

12

Chapter Twelve

Sales Promotions

12

Dubai Shopping Festival

- Annual month-long festival
- Sponsorships and sales promotions
- Raffles and contests to win cars, gold and other prizes
- Concerts, fireworks, and other shows add to spectacle



12

Sales Promotions

Chapter Objectives

1. What are the differences between consumer and trade promotions?
2. How can the various forms of consumer promotions help to pull consumers into the stores and push products onto the store shelves?
3. How do different types of customers respond to consumer promotions?
4. What types of trade promotions can help push products onto retailers' shelves and eventually to end users?
5. What concerns exist for manufacturers considering trade promotions programs?
6. What issues complicate international sales promotions programs?

12

Sales Promotions

Chapter Overview

- Consumer promotions
 - Individuals/businesses that use product
- Trade promotions
 - Directed to channel members
- Possible erosion of brand equity
- Can differentiate a brand
- Use varies – product life cycle

FIGURE 12.1

Types of Consumer Promotions

- Coupons
- Premiums
- Contests and sweepstakes
- Refunds and rebates
- Sampling
- Bonus packs
- Price-offs



Coupons

- 300 billion printed
- 2.5 billion redeemed (0.85%)
- Average value was \$1.55
- Savings of \$3.87 billion
- Coupon usage
 - 80% of households use
 - 2/3 willing to switch brands

Coupon Distribution

- Manufacturers issue about 80%
- Freestanding inserts – 90%
- Freestanding and print most popular
 - Consumer makes conscious effort to clip
 - Create brand awareness
 - Encourage purchase next trip to store
- Digital coupons growing in popularity
 - Users more affluent, better educated

FIGURE 12.2

Methods of Distributing Coupons



- Print media
 - FSI
- Direct mail
- On- or in-package
- In-store
 - Scanner-delivered
- Digital
- Employee delivered

A coupon accompanies this informational Gold Bond advertisement.



Unlike ordinary lotions, only Gold Bond...

- **Moisturizes**
- **Soothes & Protects Cracked Skin**
- **Relieves Dry, Itchy Skin**

PROTECT Your Skin With Gold Bond.

MANUFACTURER'S COUPON Exp. Date 3/31/00

Save 75¢

On Any Gold Bond® Medicated Body Lotion

This coupon good only on any Gold Bond® Lotion product. Any other use constitutes fraud. Customer must pay sales tax. COUPON NOT TRANSFERABLE. LIMIT ONE COUPON PER PURCHASE. To the retailer: Chatterm, Inc. will reimburse you the face value of this coupon plus 8¢ if submitted in compliance with the terms of this offer. Valid only if redeemed by distributors of our merchandise or anyone specifically authorized by Chatterm, Inc. Cash value 1/20¢. Mail to: Chatterm, Inc., P.O. Box 880445, El Paso, TX 88588-0445. © 2000 Chatterm, Inc.

Check One: Loyal GOLD BOND LOTION User
 Occasional GOLD BOND LOTION User
 New GOLD BOND LOTION User



251697



5 4116737175 1 (8100)025169

Percentage of Sales with a Coupon

Product category	% of sales using manufacturer's coupon
• Disposable diapers	17.1%
• Detergents	15.0%
• Meal starters	14.2%
• Dough products (refrigerated)	13.6%
• Cereal	13.4%
• Wrapping materials, bags	12.8%
• Oral hygiene products	11.7%
• Household cleaners	11.7%

Source: AC Nielson Scantrack, Santella & Associates, August 2009

Types of Coupons

- Instant redemption
 - Lead to trial purchases
- Bounce-back
 - Encourages repeat purchases
- Scanner-delivered
 - Encourages brand switching
- Cross-ruffing

Voted the Best Southern Cooking!*

Slow-cooked entrees. Southern-style vegetables. Fresh-baked bread. And a big helping of Southern Hospitality. That's our recipe. Glad you like it! Now y'all come back to enjoy some of our Southern specialties.

Blue Ribbon Fried Chicken • Classic Country Fried Steak • BBQ Ribs • Whole Farm-raised Catfish Meal • Meatloaf • Southern-style Vegetables • Fried Green Tomatoes • Sweet Iced Tea • Homemade Apple Cobbler

1999 FOLKES SELECT AWARDS

*Winner Advertiser Journal Contributor's 1999 Southern Select Awards

Calling 404-874-5555

Dine-in or take-out	Take-out only	Dine-in or take-out
<p>\$2 Off</p> <p>TWO MEALS</p> <p>Purchase two meals and get \$2.00 off the total check. All meals include two Southern-style vegetables and fresh baked bread. Offer expires April 30, 2006.</p>	<p>\$2 Off</p> <p>ANY SIZE CHICKEN PICNIC</p> <p>Picnic includes Blue Ribbon Fried Chicken, two vegetables, biscuits and a gallon of Folks famous iced tea, plus plates, forks and cups. Offer expires April 30, 2006.</p>	<p>BUY ONE, GET ONE FREE</p> <p>CHICKEN OR COUNTRY FRIED STEAK</p> <p>Purchase any entree from our regular menu and get your choice of our 2 pieces Blue Ribbon Fried Chicken or Classic Country Fried Steak FREE! Offer expires April 30, 2006.</p>
<p>All of our cooking is available for take-out. Call ahead and we'll have it ready for you.</p>		

Good To Go logo

Folks Southern Kitchen logo

Vertical text on the right: Yum! Yum! Folks Southern Kitchen

Coupon Redemption Rates

Type of coupon	Percent Redeemed
• Instant redeemable	39.3%
• Bounce-back	17.2%
• Instant redeemable – cross ruff	17.1%
• Electronic shelf	10.2%
• Electronic checkout	7.8%
• In-pack	5.8%
• On-pack	4.7%
• Direct mail	3.5%
• Handout	3.1%
• Free-standing inserts	1.3%

Source: Santella & Associates, August 2009

Disadvantages of Coupons

- Reduced revenues
- 80% used by brand preference consumers
- Necessary evil

Two great products...one great meal.

Chicken Helper

Tyson

Chicken Helper Fettuccine Alfredo

Chicken Helper Four Cheese

Tyson Boneless Skinless Chicken Breasts ALL NATURAL

Sign up today for your **FREE** Tyson Fresh Solutions newsletter. A fun and useful newsletter designed with you in mind. Four times a year, you'll receive a free e-coupon, a recipe, a cooking tip, a special offer, and more. Sign up today for your free e-coupon.

VOID

NAME (Please print) _____
ADDRESS _____
CITY _____
STATE _____ ZIP _____

Mail to:
Tyson Fresh Solutions
P.O. Box 35660
Louisville, KY 40232-5660

Save \$1.00 ON THREE when you buy THREE any flavor Chicken Helper®, Hamburger Helper® OR Tuna Helper®

VOID

1 54000 3804 1 (8100) 0 9778 1

Types of Premiums

COOL TREASURES only from **FISHER BOY** A GREAT CATCH!

Start Here! **CLIP!** 100 COOL TREASURES 15 POINTS

Igloo Cool Sack
Fisher Boy T-Shirt
Godzilla Micro Game
Fisher Boy Hat
Zeebo Rod and Reel
Jammin' Juniors Stereo

Hunting for Treasures has never been so COOL!

Collect points off the front panels of Fisher Boy packages to get COOL TREASURES!

10 FREE points inside 2 million packages!
See back panels for details.

SAVE a COOL 55¢

MANUFACTURER'S COUPON | EXPIRES JUNE 18, 2009

Retailer: High Line Foods (USA), Incorporated will reimburse you for the face value of this coupon plus 5¢ if submitted in compliance with our redemption policy. Copies available upon request. Void if copied, reproduced or registered. Cash value 1/100¢. Sent to Coupon Redemption Center, P.O. Box 80820, El Paso, TX 79858-9825. Limit one coupon per purchase. Good only in USA.

502391

4160020055 6 810010 50239

Fast, fun, delicious seafood for the whole family!

- Free-in-the-mail
- In- or on-package
- Store or manufacturer
- Self-liquidating

Premium Offer

An ad by Haik Humble Eye Center offering a premium with the purchase of custom pair of eye glasses.



FIGURE 12.4

Keys to Successful Premium Programs

- Match the premium to the target market
- Carefully select the premium
 - Avoid fads, try for exclusivity
- Premium reinforce the firm's product and image
- Integrate the premium with other IMC tools
 - Especially advertising and POP displays
- Don't expect premiums to increase short-term profits

Contests and Sweepstakes

- **Contests**
 - Require activity, skill
 - Can require purchase to enter
 - Some states illegal
- **Sweepstakes – random chance**
 - Must publish odds of winning
 - Cannot require purchase
 - Can enter as many times as desired

Contests and Sweepstakes

- **Perceived Value**
 - Consumers selective
 - Perceived value important
 - Extrinsic value – attractiveness of prize
 - Intrinsic value – fun, skill
 - Small, incremental rewards
 - Scratch-and-win tickets

Contests and Sweepstakes

- **Internet and Social Media**
 - Popular venue
 - Increase intrinsic value – interactive games
 - Data-capturing capabilities
 - Lower costs
- **Goals**
 - Encourage traffic
 - Boost sales – questionable
 - Intrinsic rewards draw consumers back

Refunds and Rebates

- Refunds – soft goods
- Rebates – hard goods
- Hassle to redeem
- Now expected by consumers
- Redemption rates
 - 30% overall
 - 65% for rebates over \$50

Sampling

- Delivery of free good or service
- Business-to-business to prospects
- Service sampling
- Consumer survey
 - 33% who tried a sample made purchase during shopping trip
 - 58% would buy product again
 - 25% bought sample instead of intended brand

FIGURE 12.5

Methods of Distributing Sampling

- In-store distribution
- Direct sampling
- Response sampling
- Cross-ruff sampling
- Media sampling
- Professional sampling
- Selective sampling

Benefits of Sampling

- Introduce new products
- Generate interest
- Generate leads
- Collect information
- Internet sampling
- Boost sales



**WAITING
ISN'T WORKING.**

Videoconferencing never looked so good.

 With today's reduced budgets and increased travel times, now more than ever Polycom's award-winning videoconferencing products are essential, must-have tools for getting business done. With the only end-to-end solutions that efficiently integrate video, voice, data and web collaboration, Polycom lets you be there without going there. As the industry leader, we can show

you how our state-of-the-art video and audio quality redefines the concept of face-to-face meetings. And how our solutions can be tailored to fit any room and any budget. So isn't it time you got Polycom and stopped waiting in line?

RISK-FREE TRIAL!
Try ANY POLYCOM
VIDEOCONFERENCING
SYSTEM FREE FOR
30 DAYS.*

Call today 1-877-POLYCOM
Go to www.polycom.com/see

*100% Financing available on all Polycom systems.

 POLYCOM

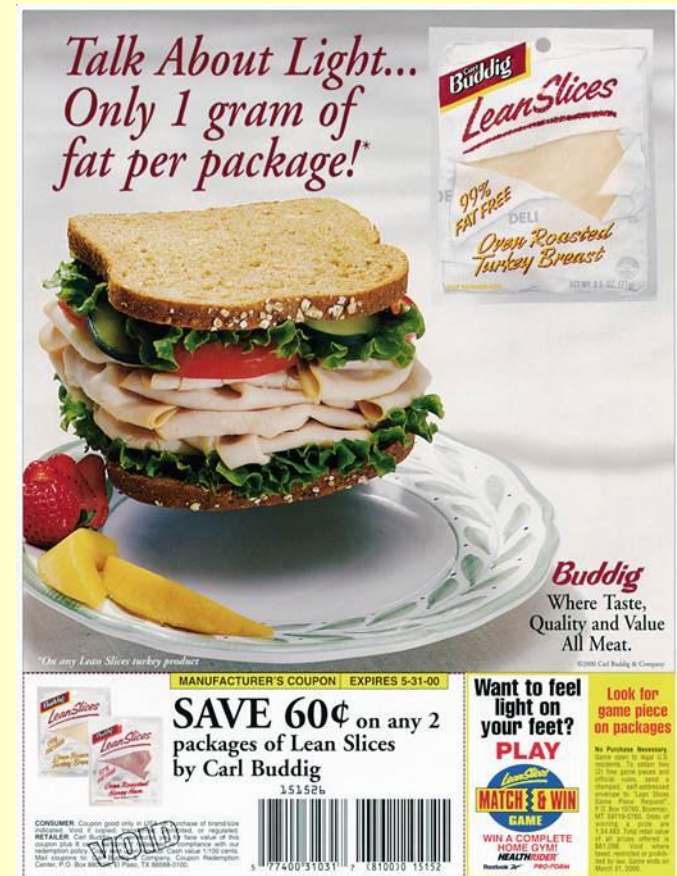
See us for a demo at www.polycom.com/demo

Successful Sampling Programs

- Central part of IMC plan
- Encourage trial purchases
- Most effective for
 - New products
 - New versions of current products
 - Current products to new markets
- Target right audience at right venue
- Mass sampling not cost effective

Bonus Packs

- Extra product in special package
- Typical bonus
 - 20% to 100% percent
- Most common
 - 30% bonus



*Talk About Light...
Only 1 gram of
fat per package!*

Buddig
Lean Slices
99% FAT FREE
DELI
*Open Roasted
Turkey Breast*

Buddig
Where Taste,
Quality and Value
All Meat.

*On any Lean Slices turkey product

©2008 Carl Buddig & Company

MANUFACTURER'S COUPON | EXPIRES 5-31-00

SAVE 60¢ on any 2
packages of Lean Slices
by Carl Buddig
3.51.52¢

VOID

CONSUMER: Coupon good only on the purchase of 2 packages of identical identical items of identical unit of measure. Not valid for regular price. See description for restrictions. See value of this coupon plus 6¢ in savings. Limit one coupon per purchase. Compliance with our redemption policy. Coupon value 110¢ each. Mail requests to: Carl Buddig & Company, Coupon Redemption Center, P.O. Box 44, Lynch, Texas, 76108-0044.

Want to feel light on your feet?

PLAY

MATCH & WIN
GAME

WIN A COMPLETE HOME GYM!
HEALTHY IDEAS!

No Purchase Necessary. To play, visit www.buddig.com and follow instructions. Official game ends at 11:59 PM CST on 5/31/00. Odds of winning are approximately 1 in 100. Prize value \$1,000.00. Void where prohibited. See game rules at www.buddig.com.

FIGURE 12.6

Bonus Pack Objectives

- Increase usage of a product
- Match or preempt competition
- Stockpile the product
- Develop customer loyalty
- Attract new users
- Encourage brand switching

Price-Offs

Temporary price reduction

Eskamoe's
Frozen Custard & More
1913 E. Kentucky Ave., Ruston, LA 318-513-9696

Now Accepting **techxpress**

SCOOP IT! SLURP IT! SLICE IT!
with our **Scoops, Shakes & Cakes**

 <p>Arctic Turtle Sundae \$1.00 Off Reg .50¢ Off Mini Limit 1 coupon per visit exp 5/8/12</p>	 <p>Buy 1 Scoop GET 1 FREE! Limit 1 coupon per visit exp 5/8/12</p>	 <p>\$3.00 OFF 9" or 1/4 Sheet Cake Custom or Ready to Go Layered with Cake and Custard See Cakes at www.eskamoess.net Limit 1 coupon per visit exp 5/8/12</p>
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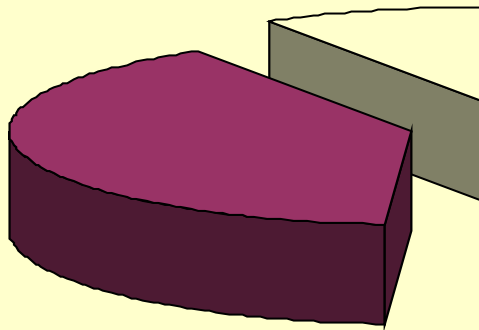
Price-Offs

- **Benefits of price-offs**
 - Excellent for stimulating sales
 - Entice trial purchases
 - Lower financial risk
 - Encourage brand switching
 - Encourage stockpiling
- **Problems with price-off**
 - Negative impact on profits
 - Encourages greater price sensitivity
 - Potential negative impact on brand image

Impact of Price-off on Consumer Purchase

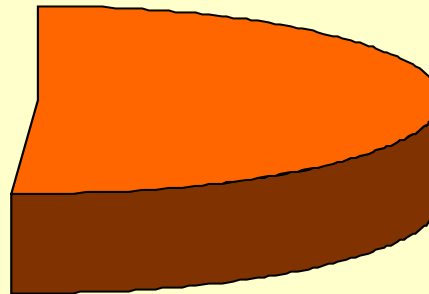
Consumer purchased because of sale price

9%



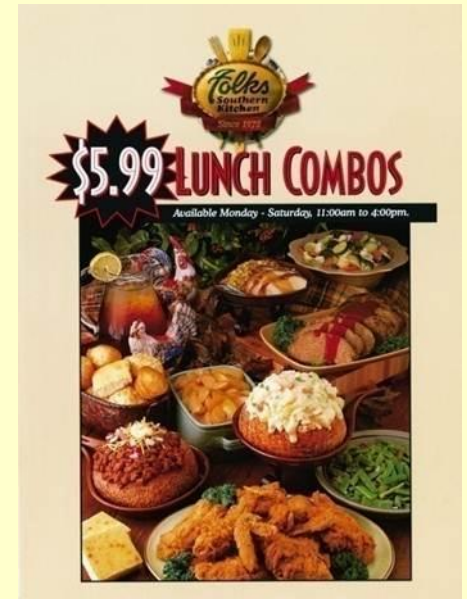
Consumer unaware item was on sale.

51%



Consumer would have purchased item anyway

40%



Source: "Studies Indicate Coupons are an Effective Promotional Tool," Santella & Associates (<http://www.santella.com/coupon.htm>, August 2009)

Overlays and Tie-Ins

- Overlay
 - 2 or more promotions
- Intra-company tie-in
 - Products within a company
- Inter-company tie-in
 - Partnering with another company



Planning Consumer Promotions



Promotion-prone
Brand-loyal
Brand-preferred
Price-sensitive

Planning Consumer Promotions

- Support brand image and position strategy
- Consider target audience
- **Promotion-prone consumers**
 - Respond to deals
- **Price-sensitive consumers**
 - Price primary factor in purchases
 - Deals that reduce price

Planning Consumer Promotions

- **Brand-loyal consumers**
 - Purchase only preferred brand
- **Brand-preference consumers**
 - Small set of preferred brands
 - Deals for one of preferred brands
- Varies by product
- Tendency towards one type
- Brand-preference consumers best target

Trade Promotions

For Manufacturers

- Account for 70% of marketing budget
- Often 2nd largest expense
- Account for 17.4% of gross sales



Trade Allowances

- Financial incentives to channel members
- **Off-invoice allowances**
 - Discount
 - Encourages order by channel members
 - Account for 35% of all trade dollars
 - Retailers reluctant to purchase off-deal
 - Competitive pressure to continue

Slotting and Exit Fees

- Slotting fees
 - Funds charged by retailers to stock items
 - Retailer justification
 - Cost to add new products to inventory
 - Requires shelf space
 - Simplifies decision about new products
 - Adds to bottom line
 - Manufacturer objections
 - Form of extortion
 - Divert money from advertising and marketing
 - Detrimental to small manufacturers
- Exit fees
 - Monies paid to remove items from shelves

Trade Allowance Complications

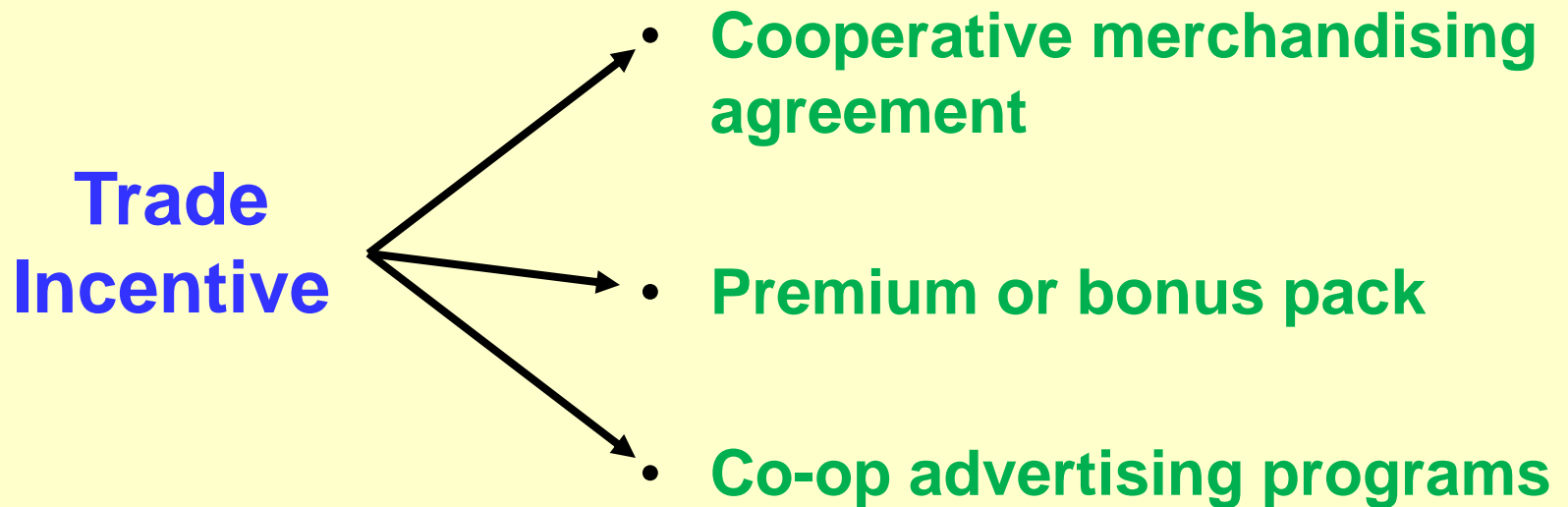
- Failure to pass allowances on to retail customers
 - Only occurs 52% of the time
 - Retailers like only one brand on-deal at a time
- Retailers can schedule and promote on-deal brands
- Forward buying
 - Pass savings on or pocket higher margin
 - Additional carrying costs
- Diversion
 - Pass savings on or pocket higher margin
 - Additional shipping costs

Trade Contests

- Used to achieve sales targets
- Funds known as “spiff money”
- Rewards can be prizes or cash
- Can be designed for various channels
- Some organizations do not allow trade contests because of possible conflict of interests.

FIGURE 12.10

Trade Incentives



Channel members must perform some marketing function to receive funds.

Trade Incentives

- **Cooperative merchandising agreement**
 - Formal agreement
 - Popular with manufacturers
 - Retailer must perform marketing functions
 - Manufacturer maintains control
 - Longer-term commitments
 - Benefit retailers
 - Schedule calendar promotions
- **Premiums and bonus packs**
 - Free merchandise for orders

Cooperative Advertising

- Manufacturer pays part of retailer's ad costs
- Retailer must follow specific guidelines
 - No competing brands
- Retailers accrue monies
 - Amount is based on sales
- Allows retailers to expand advertising
- Manufacturers gain exposure in local markets

Trade Shows

Business-to-Business

- Manufacturers (sellers)
 - Display merchandise
 - Seek prospects
- Retailers (buyers)
 - Compare merchandise
 - Seek vendors
- Few deals finalized at trade show
- International attendees want to make deals
- Increase in international trade shows
- Regional and niche shows
 - Provide better prospects
 - Lower costs

FIGURE 12.11

Categories of Buyers at Trade Shows

- Education seekers
- Reinforcement seekers
- Solution seekers
- Buying teams
- Power buyers

Concerns Trade Promotions

- Corporate reward structure
- Used for short-term sales goals
- Tend to be used outside of IMC Plan
- Costs
- Over-reliance to push merchandise
- Difficult to reduce – competitive pressures
- Potential erosion of brand image

International Implications

- Adapt to each country
- Legal restrictions vary
- Cultural values differ
- Emphasis will vary

Integrated Campaigns in Action

Wayport Austintatious

