
UNIT 12 MANAGING SALES PROMOTION

Objectives

After going through this unit you should be able to:

- explain the important consideration in the organisation and management of consumer trade and salesforce promotions
- discuss the importance of measuring the performance of sales promotion
- describe how to manage sales promotion schemes to efficiently accomplish the goals set.

Structure

- 12.1 Introduction
- 12.1 Managing Consumer Promotions
- 12.1 Managing Trade Promotions
- 12.1 Managing Salesforce Promotions
- 12.1 Managing Sales Promotion in Service Marketing
- 12.1 Measuring the Performance of Sales Promotion
- 12.1 Summary
- 12.1 Self-assessment Questions
- 12.1 Further Readings

12.1 INTRODUCTION

This unit is a build up on Unit 17 on "Personal Selling and Sales Promotion" of Block 5 forming part of MS-6 **Marketing for Managers**, While Section 17.5 on "Sales Promotion" discussed aspects such as meaning, role, objectives and methods of sales promotion as well as highlighted the need for systematic management of this function the latter forms the subject matter of this unit.

You would recall that sales promotion schemes are aimed at three target audiences namely consumers, trade (distributors, retailers, etc.) and the salesforce. The issues relating to effective planning and control of sales promotion targetted at each of the three audiences are explained below:

12.2 MANAGING CONSUMER PROMOTIONS

Consumer promotions are those incentive schemes which aim at encouraging the product/service usage at the consumer level. You might recall that some of such schemes are over-the-counter give a ways, price-offs, quantity-offs, sampling, in-package premium, banded premiums, container premiums, self-liquidating premiums, coupons, personality premiums, refund offers, trading stamps, contests and lucky draws.

Besides choosing an innovative and creative scheme. which is compatible with the sales promotion goals set, it may be noted that the success of the scheme rests equally on how well these are organised and implemented.

For effective management of consumer promotion, the following checkpoints merit consideration by the sales promotion managers. These checkpoints, separately for consumer schemes and consumer contests, are as under:

Organising Consumer Schemes

a) Objectives

Simply speaking, all consumer promotions must persuade consumers to consume more. Under this overall objective consumer schemes can be organised to help attain the following specific objectives:

- to stabilise the fluctuating sales pattern



- to make the slow moving products to move faster
- to overcome seasonal slumps
- to clear inventory of old product while making room for a new product
- to effect sales of a specific pack size or in a specific market(s)
- to counter a competitive move
- to build goodwill by sharing festivity spirit
- to improve product visibility at point of sale • to motivate trade to take more interest in the product
- to assist in the launch of a new product

b) Scheme Selection

Innovative and not-easily imitable scheme which is suitable to accomplish the objective set should guide the scheme selection. For example, while price-off scheme works well for an objective of **inventory** clearance at the retail level, to promote sales of a specific pack, schemes such as in-pack or banded-premiums have shown encouraging results.

It may also be noted that a consumer scheme which clicks well for one product need not succeed for the other. Also, what succeeds in one market or the one that succeeded in the past may not necessarily do so on its repetition elsewhere or latter. Some more points that need emphasis are given as under:

- Ensure that the consumer promotion reaches the consumer given the not-so-scrupulous image of the traders in India and the pilferages in transportation.
- Ensure the ready availability of the premiums at retail points during the entire duration of the scheme for which proper forecasting and reliable sourcing are critical consideration. Often sponsors run into problems of non-availability of premiums and also the varying quality of the premium item given makes a reflection on the quality of the brand under promotion.

c) Scheme Execution

Given the varying tax structure across our states the selection of the target market area for the scheme, consumer scheme should include in it the neighbouring satellite markets in order to minimise leakage.

In cases where sponsors make use of coupons personality premium schemes, and refund/rebate offers, there is a need to fix responsibility on a specific personnel at the field/regional office to enable quick processing and minimising delays and doubts in the mind of the consumer.

d) Promoting the Promotion

A well rehearsed and integrated promotional support is a must for enabling the scheme to accomplish the set objectives. Apart from an action generating media campaign at the consumer level, it is necessary that the trade be convinced of the merits of the consumer scheme as well as what they are required to do. Similarly, the salesforce should be properly briefed to handle the scheme and be motivated to adopt the scheme as their own and thus be prepared to put in the extra effort required at the marketplace.

e) Follow-up

For ensuring better performance of the consumer scheme, it is desirable to monitor the market place soon after the commencement of the scheme. This monitoring should cover : brand and premium availability, brand visibility area and store-wise daily movement of the brand, and competitors reactions etc. Reminder advertisements, release of extra P.O.P. materials, and deployment of salesforce may sometimes be required to save the scheme from misfiring, hence a contingency plan for the above should be prepared.

Organising Consumer Contest

Consumer contests are competitions wherein individuals are invited to compete on the basis of creative skills. These contests are generally open for a period of five



weeks or more and among others aim at generating greater degree of awareness and enthusiasm in the sponsor and/or his brand. Although consumer contests are capable of accomplishing some of the sales promotion objectives mentioned earlier, yet there are certain specific objectives for which consumer contests are more suitable. These objectives are:

- Stimulating interest in the stagnant/tapering brand
- Increasing product usage and its' unit of purchase e.g., a larger size pack
- Introducing new products
- Acquainting consumer with unique or specific aspects of the brand and brand usage
- Measuring the effectiveness of ad copy and media through recall, completion of slogan, theme visualisation association, coupon response etc
- Generating mailing list for database marketing
- Influencing enthusiasts in public and generating goodwill.

In organising consumer contests, one of the most important aspects is to consider the law. Or

Being skill based competitions the contests are covered under the Prize Competition Act or 1955 and require a written permission from Government (District Collector or other similar licensing authority in a State) before launching a consumer contest. Adapting Risks, four things determine the success of a contest and hence need careful consideration. These are:

- 1) the type of contest,
- 2) the prize schedule,
- 3) advertising and promotion of the contest, and
- 4) rules governing the contest.

The salient points of these four aspects are mentioned below:

Type of Contest

Being capable of meeting diverse objectives the popular types of contests include : reason why, sentence completion, brand name/slogan/essay writing contests, special skills-sewing, knitting, cookery contest etc., each capable of delivering the purpose with which a contest is organised. Whatever be the type of contest, selected, it should be easy and fun in order to attract greater participation.

Prize Schedule

A big first prize, a few second, more thirds, and many consolation and early bird prizes rule the consumer contests these days. In order to reduce uncertainty on the part of the contestants it is desirable to offer only well-known brands as articles of prize. The closing date of the contest must be adhered to and its extension even "on public request" is generally seen with suspicion and in bad taste, The intervening gap between the closing date of the contest and the announcement of results should be the bare minimum, pre-fixed and in case of unavoidable delay, must be advertised. Likewise, the announcement of results should be given wide publicity.

Advertising and Promotion of the Contest

It is important that the contest be supported with an integrated advertising and promotion programme targetted at the consumer, the trade and the salesforce. Media advertising supported by displays and P.O.P. materials at retail level and intense market touring by the salesforce improve the public participation in the contest periodic repetition of ads, and the **increase** in the reminder **ads towards the last leg** of the contest prove useful. Announcement of early bird prize winners have been found to stimulate increased and early participation in the contest,

Consumer Contest Rules

Experience brings out the need for clearly spelling out the rules covering the following aspects in the smooth conduct of a scheme. While celebrities and public persons **have** their due place in the panel of judges, it must have reputed and



technically qualified experts too, **Specifically** the rules **should contain** indications **like:**

- **Judges decision** will be final and no **correspondence** will be **acknowledged**.
- How **and** when the winners will be informed,
- Whether entries will be ' returned or become property of the sponsor of the contest.
- And, where **applicable**, all entries submitted must be the original work of the contestant.

Activity 1

Survey a leading newspaper for a period of one month and gather the following data :

- a) Total number of consumer promotion schemes and consumer contests announced.
- b) Identify the brands, product categories and their sponsors.
- c) List the various consumer schemes and types of contests announced.
- d) Analyse the terms of the consumer schemes and rules of the consumer contests.

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12.3 MANAGING TRADE PROMOTIONS

Trade promotions are the incentive schemes which are offered to the distributive trade (wholesalers, distributors, retailers, etc.) and aim at motivating them to back up the sponsored brand by giving more than their usual push.

You might recall that some of the trade promotion schemes are such as dealer "loaders -merchandise deals, buying/selling allowance and discounts; coupons; shelf-space incentive, display contests, sales contests, gifts, trade/cooperative allowance, premium or push money, and provision of P.O.P. material.

Effectively managed trade promotions contribute towards building customer traffic at retail points, increasing sales, improving profitability, and strengthening of manufacturer-trade relationships.

Organising Trade Promotions

While trade promotions are meant inter-alia to obtain greater trade cooperation and improve manufacturer-trade relations the practice of trade promotions schemes has brought forth certain conflicts between the two. These conflicts mainly arise out of the unmet expectations of each other. For effective management of trade promotions therefore, one of the prerequisites is the clarity of understanding between the parties regarding the roles and goals of each. The manufacturers should clearly understand that like them the trade have their own economic objective which is of supermost importance to them, Likewise, trade members should realise that with rising costs of managing promotions, no manufacturer can afford to accept the indifferent response and performance of his trade. A few of the basic considerations useful in systematic organisation of trade promotions are given as under:

- 1) Trade promotion schemes should match with the capability of the different members of trade. For example, wholesalers are poor at primary demand creation of the product, and the retailers in administration of complete schemes. Sponsors of trade promotion schemes should perform these tasks for them instead of expecting them to carry them out.



- 2) Only those schemes and terms should be offered which minimises the temptation of resorting to unhealthy trade practices on part of the trade.
- 3) Trade should be effectively communicated and soundly convinced with the working as well as results expected of the schemes.
- 4) Regular availability of product supplies and gifts must be ensured during the period of the promotion scheme.
- 5) Increasing competition and limited display-shelf-space now require that signing up of the prominent dealers and booking of their shelf-space should be done sufficiently in advance.
- 6) In case gifts are offered as incentives to trade members, these articles should be of reputed brand and of household or personal use.
- 7) The organisations of dealer display and sales contest follows more or less the same steps as discussed for consumer contests earlier. Some points of special importance include:
 - Selection of dealers having prominent location as well as good facilities such as show windows, counters, etc.
 - Provisions of assistance for arranging creative displays because not all dealers show enough initiative or possess adequate expertise in this area.
 - Communication of the team of judges, the judging criteria and offer of consolation prizes of meaningful value inspire greater participation of the trade in the contest,
 - Assignment of targets should be based on the trading area potential. It is useful, therefore, to divide the market into different potential zones, and likewise offer a set of prize on zonal basis.
- 8) It is said that not more than 15 per cent of the P.O.P. material supplied is displayed and that too for a period less than half its life. It is needless to state that the use of P.O.P. at the retail level requires constant supervision and follow up.
- 9) Leading retail dealer offer their own retail sales promotion schemes, Though difficult, attempt should be made to get a special support for the company product line during the period.
- 10) With the amendment of the MRTP Act, 1969 by Amending Act 30 of 1984 w.e.f. 1st August 1984, Sections 36A to 36E relating to unfair trade practices have been inserted.

Upon complaints relating to discount sales upto 50% the commission laid down the following guidelines for future advertisements

- the period of discount sale shall not be less than 10 days, and
- the original price, the bargain price, the quality of articles at which the maximum and minimum discount would be available shall be mentioned.

Activity 2

Interview three retailers (one dealing in consumer non-durables, one in consumer durables and one in pharmaceuticals) and compare the various kinds of *dealer promotion schemes* offered to them: Survey their impressions regarding which of these schemes they like the most and why? Also, ask them as to what should the manufacturers do to make their sales promotions more effective.

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12.4 MANAGING SALESFORCE PROMOTIONS

Sales promotion schemes offered to the salesforce mainly include incentive programme and sales-contests. The operational and managerial aspects of the two schemes are discussed below:

Organising Salesforce Incentives

Sales incentives directly link the motivation and reward for the salesforce. There are four methods by which sales incentive awards may be computed for, the salesforce. These are:

- awards are tied to unit sales on an actual basis.
- awards are given to those who achieve more than a specific percentage of their sales quota performance.
- awards are given to those who perform best in relation to their individual quota.
- awards are given on account of special achievements as notified by the organisation from time to time,

The sales incentive awards take the form of cash, travel merchandise or a mix of the three.

Sales incentive programmes have been found to be both cost efficient as well as strong motivators for improved sales productivity. According to an American study, some of the popular reasons for the use of sales incentive include

- increase sales per sales person
- boost morale
- increase units sold per sales person
- launch new products
- increase average sales per account
- promote dealer activity
- boost recession - period sales
- upgrade existing accounts to high ticket products
- revive old products, etc.

The managerial considerations for sound management of sales incentive programmes are discussed alongwith the sales contests,

Organising Salesforce Contests

A sales contest is a competition among members of the salesforce of a firm, Sales contests aim to fulfil the needs of the sales person for achievement, esteem and self-actualisation used effectively, sales contests prove to be a boon to the sales organisation. On the other hand, if improperly handled sales contest can destroy morale among sales persons as well as negatively effect sales. Over enthusiasm to win contests has also led some salespersons to inventory overloading, cheating and even neglect of customer service and relationship, In short, being prone to misfire sales contests need to be managed carefully.

In addition to the managerial considerations for effective management of consumer and trade promotions some other aspects relating to themes, rules, participation and promotion of sales contests are discussed below:

Themes of Sales Contest

Sales contest have a direct and a novelty theme. In a direct theme the focus could be on obtaining new customers, or selling a more profitable product mix or improving the market share etc. In a novelty theme the focus is on fun simultaneous with more specific current event or problem facing the company sales, Some examples of novelty themes are : Let's hunt for hidden treasure (find new customers), make your customer fat (sell more to existing customers), planting the gold (sell more profitable orders), healthy customer healthy sales person (more sales, less outstanding, more profit per customer) etc. Themes which are novel, objectively measurable and

relevant to the company sales curve find greater participation of the salesforce.



Rules

Clear and comprehensively written rules covering aspects such as what will constitute a sale (order, delivery or payment), whether institutional or original equipment manufacturer's supplies will be counted in sales or not, what will distinguish between a new order and old order, and new customer and old customer, what about cancellations or returns after the contest period is over, and which achievement will carry how many success points, help to minimise heart burns and ill-feelings among the sales persons.

Participation

If the size of salesforce is large and the hierarchy levels different, it is preferable to organise different sales contests with restrictive participation on an eligibility criteria. In any case, sales contest should try not to pit one sales person against another. An offer of a variety of prizes for various types of achievements helps in this direction.

Promotion

Excitement, surprise and a feeling of enjoyment should govern the mood throughout the contest period. Writeups in newsletters; flashing of special communications with photographs of ice breakers, special achievement and achievers; wiring of reminders, motivational letters, announcements of a few more prizes, etc. lend strength to the air of expectancy on the part of the sales person during the contest. To save the sales curve from dropping down drastically after the contest is over and also not to lose the business which could not be accomplished during the contest period some activity must be planned.

Finally, some don't on sales contest as mentioned by Heinz Goldmann.

1) **Don't reward just one person**

One or only a few winners can serve to demotivate the losers. A contest which *no* one has a chance of winning can often cause salespeople to sell less than before the contest started.

2) **Don't set goals too high**

Do not alienate the bulk of sales people with goals that are too high, Motivate everyone, because the bulk of sales does not come from a top performer. There should be as. many winners as possible.

3) **Don't start the contests towards the end of the year** Many sales persons perceive a year end contest as a way to make up for poor planning and a bad sales year.

4) **Don't use sales volume as the only goal of every contest**

There are many marketing goals other than sales. Other goals like territory cultivation, dealer relations and customer relations can also increase motivations of sales people who achieve less than others in terms of sales alone.

5) **Don't use the same prizes for every contest** The same prize repeated very often can lose impact very quickly.

6) **Don't Include only sales people in the contest**

A good opportunity to involve other people within the company is to make them part of the sales contest. The non-selling staff' can do a great deal to help push their sales people to perform better.

7) **Don't let the sales contest become a guessing game** Everyone should clearly understand the purpose of the contest; otherwise lost sales are bound to occur. A sales contest is not an intelligence test.

8) **Don't look for a "fair" or a "just" contest** Sales contests have specific goals to accomplish and unfortunately some goals will be easier to accomplish for some than for others.



MARKETING

Our discussion so far remained limited to firms marketing tangible goods. Although the considerations and guidelines of sales promotion for goods are extendable to services, some special aspects of services sales promotion are covered hereunder.

Of late, we notice a great deal of sales promotion activity on the part of hotels, travel agents, international airlines, banks and financial service institutions, etc. These firms make use of schemes similar to that of product promotions at the levels of consumer, trade and own. salesforce. Some of the commonly offered sales promotion schemes offered by services firm are: price and quantity off by airlines contests and coupons by tourism organisations, refunds and future discounts by international airlines, premiums by banks and financial institutions, incentives to trade and salesforce by financial services firms etc.

Organising Services Sales Promotion

Services carry the peculiarities of perishability, absence of inventory and intangibility. As such a service not utilised is an opportunity lost for ever, be it an airlines seat, a hotel room etc. The demand management of services, therefore, often requires the use of sales promotion schemes particularly in business affected greatly by seasonality or having intense competition.

Lovelock and Duplech make following observations regarding organising of sales promotion for services marketing.

- The broader the service product line, the more challenging the scope for offering sales promotion schemes. For example, an airline has limited options as against a hotel which offers a large variety, of restaurants and services.
- As the usage level of service varies with the. customers unlike consumer goods, service marketers offer schemes with multiple options for different levels of consumption, as in the case of airlines promotions.
- Consumer response is likely to vary by type of promotion and is unlikely to be linear; in other words, a 10% discount will not necessarily generate twice the incremental sales of a 5% discount.
- Services offer tremendous opportunities for joint promotions, where the actual costs are shared by major users. A typical example is of airlines joining hands with hotels and car rentals promoted through travel agents.
- Services sales promotions are easily imitated. Two forms of competition proofing are, first, to develop a promotion that will be too complex to imitate quickly, and second, to arrange with one or more well known firms an exclusive joint promotion programme that cannot be directly duplicated.
- Although promotions can stimulate consumer excitement they can also increase consumer price sensitivity, so that many consumers eventually become unwilling to buy the service unless it is available at a promoted price:
- **If a high percentage of sales are made on promotion, "normal" prices become artificially inflated and increasingly meaningless.**

12.6 MEASURING THE PERFORMANCE OF SALES PROMOTION

The measurement on how well the sales promotion has performed implies the existence of the. following

- written sales promotion goals for which the schemes were run;
- the evaluation criteria in relation to the sales promotion goals;
- a data bank containing documentation on past sales promotion results and trade/salesforces reactions and assessments; and
- an organisation for monitoring and evaluating the sales promotion.

The task of organising effective sales promotion is usually divided into three phases before sales promotion is offered i.e., pre-testing; testing during the time it is in



operation i.e., monitoring and follow up; and after the sales promotion event has ended i.e., post-testing.

The pre-testing phase helps both in ascertaining the cost effectiveness of the alternate schemes as well as in finding out the most liked terms on which to offer the scheme for accomplishing the goals set, Pre-testing could be carried out with a panel of the audience in person or by mail, and by field testing followed by a market research study.

The monitoring phase of evaluation should focus on gathering product movement and sales data territory and outlet-wise; its review and comparison with the goals set and the past results; competitive intelligence and reactions; assessment on market mood, and the problems faced, if any.

The post-testing phase of sales promotion evaluation is analytical in nature. Sales promotion is usually measured in performance reference to sales achieved, cost effectiveness, redemption rate of coupons and trading stamps, turnover of special packs or self-liquidators, number of entries received to the contest etc. Post-testing of sales promotion is carried out by desk analysis of the data gathered, in-store observations and market research studies carried out for this purpose. Where direct measurement is possible, results are compared against goals set as well as with a similar period or a base line. Emphasis should be put on measuring and comparing the incremental sales than the gross sales and other related parameters. A literature survey on effectiveness of sales promotion brings out that:

- incremental sales are harder to get for high market share brands.
- a coupon with a sample can be almost twice as effective as a coupon alone.
- high redemption rates (say of coupons, personality premiums) can be very costly.
- the earliest redemptions are the incremental sales.
- short purchase cycles mean shorter-term effects.
- higher levels of inventory with the trade and competitive escalation of sales promotion are the hidden costs of promotions; higher discounts offered to trade once, become the minimum level for future schemes.
- customising promotions for local markets makes more impact than the general all market sales promotions.
- markets with above-average unsupported price reductions might need greater product featuring and display support from the retailer. Those markets which are low in promotion response probably need higher quality promotions, better display locations or advertising and salesforce support.

Value of Sales Promotion Evaluation

Pre-testing, monitoring, and post-testing sales promotion are only the means to measuring its performance. In the ultimate analysis what matters is the value vs. cost of sales

promotion in terms of changes in consumer trade and salesforce behaviour and their impact on the long and short-term sales, profitability and brand image. While systematic planning, monitoring and research help in making sales promotion effective, more efforts should also be made to control sales promotion expenditure. Inculcation of cost consciousness, selection of the appropriate form of sales promotion aids; updating of mailing lists; control over **misuse** of P.O.P. material; careful selection of the participants to the scheme; instituting rewards for expense control can enable sales promotion to be managed more efficiently. With growing need as well as cost of sales promotion managers, must, cut back on convenient but unproductive promotion schemes in favour of hard-to-imitate creative and preferred schemes.

Role of Salesforce

The changing market environment and the increasing need of sales promotion calls for a new role for the salesforce to make sales promotion cost effective. Salesforce are the foot-soldiers, army of the marketer. They must involve themselves in the gathering of competitive intelligence and also give regular feedback on the local



conditions of the market, the brand movement, the retailers reactions, and their assessment for the sales promotion schemes. Monitoring and follow up of the market when the sales promotion event is on and assisting the trade in improving the off-take of the brand and in administration of sales promotion schemes are its other new tasks. Selling sales promotion scheme convincingly to the trade and discovering room for expenditure control are the emerging challenges for the salesforce to face.

12.7 SUMMARY

In this unit we discussed the various operational and organisational aspects involved in managing sales promotion. Creative planning sound implementation, and an eye-for-the detail emerge as the pre-requisites for effective management be it the consumer trade, salesforce or services marketing promotions. The task of measuring the sales promotion performance consists of three phases : pre-testing, monitoring, and post-testing. Clearly formulated goals and the existence of a data bank and the organisation for monitoring market response and carrying out the market research contributes towards making sales promotion more cost effective. Finally, for proper planning and execution of sales promotion the salesforce will be required to cast itself for the new role.

12.5 SELF-ASSESSMENT QUESTIONS

The Marketing Manager of "Double Diamond" tea wants to organise a consumer contest for increasing the popularity of his brand as well as its market share. Suggest the format of consumer contest covering aspects such as the theme, entry and eligibility requirements, duration, closing date, prizes, judges and judgement criteria, etc. What would you advise the company to do to evaluate the contest after it is over?

12.9 FURTHER READINGS

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