

Promotions are important Marketing communication tools for companies.



Each promotional activity should be used in terms of the goals to be achieved and its costs.



Promotions

In our previous newsletter we raised the subject of price strategies as a fundamental mechanism to encourage a customer's selection of a brand. We are going to focus on this aspect in **Promotions**.

In an ever more competitive market, product managers need to have a better understanding on the impact of Promotions on consumers in order to design better Marketing campaigns. But they also need to achieve maximum profitability from Promotions investments, since, according to available data, investment on Promotions is experiencing a significant growth.

Promotional Activities

Promotional activity is above all a communication instrument for introducing our products to consumers and for trying to influence their purchasing decisions. There are four types of promotional activities: **Direct Sales, Advertising, Public Relations** and **Sales Promotions**, which mainly differ in the media used to communicate with the target market.

	Direct sales	Advertising	Public Relations	Sales promotions
Way of communication	Direct & personal	Indirect & non personal	Indirect & non personal	Indirect & non personal
Regular and recurrent activity	Yes	Yes	No. Only for noteworthy news	No. Boost in the short-term
Message flexibility	Customized to the potential customer	Uniform and invariable	Beyond the control of the retailer	Uniform and invariable
Direct Response	Yes	No	No	No
Control over the Message content	Yes	Yes	No	Yes
Sponsor identification	Yes	Yes	No	Yes
Cost per contact	High	Low / Moderate	None	Variable

Source: Marketing: Conceptos y estrategias. Miguel Santemas. Ed. Pirámide.

Many companies earmark similar sums for Sales Promotions as they do for Advertising.



It is vitally important to identify your target audience for our Promotions.



(1) F. Javier Villalba, Iñaki Perriñez: La promoción de ventas en los mercados de consumo: Propuesta de un nuevo enfoque de gestión promocional. Cuadernos de gestión, vol 2 Nº 2, 2002

Sales Promotions

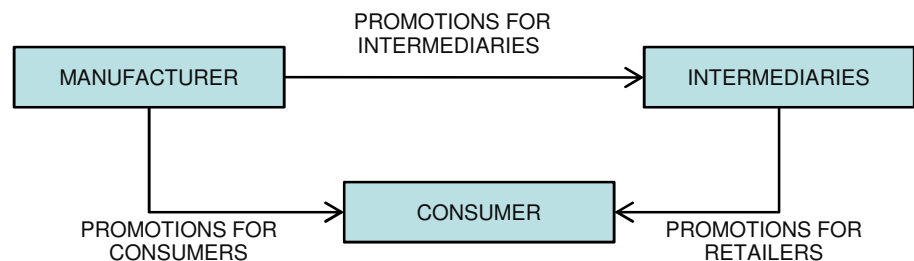
Over the last years, Sales Promotions are becoming an increasingly important tool of the communication mix, accounting for a significant part of the Marketing budget, and specifically for the communication budget. Besides, sales promotions have been considerably increasing their weight over total sales in the last few years (over a third of food products sales in Spain are supported by promotions).

Sales promotions is an activity in which different business areas need to get involved and coordinated, such as the Marketing, Commercial and Production Departments. Therefore, and according to Villalba y Perriñez (1), we can define sales promotions as:

«The combined activities undertaken by a firm as a result of an incentive offer, during a given period of time, involving different functional areas in the organization, and in order to achieve certain business objectives».

Strategies and objectives of Sales Promotions

It is very important to work out the profile of the target audience for our Promotions. The following outline shows some of the most important groups to whom promotions are usually targeted



Sales Promotions are normally used as a tactical tool in order to increase sales in the short-term; however, the objectives and the promotional activities used will vary according to the different target audiences, as can be seen in the following table:



2x1



It is very important to prepare an annual Promotion plan, as there are many departments involved.



TARGET AUDIENCE	PROMOCIONAL ACTIVITIES	OBJETIVES
Intermediaries	Exhibitions, fairs. Competitions, contests. Discounts, bonus. Samples, free products. Point of sale advertising. Cooperative promotion & advertising.	Expand product range. Increase quantity per order. Boost brand popularity. Improve stock turnover.
Salesmen	Bonus scheme. Contests, prizes. Awards.	Increase the sales of a product. Increase customer sales. Effective sales force.
Opinion leaders	Free samples. Technical documentation. Gifts. Sponsoring Congress Attendance.	Information about products. Implement brand recommendation. Create brand image.
Consumers.	Price reductions and discounts. Increase product quantity. Complementary products. Discount coupons/vouchers. Contests, prizes. Samples. Gifts.	Increase the number of consumers. Increase purchases per consumer. Introduce other products. Induce product trial. Facilitate the sale of new products. Foster brand loyalty. Boost brand switching.

However, they can be also used to promote more stable relations with consumers in the long-term.

On the basis of this approach two different types of promotional strategies could be applied, depending on the type of consumer targeted and on the relation which such consumer might have with our brand:

- **Offensive Strategy:** Designed for attracting new consumers.
- **Defensive Strategy:** Designed for maintaining present consumers.

Below we give an outline of the objectives for each type of strategy, bearing in mind the type of consumer and the timeframe we are aiming for.

Promotional strategies will vary according to the type of consumer targeted and our objectives.



Contrary to what is commonly believed, Promotions also have an effect in the long-term.



PROMOTIONS OFFENSIVE STRATEGY

	New Consumers	Consumers Other Categories	Consumers Competitors' Brands
Buying Experience and Consumption	Non-existent	Limited	Great
TIMEFRAME	OBJETIVES		
Short-Term	Induce Brand Trial	Induce Brand Trial	Induce Brand Switching
Medium-Term	Category Awareness	Category Awareness	Category Awareness
Long-Term	Building a loyalty relationship based on Brand Attributes		

PROMOTIONS DEFENSIVE STRATEGY

	Present Consumers	
Buying experience and Consumption	Maximum	
TIMEFRAME	OBJETIVES	
Short-Term	Create switching barriers to other Brands and categories	Increase Brand's customer satisfaction
Medium-Term	Increase or maintain the Brand's consumption level through greater Brand awareness	
Long-Term	Maintain the relationship of loyalty to the Brand	

Promotional incentives must suit our consumers' motives



Businessmen are very interested in evaluating the profitability and effectiveness of investments made on Promotions.



(2) Gupta S.: Impact of Sales Promotions on When, What, and How Much to Buy. Journal of Marketing Research, Vol. XXV, November, pp. 342-355.

Once the strategy has been established, we have to determine the incentive or benefit we plan to offer to consumers so that they can perceive a better product value. Consumers may get **monetary** or **non-monetary** incentives or benefits, and we can classify them in two different types depending on the consumer response, which, in its turn, will be influenced by the consumer's own motives leading to a buying decision:

- Utilitarian: - Quality; Savings; and Convenience.
- Hedonists: - Manifest value, Amusement, Exploration and Variety.

Sales Promotions Effectiveness

Considering the increased spending investment on Promotions, as well as the costs involved, Manufacturers and Distributors need to know how much of this activity is really effective.

As previously said, to get to know the consumer of our products, as well as his motives when it comes to buying, it is decisive in order for promotional activities to achieve stated objectives.

There are a great variety of models to measure the effects of Sales Promotions, which we can group together in three great categories:

- **Theoretical models:** trying to explain the behavior of individuals.
- **Descriptive or empiricist Models:** trying to quantify the effects of Promotions.
- **Operational or prescriptive Models:** trying to guide the decision-taking process during the development of a Sales Promotion campaign.

The results of the empiricist models: **the when, what, and how much to buy Model** (Gupta 1993) (2), make it clear that the origin of a sales increase due to a promotion can be accounted for according to the following data:

- over 84% to brand switching among competitors (those who bought Brand A, then buy Brand B because it is on Promotion);
- a little less than 14% on a buying spree (they buy fast the first Brand they see on Promotion);
- and only 2% to an increase in the amount bought to stock up (if there is a Promotion customers tend buy more).

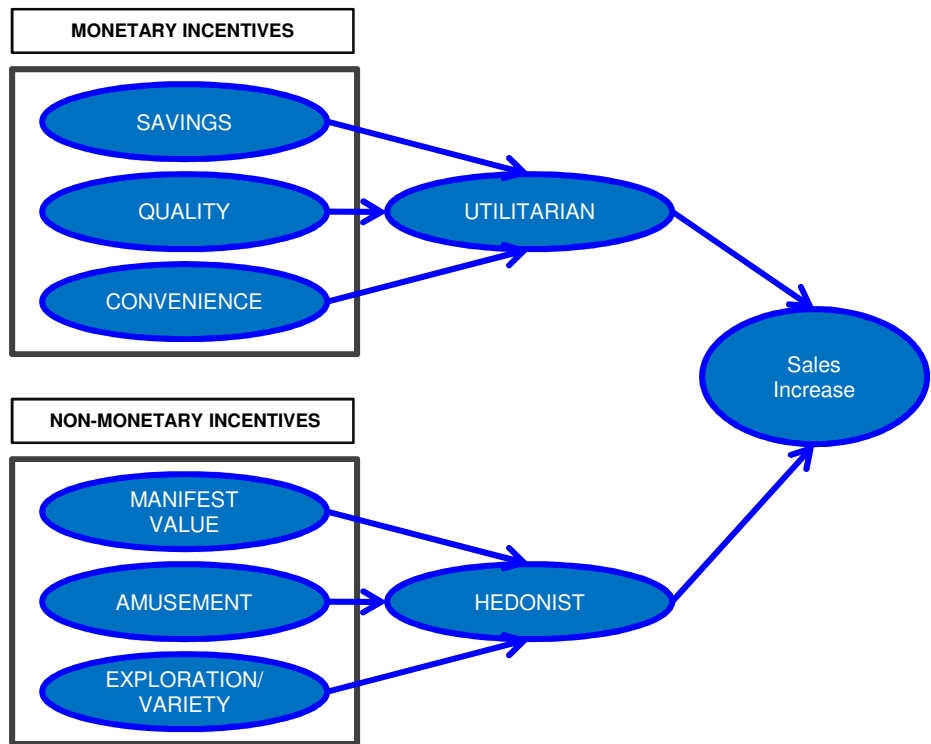


The application of different types of Models will allow us to analyze and evaluate the effectiveness of Promotions.



A first conclusion, in view of these data, is that promotional activities will prove highly effective in sectors with highly competitive brands, by taking away sales from competitors.

A Mathematical Model focused on the analysis of consumer motives and their influence on purchasing decisions, could be the one shown below. The model could be used both for designing effective Promotions, for evaluation and feedback.



Conclusions

Sales Promotion is a Marketing activity, limited in time, whose primary goal is to make a direct impact on the behavior of the consumers or on the intermediaries.

Promotions should be designed and conducted within the context of a global Marketing plan. And we need to stress the importance of knowing the consumer and knowing that savings is not the sole motivation for consumer response to a Sales Promotion.