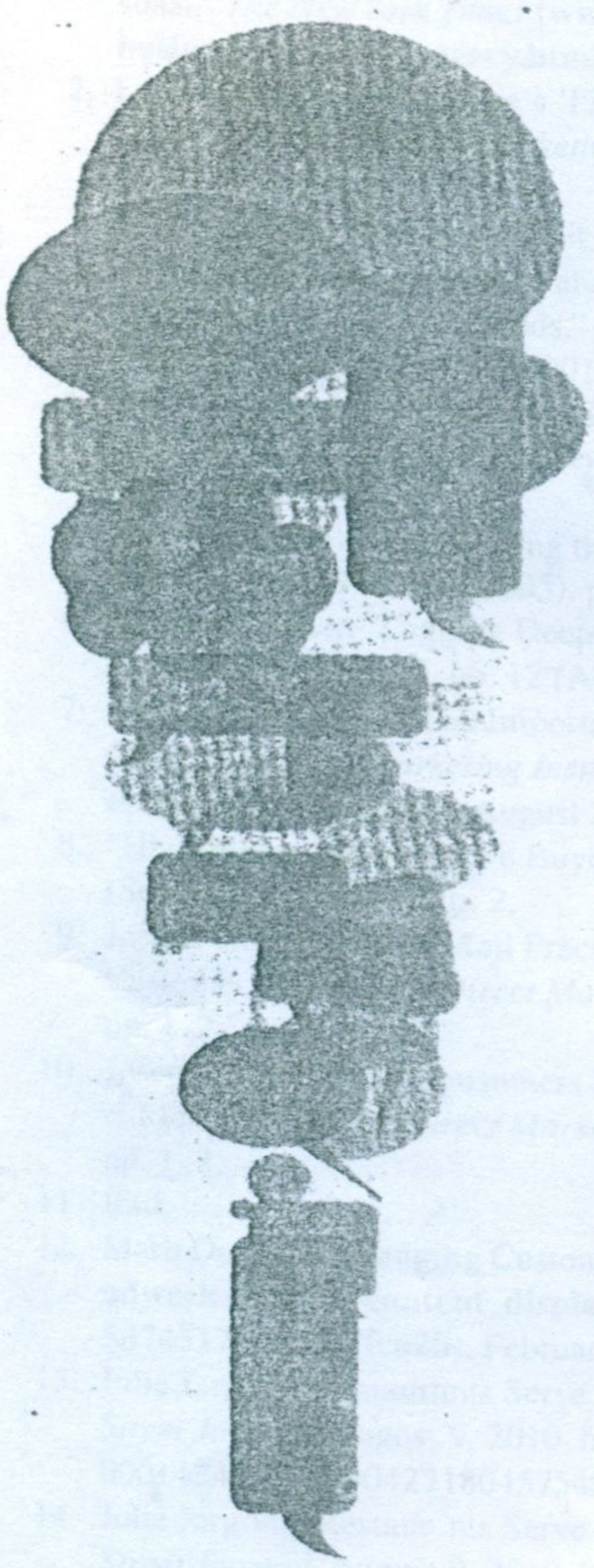
SALES PROMOTIONS

From Chapter 12 of *Integrated Advertising, Promotion, and Marketing Communications*, Sixth Edition. Kenneth E. Clow and Donald Baack.
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SALES PROMOTIONS

CHAPTER OBJECTIVES

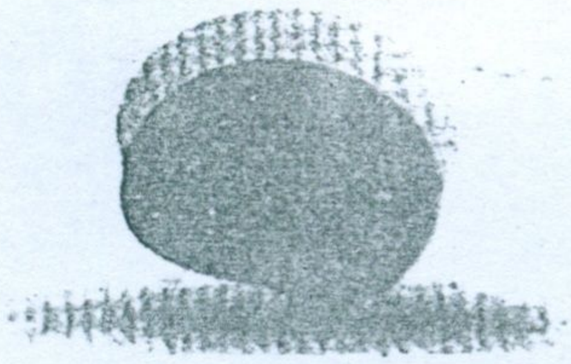
After reading this chapter, you should be able to answer the following questions:

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

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SALES PROMOTIONS AND MORE HOOK FANS

"What is your favorite word?" This question was posed by baseball executive Jay Miller at a recent marketing conference. "If you think about it, it might be that one of your favorite words is your own name," he said with a smile. Miller continued, "When you come to our ballpark, we are going to know your name." In truth, Jay Miller is talking about two ballparks, one in Corpus Christi, Texas, and the other in Round Rock, Texas. The ballparks are home to minor league professional baseball teams.

The Corpus Christi team, the Hooks, continues to be a stellar success. The organization, an affiliate of the Texas Rangers, averages more than 7,000 fans per game over 72 home dates each summer. This ranks among the top franchises at the Double-A level of professional baseball. Beyond the statistics, however, is the sense of civic

pride that permeates the team, the fans, and the entire organization. In a city with a large Hispanic community, the term *la familia* clearly applies. The Hooks are a family that hosts a large number of guests at each game.

Professional baseball thrives on consumer promotions. For fans, numerous discounts and giveaways are part of the scene. In 2010, the Hooks staged over 30 promotional nights. The free gifts included bobbleheads, baseball card sets, duffle bags, blankets, photos, autographed souvenirs, and more. In addition, the team offers "One Dollar Hot Dog and Soda Night," "Half-Price Group Night," "Thirsty Thursdays," and "Friday Fireworks."

Sponsorships and trade promotion tie-ins are widely utilized. The ballpark is named "Whataburger" field, due to the sponsorship of the popular hamburger chain. Whataburger hosts its own fan day. Other sponsors place advertising on the scoreboard, field, walls, and other places. Corporate box seats are available for entertaining clients and rewarding employees. A video board features various business organizations and items given to fans. In addition, the Hooks maintain ties with several local charities and civic organizations, including the "Get Hooked on Reading" program for young fans.

All of these sales promotions serve to enhance the rest of the organization's marketing efforts. Jay Miller and CEO Reid Ryan strongly emphasize the importance of "awesome customer service." At a Hooks game, everyone from parking attendants to the ticket takers to the ushers and concessions personnel focuses on friendly, first-name care. Miller and Ryan routinely circulate through the stands to mingle with fans, solve any problems, and provide an occasional extra thrill. One of their favorites is finding a family sitting in the cheapest (most distant) seats in the stadium and moving them to the owner's box next to the field.

The team also hosts a "postgame catch" in which many lucky kids are brought down to the field to play catch with players. On Sundays, or "Kids Day," fans are allowed on the field prior to the game. Many times disadvantaged children, Little Leaguers, and others are paired with a player as the game is about to begin to stand on the field during the national anthem. Other attendees participate in the "Dizzy Bat Race" or in races with the Hooks mascot. Even those who stay in the stands may find themselves featured in "Kiss Cam" or "Fan Cam" on the



Courtesy of Ryan Sanders Baseball.



Courtesy of Ryan Sanders Baseball.

▲ Reid Ryan



Courtesy of Ryan Sanders Baseball.

▲ Jay Miller

16-by-22-foot video screen between innings.

Reid Ryan's father, Hall of Fame pitcher Nolan Ryan, is one of the team's principle owners. Reid believes the success of the organization, known as Ryan Sanders Baseball, results from promoting a summer-long experience rather than a single event. Instead of focusing on wins and losses or even on players, the enjoyment of attending a series of games in a low-cost, family friendly environment remains the key to long-term fan loyalty. Players come and go, teams win and lose, but a fun summer evening with family and friends creates a long-lasting impression. The Hooks' advertising tagline, "Catch a Memory-Hooks Baseball," expresses this feeling.

Jay Miller has been associated with professional baseball for over 24 years. He has been named "Executive of the Year" on more than one occasion, and was recently promoted into the front office of the Texas Ranges. He proudly reports that sales of memorabilia for the Hooks are higher than the majority of minor league teams, an indication of the strong loyalty in the community. A walk down the streets of Corpus Christi or a visit to the ballpark confirms the devotion fans show by proudly wearing caps, T-shirts, and jerseys with the Hooks insignia and logo.

Both Miller and Ryan stress the importance of brand and image building. In a marketplace where a wide variety of summertime activities are possible, they emphasize the goal of being top-of-mind, or the family's first choice. A stadium full of happy customers for every home game provides all the evidence they need that their approach works.[1]

OVERVIEW

OBJECTIVE 1

What differences exist between consumer promotions and trade promotions?

It may be tempting to think that a high-quality advertising program completes the task of promotion. It does not. An integrated marketing communications program includes additional key activities. This chapter describes sales promotions programs. **Sales promotions** consist of all of the incentives offered to customers and channel members to encourage product purchases.

Sales promotions take two forms: consumer promotions and trade promotions. Companies offer **consumer promotions** incentives directly to customers and potential customers. Consumer promotions are aimed at those who actually use the product, or end users. They may be individuals or households. Another end user may be a business that consumes the product, and the item is not resold to another business. In other words, companies offer consumer promotions in both consumer markets and business-to-business markets.

Trade promotions are only allotted in the distribution channel. **Trade promotions** consist of the expenditures or incentives used by manufacturers and other members of the marketing channel to purchase goods for eventual resale. Trade promotions provided to other firms help push products through to retailers.

In the past, some marketing experts believed that any type of sales promotion, whether consumer or trade, eroded brand equity by shifting the focus to price. Now, however, many company leaders recognize that properly managed promotions differentiate a brand from the competition, helping to build brand awareness and improving a brand's image.[2]

The marketing team designs promotional programs to help the company achieve its IMC objectives and that support a brand's position. In the early stages of a product's life cycle, promotions match advertising and other efforts focused on brand awareness, creating opportunities for trial purchases and stimulating additional purchases. Later, the goal shifts to strengthening a brand, increasing consumption, fending off competition, or finding new markets.

This chapter examines consumer promotions first, followed by trade promotions. Although the presentations are separate, the marketing team designs both at the same time. The adjustments made to sales promotions programs in international markets are also described.

Consumer Promotions

OBJECTIVE 2
How can the various forms of consumer promotions help to pull consumers into stores and push products onto the store shelves?

Enticing a consumer to take the final step and make the purchase constitutes a primary goal for a consumer promotions program. Advertising creates the interest and excitement that brings the consumer to the store. Marketers then use other tactics. In addition to leading to the final decision to buy an item, consumer promotions programs help generate store traffic and enhance brand loyalty.

During recent Super Bowls, Denny's offered free breakfast to anyone who came into the restaurant from 6:00 a.m. to 2:00 p.m. on the Tuesday following the game. Roughly 2 million Americans took advantage of the offer each year. Some waited in line for hours for a breakfast. The promotion's goal, according to CEO Nelson Marchioli, was to "re-acquaint America with Denny's." He added, "We've never been thanked this much—and folks are saying they'll come back." The cost of the entire promotion, including food, labor, and the Super Bowl commercial, was about $5 million. In exchange, Denny's earned something money alone cannot buy; a powerful positive public relations blitz. The promotion garnered as much as $50 million in free, positive media news coverage. The company received 40 million hits on its Web site in the week following the Super Bowl, suggesting a highly successful consumer promotions program.[3] Figure 1 identifies the most common consumer promotions that will be described next.

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

▲ **FIGURE 1**
Types of Consumer Promotions

Coupons

A coupon offers a price reduction to the consumer. It may be a percentage off the retail price, such as 25 or 40 percent, or an absolute amount, such as 50 cents or $1. Each year companies print almost 300 billion coupons and on average consumers redeem 2.5 billion. The 0.85 percent redemption rate represents approximately $3.87 billion in savings for consumers or around $1.55 per coupon.[4] Nearly 80 percent of all U.S. households use coupons, and almost two-thirds are willing to switch brands with coupons.[5]

COUPON DISTRIBUTION

Manufacturers issue approximately 80 percent of all coupons. Most coupons are sent through print media, with vast majority distributed through **freestanding inserts (FSIs)**, or sheets of coupons distributed in newspapers, primarily on Sunday. FSIs represent almost 90 percent of all coupons distributed, although the percentage has been declined as consumers switch to digitally-delivered coupons.[6] Figure 2 identifies the various forms of coupon distribution.

- Print media
  - –Freestanding inserts (FSIs)
- Direct mail
- In- or on-package
- In-store
  - –Scanner delivered
- Digital
- Employee delivered

▲ **FIGURE 2**
Methods of Distributing Coupons

FSIs and print media remain popular for several reasons. First, the consumer makes a conscious effort to clip or save the coupon. Second, coupons create brand awareness. The consumer sees the brand name on the coupon even when it is not redeemed. Third, FSIs encourage consumers to purchase brands on the next trip to the store. Consumers are more likely to purchase a couponed brand and remember the name when they redeem a coupon, which helps move the brand to a consumer's long-term memory.

Digital coupons are growing in popularity. About 15 percent of the U.S. population, or 45 million consumers, redeem digital coupons. Digital coupon users tend to be more affluent and better educated. The average household income for a digital coupon user is $97,000. One-third has earned a college degree. Webs sites make it easy for consumers to find and print coupons, download them onto mobile devices, or transfer them to a loyalty card. Retail stores, including JCPenney, Kroger, and Safeway, feature technologies that permit consumers to redeem coupons from cell phones. CVS Pharmacy customers can



Courtesy of Keebler Company.

▲ A manufacturer's coupon for 50 cents off Snax Stix.

▼ A cross-ruffing coupon for Tyson and Betty Crocker.



Courtesy of Betty Crocker and Tyson

scan a loyalty card at a kiosk inside the store entrance to receive instant coupon offers and in-store specials based on their purchase histories. Ease of use spurs the growth of digital coupons.[7]

TYPES OF COUPONS

Coupons are distributed in retail stores, offered digitally from the Internet or in a store, such as CVS, and may be placed on or near packages. In each instance, the consumer can immediately redeem the coupon at the store through an *instant redemption coupon* program. The coupons often lead to trial purchases and purchases of additional packages of a product. Many grocery stores sponsor a company to cook a food product and offer free samples along with coupon giveaways, which represents another form of instant redemption couponing.

Coupons can be placed inside packages so that customers cannot redeem them quite as quickly. This encourages repeat purchases. The coupons are called *bounce-back coupons*.

Some retailers issue coupons at the cash register. *Scanner-delivered coupons* are triggered by an item being scanned on the register. The coupon being delivered is often for a competitor's product, thereby which encourage brand switching the next time a consumer makes a purchase.

To encourage purchases of additional products, sometimes manufactures provide *cross-ruffing coupons*, which is placing a coupon on one product for another product. For example, a coupon for French onion dip may be placed on a package of potato chips. Cross-ruff coupons should be for products that logically fit together and that are often purchased and consumed simultaneously. Occasionally, a manufacturer uses cross-ruffing to encourage consumers to purchase another of its products. Kellogg's may place a coupon on a Rice Krispies box for another cereal, such as Frosted Flakes or an oatmeal product. This type of couponing tactic encourages consumers to purchase within the same brand or family of products.

DISADVANTAGE OF COUPONS

Customers who have a brand preference redeem approximately 80 percent of all coupons.[8] Some believe that offering price discounts through coupons to customers who are willing to pay full price does not make sense. Manufacturers, however, argue that these consumers may be willing to stock up on the item, which means they do not buy from the competition. It can also result in the consumer using more of the product. In essence, manufacturers recognize that these brand-preference customer redemptions are a "necessary evil" in mass distribution programs. To avoid sending coupons to current customers, firms may send direct mail coupons to non-loyal customers, thereby targeting nonusers and the competitor's customers.

Premiums

Premiums are prizes, gifts, or other special offers consumers receive when purchasing products. The consumer pays full price vice with a premium. In contrast, coupons grant price reductions.

TYPES OF PREMIUMS

Figure 3 identifies four major types of premiums. *Free-in-the-mail premiums* are gifts individuals receive for purchasing products. To receive the gift, the customer mails in a proof of purchase to the manufacturer that then sends the gift to the buyer. More than one purchase may be required to receive some gifts. A premium offer appears in the Fisher Boy advertisement shown in this section. Consumers collect points from the front of Fisher Boy packages to be redeemed for "cool" prizes. To further encourage sales, the advertisement also carries a coupon.

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

▲ **FIGURE 3**
Types of Premiums

Credit card companies employ premiums to entice individuals to sign up for credit cards. Instead of providing a proof of purchase, the consumer activates the card to receive an incentive, which range from cash back on a purchase to merchandise and frequent-flier miles.

In- or *on-package premiums* are usually small gifts, such as toys in cereal boxes. The gift may be disguised or packaged so the consumer must buy the product to see the premium. At other times, the gift will be attached to the package, such as a package of blades with the purchase of a razor.

Store or *manufacturer premiums* are gifts given by either the retail store or the manufacturer when the customer purchases a product. Fast-food restaurants lure children a toy that accompanies the purchase of a child's meal. Hyundai recently offered a unique premium. With the purchase of a new Hyundai Equus, with the suggested retail price of $50,000, customers received a free Apple iPad loaded with the 300-page owner's interactive manual. The iPad included a leather slipcase with the car's service appointments preloaded and scheduled.[9]

The fourth type, a *self-liquidating premium*, requires the consumer to pay a small amount of money for the gift or item. The premium may be offered for only $4.99 plus shipping and handling and two proofs of purchase from boxes of Cheerios. The premium is called self-liquidating because $4.99 covers the premium's cost. The manufacturer may also receive money for shipping and handling so that consumers pay for most or all of the expense of the item.



Courtesy of Fisher Boy.

▲ A free-in-the-mail premium by Fisher Boy for "cool" prizes and a coupon for 55 cents off.

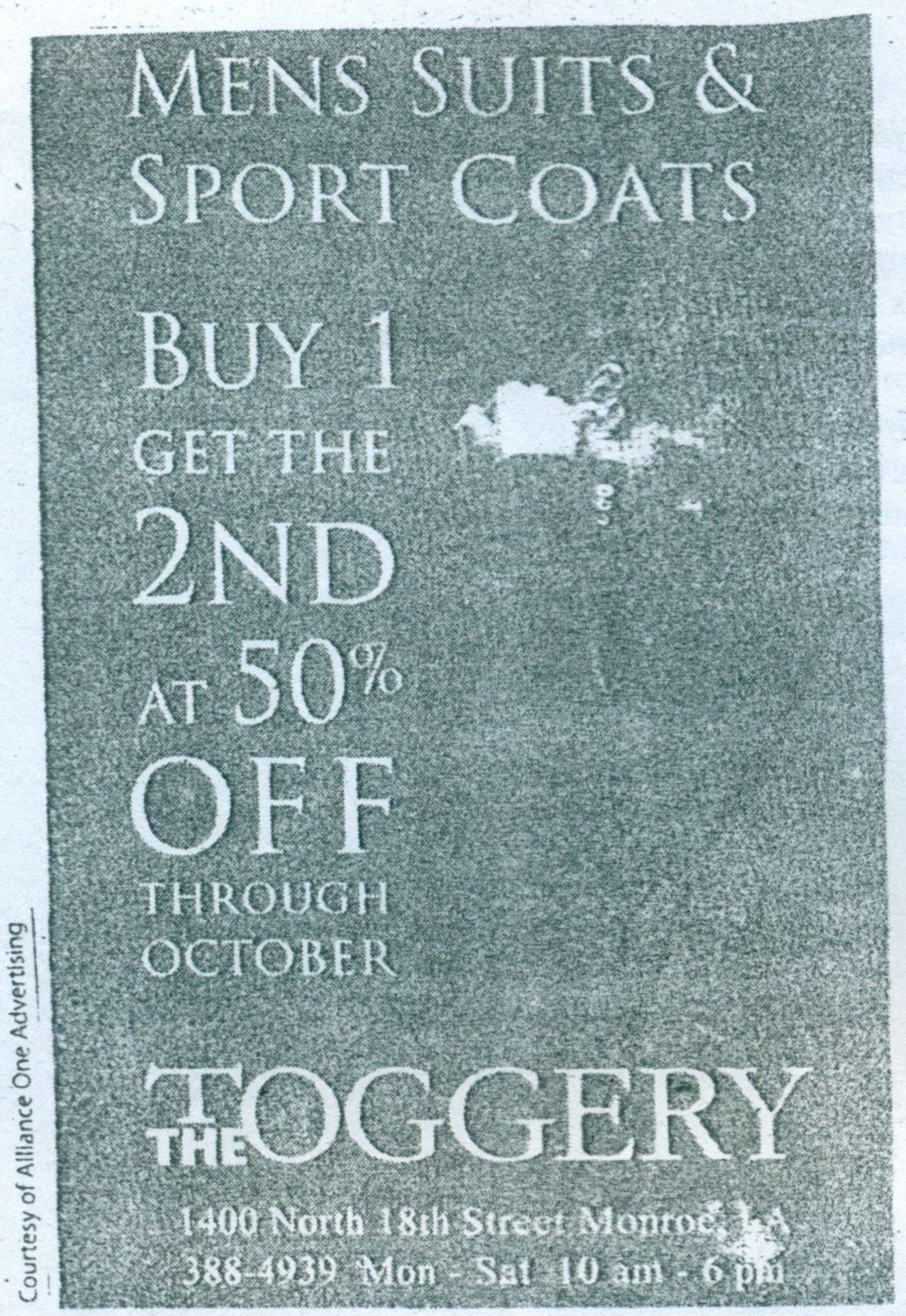
KEYS TO SUCCESSFUL PREMIUM PROGRAMS

Successful premium programs include several common elements (Figure 4). First, the premium should match the target market. A target market consisting of older, high-income individuals can be reached with a premium such as china or fine crystal. If the market is children, a cartoon figure or a character from Disney or Sesame Street becomes more attractive.

- Match the premium to the target market
- Carefully select the premiums (avoid fads, try for exclusivity)
- Pick a premium that reinforces the firm's product and image
- Integrate the premium with other IMC tools (especially advertising and POP displays)
- Don't expect premiums to increase short-term profits

◀ **FIGURE 4**
Keys to Successful Premium Programs

Source: Based on Don Jagoda, "The Seven Habits of Highly Successful Premiums," *Incentive* 173, no. 8 (August 1999), pp. 104–105.



Courtesy of Alliance One Advertising

▲ A newspaper ad by The Toggery offering a premium "Buy 1 - get the 2nd at 50% off."

The best premiums reinforce the firm's image. They should not be low-cost trinkets. Giving away cheap merchandise insults customers and damages the firm's image. Premium programs succeed when they tie in with the firm's products to enhance the image of the product and the brand.[10]

Premiums should be integrated with the other components of the IMC program. General Mills recently offered collectable Star War premiums tied in with the recent Star Wars movie. The premium effort was supported by in-store pallet displays, FSIs, and digital efforts on sites such as MyBlogSpark.com, StarWars.com, and Lucasfilm's Twitter. In addition, to drive awareness of the promotion, General Mills added a 10-second tag to television spots for the cereal brands with the premiums inside the box.[11]

Some marketing experts believe overusing coupons damages a brand's image. Conversely, premiums might actually enhance an image. Picking the right type of premium becomes the key. Premiums can be used to boost sales; however, they usually are not as successful as coupon sales. Nevertheless, premiums remain a valuable consumer promotional tool.

In the United States, companies spend approximately $24 billion on premiums each year.[12] Although premiums add value and enhance the brand, they are less effective at increasing profits. Therefore, a clear relationship between the premium's intention and IMC goals should be established. Logically, the goal relates to image rather than profit.

Contests and Sweepstakes

Each year, companies spend approximately $1.9 billion on the various games, contests, and sweepstakes, that appear in both consumer and business markets.[13] The prize list largely determines the success or failure of these appeals. Members of the target market for the contest or sweepstakes must desire the prizes in order to entice them to participate.

CONTESTS

The words *contest* and *sweepstakes* tend to be used interchangeably, yet some differences exist, primarily legal. *Contests* normally require the participant to perform an activity. The winner will be selected from the group that performs best or provides the most correct answers. Often, contests require a participant to make a purchase to enter. In some states, however, forcing consumers to make a purchase to enter a contest is illegal. In developing contests, the marketing team first investigates the state and federal laws that apply.

Contests range from the bikini contests at local nightclubs to popular television shows such as *Jeopardy* or *American Iaol* in which contestants must answer questions or win competitions to earn prizes. Although some contests are mostly chance, others require skill. For example, Dr. Pepper encouraged visitors to the Web site deviantART.com to submit designs for a Dr. Pepper-themed outdoor mural. The winner, Rey Jawahir of Hillsborough County, Florida, was selected from among 2,105 entries. He won a trip to Brooklyn to see the mural, a $3,000 iPad and various deviantART.com perks. The contest generated 314,000 page views besides mentions on Facebook, Twitter and other social media sites.[14]

SWEEPSTAKES

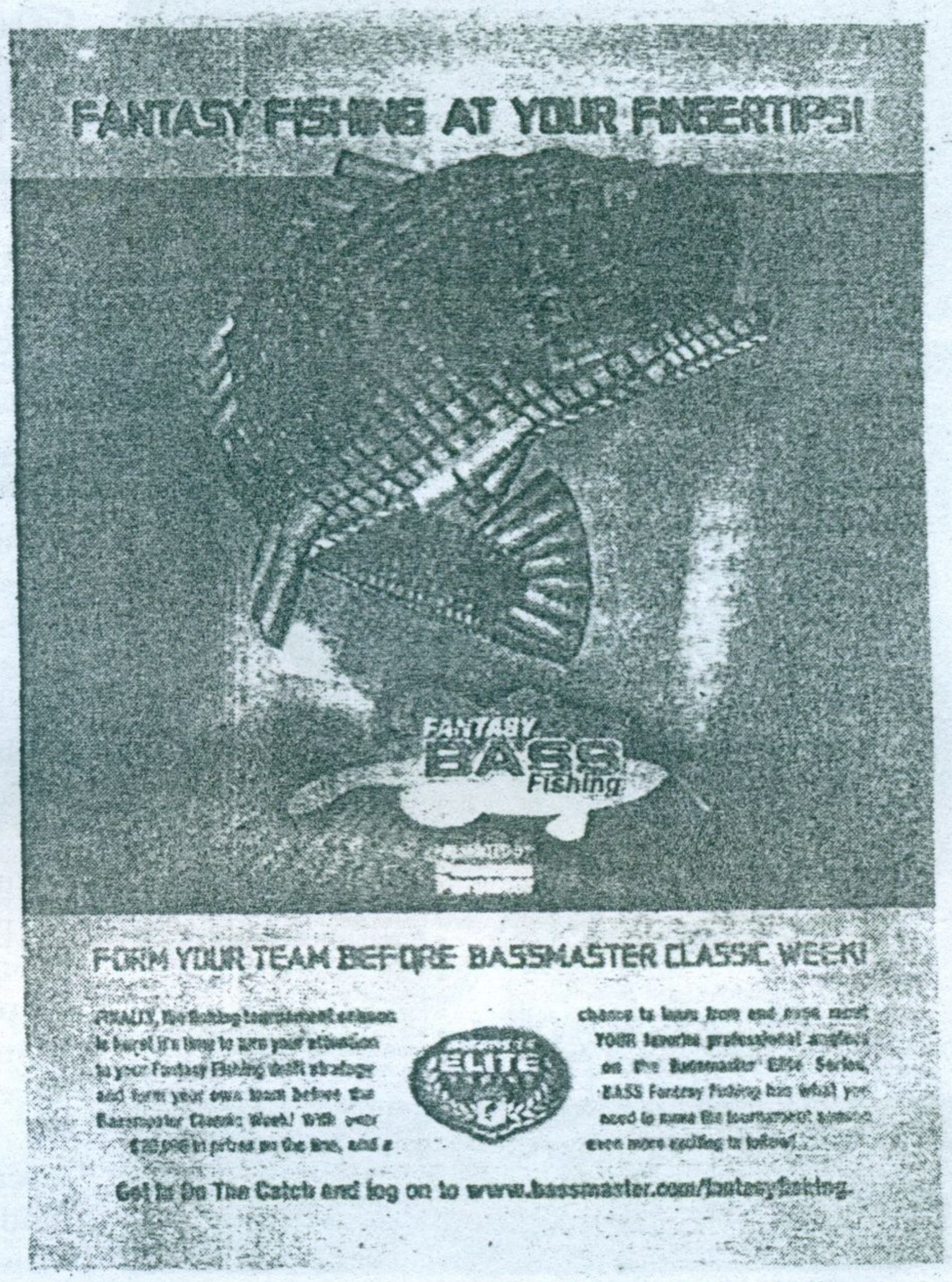
No purchase is required to enter a sweepstakes. Consumers can enter as many times as they wish, although companies can restrict customers to one entry per visit to the store

or location. Probability dictates the chances of winning a sweepstakes. The odds of winning must clearly be stated on all point-of-purchase (POP) displays and advertising materials. In a sweepstakes, the probability of winning each prize must also be published in advance.

PERCEIVED VALUE

People enter contests and sweepstakes that they find interesting or challenging. Consumers do not enter every contest or sweepstakes they encounter. Instead, they selectively choose. The decision will be based on the perceived value of the contest or sweepstakes prize combined with the odds of winning. The greater the perceived odds of winning, the more likely it becomes that a person will participate.

A contest or sweepstakes' perceived value consists of two components: extrinsic value and intrinsic value. The *extrinsic value* represents the actual attractiveness of the prize (a car versus a free sandwich). The greater the perceived extrinsic value, the more likely people will become involved. *Intrinsic values* are those associated with participating. A contest requiring the demonstration of a skill, such as the one with recipes or an essay contest, entices entry by individuals who enjoy demonstrating that skill. Extrinsic rewards become secondary. Instead, participants enjoy competing and demonstrating their abilities. This, in part, explains the popularity of fantasy football and baseball leagues and "pick the winner".sports contests such as the NCAA basketball tournament each spring.



▲ This advertisement for fantasy fishing by Bassmaster is designed to appeal to outdoorsmen.

Courtesy of Newcomer, Morris & Young, Inc.

Sears recently launched a national "More Green Across America" contest that encouraged individuals to nominate baseball fields, playgrounds, and other community green spaces. The contestants sent photos and wrote short essays about why the area deserved a makeover. Baseball Hall-of-Famer Mike Schmidt appeared as the campaign's spokesperson. Sears narrowed the list down to 10 worthy projects and then had the public vote for the winner. The grand prize winner received a new yard tractor, mower, line trimmer, edger, and blower as well as a visit from the Sears Blue Lawn & Garden Crew to help complete the beautification project.[15]

To encourage consumers to continue participating in a contest, the extrinsic values of prizes can be increased by allowing small, incremental rewards. A consumer who wins a soft drink or a sandwich in a sweepstakes at Subway may be more likely to continue participating. Scratch-and-win cards tend to be effective because the reward is instant.

THE INTERNET AND SOCIAL MEDIA

The Internet has become a popular location for contests and sweepstakes. It provides opportunities for individuals to see a prize's intrinsic value by creating interactive games to challenge a contestant's ability. The Internet offers promoters data-capturing capabilities. Internet contests are less costly to set up and run than other types of promotions.

The newest trends in contests and sweepstakes include social media. Microsoft, Sephora, NASCAR, Comcast, Chik-fil-A, and McDonald's have created Twitter sweepstakes or have used Twitter and social media sites to enlist participants for a contest or sweepstakes. The intention is to use the sweepstakes or contest to ignite a viral buzz around the brand.[16]



▲ This advertisement for Skyjacker offers a $35 rebate on four Skyjacker Hydro or Nitro shocks.

GOALS OF CONTESTS AND SWEEPSTAKES

Contests and sweepstakes encourage customer traffic and can boost sales. Although contests and sweepstakes routinely increase customer traffic, the question remains as to whether they actually boost sales. Some do, others do not. Marketers recognize that intrinsic rewards tend to draw consumers back. This means online games are exciting prospects, because they can be structured to create intrinsic value.

Refunds and Rebates

Refunds and rebates are cash returns offered to consumers or businesses following the purchase of a product. Consumers pay full price for the product but can mail in some type of proof of purchase. The manufacturer then refunds a portion of the purchase price. A *refund* is a cash return on what are called "soft goods," such as food or clothing. *Rebates* are cash returns on "hard goods," which are major ticket items such as automobiles and appliances.

Only about 30 percent of all rebates are claimed. For rebates valued at $50 or more, the percentage of claims rises to about 65 percent. The inconvenience associated with getting the rebate represents the primary reason for low response rates. Too many steps or long waiting times because of "snail mail" are common complaints about rebates. Many consumers wait 2 to 3 months to receive a rebate check.[17]

Rebate programs often suffer from diminished effectiveness because consumers have come to expect them: Car dealers often find that customers wait until rebates are offered. As a result, no new purchase activity takes place without a rebate offer, which delays the purchase process. Further, increasing the amount of a rebate no longer seems to spur additional sales, yet discontinuing or reducing rebate levels tends to have an immediate negative impact.

Refunds and rebates achieve the greatest successes when they are perceived as being new or original. When they become an entrenched part of doing business, they are expected discounts. To be effective, rebates and refunds should change the buyer's behavior, either by leading to a more immediate purchase or by causing the customer to change brands.

Sampling

Sampling is the actual delivery of a product to consumers for their use or consumption. In business-to-business markets, samples of products may be given to potential clients. Sampling also can be featured in the service sector. For example, a tanning salon may offer an initial visit free to encourage new customers to try its facilities. Dentists and lawyers use sampling when they offer an initial consultation free of charge.

In a survey of 1,800 consumers, more than one-third of those who tried a sample purchased the product during the same shopping trip. Fifty-eight percent indicated they would buy the product again. Nearly one-fourth said they bought the product being sampled instead of the brand they intended to purchase.[18] This means sampling constitutes an effective method of getting consumers to try and purchase a particular brand.

SAMPLE DISTRIBUTION

Figure 5 lists various methods of samples distribution. The most common consumer method, *in-store distribution*, delivers the sample in the store, such as when a food product is cooked and given to customers on site. *Direct sampling* means items are mailed or

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

▲ FIGURE 5
Methods of Distributing Samples

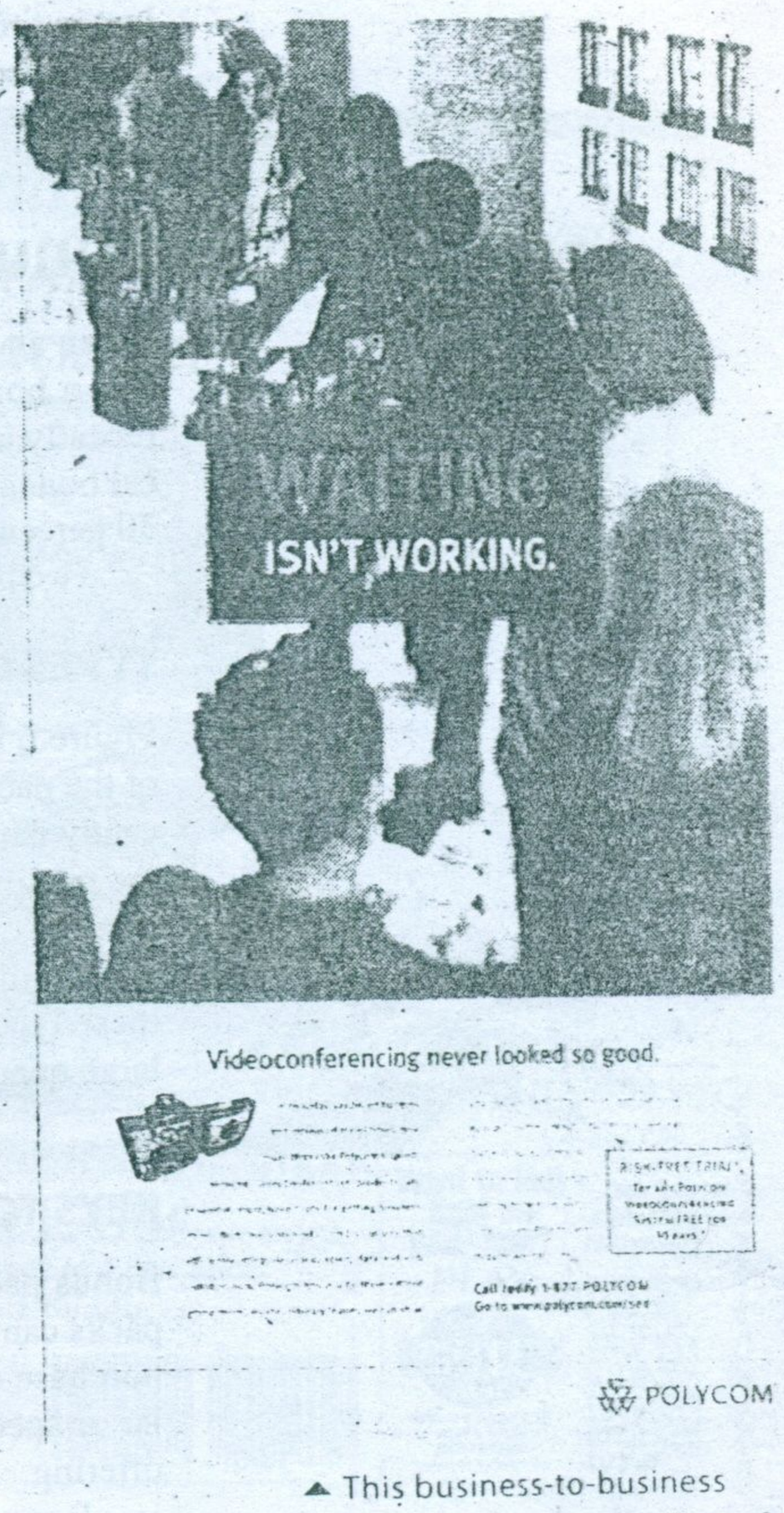
delivered door-to-door to consumers. In the business-to-business sector, salespeople often deliver direct samples to prospects or to current customers to encourage them to try the company's brand or a new product that just came out.

Response samples are made available to individuals or businesses responding to a media offer on television, on the Internet, from a magazine, or by some other source. *Cross-ruffing* sampling plans provide samples of one product on another. A laundry detergent with a free dryer sheet attached to the package is a cross-ruffing sample.

Media sampling means the sample is included in the media outlet. Recently, samples for Dr. Scholl's Her Open Shoes insoles were affixed to heavy-stock paper in magazines such as *In Style*, *All You*, *Shape*, and *Glamour*. Women could remove the insole and test it on one foot and compare it to the other foot that did not have an insole. Approximately 3 million were distributed. One month after the run, 11 percent of subscribers had purchased insoles and nearly 60 percent said they planned to make purchases. Approximately 57 percent had peeled the sample insole out of the magazine and 37 percent said they actually tested it.[19]

Companies offer *Professional samples* to professionals, such as doctors, who then provide patients with the free drug samples. *Selective samples* are distributed at a site such as a state fair, parade, hospital, restaurant, or sporting event. For instance, Power Bars may be given to people attending football or basketball games. A tie-in exists between the product (nutrition) and the event (athletics).

In recent years, marketers have increased usage of freestanding inserts to distribute samples. A variety of products have been distributed in newspapers, including breakfast bars, coffee, shampoo, snacks, tea, and automotive cleansers. Companies using newspapers employ the FSI insert method because it breaks through the clutter and captures attention. The newspaper is an "invited medium." Therefore, consumers are often more receptive when samples are included in the paper.[20]



Courtesy of Polycom, Inc.

▲ This business-to-business Polycom advertisement offers a free 30-day, risk-free trial.

BENEFITS OF SAMPLING

Product sampling offers an effective way to introduce a new item, generate interest in it, and collect information about consumers. Internet-based response sampling programs have become popular with both consumers and manufacturers. Bristol-Myers/Squibb was one of the first companies to utilize the Internet for product sampling. The company offered a free sample of Excedrin to individuals who requested one. They had to be willing to provide their names, addresses, and e-mail information. In addition to the 12-pack sample of Excedrin, consumers received coupons for additional purchases, along with the quarterly *Excedrin Headache Relief Update Newsletter*. This form of response has the advantage of sampling only the consumers who requested the product. Companies normally can gather additional information to be added to a database. Seventy percent of consumers who requested a sample online were willing to complete a survey to receive the item.[21]

SUCCESSFUL SAMPLING PROGRAMS

As with the other consumer promotions, sampling should be related to and based on the IMC plan. Sampling encourages a trial use by a consumer or a business. It will be most effective when it introduces a new product or a new version of a product to a market. Samples also help to promote a current product to a new target market or to new prospects.

Successful sampling means targeting the right audience at the right venue at the right time. Mass sampling will not be nearly as cost-effective as targeted sampling. Chanel sent a sample of its No. 5 fragrance in a package mailer to the 1.2 million subscribers of Vogue magazine. With a median income of $63,000, the readership of Vogue fits the target

audience of the affluent Chanel brand. The sample was also sent with the December issue, just in time for making a Christmas gift suggestion. The sample coupled with several ads in the December issue of Vogue created an effective targeted sampling campaign.[22].

Bonus Packs

When an additional or extra number of items are placed in a special product package, it is a bonus pack, such as offering four bars of soap for the price of three. Rayovac recently attached three free AA batteries in a bonus pack containing nine batteries. Typical bonuses range from 20 to 100 percent of the normal number of units in a package. A 30 percent bonus is the most common.

TYPES OF BONUS PACKS

Figure 6 identifies the major objectives of bonus packs. Increasing the size or quantity of the package can lead to greater product use. When a package that contains eight small candy bars increases by four more bars, consumers are likely to eat more, because they are readily available. This will not be true for products with more constant consumption rates. If Colgate offers a bonus pack with an additional tube of toothpaste, consumers do not use more of the product. In effect, this delays the next purchase. Manufacturers offer these types of bonus packs because they preempt the competition. A consumer with a large quantity of the merchandise on hand becomes less likely to switch brands.

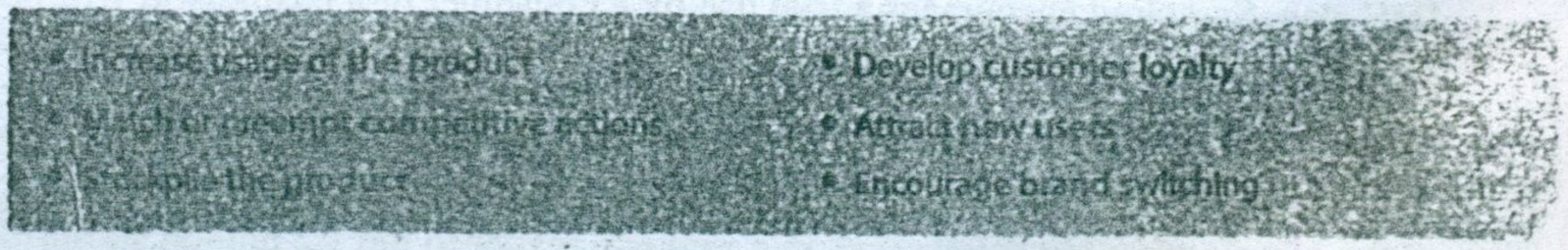
KEYS TO SUCCESSFUL BONUS PACKS

Bonus packs reward customer loyalty by offering, in effect, free merchandise. Bonus packs can lead to brand switching if the consumer has used the brand previously. Facing purchase decisions, consumers may opt for brands that offer more product at the regular or special price. The packages present an advantage that competitive brands are not offering.

Bonus packs tend to be popular with manufacturers, retailers, and customers. A retailer can build a positive relationship with a manufacturer that features a bonus pack to increase brand switching and stockpiling. Retailers gain an advantage because the bonus pack offers a "bargain" or "value" through the retail outlet. Customers enjoy bonus packs because it feels like they are getting free merchandise. For products with high levels of competition, the bonus pack approach can help maintain brand loyalty and reduce brand switching at a minimal cost.

Bonus packs rarely attract new customers, because they have not previously purchased the brand. Obtaining an extra quantity does not reduce the purchase risk but rather increases its, especially when the customer does not like to waste a product by throwing it away if he is dissatisfied. Marketing research indicates that when the bonus is small (20 to 40 percent), consumers often believe the price per unit has not truly changed. Unfortunately, a large bonus, such as a two-for-the-price-of-one sale, may lead consumers believe that the price was first increased to compensate for the additional quantity. In that instance, increasing the size of a bonus captured the consumer's attention but did not convey the desired message.[23]

▶ **FIGURE 6**
Bonus Pack Objectives



Price-Offs

A price-off is a temporary reduction in the price of a product to the consumer. A price-off can be physically marked on the product, such as when a bottle of aspirin shows the regular retail price marked out and replaced by a special retail price (e.g., $6.99 marked out and replaced by $5.99). Producing a label with the price reduction pre-marked forces the retailer to sell the item at the reduced price. This ensures the price-off incentive will be passed on to consumers. At other times, the price-off will not be printed on the actual item, but instead on a point-of-purchase display, sign, or shelf.

BENEFITS OF PRICE-OFFS

Price-offs help stimulate sales of existing products. They entice customers to try new products, because the lower price reduces the financial risk of making the purchase. They encourage customers to switch brands in brand parity situations or when no strong brand loyalty exists. In cases where consumers do have a brand preference, a price-off on a favorite brand encourages stockpiling of the product and possibly increased consumption of the item.[24] A consumer who purchases additional breakfast bars because of a price-off tends to consume more breakfast bars. Again, this will not be true for products such as deodorant or toothpaste. Stockpiling for those types of products only delays the next purchase and does not increase consumption. Similar effects occur in the business-to-business arena when price-offs are offered.

Price-offs have proven to be successful consumer promotions for two reasons. First, the price-off has the appeal of a monetary savings. Second, the reward is immediate. Unlike rebates, refunds, contests, sweepstakes, and other promotional incentives, consumers do not have to wait for the reward.



Courtesy of Carl Buddig & Company.

▲ A bonus pack offer for two packages of Lean Slices by Carl Buddig.

PROBLEMS WITH PRICE-OFFS

Although price-offs are easy to implement and can have a sudden impact on sales, at times they cause problems. Sales may increase, but the program might produce a negative impact on a company's profit margin. It normally takes at least a 20 to 40 percent increase in sales to offset each 5-percent price reduction.

Price-off programs encourage consumers to become more price-sensitive. In the same way that customers respond to rebates, they can either wait for a price-off promotion or choose another brand that happens to be on sale. In addition, when used too often, price-offs can have a negative impact on a brand's image. David Hale, CEO of Good Eats, noted, "Deep discounting doesn't build loyalty or consistency—it's cheapening your brand.[25] Again, price-off programs should be incorporated into the firm's overall IMC program.

Overlays and Tie-Ins

At times companies combine two or more consumer promotions activities into a single campaign, called an *overlay*. To attract Chinese consumers in Canada, Tropicana combined sampling with coupons. Free samples (50,000 cups of orange juice) were given out along with 30,000 coupons at a Chinese New Year's celebration in Vancouver. Asians



▲ A price-off and coupon offer for Eskamoe's Frozen Custard & More.

OBJECTIVE 3

How do different types of customers respond to consumer promotions?

who live in the United States and Canada are not typically large users of coupons; however, Tropicana Canada's research indicated that the Chinese consider oranges to be harbingers of good luck. A few weeks after the promotion, 40 percent of the coupons were redeemed, and sales of Tropicana orange juice among the Chinese community in Canada increased considerably.[26]

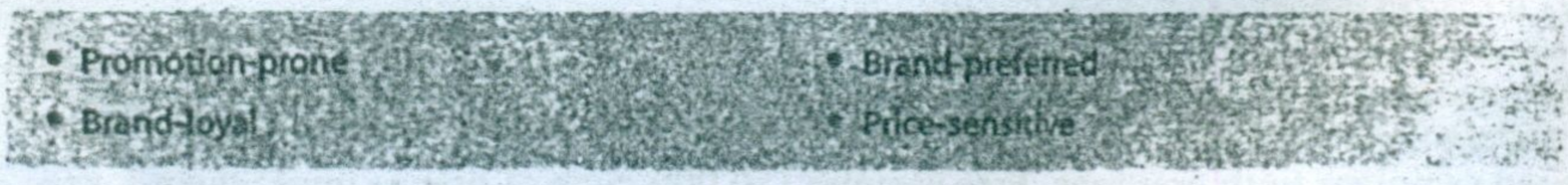
Developing a consumer promotion with another product or company is another common strategy, called a *tie-in*. *Intracompany tie-ins* are the promotion of two different products within one company using one consumer promotion. An alternative method is partnering with another company, which is an *intercompany tie-in*. Fast-food restaurants often use tie-ins with movies and toys to create attractive children's promotions. Stand-alone, overlay, and tie-in programs deserve careful planning to maximize their effects.

Planning for Consumer Promotions

In planning the consumer promotions component of the IMC, the program should support the brand image and the brand positioning strategy. To ensure this occurs, marketers consider the target audience. Researchers identify the core values present in the target audience, as well as opinions regarding the firm's products, especially as they relate to the competition. After gathering the information, the marketing team finalizes the consumer promotions plan. In terms of promotions, consumers can be divided into the four categories shown in Figure 7.

Promotion-prone consumers regularly respond to various consumer promotions and like to purchase products that are on-deal. They tend to clip coupons on a regular basis, enter contests and sweepstakes, purchase bonus packs, and respond to other promotional offers. In contrast, for **price-sensitive consumers**, price remains the primary, if not only, criterion used in making a purchase decision. Brand names are not important, and these individuals will not pay more for them. They take advantage of any type of promotion that reduces the price.

Brand-loyal consumers purchase only one particular brand and do not substitute, regardless of any deal being offered. They make the necessary effort to purchase their chosen brand. More common are **brand-preference consumers**, consider a small set of brands for which they have a strong attachment. When promotions are offered for one of their chosen brands, it becomes the one to be purchased. These



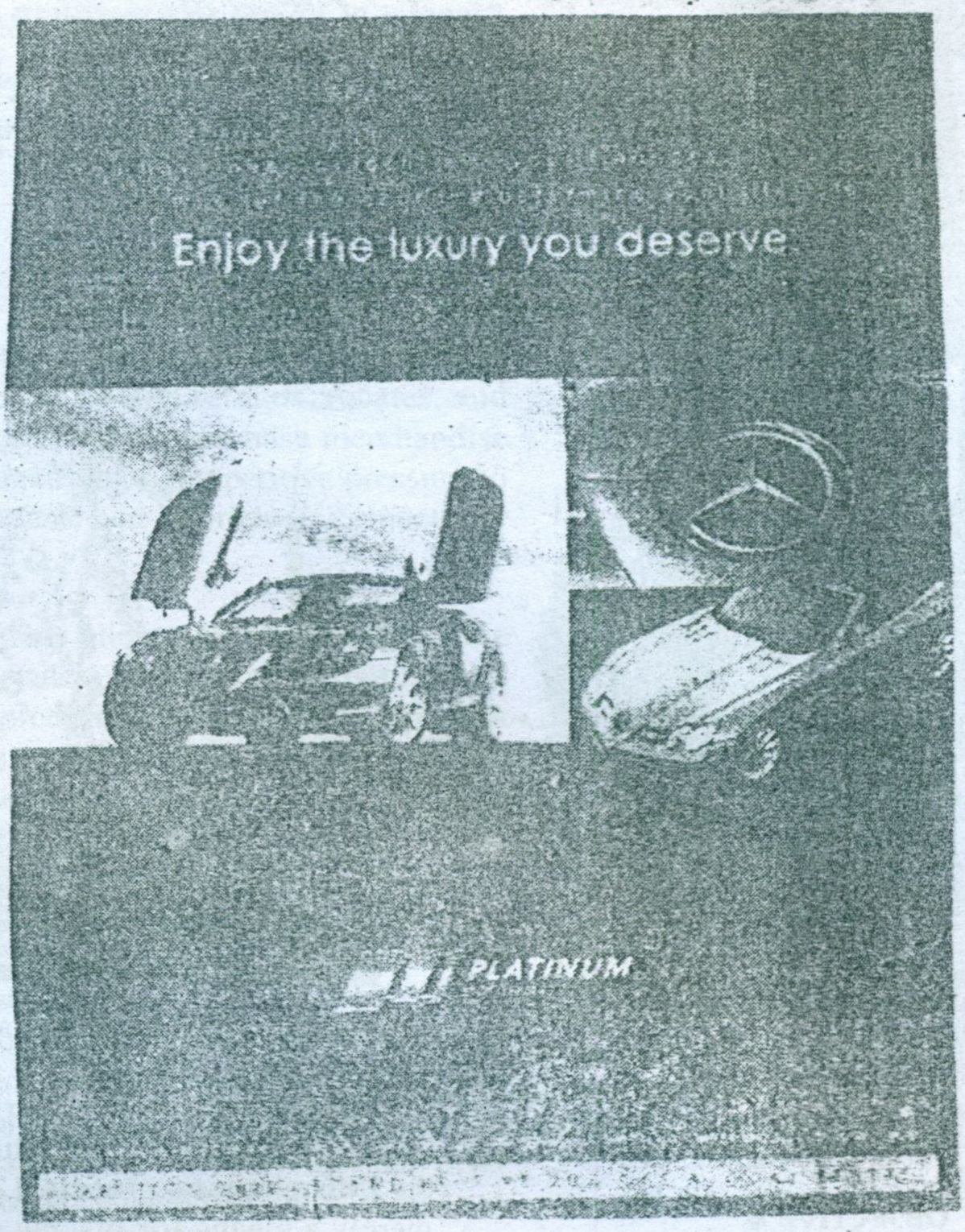
▶ **FIGURE 7**
Types of Consumers in Relation to Consumer Promotions

consumers ignore a promotion for brand not in the brand-preferred set, regardless of the size or type of promotion being offered.

Consumers do not fit into one of the four categories for all purchases. They may tend to be one of the four types, but promotion or brand preferences change across product and service categories. A beer drinker may be extremely promotion prone; a wine drinker may be quite brand loyal. The same beer drinker may be extremely loyal to a pizza brand, and the same wine drinker may be price sensitive when it comes to buying potato chips.

In planning promotions, the marketing team understands that promotion-prone consumers look for on-deal brands. Price-sensitive consumers purchase the cheaper brand, regardless if it is on-deal or off-deal. Therefore, these two types of consumers are not highly attractive to pursue with consumer promotions, unless the promotional goal is to increase sales, market share, or customer traffic. There will be little or no future allegiance to the brand.

Brand-loyal consumers only use promotions for their favored brands. Offering a promotion to this group makes little sense, because they will buy the brand anyway. Brand-preferred consumers represent the ideal group to target market, especially when the promotion features a brand in their preference set. This can enhance loyalty toward the brand and prevents them from purchasing a competing brand. It may also move the consumer closer to brand loyalty.



Courtesy of Platinum Motorcars.

▲ A price-off promotion by Platinum Motorcars offering 20 percent off on a 2-day rental if the consumer mentions seeing this promotion.

Manufacturers should understand retailer objectives in using promotions. It does little good to create a promotion that will be popular with consumers if retailers are not willing to work with the manufacturer to enhance the promotional offer. Retailers prefer promotions that benefit them. The primary reasons retailers support manufacturer consumer promotions programs are to:

- Increase store traffic
- Increase store sales
- Attract new customers
- Increase the basket size[27]

The promotions program revolve around the theme of the IMC program while keeping in mind where the promotions will be seen by the consumer. Specific goals associated with the product, the target market, and the retail outlets are first formulated. Building-brand constitutes a long-term goal; generating sales



▶ Brand-preferred consumers are the ideal group to target.



▲ When developing promotions, Chic Shaque's marketing team first seeks to understand the type of consumers that shop at its retail store.

OBJECTIVE 4

What types of trade promotions can help push products onto retailers' shelves and eventually to end users?

is more short range. Price-based offers normally are designed to attract new customers or to build sales. Other consumer promotions such as high-value premiums are used to enhance a firm's image over time.

Trade Promotions

Trade promotions are incentives designed by members of the trade channel to entice another member to purchase goods for eventual resale. Trade promotions are aimed at retailers, distributors, wholesalers, brokers, or agents. A manufacturer offers trade promotions to convince another member of the trade channel to carry its goods. Wholesalers, distributors, brokers, and agents offer trade promotions to persuade retailers to purchase products for eventual resale.

Trade promotions account for a larger percentage of a supplier's gross revenues. Twenty years ago they may have only represented about 25 percent of a manufacturer's marketing budget; today it is nearly 70 percent. Trade promotions often constitute the second largest expense for a manufacturer after the cost-of-goods-sold. Trade promotions account for approximately 17 percent of gross sales revenues for manufacturers.[28]

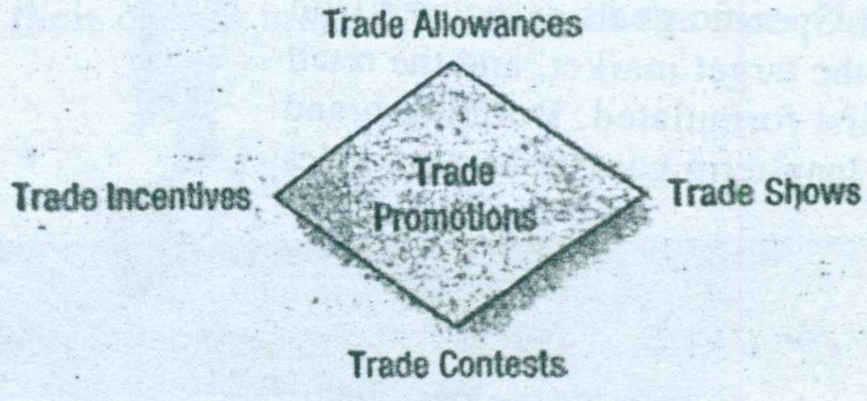
Trade promotions contribute to many successful IMC programs. Unfortunately, in other companies, the individual handling trade promotions may not be involved in the IMC planning process. Leaders in these firms often view trade promotions as being merely a means for placing products onto retail shelves or satisfying a channel member's request. As a result, little consideration may be given to matching the IMC program when developing trade promotions programs.

A variety of trade promotions tools exist. Individual companies select trade promotions techniques based on several factors. These factors include the nature of the business (manufacturer versus distributor), the type of customer to be influenced (e.g., retailer versus wholesaler), company preferences, and the objectives of the IMC plan. Figure 8 lists the primary types of trade promotions.

TRADE ALLOWANCES

Trade allowances provide financial incentives to other channel members to motivate them to make purchases. Trade allowances take a variety of forms, including the ones in Figure 9. Each makes it possible for the channel member to offer discounts or other price-reduction deals to customers.

▶ **FIGURE 8**
Types of Trade Promotions



- **Off-invoice allowance:** A per-case rebate paid to retailers for an order.
- **Slotting fees:** Money paid to retailers to stock a new product.
- **Exit fees:** Money paid to retailers to remove an item from their SKU inventory.

◀ **FIGURE 9**
Types of Trade Allowances

Off-Invoice Allowances Off-invoice allowances are financial discounts given for each item, case, or pallet ordered. They encourage channel members to place orders. Approximately 35 percent of all trade dollars go to off-invoice allowances, making them the largest expenditure among trade promotions tools.[29] As with refunds, rebates, and price-offs in the consumer sector, many retailers are reluctant to purchase merchandise without some type of trade allowance. In addition, tremendous competitive pressure to offer trade allowances exist, as companies selling the same type of products compete for limited shelf space.

Slotting Fees The most controversial form of trade allowance, **slotting fees**, are funds charged by retailers to stock new products. Retailers justify slotting fees in various ways.[30] First, retailers spend money to add new products to inventories and to stock merchandise. An unsuccessful product means the retailer's investment in inventory represents a loss, especially when the retailer has stocked the product in a large number of stores. Slotting fees recover some of the loss.

Second, adding a new product in the retail store means providing shelf space. Shelves are already filled. Adding a new product means either deleting brands or products or reducing the amount of shelf space allocated to them. In both cases, the retailer spends both time and money creating space for a new product.

Third, slotting fees make it easier for retailers to make decisions about new products. A typical supermarket carries 35,000 SKUs (stock-keeping units). The supermarket's managers evaluate 10,000 to 15,000 new products per year. Most will fail. Consequently, retailers believe charging slotting fees forces manufacturers to weed out high-risk product introductions. The average total cost in slotting fees for a nationally introduced product ranges from $1.5 to $2 million.[31] Consequently, retailers contend that slotting fees force manufacturers to conduct careful test marketing on products before introducing them. Such testing limits the number of new products offered each year. This, in turn, drastically reduces the number of new product failures.

Finally, slotting fees add to the bottom line. Many products have low margins or markups. Slotting fees provide additional monies to support retail operations. Estimates suggest that between 14 and 27 percent of trade promotion monies given to retailers go directly to the retailer's bottom line.[32]

The other side of the argument comes from manufacturers, who claim slotting fees are practically a form of extortion. Many manufacturers believe slotting fees cost too much and are unfair in the first place. These fees compel manufacturers to pay millions of dollars to retailers that could be used for advertising, sales promotions, or additional marketing efforts.

Slotting fees can prevent small manufacturers from getting products into stores because they cannot afford them. Some large retail operations have small-vendor policies; however, placing merchandise remains extremely challenging.

Exit Fees Instead of paying a slotting allowance, some retailers ask for **exit fees**, which are monies paid to remove an item from a retailer's inventory. This approach may be used when a manufacturer introduces a new size of a product or a new version, such as a 3-liter bottle of Pepsi or Pepsi Diet Vanilla. PepsiCo already has products on the retailer's shelves. Adding a new-sized container or new variety of the product involves lower risk and is not the same as adding a new product. Rather than charging an up-front fee, such as a slotting allowance, retailers request exit fees if the new version of the product fails or if one of the current versions must be removed from the inventory. Four percent of retailers charge exit fees, compared to the 82 percent using slotting fees.[33]

Trade Allowance Complications In offering trade allowances to retailers, manufacturers assume that a portion of the price reduction will be passed on to consumers. This occurs only about half of the time. When consumers receive a portion of the price allowance, retailers often schedule competing brands, so they can have at least one special offer going at all times. Thus, one week Pepsi offers a reduced price and the next week Coke offers a discount. The two products are rarely promoted on-deal at the same time. By offering only one on-deal at a time, the retailer always has a reduced priced brand for the price-sensitive consumer. The retailer also can charge the brand-loyal consumer full price 50 percent of the time. While accomplishing these goals, the retailer receives special trade allowances from both Pepsi and Coke.

In an effort to increase profit margins, retailers engage in two activities: forward buying and diversion. *Forward buying* occurs when a retailer purchases extra amounts of a product while it is on-deal. The retailer then sells the on-deal merchandise after the deal period ends, saving the cost of purchasing the product at the manufacturer's full price. *Diversion* takes place when a retailer purchases a product on-deal in one location and ships it to another location where it is off-deal. For example, a manufacturer may offer an off-invoice allowance of $5 per case for the product in France. Diversion tactics mean the retailer purchases an excess quantity in France and has it shipped to stores in other European countries. To do so, retailers first examine the potential profits to be earned, less the cost of shipping the product to other locations. Shipping costs tend to be relatively high compared to trade allowances offered. Consequently, retailers do not use diversion nearly as much as forward buying.

TRADE CONTESTS

To achieve sales targets and other objectives, channel members sometimes provide trade contests. Winners receive prizes or cash, or **spiff money**. A contest can be held at any level within the channel. It can be between brokers or agents, wholesalers, or retail stores. To prevent undue influence of contests on buyers, a number of large organizations prohibit employees from participating in vendor contests. Although influencing salespeople represents exactly what a contest seeks to accomplish, many large retail organizations do not want buyers participating, because these buyers make purchase decisions for as many as 500 to 2,500 stores and participating in a contest may result in poor decisions.

▼ Trade contests were held among travel agents to increase cruise ship bookings.



© bst2012/Fotolia

In recent years the demand for cruise ship vacations has steadily decreased. As a result, cruise lines have used a combination of advertising, consumer promotions, and trade promotions to attract patrons. Royal Caribbean International offered travel agents cooperative advertising programs featuring TV commercials, newspaper ads, as well as an e-mail template to contact potential travelers.

Norwegian Cruise Lines enrolled 5,500 agents in a "Sale of All Sails" promotional contest. Prizes were based on bookings. Each agent that set up a Holland America cruise was enrolled in the trade contest. The prizes offered included a free cruise with five veranda staterooms. The Princess Cruise line offered booking agents the chance to win

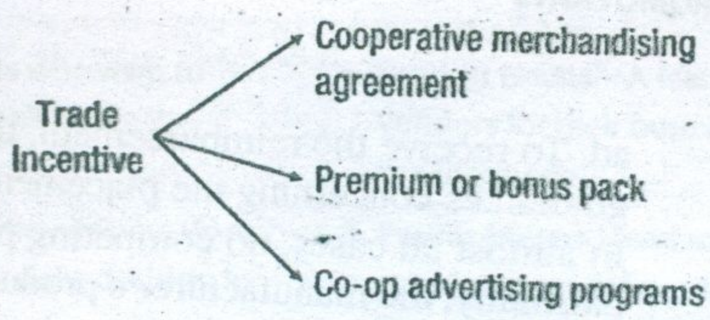


FIGURE 10
Types of Trade Incentives

a West Coast sailing cruise with a mini-suite. One cruise was awarded each week during a 90-day period. Offering travel agents the chance to win prizes and cruises for themselves caused many of them to be motivated to book cruises for the lines holding the contests.[34]

TRADE INCENTIVES

Trade incentives are similar to trade allowances. The difference is that **trade incentives** involve the retailer or channel member performing a function in order to receive the funds. The purpose, however, remains the same as for trade allowances: to encourage the channel member either to push the manufacturer's brand or to increase purchases of that brand. Figure 10 identifies three major types of trade incentives.

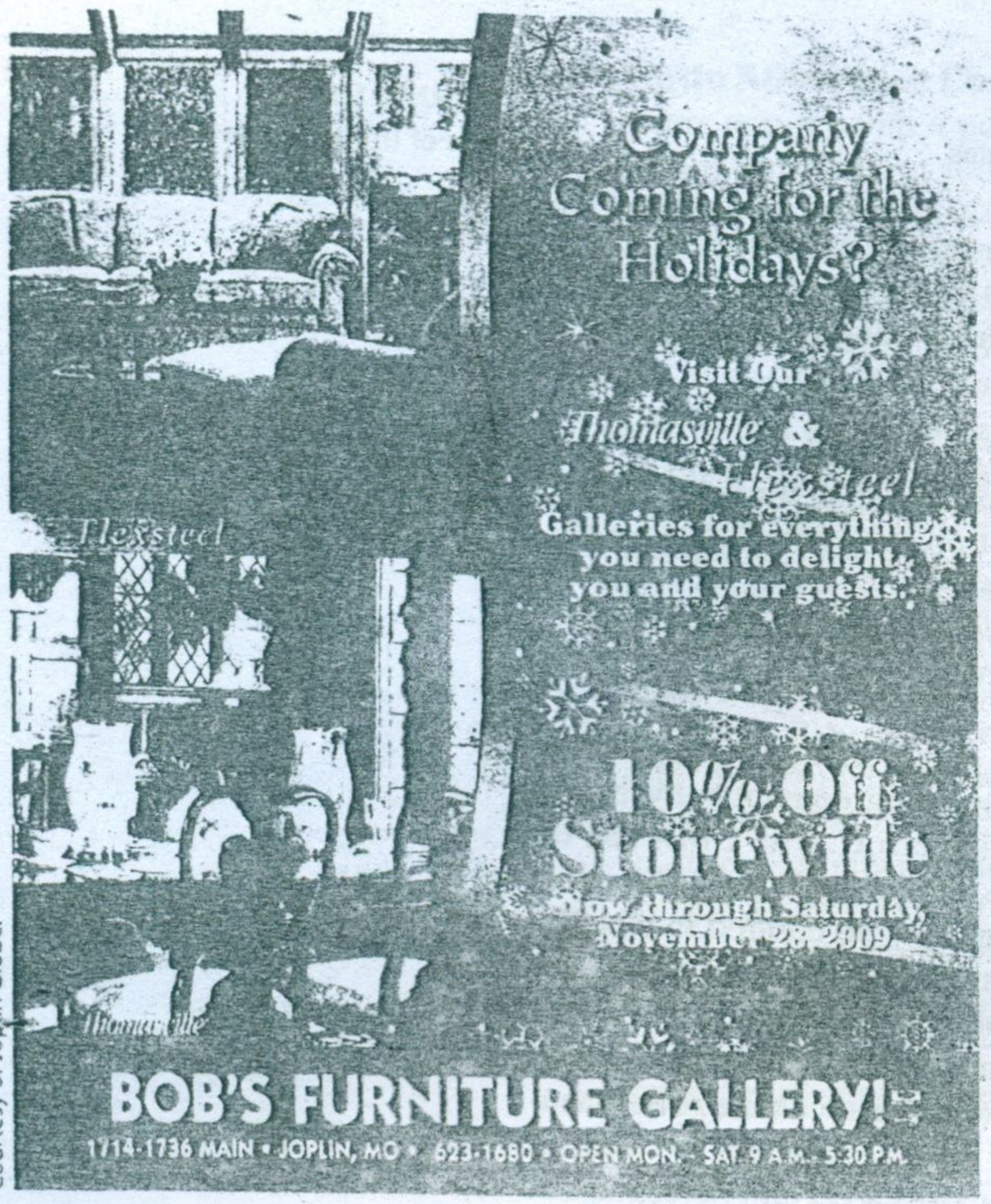
Cooperative Merchandising Agreements The most comprehensive trade incentive, a cooperative merchandising agreement (CMA), is a formal agreement between the retailer and manufacturer to undertake a two-way marketing effort. The CMA can be for a wide variety of marketing tasks. A CMA may feature the manufacturer's brand as a price leader in an advertisement. A cooperative agreement may be created in which a retailer will emphasize the manufacturer's brand as part of an in-house offer made by the store or a by featuring the manufacturer's brand on a special shelf display.

Cooperative merchandising agreements remain popular with manufacturers because the retailer performs a function in order to receive the allowance or incentive. The manufacturer retains control of the functions performed. Also, if price allowances are made as part of the CMA, the manufacturer knows that the retailer passes a certain percentage or the entire price discount on to the consumer. CMAs allow manufacturers to create annual contracts with retailers. These longer-term commitments reduce the need for last-minute trade incentives or trade allowances.

CMAs also benefit retailers. The primary benefit, from the retailer's perspective, is that the program allows them to develop *calendar promotions*, which are promotional campaigns the retailer plans for customers through manufacturer trade incentives. Signing an agreement means a retailer can schedule the weeks a particular brand will be on sale and offset the other weeks with other brands. Calendar promotions allow the retailer to always have one brand on sale while the others are off-deal and to rotate the brands on sale. By arranging sales through trade incentives, the margins for the retailer stay approximately the same for all brands, both on-deal and off-deal, because they rotate. Retailers can effectively move price reductions given to the customer to the manufacturer rather than absorbing them. A store may feature Budweiser on-deal one week and Heineken the next. Loyal beer drinkers stay with their preferred brand, while price-sensitive consumers can choose the on-deal brand, and the store retains a reasonable markup on all beers sold.

Premiums and Bonus Packs Instead of giving the retailer a discount on the price, a manufacturer might offer free merchandise in the form of a premium or bonus pack. For example, a manufacturer would offer a bonus pack of one carton for each 20 purchased within the next 60 days. The bonus packs are free to the retailer and are awarded either for placing the order by a certain date or for agreeing to a minimum-size order. Often, to receive the free merchandise the retailer must meet both conditions: a specified date and a minimum order size.

Cooperative Advertising The final trade incentive, a cooperative advertising program, occurs when the manufacturer agrees to reimburse the retailer a certain percentage of the advertising costs associated with advertising the manufacturer's products in the retailer's



Courtesy of Joplin Globe.

▲ A co-op advertisement for Bob's Furniture Gallery featuring both the Flexsteel and Thomasville brands.

ad. To receive the reimbursement, the retailer follows specific guidelines concerning the placement of the ad and its content. In almost all cases, no competing products can be advertised. Normally, the manufacturer's product must be displayed prominently. There may be other restrictions on how to advertise the product as well as specific photos or copy that must be used.

In most cooperative advertising programs, retailers accrue co-op monies based on purchases, normally a certain percentage of sales. B.F. Goodrich, a manufacturer of automobile tires, offers a 4.5 percent co-op advertising fund on all purchases made by the retailer of Goodrich tires. The money can accrue for one year, and then it starts over. B.F. Goodrich pays 70 percent of the cost of an approved advertisement. Any medium can present the advertisement, including radio, newspaper, magazines, television, and outdoor advertising.

Unlimited media choices are not offered by all manufacturers. Dayton, another tire manufacturer, does not allow co-op dollars to be used for magazine advertising. B.F. Goodrich allows group ads for co-op monies; Dayton does not. Further, Dayton requires preapproval for some of the media buys and advertisements; B.F. Goodrich does not require any preapprovals. Thus, each manufacturer has a unique set of restrictions to be followed by retailers seeking to qualify for co-op monies.[35]

Co-op advertising programs allow retailers to use the manufacturer's dollars to expand advertising programs. In a co-op ad, the retailer gains additional advertising coverage at a reduced cost. Retailers also benefit from the image of a national brand, which can attract new or additional customers to the store. Wal-Mart recently expanded co-op advertising efforts with major manufacturers, who contributed over $400 million toward Wal-Mart's annual advertising budget. In Wal-Mart's system, manufacturers have considerably more creative input into the ads and are prominently displayed in the ad instead of taking minor roles.[36]

Manufacturers also benefit from co-op ads. By sharing advertising costs with retailers, the manufacturer gains additional exposure at a lower cost. More important, almost all co-op advertising programs are tied to sales. The retailer accrues co-op advertising dollars based on a certain percentage of sales. Thus, to get the co-op money, the retailer must promote the brand prominently and purchase the product for resale. As a result, a wide variety of cooperative advertisements appear regularly in every medium, for both consumer and business-to-business products.

TRADE SHOWS

Many business-to-business marketing programs include appearances at trade shows. They benefit both manufacturers and retailers. From a manufacturer's standpoint, a trade show provides the opportunity to discover potential customers and sell new products. Relationships with current customers can be strengthened at the show. A trade show often presents the opportunity to investigate the competition. Many times, trade shows establish a situation in which the manufacturer's sales team meets directly with decision makers and buyers from business-to-business clients. A trade show can strengthen the brand name of a product as well as the company's image.

From the retailer's perspective, a trade show helps buyers to compare merchandise and to make contacts with several prospective vendors in a short period of time. In some cases, the retailers negotiate special deals. Trade shows represent an ideal place for buyers and sellers to meet in an informal, low-pressure setting to discuss how to work together effectively.

Some national and international trade shows are attended by thousands of buyers. To be sure a trade show will succeed manufacturers seek out key buyers and try to avoid

- **Education seekers** Buyers who want to browse, look, and learn but are not in the buying mode
- **Reinforcement seekers** Buyers who want reassurance they made the right decision in past purchases
- **Solution seekers** Buyers seeking solutions to specific problems and are in the buying mode
- **Buying teams** A team of buyers seeking vendors for their business; usually are in the buying mode
- **Power buyers** Members of upper management or key purchasing agents with the authority to buy

FIGURE 11
Five Categories of Buyers Attending Trade Shows

spending too much time with nonbuyers. Figure 11 identifies five categories of buyers who attend trade shows. Many marketers try to weed out the education seekers that are not interested in buying. Manufacturer's agents concentrate efforts on three groups: solution seekers, buying teams, and power buyers. Asking the right questions identifies solution seekers and buying teams. The power buyers are more difficult to find because they do not want to be identified. They often do not wear badges at trade shows, which means vendors are never sure who they are.

In the United States, few deals are finalized during trade shows. Buyers and sellers meet, discuss, and maybe even negotiate, but seldom complete the sale. Instead, manufacturers collect business cards as leads to be followed up later. This procedure varies for international customers. International attendees tend to be senior executives with the authority to make purchases. They fit into the power-buyer category listed in Figure 11. U. S. manufacturers know that the international attendee often wishes to conduct business during the show, not afterward. The international attendees spend more time at each manufacturer's booth. They stay longer in order to gather and study information in greater detail. The international guest, who pays more for travel expenses, wants more in-depth information than an American counterpart requires.

The number of international trade show visitors has increased as competition continues to expand globally. The increase in international participants has caused trade show centers to set up more meeting spaces, conference centers, and even places to eat where buyers and sellers meet and transact business.

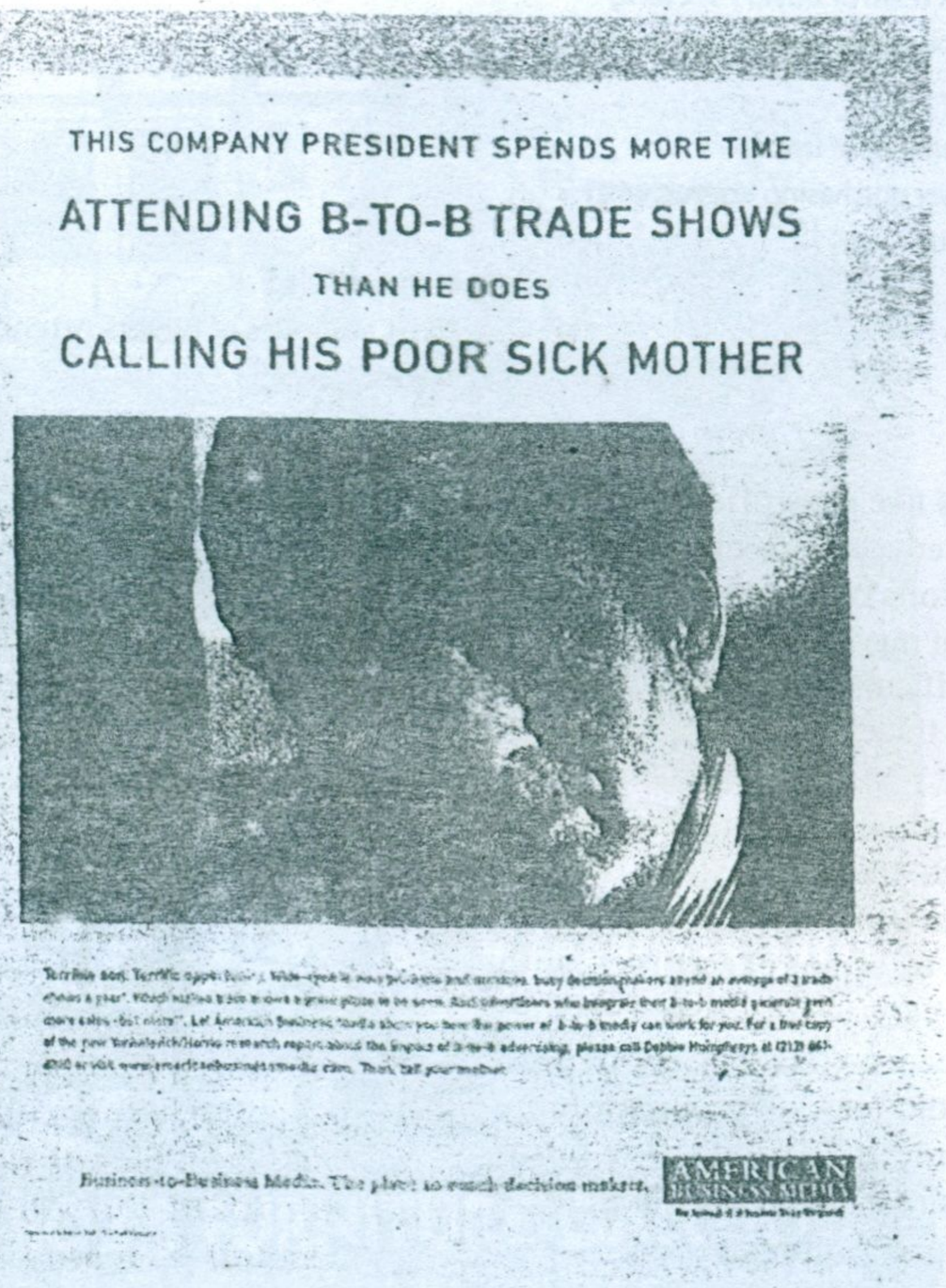
Trade shows have changed in other ways. Large national and international shows are being replaced by niche and regional shows. For example, in the 1990s many megasports trade shows were attended by everybody in the sporting goods business. The National Sporting Goods Association World Sports Expo in Chicago attracted in excess of 90,000 attendees. That number has dwindled to fewer than 40,000 today. Now manufacturers and retailers attend specialty trade shows featuring only one sport or regional shows that focus on one section of the country. Smaller shows are less expensive to set up. Many company leaders believe they provide higher-quality prospects, better opportunities to bond with customers, and offer more quality one-to-one time with customers and potential customers. In contrast, it is relatively easy to get lost in the crowd at a bigger show.[37]

Concerns with Trade Promotions

OBJECTIVE 5
What concerns exist for manufacturers considering trade promotions programs?

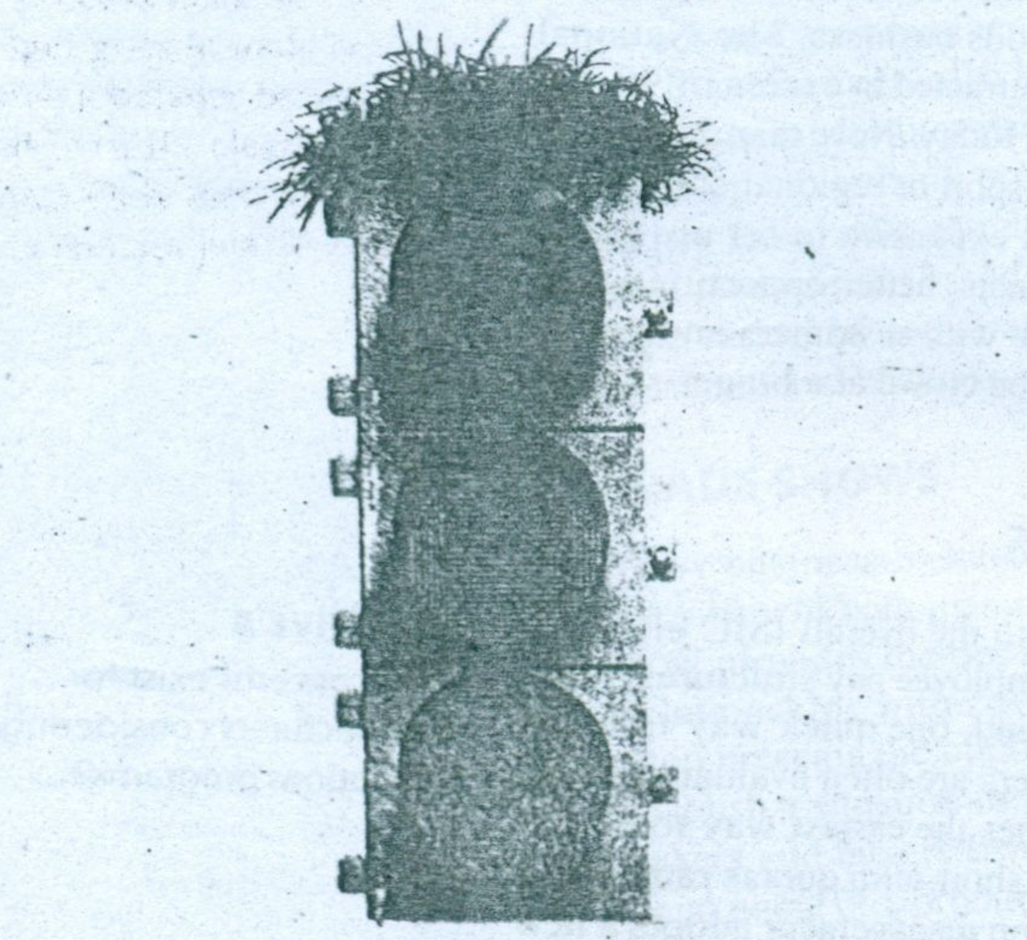
Effective marketing teams incorporate trade promotions into the overall IMC effort. In many companies this does not occur, primarily because of employee pay structures. Sales and brand managers face quotas, and when sales fall behind, one quick way to boost them is to offer retailers a trade deal. Further, brand managers are often evaluated based on the sales growth of a brand. Offering trade deals becomes the easiest way to ensure continuing growth. The pattern of using trade deals to reach short-term quotas rather than long-term image and theme-building will not change until top management adopts a new approach. The IMC process succeeds when it emphazies the long-term horizon and the company's compensation structure changes to match.

A strong brand image causes retailers to stock the product even when fewer trade deals are offered, because a strong brand by itself can help pull customers into retail



Courtesy of American Business Media, The Association of Business Information Companies.

▲ A trade show provides an excellent opportunity for companies to locate potential customers.



Courtesy of Buck Holzemer Productions; Howard, Merrill & Partners and Syngenta International AG.

◀ Trade promotion expenditures are a major component of the marketing budget for products such as Pennant's pesticides.

stores. A customer who considers Sony to be a strong brand in the stereo marketplace asks for that brand in an electronics retail store. This makes stocking Sony an advantage, even with limited trade promotions offers.

The cost of trade promotions represents another concern. Manufacturers spend billions of dollars each year on them. These costs are often passed on to consumers in the form of higher prices. Estimates suggest that 11 cents out of every dollar spent for a consumer product goes directly for the cost of trade promotions.[38] The goal should be to keep the cost at a reasonable level. Money should be spent wisely, rather than simply getting into "bidding wars" with competitors. Trade promotions dollars have the greatest long-term impact when they help build relationships and help achieve other key IMC goals.

An unfortunate situation occurswhen merchandise does not move until a trade promotion incentive has been offered. In the grocery industry, the majority of all purchases made by retailers are on-deal with some type of trade incentive. The constant use of deals has trimmed manufacturer margins on products and created competitive pressures to conform. If a manufacturer tries to halt or cut back on trade promotions, retailers replace the manufacturer's products with other brands or reduce shelf space to give more room to manufacturers offering better deals.

One way to correct these problems would be to spend more on advertising focused on building or rebuilding a brand's image. Also, the marketing team should be certain promotions fit the brand's image. "If it doesn't fit," writes Brian Sullivan in *Marketing News*, "don't use it."[39] Unfortunately, to spend more on advertising means cutting trade promotions incentives. The risk becomes that other competitors will move in by offering better trade promotions to retailers and gain shelf space as a result. Then, the cycle begins again.

Managing trade promotions programs constitutes a challenging part of the marketing planning process because such a large percentage of the marketing budget goes to trade promotions. Effective IMC programs achieve a balance between all elements of the promotions mix and identify clear goals and targets for trade promotions programs. Only then will the company be able to compete on all levels and not just through a cycle of trade promotions bidding wars.

International Implications

Consumer promotions are adapted to the countries in which they are offered. Two complications occur legal and cultural. Any coupon, premium, contest, sweepstakes, or price change must fit with local legal regulations. The marketing team investigates any potential legal problems before launching an international consumer promotions program.

Culturally, citizens in some countries may take a dim view of some promotions. For instance, in some cultures those who redeem coupons may be viewed as being of lower

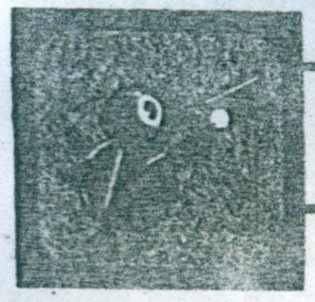
socioeconomic status, which may dissuade some from using them. Participation in contests or sweepstakes may violate religious norms in other nations.

The same holds true for trade promotions. Laws vary regarding discounts, spiff money, slotting fees, and exit fees. These issues may also be reflected in cultural values. And, as previously noted, the ways in which managers in companies around the world participate in trade shows varies.

Finally, the emphasis placed on sales promotions will be different, depending on the company involved and the country in which that company operates. Both small companies seeking to do business in foreign countries and large international conglomerates will need to adjust to local conditions when employing these marketing tactics. At the same time, the goal remains to be certain that the efforts match the company's image and overall approach to marketing communications.

OBJECTIVE

What issues complicate international sales promotions programs?



INTEGRATED CAMPAIGNS IN ACTION

Wayport Austintatious

The Wayport company is the world's largest Internet hotspot provider. Pink Jacket Creative advertising agency executive Bill Breedlove said, "If you're in a Marriott hotel, or a McDonald's, they even have Starbuck's now, you're logging onto their site. They specialize in verticals that are health care, such as regional hospitals and major hospital chains as well hospitality, and QSRs [quick-service restaurants]."

Pink Jacket Creative was able to provide a combination of buzz marketing and trade show expertise in one event. According to Breedlove, "There was a trade show in Austin, Texas. It was for the hospitality industry. They came to us with a challenge. Like any trade show challenge, they wanted to get the top executives from the top hotel chains away from the floor of the trade show and in their own environment, so that their salespeople can work on them, and everybody wants that. "Then we took the folks to this bar that we had redecorated and had a little shindig, and their salespeople got to mingle, and it was quite successful. They were making appointments right and left with their marketing people and technology folks. So it was fun" and highly successful.[40]

The Austintatious trade show campaign is located at the Pearson Instructor's Resource Center (www.pearsonhighered.com). The campaign includes a PowerPoint presentation outlining the details of the campaigns and examples of the collaterals as well as some photos of the event. Also available is video commentary by Bill Breedlove and Elena Baca.



Courtesy of Pink Jacket Studio

▲ A Willie Nelson impersonator was one of the entertainers at the Austintatious nightclub takeover event.



▲ This Austintatious billboard was seen by trade show attendees at the Austin airport.

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Go to mymktlab.com to complete the problems marked with this icon.



SUMMARY

An IMC program incorporates all four elements of the promotions mix. Advertising may be considered to be the main "voice" of the IMC message. At the same time, the sales promotion part of the mix, including trade and consumer promotions, plays a crucial role in the success or failure of the overall marketing program.

Attracting customers by using consumer promotions includes the use of coupons, premiums, contests and sweepstakes, refunds, rebates, samples, bonus packs, and price-off deals. These items should be combined with specific promotional goals to have the right impact on customers. Consumer promotions are often used to boost sales and can be an excellent short-term method to increase sales or a firm's market share. They also provide a means of introducing new products. Often, a consumer promotion prompts consumers to at least try the product, where selling it at the regular price will not. Coupons and contests have been successful tactics for gaining new customers. Consumer promotions can boost sales of a particular brand, and evidence suggests that they increase sales of the overall product category rather than just take sales away from competitors.

Trade promotions complement consumer promotions. The use of trade allowances, trade contests, trade incentives, and participation in trade shows helps the manufacturer or member of the marketing channel maintain positive contact with other organizations and moves products toward the retailer. Trade promotions work best when they are integrated into other IMC efforts rather than being viewed as a necessary evil or simply as a short-term tool to increase sales.

Internationally, sales promotions can be used when they are chosen based on the characteristics, attitudes, laws, regulations, and cultural nuances of a given geographic region. The primary objective of any promotions program must always be to enhance the message sent forth in other aspects of the IMC program in a manner that helps the company reach its long-term marketing objectives in a cost-effective and positive fashion.

Key Terms

sales promotions All of the incentives offered to customers and channel members to encourage product purchases.

consumer promotions Incentives directly offered to a firm's customers or potential customers.

trade promotions Expenditures or incentives used by manufacturers and other members of the marketing channel to purchase goods for eventual sale.

freestanding inserts (FSIs) Sheets of coupons distributed in newspapers, primarily on Sunday.

promotion-prone consumers Consumers who are not brand loyal and regularly respond to promotions, such as coupons, price-off plans, or premiums, only purchasing items that are on-deal.

price-sensitive consumers Consumers for whom price is the primary, if not only, criterion used in making a purchase decision.

brand-loyal consumers Consumers who purchase only one particular brand and do not substitute, regardless of any deal being offered.

brand-preference consumers Consumers who prefer a small set of brands.

trade allowances Financial incentives that are provided to other channel members to motivate them to make purchases.

slotting fees A form of trade allowance in which are funds charged by retailers to stock new products.

exit fees Monies paid to remove an item from a retailer's inventory.

spiff money Rewards given as contest prizes to brokers, retail salespeople, stores, wholesalers, and agents.

trade incentives Funds given that require the retailer to perform a function in order to receive the dollars.

Review Questions

1. Define sales promotion. What are the two main categories of sales promotions?
2. Name and describe the types of coupons. Which is the most popular with manufacturers? Which has the highest redemption rate?
3. What problems are associated with coupon programs?
4. What is a premium? What types of premium programs can companies use?
5. What are the keys to successful premium programs?
6. What is the difference between a contest and a sweepstakes?
7. What are the two main components of prizes rendered in contests and sweepstakes?
8. What role does the Internet and social media play in offering contests and sweepstakes?
9. How is a refund different from a rebate?
10. What are the primary types of samples?
11. What benefits and problems are associated with sampling?

12. What are the benefits of offering bonus packs?
13. What benefits and problems are associated with price-off tactics?
14. What is an overlay? A tie-in?
15. What four categories of consumers can be associated with consumer promotions?
16. What are the major types of trade allowances?
17. What is a slotting fee? An exit fee?
18. What is meant by the term on-deal?
19. What complications are associated with trade allowances?
20. How does the spiff money relate to trade contests?
21. What are the main types of trade incentives?
22. Describe a cooperative merchandising agreement.
23. How are premiums or bonus packs used as trade-incentives?
24. How can a cooperative advertising program benefit both a manufacturer and a retailer?
25. Name ways in which trade shows have changed in recent years.
26. Describe how to effectively utilize trade promotions.
27. What problems must be overcome when developing international sales promotions programs?

Critical Thinking Exercises

DISCUSSION QUESTIONS

1. According to Kim James, sales promotion manager for Eckerd Drug, "The teen and preteen segments are important because they (teens) are developing buying habits and loyalties during these ages and are our future loyal consumers." In addition to established brands such as Cover Girl and Maybelline, Eckerd Drug now stocks brands such as Bonne Bell, Jane, and Naturistics.[41] Which consumer promotions would be the best to attract teens and preteens to the cosmetics department of Eckerd Drug? What tie-ins or overlays would you recommend?
2. Refer to the list of consumer promotions in Figure 1. Discuss each one in terms of your personal usage. Which ones do you use? How often? Why?
3. Design a magazine advertisement with a detachable coupon or premium for one of the following products. Be sure to put an expiration date and other restrictions on the use of the coupon or premium.
   a. SunBright Tanning Salon
   b. Dixie Printing
   c. Hamburger Haven
   d. Blue Bell Ice Cream
4. The Rawlings Sports Equipment Company plans to increase sales of baseball gloves this season. The company intends to use a coupon program. Discuss the pros and cons of each method of coupon distribution listed in the chapter for Rawlings. Which method or methods should Rawlings use? Why?
5. To maintain a strong brand image, Revlon's marketing team decides to use a premium for each of its lipstick products. What type of premium would you suggest for Revlon for each of the target markets listed here? Which premium would you use? Justify your answers.
   a. Females, ages 60 +
   b. Teenagers, ages 14 to 19
   c. College students, ages 18 to 25
   d. Professional females, ages 30 to 50
6. How often do you enter contests or sweepstakes? What was the last contest you entered? Why did you enter? Discuss the importance of extrinsic and intrinsic rewards to you in entering contests and sweepstakes. If you seldom or never enter contests and sweepstakes, why? What type of intrinsic and extrinsic rewards would it take for you to enter?
7. Video games generate major revenues for many companies. One manufacturer decided to use sampling as a method to reach the primary target market—males between the ages of 15 and 30. The sampling could have been distributed in one of two ways. First, the actual game could be loaded on a computer for targeted individuals. Second, potential customers could be sent an abbreviated version of the game. Which sampling method would be best? Using the list of sampling methods provided in the chapter, discuss the pros and cons of each sampling method in terms of this new video game. Which type and method of sampling would you recommend? Why?
8. Consumers can be divided into four broad categories in terms of how they respond to consumer promotions: promotion prone, brand loyal, price sensitive, and brand preference. Identify two services or goods that would fit into each category for you personally. For example, you may be promotion prone when you buy soft drinks (your favorite brand is "What's on Sale"), but be very brand loyal when you buy shoes (Nike, Reebok). What determines which type of category you fit into for the various products you discussed?
9. Interview three people who have lived in another country about the use of consumer promotions in those countries. Make a list of those promotions that are heavily used and those that are not used. Present your findings to the class.
10. As with the other consumer promotions, international expansion requires understanding the laws and customs of each country and culture. In Saudi Arabia and other Muslim countries, Clinique had to modify its sampling techniques. In the United States and

Western cultures, Cliniqne provides cosmetics samples in retail outlets for customers to try. In the United States, women normally sell retail cosmetics; in Saudi Arabia, men do. At the same time, Muslim custom prohibits a man from touching a woman if she is not a relative. Female customers must either apply the cosmetics themselves or bring their husbands to the store with them.

Asking a female customer "What color are your eyes?" constitutes a grave offense in Saudi Arabia, because the eyes are believed to be the gateway to the soul. Asking her about skin tone does not make sense because women keep their faces covered. Sampling is important for Clinique in Saudi Arabia.[42]

How would you organize a sampling program in light of these cultural factors? What other consumer promotions could be used? If you have someone in your class from a Muslim country, ask your classmate to discuss the use of consumer promotions in her home country.

Integrated Learning Exercises

1. Coupons are a popular form of consumer promotions. Access three of the following Web sites. What are the advantages and disadvantages of each to a consumer? How do the Web sites impact manufacturers? How do they impact retailers?
   a. Coupon Country (www.couponcountry.com)
   b. CoolSavings (www.coolsavings.com)
   c. SmartSource (www.smartsource.com)
   d. Coupons.com (www.coupons.com)
2. Sweepstakes and contests are excellent methods for building customer traffic to a retail outlet and interest in a brand. Certain firms assist in the development of sweepstakes and contests. This is important due to a variety of legal restrictions imposed by different states. Access the following Web sites. What types of services does each offer? How do the companies assist in developing a contest or sweepstakes? Which firm would you choose if you were responsible for developing a contest or a sweepstakes program?
   a. Promotion Activators, Inc. (www.promotionactivators.com)
   b. Centra360 (www centra360.com)
   c. Ventura Marketing & Promotion (www.sweepspros.com)
3. Examine the following Web sites. What types of promotions are available? What are the objectives of the various consumer promotions? Do the promotions on the Web sites mesh with the company's advertising and consumer promotions at retail outlets?
   a. Taco Bell (www.tacobell.com)
   b. Hershey's (www.hersheys.com)
   c. Quaker Oats (www.quakeroats.com)
   d. Papa John's (www.papajohns.com/index.shtm)
4. One widely read journal featuring promotional marketing is *Promo*. Access the Web site at http://chiefmarketer.com/promotional-marketing. Examine the table of contents and access the various areas. After exploring the site, write a short report about what is available at the Web site and how it can be used to assist companies wanting to develop various promotions.

CREATIVE CORNER

Reread the opening vignette that featured the Corpus Christi Hooks. From the following list of special days, pick two and then design two different ads. Make sure that each advertisement features a consumer promotion that is either mentioned in the vignette or that you come up with on your own.

Opening Day	*Cinco de Mayo*
Mother's Day	Father's Day
Fourth of July	Labor Day
Play-off Games	Championship Celebration

CASE 1

MARKETING SPORTS EQUIPMENT

The term "sports" has many meanings, depending on the context and those involved in a conversation. Some may be inclined to think of college and professional athletes playing games at the highest level in front of large crowds. Others view sports as being related to physical fitness. Other groups think in terms of "leisure time" or "children's recreation."

Regardless of the type of sports one considers, Academy Sports + Outdoors offers the equipment, clothing, and support services consumers need to engage in activities as varied as camping, fishing, boating, barbeques, as well as participating in mainstream sports such as baseball, basketball, soccer, and football, as fans or as participants. Large, brightly lit retail outlets feature a wide variety of merchandise for the majority of sporting and outdoor activities in 130 stores placed in 11 different states in the U.S.

Academy Sports + Outdoor competes with a numerous vendors, including Dick's Sporting Goods, Modell's, Bass Pro Shop, and also big box-retailers Wal-Mart, Kmart, and Target. Sports participants can also visit specialty shops, such as golf pro shops and smaller fishing stores and outlets.

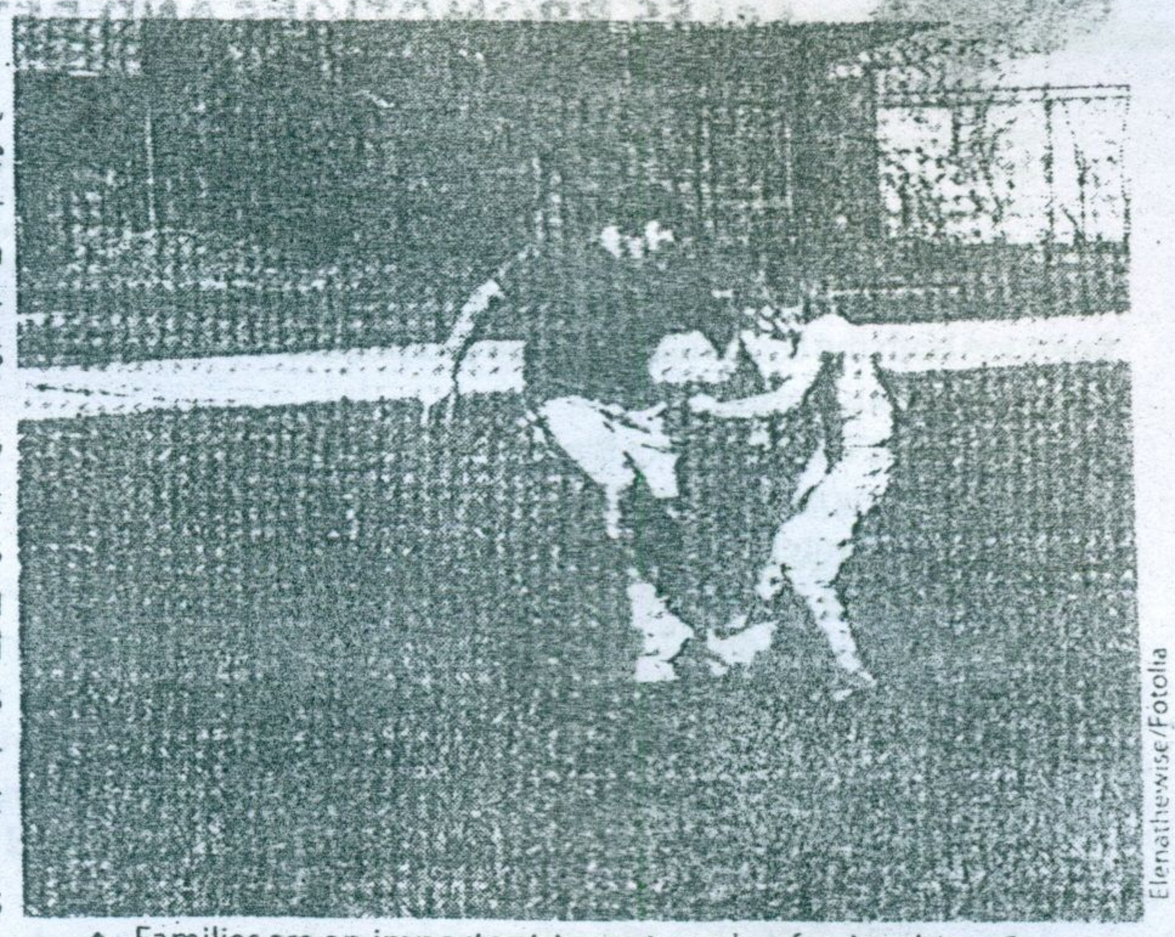
Consumer groups range from casual back-yard athletes to serious hunters, fishermen (and women), Little League sponsors and teams, and families looking for equipment to take on a camping expedition. As a result, discovering which target markets are the most lucrative remains an important challenge for each retail chain in this marketplace.

Academy Sports + Outdoor's management team has chosen to offer guns and other types of hunting equipment. Retailers offering firearms often encounter controversy, both from those opposed to guns and members of major gun lobbies.

Recently, an additional challenge faced major sports retailers. A declining economy forced many consumers to consider which purchases were absolutely necessary, and which product purchases could be put on hold. At the same time, some families chose simpler, less expensive vacations and recreational activities, such as camping and home entertainment through games such as badminton and table tennis.

Academy Sports + Outdoor defines itself as "The destination for active-minded families." The company's mission defines the goals of providing an "unparalleled shopping experience," creating a trusting relationship with customers, and promoting a high quality working environment for company associates that includes the opportunity to advance within the company.

It is not surprising that the company receives "an overwhelming volume of requests" for sponsorship activities.



Elenathewise/Fotolia

▲ Families are an important target market for Academy Sports + Outdoor.

Company leaders have established well-defined criteria for examining inquiries. Any organization seeking a sponsorship tie-in must make the request 3 months in advance and can expect to wait as long as 5 weeks for a response. A similar backlog exists for its donations and charitable activities.

In the future, Academy Sports + Outdoor will continue to expand. Company policies regarding relationships with suppliers remain an important priority. In any case, as long as people continue to enjoy a wide variety of recreational activities, the potential for further growth remains possible.

1. What are the primary target markets for Academy Sports + Outdoor?
2. For each of the target markets identified in Question 1, what types of consumer promotions should Academy Sports + Outdoor offer? Justify your response.
3. Suppose you are the vice-president of marketing at Academy Sports + Outdoor. Examine the list of consumer promotions shown in Figure 1. Discuss the pros and cons of each promotion if the target market is active-minded families with children under 18 and incomes in the $30,000 to $70,000 bracket.
4. From your answer to Question 3, pick one of the promotions that you feel is the best to reach the designated target market. Design a newspaper ad using that promotion. Be sure to include restrictions such as usage and expiration date.

CASE 2

NEWMAN'S OWN ORGANICS: SALES PROMOTIONS AND RETAIL RELATIONSHIPS

Jason David had recently been promoted to Director of Sales Promotions for Newman's Own Organics. He was excited to find ways to expand product offerings into a wider variety of retail stores. His assignment was to fine-tune both the consumer and trade promotions that would be offered in various markets.

Newman's Own Organics is a spin-off from the original Newman's Own company. In the 1980s, celebrity actor Paul Newman and his friend, writer A. E. Hotchner, decided to concoct a batch of salad dressing to be given to their friends for the Christmas holiday season. The dressing became so popular that the two created the Newman's Own company to sell the item. The two agreed that proceeds and profits would be given to charity.

Newman's Own sold over 10,000 bottles of the salad dressing in its first 2 weeks on the market. In the first year, Newman's Own made a profit. The company slowly expanded to a wider variety of salad dressings, and then to salsa, marinara, steak sauce, pizza, and even wine.

Among the more famous charities supported by Newman's Own are the Hole in the Wall Camps, which bring together children with serious and terminal illnesses for a free summer-camp experience. The Newman's Own Foundation had given over $250 million to various charities prior to Paul Newman's death. The figure now approaches $300 million. The company's mission statement reads "Shameless Exploitation in Pursuit of the Common Good."

Newman's Own Organics was founded by Nell Newman, Paul's daughter, in 1993. She became the sole proprietor in 2001. The product line for Newman's Own Organics includes pretzels, chocolate bars, "Fig Newmans," Champion Chip Cookies, Chocolate Cups, Newman O's, Pop's Corn, Alphabet Cookies, coffee, dried fruit, olive oil and balsamic vinegar,, pet food, mints, tea, and soy crisps.

The company's products are certified to be genuinely organic by Oregon Tilth. This means that the ingredients are grown on farms that have not used artificial fertilizers or pesticides for 3 years or more. The farms and processors have been certified by an independent third party. Kosher certification is made by the Union of Orthodox Jewish Congregations.

Newman's Own Organics is described as the "second generation." The company is a for profit, with a royalty paid to the Newman Foundation based on sales and profits. In this way, the organization capitalizes on the popularity of Paul Newman, the strong relationship to charitable giving, and the niche market of organic foods.

Jason's responsibility was to find and develop retail outlets for Newman's Own Organics products. Large retailers that sell food products, such as Target and Wal-Mart, constitute one major marketplace. Small grocery stores that are more upscale and feature organic foods are a second. Third would be any specialty stores that offer organic products.



Kzenon/Fotolia

▲ Jason's challenge was to find and develop retail outlets for the Newman's Own Organics.

Prospects might be developed by identifying the stores that carry Newman's Own products. Further, the Internet offers the potential to sell products directly to consumers without a retail store but also to direct consumers to stores that carry the items. Various types of promotions for the products and various charities, including the Hole in the Wall Camps, could be promoted on the Newman's Own Organics Web site.

Jason knew that he had the advantage of a strong brand, plus connections to the original company that would give him in-roads into meeting with prospective retail customers. He also knew that it would take more than a name to persuade retailers to make room on the shelves for the products. Beyond simple placement, the ultimate goal was to develop bonds and relationships that would lead retailers to feature the products in advertisements and promotions over time.

1. What types of consumer promotions would be best suited to end users of Newman's Own Organics products?
2. What types of trade promotions should Jason offer to retailers?
3. Would you expect Newman's Own Organics products to sell at a higher price than competitors, to match competitor prices, or to compete by lowering prices in various ways, including using sales promotions?

4. Should Jason explore placing Newman's Own Organics in restaurants to gain brand recognition? Why or why not?
5. Can you envision any types of trade shows that Jason should attend on behalf of Newman's Own Organics? Access the Trade Shows News Network at www.tsnn.com and BizTradeShows at www.biztradeshows.com for specific trade shows and locations.
6. Now that Paul Newman has passed away, what challenges will be present as the "second-generation" companies move forward and memories of Paul Newman begin to fade away?

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MyMarketingLab

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1. According to Kim James, sales promotion manager for Eckerd Drug, "The teen and preteen segments are important because they (teens) are developing buying habits and loyalties during these ages and are our future loyal consumers." In addition to established brands such as Cover Girl and Maybelline, Eckerd Drug now stocks brands such as Bonne Bell, Jane, and Naturistics. Which consumer promotions would be the best to attract teens and preteens to the cosmetics department of Eckerd Drug? What tie-ins or overlays would you recommend?
2. The Rawlings Sports Equipment Company plans to increase sales of baseball gloves this season. The company intends to use a coupon program. Discuss the pros and cons of each method of coupon distribution listed in the chapter for Rawlings. Which method or methods should Rawlings use? Why?
3. Mymktlab Only—comprehensive writing assignment for this chapter.

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