



# Chapter 18

## *Sales promotion: principles and techniques*

Sales promotion seeks to offer additional value as an inducement to generate an immediate sale. Sales promotions can form an important part of the communication mix and are often of strategic importance. By adding value to the offer and hoping to bring forward future sales, these techniques are a source of competitive advantage, one that is invariably short-rather than long-run. The range and sophistication of the main sales promotion techniques reflect the variety of audiences, their needs and the tasks that need to be accomplished.

### *Aims and learning objectives*

The aims of this chapter are twofold. The first is to consider the nature and role of sales promotion and to appraise its position within the marketing communications mix. The second is to consider the nature and characteristics of the main sales promotion tools and techniques.

The learning objectives of this chapter are to:

1. understand the value of sales promotions;
2. consider the role of sales promotion;
3. explain the objectives associated with using sales promotion;
4. describe the ways in which sales promotion is thought to work;
5. evaluate the merits of loyalty and retention programmes;
6. argue the case for a strategic orientation towards sales promotions;
7. explain the different sales promotions methods and techniques.

For an applied interpretation see Mary Hedderman's MiniCase entitled *Could online coupons save the High Street?* at the end of this chapter.

## Introduction

The main task of sales promotion is to encourage the target audience to behave in a particular way, often to buy a product. Advertising, on the other hand, is usually geared towards developing market awareness. These two tools set out to accomplish tasks at each end of the attitudinal spectrum: the conative and cognitive elements respectively. Just as advertising is used to work over the long term, sales promotion can achieve short-term, upward shifts in sales.

Sales promotion offers buyers additional value, as an inducement to generate an immediate sale.

Sales promotion offers buyers additional value, as an inducement to generate an immediate sale. These inducements can be targeted at consumers, distributors, agents and members of the sales force. A whole range of network members can benefit from the use of sales promotion.

This promotional tool is traditionally referred to as a form of below-the-line communication because, unlike advertising, there are no commission payments from media owners with this form of communication. The promotional costs are borne directly by the organisation initiating the activity, which in most cases is a manufacturer, producer or service provider.

## Understanding the value of sales promotions

There are many sales promotion techniques, but they all offer a direct inducement or an incentive to encourage receivers of these promotional messages to buy a product/service sooner rather than later. The inducement (for example, price deals, coupons, premiums) is presented as an added value to the basic product, one that is intended to encourage buyers to act 'now' rather than later. Sales promotion is used, therefore, principally as a means to accelerate sales. The acceleration represents the shortened period of time in which the transaction is completed relative to the time that would have elapsed had there not been a promotion. This action does not mean that an extra sale has been achieved, just that a potential future exchange is confirmed and transacted upon now.

Sales promotion is used principally as a means to accelerate sales.

Sales promotions consist of a wide range of tools and methods. These instruments are considered in more detail at the end of this chapter, but consideration of what constitutes sales promotion methods is important. In many cases, price is the determinant variable and can be used to distinguish between instruments. Sales promotions are often perceived purely as a price discounting mechanism through price deals and the use of coupons. This, however, is not the whole picture, as there are many other ways in which incentives can be offered to buyers.

Reference has already been made to the idea that sales promotions are a way of providing value, and it is this value orientation that should be used when considering the nature and essential characteristics of sales promotions. Peattie and Peattie (1994) established a useful way of discriminating between price and non-price sales promotion instruments. They refer to sales promotions that are value increasing and sales promotions that are value adding (see Table 18.1).

This demarcation is important because a large amount of research into sales promotion has been based on value-increasing approaches, most notably price deals and coupons (Gupta, 1988; Blattberg and Neslin, 1990; Krishna and Zhang, 1999). This tends to distort the way sales promotions are perceived and has led to some generalisations about the overall impact of this promotional discipline. There is a large range of other sales promotion instruments that add value and enhance the offering and which provide opportunities to drive longer-term benefits (see Table 18.2). However, research into these is limited (Gilbert and Jackaria, 2002).

**Table 18.1** A value orientation of sales promotions

Value element	Explanation
Value-increasing	Value is increased by offering changes to the product quantity/quality or by lowering the price. Generally used and perceived as effective over the short term.
Value-adding	Value is added by offering something to augment the fundamental product/price offering. Premiums (gifts), information or opportunities can be offered as extras and the benefits realised over different periods of time: delayed (postal premiums), accumulated (loyalty programmes) or instant (scratch and win competitions). These have the potential to add value over the longer term.

Source: Peattie and Peattie (1994).

**Table 18.2** A sales promotion typology as used in the commercial sector

Value-increasing (alters price/quantity or price/quality equation)	Value-adding (offers 'something extra' while leaving core product and price unchanged)
Discount pricing	Samples
Money-off coupons	Special features (limited editions)
Payment terms (e.g. interest-free credit)	Valued packaging
Refunds	Product trial
Guarantees	In-pack gifts
Multipack or multi-buys	In-mail gifts
Quantity increases	Piggy back gifts
Buybacks	Gift coupons
	Information (e.g. brochure, catalogue)
	Clubs or loyalty programmes
	Competitions/prize draws

As a result of this diversity of sales promotion instruments it should be no surprise to learn that they are used for a wide range of reasons. Sales promotions can be targeted, with considerable precision, at particular audiences and there are three broad audiences at whom sales promotions can be targeted: consumers, members of the distribution or channel network, and the sales forces of both manufacturers and resellers. It should be remembered that the accuracy of these promotional tools means that many sub-groups within these broad groups can be reached quickly and accurately.

Sales promotions can be targeted, with considerable precision.

Lee (2002) suggests that the main reasons for the use of sales promotions can be reduced to four:

- as a reaction to competitor activities;
- as a form of inertia – this is what we have always done;
- as a way of meeting short-term sales objectives;
- as a way of meeting long-term objectives.

**Table 18.3** Reasons for the use of sales promotions

Reach new customers	They are useful in securing trials for new products and in defending shelf space against anticipated and existing competition.
Reduce distributor risk	The funds that manufacturers dedicate to them lower the distributor's risk in stocking new brands.
Reward behaviour	They can provide rewards for previous purchase behaviour.
Retention	They can provide interest and attract potential customers and in doing so encourage them to provide personal details for further communications activity.
Add value	They can encourage sampling and repeat purchase behaviour by providing extra value (superior to competitors' brands) and a reason to purchase.
Induce action	They can instil a sense of urgency among consumers to buy while a deal is available. They add excitement and interest at the point of purchase to the merchandising of mature and mundane products.
Preserve cash flow	Since sales promotion costs are incurred on a pay-as-you-go basis, they can spell survival for smaller, regional brands that cannot afford big advertising programmes.
Improve efficiency	Sales promotions allow manufacturers to use idle capacity and to adjust to demand and supply imbalances or softness in raw material prices and other input costs, while maintaining the same list prices.
Integration	They can provide a means of linking together other tools of the promotional mix.
Assist segmentation	They allow manufacturers to price discriminate among consumer segments that vary in price sensitivity. Most manufacturers believe that a high-list, high-deal policy is more profitable than offering a single price to all consumers. A portion of sales promotion expenditures, therefore, consists of reductions in list prices that are set for the least price-sensitive segment of the market.

**ViewPoint 18.1** Positioning cameras with sales promotions

The Fujifilm Finepix Z10fd digital camera was designed to appeal to the 16–25-year-old youth market. Its launch in the autumn of 2007 reflected this positioning as a huge emphasis was given to Facebook. A group called 'Be part of the Seen' was created.

The musician Patrick Wolf became part of the campaign and as he was on tour at the time of the launch, he posted blogs about the tour and associated events. The number of contacts or friends within the group increased as fans of Patrick Wolf were invited to join up. By joining the group they were entered into a competition, whereby 40 winners won tickets to attend a private gig at London's Grill Room along with members of the music and entertainment press. In addition, key opinion formers and celebrity endorsers were invited to use the camera to create photo blogs. Meanwhile targeted lifestyle media were encouraged to position the camera as a Christmas 'must buy'.

The results indicated that the campaign worked. The camera appeared in 35 different titles, including a range of newspapers, lifestyle and specialist interest magazines. Interviews with Patrick Wolf appeared in the mainstream press and the gigs received coverage in a range of tabloids and other print vehicles.

Sales reached 100,000 in just three months and enabled Fujifilm to reach a new audience.

Source: Anon. (2008).

**Question**

The competition provided the sales incentive. What were the other tools and media used in this integrated event?

## Task

Consider the tools and techniques of sales promotion in the table at the end of this chapter and then make a list of the ways Fujifilm might have delivered the launch of the Finepix.



### Exhibit 18.1

Fujifilm Finepix Z10fd digital camera  
© Fujifilm UK.

It appears that the first three are used widely and Lee comments that many brand owners use sales promotion as a panic measure when competitors threaten to lure customers away. Cutting prices is undoubtedly a way of prompting a short-term sales response but it can also undermine a longer-term brand strategy.

Not too many years ago sales promotions were regarded as a key way of developing sales, particularly in the grocery market. However, the use of sales promotions has stagnated and in particular the use of on-pack promotions, bonus packs, competitions and price deals have failed to maintain the growth of previous years. Reasons for the decline include changing consumer behaviour, the rise of new media and a distinct lack of innovation in the industry. Another important factor has been the expectations and drive of resellers, and the main supermarket chains in particular. They desire sales promotion programmes that are exclusive to them as this is seen as a major way of developing their retail brands. Supermarkets have effectively become media owners as their store space represents an opportunity for brand owners to promote their brands. On-pack promotions for individual stores are often too expensive and uneconomic so this form of promotion has suffered a great deal. Therefore, any form of sales promotion activity within their environments should be exclusive and tied into their brand.

New solutions have had to be found and as Barrant (2004) suggests, the use of digital media and the integration of sales promotion within other campaigns has been successful. The use of SMS, email, viral campaigns and the Internet are being used increasingly to drive sales by providing the veritable 'call-to-action', for a long time the province of sales promotion activities.

In the 1990s sales promotions were a potent part of the marketing communications mix. Today, their use has diminished as most major supermarkets try to control their in-store environments, reduce the amount of clutter and run their own promotions, designed to generate store traffic.

The use of digital media and the integration of sales promotion within other campaigns has been successful.

## *The role of sales promotion*

The role of sales promotion has changed significantly over recent years. At one time, the largest proportion of communications budgets was normally allocated to advertising. In some cases advertising no longer dominates the communications budget and sales promotion has assumed the focus of the communications spend, for reasons that are described below. This is particularly evident in consumer markets that are mature, have reached a level of stagnation, and where price and promotion work are the few ways of inducing brand switching behaviour.

### Short termism

The short-term financial focus of many industrialised economies has developed a managerial climate geared to short-term performance and evaluation, over periods as short as 12 weeks. To accomplish this, communications tools are required that work quickly and impact directly upon sales. Many see this as leading to an erosion of the brand franchise.

### Managerial accountability

Following on from the previous reason is the increased pressure on marketing managers to be accountable for their communications expenditure. The results of sales promotion activities are more easily justified and understood than those associated with advertising. The number of coupons returned for redemption and the number of bonus packs purchased

The number of coupons returned for redemption and the number of bonus packs purchased can be calculated quickly and easily.

can be calculated quickly and easily, with little room for error or misjudgement. Advertising, however, cannot be so easily measured in either the short or the long term. The impact of this is that managers can relate the promotional expenditure to the bottom line much more comfortably with sales promotion than with advertising.

### Brand performance

Technological advances have enabled retailers to track brand performance more effectively. This in turn means that manufacturers can be drawn into agreements that promulgate in-store promotional activity at the expense of other more traditional forms of mass media promotion. Barcode scanners, hand-held, electronic shelf-checking equipment and computerised stock systems facilitate the tracking of merchandise, meaning that brand managers can be held responsible much more quickly for below-par performance.

### Brand expansion

As brand quality continues to improve and as brands proliferate on the shelves of increasingly larger supermarkets, so the number of decisions that a consumer has to make also increases. Faced with multiple-brand decisions and a reduced amount of time to complete the shopping expedition, the tension associated with the shopping experience has increased considerably over the last decade.

Promotions make decision-making easier for consumers: they simplify a potentially difficult process. Thus, as brand choice increases, so the level of shopping convenience falls. The conflict this causes can be resolved by the astute use of sales promotions. Some feel that the cognitive shopper selects brands that offer increased value, which makes decision-making easier and improves the level of convenience associated with the shopping experience. However, should there be promotions on two offerings from an individual's repertoire then the decision-making is not necessarily made easier.

## ViewPoint 18.2

### Using nostalgia to reward cake eaters

In an attempt to reward existing customers and in doing so drive brand loyalty, Premier Foods Group Limited launched a sales promotion in 2008. The campaign was designed to engage and retain core customers rather than explicitly grow market share.

The promotion consisted of an on-pack campaign, targeted squarely at parents, not children. The mechanic consisted of on-pack voucher codes that were redeemable through two channels, online and by phone. There was no form of postal redemption. The reward itself was the chance to win various iconic toys and gifts from the past, a nostalgia based campaign. The gift products, all branded with Mini Rolls logos, included the Lava Lamp, Rubik's Cube, a 1960s retro radio, a Yo-Yo and an adult-sized Space Hopper. These prizes were derived from research into what consumers said were their favourite gifts or toys from when they were young.

The campaign used a bespoke microsite, which contained various elements designed to reflect the nostalgia theme. The online feature was important as it helped add a new dimension. Consumers were driven online to redeem their vouchers but when on the site they were then entertained.

Source: Quilter (2008).

### Question

Do promotions such as this one build real brand value or just provide short term sales lifts?

### Task

When you are next visiting a supermarket, make a note of any brands using an on-pack promotion.



### Exhibit 18.2

Cadbury Cake promotion  
Courtesy of Premier Foods Group Ltd.

## Competition for shelf space

The continuing growth in the number of brands launched and the fragmentation of consumer markets mean that retailers have to be encouraged to make shelf space available. Sales promotions have helped manufacturers win valuable shelf space and assist retailers to attract increased levels of store traffic and higher utilisation of limited resources, but this approach is not always viable today.

The credibility of this promotional tool is low, as it is obvious to the receiver what the intention is of using sales promotion messages. However, because of the prominent and pervasive nature of the tool, consumers and members of the trade understand and largely accept the direct sales approach. Sales promotion is not a tool that hides its intentions, nor does it attempt to be devious (which is not allowed, by regulation).

The absolute costs of sales promotion are low, but the real costs need to be evaluated once a campaign has finished and all redemptions received and satisfied. The relative costs can be

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high, as not only do the costs of the premium or price discount need to be determined, but also the associated costs of additional transportation, lost profit, storage and additional time spent organising and administering a sales promotion campaign need to be accounted for.

In its favour, sales promotion allows for a high degree of control. Management is able to decide just when and where a sales promotion will occur and also estimate the sales effect. Sales promotions can be turned on and off quickly and adjusted to changed market conditions.

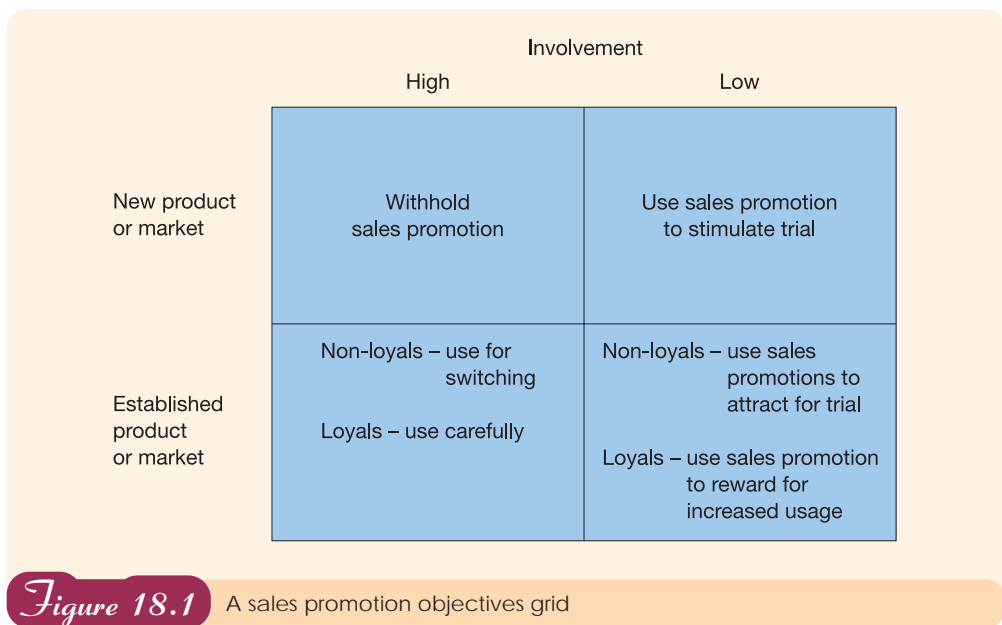
The intended message is invariably the one that is received, as there is relatively little scope for it to be corrupted or damaged in transmission. However, this view needs to be tempered by some of the problems companies have experienced by not thinking through the sales promotion exercise in the first place, only to find themselves exposed to exploitation and financial embarrassment.

## Sales promotion plans: the objectives

The objectives of using this tool are sales-oriented and geared to stimulating buyers either to use a product for the first time or to encourage use on a routine basis.

One objective of sales promotion activity is to prompt buyers into action, to initiate a series of behaviours that result in long-run purchase activity. These actions can be seen to occur in the conative stage of the attitudinal set. They reflect high or low involvement, and indicate whether cognitive processing and persuasion occur via the central or peripheral routes of the ELM (Chapter 8). If the marketing objectives include the introduction of a new product or intention to enter a new market, then the key objective associated with low-involvement decisions and peripheral route processing is to stimulate trial use as soon as possible. When high-involvement decisions and central route processing are present, then sales promotions need to be withheld until a suitable level of attitudinal development has been undertaken by public relations and advertising activities.

If a product is established in a market, then a key objective should be to use sales promotions to stimulate an increase in the number of purchases made by current customers and to attract users from competing products (see Figure 18.1). The objectives, therefore, are either





to increase consumption for established products or to stimulate trial by encouraging new buyers to use a product. Once this has been agreed, the desired trial and usage levels need to be determined for each of the target audiences. Before discussing these aspects, it is necessary first to review the manner in which sales promotions are thought to influence the behaviour of individuals.

## *An overview of how sales promotions work*

If the overriding objectives of sales promotions are to accelerate or bring forward future sales, the implication is that a behavioural change is required by the receiver for the sales promotion to be effective. The establishment of new behaviour patterns is the preferred outcome. If sales promotions are to work over the longer term, that is, to bring about repeat purchase behaviour, then the new behaviour patterns need to be learned and adopted on a permanent basis.

This is a complex task, and is referred to by behaviourists as shaping. The behaviourists' view is advocated by Rothschild and Gaidis (1981). They suggest that by breaking the overall task into its constituent parts a series of smaller sequential tasks can be learned. When the successive actions are aggregated the new desired pattern of behaviour emerges. This view emphasises the impact of external stimuli in changing people's behaviour.

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The cognitive view of the way sales promotions operate is based on the belief that consumers internally process relevant information about a sales promotion, including those of past experiences, and make a reasoned decision in the light of the goals and objectives that individuals set for themselves.

The ELM suggests that individuals using the peripheral route will only consider simplistic cues, such as display boards and price reduction signs. Individuals using the central route of the ELM have a higher need for information and will develop the promotional signal to evaluate the value represented by the relative price and the salient attributes of the promoted product, before making a decision (Inman *et al.*, 1990).

The views of the cognitive school of thought emphasise the complexity of internal information processing.

The main difference between the views of the behaviourists and those of the cognitive school of thought is that the former stress the impact of externally generated stimuli, whereas the latter emphasise the complexity of internal information processing.

### *ViewPoint 18.3*

#### Walkers Crispy iPods

Walkers Crisps have used Gary Lineker to front its marketing communications for some time. Although still highly effective, it was important that the brand reached new younger customers, some of whom may not know who Gary Lineker is, let alone what he achieved on the football field.

To reach the younger, trendy and aspirational group, Walkers developed a sales promotion competition. Crisp eaters needed to text in a code that was to be found inside crisp packets. A prize draw was held and the winners won an iPod. In effect one iPod was won every five minutes.

A microsite designed to support the competition contained usage graphs. This enabled people to time their text submissions at quiet times and so improve their chances of winning. Over the three months the competition ran, over 7 million entries were received.

Source: Orton-Jones (2007).

## Question

To what extent does this type of promotion build or devalue the brand?

## Task

Find out who Walker's main competitor is. What promotions do they use?



### Exhibit 18.3

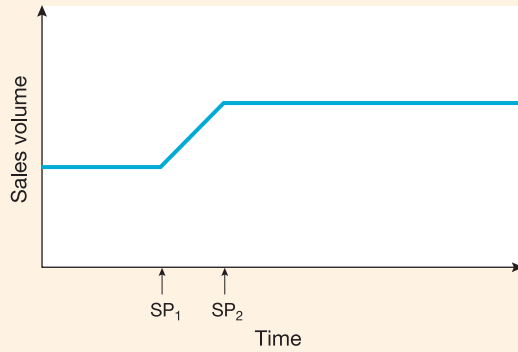
Walkers competition crisp packet  
Courtesy of Walkers and AMVBDO.

The increasing proportion of budgets being allocated to sales promotions, and temporary price reductions (TPRs) in particular, has prompted concern about the costs and overall impact of these activities. It might be reasonable to expect that the sales curve following a price-based promotion would look like that depicted in Figure 18.2. There is plenty of evidence that sales volumes can be increased following use of a TPR (Ehrenberg, 2000). However, a long-term upward shift in demand is unrealistic, particularly in mature markets. Extra stock is being transferred to consumers, and therefore they have more than they require for a normal purchase cycle. Ehrenberg suggests that most people who use TPRs are actually infrequent purchasers of a given category. Research suggests that these types of promotion do not attract new buyers.

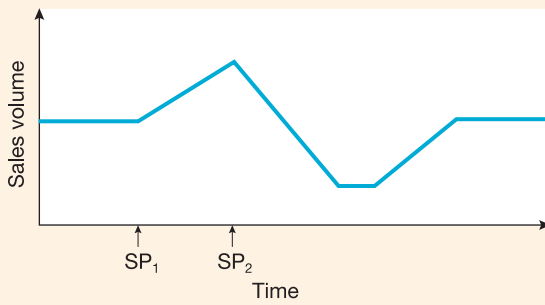
The graph shown in Figure 18.3 is more likely to occur, with sales volume falling in the period when buyers are loaded with stock and temporarily removed from the market. However, Dawes (2004) found that there were as many buyers in a market in the period following a promotion as there were when the TPR was running.

Promotional activity does not take place in a vacuum with new products: competitors will be attracted and some customers lost to competitive offerings; in mature markets, non-loyals will take advantage of a sales promotion and then revert to competitors' sales promotions when they re-enter the market. So, the third scenario is shown in Figure 18.4. The result is that overall demand for a brand *may* be reduced owing to the combined effects of competitive promotional activity. However, Dawes found that price promotions have a neutral impact on a brand, with

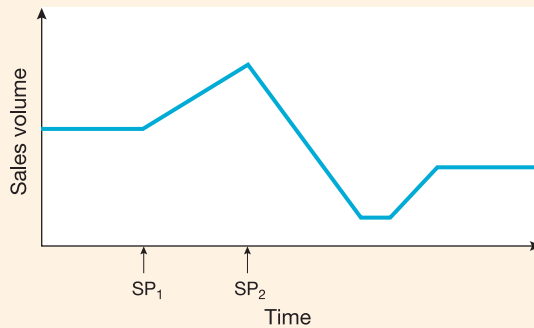
Promotional activity does not take place in a vacuum.



**Figure 18.2** Expected response to a sales promotion event:  $SP_1$  is the start of the event;  $SP_2$  is the end



**Figure 18.3** Realistic response to a sales promotion event



**Figure 18.4** The destructive effect of competitive sales promotions

the benefits of volume increases being countered by the consequent fall in profitability. It may be, therefore, that the second scenario is the more accurate interpretation.

Sales promotions incur a large number of hidden costs. It was stated earlier that the cost of a sales promotion is thought to be relatively low but, as Buzzell *et al.* (1990) and others have demonstrated, there are a host of other indirect costs that must be considered. Manufacturers, for example, use promotional deals to induce resellers to buy stock at a promotional price, in addition to their normal buying requirements. The additional stock is then held for resale at a later date, at regular retail prices. The effect of this forward buying on the costs of the reseller can be enormous. Buzzell *et al.* point out that the promotional stock attracts higher interest charges, storage costs, expenses associated with the transfer of stock to different geographical areas of the organisation and the costs associated with keeping normal and promotional stock separate. When these are added to the manufacturer's forward buying costs it is probable, they conclude, that the costs outweigh the benefits of the sales promotion exercise.

As if to demonstrate this point the use of sales promotions and BOGOFs in particular, are used by supermarkets and brand owners because they can change consumer purchasing patterns and can get consumers to try a new product. Indeed, Simms (2007) reports that they are just as effective as television advertising in encouraging trial. There are, however, several problems with BOGOFs. According to Binet, cited by Simms, 84 per cent of trade promotions are unprofitable. This year's volumes get added into next year's targets, so manufacturers chase increased volumes as average prices fall, with the net effect of diluting profits.

Promotions give a brand presence through extra facings, but they also incur difficulties for retailers. This is because of the impact promotions can have on the relatively stable logistics associated with normal trading patterns. The capacity that stores and lorries have is finite and known. Goods are moved from warehouses, with lorries to stores whose sales performance is known. If a promotion is added to this mix these logistics patterns are thrown into temporary chaos as both the stores and the transportation create room for the promotion at the expense of other items and higher margins.

These activities suggest that the relationship between the members of the network is market-oriented rather than relational. However, many of these extra costs are unknown, and the resellers are unaware of the costs they are absorbing as a result of the deal. In the future, resellers and manufacturers should work together on such promotions and attempt to uncover all the costs involved to ensure that the exercise is successful for both parties.

Not only the short-term costs associated with a sales promotion but also the long-term costs must be evaluated. Jones (1990) refers to this as the double jeopardy of sales promotions. He argues that manufacturers who participate extensively in short-term sales promotions, mainly for defensive reasons, do so at the expense of profit. The generation of sales volume and market share is at the expense of profit. The long-term effects are equally revealing. As the vast majority of sales promotions are TPRs, the opportunity to build a consumer franchise, where the objective is the development of brand identity and loyalty, is negated. Evidence shows that as soon as a sales promotion is switched off, so any increased sales are also terminated until the next promotion. The retaliatory effect that TPRs have on competitors does nothing to stabilise what Jones calls volatile demand, where the only outcome, for some products, is decline and obscurity.

The vast majority of sales promotions are TPRs.

Sales promotions can lead consumers to depend on the presence of a promotion before committing to a purchase. If the preferred product does not carry a coupon, premium or TPR, then they may switch to a competitor's product that does offer some element of increased value. A related issue concerns the speed at which sales promotions are reduced following the introduction of a new product. If the incentives are removed too quickly, it is probable that consumers will have been unable to build a relationship with the product. If the incentives are sustained for too long, then it is possible that consumers have only identified a product by the value of the incentive, not the value of the product itself. The process by which a sales

promotion is removed from a product is referred to as fading, and its rate can be crucial to the successful outcome of a product launch and a sales promotion activity.

## *Loyalty and retention programmes*

Despite questions about the use of sales promotions to build loyalty, the growth of loyalty programmes has been a significant promotional development in recent years. One of the more visible schemes has been the ClubCard offered by Tesco, which has been partly responsible for Tesco dominating the UK retail market (see ViewPoint 18.5). The response of its nearest rival Sainsbury's, at the time of launch, was to publicly reject loyalty cards, but some 18 months later it launched its Reward Card and then subsequently joined the group scheme, Nectar.

Loyalty schemes have been encouraged through the use of swipe cards. Users are rewarded with points each time a purchase is made. This is referred to as a 'points accrual programme', whereby loyal users are able to build up the necessary points, which are stored (often) on a card, and 'cashed in' at a later date for gifts or merchandise. The benefit for the company supporting the scheme is that the promised rewards motivate customers to accrue more points and in doing so increase their switching costs, effectively locking them into the loyalty programme and preventing them from moving to a competitor brand.

Recent technological developments mean that smart cards (a card that has a small microprocessor attached) can record enormous amounts of information, which is updated each time a purchase is made.

### *ViewPoint 18.4*

#### Loyalty, values and points make proper prizes?

Harrods launched an in-store, points-based loyalty programme that members convert into discounts. The guiding principle was to reward customers because this mirrors the strategy used by Harrods. The two main goals were to enrol 1 million members by 2009 and to collect data in order to develop a better insight into the behaviour of their high-value customers.

Part of BMW's brand-stretching strategy involved launching its own credit card. This was undertaken in conjunction with American Express, a strong premium brand in its own right. BMW's brand values encompass integrity, quality, service and recognition so their loyalty scheme needed to reinforce these principles. The monthly prize draw offered by BMW to customers who spend £10 to win a trip to a Grand Prix event, may not be seen to be sufficiently in keeping with the brand's values and hence not strong enough to attract customers.

Virgin Atlantic used a 'member-get-member' scheme within its Flying Club. It offered bonus air miles not only to members who attracted new members but also rewarded new members when they flew for the first time. The success of the Virgin Atlantic scheme, which was designed to deliberately acquire customers, was mainly because the scheme provided value that was directly related to flying.

Sources: Whitson (2006); McLuhan (2007).

#### Question

Why do you think it is important that a loyalty scheme should reflect a brand's values?

#### Task

Check out the values of any brand you are associated with and its loyalty scheme.

**Exhibit 18.4**

Virgin Atlantic Flying Club  
Courtesy of Virgin Atlantic.

Not only have loyalty schemes for frequent flyers been very successful, but the cards are also used to track individual travellers. Airlines are able to offer cardholders particular services, such as special airport lounges and magazines. Through its links to a database, the card also enables a traveller's favourite seat and dietary requirements to be offered. In addition, the regular accumulation of air miles fosters continuity and hence loyalty, through which business travellers can reward themselves with leisure travel. However, the airlines' desire to develop relationships with their customers might not be fully reciprocated as many customers seek only convenience.

Perhaps the attention given to loyalty and retention issues is misplaced because marketing is about the identification, anticipation and satisfaction of customer needs (profitably). If these needs are being met properly it might be reasonable to expect that customers would return anyway, reducing the need for overt 'loyalty' programmes. The withdrawal by Debenhams from the Nectar scheme in 2008 was made in order to better reward store-card holders, at a time when the trading environment was getting tighter. There is an argument that these schemes are important not because of the loyalty aspect but because the programme allows for the collection of up-to-date customer information and then the use of the data to make savings in the supply chain.

There has been a proliferation of loyalty cards, reflecting the increased emphasis on keeping customers rather than constantly finding new ones and there is evidence that sales lift by about 2 or 3 per cent when a loyalty scheme is launched. However, there is little evidence to

support the notion that sales promotions, and in particular the use of premiums, are capable of encouraging loyalty, whether that be defined as behavioural and/or attitudinal. Loyalty schemes do enable organisations to monitor and manage stock, use direct marketing to cross- and up-sell customers, and manage their portfolio in order to consolidate (increase?) customer's spending in a store. Whether loyalty is being developed by encouraging buyers to make repeat purchases, or whether the schemes are merely sales promotion techniques that encourage extended and consistent purchasing patterns is debatable. Customer retention is a major issue and a lot of emphasis, possibly misplaced, has been given to loyalty schemes as a means of achieving retention targets.

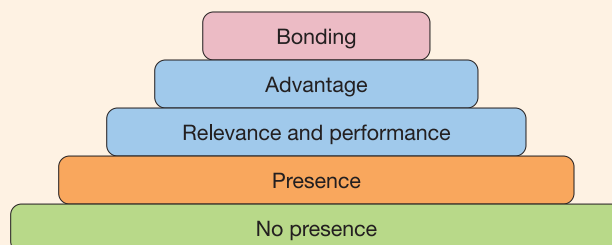
There is little evidence to support the notion that sales promotions, and in particular the use of premiums, are capable of encouraging loyalty.

There are views that loyalty schemes are not only misguided but have cost industry a huge amount of money. Hastings and Price (2004), for example, have expressed strong views about the notion and viability of so-called loyalty and points-based schemes. They claim that loyalty schemes are misunderstood for two main reasons. First, is the assumption that loyalty can be bought when, like love, true loyalty can only be given. Second, there is an assumption that points-based schemes can be profit centres.

Hallberg (2004) reports a major study involving in excess of 600,000 in-depth consumer interviews. The study identifies different levels of loyalty and concludes that significant financial returns are gained only when the highest level of loyalty is achieved. These levels of loyalty are set out in Figure 18.5. Hallberg refers to the impact of emotional loyalty, a non-purchase measurement of attachment to a brand:

- At the 'no presence' level consumers are unaware of a brand and so there is no emotional loyalty.
- At the 'presence' level there is awareness but emotional loyalty is minimal.
- At the 'relevance and performance' level the consumer begins to feel that the brand is acceptable in terms of meeting their needs.
- At the 'advantage' level consumers should feel that the brand is superior with regard to a particular attribute.
- At the 'bonding' level emotional loyalty is at its highest because consumers feel the brand has several unique properties. They love the brand.

Loyalty schemes are exponentially effective when consumers reach the bonding stage. Although sales generally increase the further up the pyramid consumers move, it is only at the 'bonding' stage that sales start to reflect the emotional attachment people feel towards the brand. Hallberg refers to the success and market leadership that Tesco has achieved, but the principles established through this study should apply to loyalty programmes regardless of category or sector.



*Figure 18.5*

The brand emotional loyalty pyramid  
Source: Hallberg, (2004). Used with permission.

**Table 18.4** Five loyalty trends

Trend	Explanation
Ubiquity	Loyalty programmes have proliferated in most mature markets and many members have little interest in them other than the functionality of points collection. Managers are trying to reduce communication costs by moving the scheme online but also need to be innovative.
Coalition	Schemes run by a number of different organisations in order to share costs, information and branding (e.g. Nectar) appear to be the dominant structure industry model.
Imagination	Opportunities to exploit technologies and niche markets will depend on creativity and imagination in order to get customer data to feed into the loyalty system. Employ IST imaginatively.
Wow	To overcome consumer lethargy and boredom with loyalty schemes, many rewards in future will be experiential, emotional, unique in an attempt to appeal to life stage and aspirational lifestyle goals – wow them. Differentiate to stand out.
Analysis	To be competitive the use of customer data analytics and business intelligence is becoming critical, if only to feed CRM programmes. Collect and analyse customer information effectively.

Source: Adapted from Capizzi *et al.* (2004).

There is a proliferation of loyalty programmes to the extent that Capizzi *et al.* (2004) suggest that the market is mature. They also argue that five clear trends within the loyalty market can be identified (see Table 18.4).

These trends suggest that successful sales promotions schemes will be those that enable members to perceive significant value associated with their continued association with a scheme. That value will be driven by schemes run by groups of complementary brands, which use technology to understand customer dynamics and communications that complement their preferred values. The medium-term goal might be that these schemes should reflect customers' different relationship needs and recognise the different loyalty levels desired by different people.

## *The strategic use of sales promotions*

Sales promotions have long been regarded as a short-term tactical tool whose prime purpose is to encourage customers to try a brand or to switch brands (within their repertoire), attracted by the added value of the sales promotion. Indeed, Papatia and Krishnamurthi (1996) claim that coupons can actively promote switching behaviour and so reduce levels of loyalty. As discussed earlier, what happens after a sales promotion activity finishes is debatable. Some claim that once a promotion is withdrawn satisfied customers will return to the brand unsupported by a sales promotion, but supported by other elements of the marketing communications mix: in particular advertising, to maintain awareness of the brand and its values; direct marketing,

to provide personal attention and the opportunity to take immediate action; and public relations to sustain credibility and relevance.

By way of contrast it can be argued that sales promotion serves to discount a brand, either directly through price-based reductions or indirectly through coupons and premiums. Customer alignment is to the

It can be argued that sales promotion serves to discount a brand.



deal rather than to the brand itself. This serves to lower expectations of what a brand stands for and what it is capable of delivering. So, once a sales promotion is removed, the normal price is perceived as representing inferior value and so repeat purchase behaviour is deterred.

However, despite these less than positive views, some writers (Davis, 1992; O'Malley, 1998) argue that sales promotions have a strategic role to play in the promotional mix. Traditionally they have been viewed as short-term, tactical tools that can be used offensively to induce the trial of new products, or defensively for established products to retain shelf space and consumers. Sales promotions that do not work as intended may have been used to support inappropriate products or may have been devised without adequate planning. An example of the latter issue may be the Hoover free flights misjudgment and the associated over-subscription that followed the launch of that particular sales promotion activity. There can be no doubt that sales promotions oriented to consumer deals and TPRs, in particular, do little to contribute to the overall strategy adopted for an organisation or even a product.

One of the consequences of competitive sales promotions, especially in consumer markets, is the spiral effect that retaliatory actions can have on each organisation. A sales promotion 'trap' develops when competitors start to imitate each other's activities, often based on price reductions. This leads eventually to participants losing profitability and consumers losing value and possibly choice as some products are forced to drop out of the market. Meyers and Litt (2008) found that timing was crucially important. Their research discovered that coupon redemption was improved considerably when the coupon value and the expiration date (the redemption period) hit what they call the 'sweet spot',

With the development of relationship marketing and the move towards integrated marketing communications has come the realisation that employees are an important target audience.

There is a strong need to motivate the workforce and sales promotion activities have an important role to play. However, employee incentives need to be made accessible to everyone and not just a few (such as the sales force). This means that rewards need to be more broadly spread and there needs to be choice. Vouchers, for example, enable the prizewinner to make a choice based on their circumstances and they are easier to administer than many of the other types of reward. Incentive schemes should be designed in such a way that they do not fall into the trap of creating winners and losers, which can be the case when, for example, the top 20 in a scheme win a prize, which effectively creates 80 losers out of every 100 employees.

### ViewPoint 18.5

#### Tesco score the strategic points

Clubcard is the vehicle Tesco use for their loyalty programme. The success of the scheme has been attributed to many factors but the evidence suggests that the UK's largest retailer has demonstrated that their strategic orientation towards loyalty has been significant. Humby *et al.* (2003) cited by Rowley (2007), found that the commitment of the directors and employees to the scheme is critical as they recognise that customers have opportunities to shop elsewhere.

Tesco Clubcard is integral to the business, its operations and the brand strategy. This was noticeable on the day the scheme was launched in 1995. It changed the way decisions were made by Tesco, the way they developed products, served their customers and managed their stores. The visual identity of the Clubcard complements the identity of the Tesco brand and both are heavily co-branded. The data collected through the card enabled Tesco to launch the right products at the right customers. This can be seen in the success of their financial services and their online and home delivery service.

The scheme is geared to both behaviour and attitudinal factors and notification of the rewards are delayed until four occasions in the year when Tesco send out the Clubcard magazine.

The final strategic link concerns the way the company's customer focus is used within the design and management of the information systems. This covers data collection, customer interaction and data analysis.

Sources: Humby *et al.* (2003); Rowley (2007).

### Question

Tesco claim that Clubcard is not a reward scheme, but more an opportunity to demonstrate their appreciation to their customers. Is this a workable idea?

### Task

Go to [Tesco.com](http://Tesco.com) and find out about the multidimensional nature of the Clubcard scheme.



### Exhibit 18.5

Tesco Clubcard  
Courtesy of Tesco Stores Ltd (owner of all IP rights in the image).

Many schemes are based around product prizes, typically electrical goods. However, for many people these are no longer attractive (or sufficiently motivating) as rewards. Virgin vouchers provide activity-based rewards where there is an experience that gives the recipient a memory. Activities such as hot-air ballooning, sky diving, visits to the theatre or to health farms appeal to a wide cross-section of people.

The true strategic effect of sales promotion activities can only be achieved if they are coordinated with the other activities of the communications mix, and this requires planning. In particular, the complementary nature of sales promotion and advertising should be exploited through the use of common themes and messages, timing, targeting and allocation of resources (in particular budgets). Sales promotions that are planned as a sequence of predetermined activities, reflecting the promotional requirements of a product over the longer term, are more likely to be successful than those sales promotions that are simply reactions to competitors' moves and market developments.

The strategic impact of sales promotions is best observed when they are designed or built into a three- to four-year plan of promotional activities, coordinated with other communication tools and integrated with the business strategy.

The manner in which many of the loyalty programmes are managed signals a move from pure sales promotion to direct marketing. The integration of these two approaches has become necessary in order that the advantages of both are realised. This does raise an interesting conflict, in that sales promotion is essentially a short-term tool, and direct marketing needs to work over the long term. The former is

The manner in which many of the loyalty programmes are managed signals a move from pure sales promotion to direct marketing.

product-oriented (albeit giving added value to consumers) and often oriented to mass audiences, whereas the latter is based on developing a personal dialogue (Curtis, 1996).

A further strategic issue concerns the use of joint promotions with other leading brands. By twinning brand names, increased promotional impact can assist both partners. However, there is a danger that such a pairing will be short lived, and hence the strategic perspective may be limited.

The use of sales promotions within marketing channels can lead to tension. For example, hostaging is a process whereby a retailer/reseller is able to exert power over a manufacturer in order to pressurise or force it into providing trade promotions on a more or less continual basis. A less dependent firm may use influence strategies, such as requests and information exchange (Anderson and Narus, 1990). In contrast, the more dependent firm should seek to add value (or reduce costs) to the exchange for the partner firm, at a relatively small cost to itself.

The more dependent firm in a working relationship needs to protect its transactions-specific assets by taking various actions, such as close bonding with end-user firms. Strategies to avoid 'hostaging' would include reducing the frequency of trade deals, converting trade spending into advertising and consumer promotions, and focusing on differentiating the brand with less reliance on price (Blattberg and Neslin, 1990).

Brito and Hammond (2007) demonstrate the variation and complexity of the different sales promotion tools and techniques. They also draw attention to the important point that some tools are best suited for a tactical short-term use (e.g. temporary price cuts) while others have a strategic, medium- to longer-term orientation (e.g. sweepstakes, competitions and contests). In other words, sales promotions can be considered as either strategic or tactical, depending on the tools used and whether the promotion is incorporated within an integrated programme, which by definition usually signifies a strategic approach.

Finally, the huge sums of money involved in some of the mainstream loyalty or reward-based programmes suggest that these should be seen as longer-term promotional investments. As the return will spread over many years, a medium-term perspective may be more appropriate than a short-term view based on a sales 'blip'.

## *Sales promotions: methods and techniques*

As established earlier, sales promotions seek to offer buyers additional value, as an inducement to generate an immediate sale. These inducements can be targeted at consumers, distributors, agents and members of the sales force. A whole range of network members can benefit from the use of sales promotion.

The techniques considered in this section attempt to reflect the range and variety of techniques that are used to add value and induce a sale sooner rather than later. The nature and characteristics of the target audiences mean that different techniques work in different ways to achieve varying objectives. Consideration is given to the range of tasks that need to be accomplished among two key audiences: resellers and consumers.

The nature and characteristics of the target audiences mean that different techniques work in different ways.

The range of techniques and methods used to add value to offerings is enormous but there are growing doubts about the effectiveness and profitability associated with some sales promotions. Sales promotions used by manufacturers to communicate with resellers are aimed at encouraging resellers to either try new products or purchase more of the ones they currently stock. To do this, trade allowances, in various guises, are the principal means.

The majority of sales promotions are those used by manufacturers to influence consumers. Again, the main tasks are to encourage trial or increase product purchase. A range of techniques, from sampling and coupons to premiums, contests and sweepstakes, are all used with varying levels of success, but there has been a distinct shift away from traditional promotional instruments to the use of digital media in order to reflect consumers' preferences and media behaviour.

## ViewPoint 18.6 Digital sampling by Brylcreem

Brylcreem used sampling and SMS to launch its Next Generation Ultra Gel product. Samples of the brand were handed out to young males at welcome meetings at Club 18–30 holiday destinations. Each sample pack carried a code, encouraging recipients to text in for a chance to win prizes such as holidays and PlayStation games and consoles. They were also asked to text in their opinions on Brylcreem.

The simplicity of the campaign was intended to reflect Brylcreem's brand values and was designed to complement the fact that increasingly people are taking their phones on holiday and using SMS.

### Question

Which element of the attitude construct does sampling influence?

### Task

Find another example of a sampling programme.

The following two tables set out information about key sales promotions techniques used between manufacturers and their intermediary partners, and with consumers. It should also be appreciated that sales promotions are used by retailers to influence consumers and between manufacturers and dealer sales force teams, although these are not itemised here. Table 18.5 depicts information about the audiences and reasons for using sales promotions. Table 18.6 provides information about the various sales promotion methods and techniques.

**Table 18.5** Principal audiences and sales promotion goals

Audience	Objectives	Explanation	Methods
Manufacturers to resellers	For new products: <i>Sampling and trial</i>	For new products it is important to create adequate channels of distribution in anticipation of consumer demand.  The task of marketing communications is to encourage resellers to distribute a new product and to establish trial behaviour.	Allowances: <i>Buying</i> <i>Count and recount</i> <i>Buy-back</i> <i>Advertising</i>
	For established products: <i>Usage</i>	One of the key objectives of manufacturers is to motivate distributors to allocate increased shelf space to a product thereby (possibly) reducing the amount of shelf space allocated to competitors.  The task of marketing communications, therefore, is to encourage resellers to buy and display increased amounts of the manufacturer's products and establish greater usage.	Dealer contests dealer Conventions and meetings Training and support
Manufacturers to consumers	For new users: <i>Stimulate trial</i>	Before a customer buys a product they need to test or trial the product. Through the use of coupons, sampling and other techniques (see below), sales promotions have become an important element in the new product launch and introduction processes.	Sampling Coupons Price offs Bonus packs Refunds and rebates
	For established customers: <i>Increase product usage</i>	In mature markets customers need to be encouraged to keep buying a product. This can be achieved by attracting users from competitive brands, by converting non-users and by developing new uses.	Premiums Contests and sweepstakes

**Table 18.6** Principal audiences and sales promotion methods

Audience	Method	Explanation
Manufacturers to resellers	Advertising allowance	A percentage allowance is given against a reseller's purchases during a specified campaign period. Instead of providing an allowance against product purchases, an allowance can be provided against the cost of an advertisement or campaign.
	Buying allowance	In return for specific orders between certain dates, a reseller will be entitled to a refund or allowance of $x$ per cent off the regular case or carton price.
	Count and recount	Manufacturers may require resellers to clear old stock before a new or modified product is introduced. One way this can be achieved is to encourage resellers to move stock out of storage and into the store. The count and recount method provides an allowance for each case shifted into the store during a specified period of time.
	Buy-back	Purchases made after the count and recount scheme (up to a maximum of the count and recount) are entitled to an allowance to encourage stores to replenish their stocks (with the manufacturer's product and not that of a competitor).
	Dealer contests	Used to hold a reseller's attention by focusing them on a manufacturer's products not a competitor's.
	Dealer conventions and meetings	These enable informal interaction between a manufacturer and its resellers and can aid the development and continuance of good relations between the two parties.
	Training and support	This is an important communications function, especially when products are complex or subject to rapid change, as in IT markets. This can build stronger relationships and manufacturers have greater control over the messages that the reseller's transmit.
Manufacturers to consumers	Sampling	Although very expensive, sampling is an effective way of getting people to try a product. Trial-size versions of the actual product are given away free. Sampling can also take the form of demonstrations, trial-size packs that have to be purchased or free use for a certain period of time.
	Coupons	These are vouchers or certificates that entitle consumers to a price reduction on a particular product. The value of the reduction or discount is set and the coupon must be presented at purchase.
	Price offs	These are a direct reduction in the purchase price with the offer clearly labelled on the package or point of purchase display.
	Bonus packs	These offer more product for the regular pack price, typically a 2 for 1 offer. They provide direct impact at the point of purchase and represent extra value.
	Refunds and rebates	Used to invite consumers to send in a proof of purchase and in return receive a cash refund.
	Premiums	Items of merchandise that are offered free or at a low cost in return for product purchase.
	Contests and sweepstakes	A contest is a customer competition based on skill or ability. Entry requires a proof of purchase and winners are judged against a set of predetermined criteria. A sweepstake determines winners by chance and proof of purchase is not required. There is no judging and winners are drawn at random.

## Other sales promotion devices

Table 18.6 provides a list of the main sales promotion devices used by organisations. In addition to these are various other sales promotion approaches, used either for particular audiences or situations.

The good old fashioned 'brochure' is a sales promotion device that can be used to assist consumers, resellers and sales forces. Apart from the ability of the brochure to impart factual information about a product or service, brochures and sales literature stimulate purchase and serve to guide decisions. For service-based organisations, the brochure represents a temporary

For service-based organisations, the brochure represents a temporary tangible element of the product.

tangible element of the product. Inclusive tour operators, for example, might entice someone to book a holiday, but consumption may take place several months in the future. The brochure acts as a temporary product substitute and can be used to refresh expectations during the gestation period and remind significant

other people of the forthcoming event (Middleton, 1989). Just as holiday photographs provide opportunities to relive and share past experiences, so holiday brochures help people to share and enjoy pre-holiday experiences and expectations. Consumption of inclusive tours, therefore, can be said to occur at the booking point, and the brochure extends or adds value to the holiday experience.

Sales literature can trigger awareness of potential needs. As well as this, it can be useful in explaining technical and complex products. For example, leaflets distributed personally at DIY stores can draw attention to a double-glazing manufacturer's products. Some prospective customers may develop an initial impression about the manufacturer, based on past experiences triggered by the literature, the quality of the leaflet and the way it was presented. The leaflet acts as a cue for the receiver to review whether there is a current need and, if there is, then the leaflet may be kept longer, especially where high involvement is present; value is thus added to the purchase experience.

Financial services companies use sales literature at various stages in the sales process.

Financial services companies use sales literature at various stages in the sales process. Mailers are used to contact prospective customers, corporate brochures are used to provide source credibility, booklets about the overall marketplace are left with clients after an initial discussion and product guides and brochures are given to customers after a transaction has been agreed. To help prevent the onset of cognitive dissonance, a company magazine is sent soon after the sale and at intermediate points throughout the year to cement the relationship between client and company.

An increasingly important and expensive approach is to license a TV cartoon character from *The Simpsons*, *Rugrats* or *South Park* or a cyber person such as Lara Croft who was used by Lucozade. These characters are used strategically to build brands and part of the approach is to attract the attention of children and provide the parental agreement necessary for a purchase to be made. For example, Ribena wanted to exploit the license they held on Shrek 2. They selected a donkey character, which was used across the entire range. The prize was a real donkey with £1,000 for the winner to travel to see the donkey (at the sanctuary). In addition, there were thousands of prizes of cinema tickets and three-foot inflatable donkeys. The whole scheme was supported with PR, cinema, viral, web site, in-store and TV advertising. The result was incremental sales of £6.86 million, 22.5 per cent over target (Mistry, 2006).

Inevitably, there are issues concerning consistency of brand values and the need to prevent competitors using the same or similar characters to support their brands. It is also argued that apart from a short-term sales increase there is a residual sales increase following promotions utilising these prime characters, especially if the promotion is based on a free gift or the chance to win an instant gift.

## Summary

In order to help consolidate your understanding of sales promotion, here are the key points summarised against each of the learning objectives:

### 1. Understand the value of sales promotions.

Sales promotions offer a direct inducement or an incentive to encourage audiences to buy a product/service sooner rather than later. The inducement (for example, price deals, coupons, premiums) is presented as an added value to the basic product, one that is intended to encourage buyers to act 'now' rather than later.

### 2. Consider the role of sales promotion.

The role of sales promotion is to engage audiences and to motivate them so that they are persuaded to behave now rather than at a later stage.

### 3. Explain the objectives associated with using sales promotion.

The objective of sales promotion is to stimulate action. This can be to initiate a series of behaviours that result in long-run purchase activity, but the goal of sales promotion is to drive short-term shifts in sales. These actions can be seen to occur in the conative stage of the attitudinal set.

### 4. Describe the ways in which sales promotion is thought to work.

The cognitive view of the way sales promotions operate is based on the belief that consumers internally process relevant information about a sales promotion, including those of past experiences, and make a reasoned decision in the light of the goals and objectives that individuals set for themselves. The behaviourists' view is that when the various actions that are embedded within a sales promotion activity are aggregated, a new desired pattern of behaviour emerges.

### 5. Evaluate the merits of loyalty and retention programmes.

Many organisations have developed schemes designed to retain customers based on the notion that they, the customers, are loyal. This brings into debate the notion of what is loyalty. In many ways these schemes are a function of customer convenience and all that they achieve is sufficient leverage to hold on to a customer a fraction longer than might have been possible in the absence of the scheme.

### 6. Argue the case for a strategic orientation towards sales promotions.

It is argued that sales promotions have a strategic role to play in the communication mix. Traditionally, they have been viewed as short-term, tactical tools that can be used offensively to induce the trial of new products, or defensively for established products to retain shelf space and consumers.

The true strategic effect of sales promotion activities can only be achieved if they are co-ordinated with the other activities of the communications mix, and this requires planning. In particular, the complementary nature of sales promotion and advertising should be exploited through the use of common themes and messages, timing, targeting and allocation of resources (in particular budgets). Sales promotions that are planned as a sequence of predetermined

activities, reflecting the promotional requirements of a product over the longer term, are more likely to be successful than those sales promotions that are simply reactions to competitors' moves and market developments.

### 7. Explain the different sales promotions methods and techniques.

The range of techniques and methods used to add value to offerings is enormous and range from sampling and coupons to premiums, contests and sweepstakes, all used with varying levels of success. However, there has been a distinct shift away from traditional promotional instruments to the use of digital media in order to reflect consumers' preferences and media behaviour.

## Review questions

1. What are the purposes of using sales promotion and why has it assumed such a large share of promotional expenditure?
2. Write a brief note explaining how shaping works.
3. Identify the major differences between the behavioural and the cognitive explanations of how sales promotions work.
4. Write brief notes outlining some of the issues associated with loyalty programmes and customer retention initiatives.
5. How would you advise a newly appointed assistant brand manager on the expected outcomes of a sales promotion programme? (Choose any sector/industry of your choice.)
6. Find three examples of sales promotion activity and determine the extent to which they are strategic or tactical.
7. List the main sales promotion methods used by manufacturers and targeted at consumers.
8. Consider whether hostaging is conducive to relationship marketing.
9. What might be the value of joint sales promotion activities?
10. How might use of technology assist the development of loyalty and retention programmes?

## MiniCase

### Could online coupons save the High Street?

Mary Hedderman: University of Wales, Newport

In recent times, newspapers seem to have featured stories about the 'death' of the High Street and the 'phenomenal growth' in online shopping in equal measure. Must High Street shopping and a growth in online shopping be mutually exclusive or does this increased use of the Internet by UK shoppers present an as yet, little exploited communication opportunity for High Street retailers?

UK consumers spent £13 billion online in the first three months of 2008, equal to £213 for every member of the population and showing an increase of 50 per cent for the same period in 2007, according to a report by IMRG Capgemini eRetail Sales Index. Recent research by Logan Tod Online Shopping Index, an independent digital consultancy, also suggests that while the 35–44-year-old age group are the consumers



doing the most shopping online, the growth opportunity lies with the 44+ age group. Surely a drive to secure online business from the older target audience would present a very real threat to the High Street?

Bricks-and-mortar retailers are fighting back with a focus on providing a more positive and exciting experience for their instore customer. In fact, there are signs in the United States that suggest that online sales are tailing off, with shoppers returning to bricks-and-mortar outlets as they prefer the experience and more sociable aspect of shopping. This may provide some hope for High Street retailers in the United Kingdom but Internet sites are rapidly developing their own 'online experiences' through the inclusion of clubs, forums, competitions and other innovative interactive activities. The key question also remains – while shoppers might still prefer an instore experience, how do you ensure you get them there in the first place?

Several UK retailers have successfully forged strong links between their online and offline operations – Argos, for instance, offers customers the opportunity of reserving products online from home and then going and collecting their goods instore that day or the next. There is a strong possibility that once instore, customers will browse the catalogue, view goods on display and further purchases may be made. Could such buying behaviour suggest that people do not view virtual shopping and bricks-and-mortar as an either/or situation but more as complementary elements within the buying process? Could the Internet then be used as a communications channel to pull shoppers back to the High Street? The answer is yes, but today's marketing-savvy consumer would expect an incentive.

UK consumers love a bargain, they know their BOGOF's from their money off's and have a long history of coupon redemption. However, while coupons have traditionally been seen as the preserve of those on a budget, higher income individuals have also been introduced to the delights of the 'discount voucher'. Coupon company Valassis UK, which processes in excess of 5 billion coupons and vouchers a year, acting as a broker between issuer and redeemer, state on their web site that the image of couponing has moved away from 'penny pinching' and more towards 'a good way of saving money'. Many an office in the United Kingdom has experienced the frisson of excitement when a 'secret' email voucher is passed around for an appealing High Street store – a recent example being 'an invitation' to receive 25 per cent off at Monsoon, to be used instore only and for one weekend only (the restriction seems to only add to the thrill). In fact, in recent months online newspapers such as *Timesonline*

and *Guardian.co.uk* have been featuring stories about 'secret sales', discussing the online pass codes and email vouchers that are widely available on the Internet if you know where to look. It appears that while vouchers and codes are being quietly sent to registered customers such as loyalty and account card holders, some of these shoppers are passing them on within Internet forums and posting them onto one of the many specialist coupon aggregation sites that are now in existence. Once a code is posted viral marketing seems to take over with consumers happily firing the information off to friends and colleagues.

Although Monsoon's invitation applied to instore sales only, a close inspection of the specialist coupon aggregation sites such as *SendMeDiscounts.co.uk* and *My Voucher Codes.co.uk* indicates that the vast majority of the publicised discounts are for online stores only. This suggests that offline stores could be missing out on a very real opportunity to exploit both available technology and current trends to transform their sales promotions and drive traffic back instore.

While online discount vouchers present a great marketing opportunity, as with sales promotions of any kind, each offer would have to be managed very carefully – canny consumers are on the look out for mistakes in codes to reap the benefits of even greater discounts. *Timesonline* reported in December 2006 how a computer error on the Hamleys web site had allowed customers to benefit from 60 per cent discount when shoppers were able to input three codes, each worth a discount of 20 per cent, simultaneously. One customer claimed that he had managed to buy a £13,000 snooker table for £5,000. There is also concern about the lack of control over redemption levels and the fear that response will be far in excess of what is desired by the retailer. However, technology is available to limit such events; the relatively new 2D barcodes which are currently being used for purchasing 'printed' postage online can be used to produce a voucher that can be downloaded once only, and that cannot be photocopied, since each barcode is unique. An inherent problem of the Internet will always be the issue of out-of-date offers remaining on sites and Internet forums, leading to disappointment and frustration among consumers, but as users become accustomed to such promotions they are likely to be alert to such errors.

A further advantage of online couponing and discount vouchers is that they present a very real opportunity for data capture and analysis. While sales promotions are traditionally viewed as largely tactical tools, online promotions allow close tracking and monitoring of buyer behaviour, providing greater customer

insight which could be used to shape future strategic decision-making.

Since so few bricks-and-mortar retailers have embraced this sales promotions opportunity, it is worth considering one of the best-known to date – the Threshers discount voucher promotion which ran in 2006. The discount for 40 per cent off wine and champagne bought in store was reportedly intended for staff only but it has been rumoured that the voucher was downloaded more than 1 million times. Was this a disaster for Threshers or were they simply ahead of the game and knew how to exploit the power of the Internet to drive traffic back instore way before the rest of us?

## MiniCase questions

1. Explain how the use of online discount vouchers and coupons might be viewed as a strategic rather than tactical promotional tool.
2. Suggest other appropriate marketing communications tools that could be used alongside online discount vouchers as part of an integrated marketing communications campaign.
3. Discuss the possible ethical issues that would need to be considered when engaging in a sales promotion using online discount vouchers and coupons.

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