

# **LECTURE 42**

## **Sales Promotion- Part II**

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Sales Promotion

Consumer  
Oriented  
Promotion

Trade Oriented  
Promotion

# Consumer Promotions

- Consumer promotions are tactics or techniques designed to help a business find new customers or reward current customers.
- Enticing a consumer to take the final step and make the purchase which constitutes a primary goal for a consumer promotions program.

# Types of Consumer Promotion

Consumer  
Promotion

Coupons

Premiums

Contests &  
Sweepstakes

Sampling

Bonus Pack

Price offs



# Coupons

- Coupons are distributed in retail stores, offered digitally from the internet or in a store such as CVS, and may be placed on or near packages. In each instance, the consumer is able to use the coupon in the store through an instant redemption coupon program.
- The coupons often lead to trial purchases and purchases of additional packages of a product.

## Types of Coupons

### Instant Redemption Coupon

- Instant redemption coupons attach to the outside of a consumer-packaged product and peel-off or pull-off.
- These on-pack coupons are removable for immediate use at checkout
- Lead to trial purchase

### Bounce Back Coupon

- Bounce back coupons are coupons that accompany a delivered product within the product box or with the product statement or invoice
- This encourages repeat purchases.

## Cross Ruff Coupons

- Cross-ruff coupons are obtained at the time of purchase of a carrier brand and may be redeemed at a later date on a target brand.
- Placing a coupon on one product for another product.
- This tactic encourages consumers to purchase within the same brand or family of products

## Scanner Delivered Coupons

- Several retailers issue coupons at the cash register.
- An item being scanned at a cash register triggers a scanner-delivered coupon.
- This encourages brand switching

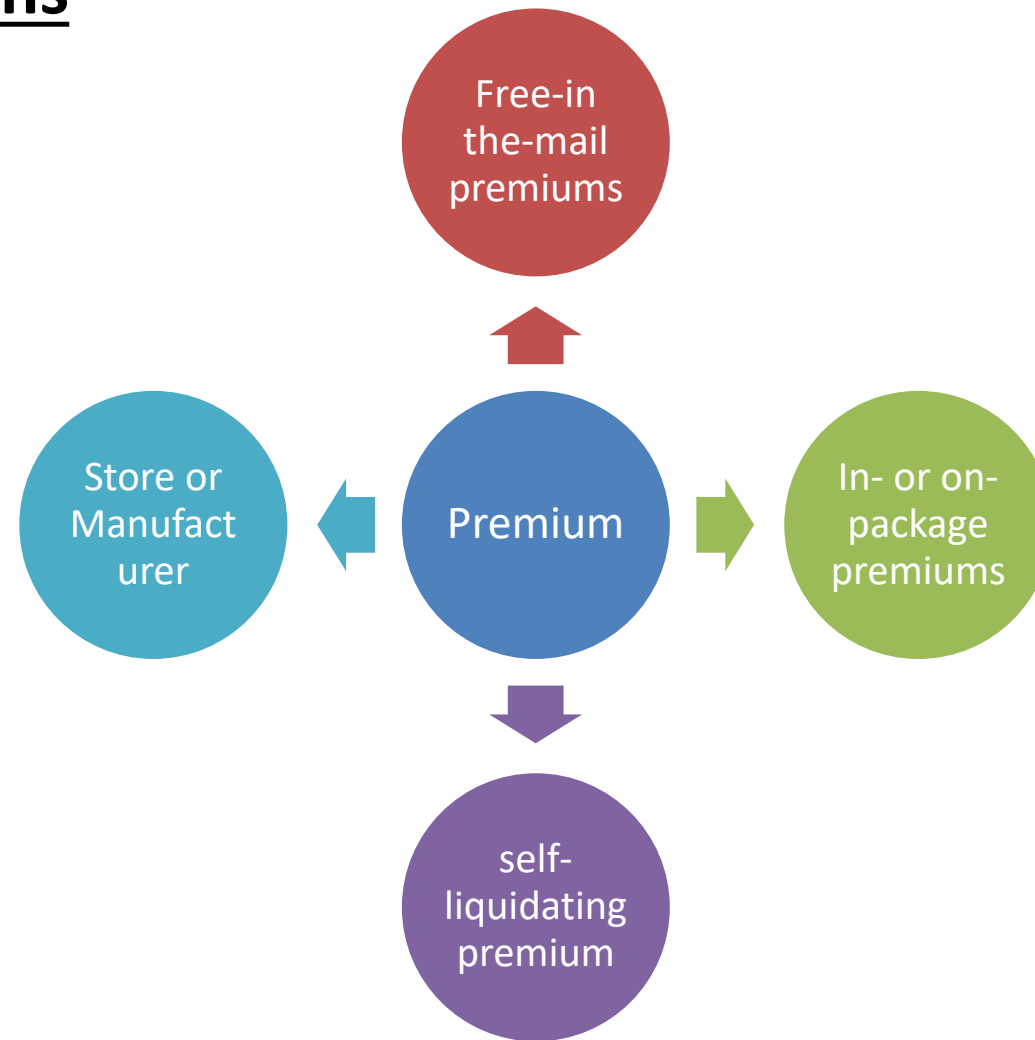
# Disadvantages of Coupons

- Some marketers believe that offering price discounts through coupons to those who are willing to pay full price does not make sense.
- Manufacturers argue that these consumers may be willing to stock up, which means they do not buy from the competition.
- Other disadvantages occur when coupons are counterfeited, and retail stores mistakenly redeem them for the wrong product package size or for similar products offered by a different company.

# Premiums

- Premiums are prizes, gifts, or other special offers consumers receive when purchasing products.
- The consumer pays full price for the original good or service with a premium and receives something free.
- Such as buy one and get the second at half price.

# Types of Premiums



# Free-in the-mail premiums -

- Free-in the-mail premiums are gifts individuals receive for purchasing products.
- To receive the gift, the customer mails in a proof of purchase to the manufacturer who then sends the gift to the buyer.
- More than one purchase may be required to receive some gifts, such as three proofs of purchase.



## In- or on-package premiums -

- In- or on-package premiums are usually small gifts, such as toys in cereal boxes.
- The gift may be disguised or packaged so the consumer must buy the product to see the premium
- For ex. - A package of blades with the purchase of a razor.



## Store or Manufacturer Premiums -

- Store or manufacturer premiums are gifts given by either the retail store or the manufacturer when the customer purchases a product.
- For ex. - Ultra Beauty offered consumers a 14-piece cosmetic gift with a minimum \$19.50 purchase.
- The goal of the premium offer was to attract new customers and to encourage trial purchases of various products

## Self-liquidating premium -

- Self-liquidating premium, requires the consumer to pay a small amount of money for the gift or item.
- Self-liquidating promotion technique generates enough sales revenue to pay for the cost of the complete promotion campaign.
- The objective of this premium offers is to attract more customers who want to procure a product at less price and increase sales.

# Contests

- Contests normally require the participant to perform an activity.
- The winner will be selected from the group that performs best or provides the most correct answers.
- For example, McDonald's Canada ran a unique contest targeted to its employees. Employees were asked to submit their own burger/ wrap recipes using McDonald's ingredients. The grand prize winner received \$10,000, second place \$5,000, third place \$2,500, and People's Choice (based on the most online votes) \$1,000.

# Sweepstakes

- A sweepstakes is a chance promotion, where a winner is randomly selected from all eligible entries
- Sweepstake entries do not require a required activity.
- Consumers enter as many times as they wish, although companies can restrict customers to one entry per visit to the store or location.
- Contests and Sweepstakes can be used to build a database list; information from entry forms can be stored and used for future promotions.

# Sampling

- Sampling is the actual delivery of a product to consumers for their use or consumption.
- For example - Dentists and lawyers feature sampling when they provide initial consultations free of charge.
- Goal of the sampling is to put the product in the hands of customer and let them feel the quality, weight, or texture.

# Bonus Packs

- When a company places an additional or extra number of items in a special product package, it is a bonus pack.
- For Example - offering four bars of soap for the price of three OR



# Price-Offs

- Price-off is a temporary reduction in the price of a product to the consumer.
- A price-off can be physically marked on the product, such as when a product shows the regular retail price marked out and replaced by a special retail price (for example, Rs. 59.99 marked out and replaced by Rs. 54.99).
- E.g., Bring any toilet soap wrapper and Get Rs.5 off on any tube of Pond's Face Wash.

# Benefits of Price-Offs

- Price-offs stimulate sales of existing products.
- They entice customers to try new products, because the lower price reduces the financial risk of making the purchase.
- They encourage customers to switch in brand parity situations or when no strong brand loyalty exists.

# Can You Retain Customers Through Relational Price Discounts?

## Problem

- Firms are using discounts to generate temporary sales as well as building long-term relationships.
- Some conceptual and empirical studies have suggested negative effects of initial discounts on customer retention primarily because discounts may make customers more price sensitive.
- Other research has found that initial discounts may also encourage repurchase behavior, with potentially positive effects on customers' habit building and loyalty.

## Findings-

- The results of the large-scale field studies reveal nonlinear effects of initial discounts on customer retention. Specifically, moderate initial discounts (5%–35%) are effective relational discounts; they enhance customer retention rates and lifetime revenues, whereas high (35%–40%) and low discounts (1%–5%) undermine the two.
- A laboratory experiment identifies customers' metacognitive processing as the psychological mechanism underlying the nonlinear effects of initial discounts on customer retention.

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