16 Sales Promotion

Source: Burger King Corporation

Learning Objectives

LO 16-1 | Describe the role of sales promotion in the IMC program.

LO 16-2 | Identify the objectives of sales promotion programs.

LO 16-3 | Explain how marketers use various types of consumer- and trade-oriented sales promotion tools.

LO 16-4 | Explain how to coordinate sales promotion with advertising.

LO 16-5 | Discuss potential problems in the use of sales promotion tools.

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Burger King Gets People to Take a Whopper Detour

Just as Coke and Pepsi have been fighting the "cola wars" for decades, the battle between McDonald's and Burger King in the fast-food industry has been one of the greatest business rivalries in American history. Both started selling hamburgers in the mid-1950s, but McDonald's has since become the market leader in the United States, as well as around the world. Each chain has signature products: McDonald's has the Big Mac and Quarter Pounder, while Burger King counters with the flame-grilled Whopper. The Big Mac and Whopper are the two best-selling burgers of all time, with each selling hundreds of millions each year. McDonald's has always dominated the burger segment of the fast-food market, including the United States, where the golden arches have a market share double that of Burger King.

One of the major advantages McDonald's has over Burger King—as well as other competitors such as Wendy's, Hardees, and Sonic—is the sheer number of restaurants. McDonald's has more than 14,000 restaurants in the United States, while Burger King has around 7,200. Because Burger King cannot compete on size, an important part of its strategy has been to challenge McDonald's products by introducing new menu items such as the Big King sandwich, as well as promoting its popular Whopper with advertising using the iconic "Have it your way" theme. However, Burger King periodically comes up with clever promotions to challenge McDonald's and get consumers to switch to a Whopper instead of having a Big Mac or Quarter Pounder. It is not easy to get fast-food loyalists to change their behavior because value menus, price promotions, and special deals are easy to match and usually do not result in a sustainable competitive advantage. However, in late 2018, Burger King used one of the most creative, as well as technologically challenging, promotions ever when it ran the “Whopper Detour” to entice consumers to drive to a McDonald’s to order a Whopper. And yes, you read that right.

The strategy behind the Whopper Detour promotion was that consumers with the Burger King smartphone app and who were either inside or within 600 feet of a McDonald’s could order a Whopper for one cent, as opposed to regular price of $4 or more. The catch to the promotion was that the customer had to place the order on the app, which would then direct them to the nearest Burger King to redeem the offer. The promotion required a great deal of tech savvy to implement, as Burger King’s advertising agency, FCB New York, had to work with a digital company to use geofencing to create a virtual geographic boundary around nearly every McDonald’s restaurant in the country because the offer would unlock only within 600 feet of a McDonald’s. The agency also had to make sure the app would work with geolocation, which uses a GPS chip in a smartphone to determine its exact location, and tag all of the McDonald’s locations in the United States.

An important part of the strategy behind the Whopper Detour promotion was the huge difference in the number of Burger King versus McDonald’s restaurants, which meant that BK fans had to drive further to get a Whopper. The big idea was to take advantage of the vast number of McDonald’s locations (75 percent of the U.S. population lives within three miles of one) and, in a way, turn the competitor’s stores into Burger Kings. The promotion would activate on the BK app when people were close to a McDonald’s and reward them with the discount for passing a McDonald’s and heading to a Burger King.

For the detour campaign to work, Burger King and FCB had to make fast-food customers aware of the promotion as well as get those who did not have the BK mobile app on their smartphone to download it. Prior to launching the promotion, the agency team developed a short film where actors went to actual McDonald’s restaurants in the New York area and told McDonald’s crew members at the drive-thru that they were there to get a Whopper for a penny. Hidden cameras were used to film the interactions with the McDonald’s drive-thru crews, whose faces were blurred and voices altered in the film for legal reasons. The film was shown online to promote the limited-time offer and was also used by the PR team to generate media attention. In addition to the online video, a print ad was created showing the arm of BK’s king character changing a McDonald’s sign to read “Billions Swerved” instead of “Billions Served.”

The Whopper detour ran for only nine days in early December 2018, but the numbers tell the story of just how successful it was. The Burger King app was downloaded to smartphones by 1.5 million people during the promotion, and more than a half million people redeemed the one-cent Whopper offer, which was 40 times more than the previous record for a digital coupon promotion. Moreover, the impact of the promotion continued as downloads of the BK app were up by 4.5 million a few months later. The promotion also moved the sales needle for Burger King: Despite offering the Whopper for only one penny, total sales volume through the mobile app increased by 300 percent during the promotion. In addition, after the promotion, sales through the BK mobile app were two times higher than before the promotion. Burger King estimates consumers who redeemed the Whopper Detour promotion will spend around $15 million per year more on the BK app. The company’s

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analysis of the promotion also showed that there was little cannibalization of the Whopper in BK restaurants because the people who came for the offer were actually new or lapsed customers, and they purchased more than just the Whopper for a penny.

Burger King's global chief marketing officer, Fernando Machado, has called the Whopper Detour promotion a defining moment for the brand, noting that it marks a turning point in the company's marketing and shows the power of a big idea and what the future of creativity might be. Machado notes: "Big creative ideas eat programmatic, AI, trends and even a beautifully put together McKinsey presentation for lunch." The detour promotion shows that a big idea can also get people to eat a lot of Whoppers for lunch.

Sources: Fernando Machado, "The Inside Story of the Burger King Campaign That Changed the Brand's Entire Outlook on Marketing," *Adweek*, May, 17, 2019, www.adweek.com/brand-marketing/the-inside-story-of-the-burger-king-campaign-that-changed-the-brands-entire-outlook-on-marketing/; Jessica Wohl, "Burger King Offers a Whopper of a Deal with a McDonald's Catch," *Advertising Age*, December 4, 2018, adage.com/article/cmo-strategy/burger-king-s-whopper-offer-a-mcdonald-s-related-catch/315822; Gabriel Beltrone, "Burger King's New Trolling Ploy Sends Fans to McDonald's to Unlock a 1-Cent Whopper Deal," *Adweek*, December 4, 2018, www.adweek.com/creativity/burger-king-new-trolling-ploy-sends-fans-to-mcdonalds-to-unlock-a-1-cent-whopper-deal/.

As discussed in the chapter opener, marketers recognize that advertising alone is not always enough to move their products off store shelves and into the hands of consumers. They are using a variety of sales promotion methods targeted at both consumers and the wholesalers and retailers that distribute their products to stimulate demand. Most companies' IMC programs include consumer and trade promotions that are coordinated with their advertising, direct marketing, publicity/publications, and digital marketing as well as their personal-selling efforts.

This chapter focuses on the role of sales promotion in a firm's IMC program. We examine how marketers use both consumer- and trade-oriented promotions to influence the purchase behavior of consumers as well as wholesalers and retailers. We explore the objectives of sales promotion programs and the various types of sales promotion tools that can be used at both the consumer and trade level. We also consider how sales promotion can be integrated with other elements of the promotional mix and look at problems that can arise when marketers become overly dependent on consumer and trade promotions.

THE SCOPE AND ROLE OF SALES PROMOTION

LO 16-1

Sales promotion has been defined as "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."[1] Keep in mind several important aspects of sales promotion as you read this chapter.

First, sales promotion involves some type of inducement that provides an *extra incentive* to buy. This incentive is usually the key element in a promotional program; it may be a coupon or price reduction, the opportunity to enter a contest or sweepstakes, a money-back refund or rebate, or an extra amount of a product. The incentive may also be a free sample of the product, given in hopes of generating a future purchase or a premium such as the Mini Minion characters toy used by General Mills for Lucky Charms cereal (Exhibit 16–1). The Minion premium offer was part of a promotional tie-in to the movie *Despicable Me 2* that included packaging themed to the movie, eight collectible Minion premiums, and product integrations.[2] Most sales promotion offers attempt to add some value to the product or service. While advertising appeals to the mind and emotions to give the consumer a reason to buy, sales promotion appeals more to the pocketbook and provides an incentive for purchasing a brand.

XHIBIT 16–1

A premium offer is used to provide extra incentive to purchase Lucky Charms.

ource: Mark Dierker/McGraw-Hill Education

Sales promotion can also provide an inducement to marketing intermediaries such as wholesalers and retailers. A trade allowance or discount gives retailers a financial incentive to stock and promote a manufacturer's products. A trade contest directed toward wholesalers or retail personnel gives them extra incentive to perform certain tasks or meet sales goals.

A second point is that sales promotion is essentially an *acceleration tool*, designed to speed up the selling process and maximize sales volume.[3] By providing an extra incentive, sales promotion techniques can motivate consumers to purchase a larger quantity of a brand or shorten the purchase cycle of the trade or consumers by encouraging them to take more immediate action.

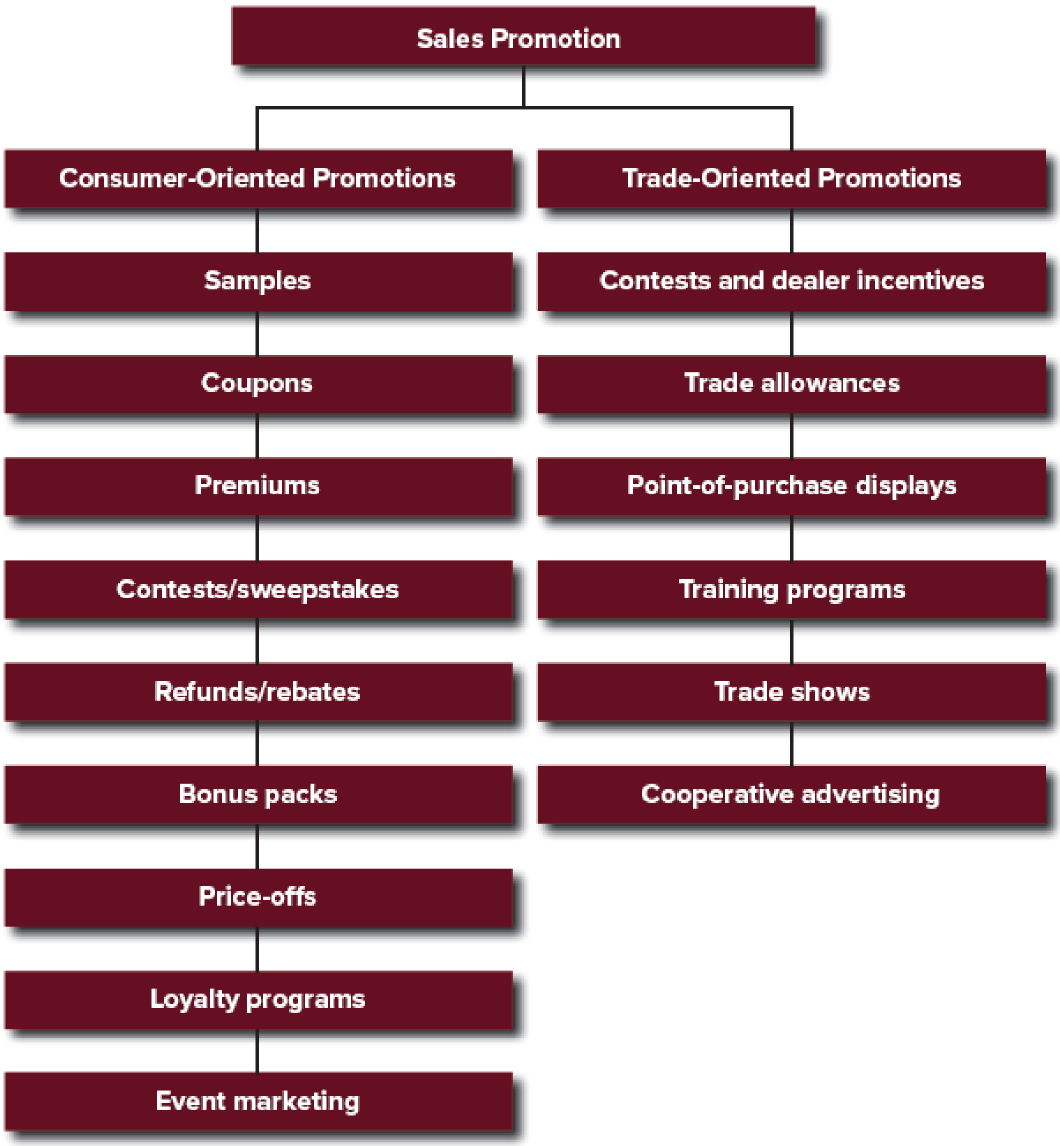
Companies also use limited-time offers such as price-off deals to retailers or a coupon with an expiration date to accelerate the purchase process.[4] Sales promotion attempts to maximize sales volume by motivating customers who have not responded to advertising. The ideal sales promotion program generates sales that would not be achieved by other means.

However, as we will see later, many sales promotion offers end up being used by current users of a brand rather than attracting new users.

A final point regarding sales promotion activities is that they can be *targeted to different parties* in the marketing channel. As shown in Figure 16–1, sales promotion can be broken into two major categories: consumer-oriented and trade-oriented promotions. Activities involved in **consumer-oriented sales promotion** include sampling, couponing, premiums, contests and sweepstakes, refunds and rebates, bonus packs, price-offs, loyalty programs, and event marketing. These promotions are directed at consumers, the end purchasers of goods and services, and are designed to induce them to purchase the marketer's brand.

IGURE 16–1

Types of Sales Promotion Activities



As discussed in Chapter 2, consumer-oriented promotions are part of a promotional pull strategy; they work along with advertising to encourage consumers to purchase a particular brand and thus create demand for it. Consumer promotions are also used by retailers to encourage consumers to shop in their particular stores. Many grocery stores use their own coupons or sponsor contests and other promotions to increase store patronage.

Trade-oriented sales promotion includes dealer contests and incentives, trade allowances, point-of-purchase displays, sales training programs, trade shows, cooperative advertising, and other programs designed to motivate distributors and retailers to carry a product and make an extra effort to push it to their customers. Many marketing programs include both trade- and consumer-oriented promotions, since motivating both groups maximizes the effectiveness of the promotional program.

THE GROWTH OF SALES PROMOTION

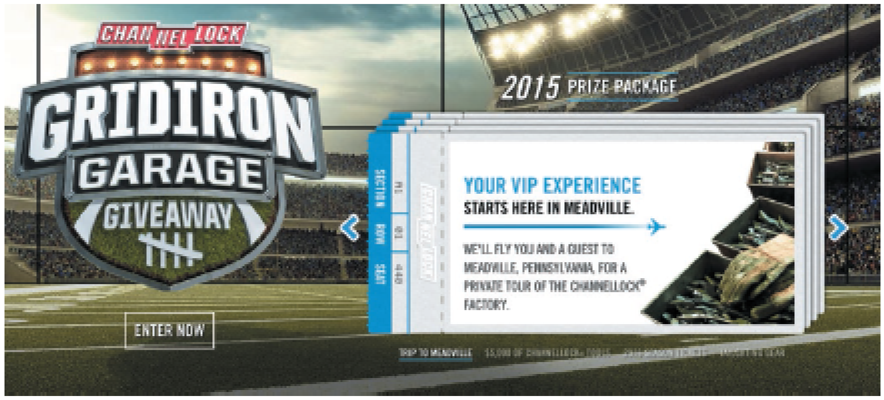
While sales promotion has been part of the marketing process for a long time, its role and importance in a company's integrated marketing communications program have increased dramatically over the past decade. Consumer sales promotion–related spending increased from $56 billion in 1991 to over $300 billion in 2019.[5] Marketers also spend an estimated $150 billion each year on promotions targeted at retailers and wholesalers. Consumer packaged-goods (CPG) firms continue to be the core users of sales promotion programs and tools. However, sales promotion activity is also increasing in other categories, including health care, consumer electronics, fast-food, retailing, and service industries.

Estimates are that marketers spend more than half of their promotional budgets on sales promotion, with the remainder being allocated to media advertising.[6] Allocation of marketing budgets among consumer promotions, trade promotions, and media advertising varies by industry and company. For example, trade promotion accounts for about 43 percent of the budget for consumer packaged-goods companies, with 24 percent going to consumer promotion and 33 percent to media advertising.[7] Moreover, a portion of the monies that marketers allocate to media advertising is spent on ads that deliver promotional messages regarding contests, games, sweepstakes, and rebate offers. For example, Channellock used print and banner ads such the ad shown in Exhibit 16–2 to promote its "Gridiron Garage Giveaway" sweepstakes, which included a pair of season tickets to the winners' favorite NFL team. The prize package also included a trip to the Channellock factory for a VIP tour so the winners could see how their new tools are made. The company has been running the sweepstakes for the past five years.

XHIBIT 16–2

Advertisements often use promotions such as sweepstakes to draw attention.

ource: Channellock, Inc.



Reasons for the Increase in Sales Promotion

The increases in the percentage of the IMC budget allocated to sales promotion over the years concerned many marketers who still viewed media advertising as the primary tool for brand building and saw sales promotion programs as little more than gimmicks that contributed little to brand equity. However, most have recognized that consumers may love their brands but often want an extra incentive to buy them. Marketers also know they must partner effectively with trade accounts, and this often means providing them with an additional incentive to stock and promote their brands and participate in various promotional programs.

A major reason for the increase in spending on sales promotion is that the promotion industry has matured over the past several decades. Increased sophistication and a more strategic role and focus

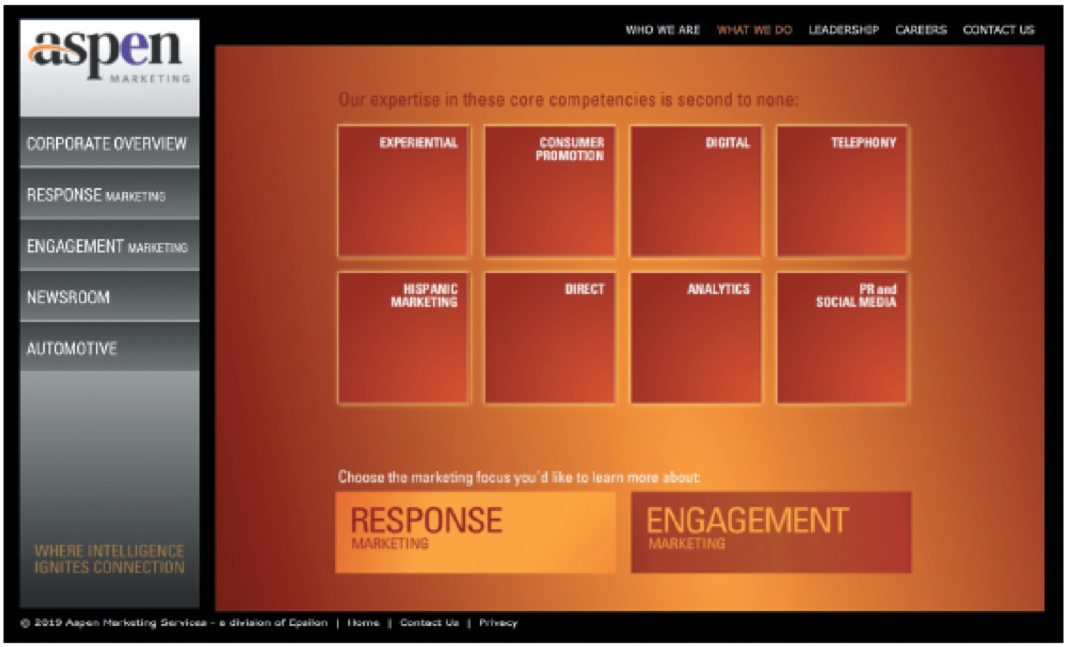
have elevated the discipline and its role in the IMC program of many companies. In the past, sales promotion specialists would be brought in after key strategic branding decisions were made. Promotional agencies were viewed primarily as tacticians whose role was to develop a promotional program such as a contest or sweepstakes or a coupon or sampling program that could create a short-term increase in sales. However, many companies are now making promotional specialists part of their strategic brand-building team. Many promotional agencies have expanded their capabilities and expertise and now offer clients a variety of integrated marketing services that extend beyond just sales promotion. For example, Exhibit 16–3 shows how

Aspen Marketing Services, one of the largest providers of integrated marketing and promotional services, promotes its capabilities which include a variety of IMC tools such as experiential, direct and digital marketing, analytics, PR, and social media.

XHIBIT 16–3

Aspen Marketing Services touts its IMC capabilities.

Source: Aspen Marketing Service



There are also a number of other factors that have led to the increase in the importance of sales promotion and the shift in marketing dollars from media advertising to consumer and trade promotions. Among them are the growing power of retailers, declining brand loyalty, increased promotional sensitivity, brand proliferation, short-term focus of many marketers, increased accountability, competition, and growth of digital and social media.

The Growing Power of Retailers One reason for the increase in sales promotion is the power shift in the marketplace from manufacturers to retailers. For many years, manufacturers of national brands had the power and influence; retailers were just passive distributors of their products.

Consumer-product manufacturers created consumer demand for their brands by using heavy advertising and some consumer-oriented promotions, such as samples, coupons, and premiums, and exerted pressure on retailers to carry the products. Retailers did very little research and sales analysis; they relied on manufacturers for information regarding the sales performance of individual brands.

However, several developments have helped transfer power from the manufacturers to the retailers. With the advent of optical checkout scanners and sophisticated in-store computer systems, retailers gained access to data concerning how quickly products turn over, which sales promotions are working, and which products make money.[8] Companies such as IRI and NPD Group track sales of products in retail stores and provide the information to the retailers as well as marketers. For example, IRI tracks sales of consumer-packaged goods and combines this with information on consumers, including demographics, media habits, and other information. NPD Group's Retail Tracking Service sources point-of-sale (POS) data directly from more than 1,300 e-commerce and brick-and-mortar retailers. The service measures what consumers are buying, where they are buying it, and at what price.[9] Retailers use this information to analyze sales of manufacturers' products and then demand discounts and other promotional support from manufacturers of lagging brands. Companies that fail to comply with retailers' demands for more trade support often have their shelf space reduced or even have their product dropped.

Another factor that has increased the power of retailers is the consolidation of the retail industry, which has resulted in larger chains with greater buying power and clout. These large chains have become accustomed to trade promotions and can pressure manufacturers to provide deals, discounts, and allowances. Consolidation has also given large retailers more money for advancing already strong private-label initiatives,

and sales promotion is the next step in the marketing evolution of private-label brands. Private-label brands in various packaged-goods categories such as foods, drugs, and health and beauty care products are giving national brands more competition for retail shelf space and increasing their own marketing, including the use of traditional sales promotion tools. Sales of private brands have been increasing more rapidly than sales of national brands for many product categories. For example, private-label brands accounted for nearly 20 percent of sales for consumer-packaged goods in 2018, reaching $128.6 billion.[10] Well-marketed private-label products are forcing national brand leaders, as well as second-tier brands, to develop more innovative promotional programs and to be more price-competitive.[11] Many major consumer brands are struggling to compete with the growing number of popular private-label choices being offered by major retailers such as Aldi, Target, Trader Joe's, and Costco, which sells many items under the Kirkland brand name. Amazon is also expanding the number of private-label brands that it sells under the AmazonBasics brand name.[12]

One of the most significant developments among retailers is the tremendous growth of Walmart, which has become the largest company in the world as well as the most powerful retailer[13] (Exhibit 16–4). Walmart operates nearly 11,800 stores in 28 countries, including nearly 5,400 in the United States, and had sales of $514 billion in fiscal 2019. It controls 20 percent of dry grocery, 29 percent of nonfood grocery, 30 percent of health and beauty aids, and 45 percent of general merchandise sales in the United States. Walmart accounts for a large share of the business done by every major U.S. consumer-products company and can use its power to influence the way marketers use sales promotions. Like many large retailers, Walmart often asks for account-specific promotions that are designed for and offered only through its stores. The company also has been known to mandate that marketers forgo promotional offers and use the monies to reduce prices.[14]

XHIBIT 16–4

Walmart is the world's largest and most powerful retailer.

hn Flournoy/McGraw-Hill Education

Declining Brand loyalty Another major reason for the increase in sales promotion is that consumers have become less brand loyal and are purchasing more on the basis of price, value, and convenience. Some consumers are always willing to buy their preferred brand at full price without any type of promotional offer. However, many consumers are loyal coupon users and/or are conditioned to look for deals when they shop. They may switch back and forth among a set of brands they view as essentially equal. These brands are all perceived as being satisfactory and interchangeable, and consumers purchase whatever brand is on a special sale or for which they have a coupon.

Increased Promotional Sensitivity Marketers are making greater use of sales promotion in their marketing programs because consumers respond favorably to the incentives it provides. A IRI Market Pulse Survey found that 25 percent of consumer are buying packaged-goods brands that are on sale over their preferred brands and 23 percent are making product selections based on loyalty card discounts.[15] An obvious reason for consumers' increased sensitivity to sales promotion offers is that they save money. Another reason is that many purchase decisions are made at the point of purchase by consumers who are increasingly time-sensitive and facing too many choices. Some studies have found that up to 70 percent of purchase decisions are made in the store, where people are very likely to respond to promotional deals.[16]

Many marketers, as well as retailers, often condition consumers to wait for discounts through sales, special offers, and coupons, which make it very difficult to sell their merchandise at full price. Surveys have shown that consumers are 50 percent more price-sensitive than they were 25 years ago—and for good reason.[17] Marketers issue more than 250 billion coupons each year, or nearly 1,000 per person. They also use rebates, buy-one-get-one-free offers, special sales events, price-off deals, and other discounts to attract price-sensitive consumers. Consumers are not naive; they know that manufacturers or retailers will offer some type of promotion that encourages them to wait for the next deal rather than purchasing a product at full price.

Brand Proliferation A major aspect of many firms' marketing strategies over the past decade has been the development of new products. The market has become saturated with new brands, most of which lack any significant advantages. Research shows that about 75 percent of consumer packaged goods and retail products fail in their first year—in large part because of ingrained consumer shopping habits.[18] Thus, companies increasingly depend on sales promotion to encourage consumers to try these brands. In Chapter 4, we saw how sales promotion techniques can be used as part of the shaping process to lead the consumer from initial trial to repeat purchase at full price. Marketers are relying more on samples, coupons, rebates, premiums, and other innovative promotional tools to achieve trial usage of their new brands and encourage repeat purchase (Exhibit 16–5).

XHIBIT 16–5

Sales promotion tools such as this coupon for Purina Dog Chow are often used to encourage trial of a new brand or a repeat purchase.

ource: Nestlé Purina Petcare

Promotions are also important in getting retailers to allocate some of their precious shelf space to new brands. The competition for shelf space for new products in stores is enormous. Supermarkets carry an average of 30,000 products (compared with 13,067 in 1982). Retailers favor new brands with strong sales promotion support that will bring in more customers and boost their sales and profits. Many retailers require special discounts or allowances from manufacturers just to handle a new product. These slotting fees or allowances, which are discussed later in the chapter, can make it expensive for a manufacturer to introduce a new product.

Marketers are also shifting more of their promotional efforts to direct and digital marketing, which often includes some form of sales promotion incentive. Many marketers use information they get from premium offers, trackable coupons, rebates, and sweepstakes to build databases for future direct-marketing efforts. As marketers continue to shift from traditional media to digital marketing, promotional offers will probably be used even more to help build databases. The technology is already in place to enable marketers to communicate individually with target consumers and transform mass promotional tools into ways of doing one-to-one marketing.

Short-Term Focus Many businesspeople believe the increase in sales promotion is motivated by marketing plans and reward systems geared to short-term performance and the immediate generation of sales volume. Some think the packaged-goods brand management system has contributed to marketers' increased dependence on sales promotion. Brand managers use sales promotions routinely, not only to introduce new products or defend against the competition but also to meet quarterly or yearly sales and market share goals. The sales force, too, may have short-term quotas or goals to meet and may also receive requests from retailers and wholesalers for promotions. Thus, reps may pressure marketing or brand managers to use promotions to help them move the products into the retailers' stores.

Many managers view consumer and trade promotions as the most dependable way to generate short-term sales, particularly when they are price related. The reliance on sales promotion is particularly high in mature and slow-growth markets, where it is difficult to stimulate consumer demand through advertising. This has led to concern that managers have become too dependent on the quick sales fix that can result from a promotion and that the brand franchise may be eroded by too many deals.

Professors Leonard Lodish and Carl Mela have conducted research that suggests many companies are too focused on short-term results because the profusion of scanner data allows brand and marketing managers, as well as retailers, to see how sales often spike in response to promotional discounts.[19] They note that managers became enamored with these short-term increases in sales, which resulted in the allocation of the majority of their marketing budgets to consumer and trade promotions. Another problem they note is that many brand managers stay in their positions for a short time period, which motivates them to focus on the use of promotional tactics that can have more of an immediate impact. They often view investing in advertising or product development as benefiting the performance of subsequent managers rather than their own. When asked about why they take a short-term perspective, marketing and brand managers point out that they are judged on quarterly sales because investors focus on these numbers, and the link between promotion and sales is obvious.

Increased Accountability In addition to pressuring their marketing or brand managers and sales force to produce short-term results, many companies are demanding to know what they are getting for their promotional expenditures. Results from sales promotion programs are generally easier to measure than those from advertising. Many companies are demanding measurable, accountable ways to relate promotional expenditures to sales and profitability.

Managers who are being held accountable to produce results often use price discounts or coupons, since they produce a quick and easily measured jump in sales. It takes longer for an ad campaign to show some impact, and the effects are more difficult to measure. Marketers are also feeling pressure from the trade as powerful retailers demand sales performance from their brands. Real-time data available from computerized checkout scanners make it possible for retailers to monitor promotions and track the results they generate on a daily basis.

Competition Another factor that led to the increase in sales promotion is manufacturers' reliance on trade and consumer promotions to gain or maintain competitive advantage. The markets for many products are mature and stagnant, and it is increasingly difficult to boost sales through advertising. Exciting, breakthrough creative ideas are difficult to come by, and consumers' attention to mass-media advertising continues to decline. Rather than allocating large amounts of money to run dull ads, many marketers have turned to sales promotion.

Many companies are tailoring their trade promotions to key retail accounts and developing strategic alliances with retailers that include both trade and consumer promotional programs. A major development in recent years is **account-specific marketing** (also referred to as *comarketing*), whereby a manufacturer collaborates with an individual retailer to create a customized promotion that accomplishes mutual objectives. For example, Exhibit 16–6 shows an account-specific promotion the WD-40 Company ran in conjunction with the O'Reilly Auto Parts retail chain. The promotion included limited-edition, custom cans made to commemorate the 60th anniversary of WD-40's multiuse product, which has been made in the United

States since 1953. The special cans were created as a salute to those who subscribe to the tradition of hard work and getting the job done.[20]

XHIBIT 16–6

WD-40 developed an account-specific promotion for O'Reilly Auto Parts.

ɔurce: WD-40 Company

Retailers may use a promotional deal with one company as leverage to seek an equal or better deal with its competitors. Consumer and trade promotions are easily matched by competitors, and many marketers find themselves in a promotional trap where they must continue using promotions or be at a competitive disadvantage. (We discuss this problem in more detail later in the chapter.)

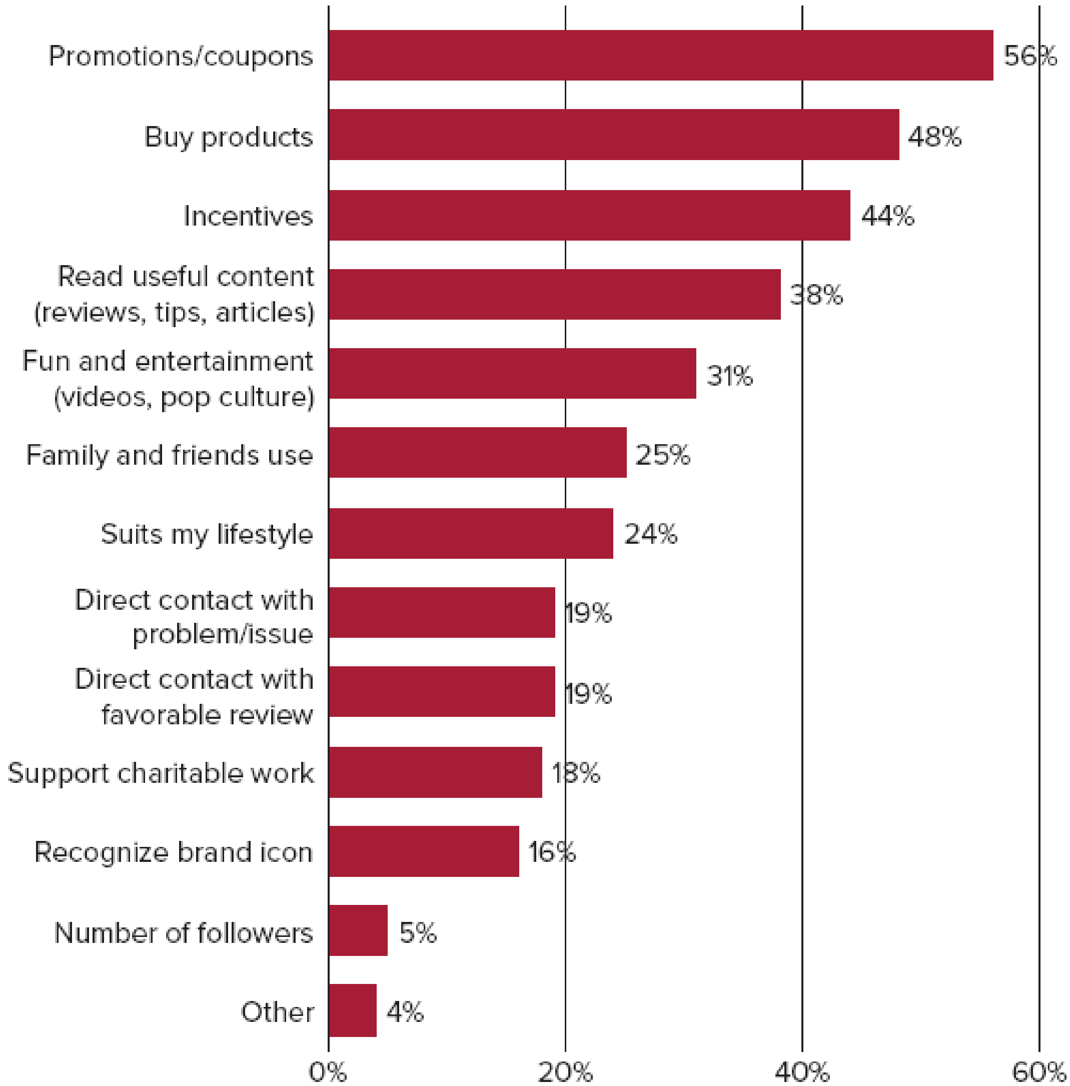
The Growth of Digital Marketing Another factor that has contributed to the increased use of sales promotion is the digital marketing revolution. Many marketers now use the various forms of online marketing to implement sales promotion programs as well as measure their effectiveness. Promotional offers have also become commonplace in various forms of online advertising including mobile marketing as a way of attracting the attention of consumers or encouraging them to take action. Various types of promotions such as coupons and discounts along with entry forms for contests and sweepstakes appear on marketers' websites as well as their social media pages on Facebook, Twitter, and Instagram.

Sales promotion offers are also used by marketers as a way to encourage consumers to "like" their brands on Facebook or follow them on Twitter. Figure 16–2 shows the results of a survey conducted by the research firm MarketingSherpa that examined why consumers follow brands on various social media platforms. The most popular reason cited by U.S. consumers who do connect with brands on social media was to get regular coupons/promotions (56 percent). Forty-eight percent of consumers said they connected to brands' social accounts because they were interested in buying the brand's products, and 44 percent said they connected because there was an incentive (e.g., sweepstakes, discount, or gift card).[21] Another study found that the primary reason consumers follow retailers on social media is to learn about sales.[22]

IGURE 16–2

Reasons to connect on Social Media

ource: From MarketingSherpa; www.marketingsherpa.com/article/chart/why-customers-llow-brands-social-accounts.



Concerns about the Increased Role of Sales Promotion

As discussed in the previous section, many factors have contributed to the increased use of sales promotion by consumer-product manufacturers. Marketing and advertising executives are concerned about how this shift in the allocation of the promotional budget affects brand equity. Some critics argue that sales promotion increases come at the expense of brand equity and every dollar that goes into promotion rather than advertising devalues the brand.[23] They say trade promotions in particular contribute to the erosion of brand equity as they encourage consumers to purchase primarily on the basis of price.

IMC Perspective 16–1 > > >

Marketers Fall into the Discounting Trap: And There May Be No Way Out

When the second decade of the new millennium began, the U.S. economy was struggling to recover from the Great Recession that began in late 2007 and lasted for nearly two years. However, the recovery that began in 2010 has continued for nearly 10 years, making it one of the longest economic expansions in U.S. history. The job market grew slowly at first, but more than 2 million new jobs have been added per year since 2014, and the unemployment rate dropped to 3.7 percent in 2019, the lowest level in 50 years. While the economy has clearly recovered, consumer spending has been slower to recover. Consumer spending accounts for nearly 70 percent of gross domestic product (GDP), which means that if consumers are not spending, the economy struggles to grow.

There are a number of reasons consumer spending is taking more time to bounce back, including income inequality, high levels of debt from student and auto loans, and rapidly increasing housing prices. Another reason is what many experts refer to as the "shift to thrift." During the recession, as well as the recovery period, consumers became more price-sensitive and value-conscious, and companies in virtually every product and service category found it very difficult to get consumers to pay a premium for their brands. Many marketing and consumer behavior experts, as well as economists, have argued that the recession led to permanent changes in buyer behavior, and consumers have remained frugal and value-conscious ever since. Consumers are no longer addicted to shopping and going to malls and supercenters to spend excessively. However, when they do shop, they are often looking for a deal, as many have become hooked on promotions and discounts, and for good reason. Nearly every retailer—as well as businesses such as hotels, rental cars, restaurants, and many others—now offers consumers the opportunity to save money through some type of promotion, which appeals to our primal desire for landing a bargain. The problem is that marketers have fallen so deeply into the bargain trap that discounting has become an expectation of consumers rather than a bonus or extra incentive.

It is not surprising that consumers are often looking for deals. Surveys have shown that more than 40 percent of the items purchased by American consumers today involve a sale or promotion versus only 10 percent in the 1990s. A recent survey by NPD Group found that two-thirds of consumers are looking for discounts, and when shopping online, many abandon their shopping carts regularly in hope of triggering a discount offer via e-mail. Consumers have become more disciplined in their spending and are carefully scrutinizing their purchases; rethinking their brand loyalties; and looking for ways to save money by doing comparison-shopping, clipping coupons, or downloading offers from Groupon or other sites. Many are always on the lookout for discounts and deals. And while many marketers are all too happy to give them one, they are creating a discount trap from which there is no easy escape.

Some retailers who have become overly dependent on promotions and discounts have tried to reduce their dependence on them and move toward more of an "everyday low pricing approach." Macy's tried to cut back on the number of "One-day sales" and the 15 to 25 percent discounts and coupons that accompanied them, but the effort was short-lived as consumers across the country stayed away from the stores and sales dropped for four consecutive months. JCPenney hired a new CEO, Ron Johnson, a few years ago who was shocked to find that more than 70 percent of the retailer's merchandise was being sold at discounts of 50 percent off or more when he took over. Johnson's efforts to wean JCPenney's customers off coupons and discounts resulted in a $4.3 billion drop in revenue in the first year of his experiment; many of its lost sales were scooped up by the likes of Macy's and Kohl's, who responded to Johnson's move with even more discounting. Johnson's tenure as CEO lasted only 16 months before he was fired, and JCPenney has returned to discounting. However, the retailer is fighting to survive, and its stock price dropped to below $1 for the first time ever in 2019.

JCPenney and Macy's, like many other companies, have learned the hard way that they had violated a basic law of human nature when it comes to marketing: Consumers love a deal. Moreover, retailers, like many other marketers, often train consumers to wait for discounts through sales, special offers, coupons, and rebates, which make it very difficult to sell their merchandise at full price. Compounding the problem today is the emergence of online retailers such as Amazon, which had nearly $300 billion in online sales in 2019, nearly half of total U.S. online expenditures. Not only are shoppers buying online, they now have the ability to "showroom" or compare prices on the Internet and use this information to negotiate with brick-and-mortar retailers—or simply buy online.

Many retailers are finding it difficult to survive the intense discounting and competition and are closing some of their underperforming stores or even going out of business. Abercrombie & Fitch closed 40 stores in 2019, while The Gap announced that it would close 200 stores over the next two years, as well as spinning off its more successful Old Navy brand into a separate company. The good news for these companies is that they are still in business, whereas other retailers have not been so fortunate. In 2016, Sports Authority, which was once the largest sporting goods store chain in the United States, closed all of its 450 stores as it struggled to compete against online competitors and could not get shoppers to buy its merchandise without big discounts. Sports Chalet, a regional chain in California and Arizona, also closed all of its stores and went out of business after 57 years of operation.

Retailers are not the only companies being affected by the discounting trend; the vendors who supply them with merchandise are also being affected. Many marketers have turned to coupons, rebates, and other forms of discounts to appeal to promotion-sensitive consumers. Many marketers and retailers have created a dilemma from which there is no easy escape. They know that discounts will increase sales in the short term, but the more marketers use these promotions, the more consumers become conditioned to purchase an item only when it is on sale or they have a coupon. Moreover, many consumers love to shop for deals and view it like playing a game; the money they save is how they keep score. The temptation for marketers to play the game and look for the quick fix and sales spike from a promotion will always be there as well. It is likely that many will continue to yield to the temptation and offer a discount rather than try to sell their brands at full price.

Source: Sports Authority

Sources: Thomas Barrabi, “Retail Apocalypse: These Big Retailers Closing Store, Filing for Bankruptcy,” *Fox Business*, May 16, 2019, www.foxbusiness.com/retail/features-retail-apocalypse-bankruptcy-stores-closing.html; Ana Andjelic, “Retailers: Stop Playing the Promotion Game,” *Advertising Age*, November 16, 2016, adage.com/article/agency-viewpoint/retailers-stop-playing-promotion-game/306795; Mark Harden, “Sports Authority: What Went Wrong? A DJB Special Report,” *Denver Business Journal*, June 13, 2016, www.bizjournals.com/denver/news/2016/06/13/sports-authority-what-went-wrong.html.

Marketers often struggle with the problem of determining the extent to which they should use promotions to help generate sales for their brands or drive traffic to their retail stores versus relying on advertising as a way to build their brand image and avoid discounting and price competition. Given a choice, many companies would prefer to minimize their reliance on promotions and discounts and compete on the basis of product quality and/or brand image. However, many companies find it very difficult to avoid using promotions, particularly when consumers have become accustomed to them. For example, retailer JCPenney tried to reduce its reliance on promotions and move to a pricing and promotion model based on an everyday "fair" price (Exhibit 16–7). However, consumers reacted very negatively to the change, which resulted in a major decline in sales and the firing of the CEO who made the decision to reduce the number of promotions.[24] IMC Perspective 16–1 discusses the challenges marketers are facing as consumers become more reliant on discounts and promotions.

XHIBIT 16–7

Consumers reacted negatively when JCPenney tried to move to more everyday fair pricing and fewer promotions.

'l Braaten/McGraw-Hill Education

Proponents of advertising argue that marketers must maintain strong brand equity if they want to differentiate their brands and charge a premium price for them. They say advertising is still the most effective way to build the long-term franchise of a brand: It informs consumers of a brand's features and benefits, creates an image, and helps build and maintain brand loyalty. However, many marketers are not investing in their brands as they take monies away from media advertising to fund short-term promotions. Professors Lodish and Mela suggest that managers need to develop and arm themselves with long-term measures of brand performance and use them to make smarter marketing decisions that will not undermine brand equity.[25] However, the temptation to look for the quick fix and sales spike from a promotion will always be there. And it is likely that many marketers will continue to yield to the temptation rather than try to sell their brands at full price, particularly when competitors are using

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promotional tactics to attract their customers. Many of these concerns are justified, but not all sales promotion activities detract from the value of a brand. It is important to distinguish between consumer franchise-building and nonfranchise-building promotions.

Consumer Franchise-Building versus Nonfranchise-Building Promotions

Sales promotion activities that communicate distinctive brand attributes and contribute to the development and reinforcement of brand identity are **consumer franchise-building (CFB) promotions**.[26] Consumer sales promotion efforts cannot make consumers loyal to a brand that is of little value or does not provide them with a specific benefit. But they can make consumers aware of a brand and, by communicating its specific features and benefits, contribute to the development of a favorable brand image. Consumer franchise-building promotions are designed to build long-term brand preference and help the company achieve the ultimate goal of full-price purchases that do not depend on a promotional offer.

For years, franchise or image building was viewed as the exclusive realm of advertising, and sales promotion was used only to generate short-term sales increases. But now marketers are recognizing the image-building potential of sales promotion and paying attention to its CFB value. Surveys have found that nearly 90 percent of senior marketing executives believe consumer promotions can help build brand equity while nearly 60 percent think trade promotions can contribute.[27] Most sales promotion agencies recognize the importance of developing consumer and trade promotions that can help build brand equity. For example, Exhibit 16–8 shows a classic ad for Ryan Partnership that stresses how the agency develops trade promotions that help build brand equity.

XHIBIT 16–8

This promotion agency ad stresses the importance of using trade promotions to build brand equity.

ource: Ryan Partnership/Epsilon Data Management, LLC

Companies can use sales promotion techniques in a number of ways to contribute to franchise building. Rather than using a one-time offer, many companies are developing frequency programs that encourage repeat purchases and long-term patronage. Many credit cards have loyalty programs where consumers earn bonus points every time they use their card to charge a purchase. These points can then be redeemed for various items. Most airlines and many hotel chains offer frequent-flyer or guest programs to encourage repeat patronage. Many retail stores have also begun using frequency programs to build loyalty and encourage repeat purchases.

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Nonfranchise-building (non-FB) promotions are designed to accelerate the purchase decision process and generate an immediate increase in sales. These activities do not communicate information about a brand's unique features or the benefits of using it, so they do not contribute to the building of brand identity and image. Price-off deals, bonus packs, and rebates or refunds are examples of non-FB sales promotion techniques. Trade promotions receive the most criticism for being nonfranchise building for good reason. First, many of the promotional discounts and allowances given to the trade are never passed on to consumers. And most trade promotions that are forwarded through the channels reach consumers in the form of lower prices or special deals and lead them to buy on the basis of price rather than brand equity.

Many specialists in the promotional area stress the need for marketers to use sales promotion tools to build a franchise and create long-term continuity in their promotional programs. Whereas non-FB promotions merely borrow customers from other brands, well-planned CFB activities can convert consumers to loyal customers. Short-term non-FB promotions have their place in a firm’s promotional mix, particularly when competitive developments call for them. But their limitations must be recognized when a long-term marketing strategy for a brand is developed.

CONSUMER-ORIENTED SALES PROMOTION

LO 16-2

Marketers have been using various types of sales promotion for more than a hundred years and have found a variety of ways to give consumers an extra incentive to purchase their products and services. In this section, we examine the various sales promotion tools and techniques marketers can use to influence consumers. We study the consumer-oriented promotions shown in Figure 16–1 and discuss their advantages and limitations. First, we consider some objectives marketers have for sales promotion programs targeted to the consumer market.

Objectives of Consumer-Oriented Sales Promotion

As the use of sales promotion techniques continues to increase, companies must consider what they hope to accomplish through their consumer promotions and how they interact with other promotional activities such as advertising, direct marketing, and personal selling. Not all sales promotion activities are designed to achieve the same objectives. As with any promotional-mix element, marketers must plan consumer promotions by conducting a situation analysis and determining sales promotion's specific role in the integrated marketing communications program. They must decide what the promotion is designed to accomplish and to whom it should be targeted. Setting clearly defined objectives and measurable goals for their sales promotion programs forces managers to think beyond the short-term sales fix (although this can be one goal).

While the basic goal of most consumer-oriented sales promotion programs is to induce purchase of a brand, the marketer may have a number of different objectives for both new and established brands—for example, obtaining trial and repurchase, increasing consumption of an established brand, defending current customers, targeting a specific market segment, or enhancing advertising and marketing efforts.

Obtaining Trial and Repurchase One of the most important uses of sales promotion techniques is to encourage consumers to try a new product or service. While thousands of new products are introduced to the market every year, the vast majority of them fail within the first year. Many page 528 of these failures are due to the fact that the new product or brand lacks the promotional support needed either to encourage initial trial by enough consumers or to induce enough of those trying the brand to repurchase it. Sales promotion tools have become an important part of new brand introduction strategies; the level of initial trial can be increased through techniques such as sampling, couponing, and refund offers. The success of a new brand depends not only on getting initial trial but also on inducing a reasonable percentage of people who try the brand to repurchase it and establish ongoing purchase patterns. Promotional incentives such as coupons or refund offers are often included with a sample to encourage repeat purchase after trial. For example, Exhibit 16–9 shows an account-specific promotion Gillette used for its Fusion ProGlide razor. Razors were mailed to members of the Rite Aid drug chain wellness + rewards program to encourage trial, while a $5 off coupon for cartridges was included to encourage consumers to continue to use the product.

XHIBIT 16–9

Gillette used a product sample and coupon to promote trial and continued product use.

ark Dierker/McGraw-Hill Education

Increasing Consumption of an Established Brand Many marketing managers are responsible for established brands competing in mature markets, against established competitors, where consumer purchase patterns are often well set. Awareness of an established brand is generally high as a result of cumulative advertising effects, and many consumers have probably tried the brand. These factors can create a challenging situation for the brand manager. Sales promotion can generate some new interest in an established brand to help increase sales or defend market share against competitors.

Marketers attempt to increase sales for an established brand in several ways, and sales promotion can play an important role in each. One way to increase product consumption is by identifying new uses for the brand. Sales promotion tools like recipe books or calendars that show various ways of using the product often can accomplish this. An example of a brand that uses sales promotion to promote various uses of its product is Energizer batteries. Exhibit 16–10 shows how Energizer used a sweepstakes to encourage consumers to change the batteries in their smoke alarms and carbon monoxide detectors. Consumers could enter the sweepstakes by liking the Energizer Bunny on Facebook.

XHIBIT 16–10

Energizer used a sweepstakes to promote the use of its batteries in smoke and carbon monoxide detectors.

ource: Energizer Brands, LLC

Another strategy for increasing sales of an established brand is to use promotions that attract nonusers of the product category or users of a competing brand. Attracting nonusers of the product category can be very difficult, as consumers may not see a need for the product. Sales promotions can appeal to nonusers by providing them with an extra incentive to try the product, but a more common strategy for increasing sales of an established brand is to attract consumers who use a competing brand. This can be done by giving them an incentive to switch, such as a coupon, premium offer, bonus pack, or price deal. Marketers can also get users of a competitor to try their brand through sampling or other types of promotional programs. For example, MillerCoors used a Taste Challenge promotion to help regain market share for Miller Lite against Bud Light and other brands of light beer.[28] A key component of this integrated campaign was an interactive, onpremise promotion in bars, restaurants, and nightclubs where consumers were given the opportunity to compare the taste of Miller Lite against Bud Light (Exhibit 16–11).

XHIBIT 16–11

Viller Lite's Taste Challenge was a very successful promotion for attracting users of competing brands.

ource: MillerCoors

Defending Current Customers With more new brands entering the market every day and competitors attempting to take away their page 529

customers through aggressive advertising and sales promotion efforts, many companies are turning to sales promotion programs to hold present customers and defend their market share. A company can use sales promotion techniques in several ways to retain its current customer base. One way is to load them with the product, taking them out of the market for a certain time. Special price promotions, coupons, or bonus packs can encourage consumers to stock up on the brand. This not only keeps them using the company's brand but also reduces the likelihood they will switch brands in response to a competitor's promotion.

Targeting a Specific Market Segment Most companies focus their marketing efforts on specific market segments and are always looking for ways to reach their target audiences. Many marketers are finding that sales promotion tools such as contests and sweepstakes, events, coupons, and samplings are very effective ways to reach specific geographic, demographic, psychographic, and ethnic markets. Sales promotion programs can also be targeted to specific user-status groups such as nonusers or light versus heavy users. For example, Anheuser Busch created a clever promotion for its Michelob ULTRA to promote the brand to a new target audience they term the "social athlete." The promotion was called #WillRunforBeer and was targeted to beer drinkers who participate in 5K and 10K races on Thanksgiving Day. In recent years, Turkey Trots have become synonymous with the holiday, with over 1,300 races held in cities nationwide, and has become the largest race day of the year, bringing together more than 1 million runners to compete. To participate, consumers over the age of 21 in select markets across the country were invited to follow the brand on Twitter or Instagram and share a photo from their Turkey Trot using the #WillRunforBeer and tagging @MichelobULTRA (Exhibit 16–12). Participants were sent a Drizly promotion code that they could redeem for a free bottle or can of Michelob Ultra.

XHIBIT 16–12

This promotion for Michelob ULTRA targeted social athletes.

ource: Anheuser-Busch, Inc.

Promotional programs also can be developed to coincide with peak sales periods for certain products and services. For example, candy companies such as Mars and Hershey often develop sales promotions that are run right before Halloween while clothing and school supply companies targeting children and teens run promotions in late summer, when most of the back-to-school shopping occurs.

Enhancing Integrated Marketing Communications and Building Brand Equity A final objective for consumer-oriented promotions is to enhance or support the integrated marketing communications effort for a brand or company. Building and/or maintaining brand equity was traditionally viewed as something that was done through media advertising, but it has also become an important goal for marketers as they develop their sales promotion programs. Companies are asking their advertising and promotion agencies to think strategically and develop promotional programs that can do more than simply generate short-term sales. They want promotions that require consumers to become more involved with their brands and offer a way of presenting the brand essence in an engaging way. Many marketers are recognizing that a well-designed and executed promotion can be a very effective way to engage consumers and to differentiate their brands. Sales promotion techniques such as contests or sweepstakes and premium offers are often used to draw attention to an advertising campaign, to increase involvement with the message and product or service, and to help build relationships with consumers.

CONSUMER-ORIENTED SALES PROMOTION TECHNIQUES

Sampling

LO 16-3

Marketers use a variety of consumer-oriented sales promotion tools to accomplish the objectives just discussed. We will discuss how these various sales promotion tools are used and factors marketers must consider in using them, beginning with sampling.

Sampling involves a variety of procedures whereby consumers are given some quantity of a product for no charge to induce trial. Sampling is generally considered the most effective way to generate trial, although it is also the most expensive. As a sales promotion technique, sampling is often used to introduce a new product or brand to the market. However, sampling is used for established products as well. Some companies do not use sampling for established products, reasoning that samples may not induce satisfied users of a competing brand to switch and may just go to the firm's current customers, who would buy the product anyway. This may not be true when significant changes (new and improved) are made in a brand.

Manufacturers of packaged-goods products such as food, health care items, cosmetics, and toiletries are heavy users of sampling since their products meet the three criteria for an effective sampling program:

1. The products are of relatively low unit value, so samples do not cost too much.

2. The products are divisible, which means they can be broken into small sample sizes that are adequate for demonstrating the brand's features and benefits to the user.
3. The purchase cycle is relatively short, so the consumer will consider an immediate purchase or will not forget about the brand before the next purchase occasion.

Benefits and Limitations of Sampling Samples are an excellent way to induce trial as they provide consumers with a risk-free way to try new products. A major study by the Promotion Marketing Association (now known as the Brand Activation Association) found that the vast majority of consumers receiving a sample either use it right away or save it to use sometime later.[29] Sampling generates much higher trial rates than do advertising or other sales promotion techniques.

Getting people to try a product leads to a second benefit of sampling: Consumers experience the brand directly, gaining a greater appreciation for its benefits. This can be particularly important when a product's features and benefits are difficult to describe through advertising. Many foods, beverages, and cosmetics have subtle features that are most appreciated when experienced directly. Thus, marketers in these industries often use samples as a way to introduce consumers to their new products. For example, Jack in the Box, one of the major fast-food restaurant chains in the Western region of the United States, used a "Free Fryday" promotion to give consumers the opportunity to sample its new french fries (Exhibit 16–13). Nearly 70 percent of the respondents in the PMA survey indicated they have purchased a product they did not normally use after trying a free sample. The study also found that samples are even more likely to lead to purchase when they are accompanied by a coupon.

XHIBIT 16–13

Jack in the Box's "Free Fryday" promotion was an effective way to encourage consumers :o try its new French fries.

ɔurce: Jack In The Box Inc.

While samples are an effective way to induce trial, the brand must have some unique or superior benefits for a sampling program to be worthwhile. Otherwise, the sampled consumers revert back to other brands and do not become repeat purchasers. The costs of a sampling program can be recovered only if it gets a number of consumers to become regular users of the brand at full retail price.

Another possible limitation to sampling is that the benefits of some products are difficult to gauge immediately, and the learning period required to appreciate the brand may require supplying the consumer with larger amounts of the brand than are affordable. An example would be an expensive skin cream that is promoted as preventing or reducing wrinkles but has to be used for an extended period before any effects are seen.

Sampling Methods One basic decision the sales promotion or brand manager must make is how the sample will be distributed. The sampling method chosen is important not only in terms of costs but also because it influences the type of consumer who receives the sample. The best sampling method gets the product to the best prospects for trial and subsequent repurchase. Some basic distribution methods include door-to-door, direct-mail, in-store, and on-package approaches. *Door-to-door sampling*, in which the product is delivered directly to a residence, is used when it is important to control where the samples are delivered. For many years newspapers were used to achieve mass distribution of samples such as by using poly bags, with a promotional message printed on them along with the sample. However, less than half of U.S. households now subscribe to a print newspaper, which reduces their value as a sampling method for marketers who want mass distribution of their samples.

Sampling through the mail is common for small, lightweight, nonperishable products. A major advantage of this method is that the marketer has control over where and when the product will be distributed and can target the sample to specific market areas. Many marketers are using information from geodemographic target marketing programs such as Claritas' PRIZM Premier to better target their sample mailings. *In-store sampling* is increasingly popular, especially for food products since consumers get to taste the item and the demonstrator can give them more information about the product while it is being sampled. Although this sampling method can be very effective, it can also be expensive and requires a great deal of planning, as well as the cooperation of retailers.

On-package sampling, where a sample of a product is attached to another item, is another common sampling method (see Exhibit 16–14). This procedure can be very cost-effective, particularly for multiproduct firms that attach a sample of a new product to an existing brand's package. A drawback is that since the sample is distributed only to consumers who purchase the item to which it is attached, the sample will not reach nonusers of the carrier brand. Marketers can expand this sampling method by attaching the sample to multiple carrier brands and including samples with products not made by their company.

XHIBIT 16–14

Armor All uses on-package samples for related products.

ource: The Armor All/STP Products Company

Event sampling has become one of the fastest-growing and most popular ways of distributing samples. Many marketers are using sampling programs that are part of integrated marketing programs that feature events, media tie-ins, and other activities that provide consumers with a total sense of a brand rather than just a few tastes of a food or beverage or a trial size of a packaged-goods product. Event sampling can take place in stores as well as at a variety of other venues such as concerts, sporting events, and other places.

Other Methods of Sampling The four sampling methods just discussed are the most common, but several other methods are also used. Several companies also use specialized sample distribution service companies. These firms help the company identify consumers who are nonusers of a product or users of a competing brand and develop appropriate procedures for distributing a sample to them. Many college students receive sample packs at the beginning of the semester that contain trial sizes of such products as mouthwash, toothpaste, headache remedies, and deodorant.

The Internet is yet another way companies are making it possible for consumers to sample their products, and it is adding a whole new level of targeting to the mix by giving consumers the opportunity to choose the samples they want. Several companies offer websites where consumers can register to receive free samples for products that interest them. Exhibit 16–15 shows the homepage from the website of Sample A Day promoting the samples and other promotional offers it makes available to consumers. The service asks consumers qualifying questions on product usage that can be used by marketers to target their samples and other promotional offers more effectively.

XHIBIT 16–15

Consumers can request samples from websites such as sampleaday.com

ource: Sampleaday.com

Marketers also use various forms of social media as a way to distribute samples. For example, Splenda used Facebook to distribute samples of a pocket-size spray form of its sweetener. The company used engagement ads to direct consumers to the Splenda Mist page, where they could sign up for a “first look” at the new product and provide the company with information about themselves. Splenda also used its Facebook page to solicit valuable feedback from consumers who received the samples.[30]

Couponing

The oldest, most widely used, and most effective sales promotion tool is the cents-off coupon. Coupons have been around since 1895, when the C. W. Post Co. started using the penny-off coupon to sell its new Grape-Nuts cereal. In recent years, coupons have become increasingly popular with consumers, which may explain their explosive growth among manufacturers and retailers that use them as sales promotion incentives. Coupons are the most popular sales promotion technique as they are used by nearly all the packaged-goods firms.

Coupon distribution and use for consumer packaged goods (CPG) in the United States increased significantly during the recent recession as the number of coupons distributed reached a record 332 billion in 2010, with 3.3 billion being redeemed. As the economy recovered, the number of coupons distributed declined to 258 billion in 2018, with 1.7 billion being redeemed. According to NCH Marketing Services, a company that tracks coupon distribution and redemption patterns, over 60 percent of consumers in the United States use coupons and 13 percent say they always use them when they shop. The average face value of the 258 billion CPG coupons distributed in 2018 was \$2.01, while the average value for the 1.7 billion redeemed was \$1.55. However the average face value of coupons redeemed for nonfood CPG was \$1.94 compared to \$1.14 for food products.[31]

Adding more fuel to the coupon explosion of the past several decades has been the vast number of coupons distributed through retailers that are not even included in these figures. In some markets, a number of grocery stores make manufacturers' coupons even more attractive to consumers by doubling the face value.

Advantages and Limitations of Coupons Coupons have a number of advantages that make them popular sales promotion tools for both new and established products. First, coupons make it possible to offer a price reduction only to those consumers who are price-sensitive. Such consumers generally purchase *because* of coupons, while those who are not as concerned about price buy the brand at full value. Coupons also make it possible to reduce the retail price of a product without relying on retailers for cooperation, which can often be a problem. Coupons are generally regarded as second only to sampling as a promotional technique for generating trial. Since a coupon lowers the price of a product, it reduces the consumer's perceived risk associated with trial of a new brand. Coupons can encourage repurchase after initial trial. Many new products include a cents-off coupon inside the package to encourage repeat purchase.

Coupons can also be useful promotional devices for established products. They can encourage nonusers to try a brand, encourage repeat purchase among current users, and get users to try a new, improved version of a brand. Coupons may also help coax users of a product to trade up to more expensive brands. The product category where coupons are used most is disposable diapers, followed by cereal, detergent, and deodorant. Some of the product categories where coupons are used the least are carbonated beverages, candy, and gum.

But there are a number of problems with coupons. First, it can be difficult to estimate how many consumers will use a coupon and when. Response to a coupon is rarely immediate; it typically takes several months to redeem one. A study of coupon redemption patterns by Inman and McAlister found that many coupons are redeemed just before the expiration date rather than in the period following the initial coupon drop.[32] Many marketers are attempting to expedite redemption by shortening the time period before expiration. The average length of time from issue date to expiration date for CPG coupons in 2018 was 6.9 weeks, with the time being longer for consumer food products than for nonfood products. However, coupons remain less effective than sampling for inducing initial product trial in a short period.

A problem associated with using coupons to attract new users to an established brand is that it is difficult to prevent the coupons from being used by consumers who already use the brand. Rather than attracting new users, coupons can end up reducing the company's profit margins among consumers who would probably purchase the product anyway. However, they can help retain users.

Other problems with coupons include low redemption rates and high costs. Couponing program expenses include the face value of the coupon redeemed plus costs for production, distribution, and handling of the coupons. Figure 16–3 shows the calculations used to determine the costs of a couponing program using an FSI (freestanding insert) in the Sunday newspaper and a coupon with a face value of $1. As can be seen from these figures, the cost of a couponing program can be very high. Marketers should track coupon costs very carefully to ensure their use is economically feasible.

IGURE 16–3

Calculating Couponing Costs

Cost per Coupon Redeemed: An Illustration	
1. Distribution cost: 55,000,000 circulation × $6.25/M	$343,750
2. Redemptions at 1.5%	825,000
3. Redemption cost: 825,000 redemptions × $1.00 face value	$825,000
4. Retailer handling cost and processor fees: 825,000 redemptions × $0.10	$82,500
5. Creative costs	$1,500
6. Total program cost: Items 1 + 3 + 4 + 5	$1,252,750
Cost per coupon redeemed Cost divided by redemption	$1.52
7. Actual product sold on redemption (misredemption estimated at 20%): 825,000 × 80%	660,000
8. Cost per product moved: Program cost divided by amount of product sold	$1.90

Another problem with coupon promotions is misredemption, or the cashing of a coupon without purchase of the brand. Coupon misredemption or fraud occurs in a number of ways, including redemption of coupons by consumers for a product type or size not specified on the coupon; redemption by store managers and employees without the accompanying sales of the product; printing of coupons by criminals who sell them to unethical merchants, who in turn redeem them; and online fraud, whereby phony coupons are produced and distributed online. Coupon fraud and misredemption cost manufacturers an estimated $500 million a year in the United States alone.

Many manufacturers hold firm in their policy to not pay retailers for questionable amounts or suspicious types of coupon submissions. However, some companies are less aggressive, and this affects their profit margins. Marketers must allow a certain percentage for misredemption when estimating the costs of a couponing program. Ways to identify and control coupon misredemption, such as improved coding, are being developed, but it still remains a problem. Many retailers are tightening their policies regarding Internet coupons. For example, Walmart will not accept Internet coupons unless they have a valid expiration date, remit address, and bar code.

Coupon Distribution Coupons can be disseminated to consumers by a number of means, including freestanding inserts in Sunday newspapers, direct mail, newspapers (either in individual ads or as a group of coupons in a cooperative format), magazines, on packages, and online. Distribution through newspaper **freestanding inserts (FSIs)** is by far the most popular method for delivering coupons to consumers, accounting for more than 90 percent of all coupons distributed. An FSI is a four-color multipage printed advertising booklet that contains consumer packaged-goods coupon offers delivered with newspapers (usually in Sunday editions). FSIs can also be delivered in direct-mail packages along with local retailer ads or can be cooperative booklets such as *RedPlum* or *SmartSource* as well as solo books done by companies. For example, Procter & Gamble uses its own *P&G brandSAVER* FSI booklet each month in newspapers throughout the country (Exhibit 16–16).

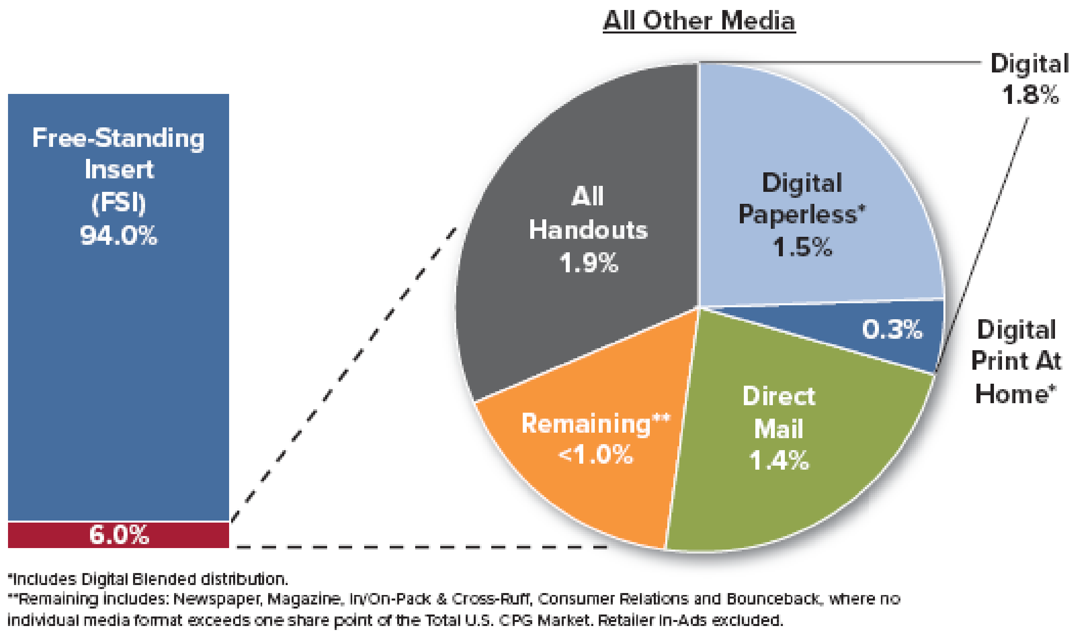
XHIBIT 16–16

Procter & Gamble distributes its own FSI booklet.

ark Dierker/McGraw-Hill Education

There are a number of reasons why FSIs are the most popular way of delivering coupons, including their high-quality four-color graphics, competitive distribution costs, national same-day circulation, market selectivity, and the fact that they can be competition-free due to category exclusivity (by the FSI company). Prices for a full-page FSI are currently about $6 to $7 per thousand, which makes FSI promotions very efficient and affordable. Because of their mass-market appeal among consumers and predictable distribution, coupons distributed in FSIs are also a strong selling point with the retail trade.

The increased distribution of coupons through FSIs has, however, led to a clutter problem. Consumers are being bombarded with too many coupons, and although each FSI publisher offers product exclusivity in its insert, this advantage may be negated when there are three inserts in a Sunday paper. Redemption rates of FSI coupons have declined from 4 percent to under 2 percent and even lower for some products. These problems are leading some marketers to look at other ways of delivering coupons that will result in less clutter and higher redemption rates, such as direct mail or by simply handing them out or dispensing them electronically in retail stores. Figure 16–4 shows the percentage of coupons delivered through methods other than FSIs.



IGURE 16–4

CPG Coupon Distribution by Media

ource: NCH Marketing Services, Inc.

Couponing Trends Coupons continue to be the most effective sales promotion tool for influencing consumers' purchase decisions, as evidenced by the 1.7 billion that are redeemed each year by U.S. consumers. The popularity of coupons reflects the fact that they are a way for the average household to save a considerable amount of money each year.

page 535

Coupon use has remained high even after the recent recession; nearly 60 percent of consumers use coupons on a regular basis and some use them very heavily. In fact, the term *extreme couponing* has been coined to describe the activity of combining shopping skills with coupon use in an effort to save as much money as possible while shopping. The TLC network still airs a reality show titled *Extreme Couponing*, which focuses on shoppers who save large amounts of money by using coupons (Exhibit 16–17).

XHIBIT 16–17

Extreme Couponing is a popular reality TV show.

ark Dierker/McGraw-Hill Education

The increased use of coupons also reflects the fact that more coupons are being distributed by marketers who are using them as a way to compete against lower-priced competitors as well as private-label store brands.[33] While consumers are using more coupons, there are still a number of problems facing marketers in using them. The average U.S. household is still barraged with more than 2,000 coupons per year and consumers redeem less than 1 percent of the hundreds of billions of coupons distributed.

Concerns over the cost and effectiveness of coupons have led some marketers to cut back on their use and/or change the way they use them. For example, marketers have reduced the duration period, with expiration dates of three months or less becoming more common. Marketers are also moving to greater use of multiple-item purchase requirements for coupons, particularly for grocery products where nearly 40 percent of the coupons use this tactic. Despite the growing sentiment among major marketers that coupons are inefficient and costly, very few companies are likely to abandon them entirely. However, companies as well as the coupon industry are looking for ways to improve on their use.

Many marketers and retailers are looking to the Internet as a medium for distributing coupons. A number of websites now offer coupons such as Coupon.com, RedPlum, and SmartSource. Consumers can also access coupons online through Valpak.com, which makes the same coupons and offers available to consumers that come in the Valpak direct-mail envelope.

Another way consumers access discounts and special offers online is through companies such as Groupon, Living Social, and others that connect local merchants, as well as national brands with consumers looking for deals. The best-known company in this promotional space is Groupon, which started in Chicago in 2008 and has expanded throughout the United States and around the world. The company has nearly 50 million active users, including 32 million in North America and over 17 million internationally. Consumers can join the site for free and, once registered, receive notifications of discounted deals being offered in their area through e-mail notifications or by checking the Groupon website, Facebook, or Twitter pages. Groupon also utilizes mobile marketing; more than half of its transactions take place over smartphones and other mobile devices. Over 120 million people worldwide have downloaded the Groupon mobile app, which makes it possible for the company to use location-based marketing, whereby deals are sent to consumers based on their proximity to a specific merchant such as a restaurant or retail store. Exhibit 16–18 shows how Groupon's model works for both consumers and merchants.

XHIBIT 16–18

Groupon has become a very popular way for merchants to offer discounts and deals to consumers.

ource: Groupon, Inc.

Consumers seek out coupons and discounts from a number of different digital channels, including retailer and manufacturer websites, search engines, coupon-specific apps, e-mails from retailers, push notifications, and QR codes on digital signage or catalogs. Companies such as Scan, ShopSavvy, and RedLaser provide shopping apps that allow consumers to scan the UPC bar code with their phone to get a coupon for that product or a related one. Many consumers are downloading coupons linking mobile coupons and other promotional offers to their retailer loyalty cards. Some marketers work with companies that deliver coupons to mobile devices of consumers who sign up for its service. One such company, Cellfire, owned by Catalina Marketing, is the leading provider of load-to-card (L2C) digital coupons in the consumer packaged-goods market and works with marketers as well as more than 22,000 stores nationwide to offer mobile couponing services.

Mobile coupons are likely to become an even more important part of marketers' digital marketing programs because they recognize that mobile now represents nearly 65 percent of all digital media time for people online, with mobile apps dominating that usage. Another reason marketers are increasing their use of mobile coupons is that they are an effective way to measure the effectiveness of mobile advertising. *eMarketer* cites studies showing that almost two-thirds of U.S. marketers view mobile coupons as the most effective method for attributing in-store purchase to mobile ads.[34]

Premiums

Premiums are a sales promotion device used by many marketers. A **premium** is an offer of an item of merchandise or service either free or at a low price that is an extra incentive for purchasers. Many marketers are eliminating toys and gimmicks in favor of value-added premiums that reflect the quality of the product and are consistent with its image and positioning in the market. Marketers spend over $4 billion a year on value-added premium incentives targeted at the consumer market. The two basic types of offers are the free premium and the self-liquidating premium.

Free Premiums Free premiums are usually small gifts or merchandise included in the product package or sent to consumers who mail in a request along with a proof of purchase. In/on-package free premiums include toys, balls, trading cards, or other items enclosed in cereal packages, as well as samples of one product included with another. Package-carried premiums have high impulse value and can provide an extra incentive to buy the product. However, several problems are associated with their use. First, there is the cost factor, which results from the premium itself as well as from extra packaging that may be needed. Finding desirable premiums at reasonable costs can be difficult, particularly for adult markets, and using a poor premium may do more harm than good.

Free mail-in premium offers require the consumer to send in more than one proof of purchase and thus can encourage repeat purchase and reward brand loyalty. But a major drawback of mail-in premiums is that they do not offer immediate reinforcement or reward to the purchaser, so they may not provide enough incentive to purchase the brand. Few consumers take advantage of mail-in premium offers as the average redemption rate for them around 2 to 4 percent.

Free premiums have become very popular in the restaurant industry, particularly among fast-food chains such as McDonald’s and Burger King, which use premium offers in their kids’ meals to attract children.

McDonald’s has become the world’s largest toymaker on a unit basis, commissioning about 750 million toys per year for its Happy Meals (Exhibit 16–19). Many of the premium offers used by the fast-food giants have cross-promotional tie-ins with popular movies and can be very effective at generating incremental sales. McDonald’s negotiates movie tie-in deals with a number of studios, including DreamWorks Animation SKG and Pixar Animation Studios, as well as Disney. McDonald’s uses movie tie-ins as the basis for many of its Happy Meal promotions.

XHIBIT 16–19

McDonald’s Happy Meals use toys as premium offers to help attract children.

issala/Shutterstock

A very popular type of incentive used by marketers is airline miles, which have literally become a promotional currency. U.S. airlines make more than an estimated $2 billion each year selling miles to other marketers. Consumers are now choosing credit-card services, phone services, hotels, and many other products and services on the basis of mileage premiums for major frequent-flyer programs such as American Airlines's AAdvantage program or United Airlines's Mileage Plus program. Exhibit 16–20 shows how American Airlines promotes the value of AAdvantage miles as a promotional incentive that companies can offer to help attract and retain customers.

XHIBIT 16–20

American Airlines promotes the value of AAdvantage miles as a purchase incentive.

ark Dierker/McGraw-Hill Education

Self-Liquidating Premiums **Self-liquidating premiums** require the consumer to pay some or all of the cost of the premium plus handling and mailing costs. The marketer usually purchases items used as self-liquidating premiums in large quantities and offers them to consumers at lower-than-retail prices. The goal is not to make a profit on the premium item but rather just to cover costs and offer a value to the consumer.

In addition to cost savings, self-liquidating premiums offer several advantages to marketers. Offering values to consumers through the premium products can create interest in the brand and goodwill that enhances the brand's image. These premiums can also encourage trade support and gain in-store displays for the brand and the premium offer. Self-liquidating premiums are often tied directly to the advertising campaign, so they extend the advertising message and contribute to consumer franchise building for a brand. For example, Philip Morris offers Western wear, outdoor items, and other types of Marlboro gear through its Marlboro Country catalog, which reinforces the cigarette brand's positioning theme.

Self-liquidating premium offers have the same basic limitation as mail-in premiums: very low redemption rates which can leave the marketer with a large supply of items with a logo or some other brand identification that makes them hard to dispose of. Thus, it is important to test consumers' reaction to a premium incentive and determine whether they perceive the offer as a value. Another option is to use premiums with no brand identification, but that detracts from their consumer franchise-building value.

Contests and Sweepstakes

Contests and sweepstakes are an increasingly popular consumer-oriented promotion as marketers spent over $2 billion on them each year. These promotions seem to have an appeal and glamour that such tools as cents-off coupons lack. Contests and sweepstakes are exciting because, as one expert has noted, many consumers have a "pot of gold at the end of the rainbow mentality" and think they can win the big prizes being offered.[35] The lure of sweepstakes and promotions has also been influenced by the "instant-millionaire syndrome" that has derived from huge cash prizes given by many state lotteries in recent years. Marketers are attracted to contests and sweepstakes as a way of generating attention and interest among a large number of consumers.

There are differences between contests and sweepstakes. A **contest** is a promotion where consumers compete for prizes or money on the basis of skills or ability. The company determines winners by judging the entries or ascertaining which entry comes closest to some predetermined criterion (e.g., picking the winning teams and total number of points in the Super Bowl or NCAA basketball tournament). Contests usually provide a purchase incentive by requiring a proof of purchase to enter or an entry form that is available from a dealer or advertisement. Some contests require consumers to read an ad or package or visit a store display to gather information needed to enter. Marketers must be careful not to make their contests too difficult to enter, as doing so might discourage participation among key prospects in the target audience.

A **sweepstakes** is a promotion where winners are determined purely by chance; it cannot require a proof of purchase as a condition for entry. Entrants need only submit their names for the prize drawing. page 538 While there is often an official entry form, handwritten entries must also be permitted. One form of sweepstakes is a **game**, which also has a chance element or odds of winning. Scratch-off cards with instant winners are a popular promotional tool. Some games occur over a longer period and require more involvement by consumers. Promotions where consumers must collect game pieces are popular among retailers and fast-food chains as a way to build store traffic and repeat purchases.

IMC Perspective 16–2 > > >

Life Cereal Looks for the Next Mikey

If you have ever had cereal for breakfast, chances are you have eaten the Life brand, which has been marketed by the Quaker Oats Company since 1961. When Quaker launched the brand, it was hailed as a nutritional breakthrough because of its high protein content. Early advertising for the brand focused on its nutritional value, using the slogan "The most useful protein ever in a ready-to-eat cereal." However, the brand had limited success because many mothers were concerned their children would not like the taste of a nutritious cereal. When the Doyle, Dane, Bernbach agency took over the account, the goal was to convince mothers that Life was a nutritious cereal with taste so good that even their kids would like it. In 1972 the agency created the "Mikey likes it!" commercial featuring a cute three-year-old boy who is a very picky eater. The commercial begins with Mikey's two older brothers looking skeptically at a bowl of Life cereal and challenging each other to try it. They then decide to get Mikey to try it stating: "He won't eat it. He hates everything." However, Mikey really likes the taste of Life, and the spot ends with one of the brothers shouting what became a very popular line, "He likes it! Hey, Mikey!"

The Mikey commercial struck a responsive chord with consumers; even though other elements of Life's marketing strategy were unchanged, sales took off, and it became one of the top 10 brands of ready-to-eat cereal in market share. Other ads featuring Mikey were created, and the campaign was used successfully for nearly 10 years as Quaker marketing executives acknowledged that the ads were the most important reason for the sales growth of the Life. In 1987, the Quaker Oats Company ran a very successful “Whatever happened to Mikey” promotion, where consumers were asked to try and guess what the now-grown Mikey looked like. Boxes of Life had 20 photos on the back, and people were asked to guess which one was the real Mikey. The contest received 750,000 entries, and Life’s market share increased by nearly 20 percent during the promotion. In 1999, the company did a remake of the commercial with the same script but featured adults instead of the little kids.

Twenty years after the adult remake of the famous Mikey ad, Quaker and its advertising agency set course to see if they could recapture the magic by launching a nationwide contest to find the next face for an advertising campaign for Life. A Quaker Foods North America executive noted, “Though four decades have passed since the ‘Mikey Likes It’ commercial, Life cereal still has a great taste kids love and the nutrition parents want, just as it did when Mikey first tried it many years ago. Through this nationwide contest, we’re excited to build enthusiasm for the next generation and remind their parents of its great nutritional value.” The contest encouraged parents of children between the ages of four and eight years old to upload a video of their child reading a prepared script to a website that was created (LifeCastingContest.com), or they could attend a live-casting call at one of five Walmart locations around the country.

Source: Quaker Oats Company

Usually when marketers make casting decisions for a commercial, they use a talent agency rather than having a nationwide casting call. However, Quaker Foods used the contest audition to help build buzz and interest even before the advertising campaign was launched. Press releases were used to get media coverage of the contest, and it was also promoted on parent and food and cooking websites as well as through social media. Also, to enter the contest, parents were asked to share personal information, including their names, birth dates, their children’s birthdays, and mailing address and e-mail address, which provided the company with customer data that could be used for other marketing campaigns.

The Mikey character from the original commercial was played by John Gilchrest who garnered a great deal of fame that followed him throughout his life. He appeared in nearly 250 commercials and also did some acting outside of advertising as well. In the mid-1980s, the Quaker Oats Company tried to revive the public's emotional attachment by having him reprise his role as Mikey. However, this time the commercial was for the beverage drink Snapple, which was owned by Quaker at the time, and digitally placed a bottle of Snapple into the original Life cereal ad. The spot was titled "Today's Mikey" and depicted the grown-up Mikey as a college student. However, Gilchrest was not nearly as cute as he was as a kid, and the ad did not resonate well with consumers. Gilchrest eventually left acting and earned a degree in communications at Iona College, which led to a position as director of media sales at Madison Square Garden in New York.

It will be interesting to see if the next Mikey moves the sales needle for Life Cereal as well as Gilchrest did in the role. Perhaps by the time you are reading this, a new generation of cereal lovers will be once again shouting "Hey, Mikey! He likes it!"

Sources: Dianna Christe, "Life Cereal Contest Auditions Kids for Reboot of '70s 'Mikey Likes It' Ad," *Marketing Drive*, April 9, 2019, www.marketingdive.com/news/life-cereal-contest-auditions-kids-for-reboot-of-70s-mikey-likes-it-ad/552228/; Rebeka Knott, "What Really Became of Mikey, the Life Cereal Kid?" *Groovy History*, February 25, 2019, groovyhistory.com/mikey-likes-it-life-cereal; "The More Creative the Ad, the Better It Sells," Film Series, American Association of Advertising Agencies, New York, 1983; William A. Robinson, "Best Promotions of 1986–1987 Robbie Award Winners," *Marketing Communications*, October 1987, p. 4.

Because they are easier to enter, sweepstakes attract more entries than contests. They are also easier and less expensive to administer, since every entry does not have to be checked or judged. Choosing the winning entry in a sweepstakes requires only the random selection of a winner from the pool of entries or generation of a number to match those held by sweepstakes entrants. Experts note that the costs of mounting a sweepstakes are also very predictable. Companies can buy insurance to indemnify them and protect against the expense of awarding a big prize. In general, sweepstakes present marketers with a fixed cost, which is a major advantage when budgeting for a promotion.

Contests and sweepstakes can involve consumers with a brand by making the promotion product relevant or by connecting the prizes to the lifestyle, needs, or interests of the target audience. Marketers often look for creative themes for contests and sweepstakes that will capture the attention and interest of consumers and generate entries, as well as excitement, over a company/brand and the product or service.

The nature of contests and sweepstakes, as well as the way they are deployed, is changing as many companies are delivering them online rather than through traditional entry forms that are submitted via the page 539 mail or dropped in an entry box. Marketers are using the Internet for their contests and sweepstakes because of its cost efficiency, immediate data collection capabilities, and ability to keep consumers engaged. Promotions are being designed to ensure an engaging consumer experience by making them more entertaining and interactive and also developing prizes that are not only larger but more customized and experiential-based.[36] A number of companies are also integrating user-generated content into their contests, which are often promoted on their Facebook pages. Contests that rely on *crowdsourcing* whereby consumers enter ideas and they are voted on by others are becoming increasingly popular. For example, Frito-Lay has run create-a-chip contests for Doritos as well as Lay's potato chips, while Samuel Adams has run contests asking consumers to create a crowdsourced beer, and Arizona Beverages USA has prodded the public to create new iced tea flavors.[37] IMC Perspective 16–2 discusses a contest run by Quaker Foods for Life Cereal that built off of the nostalgia of the famous "Mikey Likes It" commercial that ran nearly 50 years ago for the brand. Parents could enter by sending videos of their children to have them cast as Mikey in a reboot of the campaign.

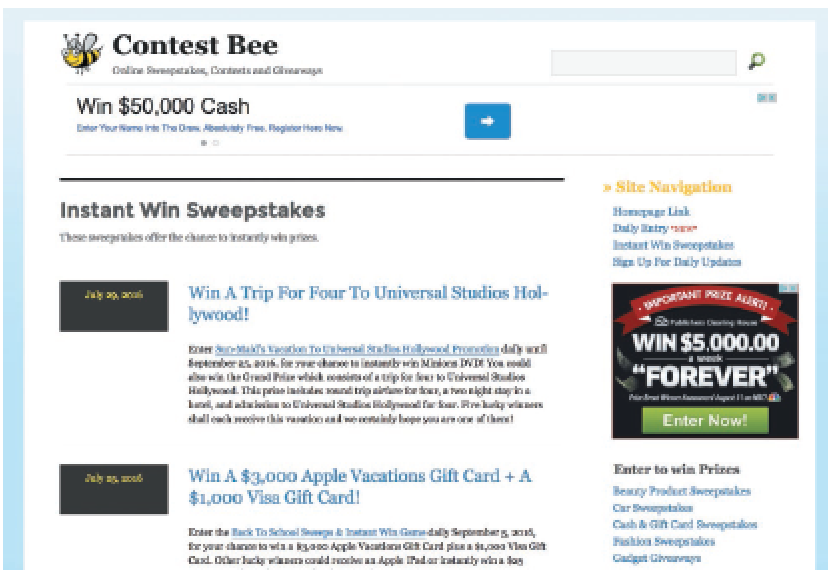
Problems with Contests and Sweepstakes While the use of contests and sweepstakes continues to increase, there are some problems associated with these types of promotions. Many sweepstakes and/or contest promotions do little to contribute to consumer franchise building for a product or service and may even detract from it. The sweepstakes or contest often becomes the dominant focus rather than the brand, and little is accomplished other than giving away substantial amounts of money and/or prizes. Many promotional experts question the effectiveness of contests and sweepstakes. Some companies have cut back or even stopped using page 540 them because of concern over their effectiveness and fears that consumers might become dependent on them.

Another problem with contests and sweepstakes is the participation in them by hobbyists who submit entries but have no real interest in the product or service. Because most states make it illegal to require a purchase as a qualification for a sweepstakes entry, consumers can enter as many times as they wish. Entrants may enter a sweepstakes numerous times, depending on the nature of the prizes and the number of entries allowed. There are numerous websites on the Internet such as sweepsadvantage.com that inform consumers of all the contests and sweepstakes being held, the entry dates, estimated probabilities of winning, how to enter, and solutions to any puzzles or other information that might be needed. The presence of the professional entrants not only defeats the purpose of the promotion but also may discourage entries from consumers who feel that their chances of winning are limited. Exhibit 16–21 shows a page from the website ContestBee.com, which provides consumers with information on contests and sweepstakes and how to enter them.

XHIBIT 16–21

Contest Bee is a collection of online contests and sweepstakes. Do you think the problems associated with contests and sweepstakes outweigh their effectiveness?

ource: ContestBee.com



Numerous legal considerations affect the design and administration of contests and sweepstakes.[38] These promotions are regulated by several federal agencies, and each of the 50 states has its own rules. The regulation of contests and sweepstakes has helped clean up the abuses that plagued the industry for many years and has improved consumers' perceptions of these promotions. But companies must still be careful in designing a contest or sweepstakes and awarding prizes.[39] Most firms use consultants that specialize in the design and administration of contests and sweepstakes to avoid any legal problems, but they may still run into problems with them if they are not administered properly. Marketers are not the only ones who encounter problems with promotions; consumers who win contests and sweepstakes often learn that there may be unexpected tax consequences because the prizes are treated as income by the Internal Revenue Service. Many of the prizes offered in contests and sweepstakes go unclaimed because consumers do not want to pay taxes based on their face value.[40]

Refunds and Rebates

Refunds (also known as *rebates*) are offers by the manufacturer to return a portion of the product purchase price, usually after the consumer supplies some proof of purchase. Consumers are generally very responsive to rebate offers, particularly as the size of the savings increases. Rebates are used by makers of all types of products, ranging from packaged goods to major appliances, cars, and computer software.

Marketers often use refund offers to induce trial of a new product or encourage users of another brand to switch. Refund offers can also encourage repeat purchase. Many offers require consumers to send in multiple proofs of purchase. The size of the refund offer may even increase as the number of purchases gets larger. Some packaged-goods companies are switching away from cash refund offers to coupons or cash/coupon combinations. Using coupons in the refund offer enhances the likelihood of repeat purchase of the brand. For example, Exhibit 16–22 shows a coupon refund offer used by Pennzoil that can be redeemed on the next oil change.

XHIBIT 16–22

Pennzoil uses a refund offer that is tied to a future purchase.

ource: Pennzoil by Shell International B.V.

Evaluating Refunds and Rebates Rebates can help create new users and encourage brand switching or repeat purchase behavior, or they can be a way to offer a temporary price reduction. This offer can influence purchase even if the consumer fails to realize the savings, so the marketer can page 541 reduce price for much less than if a direct price-off deal is used.

Some problems are associated with refunds and rebates. Many consumers are not motivated by a refund or rebate offer because of the delay and the effort required to obtain the savings. They do not want to be bothered saving cash register receipts and proofs of purchase, filling out forms, and mailing in the offer.[41] A study of consumer perceptions found a negative relationship between the use of rebates and the perceived difficulties associated with the redemption process.[42] The study also found that consumers perceive manufacturers as offering rebates to sell products that are not faring well. Nonusers of rebates were particularly likely to perceive the redemption process as too complicated and to suspect manufacturers' motives. This implies that companies using rebates must simplify the redemption process and use other promotional elements such as advertising to retain consumer confidence in the brand.

When small refunds are being offered, marketers may find other promotional incentives such as coupons or bonus packs more effective. They must be careful not to overuse rebate offers and confuse consumers about the real price and value of a product or service. Also, consumers can become dependent on rebates and delay their purchases or purchase only brands for which a rebate is available. Many retailers have become disenchanted with rebates and the burden and expense of administering them.[43]

However, despite the complaints consumers and retailers may have about them, marketers are unlikely to eliminate the use of rebates as they are a very effective promotion tool. A well-promoted, high-value rebate can increase sales significantly, and eliminating them can have a negative impact on sales, particularly in product categories where consumers have come to expect them. Marketers also recognize that they can accomplish a perceived price reduction among consumers who plan to redeem the rebates but never do so and factor the redemption rates into their pricing structure.[44]

Bonus Packs

Bonus packs offer the consumer an extra amount of a product at the regular price by providing larger containers or extra units Exhibit 16–23 shows a bonus pack offer for Charmin toilet tissue. Bonus packs result in a lower cost per unit for the consumer and provide extra value as well as more product for the money. There are several advantages to bonus pack promotions. First, they give marketers a direct way to provide extra value without having to get involved with complicated coupons or refund offers. The additional value of a bonus pack is generally obvious to the consumer and can have a strong impact on the purchase decision at the time of purchase.

XHIBIT 16–23

Charmin offers consumers 20% more toilet paper in this bonus pack.

ource: Charmin by Procter & Gamble

Bonus packs can also be an effective defensive maneuver against a competitor's promotion or introduction of a new brand. By loading current users with large amounts of its product, a marketer can often remove these consumers from the market and make them less susceptible to a competitor's promotional efforts. Bonus packs may result in larger purchase orders and favorable display space in the store if relationships with retailers are good. They do, however, usually require additional shelf space without providing any extra profit margins for the retailer, so the marketer can encounter problems with bonus packs if trade relationships are not good. Another problem is that bonus packs may appeal primarily to current users who probably would have purchased the brand anyway or to promotion-sensitive consumers who may not become loyal to the brand.

Price-Off Deals

Another consumer-oriented promotion technique is the direct **price-off deal**, which reduces the price of the brand. Price-off reductions are typically offered right on the package through specially marked price packs, as shown in Exhibit 16–24. Typically, price-offs range from 10 to 25 percent off the regular price, with the reduction coming out of the manufacturer's profit margin, not the retailer's. Keeping the retailer's margin during a price-off promotion maintains its support and cooperation.

page 542

XHIBIT 16–24

Ban offers consumers a price-off deal in this promotion.

ource: ban by KAO USA Inc.

Marketers use price-off promotions for several reasons. First, since price-offs are controlled by the manufacturer, it can make sure the promotional discount reaches the consumer rather than being kept by the trade. Like bonus packs, price-off deals usually present a readily apparent value to shoppers, especially when they have a reference price point for the brand and thus recognize the value of the discount.[45] So price-offs can be a strong influence at the point of purchase when price comparisons are being made. Price-off promotions can also encourage consumers to purchase larger quantities, preempting competitors' promotions and leading to greater trade support.

Price-off promotions may not be favorably received by retailers, since they can create pricing and inventory problems. Most retailers will not accept packages with a specific price shown, so the familiar *X* amount off the regular price must be used. Also, like bonus packs, price-off deals appeal primarily to regular users instead of attracting nonusers. Finally, the Federal Trade Commission has regulations regarding the conditions that price-off labels must meet and the frequency and timing of their use.

A popular variation of a price-off promotion is the buy one/get one free deal such as the offer for Purina Beneful dog food shown in Exhibit 16–25. These types of price promotions are an effective way to provide extra value for consumers and encourage them to make multiple purchases of a product.

XHIBIT 16–25

Buy one/get one free deals are often used to encourage multiple purchases of a brand.

ource: Nestlé Purina Petcare

Loyalty Programs

One of the fastest-growing areas of sales promotion is the use of **loyalty programs** (also referred to as *continuity* or *frequency programs*). American Airlines was one of the first major companies to use loyalty programs when it introduced its AAdvantage frequent-flyer program in 1981. Since then frequency programs have become commonplace in a number of product and service categories, particularly travel and hospitality, as well as among retailers. Virtually every airline, car rental company, casino, and hotel chain has some type of frequency program. American Airlines has nearly 100 million members in its AAdvantage program, while Marriott's Bonvoy program, which merged the Marriott Rewards, Ritz Carlton Rewards, and

Starwood Preferred Guest programs, has over 120 million members. The loyalty marketing research firm COLLOQUY's biennial report on the scope of U.S. reward programs showed that in 2017 consumers held 3.8 billion memberships in customer loyalty programs, which was a 15 percent increase in just two years.[46] The categories with the largest membership were retail with 1.6 billion, travel and hospitality with 1.1 billion, and financial services with 664 million.

Many packaged-goods companies are also developing loyalty programs. Pillsbury, Nestlé, Kraft, General Mills, and others have recently introduced continuity programs that offer consumers the opportunity to accumulate points for continuing to purchase their brands; the points can be redeemed for gifts and prizes. Supermarkets were among the first retailers to develop card-based shopper loyalty programs and more than 7,000 of them now have loyalty programs that offer members discounts, a chance to accumulate points that can be redeemed for rewards, newsletters, and other special services. Loyalty programs are also used by a variety of other retailers, including department stores, home centers, bookstores, and even local bagel shops. Many specialty retailers such as consumer electronics stores also have launched loyalty programs. For example, Best Buy launched its Rewards Zone program in 2003, and the program, which is now called My Best Buy, has grown to include more than 10 million members.

There are a number of reasons why loyalty programs have become so popular. Marketers view these programs as a way of encouraging consumers to use their products or services on a continual basis and as a way of developing strong customer loyalty. Many companies are also realizing the importance of customer retention and understand that the key to retaining and growing market share is building relationships with loyal customers.[47] Frequency programs also provide marketers with the opportunity to develop databases containing valuable information on their customers that can be used to better understand their needs, interests, and characteristics as well as to identify and track a company's most valuable customers. These databases can also be used to target specific programs and offers to customers to increase the amount they purchase and/or to build stronger relationships with them. Many marketers find it more cost efficient and effective to communicate with their customers through their loyalty programs than through mass-media advertising.

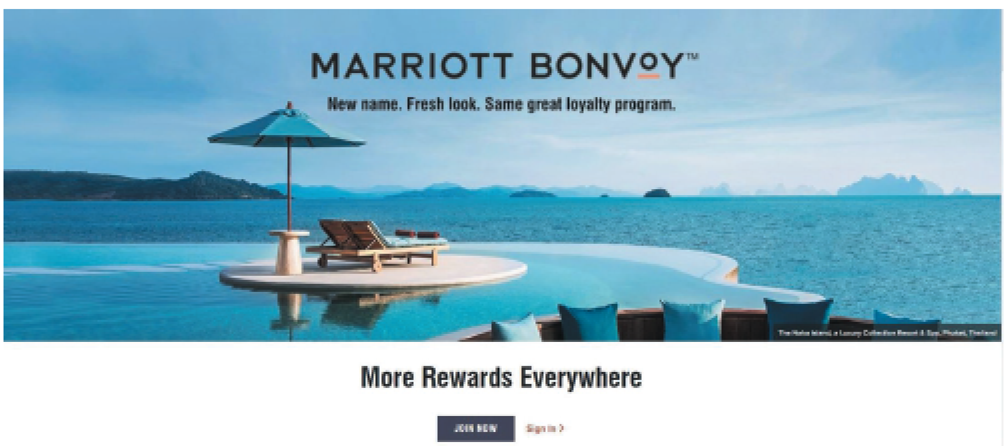
As frequency programs become more common, marketers will be challenged to find ways to use them as a means of differentiating their product, service, business, or retail store. According to the most recent COLLOQUY Loyalty Census report, the average U.S. household belongs to 30 loyalty programs but is active in a little less than half of them.[48] Moreover, nearly 30 percent of loyalty program participants have left a program before redeeming a single reward. The primary reasons consumers drop out of loyalty programs are because of the length of time it takes to earn reward points (57 percent) and because the program did not provide rewards/offers they were interested in (53 percent). Participants also left loyalty programs because they send too many communications that they deemed to be irrelevant, which points to the importance of having a well-thought-out marketing communications strategy. The COLLOQUY report also found that loyalty program participants expect them to have smartphone apps to track rewards and redeem points. Marketers must find ways to make their loyalty programs more than just discount or frequent-buyer programs. This will require the careful management of databases to identify and track valuable customers and their purchase history and the strategic use of targeted loyalty promotions.

Some companies have already begun making changes in their loyalty programs to make them more appealing to members and encourage more purchases. Many companies are expanding their earn and redemption offerings outside of their own loyalty programs—specifically, through coalition loyalty programs. For example, airline loyalty programs such as Southwest Rapid Rewards allow members to exchange their points earned in hotel programs like Marriott BONVOY and Hyatt Gold Passport for Southwest miles. Members of the Marriott BONVOY program can redeem their points with 250 airlines and car rental companies around the world (Exhibit 16–26). By leveraging the loyalty of others, brands within coalition programs can benefit from increased engagement, heightened value, and growing loyalty to their own programs. Most of the loyalty programs for airlines and hotels have also entered into partnerships with credit card companies such as MasterCard, Visa, and American Express to create affinity card that allow members to accumulate points or miles when they use the card. A number of companies have also made changes in the way rewards are earned in their loyalty programs. Several airlines such as American, Delta, United, and Southwest now base rewards on the amount of money spent for airline tickets rather than miles flown. Starbucks made changes to its My Starbucks Rewards program and customers now earn reward stars based on the amount of money they spend at the coffee retailer. Previously customers earned one star per transaction no matter how much money they spent.[49]

XHIBIT 16–26

The Marriott BONVOY loyalty program partners with other companies and programs.

ource: Marriott International, Inc.



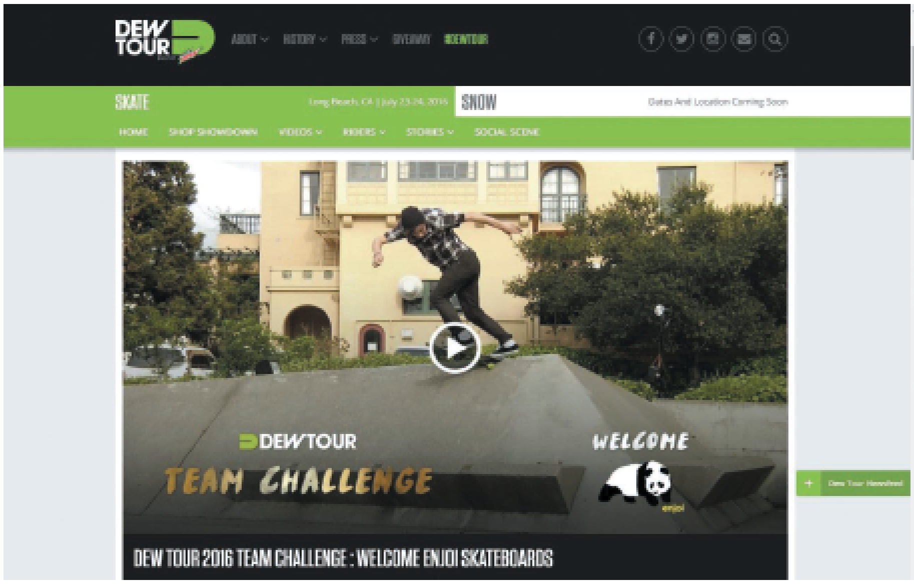
Event Marketing

Another type of consumer-oriented promotion that has become very popular in recent years is the use of event marketing. It is important to make a distinction between *event marketing* and *event sponsorships*, as the two terms are often used interchangeably yet they refer to different activities. **Event marketing** is a type of promotion where a company or brand is linked to an event or where a themed activity is developed for the page 544 purpose of creating experiences for consumers and promoting a product or service. Marketers often do event marketing by participating in and associating their product with some popular activity such as a sporting event, concert, fair, or festival. However, marketers also create their own events to use for promotional purposes. For example, PepsiCo has created an irreverent brand image for its popular Mountain Dew brand by associating it with action sports. Extreme sports are about a nonconforming lifestyle from clothes to music, and young people respond to brands that make an authentic connection and become part of the action sports community. In 2005, the brand raised its involvement with action sports to a new level when it became a founding partner of the Dew Tour, a five-event series that features competition in snowboarding BMX, and freestyle motocross and skateboading (Exhibit 16–27). The Dew Tour has grown to become an innovative contest series and content platform that brings together the world's best skateboarders, snowboarders, skiers, artists, brands, and fans through the culture of action sports. A number of companies partner with the Dew Tour to promote their products and services. For example, many of the ski and snowboard manufacturers, as well as automotive brands, sponsor the snow events that are part of the Dew Tour. From an event marketing perspective, an important part of the Dew Tour is the promotional opportunities associated with the various events. These include custom art, interactive displays, athlete autograph sessions, lounges where fans can hang out and interact with their favorite extreme sport athletes, and the product sampling kitchen where they can try various Mountain Dew flavors, as well as other products.

XHIBIT 16–27

The Dew Tour provides Mountain Dew with event marketing opportunities.

ource: The Enthusiast Network and Mountain Dew



An **event sponsorship** is an integrated marketing communications activity where a company develops actual sponsorship relations with a particular event and provides financial support in return for the right to display a brand name, logo, or advertising message and be identified as a supporter of the event. Event marketing often takes place as part of a company's sponsorship of activities such as concerts, the arts, social causes, and sporting events. Decisions and objectives for event sponsorships are often part of an organization's public relations activities and are discussed in Chapter 17.

Event marketing has become a very popular part of the integrated marketing communications programs of many companies as they view them as excellent promotional opportunities and a way to associate their brands with certain lifestyles, interests, and activities. Events can be an effective way to connect with consumers in an environment where they are comfortable with receiving a promotional message. Moreover, consumers often expect companies to be part of events and welcome their participation as they make the events more entertaining, interesting, and exciting. Marketers can use events to distribute samples as well as information about their products and services or to actually let consumers experience their brands.

Summary of Consumer-Oriented Promotions and Marketer Objectives

The discussion of the various sales promotion techniques shows that marketers use these tools to accomplish a variety of objectives. As noted at the beginning of the chapter, sales promotion techniques provide consumers with an *extra incentive* or *reward* for engaging in a certain form of behavior such as purchasing a brand. For some types of sales promotion tools the incentive the consumer receives is immediate, while for others the reward is delayed and is not realized immediately. Marketers often evaluate sales promotion tools in terms of their ability to accomplish specific objectives and consider whether the impact of the promotion will be immediate or delayed. Figure 16–5 outlines which sales promotion tools can be used to accomplish various objectives of marketers and identifies whether the extra incentive or reward is immediate or delayed.[50]

IGURE 16–5

Consumer-Oriented Sales Promotion Tools for Various Marketing Objectives

	Marketing Objective		
Consumer Reward Incentive	**Induce trial**	**Customer retention/loading**	**Support IMC program/ build brand equity**
Immediate	• Sampling • Instant coupons • In-store coupons • In-store rebates	• Price-off deals • Bonus packs • In- and on-package free premiums • Loyalty programs	• Events • In- and on-package free premiums
Delayed	• Media- and mail-delivered coupons • Mail-in refunds and rebates • Free mail-in premiums • Scanner- and Internet-delivered coupons	• In- and on-package coupons • Mail-in refunds and rebates • Loyalty programs	• Self-liquidating premiums • Free mail-in premiums • Contests and sweepstakes • Loyalty programs

It should be noted that in Figure 16–5 some of the sales promotion techniques are listed more than once because they can be used to accomplish more than one objective. For example, loyalty programs can be used to retain customers by providing both immediate and delayed rewards. Shoppers who belong to loyalty programs sponsored by supermarkets and receive discounts every time they make a purchase are receiving immediate rewards that are designed to retain them as customers. Some loyalty promotions such as frequency programs used by airlines, car rental companies, and hotels offer delayed rewards by requiring that users accumulate points to reach a certain level or status before the points can be redeemed. Loyalty programs can also be used by marketers to help build brand equity. For example, when an airline or car rental company sends its frequent users upgrade certificates, the practice helps build relationships with these customers and thus contributes to brand equity.

While marketers use consumer-oriented sales promotions to provide current and/or potential customers with an extra incentive, they also use these promotions as part of their marketing program to leverage trade support. Retailers are more likely to stock a brand, purchase extra quantities, or provide additional support such as end-aisle displays when they know a manufacturer is running a promotion during a designated period. The development of promotional programs targeted toward the trade is a very important part of the marketing process and is discussed in the next section.

TRADE-ORIENTED SALES PROMOTION

Objectives of Trade-Oriented Sales Promotion

Like consumer-oriented promotions, sales promotion programs targeted to the trade should be based on well-defined objectives and measurable goals and a consideration of what the marketer wants to accomplish. Typical objectives for promotions targeted to marketing intermediaries such as wholesalers and retailers include obtaining distribution and support for new products, maintaining support for established brands, encouraging retailers to display established brands, and building retail inventories.

page 546

Obtain Distribution for New Products Trade promotions are often used to encourage retailers to give shelf space to new products.

Manufacturers recognize that only a limited amount of shelf space is available in supermarkets, drugstores, and other major retail outlets. Thus, they provide retailers with financial incentives to stock and promote new products. While trade discounts or other special price deals are used to encourage retailers and wholesalers to stock a new brand, marketers may use other types of promotions to get them to push the brand. Merchandising allowances can get retailers to display a new product in high-traffic areas of stores, while incentive programs or contests can encourage wholesale or retail store personnel to push a new brand.

Maintain Trade Support for Established Brands Trade promotions are often designed to maintain distribution and trade support for established brands. Brands that are in the mature phase of their product life cycle are vulnerable to losing wholesale and/or retail distribution, particularly if they are not differentiated or face competition from new products. Trade deals induce wholesalers and retailers to continue to carry weaker products because the discounts increase their profit margins. Brands with a smaller market share often rely heavily on trade promotions, since they lack the funds required to differentiate themselves from competitors through media advertising. Even if a brand has a strong market position, trade promotions may be used as part of an overall marketing strategy. For example, Heinz has relied heavily on trade promotions to hold its market share position for many of its brands. Many consumer packaged-goods companies count on trade promotions to maintain retail distribution and support.

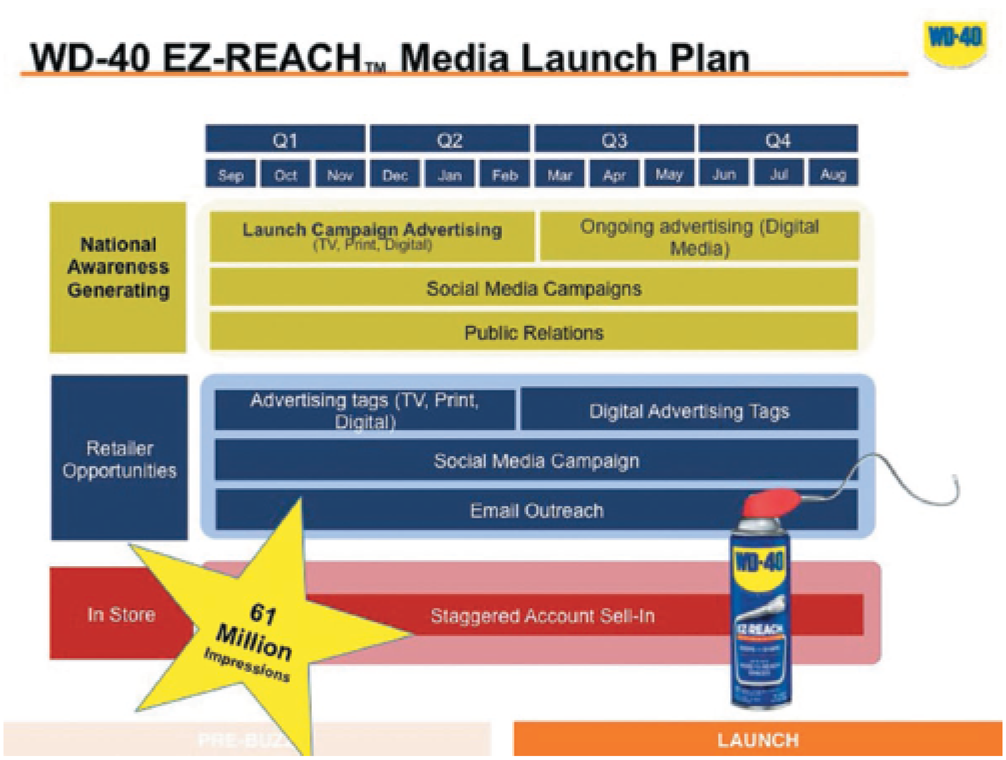
Encourage Retailers to Display Established Brands Another objective of trade-oriented promotions is to encourage retailers to display and promote an established brand. Marketers recognize that many purchase decisions are made in the store, and promotional displays are an excellent way of generating sales. An important goal is to obtain retail store displays of a product away from its regular shelf location. A typical supermarket has approximately 50 display areas at the ends of aisles, near checkout counters, and elsewhere. Marketers want to have their products displayed in these areas to increase the probability shoppers will come into contact with them. Even a single display can increase a brand’s sales significantly during a promotion.

Manufacturers often use multifaceted promotional programs to encourage retailers to promote their products at the retail level. For example, Exhibit 16–28 shows a program calendar the WD-40 Company provides to retailers showing the various marketing support programs the company would be using to support the launch of its new EZ-REACH product. The program included a variety of IMC tools including targeted advertising on television and in magazines; online videos, and e-newsletters; social media banners and blogs; trade publication and blogger outreach; public relations; and various types of consumer and trade promotions.

XHIBIT 16–28

WD-40’s program calendar shows the retailers the marketing support planned to support ts new EZ-REACH product.

ource: WD-40 Company



Build Retail Inventories Manufacturers often use trade promotions to build the inventory levels of retailers or other channel members. There are several reasons manufacturers want to load retailers with their products. First, wholesalers and retailers are more likely to push a product when they have high inventory levels rather than storing it in their warehouses or back rooms. Building channel members' inventories also ensures they will not run out of stock and thus miss sales opportunities.

Some manufacturers of seasonal products offer large promotional discounts so that retailers will stock up on their products before the peak selling season begins. This enables the manufacturer to smooth out seasonal fluctuations in its production schedule and passes on some of the inventory carrying costs to retailers or wholesalers. When retailers stock up on a product before the peak selling season, they often run special promotions and offer discounts to consumers to reduce excess inventories.

Types of Trade-Oriented Promotions

Manufacturers use a variety of trade promotion tools as inducements for wholesalers and retailers. Next we examine some of the most often used types of trade promotions and some factors marketers must consider in using them. These promotions include contests and incentives, trade allowances, displays and point-of-purchase materials, sales training programs, trade shows, and co-op advertising.

Contests and Incentives Manufacturers may develop contests or special incentive programs to stimulate greater selling effort and support from reseller management or sales personnel. Contests or incentive programs can be directed toward managers who work for a wholesaler or distributor as well as toward store or department managers at the retail level. Manufacturers often sponsor contests for resellers and use prizes such as trips or valuable merchandise as rewards for meeting sales quotas or other goals.

Contests or special incentives are often targeted at the sales personnel of the wholesalers, distributors/dealers, or retailers. These salespeople are an important link in the distribution chain because they are likely to be very familiar with the market, more frequently in touch with the customer (whether it be another reseller or the ultimate consumer), and more numerous than the manufacturer's own sales organization. Manufacturers often devise incentives or contests for these sales personnel. These programs may involve cash payments made directly to the retailer's or wholesaler's sales staff to encourage them to promote and sell a manufacturer's product. These payments are known as **push money (PM)** or *spiffs*. For example, an appliance manufacturer may pay a $25 spiff to retail sales personnel for selling a certain model or size. In sales contests, salespeople can win trips or valuable merchandise for meeting certain goals established by the manufacturer. As shown in Figure 16–6, these incentives may be tied to product sales, new account placements, or merchandising efforts.

IGURE 16–6

Three Forms of Promotion Targeted to Reseller Salespeople

- Product or Program Sales

  Awards are tied to the selling of a product; for example:

  Selling a specified number of cases
  Selling a specified number of units
  Selling a specified number of promotional programs

- New Account Placements

  Awards are tied to:

  The number of new accounts opened
  The number of new accounts ordering a minimum number of cases or units
  Promotional programs placed in new accounts

- Merchandising Efforts

  Awards are tied to:

  Establishing promotional programs (such as theme programs)
  Placing display racks, counter displays, and the like

While contests and incentive programs can generate reseller support, they can also be a source of conflict between retail sales personnel and management. Some retailers want to maintain control over the selling activities of their sales staffs. They don't want their salespeople devoting an undue amount of effort to trying to win a contest or receive incentives offered by the manufacturer. Nor do they want their people becoming too aggressive in pushing products that serve their own interests instead of the product or model that is best for the customer.

Many retailers refuse to let their employees participate in manufacturer-sponsored contests or to accept incentive payments. Retailers that do allow them often have strict guidelines and require management approval of the program.

Trade Allowances Probably the most common trade promotion is some form of **trade allowance**, a discount or deal offered to retailers or wholesalers to encourage them to stock, promote, or display the manufacturer's products. Types of allowances offered to retailers include buying allowances, promotional or display allowances, and slotting allowances.

Buying Allowances A buying allowance is a deal or discount offered to resellers in the form of a price reduction on merchandise ordered during a fixed period. These discounts are often in the form of an **off-invoice allowance**, which means a certain per-case amount or percentage is deducted from the invoice. A buying allowance can also take the form of *free goods*; the reseller gets extra cases with the purchase of specific amounts (for example, 1 free case with every 10 cases purchased).

Buying allowances are used for several reasons. They are easy to implement and are well accepted, and sometimes expected, by the trade. They are also an effective way to encourage resellers to buy the manufacturer's product, since they will want to take advantage of the discounts being offered during the allowance period. Manufacturers offer trade discounts expecting wholesalers and retailers to pass the price reduction through to consumers, resulting in greater sales. However, as discussed shortly, this is often not the case.

Promotional Allowances Manufacturers often give retailers allowances or discounts for performing certain promotional or merchandising activities in support of their brands. These merchandising allowances can be given for providing special displays away from the product's regular shelf position, running in-store promotional programs, or including the product in an ad. The manufacturer generally has guidelines or a contract specifying the activity to be performed to qualify for the promotional allowance. The allowance is usually a fixed amount per case or a percentage deduction from the list price for merchandise ordered during the promotional period.

Exhibit 16–29 shows a trade promotional piece used by Bumble Bee Seafoods to inform retailers of the merchandising opportunities available for its new Wild Sardines product and to encourage them to use in-store displays. An important goal of the company's trade marketing efforts is to get retailers to set up more displays of its products in various areas of their stores where related products are sold.

XHIBIT 16–29

3umble Bee Seafoods uses a promotional allowance to encourage retailers to use in-store displays of its Wild Sardines products.

ource: Bumble Bee Foods, LLC

Slotting Allowances Some retailers demand a special allowance for agreeing to handle a new product. **Slotting allowances**, also called *stocking allowances*, *introductory allowances*, or *street money*, are fees retailers charge for providing a slot or position to accommodate the new product. Retailers justify these fees by pointing out the costs associated with taking on so many new products each year, such as redesigning store shelves, entering the product into their computers, finding warehouse space, and briefing store employees on the new product.[51] They also note they are assuming some risk, since so many new product introductions fail. Proponents of slotting fees argue that marketers often introduce new products with little consumer research and marketing support and do not consider the costs incurred by retailers when these products fail.[52]

Slotting fees can range from a few hundred dollars per store to $50,000 or more for an entire retail chain. Manufacturers that want to get their products on the shelves nationally can face several million dollars in slotting fees. Many marketers believe slotting allowances are a form of blackmail or bribery and say some 70 percent of these fees go directly to retailers' bottom lines.

Retailers can continue charging slotting fees because of their power and the limited availability of shelf space in supermarkets relative to the large numbers of products introduced each year. Some retailers have even been demanding **failure fees** if a new product does not hit a minimum sales level within a certain time. The fee is charged to cover the costs associated with stocking, maintaining inventories, and then pulling the product.[53] Large manufacturers with popular brands are less likely to pay slotting fees than smaller companies that lack leverage in negotiating with retailers.

In 1999, the Senate Committee on Small Business began taking action against the practice of using slotting fees in the grocery, drugstore, and computer software industries because of the fees' negative impact on small business.[54] The committee recommended that the Federal Trade Commission and Small Business Administration take steps to limit the use of slotting fees because they are anticompetitive. A study by Paul Bloom, Gregory Gundlach, and Joseph Cannon examined the views of manufacturers, wholesalers, and grocery retailers regarding the use of slotting fees. Their findings suggest that slotting fees shift the risk of new product introductions from retailers to manufacturers and help apportion the supply and demand of new products.

They also found that slotting fees lead to higher retail prices, are applied in a discriminatory fashion, and place small marketers at a disadvantage.[55]

Despite the concerns over their use, many national and regional grocery store chains continue to charge slotting fees, arguing that there is a limit to the number of products they can carry on their shelves and these fees are warranted. However, some stores such as Costco, Whole Foods, and Walmart do not charge slotting fees. Walmart can use its size and buying power to negotiate low prices that it can pass on to its customers, while Costco and Whole Foods focus on selecting products that best fit their customers' needs.[56]

Displays and Point-of-Purchase Materials The next time you are in a store, take a moment to examine the various promotional materials used to display and sell products. Point-of-purchase (POP) displays are an important promotional tool because they can help a manufacturer obtain more effective in-store merchandising of products. Companies in the United States spend more than $20 billion a year on POP materials, including end-of-aisle displays, banners, posters, shelf cards, motion pieces, and stand-up racks, among others. Point-of-purchase displays are very important to marketers since many consumers make their purchase decisions in the store. In fact, some studies estimate that nearly two-thirds of a consumer's buying decisions are made in a retail store. Thus, it is very important for marketers to get the attention of consumers, as well as to communicate a sales or promotional message, through POP displays.

A measurement study from Point-of-Purchase Advertising International (an industry trade association) and the Advertising Research Foundation estimates that the cost-per-thousand-impressions figure for POPs is $6 to $8 for supermarket displays.[57] The CPM figure is based on findings that a grocery store display makes an average of 2,300 to 8,000 impressions per week, depending on store size and volume. Although this study has shown that POP displays are very effective at reaching consumers, difficulties in getting retail stores to comply with requests for displays often make it difficult for marketers to use them.[58] Moreover, many retailers are decreasing the amount of signage and displays they will accept as well as the messages they can communicate. Also, as account-specific promotions become more popular, some retailers are requiring customized POP materials. For example, 7-Eleven has taken over the responsibility for the production of all POP materials from vendors—who must still pay for them. The goal is to give 7-Eleven complete control over its in-store environment.

Despite these challenges, marketers recognize that point-of-purchase displays are an important part of their promotional programs. Many continue to develop innovative methods to display their products efficiently, make them stand out in the retail environment, and communicate a sales message to consumers. It should be noted that the importance of creative POP displays is not limited to grocery or convenience stores. Point-of-purchase displays are also important to companies that distribute their products through other types of retail outlets, such as home improvement, consumer electronic, and specialty retail stores. For example, Exhibit 16–30 shows an award-winning POP display created by E-B Display Co. to promote the SeaKlear family of pool and spa treatments. The display holds 16 different pool and spa products, and the unique octagonal shape allows for a 360-degree shoppable display in a relatively small footprint. The display also has large graphic areas to educate consumers regarding specific uses and applications and help them make their purchase decisions.

XHIBIT 16–30

This award-winning point-of-purchase display plays an important role in the merchandising of SeaKlear pool and spa products.

ource: SeaKlear

Many manufacturers help retailers use shelf space more efficiently through **planograms**, which are configurations of products that occupy a shelf section in a store. Some manufacturers are developing computer-based programs that allow retailers to input information from their scanner data and determine the best shelf layouts by experimenting with product movement, space utilization, profit yields, and other factors.[59]

Sales Training Programs Another form of manufacturer-sponsored promotional assistance is sales training programs for reseller personnel. Many products sold at the retail level require knowledgeable salespeople who can provide consumers with information about the features, benefits, and advantages of various brands and models. Cosmetics, appliances, computers, consumer electronics, and sporting equipment are examples of products for which consumers often rely on well-informed retail sales personnel for assistance.

Manufacturers provide sales training assistance to retail salespeople in a number of ways. They may conduct classes or training sessions that retail personnel can attend to increase their knowledge of a product or a product line. These training sessions present information and ideas on how to sell the manufacturer's product and may also include motivational components. Sales training classes for retail personnel are often sponsored by companies selling high-ticket items or complex products such as smartphones, cars, or ski equipment.

Another way manufacturers provide sales training assistance to retail employees is through their own sales force. Sales reps educate retail personnel about their product line and provide selling tips and other relevant information. The reps can provide ongoing sales training as they come into contact with retail sales staff members on a regular basis and can update them on changes in the product line, market developments, competitive information, and the like.

Manufacturers also give resellers detailed sales manuals, product brochures, reference manuals, and other material. Many companies provide DVDs or digital files for retail sales personnel that include product information, product-use demonstrations, and ideas on how to sell their product. These selling aids can often be used to provide information to customers as well.

Trade Shows Another important promotional activity targeted to resellers is the **trade show**, a forum where manufacturers can display their products to current as well as prospective buyers. According to the Center for Exhibition Industry Research, more than 100 million people attend the nearly 15,000 trade shows each year in the United States and Canada, and the number of exhibiting companies exceeds 1.3 million. In many page 551 industries, trade shows are a major opportunity to display one's product lines and interact with customers. They are often attended by important management personnel from large retail chains as well as by distributors and other reseller representatives.

A number of promotional functions can be performed at trade shows, including demonstrating products, identifying new prospects, gathering customer and competitive information, and even writing orders for a product. Trade shows are particularly valuable for introducing new products because resellers are often looking for new merchandise to stock. Shows can also be a source of valuable leads to follow up on through sales calls or direct marketing. The social aspect of trade shows is also important. Many companies use them to entertain key customers and to develop and maintain relationships with the trade. An academic study demonstrated that trade shows generate product awareness and interest and can have a measurable economic return.[60] An example of a very high-profile trade show is the International Consumer Electronics Show (CES) that is held in Las Vegas each January. The show is owned and produced by the Consumer Electronics Association (CEA) and is often used as a platform for the announcement and release of new products such as computers, smartphones, HDTVs, and various other types of consumer electronic items. CES also receives extensive coverage from the media, which makes it a valuable promotional opportunity for markets launching new products. Exhibit 16–31 shows a picture from a recent CES.

XHIBIT 16–31

The International CES is a very popular industry trade show.

obby Dagan/Shutterstock

Cooperative Advertising The final form of trade-oriented promotion we examine is **cooperative advertising**, where the cost of advertising is shared by more than one party. There are three types of cooperative advertising. Although the first two are not trade-oriented promotion, we should recognize their objectives and purpose.

Horizontal cooperative advertising is advertising sponsored in common by a group of retailers or other organizations providing products or services to the market. For example, automobile dealers who are located near one another in an auto park or along the same street often allocate some of their ad budgets to a cooperative advertising fund. Ads are run promoting the location of the dealerships and encouraging car buyers to take advantage of their close proximity when shopping for a new automobile. Many cities and resort areas use horizontal cooperative advertising by having hotels, theme parks, tourist attractions and other businesses that benefit from tourism contribute monies to a fund to advertise and promote the area as a tourist destination and/or a place to hold meetings and conventions.

Ingredient-sponsored cooperative advertising is supported by raw materials manufacturers; its objective is to help establish end products that include the company's materials and/or ingredients. Companies that often use this type of advertising include DuPont, which promotes the use of its materials such as Teflon and Kevlar; 3M, which promotes Thinsulate; and NutraSweet, whose artificial sweetener is an ingredient in many food products and beverages.

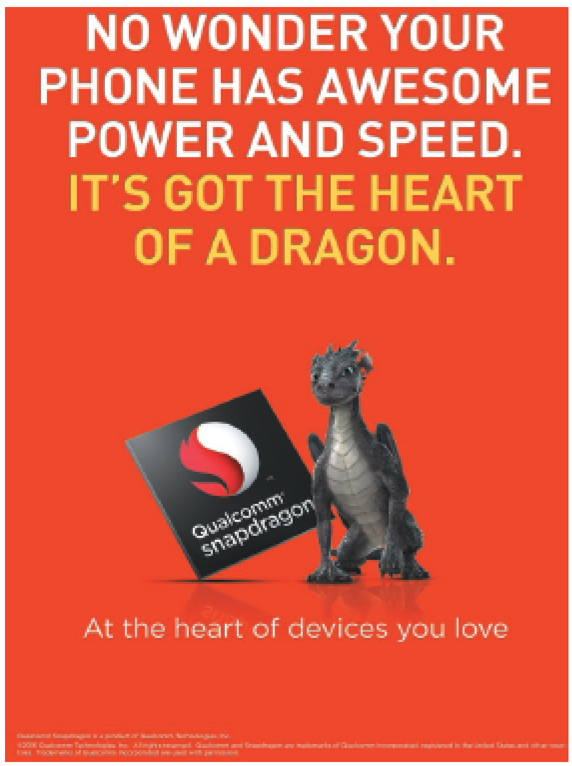
Perhaps the best-known, and most successful, example of this type of cooperative advertising is the "Intel Inside" program, sponsored by Intel Corporation, which the company has been using since 1991.[61] Under this program, personal computer manufacturers get back 5 percent of what they pay Intel for microprocessors in return for showing the "Intel Inside" logo in their advertising as well as on their PCs. The monies received from Intel must be applied to ads paid for jointly by the PC maker and Intel. Many of the print and online ads for PCs run in the United States and other countries carry the "Intel Inside" logo, and the program has helped Intel grow its share of the microprocessor market from 56 percent in 1990 to nearly 80 percent.[62]

Another technology company that uses ingredient-sponsored advertising is Qualcomm, which has been running a brand-building campaign for its Snapdragon processor that powers many smartphones and other mobile devices. The company runs ads in the United States and several other countries to promote the features and benefits of the Snapdragon processor and how it contributes to the performance of mobile devices. Exhibit 16–32 shows an ad for the Snapdragon processor.

XHIBIT 16–32

Qualcomm uses ingredient-sponsored advertising for its Snapdragon processor.

ource: Qualcomm



The most common form of cooperative advertising is the trade-oriented form, **vertical cooperative advertising**, in which a manufacturer pays for a portion of the advertising a retailer runs to promote the manufacturer's product and its availability in the retailer's place of business. Manufacturers generally share the cost of advertising run by the retailer on a percentage basis (usually 50–50) up to a certain limit.

The amount of cooperative advertising the manufacturer pays for is usually based on a percentage of dollar purchases. If a retailer purchases $100,000 of product from a manufacturer, it may receive 3 percent, or $3,000, in cooperative advertising money. Large retail chains often combine their co-op budgets across all of their stores, which gives them a larger sum to work with and more media options.

Cooperative advertising can take several forms. Retailers may advertise a manufacturer's product in, say, a newspaper ad featuring a number of different products, and the individual manufacturers reimburse the retailer for their portion of the ad. Or the ad may be prepared by the manufacturer and placed in the local media by the retailer. Exhibit 16–33 shows a cooperative ad format for Bumble Bee Seafoods that retailers in various market areas can use by simply inserting into a newspaper circular or use as a display ad by adding their store name and location.

XHIBIT 16–33

This Bumble Bee Seafoods ad is provided to retailers for use as part of its vertical cooperative advertising program.

ource: Bumble Bee Foods, LLC

Once a cooperative ad is run, the retailer requests reimbursement from the manufacturer for its percentage of the media costs. Manufacturers usually have specific requirements the ad must meet to qualify for co-op reimbursement, such as size, use of trademarks, content, and format. Verification that the ad was run is also required, in the form of a digital copy of the ad and an invoice.

As with other types of trade promotions, manufacturers have been increasing their cooperative advertising expenditures. Some companies have been moving money out of national advertising into cooperative advertising because they believe they can have greater impact with ad campaigns in local markets. Historically, retailers have spent most cooperative advertising monies in traditional media such as newspaper, direct mail and radio and until recently many marketers discouraged or did not allow the page 553 use of co-op funds in online channels. However, as audiences for newspapers and broadcast media decline, many companies have changed their policies and are allowing co-op funds to be spent in digital media.[63] Some retail chains now offer digital media buying platforms that are designed to help vendors better reach the retailers customers, not just through the retailer website but through other online channels. Mass merchants such as Walmart and Target as well as supermarket chains such as Safeway/Albertsons, Food Lion, and ShopRite have set up digital media exchanges and are encouraging vendors to allocate some of their trade promotion dollars to them.[64]

COORDINATING SALES PROMOTION WITH ADVERTISING AND OTHER IMC TOOLS

LO 16-4

Those involved in the promotional process must recognize that sales promotion techniques usually work best in conjunction with advertising and other integrated marketing tools and that the effectiveness of an IMC campaign can be enhanced by consumer-oriented sales promotion efforts. Rather than separate activities competing for a firm’s promotional budget, advertising and sales promotion should be viewed as complementary tools. When properly planned and executed to work together, advertising and sales promotion can have a *synergistic effect* much greater than that of either promotional mix element alone.

Proper coordination of sales promotion with other IMC tools is essential for the firm to take advantage of the opportunities offered by each and get the most out of its promotional budget. Successful integration of advertising and sales promotion requires decisions concerning not only the allocation of the budget to each area but also the coordination of the ad and sales promotion themes, proper media support for, and timing of, the various promotional activities, and the target audience reached.

Budget Allocation

While many companies are spending more money on sales promotion than on media advertising, it is difficult to say just what percentage of a firm's overall promotional budget should be allocated to advertising versus consumer- and trade-oriented promotions. This allocation depends on a number of factors, including the specific promotional objectives of the campaign, the market and competitive situation, and the brand's stage in its life cycle.

Consider, for example, how allocation of the promotional budget may vary according to a brand's stage in the product life cycle. In the introductory stage, a large amount of the budget may be allocated to sales promotion techniques such as sampling and couponing to induce trial. In the growth stage, however, promotional dollars may be used primarily for advertising to stress brand differences and keep the brand name in consumers' minds.

When a brand moves to the maturity stage, advertising is primarily a reminder to keep consumers aware of the brand. Consumer-oriented sales promotions such as coupons, price-offs, premiums, and bonus packs may be needed periodically to maintain consumer loyalty, attract new users, and protect against competition. Trade-oriented promotions are needed to maintain shelf space and accommodate retailers' demands for better margins as well as encourage them to promote the brand. A study on the synergistic effects of advertising and promotion examined a brand in the mature phase of its life cycle and found that 80 percent of its sales at this stage were due to sales promotions. When a brand enters the decline stage of the product life cycle, most of the promotional support will probably be removed and expenditures on sales promotion are unlikely.

Coordination of Ad and Promotion Themes

To integrate the advertising and sales promotion programs successfully, the theme of consumer promotions should be tied in with the positioning platform for the company and/or their brand wherever possible. Sales promotion tools should attempt to communicate a brand's unique attributes or page 554 benefits and to reinforce the sales message or advertising campaign theme. In this way, the sales promotion effort contributes to the consumer franchise-building effort for the brand.

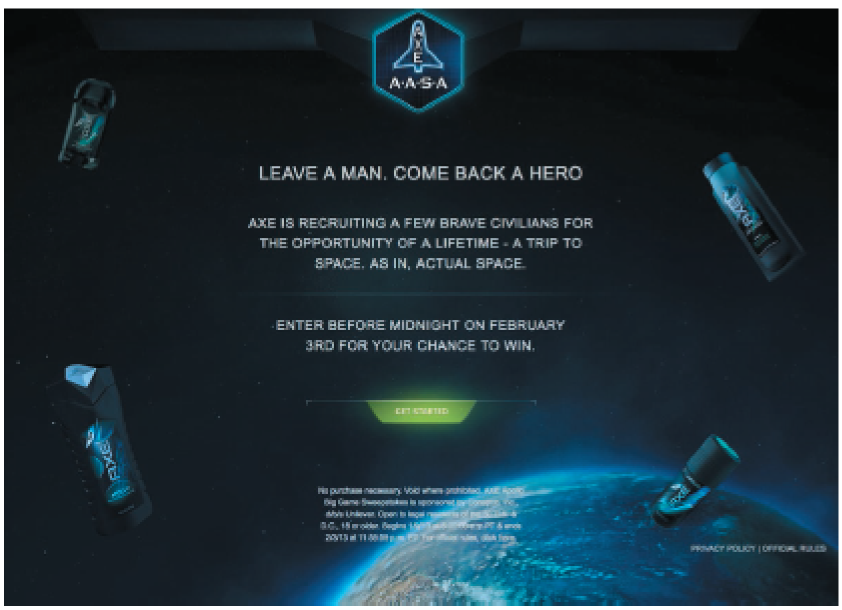
At the same time, media advertising and other IMC tools should be used to draw attention to a sales promotion program such as a contest, sweepstakes, or event or to a special promotion offer such as a price reduction or rebate program. An example of the coordination of a promotion with the positioning theme used for a brand is the contest Unilever used to introduce its Axe Apollo line of men's grooming products. The branding and positioning strategy behind the product line was developed around the emerging reality of space tourism and perception of astronauts as heroes. Apollo is the name of the third human spaceflight program sponsored by NASA, the U.S. government agency that is responsible for the nation's civilian space program. The global IMC campaign used to introduce the Apollo product line included a contest offering consumers a chance to win a flight on the Lynx suborbital plane, which will last about one hour, reach an altitude of 64 miles, and provide a weightlessness experience of about five minutes before descending back to Earth.

To build on the hero theme, the tagline for the contest was "Leave a man. Come back a hero," which fit well with the positioning of Axe as a brand that gives young men confidence they can use to make themselves more appealing to women (Exhibit 16–34). The actual contest to win one of the coveted Lynx flights required contestants to go to a special website to complete an astronaut profile detailing why they should be chosen. Twenty-four men won tickets to space; 22 winners were chosen from the space academy competition, while the 23rd ticket was awarded to a U.S. resident in a sweepstakes that was a part of a tie-in with the Super Bowl and the 24th from a UK national promotion. The IMC program developed to support the product launch included humorous TV commercials to promote the astronaut hero theme and a public relations campaign that included hiring former Apollo astronaut Buzz Aldrin, the second person to walk on the moon, as a spokesperson and having him appear at media events. The contest was also promoted on social media and through online ads.[65]

XHIBIT 16–34

This contest for Axe Apollo fits well with the positioning of the new product line.

ource: Axe by Unilever



Media Support and Timing

Media support for a sales promotion program is critical and should be coordinated with the media program for the ad campaign. Media advertising is often needed to deliver such sales promotion materials as coupons, sweepstakes, contest entry forms, premium offers, and even samples. It is also needed to inform consumers of a promotional offer as well as to create awareness, interest, and favorable attitudes toward the brand.

By using advertising in conjunction with a sales promotion program, marketers can make consumers aware of the brand and its benefits and increase their responsiveness to the promotion. Consumers are more likely to redeem a coupon or respond to a price-off deal for a brand they are familiar with than one they know nothing about. Moreover, product trial created through sales promotion techniques such as sampling or high-value couponing is more likely to result in long-term use of the brand when accompanied by advertising.[66]

Using a promotion without prior or concurrent advertising can limit its effectiveness and risk damaging the brand's image. If consumers perceive the brand as being promotion dependent or of lesser quality, they are not likely to develop favorable attitudes and long-term loyalty. Conversely, the effectiveness of an ad can be enhanced by a coupon, a premium offer, or an opportunity to enter a sweepstakes or contest.

An example of the effective coordination of advertising and sales promotion is the introductory campaign Unilever developed for its Dove Men + Care line. Unilever sent samples of the body and face wash product to more than half the households in the United States along with high-value coupons and also used trade promotions targeted to

retailers as part of its introductory marketing blitz. The sales promotion efforts were accompanied by heavy advertising in print and on television, including a commercial in the Super Bowl, and follow-up spots featuring New Orleans Saints quarterback Drew Brees. The launch campaign included the use of additional IMC tools, including public relations, mobile marketing, and digital and social media. Unilever continues to coordinate advertising and sales promotion for the Dove Men + Care line with ads such as the one shown in Exhibit 16–35.

XHIBIT 16–35

Jnilever coordinates the advertising and sales promotion for the Dove Men + Care line.

ɔurce: Dove by Unilever

To coordinate their advertising and sales promotion programs more effectively, many companies are getting their sales promotion agencies more involved in the advertising and promotional planning process. Rather than hiring agencies to develop individual, nonfranchise-building types of promotions with short-term goals and tactics, many firms are having their sales promotion and advertising agencies work together to develop integrated promotional strategies and programs. Figure 16–7 shows how the role of promotional agencies is changing.

IGURE 16–7

The Shifting Role of the Promotion Agency

Traditional	New and Improved

1. Primarily used to develop short-term tactics or concepts.	1. Used to develop long- and short-term promotional strategies as well as tactics.
2. Hired/compensated on a project-by-project basis.	2. Contracted on annual retainer, following formal agency reviews.
3. Many promotion agencies used a mix—each one hired for best task and/or specialty.	3. One or two exclusive promotion agencies for each division or brand group.
4. One or two contact people from agency.	4. Full team or core group on the account.
5. Promotion agency never equal to ad agency—doesn't work up front in annual planning process.	5. Promotion agency works on equal basis with ad agency—sits at planning table up front.
6. Not directly accountable for results.	6. Very much accountable—goes through a rigorous evaluation process.

SALES PROMOTION ABUSE

LO 16-5

The increasing use of sales promotion in marketing programs is more than a passing fad. It is a fundamental change in strategic decisions about how companies market their products and services. The value of this increased emphasis on sales promotion has been questioned by several writers, particularly with regard to the lack of adequate planning and management of sales promotion programs.[67]

Are marketers becoming too dependent on this element of the marketing program? As was discussed earlier, consumer and trade promotions can be a very effective tool for generating short-term increases in sales, and many brand managers would rather use a promotion to produce immediate sales than invest in advertising and build the brand's image over an extended time.

As the director of sales promotion services at one large ad agency noted: “There’s a great temptation for quick sales fixes through promotions. It’s a lot easier to offer the consumer an immediate price savings than to differentiate your product from a competitor’s.”[68]

Overuse of sales promotion can be detrimental to a brand in several ways. A brand that is constantly promoted may lose perceived value. Consumers often end up purchasing a brand because it is on sale, they get a premium, or they have a coupon, rather than basing their decision on a favorable attitude they have developed. When the extra promotional incentive is not available, they switch to another brand. A study by Priya Raghubir and Kim Corfman examined whether price promotions affect pretrial evaluations of a brand.[69] They found that offering a price promotion is more likely to lower a brand’s evaluation when the brand has not been promoted previously compared to when it has been frequently promoted; that price promotions are used as a source of information about a brand to a greater extent when the evaluator is not an expert but does have some product or industry knowledge; and that promotions are more likely to result in negative evaluations when they are uncommon in the industry. The findings from this study suggest that marketers must be careful in the use of price promotions as they may inhibit trial of a brand in certain situations.

Alan Sawyer and Peter Dickson have used the concept of *attribution theory* to examine how sales promotion may affect consumer attitude formation.[70] According to this theory, people acquire attitudes by observing their own behavior and considering why they acted in a certain manner. Consumers who consistently purchase a brand because of a coupon or price-off deal may attribute their behavior to the external promotional incentive rather than to a favorable attitude toward the brand. By contrast, when no external incentive is available, consumers are more likely to attribute their purchase behavior to favorable underlying feelings about the brand.

Another potential problem with consumer-oriented promotions is that a **sales promotion trap** or spiral can result when several competitors use promotions extensively.[71] Often a firm begins using sales promotions to differentiate its product or service from the competition. If the promotion is successful and leads to a differential advantage (or even appears to do so), competitors may quickly copy it. When all the competitors are using sales promotions, this not only lowers profit margins for each firm but also makes it difficult for any one firm to hop off the promotional bandwagon.[72] This dilemma is shown in Figure 16–8.

IGURE 16–8

The Sales Promotion Trap

	Our Firm	
All Other Firms	**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

A number of industries have fallen into this promotional trap. In the cosmetics industry, gift-with-purchase and purchase-with-purchase promotional offers were developed as a tactic for getting buyers to sample new products. But they have become a common, and costly, way of doing business.[73] In many areas of the country, supermarkets fell into the trap of doubling coupons, which cut into their already small profit margins. Fast food chains have also fallen into the trap with promotions featuring popular menu items for 99 cents or one dollar. Fast food companies use their dollar menus to offer options to budget-conscious consumers and provide them with consistent everyday values. McDonald's introduced its value menu in 2003 and for many years it included popular items such as its double cheeseburger. However, competitors such as Burger King and Wendy's responded by putting popular items on their value meal menus in an effort to keep pace with the industry leader.[74] Other competitors also introduced dollar menu items such as Taco Bell, which introduced a "Cravings" value menu in 2013 (Exhibit 16–36).[75] McDonald's now has a $1 $2 $3 Dollar

Menu that offers items such as a cheeseburger, McChicken sandwich, or Sausage McMuffin for $1; a Bacon McDouble or Sausage McGiddle for $2; and a Triple Cheeseburger, Classic Chicken Sandwich, or Sausage McMuffin with egg for $3. In 2019, the company gave McDonald's restaurant operators more flexibility to tailor the value menu to meet the tastes and preferences of local customers.[76]

XHIBIT 16–36

n this ad, Taco Bell promotes its cravings menu and joins its fast food competitors in the sales promotion spiral of the value menu.

ource: Taco Bell Corp

Marketers must consider both the short-term impact of a promotion and its long-term effect on the brand. The ease with which competitors can develop a retaliatory promotion and the likelihood of their doing so should also be considered. Marketers must be careful not to damage the brand franchise with sales promotions or to get the firm involved in a promotional war that erodes the brand's profit margins and threatens its long-term existence. Marketers are often tempted to resort to sales promotions to deal with declining sales and other problems when they should examine such other aspects of the marketing program as channel relations, price, packaging, product quality, or advertising.

After reading this chapter you can see that there are a number of factors that marketers must consider in developing and implementing effective sales promotion programs as they involve much more than just offering consumers an extra economic incentive to purchase a product. Priya Raghubir, Jeffrey Inman, and Hans Grande suggest that there are three aspects to consumer promotions, including economic, informative, and affective effects.[77] They note that in addition to economic effects, marketers must consider the information and signals a promotional offer conveys to the consumer as well as the affective influences. These include the consumer feelings and emotions aroused by exposure to a promotion or associated with purchasing the brand or company that is offering a deal. By considering all of these effects, managers can design and communicate consumer promotions more efficiently as well as more effectively.

Summary

For many years, advertising was the major promotional-mix element for most consumer-product companies. Over the past two decades, however, marketers have been allocating more of their promotional dollars to sales promotion. There has been a steady increase in the use of sales promotion techniques to influence consumers' purchase behavior. The growing power of retailers, erosion of brand loyalty, increase in consumers' sensitivity to promotions, increase in new product introductions, short-term focus of marketing and brand managers, competition, and growth of digital marketing are some of the reasons for this increase.

Sales promotions can be characterized as either franchise building or nonfranchise building. The former contribute to the long-term development and reinforcement of brand identity and image; the latter are designed to accelerate the purchase process and generate immediate increases in sales.

Sales promotion techniques can be classified as either trade- or consumer-oriented. A number of consumer-oriented sales promotion techniques were examined in this chapter, including sampling, couponing, premiums, contests and sweepstakes, rebates and refunds, bonus packs, price-off deals, loyalty programs, and event marketing. The characteristics of these promotional tools were examined, along with their advantages and limitations. Various trade-oriented promotions were also examined, including trade contests and incentives, trade allowances, displays and point-of-purchase materials, sales training programs, trade shows, and cooperative advertising.

Advertising and sales promotion should be viewed not as separate activities but rather as complementary tools. When planned and executed properly, advertising and sales promotion can produce a synergistic effect that is greater than the response generated from either promotional-mix element alone. To accomplish this, marketers must coordinate budgets, advertising and promotional themes, media scheduling and timing, and target audiences.

Sales promotion abuse can result when marketers become too dependent on the use of sales promotion techniques and sacrifice long-term brand position and image for short-term sales increases. Many industries experience sales promotion traps when a number of competitors use promotions extensively and it becomes difficult for any single firm to cut back on promotion without risking a loss in sales. Overuse of sales promotion tools can lower profit margins and threaten the image and even the viability of a brand.

Key Terms

sales promotion 516
consumer-oriented sales promotion 517
trade-oriented sales promotion 518
account-specific marketing 522

consumer franchise-building (CFB) promotions 526
nonfranchise-building (non-FB) promotions 527
sampling 530
freestanding insert (FSI) 534
premium 536
self-liquidating premium 537
contest 537
sweepstakes 537
game 538
refunds 540
bonus packs 541
price-off deal 541
loyalty programs 542
event marketing 543
event sponsorship 544
push money (pm) 547
trade allowance 547
off-invoice allowance 547
slotting allowances 548
failure fees 549
planograms 550
trade show 550
cooperative advertising 551
horizontal cooperative advertising 551
ingredient-sponsored cooperative advertising 552
vertical cooperative advertising 552
sales promotion trap 556

Discussion Questions

1. The chapter opener discusses the "Whopper Detour" promotion used by Burger King to compete against McDonald's. Analyze the strategy behind this promotion and the reasons it was so successful. Do you think Burger King could use this type of promotion again to attract business from other competitors in the fast food industry? (LO 16-1, 16-3)

2. IMC Perspective 16-1 discusses how many retailers have become overly dependent on discounts and promotions and the problems this has created for them. Discuss the reasons retailers have increased their reliance on discounts and promotions. How might they reduce their dependency on them to drive store traffic and sales? (LO 16-1, 16-5)

3. Discuss the difference between consumer-oriented promotions and trade-oriented promotions and the role each plays in marketers' IMC programs. What are the various objectives for each category of sales promotion? (LO 16-1, 16-2, 16-3)

4. Do you agree with those who argue that the use of sales promotion detracts from brand equity for many companies and/or brands? Evaluate the arguments on both sides of this issue. (LO 16-1, 16-5)

5. Retailer JCPenney encountered resistance when it tried to cut back on the use of promotions and move toward a "fair and square" everyday low pricing model. Why do you think JCP customers reacted so negatively to the retailer's reduction in promotions? Do you think JCPenney should have given the new strategy more time so consumers could adapt before abandoning it? (LO 16-1, 16-5)

6. What is the difference between a consumer franchise-building promotion and a nonfranchise-building promotion? Find an example of a promotion being used by a company or brand that contributes to its equity and discuss how it does so. (LO 16-2)

7. IMC Perspective 16-2 discusses the contest developed by Quaker Foods North America for Life cereal whereby parents could have their child considered for casting in a remake of the iconic "Mikey Likes It!" commercial. Evaluate this promotion and its potential to contribute to brand equity for Life cereal. Do you think the promotion and the remake of the commercial will help increase sales for Life? (LO 16-2, 16-3)

8. Discuss the type of company or business that would be likely to offer discounts to consumers through Groupon. What are the pros and cons of using Groupon to make promotional offers and discounts to consumers? (LO 16-3, 16-5)

9. A report by a rebate fulfillment service showed that the average redemption for a $50 rebate on a product that costs $200 is only 35 percent. Why do you think redemption rates for rebates are so low? How might a low redemption rate affect a marketer's decision to use rebates as a promotional tool? (LO 16-3)

10. Discuss the various types of trade promotions used by marketers, giving attention to the objectives as well as the pros and cons of each. (LO 16-3)

11. What are the three major forms of cooperative advertising? Discuss how and when marketers might use each form of cooperative advertising. (LO 16-3)

12. What is a sales promotion trap or spiral? Find an example of an industry or market where a promotional battle is taking place. What are the options for marketers in deciding whether to participate in the promotional battle? (LO 16-5)

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