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methods are also commonly used to diagnose sales force size problems.

Computer-Based Models for Setting Sales Force Size. Several computer-based models have been developed that calculate ideal sales force size. These models use an approach that is more complex, but conceptually similar to the incremental approach described above. These models are multipurpose and usually simultaneously determine sales force size, sales territory design, and salesperson assignment. They are described and evaluated in more detail in GLOSSARY entry C.37 on **sales territory design**.

SUGGESTIONS FOR FURTHER READING

FOGG, C. DAVIS, and JOSEF W. ROKUS. "A Quantitative Method for Structuring a Profitable Sales Force." *Journal of Marketing* 37 (July 1973), pp. 8-17.

SEMLOW, WALTER J. "How Many Salesmen Do You Need?" *Harvard Business Review* (May-June 1959), pp. 126-32.

TALLEY, WALTER J., JR. "How to Design Sales Territories." *Journal of Marketing* 25 (January 1961), pp. 7-13.

C.36

C.36 Sales Promotion

CHARACTERISTICS OF SALES PROMOTION

Sales promotion is one of the elements of the **promotional mix** (see GLOSSARY entry C.29). It is usually employed as a supplementary promotional program and supports personal selling efforts to channel members or mass media advertising to consumers. Sales promotions are used to solve specific, usually short-term problems facing a product or service.

What Is Sales Promotion? A **sales promotion** is a limited-term promotional program designed to achieve a specific short-term objective by offering to consumers or the trade an incentive to encourage fast response.

- **Limited Term.** Sales promotions have a stated term or expiration date. This not only encourages prompt response, but may also forestall competitive retaliation by signaling to competitors that the incentive, which is often a price reduction, is temporary.
- **Objective.** Sales promotions are directed by an objective that defines a desired action on the part of target consumers or channel members.

- **Consumer or Trade.** Sales promotions may be offered either to consumers or to channel members (the trade). Frequently the sales promotion objective will require that complementary offers be made to consumers and the trade simultaneously.
- **Fast Response.** Sales promotions are short-term efforts designed to get immediate consumer or trade action. This is encouraged by offering an incentive and putting a time limit on participation.

Although sales promotions frequently use advertising as a tool for communication, sales promotion is fundamentally different than product advertising.¹ Sales promotion works at the last stage of the **hierarchy of effects** (see GLOSSARY entry C.3) to get action. Advertising normally concentrates on the earlier stages of the hierarchy to build awareness, knowledge, and positive attitudes. Sales promotion is short term while

¹Some of these distinctions were suggested by John A. Quelch, "Its Time to Make Trade Promotions More Productive," *Harvard Business Review*, (May-June 1983), p. 131.

advertising tends to work over the long term. Sales promotion tends to focus on price benefits while advertising centers on product benefits. Advertising tends to work independently from retailers and wholesalers while sales promotions require active trade cooperation if the promotions are to succeed.

Sales Promotion Objectives. Sales promotions can be classified in terms of their objectives.² Promotions designed to improve the sell-in of products from the manufacturer to the members of the channel of distribution are termed **trade promotions**. They are part of a **push** strategy. Sales promotions designed to improve consumer take-away from the channel members are termed consumer sales promotions. They are used as part of a **pull** strategy. (See GLOSSARY entry C.30 on **push versus pull**.)

The problems to which sales promotions are applicable are highly varied, but usually relate to brand sales. The objective of a sales promotion stems directly from a problem facing the brand. For example, the objective of a consumer promotion might be to sample (get trial of) a new or improved product, or to encourage regular customers to stock up on the brand, or to break brand loyalty to a competitive product, or to build traffic in retail stores stocking the product. For a trade promotion, the objective might be to get dealers to stock the product, build up pre-season inventories, get favored display, or to encourage extra selling effort by channel members. All of these objectives reflect problems that can be addressed by sales promotion.

Dangers of Sales Promotion. There is evidence that sales promotion in recent years has been taking a growing proportion of the promotional mix. Although measurement is difficult, total expenditure on sales promotion appears to exceed expenditure on prod-

uct advertising and to be growing faster.³ The growth of sales promotion appears to reflect the increase in new products and the fight for retail shelf space, an increasingly short-term orientation by managers, greater homogeneity among products, trade pressure for more incentives, and increased consumer acceptance of sales promotion.

Along with the increased use of sales promotion has come an increase in the dangers of excessive use of sales promotion. Before committing to a sales promotion program, marketers should be aware of the disadvantages of this form of promotion, especially when used to excess.

- **Price Orientation.** Most sales promotions involve a temporary reduction in price. If used too often, the brand will gain a reputation with consumers and with the trade as a cut-rate brand. Purchases by both will tend to be postponed until the product is "on special" again. If a brand gets a cut-price reputation from excess sales promotion, the perception is very difficult to reverse. Sales promotion seems to be subject to diminishing returns. The first sales promotion is "news" to the consumer (and the trade), but subsequent ones receive less attention and provide less incentive.
- **Distraction.** Sales promotions, because they use attention getting incentives and high impact advertising, tend to overshadow product advertising. Indeed, many advertisers withdraw regular product advertising during the term of a sales promotion. This means that consumer attention is drawn away from advertising of product attributes and competitive advantages that build a long-term brand franchise and are turned instead to short-term action incentives.
- **Competitive Retaliation.** Sales promotions, especially in oligopoly markets, are likely to result in competitive retaliation. (See GLOSSARY entry A.1 on **competitive market structure**.) If a firm sees that a competitor has made a gain in distribution or has taken away customers by using sales promotion, the firm is likely to stage its own sales promotion to recapture the distribution or the customers. The result is that customers and distribution are traded back

²Suggested by Benson P. Shapiro, "Improve Distribution with Your Promotional Mix," *Harvard Business Review* (March-April 1977), p. 119.

³See Don E. Schultz, "Why Marketers Like the Sales Promotion Gambit," *Advertising Age* (November 7, 1983), p. M-52.

and forth, sales stay the same, but margins deteriorate for both firms because of the cost of the sales promotions.

- *Customer Purchase Postponement.* If sales promotions are conducted frequently, they tend to "borrow" future sales that would be made without the sales promotion. Regular consumers of the product, seeing the promotional special, stock up on the product, thereby causing a temporary bulge in sales. When the sales promotion is over, customers cease purchase and use up their inventory, causing a sag in sales. The net result is no change in sales. The effect can be seen in both consumer and trade purchases, especially for a product that is frequently "on special." Purchases during regular price periods are simply postponed until the price is temporarily reduced again.
- *Trade Leverage.* Major chains, which today dominate retail distribution, have gained increasing power over manufacturers. The proliferation of products has intensified competition for shelf space that is controlled by these retailers. One result of this shift of power to the retailer has been increased pressure on the manufacturer to offer sales promotions that will accelerate product movement and strengthen retailer margins. If competition offers these incentives, it becomes very difficult not to follow suit. More alarming is the fact that some retailers accept the offered incentives, but do not, in return, provide the promised merchandising support, or they fail to pass along the price incentive to consumers by reducing the retail price.⁴

Some of the problems cited above can be avoided by not using sales promotion too frequently, while others can be avoided by more thoughtful design and implementation of the promotions.⁵ Sales promotion design is considered below.

THE SALES PROMOTION PROCESS

Sales promotion is a powerful and important problem-solving tool for the marketer,

but to avoid the dangers of misuse, sales promotion should not be used impulsively, but as the result of careful planning.⁶ Sales promotion planning should be done product by product as part of the annual **marketing planning process**. Each sales promotion should be a response to a specific problem facing a product. The process for planning a sales promotion is presented below. The process is useful also as a guide to analyzing sales promotion problems.

Step 1: Define the Sales Promotion Objective.

The sales promotion objective stems from the problem that the sales promotion is to address. The objective should define the target consumers for the promotion and should specify the action or response that is desired. For example, gaining trial of a new product among target consumers or building traffic in dealer showrooms might be consumer promotion objectives. Increasing stock levels among target retailers or encouraging store displays by target retailers would be trade objectives. Frequently a sales promotion will require both a trade and a consumer objective to solve the problem. For example, during **new product introduction**, initial stocking of retailers and sampling of target consumers would be complementary sales promotion objectives.

Sales promotion objectives should be stated in specific and measurable terms. This permits them to be used as control standards in evaluating the effectiveness of the promotion in step 5.

Step 2: Select an Incentive to Consumer or Trade Action. Sales promotions are designed to encourage immediate response by consumers and the trade. This is accomplished by offering, with a time limit, an incentive that can be realized in exchange for the desired action. For example, a 50-cents-off coupon, with an expiration date, offers consumers an incentive to purchase the couponed product before expiration of the coupon.

The selection of an appropriate incentive

⁴See Quelch, "It's Time," p. 131.

⁵For specific suggestions see David W. Nylén, *Advertising: Planning, Implementation and Control*, 3rd ed. (Cincinnati: South-Western Publishing Co., 1986), chapter 19, and Quelch, "It's Time," pp. 130-36.

⁶See Nylén, *Advertising*, Chapter 19.

is guided by the sales promotion objective. The incentive selected should meet these criteria:

1. The incentive should appeal to the target audience without wasteful response from members outside the target.
2. The incentive should provide an adequate level of response, but should be economically feasible. Generally, increasing the value of the incentive increases the response rate, but increases the cost.
3. The incentive should generate the appropriate response. If, for example, a trade allowance is given to encourage retail displays, the result should be displays, not an increase in retailer margins.
4. The incentive should avoid harmful side effects such as inviting competitive retaliation or creating a cut-rate reputation for the brand.

A wide variety of sales promotion incentives are available. Some of the more popular consumer incentives are these.

- **Free Samples:** useful in encouraging trial of a new or improved product. It is not a price-oriented offer and can be directed selectively to target consumers, but it is expensive.
- **Cents-Off Coupons:** widely used for convenience goods. They can be used to attract new users and load current users. Coupon distribution can be selective. If overused, coupons create a price reputation and invite retaliation.
- **Price Offs:** offer a price reduction, usually on the label. Price offs are overt price cutting, although temporary. They speed merchandise turnover, but tend to be nonselective, attracting both current users and nonloyal price shoppers.
- **Premiums:** can be placed in the product package, but are usually mail-in offers with the consumer often defraying part of the cost. Premiums are not a price-oriented offer and seldom draw competitive retaliation. If the premium selected is complementary to the product, the result can enhance attitudes toward the product. Some premiums require multiple purchases, tending to build brand loyalty.
- **Contests:** another nonprice offer. They tend to attract a narrow target audience and are useful mainly as a way of building news or excitement around the brand.

- **Refund Offers:** pay consumers part of the purchase price of the product based on mail-in of proof of purchase. This very price-oriented offer has become popular with marketers of high-priced consumer durables as well as lower-priced convenience goods. Refund offers are effective in switching brand loyalties, but also tend to load current users. They invite competitive retaliation.

Consumer offers have an effect on the trade as well as on the consumer. Retailers prefer consumer offers that build store traffic and create point-of-sale interest. Refund offers, for example, have both of these qualities.

Trade offers are used as incentives either alone or as a complement to a consumer offer. They are offered in addition to normal trade discounts. (See GLOSSARY entry C.11 on **discount structure determination**.) Commonly used trade offers are these.

- **Trade Allowances:** provide a discount to the retailer or wholesaler for buying specified quantities of the product within the deal period. The allowance may be a percentage reduction on the invoice or it may be in the form of free goods. Trade allowances serve to "load" the dealer prior to a consumer sales promotion or prior to heavy seasonal sales.
- **Display Allowances:** offer discounts to retailers agreeing to build in-store displays during the promotion period. Careful control must be exercised to assure compliance.
- **Cooperative Advertising Allowances:** offer to pay part of the cost of retailer advertising for the promoted product during the promotional period. Careful monitoring and control are necessary to assure compliance with the terms of the co-op agreement.
- **Push Money (PMs) and Trade Contests:** offer incentives to wholesale and retail salespersons to sell the promoted product aggressively. These offers are most appropriate for shopping goods and industrial goods highly dependent on personal selling.

Step 3: Provide Advertising Support for the Sales Promotion. A sales promotion should be backed by advertising to ensure that the "news" of the promotion is communicated and that the desired level of participation by the target consumers is achieved.

Advertising media selection for the sales promotion should focus on the target audience specified in the sales promotion objective. Sales promotions should use **high impact media**, ones that quickly and urgently communicate with the total desired audience. For example, newspapers or local television would have this quality for a sales promotion run by an automobile dealer. The medium selected must also be capable of delivering the necessary sales promotion materials such as coupons, entry blanks, or directions for participation. (See GLOSSARY entry C.4 on advertising media selection.)

Sales promotion **advertising copy** should focus on the incentive being offered to consumers or the trade. The product should be clearly identified and, if possible, there should be some tie-in with the regular advertising campaign. (See GLOSSARY entry C.2 on advertising copy.)

Step 4: Provide for Sales Force and Trade Participation. Successful sales promotions are totally integrated efforts that include not only incentives to consumers and advertising, but also the active participation of the sales force and the trade. A sales promotion provides a potent selling tool for the company's sales force. They are expected to sell participation in the promotion to their customers. A sales meeting is usually held to kick off the event, create enthusiasm, and provide sales materials. Sales force contests can be used to provide incentive.

News of the sales promotion will be carried to the trade by the sales force, but it may be necessary to supplement this with trade advertising announcing the promotion. As noted above, even for a consumer-oriented sales promotion, trade incentives should

usually be offered to encourage participation.

Step 5: Provide for Evaluation of the Promotion. Evaluation of sales promotion results is needed to provide feedback that can be used to improve subsequent promotions. Because they have specific objectives and result in immediate response, sales promotion results tend to be far more measurable than product advertising results.

The sales promotion objective provides the basic standard against which actual performance is compared. Actual performance measures might include sales results, levels of participation, consumer awareness of the promotion, competitive reactions, changes in market share, costs, and resulting profits. Applicable measurement techniques are discussed in GLOSSARY entry C.3.

Pretesting sales promotions is feasible and highly desirable. Individual elements of the sales promotion can be separately tested and the total sales promotion can be evaluated through market testing.

SUGGESTIONS FOR FURTHER READING

- JOHNSON, WILLIAM C. "Sales Promotion: It's Come Down to 'Push Marketing.'" *Marketing News* (February 29, 1988), pp. 8-9.
- QUELCH, JOHN A. "It's Time to Make Trade Promotion More Productive." *Harvard Business Review* (May-June 1983), pp. 130-6.
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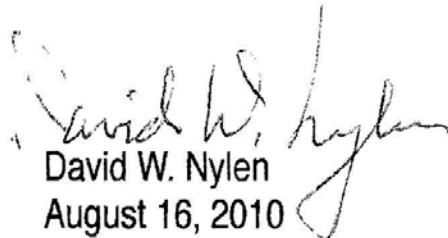
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