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Sales Promotion

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Sales Promotion

“A direct inducement that offers an extra value or incentive for the product to the sales force, distributors, or the ultimate consumer with the primary objective of creating an immediate sale.”

- An extra incentive to buy
- An acceleration tool
- An inducement to intermediaries
- Targeted to different parties

Sales Promotion Vehicles

Consumer-Oriented

Samples

Coupons

Premiums

Contests/sweepstakes

Refunds/rebates

Bonus packs

Price-off deals

Frequency programs

Event marketing

Trade-Oriented

Contests, dealer incentives

Trade allowances

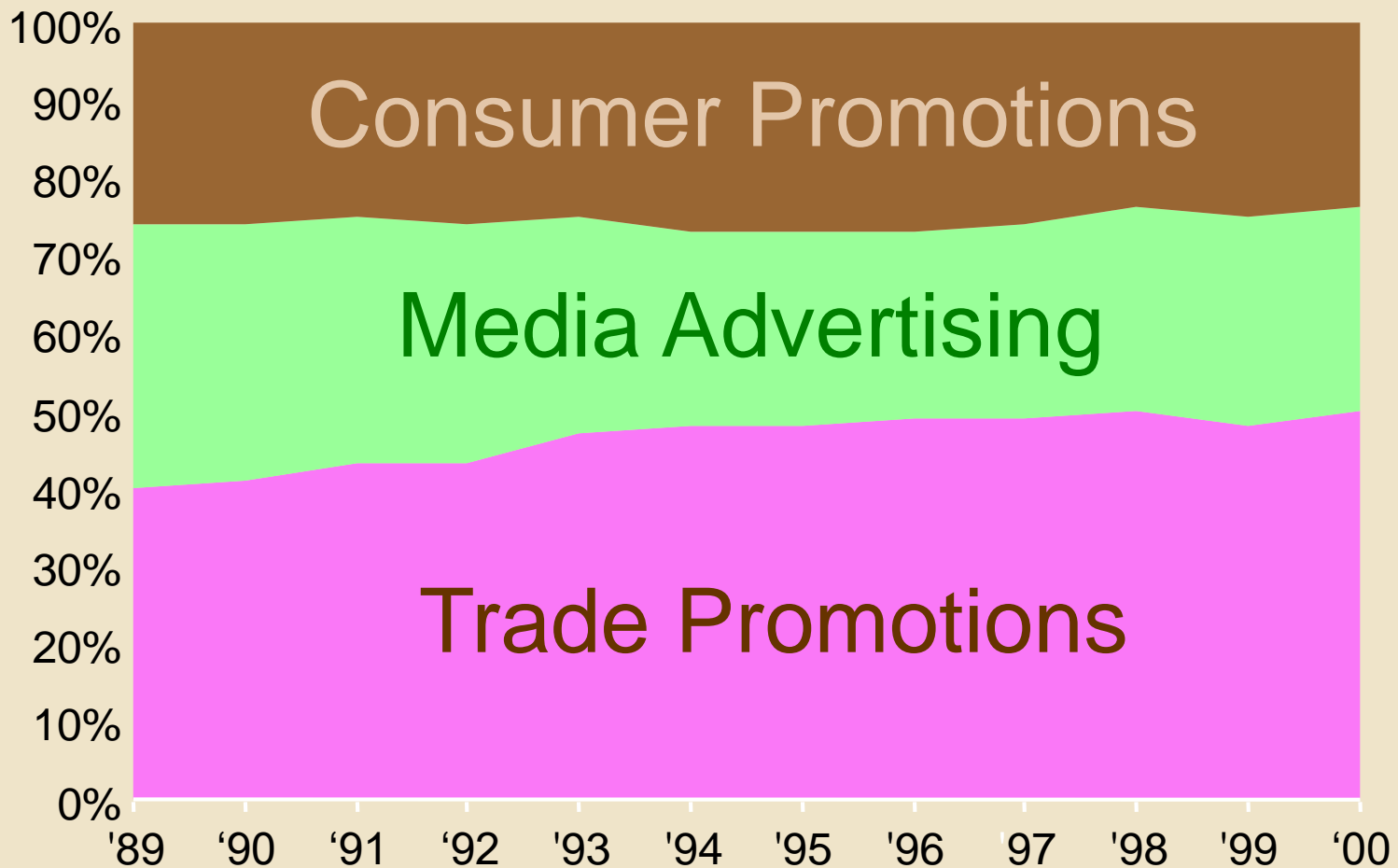
Point-of-purchase displays

Training programs

Trade shows

Cooperative advertising

Long-Term Allocations to Advertising, Trade Promotions and Consumer Promotions



Percent of total promotional dollars, 3-year moving average.



Reasons for Increase in Sales Promotion

- Growing Power of Retailers
- Declining Brand Loyalty
- Increased Promotional Sensitivity
- Brand Proliferation
- Fragmentation of Consumer Markets
- Short-Term Focus
- Increased Accountability
- Competition
- Clutter



Sales Promotion Uses

- Introduce new products by encouraging trial and repurchase
- Get existing customers to buy more
- Attract new customers
- Defend current customers
- Maintain sales in off season
- Target a specific market segment
- Enhance IMC efforts and build brand equity

Consumer Franchise-Building (CFB) Promotions

Consumer Franchise Building Promotions –
Communicate distinctive brand attributes and
contribute to the development and reinforcement of
brand identity and image

CFB Promotional Objectives

- Communicate distinctive brand attributes
- Develop and reinforce brand identity that is consistent with the image of the brand
- Build long-term brand preference
- Encourage repeat purchase and long-term patronage
- Engage active consumer involvement

Nonfranchise-Building(non-FB)

Promotions

Nonfranchise-building promotions -
Accelerate the purchase decision process
and generate an immediate sales increase but do not
contribute to the building of brand identify and image

Non-FB Promotions May Include

- Price-off deals
- Bonus packs
- Rebates or refunds

Non-FB Promotions shortcomings

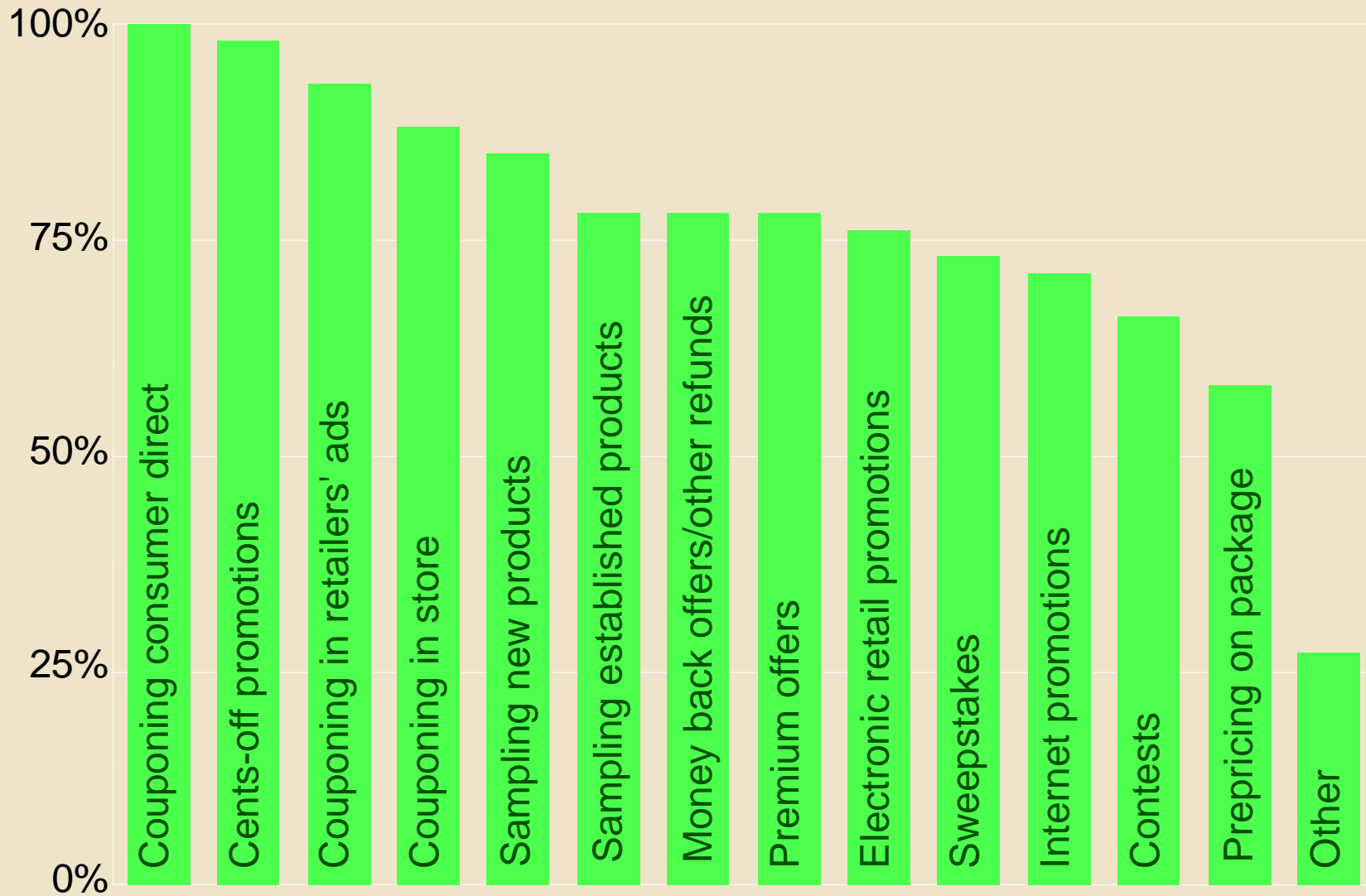
- Trade promotions benefits may not reach customers
- Customers may “buy on the basis of price rather than brand equity
- Do not encourage the development of brand loyalty



Objectives of Consumer-Oriented Sales Promotion

- To Obtain Trial and Repurchase
- To Increase Consumption of an Established Brand
- To Defend (Maintain) Current Customers
- To Target a Specific Segment
- Enhance IMC programs and build brand equity

Percentage of Promotions Vehicles Used by Package Goods Manufacturers



Sampling

Providing consumer with some quantity of a product for no charge to induce trial

Sampling works best when:

- The products are of relatively low unit value, so samples don't cost much
- The products are divisible and can be broken into small sizes that can reflect the products features and benefits
- The purchase cycle is relatively short so the consumer can purchase in a relatively short time period



Sampling Methods

- Door-to-door
- Direct mail
- In-store sampling
- Cross-product sampling
- With newspaper or magazine
- Through the internet

Samples are often distributed with local newspapers

POLYBAGS **2002**



Get your message across in first glance. Polybags are great for announcing new lines, promotions, special events, even travel lists for an ad inside the newspaper.

PROMINENT POSITIONING
Polybags are the first thing readers see. First comes your message, then the newspaper.

THE OPPORTUNITY TO STAND ALONE
Your ad stands apart from the competition.

TARGETED CIRCULATION
It's your choice — saturate the entire county or select certain ZIP codes.

OPTIONS
You have a variety of colors and sizes to choose from.

PRODUCT SAMPLES
Give customers both a sample of your product, inserted in the polybag.

GUARANTEED POSITIONING
A polybag gives you ads guaranteed positioning that's better than the front page. Enjoy knowing where your ad is going to appear even before the newspaper is printed.

Illustration courtesy of Union-Tribune Inc.

For advertising information call (815) 293-2497





Coupons

- The oldest and most widely used sales promotion tool
- Nearly 240 billions distributed each year in the United States
- 80 percent of consumers use coupons and 25% use them regularly



Advantages and Limitations of Coupons

Advantages:

- Appeal to price sensitive consumer
- Can offer price break without retailers coop
- Can be effective way to induce trial of new or existing products
- Can be way to defend market share and encourage repurchase

Disadvantages

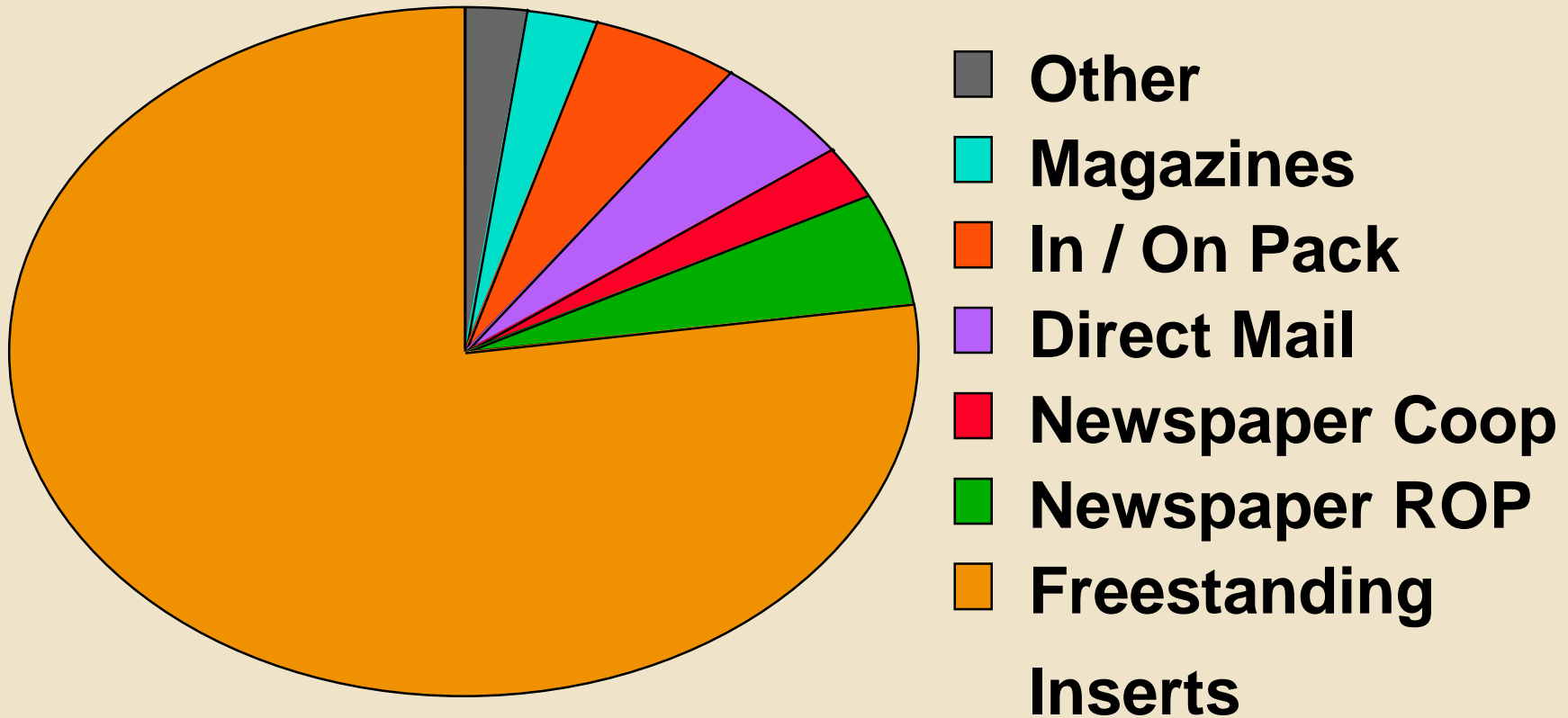
- Difficult to determine how many consumers will use coupons and when
- Coupons are often used by loyal consumers who may purchase anyway
- Declining redemption rates and high costs of couponing
- Misredemption and fraud



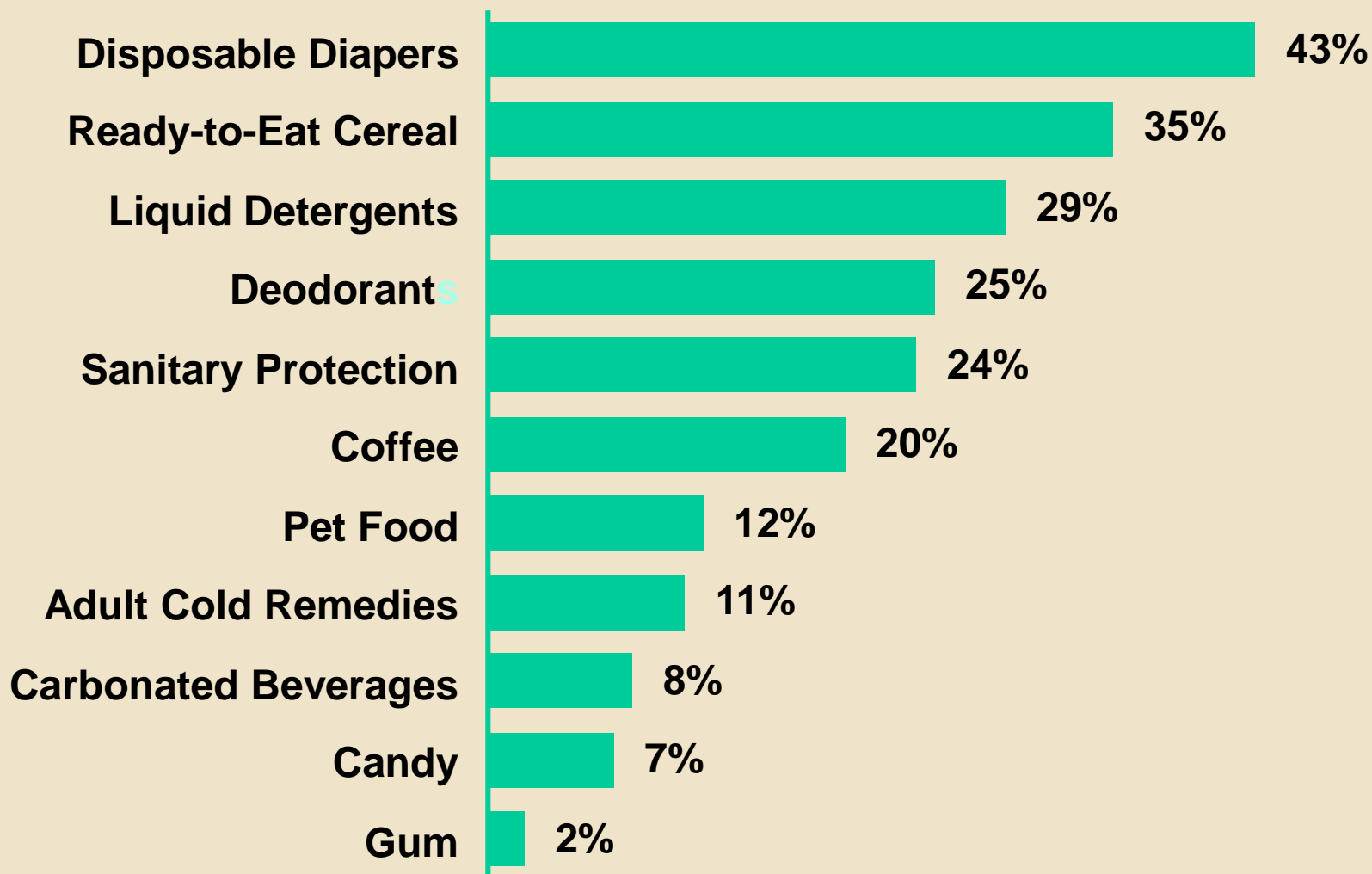
Coupon Fraud


- Consumers redeem without purchase
- Clerks and staff exchange for cash
- Managers/owners redeem without sale
- Criminals collect or counterfeit and sell

Coupon Distribution



Percent of sales made with coupons for various products





Coupon Trends

- Major companies cutting back on
 - use of coupons
- Searching for more effective coupon
 - techniques
- More use of internet for distribution

Premiums

Premium – an offer of an item of merchandise or service either free or at a low cost that is an extra incentive for customers

Two types of premiums:

- Free premiums -
only require purchase of the product
- Self-liquidating premiums -
require consumer to pay some or all of the cost of the premium

Airline miles are a very popular premium incentive

WATCH YOUR
CUSTOMERS
RESPOND

like

PAVLOV'S
DOGS.

When you offer AAdvantage miles, consumers act very predictably. They respond right away – buying and buying again to collect our miles. It's as if their behavior were conditioned. Which it is. That's why AAdvantage programs are some of the most powerful marketing tools available. Find out how we can tailor one for you.

AAdvantage
MARKETING PROGRAMS

1-800-777-3442 · aadvantage.com

AAdvantage® is a registered trademark of American Airlines, Inc.

Source: Courtesy of American Airlines



Contests and Sweepstakes

Contest – a promotion where consumers compete for prizes or money on the basis of skills or ability. Winners are determined by judging entries or ascertaining which entry comes closest to some predetermined criteria

Sweepstakes/games – a promotion where winners are determined purely by chance and cannot require a proof of purchase as a condition for entry. Winners are determined by random selection from the pool of entries or generation of a number to match those held by game entrants.



Other Popular Consumer Sales Promotion Tools

- Refunds and Rebates
- Bonus Packs
- Price-off deals
- Frequency/loyalty programs
- Event marketing



Trade-Oriented Sales Promotion Objectives

- Obtain Distribution of New Products
- Maintain Trade Support for Existing Products
- Encourage Retailers to Display and Promote Existing Brands
- Build Retail Inventories



Types of Trade-Oriented Promotions

- Contests and Incentives
- Trade Allowances
 - Buying Allowances
 - Promotional Allowances
 - Slotting Allowances
- Point-of-Purchase Displays
- Sales Training Programs
- Trade Shows
- Cooperative Advertising



Promotion Targeted to Reseller Salespeople

- Product or program sales
 - Selling a specific number of cases
 - Selling a specific number of units
 - Selling a specific number of promotional programs

- New account placements
 - Number of new accounts opened
 - Number of new accounts ordering a minimum amount
 - Promotional programs placed in new accounts

- Merchandising efforts
 - Establishing promotional programs
 - Placing display racks, counter and other p-o-p displays



Types of cooperative advertising

- Horizontal cooperate advertising
- Ingredient-sponsored cooperative advertising
- Vertical cooperative advertising

The “Intel Inside” campaign is an example of ingredient-sponsored cooperative advertising

How to spot the very best PCs.

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intel
The Computer Inside™

Coordinating Sales Promotion With Other IMC Elements

Various IMC elements such as advertising, direct marketing, Internet and personal selling efforts need to be coordinated with sales promotion to create a *synergistic effect*. Must consider:

- Budget allocation
- Coordination of ad and promotion themes
- Media support and timing
- Measuring effectiveness

The Sales Promotion Dilemma

		Our Firm	
		Cut Back Promotions	Maintain Promotions
All Others	Maintain Promotions	We lose market share	Same market share, profits stay low
	Cut Back Promotions	Higher profits for everyone	We gain in market share



Shifting Role of Sales Promotion Agencies

THEN

- Created tactics
- Single project basis
- Hired for specialty
- Single agency contact
- Inferior to ad agency
- Indirect accountability

NOW

- Create strategy
- Continuing service
- One full-service firm
- Agency team contact
- Equal to ad agency
- Directly accountable