Chapter 15

Sales Promotion

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INTRODUCTION

The term "Sales promotion" is used in the business world to refer to any promotion other than advertisement, personal selling, and publicity that supports and enhances activities related to advertising and personal selling. This term is also used to refer to any promotion that supports and enhances sales activities. This word is deceptive and has a vague, all-encompassing feel to it. The term "supportive promotion" is one that is more suitable to use in this context. It can be challenging to differentiate between sales promotion, advertising, and personal selling, which are all forms of sales promotion. In point of fact, the duty of sales promotion could be handled by either the advertising or the sales organisation, and this is frequently the case. But sales promotion, much like packaging, is increasingly establishing an independent standing within companies, and professionals are forming in the subject.

TYPE OF SALES PROMOTIONS

Activities related to sales promotion can be divided into different categories according to the target market for those activities. From this perspective, there are three types of sales promotion: (1) promotion to consumers, (2) promotion to dealers, and (3) promotion to the company's own sales force (**Figure 15.1**).

CONSUMER SALES PROMOTION

The practise of providing prospective customers with free samples of a product as part of a consumer sales promotion is a good illustration of consumer sales promotion in action. Both personal selling and advertising rely on the backing of this activity. It contributes to the process of persuading customers that the claims made about the goods in advertising are accurate. It is hoped that this will encourage customers to make additional purchases at the store, which, in turn, will make it simpler for salespeople from the manufacturer to market the product to retail outlets. Other sorts of consumer sales promotion that manufacturers offer include giveaways, contests, and product demos. Premiums linked to items are another type of consumer sales promotion. Retailers also engage in consumer sales promotion, which can take the form of anything from the provision of trade stamps to the "playing of games" with the clients.

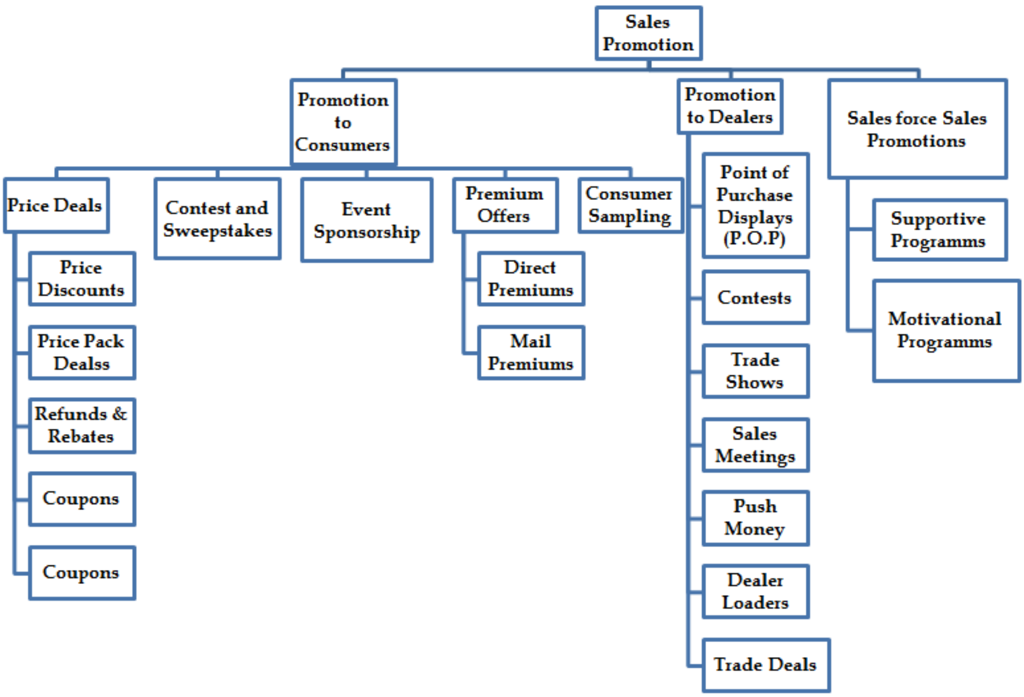

Figure 15.1: Types of sales promotion

Promotions for consumer sales are aimed at the people who will utilise the product in its final form. The subjects of these campaigns are typically things that are used by individuals, particularly those products that are sold at the neighbourhood store. Variety, adaptability, and the ability to motivate customers to take action are the major strengths of consumer sales promotions. There is a wide variety of strategies that, when combined, can accomplish nearly any goal of the sales promotion plan. Through strategic use of various types of sales promotions, it is possible to reach any target market. Because of this flexibility, sales promotion can be utilised by any and all

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types of businesses, including those that are huge or little, those that sell goods or services, and those that operate for profit or for charitable purposes. Last but not least, people's behaviour becomes more predictable as a result of sales advertising. The following sections provide an explanation of some of the most important strategies that can be utilised in a wide variety of consumer-focused sales promotions.

A. **Price Deals:** When a consumer buys a product, he or she can save money by taking advantage of a consumer pricing bargain. The price deal is intended to encourage trial use of a new product or line extension, to induce new users to try a mature product, or to persuade existing customers to continue to purchase, increase multiple units of an existing brand. All of these goals can be accomplished through the use of the price deal. When a consumer's major consideration is price and they have a low level of brand loyalty, price discounts are less effective than other types of sales. There are four primary categories of consumer price deals, including (a) price reductions (b) price package deals (c) consumer price bundles (d) cash back, sometimes known as a rebate, and (e) coupons.

   - **Price discounts:** The ease of execution and adaptability of price reductions are the key benefits of using these strategies. It can be tough to estimate how much of a discount one should provide. A minimum discount of at least 15 to 20 percent off the original price is recommended by industry professionals; however, the precise percentage can vary depending on the type of product being purchased. Discounts on prices are typically communicated to customers either at the point of sale or through other forms of advertising. Because of economies of scale, the extra volume created by a discount may generate more profit; in other words, the marginal cost is lower for each additional unit sold than it was before the discount was implemented. The fact that customers believe there is a close connection between cost and level of quality is the most significant disadvantage of offering price reductions. It's possible that if the price is lowered, it may raise their suspicions about the item's quality, and they will decide not to purchase the product.
   - **Price Pack Deals:** There are a few different varieties of value packs, including banded packs, bonus packs, and banded value packs. If a product is sold with a bonus pack, the customer receives a free additional quantity of the product when they buy the standard size of the product at the standard price. This strategy is utilised quite frequently in marketing for the

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stock of various products such as food, linen, and health and beauty aids. A present user is rewarded with a bonus pack, while users of competing brands are not particularly interested in receiving one.

- A banded pack offer is provided whenever two or more units of a product are sold at a lower price in comparison to the standard price that is charged for a single unit of the product. Sometimes the products are physically grouped together, such as in the case of tooth brush and tooth paste offers. Other times, the products are sold individually. The advantages and disadvantages shown by the branded pack are largely identical to those presented by the bonus pack.

- **Refunds and Rebates:** When a marketer offers to give back a set amount of money to the customer as part of a promotion called a refund promotion, they do so in exchange for the customer purchasing their product either on its own or in conjunction with other products. You can use refunds to increase the quantity or frequency of purchases, to encourage customers to load up, to encourage the purchase of postponable goods, to dampen competition by temporarily taking consumers out of the market, to stimulate the purchase of postponable goods, and to create excitement on the shelf or encourage special displays. Refund is synonymous with the phrase "relate," which was popularised by the business of manufacturing automobiles. In contrast to price reductions, there is evidence that consumers view refunds and rebates as an incentive for purchasing. This is in contrast to price reductions. This post-event experience appears to strengthen rather than weaken a person's commitment to a particular brand. The slippage of refunds is an intriguing factor to consider. People said they didn't send in their request for the refund for a variety of reasons, including the fact that they forgot, they lost the forms, it would have been too expensive in terms of both time and postage, and it would take too long to receive the refund.

- **Coupons:** When submitted for redemption at the time of purchase, coupons allow particular savings on selected products. Coupons are legal certificates that are offered by makers and retailers. Coupons can be redeemed for specific savings. The costs of advertising and distributing the manufacturers' coupons, as well as redeeming the coupons for their face values and paying the shops' handling fees, are borne by the manufacturers. The additional expenses incurred by customers are borne by the retailers who offer twice or triple the value of the voucher. When a retailer offers its own coupons, they are responsible for the full cost of the promotion. This includes the face value of the coupon. Retail coupons are equivalent to cents-off bargain. Customers that are price-conscious are naturally drawn to promotional materials such as coupons. Customers believe that using coupons transforms shopping into a game-like experience, which helps them combat the monotony of the activity. According to studies, consumers are more likely to make use of coupons when they are in one of the following three categories: (1) in need of trimming their budgets; (2) curious about trying out new products; or (3) frequently make use of products that are purchased at set intervals throughout the year.

- Spanish-speaking people in the United States make up the market sector that Donnelley Marketing identifies as having the greatest coupon utilisation rate. Customers who are extremely loyal to a particular brand or who believe that the time and effort required to clip coupons is not worth the amount of money they save are the least likely to use coupons.

B. Contests and Sweepstakes: A sweepstake is a random drawing that may or may not require a consideration such as buying a ticket or purchasing a product, whereas a contest requires the entrant, in order to be deemed a winner, to perform some task (for example: draw a picture, write a poem, etc.). A contest also requires the entrant to perform some tasks in order to be deemed a winner. A judging method is necessary for a contest, but it is not necessary for a sweepstake. In recent decades, there has been a significant increase in the number of people participating in sweepstakes. Contests are expensive operations.

In addition to that, there is not a very high level of participation in the competitions. As a direct consequence of this, the majority of competitions have been replaced by sweepstakes. Participants in a contest are expected to compete against one another for a prize based on some form of skill or ability. To enter a sweepstake, participants need to do nothing more than submit their names to be entered into a drawing or another kind of selection. In the United States, it is believed that 87 million dollars was spent on contests and sweepstakes in 1977, and that number increased to 175 million dollars in 1989, despite the fact that the numbers are unclear. In the United States, fewer than twenty percent of all families have ever taken part in a competition or sweepstakes of some kind.

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Many people have negative opinions on the practise of holding competitions and sweepstakes. Most importantly, organising a successful competition or sweepstake requires spending money, and picking out proper prizes is a particularly tough and time-consuming task. Although the prize needs to be appealing to the customer, it must not steal the spotlight away from the goods. The particular market sector that is being targeted often determines which of cash, stuff, or travel would be perceived as being the most desirable as a prize. Some people believe that contests result in more bad will than good will, and that those who do not win may become opinion leaders who are negative toward the company.

A good contest, on the other hand, has the ability to garner a high degree of consumer involvement, revive flagging sales, help to obtain on-floor displays, provide merchandising excitement for dealers and sales people, give advertising vitality and a theme, add interest to an ad, and generate excitement for a product with a low interest level.

C. **Event Sponsorship:** These days, large corporations shell out enormous sums of money to sponsor events like golf tournaments, auto races, and other sports competitions. In point of fact, large corporations typically employ distinct divisions or departments to manage the organisation of special events. Saatchi & Saatchi DFS Compton, which is one of the major advertising agencies in the world, has a division called HMG Sports that is in charge of managing sporting events like the Olympics. There are a number of compelling factors that explain why so many businesses have begun to focus their marketing efforts on special events. To begin, events have a propensity to draw a similar and grateful audience that is unified in its appreciation for the event's sponsors. Second, corporate sponsorship of events may help create support from the business community and employees. Lastly, in contrast to the production of a number of advertisements, event administration is a rather straightforward process. There are two potential problems associated with event sponsorship. The first issue is that the event and the firm are not a good fit for one other. As an illustration, cigarette companies frequently fund athletic competitions that demand a high level of physical condition. Second, an event can fail for a variety of reasons that are beyond the organizer's control, including poor preparation, poor weather, an unpopular winner, or lousy losers.

D. **Premium Offers:** When you complete a specific task, such as making a purchase, you may be eligible to get a tangible reward known as a premium. Getting a free glass with the purchase of detergent is an example of a premium, as is receiving

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a prize in a Cracker Jax-box. Other examples of premiums include getting an extra amount of a product. In the United States, the premium industry was responsible for approximately 83 percent of the country's annual economic expansion. Consumer premiums make up roughly 45.25 percent of this total, while trade premiums account for 55.h percent of it. Premiums are typically chosen by businesses to have some sort of connection with the product for which they are advertising or to appeal to the company's most obvious clients. Premiums come in a wide variety of forms, but they can be roughly divided into two categories: direct premiums and postal premiums.

- **Direct premiums:** Direct premiums are a type of incentive that is given out at the moment of purchase and comes in the form of a free gift with the purchase. There is no misunderstanding regarding money, sending, clipping, the possibility of winning, packaging, conserving stuff, or ripping off box tops. The best part is that there is no need to wait. An incentive that is provided in a distinct manner at the moment of product purchase is known as a direct premium. The factory is where the in-packs are added to the box before it is shipped out. On-packs are an additional type of factory pack that is attached to the main package via a plastic band and rides on the exterior of the package. The concept of the in-pack is turned on its head with the container premium by placing the product inside of the premium.
- **Mail premiums:** In contrast to premiums that are sent directly to the customer, premiums that are delivered through the mail need the client to take some action in order to get the premium. The most common variety of mail premium is known as the self-liquidator. During the Great Depression of the 1930s, when people were had to cut back on their spending, it was developed. A self-liquidation premium that is provided in exchange for one or more proofs of purchase and the payment of a charge that covers the cost of the item as well as handling fees, mailing and packaging costs, and any taxes (if any). The consumer cannot get this item in the market for the same amount as the premium, hence this represents a deal for the consumer. The most significant drawback associated with self-liquidating premiums is the length of time it takes to get the premium. It is possible to utilise premiums as an incentive for customers to visit a specific store, to purchase a specific product, or to purchase larger quantities of a product in order to drive increased sales. Premiums are seen as a method of rewarding customers without lowering prices, which is important to marketers.

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E. **Consumer sampling:** Consumer sampling, also known as providing a product to a consumer for no cost, can be an effective marketing tactic, particularly in situations in which the product being sold is either novel or not the dominant one in its market. The first thing to keep in mind about sampling is that you should only employ this strategy in situations in which the product can practically sell itself. That is, the product must have benefits or characteristics that are readily apparent to the customer while they are making their purchase decision. Second, it is essential to provide the customer with a sufficient amount of the product so that they may make an informed decision regarding the product's overall quality. Products like gum, detergents, and other such items that are commonly sampled are typically inexpensive and have a high turnover rate. However, more expensive products like perfumes, wines, and other alcoholic beverages can also be tasted selectively with particular target markets. There are several different channels via which consumers can receive product samples. The most common method is sending it in the mail. Utilizing firms who are experts in door-to-door distribution is an additional choice that can be made. In addition, samples can be delivered in combination with advertising if the company so chooses. Products can also be sampled directly through the store, who simply places a display unit close to the product in question or employs a worker to hand out samples of the product to customers as they walk by the location in question. When sampling is used as part of a coordinated promotional campaign to introduce a new product or to expand the trail of a current one, the effect on initial trial and subsequent repurchase can be powerful enough to defray the expenses associated with sampling. This is because initial trial and subsequent repurchase can be a strong indicator of customer satisfaction with the product.

DEALER SALES PROMOTION (TRADE PROMOTIONS)

The producers depend on sales promotion to make selling and advertising their products to their middlemen as effective as possible. Premiums, for instance, are frequently provided to good dealers for each case of products that they purchase. The objective of this programme is to entice shops to place larger orders and subsequent orders more often. Trade exhibitions are another kind of dealer sales promotion, and they give existing dealers and those who are considering becoming dealers the opportunity to have a first-hand look at products that have been mentioned in the marketing and sales efforts of the manufacturer. In addition to contests, customised store fixtures and sing-alongs are excellent examples of sales promotion that are geared toward promoting sales to dealers.

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A sales promotion that targets resellers, the individuals who ultimately sell a product to end users, is known as a trade sales promotion. The term "trade" generally refers to wholesalers and retailers who deal with or distribute the marketer's product. This usage follows a long-standing convention.

In most companies, the senior marketing officer or the product manager is the one who is in charge of arranging the trade promotion. The marketing officer, the sales manager, and the campaign manager all work together to come to a decision regarding the quantity of the deal as well as the time of it. It's possible that senior management will need to sign off on these transactions as well, given the direct impact they'll have on the pricing strategy and the company's capacity to turn a profit.

Following is a list of the promotional tools for business that are considered to be the most important ones in their respective fields.

A. **Point of Purchase Displays (POP displays):** The majority of the time, manufacturers will offer free point-of-purchase (POP) displays to shops in order to draw attention to a specific brand or group of products. Displays at point-of-purchase can take many different forms, such as specific racks, display boxes, banners, signs, price cards, and so on. In 1989, the POP industry in the United States was worth eighteen billion dollars, and it is still expanding at a rate of around ten percent per year. Product visibility is the primary objective of point-of-purchase (POP) displays. According to the findings of a number of different research, the percentage of customer decisions that were made at a supermarket ranged anywhere from 39 to 66 percent. The desire to make a purchase may be sparked by point-of-purchase displays. POP displays do more than only draw people's attention to the goods; they also convey crucial decision-making information. Displays are a significant factor in consumer choice, particularly in today's retail environment, which is increasingly dominated by self-service, whether in its entirety or in part.

B. **Contests:** Competitions have the potential to be powerful motivators not only for salespeople but also for resellers. The awards are often consistent with one another. Typically, a prize is given to the individual or group who surpasses a quote by a greater percentage and wins the competition. The planning of competitions requires a lot of attention to detail. Because of the potential allure of the prizes, participants may find themselves tempted to engage in behaviours that are harmful to their organisations. It's possible that sales clerks may promote the product of the firm holding the contest to the exclusion of all other brands, which could lead to major dispute among the members of the channel. In

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addition to this, the duration of competitions as well as their overall quality need to be carefully regulated. When correctly executed, contests have the potential to generate short-term benefits and strengthen the relationship with resellers.

C. **Trade shows:** Trade fairs are regularly scheduled events at which manufacturers display their wares and receive orders. Thousands of different firms attend these trade shows to showcase their products. More than nine billion dollars are spent annually by American businesses on trade exhibitions and conventions. The trade show consumes the majority of many businesses' marketing budgets and efforts, as well as all of the preparation work that those businesses put forward. It's possible that a company's fortunes for the rest of the year will depend on how well they do there. According to a survey conducted by the Trade Show Bureau (TSB), more than nine thousand vice presidents attend trade shows for five primary reasons: to gather information for upcoming purchases, to improve their professional education, to view specific exhibits, to visit other industry professionals, or to keep up with the latest product introductions.

D. **Sales Meetings:** The sales meetings that are hosted by manufactures or wholesalers are events that are somewhat similar to trade meetings, but they are not quite as elaborate. Sales meetings, in contrast to trade meetings, are geared toward the firm's sales staff as well as independent sales agents who offer the company's products or services. Trade meetings are open to anyone interested in doing business with the company. These meetings are often held at the regional level, and they are directed by sales managers in conjunction with their respective field forces. There are many different reasons for holding these get-togethers. The meetings will focus heavily on providing attendees with sales instruction. Usually, the meetings take place right before the season when customers are most likely to make purchases, and their purpose is to encourage sales representatives, explain the product or the promotional campaign, or simply answer questions.

E. **Push money:** Push money is the additional payment that is offered to salespeople for reaching a predetermined sales quota. Spiffs or PM are two more names for this thing. It is particularly effective for products that need to be displayed or explained to customers, as well as those that have a high price per unit. Push money has the potential to generate a significant amount of excitement and incentive among wholesalers and retailers. For push money to be successful, the retailer's full cooperation is required. In general, shops will not allow the use of push money if they believe that doing so would be detrimental

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to employee morale or cause an unfair amount of focus to be placed on a single brand.

F. **Dealer Loaders:** A dealer loader is a premium that a manufacturer offers to a retailer in exchange for the retailer purchasing a predetermined quantity of the producer's product. The most typical dealer loaders fall into two distinct categories. The first type is a buying loader, which is a gift that is often presented to the customer if they have reached a certain order size. The second type of display is known as a display loader, and it is, in effect, a display that is reassembled and then delivered to the merchant. Both display loaders and buyers have the potential to be successful given the correct circumstances. The primary objective of both approaches is to transfer substantial quantities of the product in a relatively brief amount of time.

G. **Trade Deals:** Trade deals are typically exceptional price concessions that are awarded to the trade for a limited period. These price concessions go above and beyond the typical purchasing discounts that are offered. The amount of money spent on negotiating trade treaties can be rather significant. Trade deals are a common occurrence across many different businesses and sometimes serve as the primary impetus for consumer patronage. There are two primary categories of commercial transactions, the first being purchase allowances, and the second being advertising and display allowances.

H. A buying allowance is a payment made by a manufacturer to a reseller on the condition that the reseller purchases a predetermined quantity of a product during a predetermined period of time. This method of operation is fairly typical in the grocery retail industry. During the promotion season, the retailers purchase more inventory than is necessary for them. They put the additional items in storage, then at the end of the sale time, they bring them back out and sell them at the regular price. The count and recount method is an additional strategy that can be utilised throughout the buying allowance process. This refers to the proposition of paying a predetermined sum of money for each individual item that is removed from a reseller's warehouse. There are several distinct types of buying allowances, including the buy-back allowance, the slotting allowance, and the free goods allowance. A marketing strategy that is frequently used, particularly for consumer goods, is known as an advertising allowance.

The wholesaler or retailer receives a set amount of money from the manufacturer as payment for advertising the manufacturer's product. The money is restricted to being used for marketing purposes solely. Cooperative advertising is a form of advertising that is very closely tied to advertising allowance. This is a contractual arrangement between the manufacturer and the resellers in which the manufacturer agrees to cover part or all of the advertising expenses that are incurred. The arrangement can be either partial or total. Other types of advertising allowances include dealer listing allowances and display allowances. In most cases, the manufacturer will not pay for the advertisement until they have received some kind of confirmation from the medium or a copy of the advertisement.

SALES FORCE SALES PROMOTION

When it comes to sales promotion, a large portion of a company's efforts are frequently directed toward the company's own sales team. Naturally, the purpose of carrying out such an activity is to make the efforts of the salesman more productive. Contests, rewards, sales portfolios, and visual aids to be utilised in sales presentations are all examples of types of sales promotion that can be offered to the sales team. Even sales meetings that are intended to pique interest in new items could be deemed to perform the role of sales promotion.

The actions of sales promotions aimed at the sales force have the purpose of inspiring sales personnel to contribute to an increase in overall sales. In the short term, we want to secure new dealers, promote sales of new or seasonal items, communicate special bargains to retailers, increase order size, and reduce sales expenses as much as possible. In general, participating in these activities helps one feel more enthusiastic about the task at hand. They frequently have the secondary goal of boosting the morale of the sales staff in addition to the primary goal of making a sale. Typically, salespeople that are enthusiastic about their employment put in more effort to promote the marketing effort.

Activities geared toward the sales force that fall into one of two categories are classified as sales promotion:

A. **Supportive program:** The goal of supportive programmes is to better train salespeople to perform their work responsibilities. Some examples of such programmes are listed below.

(a) Organizing and hosting sales meetings; (b) Providing supplementary materials, such as sales manuals, sales portfolios, and product models; and (c) Distributing house organs.

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B. **Motivational Programs:** Programs designed to motivate salespeople to work harder are called motivational programmes. The following are the steps involved in the development of these programmes.

(a) Determine the goals, (b) Determine which members of the sales force will participate, (c) Communicate the basis of awards, (d) Determine the break time, duration, and lead time for the campaign, (e) Determine the type of awards and prizes, and (f) Choose a theme.

ONLINE PROMOTIONAL TECHNIQUES FOR OTC PRODUCTS

In every pharmaceutical sector, marketing tactics for over-the-counter (OTC) drugs are crucial. However, when considering what happens when pharmaceutical items lose patent protection, it is essential to assess whether significant changes are truly required. In the short term, it is feasible that the Pharmaceutical Product is operating in a very narrow niche market to attract the most formidable General Competition. It is also feasible that the awareness and images of this product are so powerful in the minds of patients and physicians that it will maintain its high market share even after copyright protection has been removed.

A new industrial revolution is taking place as a direct result of the advent of the internet during the new economy of the early 1990s. Internet and digital technology have been integrated during the present economic crisis and recession. The hybridization of the internet, digital signage, semantic technologies, and business intelligence are examples of new technologies that are contributing to the development of social business. It is working to implement social media platforms internally in order to provide outcomes that are meaningful and strategic. These new social business models are reflected in a variety of various ways on the partners that make up the value chain. They facilitate their access to the highest level of value production for both parties involved.

Because of rising pressure on sales margins, pharmaceutical companies have been obliged to alter their strategy when it comes to marketing and selling over-the-counter (OTC) medication. E-commerce and other forms of low-cost online marketing are made possible by the development of technologies known as Web 2.0, Web 3.0, and social media. Because of the proliferation of the internet and various forms of social media, an organisational adjustment in order to accommodate the changes that are occurring in the over-the-counter medication industry is required. Because of the growing significance of digital media in marketing, the over-the-counter drug sector has been persuaded to incorporate the usage of social media into their strategy for managing their relationships with customers.

Over the course of the past decade, the pharmaceutical sector has been forced to adapt to significant shifts in marketing strategy. Patients are now more conscious of the significance of the qualities that are involved in the pharmaceutical preparation process. They have started to take responsibility for their own well-being and the activities in their lives.

Because of the proliferation of the internet and various forms of social media, an organisational adjustment in order to accommodate the changes that are occurring in the over-the-counter medicine market is required. Because of the growing significance of digital media in marketing, the over-the-counter medical business has been persuaded to incorporate the usage of social media into their strategy for managing their relationships with customers. New-age digital marketing, which is replacing Kotler's "4 Ps of Marketing," is the basis for qualitative study on the impact of the internet and social media on the marketing of organisational change management for over-the-counter drugs.