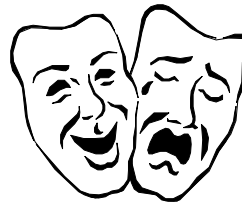


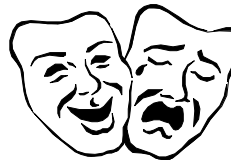
# **Sales Promotion**

## **The Marketers Dilemma**



## **Sales Promotion Defined:**

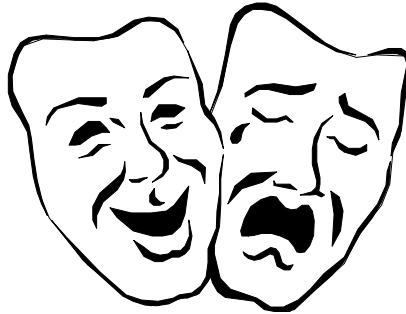
- **A direct inducement that offers extra value or incentive for the product to the salesforce, distributors, or the ultimate consumer with the primary objective of creating "immediate" sales**
  - Extra Inducement Beyond Basic Offer
  - Acceleration Tool
  - Targeted to Different Parties



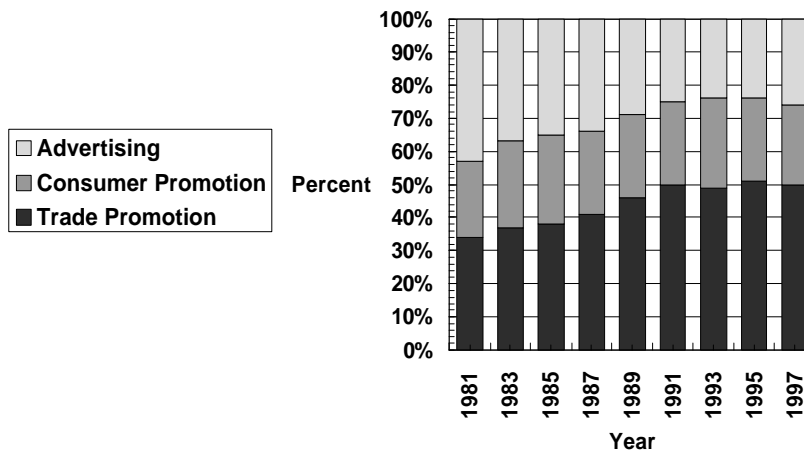
# The Tug-of-War

■ **Push Strategies**  
-Trade Promotions

■ **Pull Strategies**  
-Consumer Promotions



# Shifting Promotional Mix



## **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**

- |                                 |                                    |
|---------------------------------|------------------------------------|
| ■ <b>Advertising Dominates</b>  | ■ <b>Sales Promotion Dominates</b> |
| - <b>More Profitable Brands</b> | - <b>Less Profitable Brands</b>    |
| - <b>Premium Priced Brands</b>  | - <b>Low- Med. Priced Brands</b>   |
| - <b>High Growth Brands</b>     | - <b>Low Growth Brands</b>         |

## **Types of Sales Promotion**

### **Sales Promotion**



## **Trade-Oriented Promotion Objectives**

- **Maintain trade support for established or new brands**
- **Encourage retailers/wholesellers 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**

## **Trade-Oriented Sales Promotions**

### **■ 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**

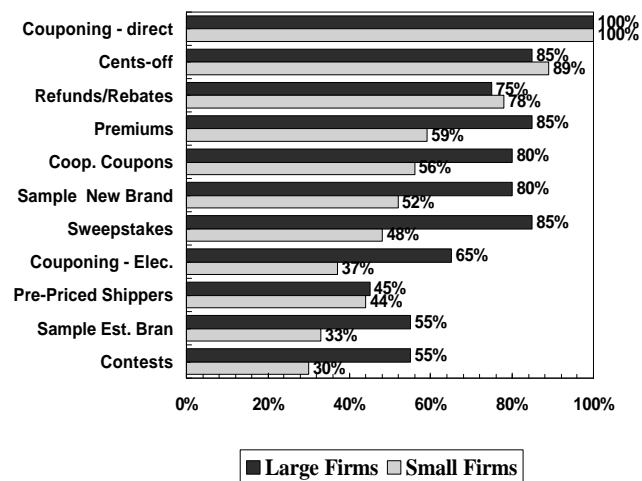
**"useful articles to carry the advertiser's identification and message to its target market"**

- 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



### **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**

## **Couponsing**

- **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 9¢

## **Couponsing 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

## **Coupons Alternatives**

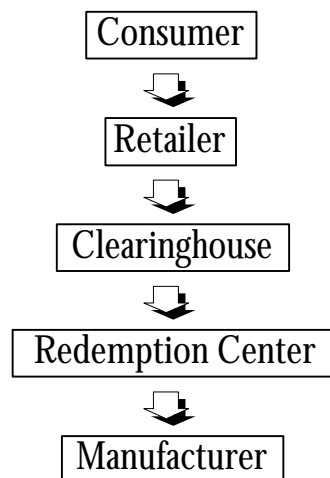
### **■ Media-Delivered Coupons**

- **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**

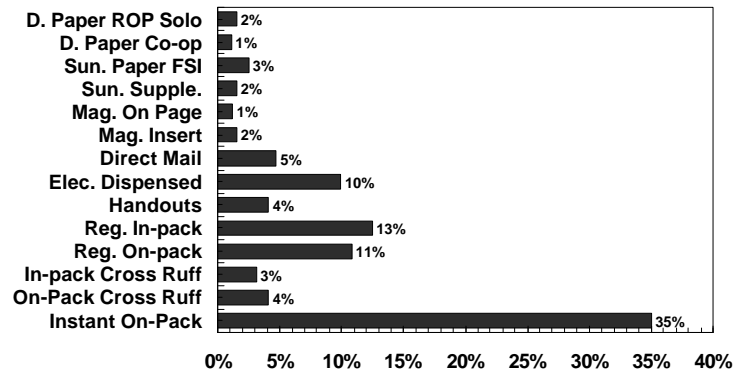
## **Coupon Redemption**



## 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



## **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.**

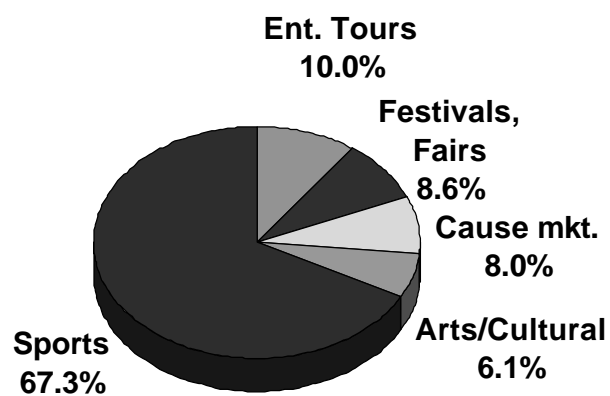
## **Sweepstakes and Contests**

- **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**



## 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

	<u>Our Firm</u>	
<u>All Other Firms</u>	Cut back promotions	Maintain Promotions
Cut back Promotions	Higher Profits for all	Market share goes to our firm
Maintain Promotions	Market share goes to all other firms	Market share stays constant; profits stay low

