

LECTURE 43

Sales Promotion- Part III

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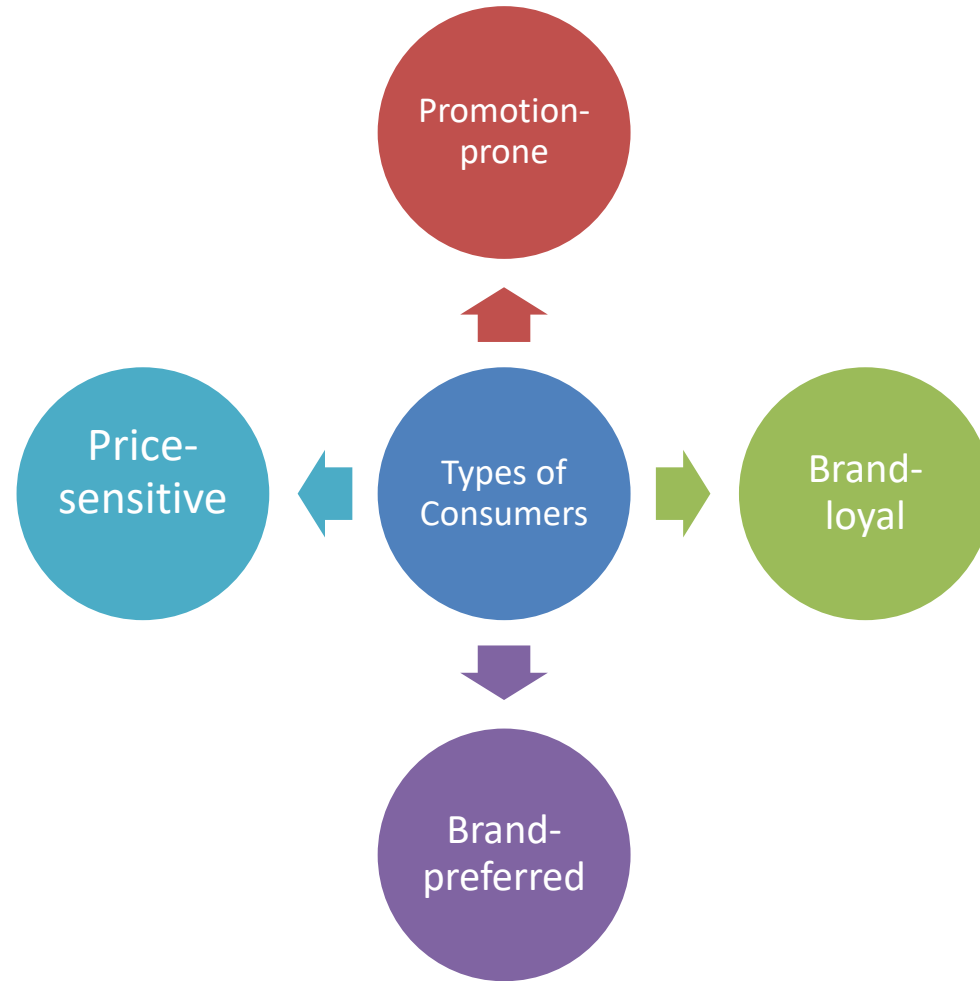


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Types of Consumers in Relation to Consumer Promotions



Promotion-prone consumers

Promotion-prone consumers regularly respond to various consumer promotions and like to purchase products that are on-deal; that is, during the time the promotion is offered.

Price-sensitive consumers

Price sensitive consumers take advantage of any type of promotion that reduces the price. Brand names are not important, and these individuals will not pay more for them.

Brand-loyal consumers

Brand-loyal consumers purchase only one particular brand and do not substitute, regardless of any deal being offered. These consumers ignore a promotion for brands not in the brand preferred set, regardless of the size or type of promotion.

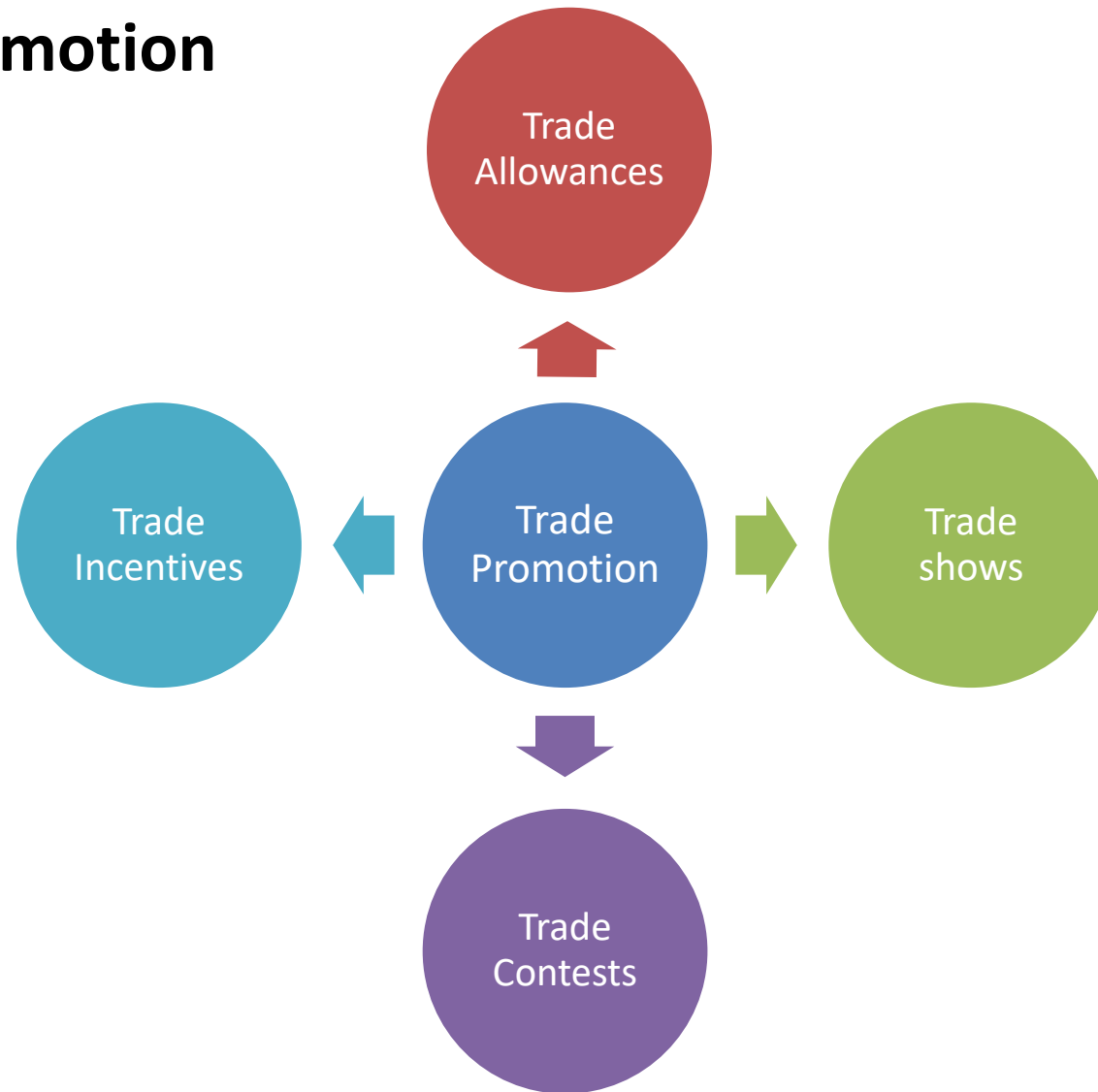
Brand-preferred consumers

Brand-preferred consumers represent the ideal group to target market, especially when the promotion features a brand in their preference sets. This enhances loyalty toward the brand and prevents them from purchasing from a competitor.

Trade Promotions

- Trade promotions are incentives designed by members of the market channel to entice another member to purchase goods for eventual resale.
- Logic- To capitalize on distribution skills of channel partner and to motivate them to pursue your product in front of customers.
- Marketers aim trade promotions at retailers, distributors, wholesalers, brokers, or agents.
- Wholesalers, distributors, brokers, and agents use trade promotions to persuade retailers to purchase products for eventual resale.

Types of Trade Promotion



Trade Allowances

- Trade allowances provide financial incentives to channel members to motivate them to make purchases.
- Each of trade allowance makes it possible for a company to offer discounts or other price-reductions to customers in the channel.

Trade Allowances

Off-invoice allowance



A per-case rebate paid to retailers for an order

Slotting fees



Money paid to retailers to stock a new product

Exit fees



Money paid to retailers to remove an item from their SKU inventory.

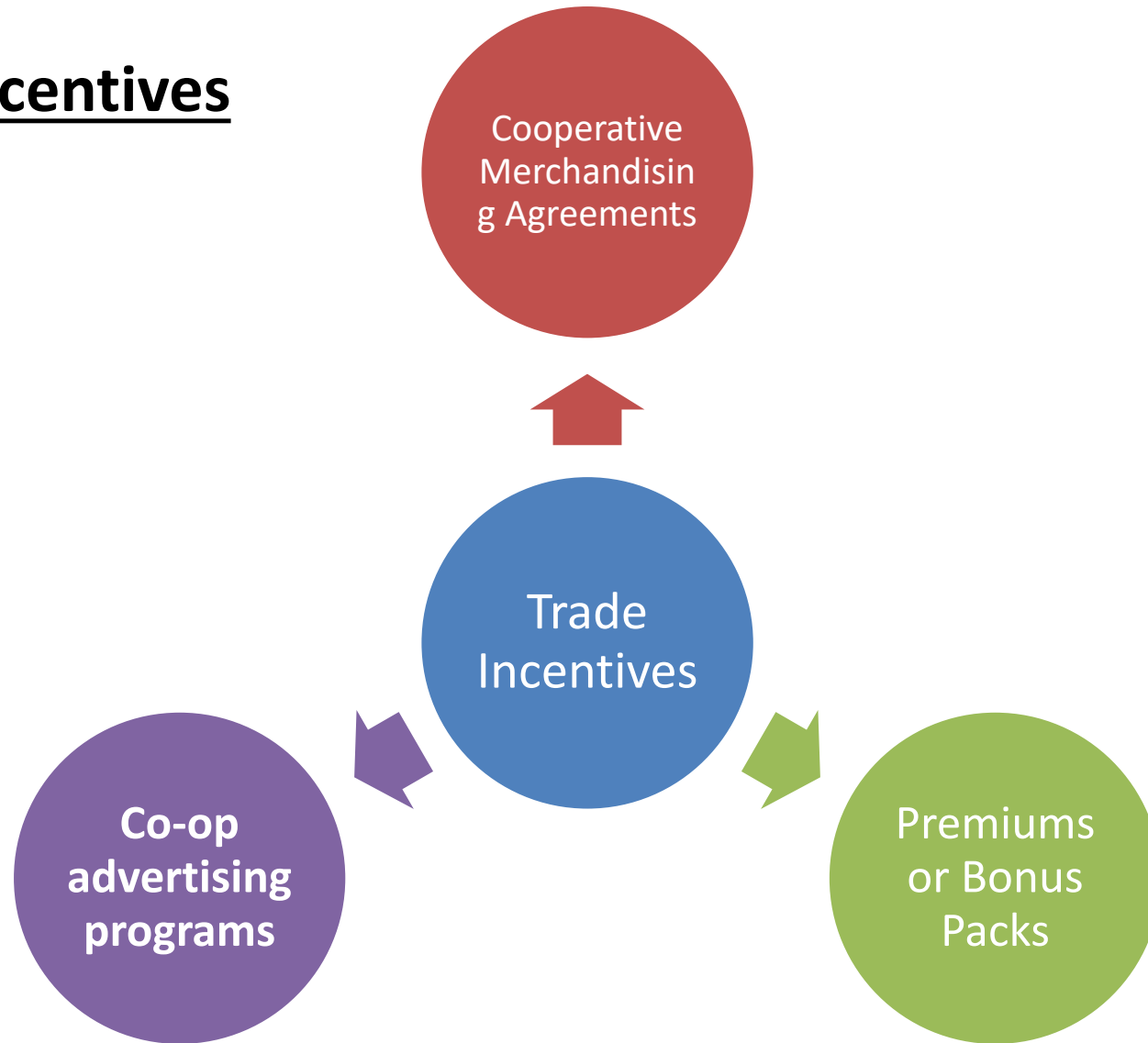
Trade Contests

- To achieve sales targets and other objectives, some channel members provide trade contests.
- In trade contests winners receive prizes or cash, or spiff money.
- Contests are held at every level within the channel. Trade contest can be between brokers or agents, wholesalers, or retail stores.

Trade Incentives

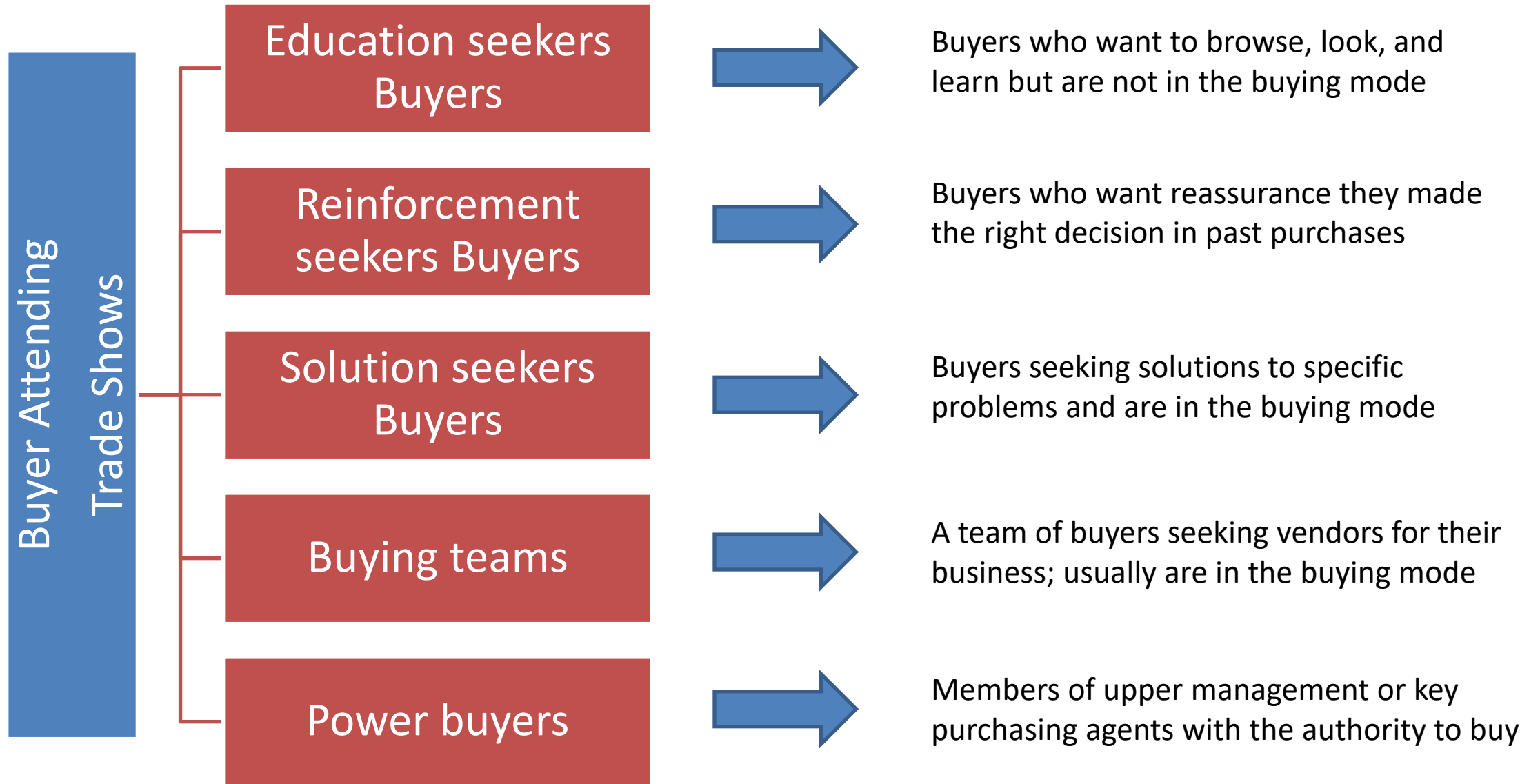
- Trade incentives are similar to trade allowances.
- The difference is that trade incentives involve the retailer or channel member performing a function in order to receive the funds.
- The purpose remains the same as for trade allowances: to encourage the channel member either to push the manufacturer's brand or to increase purchases of that brand.

Types of Trade Incentives



Trade Shows

- A trade show is an event held to bring together members of a particular industry to display, demonstrate, and discuss their latest products and services.
- Trade shows benefit manufacturers and retailers and provides the opportunity to discover potential customers and sell new products.
- A trade show can strengthen the brand name of a product as well as the company's image.
- Trade show can strengthened the relationships with current customer.



Starbucks - Case

- The Starbucks Reward Loyalty Program has a staggering 16 million active members (as of March 2019).
- Starbucks attributes 40% of its total sales to the Rewards Program and has seen same store sales rise by 7%.
- The Reward Program is available on mobile devices as the Starbucks app, and has seen impressive membership and growth since 2008, with multiple iterations on its original form.
- Starbucks uses this tool to individually market specific products and features based on data collected from the app about its users.
- Customers can order and pay through the app ahead of arriving at a physical location, as well as earn stars (rewards) that translate into free drinks, food, and merchandise.

Source: Leah H. (2020). Starbucks: Winning on rewards, loyalty, and data. Harvard Business Publishing



How does Starbucks create value?

- Ease of payment in store through mobile app
- Ability to order and pay ahead of arriving in store (and therefore skip any Monday morning rush lines by having a separate ‘mobile order pickup’ station – which in itself serves as a highly effective marketing tool for the app)
- Rewards and benefits: such as free refills on brewed coffee and free drinks on member’s birthdays, relatively quickly earned other rewards from purchases, such as free food/drinks/merchandise
- Special member events
- Ability to send other members and friends gift cards through the app
- App integration with other platforms such as Spotify to discovery music playing in store (a big part of Starbucks and more generally coffeehouse culture)
- Members are first to know about upcoming seasonal and new product releases

Source: Leah H. (2020). Starbucks: Winning on rewards, loyalty, and data. Harvard Business Publishing



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