



CHAPTER 5

**Traditional
promotion**

In the last chapter we introduced the fundamental distinction between advertising and promotion, emphasizing their *strategic* character. Advertising-like messages are strategically aimed at building brand awareness and positive brand attitudes, leading to a strong brand equity. This is reflected in the etymology of the word, 'to turn towards'.

Promotion-like messages are strategically aimed at driving short-term sales or brand usage. This too is reflected in the etymology of the word. The Latin root of the word is *promovere*, which roughly translates to 'move ahead'. Even though brand purchase intention is the primary objective of promotion, as with *all* marketing communication, it too must contribute to building brand awareness and brand attitude, something Prentice (1977) long ago referred to as 'Consumer Franchise Building' promotion. This is a point to keep in mind as we discuss specific types of promotion.

When most people think about promotion they are usually thinking about what has traditionally been called 'sales promotion', and specifically some incentive for immediate action. Sales promotion is generally defined along the lines of any direct purchasing incentive, reward, or promise that is offered to the target audience for the purpose of making a specific purchase or taking a specific action that will benefit those responding to the promotion. We will be taking a close look at several basic consumer and trade incentive promotion techniques later that certainly fit this traditional definition. But for integrated marketing communication (IMC) planning, it is necessary to look beyond this traditional understanding of sales promotion.

Rossiter and Percy (1997) introduced an interesting and important consideration in how one should think about promotion: the notion of *time*. Consistent with the importance of understanding how consumers make purchase or usage decisions (which we have already talked briefly about and will cover in more detail later in Chapter 11), they remind us that promotion-like messages should be integrated over time in relation to the target audience's decision process. This suggests that promotion-like messages may be helpful prior to the actual purchase or use of a product or service, if a consumer is looking for information about a brand prior to making a decision, during the actual purchase, or even after purchase.

Promotion-like messages and specific incentive promotional techniques should be considered for each stage in a consumer decision process, but it is not necessary to always include one. Promotion may be inappropriate at any one step, or while appropriate, may not be the best place to spend the brand's budget. If a promotion of some kind makes sense in order to accelerate the decision process, one must then choose a promotion that is appropriate for that stage.

Thinking about promotion in this general way, not as sales promotion but as part of marketing communication to help speed up the decision process whether or not an incentive is involved, it is impossible to consider promotion in isolation. In developing an IMC program, the manager should be thinking about whether promotion-like messages or a particular type of incentive promotion will be an effective *part of the whole* marketing communication effort. As we have been underscoring all along, this is

what we mean by IMC – looking at all available communication options and using those which best help effectively and efficiently meet a brand's marketing communication objectives. In Chapter 10 we shall deal specifically with how advertising and promotion should be used together to maximize effective IMC. Now we shall turn our attention to specific incentive promotions. In the following discussions, as we talk about 'promotions' we will be referring to *incentive promotions* unless otherwise noted.

■ Basic types of promotion

Incentive promotions are generally divided into two broad categories: immediate reward promotions and delayed reward promotions. Immediate reward promotions are offers that provide something immediate, such as price reductions, bonus packs, free gifts with a purchase, etc. Delayed reward promotions defer the benefit of the promotion, and usually require the target audience to do something before they receive the benefit of the promotion. These would include such things as sweepstakes, refund offers that require a proof-of-purchase, frequent flyer programs, etc.

As we shall discuss below, different incentive promotions will have particular strengths for either attracting new users to a brand (trial objectives) or for gaining additional business from existing users (repeat purchase objectives). Generally speaking, immediate reward promotions are usually more effective because of their immediacy. This, of course, is consistent with the primary use of promotion-like messages to influence action now. When most people think of promotions they usually are thinking of consumer promotions, but promotions can be directed at the sales force and trade as well. In reality there are at least three major types of promotion that should be considered: consumer, retail, and trade.

Consumer promotion

Consumer promotions are developed by the marketer or its agency and directed towards the target audience in order to accelerate the decision process. Often these promotions are experienced at the retail level. Shelf talkers (messages found attached to a shelf in the store), in-store coupons or bonus packs, special displays, price-off offers, all are promotions received at the point-of-purchase. What makes them different from what could be an identical-looking retail promotion is that it was initiated and delivered by the marketer, not the retailer.

Retail promotion

To the consumer, there is not much of a difference between a retail promotion and a consumer promotion. All they see is a price incentive or special display. In both cases an inducement is offered to accelerate the decision

process. But from a planning standpoint, there is a *crucial* difference. Retail promotions are generally independent of the marketer, initiated either by the distributor or the retailer. This often puts retail promotion *outside* the scope of IMC planning. To help bring retail promotion within at least the planning control of the marketer, more companies are turning to something called *tactical marketing*, which we shall discuss in Chapter 7.

The importance of coordinating retail and consumer promotion is underscored by research on consumer perceptions of promotional activity (Krishna et al., 1991). It has been found that consumers are reasonably accurate about sale price and deal frequency. This is significant in light of the general notion in the consumer behaviour literature that consumers tend to plan their brand choices and how much they buy based on when they expect a promotion. If consumers 'sense' when a product or service is likely to be on promotion, they are not making a distinction between a retail and consumer promotion. But, the retail promotion will certainly be a factor in the consumer's purchase or usage plans. If the marketer does not control or at least track these promotions, there is potential for conflict between the promotion objective of the retail store and the marketer. Even if a retailer insists upon control of their promotions, it is essential that managers stay informed about them and do their best to influence the message content and execution.

Trade promotion

Overall, as much as half of all marketing communications spending goes to trade promotion. Generally speaking, a trade promotion is a program of discounts aimed at increasing distribution or some sort of merchandising activity at the retail level. This may include everything from slotting allowances to sales incentives designed to reward individual retail salespeople for meeting specific sales goals. Later we shall look specifically at three basic trade promotion techniques.

■ Promotion to the consumer

As we can see in Figure 5.1, there are six basic types of consumer promotion (whether initiated by the marketer or retailer). These include coupons, sampling, refunds and rebates, loyalty or loading devices, premiums, and sweepstakes, games, and contests. There are, of course, many others. But for our purposes we shall only be considering these six basic techniques. It should be noted that not all types of promotion are permitted in all countries. For example, coupons as such are not permitted in Denmark.

Coupons

There are two types of coupons: brand sponsored (consumer promotion), and distributor or store sponsored and distributed (retail promotion). As

Promotion	Examples
Coupons	Coupon for reduced price delivered via FSI or other print media, also Internet
Sampling	Free distribution of product to home, in-store samples, free trial of product
Refunds and rebates	Automatic rebate on initial purchase price of expensive goods, or mail-in proof of purchase for refund
Loyalty and loading devices	Continuity programs such as frequent flyer or frequent stayer, multiple or bonus packs, price off marked on package
Premiums	Product-associated items such as Pepsi-wear, use of other products as premium with purchase
Sweepstakes, games, and contests	Free products or trips as prizes for mailing participation, entry for chance or prize for accepting product demonstration, 'scratch' cards or bottle caps identifying winners

Figure 5.1
Six basic consumer
incentive
promotions

mentioned earlier, however, this is *not* a distinction a consumer is likely to make, but one that must be considered in IMC planning. Basically couponing is an effective promotion technique which utilizes a variety of means for discounting the purchase price. Coupons are an excellent way of inducing trial for a new product. There is a danger in using coupons too frequently, however. Over 80% of coupon users stockpile coupons for the same brand, effectively lowering the price for all of their purchases of the brand. A growing trend in the use of coupons is more targeted couponing.

While there are some indications that marketers may be taking a harder look at the cost of using coupons, and that overall coupon distribution levels may have peaked, or even begun to drop slightly (Triplett, 1994), they remain very popular with consumers. In fact, consumers hold more favourable attitudes towards grocery product brands that offer coupons or other price incentives, and that feeling has been increasing. Nearly all households in a US study reported both using coupons at least some time, and feeling they are either very or somewhat helpful (Schlossberg, 1993). In another study, 72% of primary shoppers reported that using coupons as a way to save money on grocery bills, and 55% say they use them to help plan their shopping (Triplett, 1994).

Even though only 2% or 3% of the more-than-300-billion coupons that are distributed each year are ever redeemed, coupons remain an important promotion option. One of the suggested reasons for a possible decline in coupon redemption is a significant shortening of expiration periods in an effort by marketers to control coupon liability.

Traditionally coupons have been distributed via direct mail and newspaper FSIs (free standing inserts) or other print advertising, but today (at least in the US) the vast majority of coupons (86%) are in FSIs (Marketing News, 2003). Occasionally, coupons are included in packages of the couponed or sister brands. But as technology increases in both stores and homes, the use of electronic couponing is becoming more prevalent. Today there are on-line electronic coupon program services where all one need to do is select the coupons wanted and print them out (Stecklow, 2005).

Looking at the relative advantages of the primary delivery media for coupons, FSIs offer quick delivery at about half the cost of direct mail, but relatively no selectivity in reach. Coupons printed in advertising offer some selectivity in target audience, but a generally lower redemption rate. Direct mail offers highly selective and targeted distribution, but relative to other media is more expensive.

Sampling

Sampling is when the target audience is given an opportunity to actually try or use the product directly with little or no cost. It can range from an actual product sample, either in a regular size or a special sample size that has been developed for the promotion, or the use of a product or service for a limited time (e.g. a 30-day trial offer). The objective of sampling is to encourage trial of a product or service among a broader consumer base for an established product or service, or to introduce a new product or service. Because of market and media fragmentation, and the high cost of buying shelf space in stores, sampling has grown in popularity. Products with low trial or a demonstrable product difference are ideal candidates for sampling.

Samples can be delivered in a variety of ways, each with its own particular advantage and disadvantage. For example, sampling in-store or at a central location has the advantage of low-distribution cost, but it is difficult to control who receives the sample. Direct mail offers a very effective way of sampling either a very broadly based target market or a highly targeted market, but there are obvious limits to what one can efficiently sample through the mail. Door-to-door offers the only means of sampling products containing hazardous ingredients, but it tends to be inefficient and expensive. Overall, the most effective way of reaching a broadly based target market with sampling is through direct mail. In-store sampling is less expensive, but offers a more limited reach. Using more traditional advertising media to ask people to call or write for a sample is ideal for low budgets, but again has a very limited reach.

This would be a good place to point out that when a high-involvement product is offered on a trial basis, this is essentially 'sampling'. So if a company or business is given an opportunity to try a product before finalizing an order, this is a sample promotion even if it is not accompanied by a price incentive.

Refunds and rebates

A refund or rebate promotion is an offer that is made by a marketer to refund a certain amount of money, after purchasing a product, on the basis of proof-of-purchase. While most refunds and rebates are made directly to the consumer, they can be passed along by the retailer (e.g. automobile rebates used to lower the initial purchase price). These refunds and rebates can be either a specific amount or a portion of the actual retail value of the purchase, ranging from a certain percentage all the way up to a full refund of the purchase price.

Refunds and rebates are used to encourage purchase or trial of a product, and there are a number of ways of delivering the promotion message: everything from direct mail, FSIs (in newspapers or magazines), and in or on the package. The most common use for refunds or rebates is as a temporary sales stimulus or as a defensive measure to help counteract some competitive activity. Some of the strengths of using refunds or rebates include such things as:

- It effectively reduces the price *without* using the retailer
- It can be especially useful in stimulating interest in high-priced products or services
- There is a high level of non-redemption among those intending to apply for the rebate, reducing overall cost.

On the other hand, the value of refunds or rebates to the consumer is delayed, limiting their appeal. Many people perceive the effort involved as not worth it.

Loyalty and loading devices

Loyalty and loading devices are considered together because the aim of both is to help retain existing customers. Loyalty devices are promotions that are designed to reward a brand's customers for being loyal. They are designed to build repeat purchase for the brand and have the advantage of enabling the manager to develop a strong database of their loyal customers, which in turn can be used to monitor satisfaction over a period of time. We will be discussing databases in Chapter 7, when we talk about direct marketing.

Loading promotions differ in that, they are designed to take consumers out of their normal purchasing pattern by encouraging the purchase of such things as a larger size, a special bonus offer, or multiple packs. The reasons for wanting to do this can range from trying to upgrade the value or revenue of a purchase to a defensive measure against competitive strategy. For example, if a brand knows its major competitor is about to introduce an improved version of their product, a loading promotion will effectively take the brand's customers out of the market, making them less likely to try the competitor's improved product.

Some of the more common ways of implementing loading promotions are with such things as bonus packs, and cents-off and price-packs. *Bonus packs* are a particularly effective technique for moving additional product

to the consumer, offering more of the product for the regular price. *Cents-off and price-packs* are an extremely effective and efficient promotion techniques, especially where the opportunity exists to stimulate brand switching, and as a strong defensive move when one is needed quickly.

Continuity programs are the most common loyalty promotion, one that requires the consumer to do something like save stamps, coupons, or proofs-of-purchase over a period of time in order to accumulate enough to qualify for a gift, trip, or a reward of some kind. But perhaps the best-known continuity promotion are frequent flyer programs of major airlines and frequent stayer programs offered by major hotel chains. The objective of continuity programs is to hold onto current users and to encourage occasional users to become more frequent users. A variation on continuity programs are points offered by credit card issuers for the amount charged, redeemable for products or services.

Again, the manager must consider the strengths and weaknesses of the various loyalty building and loading promotions available to them. Bonus packs, for example, while creating an immediate incentive to buy because the 'bonus' is immediate, are unpopular with the trade because they interfere with normal stocking and take up extra shelf space without adding additional profit for the retailer. Cents-off and special price-packs (where the discounted price is specifically marked on the package by the manufacturer) again offer an immediate value at the point-of-purchase, but tend to subsidize regular users more than encourage new trial or switching. Continuity programs do a good job of retaining customers and help build brand loyalty, but they do require long-term commitment both on the part of the target market as well as the marketer, who may find the cost in the long run much greater than expected.

Premiums

There are numerous types of premiums and just as many ways of delivering them. The goal of premiums is to influence consumers to take a specific action, with the premium as a reward. There are a wide variety of premiums one might consider. But it is very important to remember that the premium must appeal to the target audience, and they must perceive a value in the offer.

Additionally, the premium should have an obvious association with the product, and ideally reinforce the image of the brand and reflect its benefit. Premiums may be offered in connection with a one-time purchase or as part of a continuity program. The premium may require a mailed response, or be available at the point-of-purchase. When a premium is part of a package, it has the advantages of attracting attention to the product (usually with the enticement 'FREE!') and the reward is immediate, but it can occasion packaging problems and additional distribution costs. When a premium is available at the time of purchase (but not in or on the package), it too offers an immediate reward to the consumer and permits one to offer larger premiums, but it does require significant retailer support.

Premiums may also be 'self-liquidating.' This is where a premium is made available at a reduced price, usually 30–50% below regular retail

prices, enough to cover the out-of-pocket cost of the merchandise for the marketer. While generally a low-cost promotion, and able to selectively target consumers via the type of premium offered, it does require advertising support to generate interest.

Sweepstakes, games, and contests

Sweepstakes, games, and contests offer the consumer a chance to win cash prize, merchandise, or travel in return for using the promoted brand or taking a specific action, such as visiting a dealer for a demonstration. Generally they are used to create interest in a brand or to provide a unifying theme for a group of promotions.

A significant concern with sweepstakes, games, and contests that is less of a problem with other types of consumer promotion is the legal aspects. As an attorney specializing in this area has put it, once you have decided upon your objectives and what type of sweepstakes, game, or contest might satisfy those objectives, the next step is to involve a legal expert (Lans, 1994). While we do not want to get into details (something way outside the scope of this book), perhaps it would be useful to relate some of the advice this attorney offers marketers in order to provide a sense of the potential complications involved.

The most important thing from a legal standpoint is the official rules of the promotion, which are regulated by the government and differ country to country. If a brand runs an annual promotion, even if the manager feels it is basically the same, it is best to check. Even seemingly insignificant changes may mean a new law applies. It is impossible to include a full set of rules on a package or in advertising, but an abbreviated set of the official rules must appear. In fact, marketing communication that includes a consumer sweepstakes should, at a minimum, include the following information: (1) no purchase necessary; (2) void where prohibited; (3) any age and geographic limitations for eligibility; (4) an end date for the sweepstakes; (5) that the sweepstakes is subject to complete official rules; (6) how consumers may obtain a copy of those rules; and (7) the name and address of the sponsor. Clearly, this is an area where expert help is required.

There are real weaknesses when using sweepstakes, games, and contests as a part of an IMC program. They do not require a purchase, the reward is not only usually delayed, but limited to only a small number of participants. But where they do work, they can help reinforce the image of a product or service at a relatively low cost. When well conceived they can also create excitement and interest.

■ Building brand attitude with consumer promotion

As pointed out at the beginning of this chapter, even though brand purchase intention is the primary communication objective for promotion,

like all marketing communication, incentive promotion's as well as promotion-like messages must also address brand awareness and brand attitude. A well-conceived promotion will help enhance brand equity by communicating a positive brand attitude consistent with the brand's positioning. To quote Chuck Mittelstadt (1993), long-time consultant to the Interpublic Group of Companies, 'Promotions must be as creative as image advertising, and fully as effective in building brand equity'.

Each of the six basic consumer promotion techniques just reviewed offer opportunities for building positive brand attitude.

Coupons

Coupons are frequently used to introduce a new or improved product, and as such help initiate a positive brand attitude. But to be effective, it should be *tied to the introductory advertising*. This helps channel the good feeling occasioned by being offered a chance to try the new product at a discount with a positive message about the product itself. Even when used as a short-term tactic with established brands, this good feeling will occur *as long as the coupon is not expected*. When a brand regularly uses coupons they are no longer seen as a 'gift' from the company, but merely as the means of sustaining a lower price.

Regardless of whether a coupon is used for a new or established product, it is important to carry over the key benefit claim from the advertising to the coupon itself. If a brand is not currently advertising, the key benefit inherent in the brand's positioning should be conveyed *on the coupons*. This connects the positive reward of the discount with the brand's key benefit claim, reinforcing positive brand attitude. Additionally, this message will be reinforced each time the coupon is reviewed by the consumer, right up until it is surrendered at the store.

Sampling

Sampling is a promotion technique that in-and-of itself should stimulate a positive brand attitude. The consumer is being offered something for nothing (or a significantly reduced price), and especially for new products, this provides an opportunity to quickly establish a positive brand attitude. In one sense a person is already at least somewhat favourably inclined towards the brand or they would not accept and use the sample. But the sample itself will help nurture that initial positive attitude. The packaging and representation of the sample also offers an opportunity for building positive brand attitude.

Refunds and rebates

Refund and rebate offers made through traditional advertising media have a built-in opportunity of integrating the promotion and advertising message. Also, any offer that requires clipping something for mail-in

provides a means of delivering the key benefit claim on the refund certificate itself. The offer should be worded in a positive way, linked to the brand, and importantly, *unique*. Too often there is very little imagination used in a refund or rebate offer. Most automotive rebate offers, for example, usually say nothing more than something like: 'Get 1,000 euros back!' It is important to avoid the impression that the offer is just another price-off deal.

Loyalty and loading devices

Like sampling, most loyalty and loading devices automatically effect brand attitude – or should. Loading devices such as bonus packs and cents-off or price-packs do *not* automatically contribute to an increase in positive brand attitude, and when misused (e.g. when offered too frequently) can have a *negative* effect on brand equity. How? If a brand has a premium image yet is often seen in price-packs, it will assume a lower-price image. Even a regular-priced brand can suffer from too frequent use of reduced price-packs. This is, of course, true of *any* price promotion if it is used too often, but especially with loading devices because the lower price is visually reinforced on the package.

Bonus packs offer a better opportunity, especially when the 'bonus' is offered by way of a larger package. This offers an opportunity on the package label to reinforce brand attitude, which coupled with the positive reward of the 'bonus,' should nurture or increase positive brand attitude. If multiple unit packaging is used, while the wrapper does offer some opportunity for a reinforcing brand attitude message, it will be discarded with use. Consideration should be given to a special package as well so the initial favourable attitude stimulated by the multiple bonus pack at the point-of-purchase will be reinforced each time the consumer uses the product.

Loyalty or continuity programs build positive brand attitude, and hence brand equity, in a different fashion. By their very nature, such programs require product use over time before rewards are forthcoming. This provides a good opportunity for reminding the consumer of the coming reward within a positive brand attitude message, either on the package, through advertising, or direct mail. On the other hand, if the requirements for earning a reward are seen as too difficult, or if the rules change over time, this can have serious negative consequences for brand equity. From the mid-1990s, airline frequent flyer programs have found themselves in just such a bind. Not only are reward levels increasingly more difficult to reach, but it also became more and more difficult to actually use frequent flyer miles for free flights because of high demand for seats. As a result, participants feel trapped in a program and cheated by the airlines, seriously affecting the brand equity of the airlines among their most loyal customers.

A good example of this problem is illustrated by recent changes in Delta Airline's frequent flyer program for their most frequent flyers. For

many years, if one flew over 100,000 miles on Delta in a year you earned 'Platinum Medallion' status. Among other things, this enabled Platinum flyers to upgrade to first class when booking any flight within the US as long as one was available when the reservation was made. This was true even if the flight was booked at a low, discount fare. Then in the early 2000s, the policy was changed, and automatic upgrades at the time of booking were restricted to non-discounted fares.

While that was certainly fair, Delta then changed the program again so that Platinum flyers could only secure an upgrade if one was available five days before a flight; and only if one of a very few seats set aside for that purpose was open. As a result, fewer and fewer Platinum flyers, their most valued customers, were able to secure upgrades to first class. Then, they made things worse by redefining the number of miles needed to reach the Platinum level *down* to 75,000. While this may have had an initially positive effect on brand attitude for those now becoming Platinum flyers, it would be short lived.

All this did was make it even more difficult to secure an upgrade. Those very frequent flyers who travel over 100,000 miles a year saw their already reduced chance for an upgrade reduced even more; and the 'new' Platinum flyers quickly learned that they were not much more likely to secure an upgrade than before. There can be no question that this had a significantly *negative* effect on brand attitude for Delta among their most valued customers. Rather than 'rewarding' them, they in effect took away the primary benefit they enjoyed.

Premiums

Ideally a premium is chosen to reinforce the choice of the original product or service, appealing to the same motivation as the product or service. For positively motivated brand choices this means reinforcing the emotional response to the brand. When a brand decision is motivated by social approval, almost anything that will be seen by others and carries the brand's logo will help reinforce user brand attitude because it announces to the world the user's brand choice. Everything from jackets or other apparel with the brand's logo to things like insulated holders for beer cans might be used, but it is important that the premium too is consistent with the image projected by the brand.

Negatively motivated brand decisions call for premiums that are more directly related to the product or service offering the premium. For example, special folders for storing insurance policies or sun visors with a sunscreen provide positive, long-running association with the brand. As with positively motivated products, these premiums also should include the company logo or brand name. In this case it is to remind the user of the brand, not necessarily be noticed by others.

Selecting premiums congruent with motivation ensures positive brand attitude and the nurturing of brand equity. The most common mistake marketers make in selecting premiums is not relating it to the brand itself

in a meaningful way, and not making certain it appeals to the same motivation that drives choice of the brand. But the *biggest mistake* a marketer can make is to offer a premium that is either inappropriate or unappealing to the target market. This may lead to negative attitudes towards the brand and a weakening of the brand's equity.

Sweepstakes, games, and contests

One of the more subtle benefits of a sweepstakes or contest promotion is that by its very nature it attracts people to the advertising or other sources used to announce the promotion. This is itself a good opportunity of associating the promotion with a strong brand attitude message. Beyond this, the sweepstakes, games, or contests themselves should be created around the brand's perceived benefit. The stronger the link between the motivation associated with the brand decision and the promotion, the more likely it will be reinforcing a positive brand attitude and corresponding brand equity.

For example, consider Mars' Bounty Bar. Bounty's positioning for many years has been based on the general theme of a tropical setting and 'a taste of paradise'. If they were to consider a sweepstake or contest where the prize was to be a holiday trip, what destination should the manager consider? The prize should be consistent with, and reinforce, the brand's positioning and benefit claim. That means offering as a prize a trip to somewhere like Tahiti or some other tropical 'paradise', *not* a skiing trip in the Alps.

■ Trial versus repeat purchase objective for promotion

While any type of promotion might be used to generate either new trial for a brand or to encourage more purchases from existing customers, certain promotions tend to be better suited for one objective versus the other. Those promotion types most appropriate for a trial objective are coupons, sampling, and refunds or rebates; those most appropriate for a repeat purchase objective are loyalty and loading devices, and sweepstakes, games, and contests.

Depending upon how they are used, premiums have strength for both trial and repeat purchase objectives. Offering an appropriate premium can have a strong attraction for consumers who regularly switch among brands within a category, providing an incentive to add an additional brand to the set they already purchase. On the other hand with current brand users, especially when dealing with products that have a very long purchase cycle (e.g. home appliances or computers), an attractive promotion could help initiate an earlier consideration of replacing an older product.

Before we review some of the situations where different incentive promotions might be effective, it would be well to point out that since promotions are generally used in a tactical sense to accelerate brand purchase intention, there are many, many unique ways such promotions might be applied. All we are attempting to do here is outline some of the conditions where a particular type of consumer promotion might be applicable. This should help further distinguish the particular strengths of the various types of basic consumer promotion.

Trial objective for promotion

While coupons, sampling, and refunds and rebates are especially effective in generating trial, this is not to say they are ineffective as repeat purchase promotions. Strategically, however, when trial is the objective, these three promotions should be considered. Of the three, sampling is probably the *most effective* promotion for generating trial, followed closely by coupons. Refunds and rebates, because they are less immediate, are somewhat less effective. But, they are perhaps the best means of accelerating trial of expensive products or services. They are also very useful in defending against strong competitors when the purchase cycle for the category is long.

Sampling is particularly effective where category or brand trial is low, especially if a brand has a demonstrable difference that will be readily apparent with use. It is also a good way of beating the competition to the punch when a new category is being introduced. As potential users consider a new category, sampling helps 'push' them into action, and with the sample brand. Sampling is also an effective technique when advertising may not be able to adequately demonstrate a brand's advantage. Is a hand lotion really less messy? Is the crust really crispier? Does someone really feel relief faster? If using a brand will easily and quickly demonstrate a positive benefit, sampling can be an effective way of making the brand's benefit claims believable.

While couponing is less effective than sampling in generating trial, it has the advantage of being much less expensive. The introduction of a new product or service is an ideal time to use coupons in stimulating trial, or when wanting to attract new users to the brand. The problem here, of course, is that current users will use the coupon as well. Figure 5.2 reviews favourable situations for trial promotions.

Repeat purchase objective for promotion

Strategic application of repeat purchase promotion tends to address more short-term issues than trial promotions do. Trial promotions are meant to bring in new customers for the long-term health of the brand. Repeat purchase promotions are generally used to alter the timing of a purchase, capturing users in the short-term to take them out of the market, or to accelerate purchase for some other tactical reason.

Figure 5.2
Favourable
situations for trial
promotions

Promotion	Favourable situations
Coupons	<ul style="list-style-type: none"> • When brand has small budget • New product introductions
Sampling	<ul style="list-style-type: none"> • When brand has low trial but a demonstrable positive difference • When advertising cannot adequately demonstrate a brand's benefit
Refunds and rebates	<ul style="list-style-type: none"> • Incentive for trying expensive products or services • Defensive tactic against strong competition

Of the repeat purchase promotions discussed, loyalty or continuity programs are the ones most directly aimed at creating and maintaining brand loyalty. The others are aimed at people who tend to switch among various brands, with the intention of attracting them to the promoted brand on their next category purchase. Again, if the promotion is well executed with building a more positive attitude in mind, the result will bring more frequent switching to the brand, resulting in more frequent usage.

All usage promotions, but especially premiums, can be conceived in a manner that targets particular segments of a market. The appeal of the premium can easily be matched to particular audiences, as can the prizes in sweepstakes, games, and contests. Both premiums and sweepstakes, games, and contests also have the potential of generating in-store merchandising activity such as point-of-purchase display, banners, special displays, etc. This has the advantage of both drawing switchers' attention to the brand as well as the opportunity of reinforcing key benefit claims. Sweepstakes, games, and contests also present a good way of providing a unifying theme for an IMC campaign.

Loyalty programs, and especially loading devices, are a good way of defending against competitor activity by removing people from the market. Loyalty programs help hold current brand loyal customers and retain switchers by building repeat purchase or use. Loading devices such as price-packs and bonus packs help attract switchers to a brand, and retard switching out to other brands. However, this can only be seen as a short-term, tactical application. For example, if a competitor is about to launch a new brand or otherwise challenge a brand, a bonus pack will temporarily disrupt the introduction by reducing category demand.

Repeat purchase promotions can be very effective, but one must guard against using them in a predictable or ongoing way (with the exception of loyalty programs, of course). They are meant to stimulate short-term usage, but the actual reward can only be a transition or aid to a more positive brand attitude. As with all promotions, they should contribute

to long-term growth. Figure 5.3 reviews favourable situations for repeat purchase promotions.

Promotion	Favorable situations
Loyalty and loading devices	<ul style="list-style-type: none"> • To defend against switching • When a new competitor is about to enter the market
Premiums	<ul style="list-style-type: none"> • Capitalize on selective appeal • Encourages point-of-purchase display
Sweepstakes, games, and contests	<ul style="list-style-type: none"> • Provides unifying theme for a group of promotions • Reinforces brand's positioning and advertising • To gain in-store merchandising activity

Figure 5.3
Favourable situations for repeat purchase promotions

■ Promotion to the trade and retailer

We noted earlier that spending in trade promotion accounts for about half of all marketing communication expenditure, about twice that spent on consumer promotion. This trend is a function of many things, including a growing understanding by the trade of their power in the marketing mix. But perhaps the key reason has been the short-run emphasis of too many marketers attempting to use promotion to 'buy share' in order to satisfy immediate sales goals.

We cannot emphasize enough that this is *not* the way to deal with trade promotion. It is certainly true that without good distribution consumers do not have an opportunity to purchase. But it must be remembered that the brand's goals and the goals of the trade are not always the same. The trade makes its money from *category* sales. They are indifferent to what brands sell as long as their margins for the category are sustained. The brand, of course, is only interested in its own sales. So, while trade promotion must be seen as a cost of doing business, *strategically* it must be considered within overall IMC planning. This means integrating trade promotion with consumer promotion and advertising.

Figure 5.4 details a number of trade promotions. As already mentioned, trade promotions are usually a short-term incentive or deal that is offered to retailers or some other key participant in the distribution channel to stimulate stocking an item or to feature and/or promote a brand. These promotions depend entirely on trade cooperation for any sales increase.

Success for any brand depends upon trade or dealer support. The purpose of trade promotions is to in some fashion improve relations with the trade in order to gain and hold new distribution, build trade inventories

Promotion	Examples
Allowance	<ul style="list-style-type: none"> • Performance allowance • Trade coupon • Free product • Slotting fees
Display material	<ul style="list-style-type: none"> • Point-of-purchase • Special display
Trade premiums	<ul style="list-style-type: none"> • Dealer loaders • Sales goal incentives

Figure 5.4
Basic trade incentive
promotions

or to obtain trade merchandising support. There are three principal classifications of trade-oriented promotions:

- allowance promotions
- display material promotions
- trade premiums and incentives

Allowance promotions offer the trade something in return for purchasing or promoting a specific quantity of a brand, or for meeting specific buying or performance requirements. *Display material promotions* provide the trade or dealer with special in-store display material to use in featuring the promoted brand, often in conjunction with a trade allowance promotion. *Trade premiums and incentives* are promotions which offer the trade a free gift or a chance for an even higher-value prize in return for purchasing specific quantities of goods or meeting certain specified requirements.

There are both trial and repeat purchase trade promotions, just as with consumer promotion. Trial trade promotions are largely designed to gain an acceptance of a new product, or to encourage carrying an existing one. Repeat purchase trade promotions are used to ensure a product is stocked, as well as to get favourable shelf space. Various allowances are obvious usage promotions. Actually, all three types of trade promotion have application as repeat purchase promotion.

Before discussing the three basic types of trade promotion, we need to address slotting fees because they are likely to come out of the trade promotion budget. Slotting fees act like a trial promotion in that they are needed to secure distribution for a brand, but they are really now simply a cost of doing business. While one can understand that with an ever increasing demand to handle new products and line extensions, and their high-failure rate, the trade is demanding some help in order to deal with the overhead, the high fees charged are nonetheless worrisome. It has been estimated that as much as 70% of slotting allowances go directly to the retailer bottom line rather than to defraying costs.

Allowances

Allowances to the trade can take many forms, everything from direct price reductions on invoices to free goods. We have just mentioned slotting fees, and their virtual necessity for achieving distribution, especially for consumer packaged goods. As such fees increase, it makes it more and more difficult for those with small marketing budgets to compete.

A general weakness of most trade promotional allowances is that there is no guarantee that any significant portion of the money will find its way to the consumer, either through increased merchandising activity or lower prices. This is true of buying allowances, performance allowances, and even free goods. As a result, while it is very important that trade and consumer support be integrated, a manager must consider any consumer benefit a plus. Rather, trade allowances should be used for tactical purposes with the trade. For example, buying allowances and free goods help build inventories in support of consumer marketing programs (both promotion and advertising). Performance allowances, at least in part, will go to merchandising or retail advertising in support of the brand.

Trade coupons are actually coupons for the consumer, but distributed by the retailer rather than the marketer. They differ from retail promotions in that trade coupons are *controlled* by the marketer, not the retailer. Usually, the retailer pays for distributing the coupon in their advertising or other marketing communication and then is reimbursed by the marketer after the promotion. Because consumer promotions with coupons are keyed to trial, the same is true for trade coupons. Only in this case, it is not *trial* by the trade but by the consumer. Actually, it is a *repeat purchase* promotion for the trade, in the same sense as the other allowances we have discussed.

This is an important point for IMC planning. Retailers as a rule like trade coupons because they help extend their own marketing communication budget. In this sense trade coupons can help secure trade cooperation within an IMC program. That is step one. But step two is the consumer response to the coupons. This must be considered in light of everything discussed about coupons as a consumer trial promotion.

Display material

Display allowances or material are usually used to generate special in-store merchandising activity for a new product or brand extension, but they are also used to stimulate trade support for consumer promotions. The importance of in-store merchandising is underscored by the fact that more than 70% of brand choices are made in-store (Advertising Age, 1995).

Basically, point-of-purchase refers to all those things that are used at the point of sale in order to attract the attention of the customer to the brand. The objective of point-of-purchase material is to draw attention to a particular brand or product on the shelf or wherever it may be displayed,

or to provide information. It should encourage consumers to make an impulse purchase or trial decision, or to learn more about the item being featured. Sometimes it can even guide consumers to other areas of the store for cross-merchandising opportunities. Well designed point-of-purchase frequently acts as a trigger mechanism to remind the consumer of a brand's advertising.

One of the more interesting applications of point-of-purchase is interactive computer driven displays. The consumer interacts with a computer displayed within the point-of-purchase unit in order to gain information about a product or service. Through the computer the consumer can request a catalogue, ask questions, receive data in print-out form, and much more. Interactive point-of-purchase is used at automobile dealerships to provide consumers with information about specific models, in retail stores to access store catalogues, and they are even being introduced in fast food chains to place orders. The most common application, however, is where a high ticket, high margin purchase is involved, or where a purchasing decision process is more complex.

One of the advantages of using display materials as a trade promotion is that it encourages the trade to actually promote a brand in the store, because the incentive to the retailer is only available upon proof of compliance. It can also usually be quickly implemented, making it a useful tactical tool. The disadvantage is that it does require wide spread trade acceptance to be effective, and often must conform to various store guidelines for in-store merchandising.

Trade premiums and incentives

These last trade promotions centre more upon individual stores or personnel, and as a result are popular with the trade. Premiums offered to the trade are usually in the form of *dealer loaders*. Their goal is much the same as for consumer loading devices: to 'load up' the store or distributor with product. This is done with a product display where a premium is offered to the consumer, usually as part of the display. For example, a cooler might be offered at a very low price with the purchase of a 12-pack soft drink brand.

Incentives are offered to various levels of the trade, and for any number of reasons. Awards or gifts might be offered to individual counter or sales staff at retail for reaching a set level of sales for a brand, to a manager for store sales of a brand, or to staff for devising new or innovative ways of promoting a brand. Incentive programs are an especially good idea for new product introduction or for slow-moving products, and they have the advantage of being quick and easy to implement, as well as relatively inexpensive.

The problem with all trade premium and incentive promotions, however, is that many mass merchandisers do not allow them, or have rules that tightly restrict the type of programs acceptable.

■ Incentive promotion cost

Unlike advertising where the cost is fixed, at least in the sense of knowing what it will cost to produce and place the advertising, the cost of incentive promotions is *variable*. The eventual cost of a promotion will be directly related to the number of people responding to it. This will be true with trade and retail promotion as well as consumer promotion. For example, if a manager is expecting a normal 2% redemption on a coupon drop but experiences a 10% redemption, the cost of the promotion will have increased four to five times!

This will obviously have severe consequences for the brand's marketing budget. In such circumstances, it is rare that the additional business generated will be enough to cover lost revenue from otherwise-full-price purchases. The working margins for the brand will have been significantly lowered. With the surprise increase in cost from a too successful promotion, money will need to be found from other parts of the brand's budget, disrupting the IMC plan.

Managers must carefully consider the likely cost of a promotion, thinking through all of the possible consequences of a too successful promotion. Another 'cost' of a too successful promotion, for example, could be bad publicity following from an inability to meet demand for premium merchandise. Unless there is a prior history of a specific promotion's performance, research should be conducted to test its likely performance.

Summary

In this chapter we have looked at traditional promotion and its role in IMC, with special attention to incentive promotions. The primary communication objective for promotions is to stimulate immediate brand purchase intention. In terms of IMC strategy, promotion is used as a short-term tactic, and should not be used as an ongoing program that effectively lowers the price of the brand. The use of promotion should be carefully integrated over time in relation to the target audiences' decision process. And like marketing communication, promotion too must address brand awareness and brand attitude.

There are three basic types of promotion: consumer, retail, and trade. Consumer promotion and retail promotion are aimed directly at consumers. While it is important from an IMC planning standpoint to discriminate between consumer promotion initiated by the manufacturer versus the retailer, from the consumer standpoint there is no difference. Trade promotions provide incentives or merchandising activity for the trade, and make it the largest proportion of most brand's marketing budget.

Incentive promotions to the consumer, whether initiated by the manufacturer or retailer, fall into six basic types: coupons, samples, refunds or rebates, loyalty programs and loading devices, premiums, and sweepstakes, games, and contests. Coupons, samples, and refunds or rebates are used primarily to generate trial, while loyalty programs and loading devices

and sweepstakes, games, and contests are used for stimulating repeat purchase. Premiums may be used for either trial or repeat purchase objectives.

Coupons make sense when the brand has a small budget, and for new product introductions. Sampling is a good promotion technique when a brand has a demonstratable difference, or when advertising cannot adequately demonstrate the brand's benefit. Refunds and rebates are effective for expensive products or services, and can be a good defensive tactic against a strong competitor. Loyalty programs are used to defend against switching and loading devices when a new competitor is about to enter the market. Premiums provide an opportunity for selected appeal, and can also encourage retailers to use point-of-purchase displays. Sweepstakes, games, and contests can provide a unifying theme for all promotional activity, and a chance to reinforce a brand's positioning in advertising. It also provides an opportunity for in-store merchandising activity.

Most consumer incentive promotion techniques will find their counterpart in promotion to the trade and retail. Basically these promotions fall into three categories. Allowance promotions, which include trade coupons, free product, and allowances for meeting performance goals. While not exactly a promotion, one must also consider slotting fees here. The second group includes various promotional display material, and the third category, trade premiums and incentives.

Finally, it must be remembered that there are costs associated with promotion, and when a promotion is too successful, the unexpected increased costs can have a significantly negative effect on the marketing budget.

■ Review questions

- 1 How would you describe promotion?
- 2 What is the role of promotion in IMC?
- 3 How do retail promotions differ from consumer promotions?
- 4 What are the similarities between trade promotion and consumer promotion?
- 5 Why are some incentive promotions more appropriate for gaining trial and others for repeat purchase?
- 6 When would you be likely to use a coupon rather than a rebate; and when a rebate rather than a coupon?
- 7 Discuss situations where it would be effective to use loading devices.
- 8 How can promotion be used to help build positive brand attitude?
- 9 What might be a good premium for a beer brand? What about for a major appliance; a tanning salon; a restaurant?
- 10 Why can a too successful promotion be harmful for a brand?

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