Sales Promotion

The Marketers Dilemma

Sales Promotion Defined:

- A direct inducement that offers extra value or incentive for the product to the salesforce, distributors, or the ultimate consumer with the primary objective of creating "immediate" sales
  - Extra Inducement Beyond Basic Offer
  - Acceleration Tool
  - Targeted to Different Parties
The Tug-of-War

- Push Strategies
  - Trade Promotions
- Pull Strategies
  - Consumer Promotions

Shifting Promotional Mix

- Advertising
- Consumer Promotion
- Trade Promotion

Percent

Year

Why the Shift to Sales Promotion?

- Retailer Power
- Declining Brand Loyalty
- Increased Promotion Sensitivity
- Fragmentation of Consumer Market
- Brand Proliferation
- Short-Term Focus
- Increased Accountability
- Competition
- Clutter
- Splintering of Mass Media

Advertising Versus Sales Promotion

- Advertising Dominates
  - More Profitable Brands
  - Premium Priced Brands
  - High Growth Brands
- Sales Promotion Dominates
  - Less Profitable Brands
  - Low-Med. Priced Brands
  - Low Growth Brands
Types of Sales Promotion

Trade-Oriented Promotions
- Trade Allowances
- Point-of-Purchase Displays
- Contests and Dealer Incentives
- Training Programs
- Trade Shows
- Cooperative Advertising
- Consumer-Oriented Promotions
- Samples
- Coupons
- Premiums
- Refunds/rebates
- Contests/Sweepstakes
- Bonus Packs
- Price-offs
- Event Sponsorship

Trade-Oriented Promotion
Objectives

- Maintain trade support for established or new brands
- Encourage retailers/wholesalers to display and promote brand
- Build retailer/wholeseller inventories
Trade-Oriented Sales Promotions

- **Trade Allowances**
  - Buying Allowances
  - Slotting Allowances (entry fees, street money, stock allowance)
  - Facings
  - Exit Fees (deslotting allowances, failure fees)
  - Promotional Allowances
  - Displays/ P-O-P Allowances

- **Cooperative Advertising & Vendor Support Programs (VSPs)**
  - Cooperative Advertising
    - Vertical Coops
  - Vendor Support Programs
    - Horizontal Coops
    - Ingredient-sponsored Coops
Trade-Oriented Sales Promotions

- Trade Contests & Incentives
  - Trade Contests: sales goals
  - Trade Incentives: tasks
  - Push Money (spiffs): units sold

Reseller Salesperson Sales Promotion

- Product or Program Sales
  - Selling a specified number of cases or number of units
  - Selling a specified number of promo. programs

- New Account/Store Placements
  - Number of new accounts opened
  - Number of new accounts ordering a min. number of cases or units
  - Promo. programs placed in new accounts

- Merchandising Efforts
  - Est. promotional programs (themes, etc.)
  - Placement of display racks, counter displays, etc.
Trade-Oriented Sales Promotions

- Training Programs/ Efforts
  - Face-to-face
  - Printed literature
  - Videos

Trade-Oriented Sales Promotions

- Trade Shows
  - Sales Objectives
  - Communication Objectives

- Specialty Advertising
  "useful articles to carry the advertiser’s identification and message to its target market"
  - Unstructured/ Random Dist.
  - Structured Dist.
Consumer-Oriented Promotion Objectives

- Obtain trial and/or repurchase
- Increasing consumption of an established brand
- Defending current users (franchise holding)
- Enhancing advertising & other marketing efforts

### Consumer Promotions used by Large & Small Firms

<table>
<thead>
<tr>
<th>Promotion Type</th>
<th>Large Firms</th>
<th>Small Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Couponing - direct</td>
<td>85%</td>
<td>76%</td>
</tr>
<tr>
<td>Cents-off</td>
<td>74%</td>
<td>68%</td>
</tr>
<tr>
<td>Refunds/Rebates</td>
<td>65%</td>
<td>59%</td>
</tr>
<tr>
<td>Premiums</td>
<td>55%</td>
<td>52%</td>
</tr>
<tr>
<td>Coop. Coupons</td>
<td>55%</td>
<td>40%</td>
</tr>
<tr>
<td>Sample New Brand</td>
<td>52%</td>
<td>40%</td>
</tr>
<tr>
<td>Sweepstakes</td>
<td>48%</td>
<td>40%</td>
</tr>
<tr>
<td>Couponing - Elec.</td>
<td>44%</td>
<td>37%</td>
</tr>
<tr>
<td>Pre-Priced Shippers</td>
<td>44%</td>
<td>33%</td>
</tr>
<tr>
<td>Sample Est. Brand</td>
<td>55%</td>
<td>55%</td>
</tr>
<tr>
<td>Contests</td>
<td>55%</td>
<td>55%</td>
</tr>
</tbody>
</table>

Note: The percentages indicate the proportion of large and small firms using each type of promotion.
Sampling: actual or trial sized

- Direct Mail
- Door-to-door
- Flat samples in print media
- In- or On-package of another product
- High traffic locations
- In store
- Sample Packs (co-op package dist.)

Guidelines for Sampling

- Superior brand (relative advantage)
- Difficult to communicate features
- Budget to generate quick trial
- Low unit value
- Divisible
- Short purchase cycle
Couponing

- Certificate providing consumer with cost saving (cents-off) upon purchase and redemption
  - 95% of all consumers have used coupons
  - 65% - 85% (avg. 70%) of redemptions are current customers
  - Face value (value to consumer) averages about 50¢; Retailers gets 8¢ on average for redeeming coupon; Typical cost to manufacture is 97¢

Couponing Alternatives

- Point-of-Purchase Coupons
  - Instant Coupons (25% redemption)
  - Shelf-delivered Coupons (24% redemption)
  - Scanner-delivered Coupons (14% redemption)

- Mail-delivered Coupons
  - Co-op mailings $10 - $15 CPM
  - Solo $100 CPM
**Couponing Alternatives**

- **Media-Delivered Coupons**
  - ROP (run-of-paper): Newspapers or Magazines
  - Free Standing Inserts (FSI)
  - CPM approximately 50% less than mail

- **In- or On- Package**
  - Bounce-Back Coupons
  - Cross-ruffing Coupons

**Coupon Redemption**

1. Consumer
2. Retailer
3. Clearinghouse
4. Redemption Center
5. Manufacturer
Factors Affecting Coupon Redemption

- Method of Dist.
- Product class size
- Audience Reached
- Brand’s Mkt. Share
- Degree of Loyalty
- Retail Availability
- Face Value
- New or Old Brand
- Coupon Design
- Discount offered
- Area of country
- Competitive activity
- Size of Coupon Drop
- Size of purchase required
- Level of ad. support
- Consumer Product Usage
- Period of Dist.
- Growth Trend
- Season
- Demographics
- Misredemption

Coupon Redemption Rates

<table>
<thead>
<tr>
<th>Method</th>
<th>Redemption Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>D. Paper ROP Solo</td>
<td>2%</td>
</tr>
<tr>
<td>D. Paper Co-op</td>
<td>1%</td>
</tr>
<tr>
<td>Sun. Paper FSI</td>
<td>3%</td>
</tr>
<tr>
<td>Sun. Supple.</td>
<td>2%</td>
</tr>
<tr>
<td>Mag. On Page</td>
<td>1%</td>
</tr>
<tr>
<td>Mag. Insert</td>
<td>2%</td>
</tr>
<tr>
<td>Direct Mail</td>
<td>5%</td>
</tr>
<tr>
<td>Elec. Dispensed</td>
<td>6%</td>
</tr>
<tr>
<td>Handouts</td>
<td>4%</td>
</tr>
<tr>
<td>Reg. In-pack</td>
<td>3%</td>
</tr>
<tr>
<td>Reg. On-pack</td>
<td>4%</td>
</tr>
<tr>
<td>In-pack Cross Ruff</td>
<td>3%</td>
</tr>
<tr>
<td>On-Pack Cross Ruff</td>
<td>3%</td>
</tr>
<tr>
<td>Instant On-Pack</td>
<td>5%</td>
</tr>
</tbody>
</table>

0% 5% 10% 15% 20% 25% 30% 35% 40%
Coupon Misredemption

- Misredemption runs from 15% - 40%
- Managers typically allocate 20% - 25%
- Gang-Cutting, Gang-Tearing, Clip-house
- Bankchecks
- Copy-stop

Premiums

- Articles of merchandise or services offered by manufacturer to induce action on the part of salesforce, trade representatives, or consumers

- Types
  - Free-in-the-mail Premiums (2% - 4%)
  - Self-liquidating Premiums (.1%)
  - In-, On-, or Near-Pack Premiums
Price-Off Promotions (Deals)

- Reward Users
- Get users to purchase increased quantity
- Establish repeat purchase
- Ensure promotions reach consumers
- Obtain off-shelf display (w/ allowances)
- Help salesforce to obtain retailer support

FTC on Price-off Deals

1. Brand must be in distribution with established prices
2. Limited to 3 price-off deals per year per brand size
3. 30 days must occur between price-off deals where brand is sold at regular price
4. No more than 50% of volume in 12 months can be sold at price-off deals
5. Must include display to announce price-off deal
6. Dealer must show regular price in addition to price-off label
Refunds/ Rebates

- Cash discounts for proof of purchase
  - Immediate
  - Delayed
- Typically used for franchise holding but sometimes for new customers.

Sweepstakes and Contests

- Sweepstakes
  - Purely by chance
    - Proof of purchase CAN NOT be required
    - Preferred over contests: inexpensive, easy execution, accomplish variety of objectives when used with other promotion
- Contests
  - Solve contest problem
    - MAY require proof of purchase
Event Sponsorship

- IRS is reviewing tax status for corporate sponsorship of nonprofit events & organizations
- Approximately $3.3 billion in 1992

Event Sponsorship

- Sports 67.3%
- Ent. Tours 10.0%
- Festivals, Fairs 8.6%
- Cause mkt. 8.0%
- Arts/Cultural 6.1%
Other Sales Promotion Terms

- **Overlay**
  - Two or more sales promotion techniques used in combination (combination programs)

- **Tie-Ins**
  - Simultaneous promotion of multiple brands in a single promotion effort
    - Intra-Company Pooling or Tie-Ins
    - Inter-Company Pooling or Tie-Ins

Sales Promotion: The Marketers Dilemma

<table>
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<tr>
<td>Cut back Promotions</td>
<td>Higher Profits for all</td>
</tr>
<tr>
<td>Maintain Promotions</td>
<td>Market share goes to all other firms</td>
</tr>
</tbody>
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