which advertisement may be presented are countless. The most expensive media are newspapers, direct mail, television, magazines and radio. The impact however, of such media as the programs of football games and outdoor signs may be just as great as that of the above five.

The nature of the company's product will determine to a great extent the degree to which advertising is employed in the promotional mix. Very expensive product as well as highly complex products are not very adaptable

to advertising as a primary means of promotion. In general advertising is a good basic promotional tool for low-cost, mass consumed products.

Personal Selling

Personal selling, as contrasted to advertising, lends itself to the promotion of complex and expensive products. This type of promotion is unique, in as its name suggests, it is presented on a personal basis. Since it is personal, it has the highly desirable characteristic of flexibility. From the stand point of the nation's business expenditure, it is the most important type of promotion.

Personal selling is actually a general term, because there are different types of salesmen. They range from the cashier at the supermarket to the very aggressive door-to-door salesmen. Some salesmen, usually termed supporting salesmen, do no selling at all in the sense of actually accepting an order for their companies. Again, generalizing, it is usually desirable to have a highly trained, aggressive salesman for selling costly or specialty products. A clerk-type salesman is more suitable for selling conventional goods. Supporting salesmen, or missionary salesmen, may be employed to pave the way for the regular salesman or to aid him in his presentation or other tasks such as installing point-of-purchase displays.

Like advertising, its degree of use in the promotional mix is variable and depends on such factors as the value of the product and its market. Employing personal salesmanship as the basic element of the promotional mix is a major undertaking. The recruitment, selection and hiring of salesmen usually entail extra personnel for performing these tasks. In addition, the functions of training, compensating and motivating the salesmen must be planned for.

Sales Promotion

Sales promotion is the term used in the business world to refer to any promotion, other than advertisement, personal selling and publicity, that supports and enhances advertising and personal selling activities. The term is misleading and has a general ring to it.⁴ A more appropriate term that can be used is 'supporting promotion'.

Often it is difficult to distinguish between sales promotion and advertising or between sales promotion and personal selling. Actually either the advertising or the sales organization could and often does handle the sales promotion task. But, more and more, sales promotion, like packaging, is gaining an independent status in firms, and specialists are developing in the field.

Sales promotion activities can be categorized on the basis of the market at whom they are aimed at. From this viewpoint, there is sales promotion to (1) consumers (2) dealers and (3) the company's own sales force.

1. Consumer Sales promotion

A good example of consumer sales promotion is sampling, ie., placing a sample of a product in the hands of potential consumers at no charge. This activity supports both advertising and personal selling. It helps to convince consumers that what advertisements say about the product is true. And it, hopefully, causes consumers to go to the retailer for more, which in turn, makes it easier for manufacturers' salesmen to sell the product to retailers. Other types of consumer sales promotion by manufacturers include premiums attached to products, contests and demonstrations. Consumer sales promotion is also practiced by retailers and range from offering trading stamps to 'playing games' with the customers.

2. Dealer Sales Promotion

Producers rely on sales promotion to make selling and advertising to their middlemen more effective. Good retailers are often given premiums, for example, for each case of goods they buy. This promotion is intended to encourage large orders and repeat orders from the retailers. Trade shows, another type of dealer sales promotion, allow dealers and potential dealers to get a first hand look at products that have been referred to in the manufacturer's sales and advertising efforts. Contests, special store fixtures, and sings are also good examples of sales promotion aimed at increasing sales to dealers.

3. Sales force Sales promotion

A significant amount of a company's sales promotional efforts often are aimed at the company's own sales force. The idea behind such activity is of course, to make the salesmen's efforts more effective. Sales promotion to the sales force may include contests, premiums, sales portfolios and visual aids to be used in sales presentations. Even sales meetings designed to spark interest in new products could be considered as sales promotion function.

Public Relations

Often the terms 'Public Relations' and 'Publicity' are used interchangeably. While such practice is understandable, it may not be entirely correct. Publicity is a function of public relations. Public Relations is the broader term that "connotes the entire being of an organization with respect to its self expression to the world"⁵ Public relations is concerned with creating and maintaining a favourable public attitude towards a company, its products, ideas, and personnel. Publicity is only one of the several ways of performing this task. Since both publicity and advertising may appear in the same media and both are developed to promote a company and its products, it may be

difficult to distinguish between the two. Actually, the distinction between publicity and advertising is rather simple. According to Wright and Warner, "Publicity is information placed in media because of its news worthiness; the company benefiting there from does not pay for its appearance, nor is the company identified as the source. Advertising on the other hand, appears in the same media but the sponsor is identified and pays for the privilege of telling his story there".⁶

Publicity is information about a company and its products that appears as a news article in such media as newspapers, magazines and radio and T.V. broadcasts. Unlike the other types of promotion, publicity is rarely placed in the hands of the marketing organization. As a rule, it is located at the top of a business organization, reporting to the president or one of his aids.

Probably the greatest benefit of publicity lies in the people's reactions to it. Because it is viewed as a news item, and not as advertising, it possesses a high degree of believability. Because of this value, a company introducing a new product that possesses some unique characteristic usually will make a strong effort to get this characteristics talked about in news casts, newspapers and so on.

Co-ordination of promotional efforts

Promotion managers usually visualize promotion in the context of a campaign, which is defined as "a planned, co-ordinated series of promotional efforts built around a single theme or idea and designed to reach a predetermined goal".⁷ In this context, the term 'campaign' refers to the entire promotional effort. It is a planning tool that co-ordinates the delivery of the message to the various audiences. It is unified by a central idea or focal point called a theme. The theme is the central issue or idea that is carried on every promotion device. Since all the promotional tools employed have a common

objective, ie; to promote or move forward goods and services, co-ordination of them is an obvious necessity.

Co-ordination of promotional efforts occurs at three different stages of the marketing operation. The first stage coordination consists of defining the tasks of each type of promotion, inventorying the tasks to make sure that all jobs necessary for achieving the basic promotional objectives are being done, and comparing the tasks of each promotional type to minimize duplication. In this stage the necessary promotional tools are selected and placed in a compatible relationship.

Second stage co-ordination of promotion might better be termed *integration*. At this point the promotional mix is integrated with the marketing mix. All the promotional elements are examined in light of such marketing mix elements as pricing practices, product design, and the channels of distribution to be employed. Again, compatibility is sought, and any conflicts between the promotion mix and the other mixes are removed. This often entails a reorganization of the promotion mix. For example, strong reliance on personal salesmanship will not be possible, although it may have been planned, if discount houses are to be the major type of retail outlet. An adjustment in the promotional mix will be necessary.

In practice, the first and second stages of promotional coordination are performed as a single operation wherever possible. And it is quite possible that some second stage coordination will take place first. Nevertheless, the two steps of coordination must be recognized and accomplished if there is to be effective co-existence among the elements of the marketing mix.

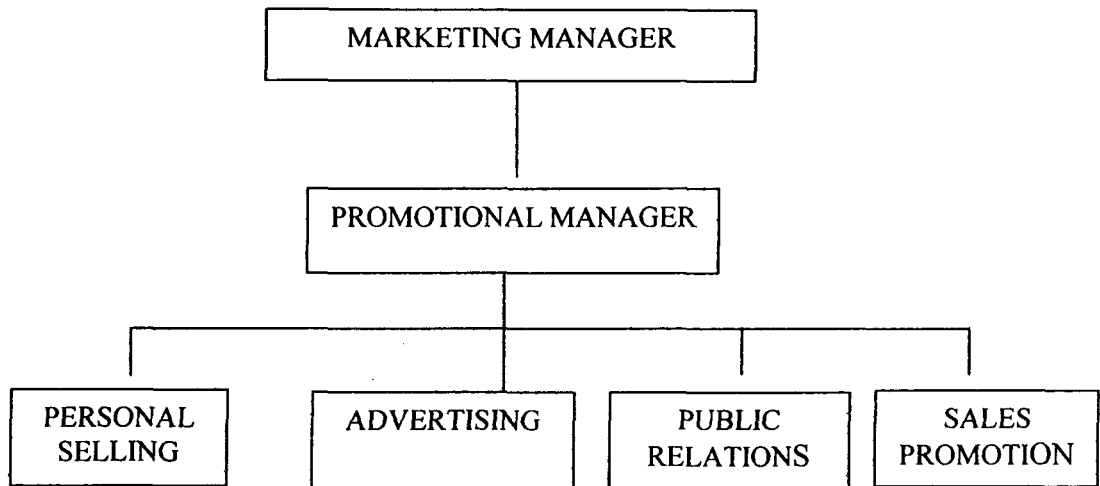
The third stage of promotional coordination occurs in the implementation of the results of the other two stages-when the marketing mix is put into action. Up to this point the operation has been one of moderlizing

promotional behaviour and marketing behaviour. Now, the *real* operations begin when the product or service is commercialized. In this stage the managers of the various promotional elements continually observe and control the promotional operation to make sure that its parts are working in harmony as planned. Salesmen, for example, are kept informed about the nature of new advertisements and their time schedule. And all promotional elements are checked to see that they are each conveying the same brand image.

For most effective achievement of promotional objective, all three coordinative stages beg for a single promotional organization that is responsible to the chief marketing executive. In this organization there is an executive responsible for each major type of promotion. These executives have similar organizational status and work closely together. They, in turn, report to and are coordinated by a chief promotional executive who answers to the chief marketing executive. Such an organization would permit the highest degree of inter-coordination and inter-ordination of the promotion mix.

The ideal promotion organization is highly unlikely to occur. As noted earlier, for instance, the publicity function is rarely placed in the marketing department. Also, such an organization as this one would probably be viewed as diminishing the powers of the marketing manager. Last, the complex organizations of today that are oriented to such factors as geography, products, and customers, could, at best, adopt only a modified version of his organization.

Fig. 3.3. Promotion Organisation



EVALUATION OF PROMOTIONAL EFFORT

After the promotion mix is planned and placed into action, it is logical to see if it is doing what it is supposed to do, i.e., achieving certain objectives. The basic objective, of course, is to move merchandise. An evaluation is needed, however, to see how much merchandise is moved at what cost, in what length of time, and in what geographic area. This should be a major matter for the promotion manager.

In order to achieve, the basic objective, the various promotional elements are given more specific objectives. For example, personal selling may be expected to sell a certain amount of goods per time unit in certain territories while remaining within a certain cost range per sale. A check should be made to see if it, in fact, is doing this.

It is more difficult to determine the amount of sales that are created by advertising. For this reason, the specific objectives of advertising are usually stated in terms other than sales. To change people's attitudes toward a product, for example, might be one of the aims of advertising. In such a case,

people's attitudes can be examined after the advertisements are presented to see if changes have resulted or not.

All evaluation of promotion can not be as objective as is suggested above. Determining how well certain sales promotion is supporting personal selling, for example, is a difficult and often subjective task. The promotional value of packaging and publicity is just as difficult to ascertain. To the extent that promotion is given specific tasks to achieve, some measurement of how well it performs them can be determined. All the efforts of coordination would be futile without this measure.

ENVIRONMENT OF PROMOTION

When developing a promotional mix and integrating it into the marketing mix, the promotional manager must give consideration to the environment in which the promotional mix must function. The environment contains forces which can greatly influence the success of promotional efforts, and unfortunately, the promotional manager has little control over them. These forces, or at least the major ones, are: (1) life styles, (2) legal action, (3) competitive action and (4) economic conditions.

Life Styles

A life style is a "distinctive or characteristic mode of living, in its aggregative and broadest sense, of a whole society or a segment thereof."⁸ Thus, we may speak of consumer life styles, family life styles, or even the life styles of specific groups such as a social class or an age group.

A promotional mix is developed in view of certain life styles. These life styles can change. Consumer behaviour patterns change, family behaviour patterns change, and so on. Changes in life styles, even minor ones, usually require changes in the promotional mix.⁹ In fact, life styles can

change even during the time between the conception of a promotional program and its introduction. It has been suggested that consumer life styles changed between the conception and introduction of the Edsel automobile.¹⁰

Legal Action

The promotional mix also must be developed in terms of given legal restraints. For example, the package must be designed so as not to be misleading or deceptive, advertising must pass tests for truthfulness, and personal selling messages must not misrepresent the product.

Further, legal restraints, like the styles, change and often necessitate adjustments in the promotional mix. For example, Government introduced the requirement that cigarette manufacturers indicate on their respective packages that cigarettes smoking may be injurious to health. This law forces each cigarette manufacturer to redesign his package so as to include this notice. It is conceivable that this statement will reduce the promotional effectiveness of the package.

Competitive Action

It is very rare that a company does not have competitors and their reactions must be anticipated when a promotional program is structured. Competitors may copy a promotional campaign, introduce a countering campaign, or even try to sabotage a campaign. All these competitive actions have the result of reducing the effectiveness of one's promotional efforts.

Unfortunately, it is impossible to accurately forecast competitive action. Consequently, after one introduces a promotional program, changes in it can be expected to be made as competitive action takes place and reduces the effectiveness of the program.

Economic Conditions

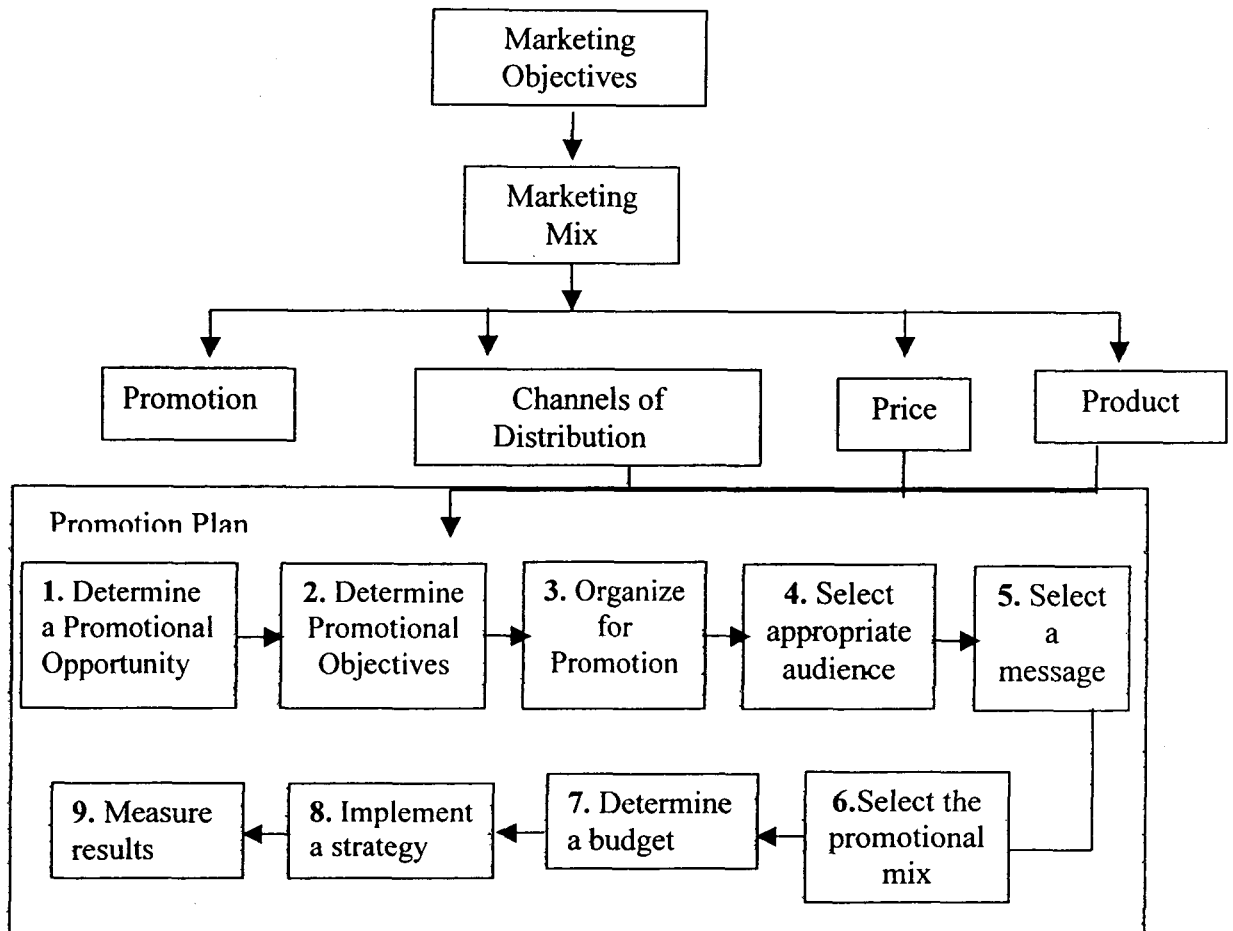
General economic conditions can influence consumer purchases.¹¹ Therefore, a level of economic activity must be forecasted for the period in which a promotional program will function. This forecast may be the task of the company or the company may rely on the forecasts of others such as the government or consultants. Rarely the promotional manager is responsible for the forecast.

Once the economic conditions is ascertained, the promotional mix can be developed. After the promotional program is operating, close observation of economic conditions must continue. Behaviour of our country's leaders, troubles with foreign countries, and changes in interest rates, are just a few of the factors that may case economic conditions to change. Another result of such activities may be a change in consumer behaviour patterns which would necessitate a change in promotional strategy.

Steps in Promotion Planning

John J. Burnett, in his book 'Promotion Management' has discussed six steps involved in creating a promotion plan as shown in the following figure.

Fig. 3.4. Promotion Planning is derived from the marketing plan and parallels it in many ways



Step I: Determining a Promotional Opportunity

Whether or not the marketing program should rely heavily on its promotional ingredient depends on the nature and extent of the promotional opportunity. Several conditions indicate a favourable opportunity for promotion such as (a) a favourable trend in demand (b) strong product differentiation (c) hidden product qualities (d) existence of emotional laying motives, (e) adequate funds etc. To identify promotional opportunities, a promotion manager should look into three general areas such as (1) the secondary elements of communication: Product, price and channel of distribution (2) the macro environment, which includes demographic , social

and cultural trends, the economic environment, the ecological environment, and the technological environment and (3) the customer and his wants and needs.

Step 2: Determining the Promotional Objectives

Most promotional objectives can be traced to corporate marketing objectives or to particular marketing problems. It is also possible for external factors to shape promotional objectives. Both internal and external forces may dictate a firm's promotional objectives. Most promotional objectives fall into five general categories.

1. Creating awareness
2. Creating understanding
3. Creating changes in attitudes
4. Creating changes in behaviour
5. Creating reinforcement

Step 3: Organizing for Promotion

Unless the company is new or the use of promotion is new to the company, some sort of organization supporting promotion is already in place. Nonetheless, each time a new or revised set of promotional objectives is developed, the existing organization must be evaluated to determine whether it can achieve these objectives. Typically, modifications are minor, and the existing organization is deemed capable. Until the end of promotional planning process, organizational adjustments will continue.

Step 4: Selecting the Audience

Selecting the appropriate audience is undoubtedly one of the most important parts of the promotional strategy. Promotional messages should be directed at the specific target for which the overall marketing program is

being designed. There is a subtle difference, however, between the target, market and the target audience. For eg; the target market for children's toys is primarily children. Yet the target audiences might include the child, his parents, various govt. agencies concerned with product safety, the consumer groups concerned with the well being of children etc. For the promotion manager to properly delineate the appropriate target audience, familiarity with the product, who uses it, how it is used, and who influences its purchase and use is a necessary starting point.

Step 5: Selecting the Message

Determining exactly what to say to the chosen audience is a difficult and important process. The key is the theme that is going to be conveyed. The theme must tap into the most important needs and wants felt by the target audiences. It must be delivered clearly and in a timely manner.

Step 6: Selecting the Promotional Mix

The utilization of the four common forms of promotion in a manner that helps to achieve promotional objectives is referred to as the promotional mix. Determining the most effective promotional mix is difficult. Management does not know the exact extent to which advertising, personal selling, or any other promotional tool will help to achieve the goals of the marketing program. Each element of the promotional mix has its particular strengths and limitations. Moreover, these inherent strengths and limitations can be increased or diminished by the capabilities of the company, the competitive situation, the other marketing elements, and so forth.

Despite the advantages and disadvantages associated with each promotional tool, they can be substituted for each other to some extent. When the promotion manager recognizes a case in which two or more tools possess

the same strength, the manager gains flexibility. Flexibility is especially important because of the limited budgets most promotion managers deal with.

Step 7: Determining a Budget

Promotional effort is expensive and is becoming more so every day. A variety of tools are used to determine a budget, none of which is full proof. Ideally, the budget should not enter the promotional planning process until after the major strategic decisions have been made. In reality, the budget is often the starting point for the planning process, and everything else is dictated by this fixed amount. Regardless of whether the budget has been predetermined or not, the major part of this stage is to cost out the amounts to be spent on each of the promotional components. The final budget is often much greater than the amount the company intended to spend. Cuts are made and compromises are introduced. Objectives are modified.

Step 8: Implementing the Promotional Strategy

The success of any promotional strategy is largely a function of how well it is implemented. Highly talented and experienced people greatly improve the likelihood of effective implementation. Implementation itself involves three separate stages. First, the promotion manager and his associates must make specific decisions about all the elements of the plan, including specific media, dates, times, sizes, talent, photographers and artists and production schedules. Next the promotion manager must make sure all these decisions can be implemented and that there are people assigned to each task. Finally, the promotion manager must check to be sure that all decisions were implemented correctly.

Step 9: Measuring the Results and Taking Corrective Action

Finally, the promotion manager must determine if the promotional effort reached the stated objectives. The job often falls to the advertising agency, since its members have greater expertise with the measurement techniques. Three tasks must be completed in order to measure the results of promotion. First, standards for promotional effectiveness must be established. Second, actual promotional performance must be monitored. The third step in measuring promotional efficiency is to compare performance measures against the standards. By doing so, it is theoretically possible to determine the most effective methods of promotion. Once the promotional strategy is evaluated, the information becomes part of the evaluation for the total marketing plan. The marketing manager is then able to prioritize any deficiencies and prescribe a corrective action for each.

SALES PROMOTION

Once, sales promotion was viewed as everything that is left over after one accounts for advertising, personal selling and public relations. Later definitions were developed by looking at what sales promotion agencies did. One definition held that "Sales promotion includes those activities which enhance and support mass selling and personal selling and which help compete and/or co-ordinate the entire promotional mix and make the marketing mix more effective."¹² This definition positions sales promotion as an ancillary element of the promotional strategy. This perspective is no longer valid. Today, sales promotion and advertising are equivalent and complementary promotional strategies. A better definition comes from the American Marketing Association: "Sales promotion is media and non media marketing pressure applied for a predetermined, limited period of time in order to stimulate trial, increase consumer demand, or improve product quality".¹³ Unfortunately, this definition does not capture all the elements of modern

sales promotion. It is, actually, a marketing activity that adds to the basic value of the product for a limited time and directly stimulates consumer purchasing, seller effectiveness, or the effort of the sales force. Sales promotion activities can be categorized on the basis of the markets to whom they are aimed. From this view point, there is sales promotion to: (1) consumers (2) dealers and (3) the sales force.¹⁴

I. CONSUMER SALES PROMOTION

Consumer sales promotions are directed at the ultimate users of the product. Typically, the subjects of these promotions are products used by individuals especially the products in the local supermarket. The primary strengths of consumer sales promotions are variety, flexibility, and motivation to action. Many techniques can be combined to meet almost any objective of the sales promotion plan. Any target market can be reached through some type of sales promotion. Thus flexibility means that sales promotion can be employed by all kinds of businesses, small and large, those selling goods or services, those that are for profit or non-profit. Finally sales promotion causes people to act in a predictable manner. The following sections describe some of the key techniques in the arsenal of varied consumer oriented sales promotions.

1. Price Deals

A consumer price deal saves the customer money when he purchases the product. The price deal is designed to encourage trial use of a new product or line extension, to induce new users to try a mature product, or to persuade existing customers to continue to purchase, increase multiple units of an existing brand. Price deals work best when price is the primary criterion considered by the consumer and when brand loyalty is low. There

are four principal types of consumer price deals such as (a) price discounts (b) price pack deals (c) refunds (rebates) and (d) coupons.

(a) Price discounts: The primary advantage of price discounts are ease of implementation and flexibility. Determining how much of discount to offer is difficult. Experts recommend atleast 15% to 20% of the regular price, but the exact amount may differ across product categories. Consumers learn about price discounts either at the point of sale or through advertising.

The increased volume produced by a discount may generate more profit, because of economies of scale; in other words, the marginal cost is lower for each additional unit sold.¹⁵ The main drawback of price discounts is that the consumers perceive a strong relationship between price and quality. A reduction in price may make them suspicious about the quality of the item and they may reject the product.¹⁶

(b) Price Pack Deals: A price pack deal may take the form of a bonus pack or a banded pack. When a bonus pack is offered, an additional quantity of the product is free when a standard size of the product is purchased at the regular price. This technique is commonly used in marketing for the stock of contain products such as food, cloth and health and beauty aids. A bonus pack rewards present users but has little appeal to users of competitive brands. When two or more units of a product are sold at a reduced price compared to the regular single-unit price a banded pack offer is being made. Sometimes the products are physically banded together, as is the case with tooth brush-and-tooth paste offers. The branded pack offers essentially the same advantages and disadvantages as the bonus pack.

(c) Refunds and Rebates: A refund promotion is an offer by marketer to give back a certain amount of money when the product is purchased alone or in a combination with other products. Refunds are used to increase the

quantity or frequency of purchase, to encourage customers to load up, to dampen competition by temporarily taking consumers out of the market, to stimulate purchase of postponable goods and to create on-shelf excitement or encourage special displays. *Relate*, a term made popular by the automobile industry, means the same thing as refund. Unlike price discounts, there is evidence that consumers look at refunds and rebates as a reward for purchase. This after-the-fact experience appears to build brand loyalty rather than diminish it.¹⁷ An interesting aspect of refunds is slippage. Among the reasons people cited for not sending for the refund were that they forgot, they lost the forms, it was too costly in time and postage, and it would take too long to receive the refund.¹⁸

(d) Coupons: Coupons are legal certificates offered by manufactures and retailers that grant specific savings on selected products when presented for redemption at the point of purchase. Manufactures bear the cost of advertising and distributing their coupons redeeming their face values, and paying retailers a handling fee. Retailers who offer double or triple the amount of the coupon bear the extra cost themselves. Retailers who offer their own coupons incur the total cost, including paying the face value of the coupon. Retail coupons are equivalent to cents-off deal. Coupons have an obvious attraction to consumers who are sensitive to price. Consumers say that using coupons relieves the boredom of shopping by creating a game like situation.¹⁹ Research has shown that the tendency to use coupons rises if consumers (1) need to lighten their budgets, (2) like to experiment with new products, or (3) often use products that are purchased at regular intervals throughout the year.²⁰

According to Donnelley Marketing, Spanish-speaking Americans form the market segment that is the highest user of coupons.²¹ Customers least

likely to use coupons are shoppers with strong brand loyalty or those who feel that the cost of clipping coupons is greater than the savings.²

2. Contests and Sweepstakes

A contest requires the entrant, in order to be deemed a winner to perform some task (for eg: draw a picture, write a poem etc) whereas a sweepstake is a random drawing which may or may not require a consideration such as buying a ticket or purchasing a product. A contest requires a judging process; a sweepstake does not. The use of sweepstakes has grown dramatically in recent decades. Contests are expensive procedures. In addition, the level of participation in contests is very low. As a result, contests have largely yielded to sweepstakes. Contests require participants to compete for a prize based on some sort of skill or ability. Sweepstakes require only that participants submit their names for a drawing or another type of chance selection. Although the figures are sketchy, it is estimated that in United States \$87 million was spent on contests and sweepstakes in 1977, and \$175 million in 1989.²³ Fewer than 20% of all households have ever entered a contest or sweepstakes in the United States.

There are many criticisms leveled at the use of contests and sweepstakes. Most notably, designing an effective contest or sweepstake is costly and selecting appropriate prizes is particularly difficult. The prize must be attractive to the consumer, yet it must not overshadow the product. The relative attractiveness of cash, merchandise, or travel as a prize often depends on the particular market segment targeted. Critics suggest that contests generate more illwill than goodwill and losers may become opinion leaders against the company.

A good contest has, however, the ability to gain a high degree of consumer involvement, revive lagging sales, help to obtain on-floor displays,

furnish merchandising excitement for dealers and sales people, give vitality and a theme to advertising, add interest to an ad, and create enthusiasm for a low interest product.²⁴

3. Event Sponsorship

Nowadays big companies are spending huge amounts for sponsoring events such as car races, golf tournaments etc. In fact, big companies have separate divisions or departments that handle the special events. One of the world's largest agencies Saatchi & Saatchi DFS Compton, has a group called HMG Sports that manages sports events, including the Olympics.²⁵

There are several good reasons why so many marketers have jumped on the special events bandwagon. First, events tend to attract a homogenous audience that is very appreciative of the sponsors of the events. Second, events sponsorship may build support from trade and from employees. Finally, compared to producing a series of ads, event management is simple.

Events sponsorship does have two pitfalls. The first is the poor match between the event and the company. For eg; Cigarette manufactures sponsor sports events that require high degree of physical fitness. Second, many uncontrollable factors such as poor planning, poor weather, an unpopular winner, or bad losers can ll destroy an event.

4. Premium Offers

A premium is a tangible reward received for performing a particular act, usually purchasing a product. Getting an extra amount of a product is a premium as is receiving a prize in a Cracker Jax--box, a free glass with a purchase of detergent etc. The premium industry generated an annual growth rate of nearly 83% in U.S. Consumer premiums represent approximately 45% of this total and trade premiums 55%.²⁵ Companies usually choose premiums

that tie in with their product or that appeal to their most obvious customers. The many varieties of premiums fall into two general categories: direct premiums and mail premiums.

(a) Direct Premiums: Incentives that are given free with the purchase at the time of the purchase are called direct premiums. There is no confusion about money, mailing, clipping, chance, packaging, saving things, or tearing off box tops. Best of all, there is no waiting. A direct premium provides an incentive given separately at the time of product purchase. In-packs are inserted into the package at the factory. On-packs are another form of factory pack that rides outside the package, firmly affixed to it by a plastic band. Container premiums reverse the idea of the in-pack, putting the product inside the premium.

(b) Mail premiums: Unlike direct premiums, mail premiums require the customer to take some action in order to receive the premium through the mail. The self-liquidator is the primary type of mail premium. It was invented during the Depression of 1930s, a time of enforced thrift.²⁷ A self-liquidation premium offered in return for one or more proofs of purchase and the payment of a charge that covers the cost of the item, handlings, mailing, packaging, and taxes (if any). The premium represent a bargain, since the consumer cannot buy this item in the market at the same amount. The major disadvantage of the self-liquidating premiums is the delay in receiving the premium.

Premiums may be used to attract customers to a particular store, to buy a particular product or to stimulate the purchase of larger amounts of a product. Marketers view premiums as a way of rewarding customers without cutting price.

5. Consumer sampling

If the product is new or is not a market leader, an effective strategy is consumer sampling ie, giving a product to the consumer free. The first rule of sampling is to use this technique only when the product virtually sells itself. That is, the product must possess benefits or features that are easily discerned by the consumer. Second, it is important to give the consumer enough of the product to accurately judge its quality. Products that are sampled tend to be low in price and have a high turn over such as gum, detergents etc. But more expensive products such as perfumes, wines etc. may also be sampled selectively with certain target markets.

There are several ways of distributing samples to consumers. The most popular is through the mail. An alternative is to use organizations specialized in door-to-door distribution. Samples may also be distributed in conjunction with, advertising. Products can also be sampled directly through the retailer, who simply sets up a display unit near the product or hires a person to give the product to the consumers as they pass by.

When sampling is used as a part of a co-ordinated promotional campaign to introduce a new product or to expand the trail of a current one, the effect on initial trial and subsequent repurchase can be strong enough to defray sampling expenses.

II. TRADE PROMOTIONS (Promotion to wholesales and retailers)

A trade sales promotion is one which is directed at resellers who distribute products to ultimate consumers. The term 'trade' is traditionally used to refer to wholesalers and retailers who handle or distribute the marketer's product.²⁸

Usually, the senior marketing officer or product manager is responsible for planning the trade promotion. Decisions about the amount of the deal and its timing are made jointly by the marketing officer, sales manager and campaign manager. Since these deals have such direct bearing on the pricing strategy and ensuring profitability, they may have to be cleared by top management as well.

Types of Trade Sales Promotions:

Among the various trade promotional devices, the following are considered to be the prominent ones.

1. Point of Purchase Displays (POP displays)

In order to promote a particular brand or group products, manufactures usually provide POP displays free to the retailers. The varied forms of POP displays include special racks, display cartons, banners, signs, price cards etc. POP was an eighteen billion-dollar industry in 1989 in U.S.A and it is growing at approximately 10% annually. Product visibility is the basic purpose of POP displays. Several studies indicate that the percentage of consumer decisions made in the super market varied from 39% to 66%. POP displays can spark the impulse to buy. Beyond attracting attention to product, POP displays also provide important decision information. Since most retailing is totally or partially self service, displays play a big role in decision making.²⁹

2. Contests

For resellers as for sales people, contests can be effective motivators. The prizes tend to be the same. Typically, a prize is awarded to the organization or person who exceeds a quote by the largest percentage.³⁰ Great care is necessary in designing contests. The rewards may be so alluring that

contestants engage in activities that are detrimental to their companies. Sale clerks may push the product of the contest company to the total exclusion of competing brands, thereby creating serious conflict among channel members. Also, the length and quality of contests need to be carefully governed. If conducted properly, contests can provide short term benefits and improve the relationship with resellers.

3. Trade shows

Thousands of manufacturers display their wares at trade shows, regularly scheduled events at which manufacturers display their products and take orders. Companies spend more than nine billion dollars annually on these shows in USA. For many companies, all their planning efforts and much of their marketing budget and efforts are directed at the trade show. Success for the entire year may hinge on how well a company performs there. The Trade Show Bureau (TSB) surveyed more than nine thousand vice-presidents and found that they went to trade shows for 5 important reasons: to gather facts for upcoming purchases, enhance their professional education, view specific exhibits, visit other industry professionals or keep up with new product introductions.³¹

4. Sales Meetings

Somewhat related to trade meetings, but not nearly as elaborate, are sales meetings sponsored by manufacturers or wholesalers. Whereas trade meetings are open to potential customers, sales meetings are targeted towards the company sales force and independent sales agents who sell the company's products or services. These meetings are usually conducted at the regional level and are directed by sales managers and their field force. The purposes of these meetings are varied. Sales training is a major part of these meetings. Often the meetings occur just before the buying season and are used to

motivate sales agents, to explain the product or the promotional campaign, or simply to answer questions.

5. Push money

Push money is the extra payment given to sales people for meeting a specified sales goal. It is also known as spiffs or PM. It is most effective for products that have to be demonstrated or explained or that have a high unit cost. Push money can create a great deal of enthusiasm and motivation among wholesalers and retailers. Push money requires the complete cooperation of the retailer. If retailers feel that push money would be bad for morale or cause a disproportionate emphasis on a particular brand, they generally veto its use.

6. Dealer Loaders

A dealer loader is a premium that is given by a manufacturer to a retailer for buying a certain amount of product. Two types of dealer loaders are most common. The first is a buying loader, typically a gift given for buying a certain order size. The second is a display loader, in essence a display that is given to the retailer after it has been taken apart.

Both buying and display loaders can be successful in the right situation. The underlying motivation for both is to move large amounts of the product in a short period of time.

7. Trade Deals

Trade deals are usually special price-concessions, over and above the normal purchasing discounts, that are granted to the trade for a limited time. The money spent on trade deals is substantial. In many industries, trade deals are expected and may provide the primary incentive for retail support. There

are two general types of trade deals such as buying allowances and advertising and display allowances.

A buying allowance is a payment by a manufacturer to a reseller if a certain amount of product is purchased during a certain time. This practice is very common in grocery retailing. The retailers buy more merchandise than they need during the deal period. They store the extra merchandise and bring it out after the deal period, selling it at regular prices. The count and recount technique is another approach used as part of the buying allowance. This is the offer of a certain amount of money for each unit moved out of a reseller's warehouse. Buy-back allowance, slotting allowance and free goods allowance are also different forms of buying allowances.

An advertising allowance is a common technique employed primarily for consumer products. The manufacturer pays the wholesaler or retailer a certain amount for advertising the manufacturer's product. The money can only be used for advertising. Closely related to advertising allowance is cooperative advertising. This is a contractual arrangement between the manufacturer and the resellers where by the manufacturer agrees to pay part or all of the advertising expenses incurred. Manufacturers normally do not pay for the advertising until they get some verification from the medium or a copy of the ad.³² Dealer listing and display allowance are the other forms of advertising allowances.

III. SALES FORCE SALES PROMOTIONS

Sales promotions activities directed at the sales force are intended to motivate sales people to increase overall sales. Short term goals include securing new dealers, promoting sales of new or seasonal items, communicating special deals to retailers, increasing order size, and decreasing sales expense. In general, these activities build enthusiasm for the task at

hand. Often, they are aimed as much at raising the morale of the sales force as at creating a sale. Enthusiastic sales people usually work harder at supporting the marketing effort.

Sales promotion activities directed at the sales force are classified, into two categories.

1. Supportive programs

Supportive programs attempt to better prepare sales people to do their job. Such programs include the following.

- (a) Holding sales meetings
- (b) Supplying supportive materials (sales manuals, sales portfolios and product models) and
- (c) Distributing house organs

2. Motivational Programs

Motivational programs attempt to stimulate sales people to work harder. Steps in developing these programs are the following.

- (a) Determine the objectives
- (b) Decide which members of the sales force will participate
- (c) Communicate the basis of awards
- (d) Determine the campaign's break time, duration and lead time
- (e) Decide the type of awards and prizes and
- (f) Select a theme.