

Sales Promotion

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Understanding the value of sales promotion

- The motivation for sales promotion is to persuade a target audience to buy a certain product or service
- Sales promotion is usually based over an inducement or incentive to persuade the buyer to make the purchase decision swiftly
- Sales promotion aims to achieve results mainly over a short term
- Price is the determinate factor to offer the incentive but there are also other ways to persuade the buyer, such as offering something extra above the core product or service
- The chosen sales promotion technique should be a fit to the target audience

The role of sales promotion

- The main four reasons for the usage of sales promotion can be described as:
 - A response to competitors' activities
 - Form of inertia (something that we have always done)
 - To meet short term sales objectives
 - To meet long term sales objectives

Sales promotion plans: the objectives

Objectives of using this tool:

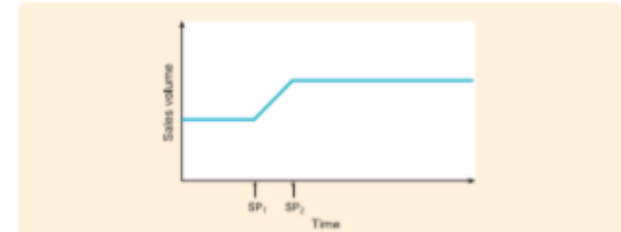
Persuade customers to use a product for the first time or encourage them to use it more frequently depending on the current position

1. New product or market:
Focusing on low— involvement decisions and encourage trial to trial use.
2. Established product or market:
Focusing more on current customers and try to increase purchases made by them and also attract customers from competing products

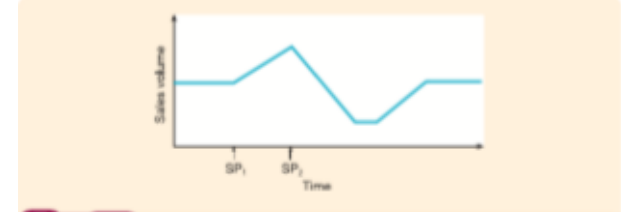
	Involvement	
	High	Low
New product or market	Withhold sales promotion	Use sales promotion to stimulate trial
Established product or market	Non-loyals – use for switching Loyals – use carefully	Non-loyals – use sales promotions to attract for trial Loyals – use sales promotion to reward for increased usage

An overview of how sales promotions work

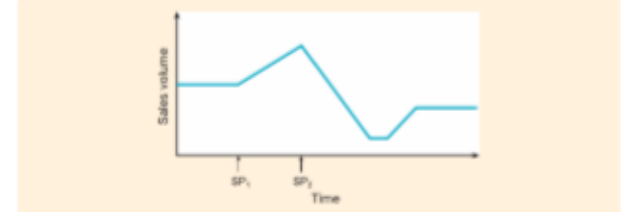
- Most of the sales promotions are usually temporary price reductions (TPR)
- By using TPRs sales volumes usually increase (18.2) although an upward shift in long-term demand might be too optimistic
- Concerns related to the costs and effectiveness of these activities:
 - Most of the customers who use TPRs are infrequent buyers (Does not attract new customers)
 - After the TPR, sales volumes decrease because customers are loaded with stock and are thus temporarily out of the market (18.3)
 - Because of competitive promotional activity, demand may decrease (18.4)
- After all Dawes (2004) found that TPRs have neutral impact on a brand. Sales volume might increase slightly - however profitability decreases



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



Realistic response to a sales promotion event



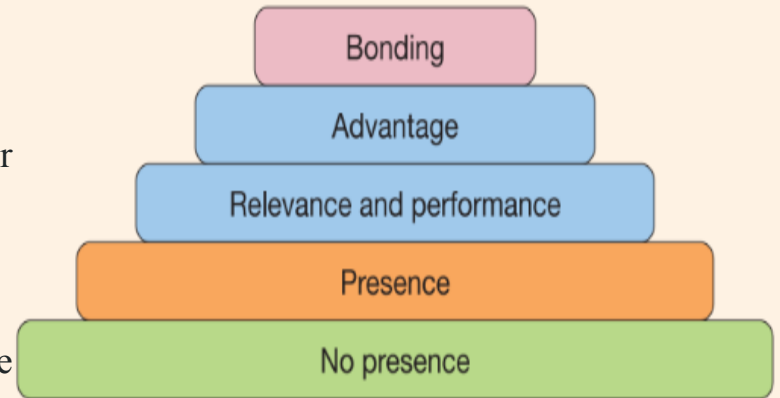
The destructive effect of competitive sales promotions

Loyalty and retention programs

- Significant promotional development in recent years
 - swipe cards
- Smart cards can record enormous amounts of information
- Especially successful for frequent flyers
 - Also used to track individual travellers.
 - Airlines offer cardholders particular services (special airport lounges, favourite seat on the plane)
 - The regular accumulation of air miles fosters continuity and hence loyalty
- There is also an argument that the loyalty programs are valuable because of the information that is collected, not because they increase loyalty

Levels of loyalty

- ‘No presence’ level - consumers are unaware of a brand
- ‘Presence’ level - there is awareness, emotional loyalty is minimal.
- ‘Relevance and performance’ level - the consumer begins to feel that the brand is acceptable in terms of meeting their needs.
- ‘Advantage’ level - the brand is superior with regard to a particular attribute.
- ‘Bonding’ level - emotional loyalty is at its highest because consumers feel the brand has several unique properties.
- Loyalty programs are most effective at the bonding level



Loyalty programs: Summary

- Loyalty programs have seen a significant growth in recent years
- They are most effective at the bonding level of loyalty
- The 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
 - 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
 - What happens after a sales promotion finishes is debatable
- It can also be argued that a sales promotions discounts a brand
 - Customers align themselves to the deal rather than the brand
- Some argue that sales promotions have a strategic place in the promotional mix
- Traditionally sales promotions have been viewed as short-term, tactical tools to introduce new products or to retain old customers

The strategic use of sales promotions (2)

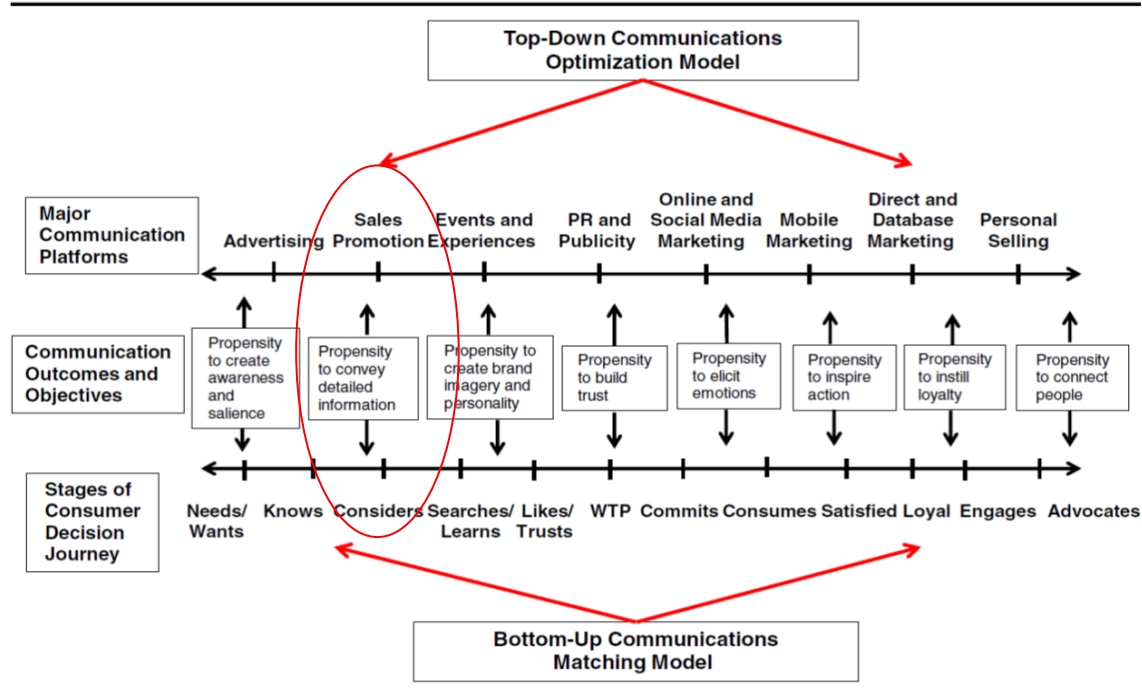
- Sales promotions that do not work as intended may have been used to support inappropriate products or suffer from inadequate planning
- The spiral effect that retaliatory actions can have on each organisation is also a possible consequence
- A sales promotion ‘trap’ develops when competitors start 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.
- Timing is crucially important

Sales promotion: methods and techniques

- 2 key audiences: resellers and consumers. Focus on the latter
 - Encourage trial or increase product purchase
- Strong shift away from trad. techniques (coupons) to digital media (example: Jaffa)
- Goals and techniques differ according to both, target audience (consumers or resellers) & the novelty of the product (new or established product)
- Example: New product, manufacturer to consumer:
 - Stimulate trial, test of product before purchase. Coupons & other techniques are an important part of new product launches

Bartra, Keller (2016): “Integrating Marketing Communications: New Findings, New Lessons, and New Ideas”

FIGURE 3
IMC Conceptual Framework



Other sales promotion devices

- Example: “the good old fashioned ‘brochure’” (p.558)
 - “Functions as a temporary tangible element of the product”
 - For holiday organisers (consumption later in the future!), the brochure is a temporary product substitute
- Example: leaflets
 - Can help develop an initial impression about the manufacturer

Other sales promotion devices (2)

- Example: Financial companies' sales literature
 - Corporate brochures to provide credibility, booklets,
 - Continuous distribution of company magazine to cement B2C relationship
- Consistency of brand values is an issue
- Apart from short-term sales increase, continuing “residual sales increases” have been observed

Sales promotions for employees

- Employees are an important target audience
- Sales promotions work in motivating the workforce
- Incentives need to be accessible for everyone
- Rewards need to be broadly spread and there should be a choice
- They should not create winners and losers

Challenges in sales promotion

- Sales promotions based around prices are no longer attractive to many customers
 - Activity based rewards
- The greatest 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
 - The complementary nature of sales promotion and advertising should be exploited
- As a short-term tool, it can have some conflicts with long term planning
- The use of sales promotions within marketing channels can lead to tension
 - Hostaging

Mini Case: Could online coupons save the High Street?

- Will High Street stores die when online shopping is growing so fast?
- Mary Hedderman from the University of Wales proposed that the Internet should be used as a communications channel to pull shoppers back to the High Street.
- One way to increase sales on High Street is to use online coupons and vouchers that can only be utilized in stores.
 - While vouchers and codes are being sent to registered customers such as loyalty and account card holders, some of these shoppers are passing them on on the Internet.
 - Once a code is posted, viral marketing seems to take over with consumers happily firing the information off to friends and colleagues or publishing them on specialised sites, for example:

Mini Case: Could online coupons save the High Street? (2)

- 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.

Sales promotion: Summary

- Short-term tool
- Influence is debated
- Timing and careful planning are crucially important
- Activity based rewards are gaining popularity
- Sales promotions should also be extended to employees

References

Fill, Chris (2009): “Marketing Communications. Interactivity, Communities and Content”, Fifth edition, Chapter 18

Bartra, Keller (2016): “Integrating Marketing Communications: New Findings, New Lessons, and New Ideas”