

# **LECTURE 41**

## **Sales Promotion- Part I**

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# Sales Promotion

- Sales promotions consist of all the incentives offered to customers and channel members to encourage product purchases.
- Sales promotions are intended to quickly increase sales or interest through discount pricing or other motivational devices available for a limited time.
- Sales promotions take two forms: consumer promotions and trade promotions.

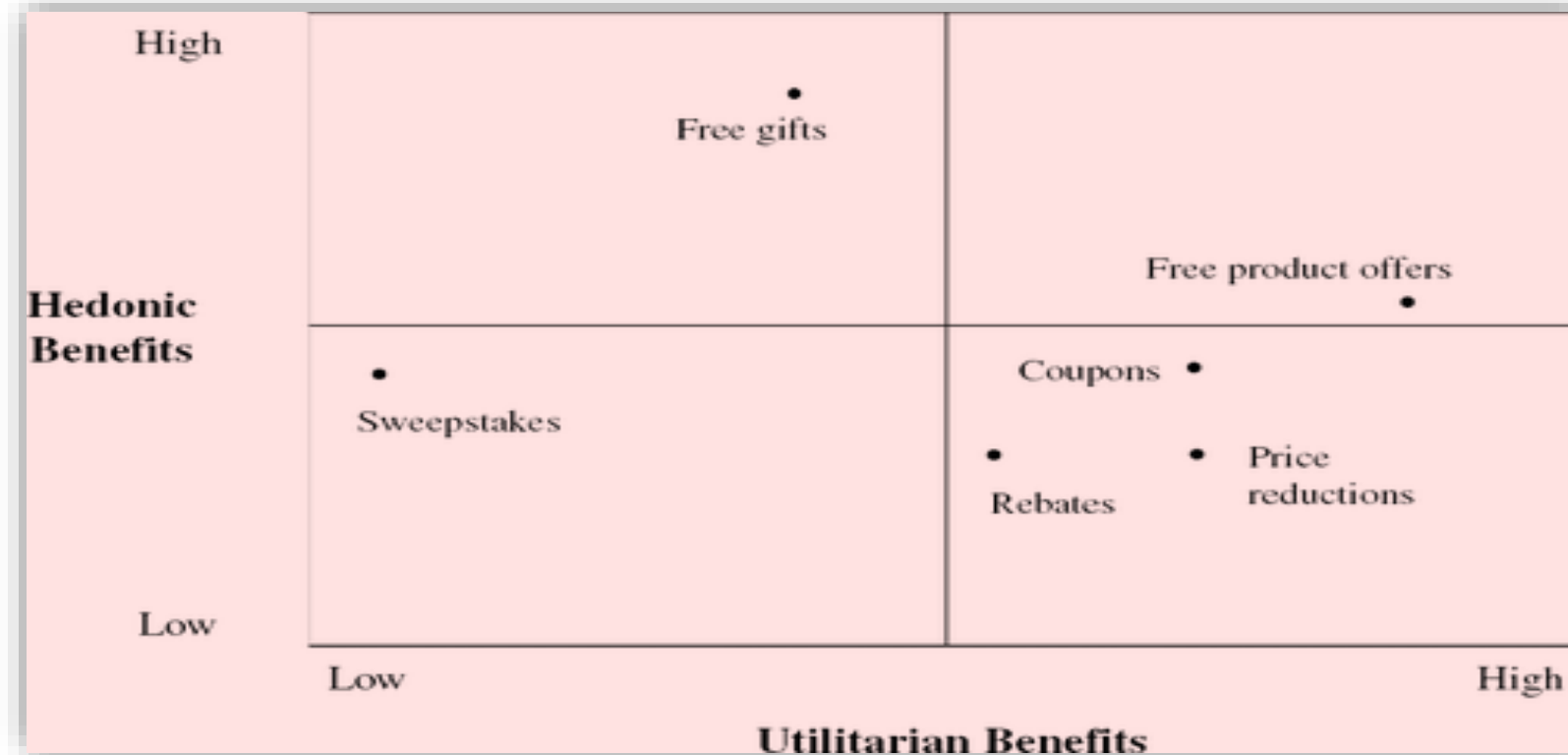
# Why Do Consumers Respond to Sales Promotions?

- Robust empirical results suggest that monetary savings cannot fully explain why and how consumers respond to sales promotions.
- For e.g., why do consumers respond more to an on-shelf coupon than to a similarly advertised temporary price reduction that offers the same monetary incentive?
- Why do consumers respond to insignificant price reductions?
- Why do consumers switch brands because of a coupon or a rebate but then do not redeem it?

Source: Chandon, P., Wansink, B., & Laurent, G. (2000). A Benefit Congruency Framework of Sales Promotion Effectiveness. *Journal of Marketing*, 64(4), 65–81.  
<https://doi.org/10.1509/jmkg.64.4.65.18071>



# How do Promotion Benefits Influence the Evaluation of Monetary and Nonmonetary Promotions?



Source: Chandon, P., Wansink, B., & Laurent, G. (2000). A Benefit Congruency Framework of Sales Promotion Effectiveness. *Journal of Marketing*, 64(4), 65–81.  
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# Studies find that

- Sales promotions can provide consumers with an array of hedonic and utilitarian benefits beyond monetary savings. Hedonic benefits include value expression, entertainment, and exploration. Along with simple monetary savings, utilitarian benefits also include product quality and shopping convenience.
- Nonmonetary promotions provide more hedonic benefits and fewer utilitarian benefits than monetary promotions. All benefits except quality contribute to the overall evaluation of monetary and nonmonetary promotions. However, each type of promotion is primarily evaluated on the basis of the dominant benefits it provides.
- For high-equity brands, sales promotions are more effective when they provide benefits that are congruent with those provided by the product being promoted. Specifically, monetary promotions are more effective for utilitarian products than for hedonic products. Conversely, nonmonetary promotions are relatively more effective for hedonic products than for utilitarian products.

Source: Chandon, P., Wansink, B., & Laurent, G. (2000). A Benefit Congruency Framework of Sales Promotion Effectiveness. *Journal of Marketing*, 64(4), 65–81.  
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# Let's revisit the questions

- Why do consumers respond more to an on-shelf coupon than to a similarly advertised temporary price reduction that offers the same monetary incentive?
- One explanation may be that coupons offer stronger value expression benefits because collecting and redeeming coupons requires more skill and effort than buying products on sale. Coupon usage therefore more clearly signals the smart-shopping skills and values of the users and may superiorly enhance their social prestige and help them fulfill their personal values and moral obligations. The benefit congruency principle moderates this prediction by emphasizing that it would occur only to the extent that the value expression benefits are important for the consumer or the purchase considered.

Source: Chandon, P., Wansink, B., & Laurent, G. (2000). A Benefit Congruency Framework of Sales Promotion Effectiveness. *Journal of Marketing*, 64(4), 65–81.  
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- Why do consumers respond to insignificant price reductions?
- The surprisingly strong response to sales promotion signals in the absence of significant price reductions may be explained by the convenience benefit. Promotion signals can increase shopping convenience by reducing search costs (because the brand is more visible at the point of purchase) and decision costs (because it provides a simple justification for the choice of the promoted product). Again, the benefit congruency principle explains why these effects are especially strong for hurried consumers or those with low need for cognition.

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- Why do some consumers switch brands because of a coupon but then do not redeem it?
- The failure to redeem the coupons responsible for the purchase decision may be due to these consumers valuing the convenience and exploration benefits coupons provide in the aisles at the time of the decision but not the monetary savings they provide at the time of payment. For example, if consumers buy couponed brands because they reduce search and decision costs or increase the variety of products consumers buy by suggesting new alternatives, consumers may simply forget to use the coupon at the checkout or believe that the embarrassment of showing it to the cashier and the other shoppers is not worth the monetary savings provided.

Source: Chandon, P., Wansink, B., & Laurent, G. (2000). A Benefit Congruency Framework of Sales Promotion Effectiveness. *Journal of Marketing*, 64(4), 65–81.  
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# Objectives of Sales Promotion

- To build product trial
- To encourage purchase of larger-size units
- To attract switchers
- To reward loyal customers
- To adjust to short-term variations in demand-supply, e.g., to use excess capacity
- To offset competitor promotions
- To stall or prevent competitor entry
- To motivate channel-members to advocate the marketer's brand
- To persuade channel members to carry new items and stock higher levels of inventory
- To encourage off-season buying

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