

**Integrated Marketing Communication**  
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**Module No # 9**  
**Lecture No # 41**  
**Sales Promotion – Part 1**

Hello friends welcome back.

Now we would be moving ahead with different modes of integrated marketing communication, different elements of integrated marketing communication and we would see that why IMC is called IMC. While looking into the details of different forms of communication, we have seen advertising and many a times we feel that most of it is done by advertising.

But now let us look at other important aspects and one of them is sales promotion. It requires lots of strategic thinking; it requires lots of analysis, lots of behavioural analysis and lot many researches have gone into designing different forms of sales promotions. If you look around in today's shopping environment: online or offline, whichever way you would realize that sales promotion is an intensely integrated part of our daily lives.

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Let us look in to the details - sales promotions consist of the incentives. All the incentives offered to customers and channel members to encourage product purchase - discounts, coupons and several others. Many a times you would be walking in a departmental store or a mall somewhere and you would hear announcements that on purchase of this you would get this off. And that can be an on spot offer and you would feel lucky as if you have got a lucky draw. So that is what sales promotion is all about.

Sales promotions are intended to quickly increase sales or increase sales in a shorter term or interest of the customers through discount pricing or other motivational aspects available for a limited time, although many times there are organizations and products which have been witnessed in going for sales promotions for longer times. I have seen one apparel company which offers discounts almost always. And their messages universally are related to certain offer on certain product. So you feel like having discounts almost all the year round definitely on different products. So that is also the call in many organizations, and in many products, they are focusing on sales promotion as a main stay of their marketing or of their marketing communication.

Sales promotions takes 2 larger forms: consumer promotions and trade promotions. So first we will be focusing on consumer promotions for a while and then we will go to trade promotions. A very important question which comes to our mind is, why do consumers respond to sales promotions?

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And there is an effective paper written by Chandan.P, Wansink.B and Laurent. G in 2000 in 'Journal of Marketing' that is called a benefit congruency framework of sales promotion effectiveness. So here some elements discussed in that paper through their research are put up. And through these kinds of researches we get to know that, what are those elements of sales promotion which we should be focusing upon or one can focus upon? And this a very regarded journal so we definitely respect the researches published over there and using that as a reference I extend the argument further in terms of sales promotion. Why do consumers respond to sales promotion?

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Robust empirical results suggest that monetary savings cannot fully explain why and how consumers respond to sales promotions. It is not just monetary elements which attract customer many a times. You offer discounts but customers are not still attracted towards you. Many a times you would realize that you are just moving outside a departmental store and you are paying at the cash counter. And the teller tells you that if you will purchase the membership card for this store then you would get an instant discount of let us say 15, 20, 25% also. You feel attracted and suddenly she tells you that for getting the card made in your name you have to deposit 10,000 rupees or 5,000 rupees whatever way that is a membership one-time fee which can be neutralized in due course of time through different kinds of offers.

Now you have already shopped for 6,000, 7,000 rupees you might not be feeling so attracted and you would say leave it aside what general discount am I getting? Well you will get 5 %, it seems fine to me. Because at that particular moment you do not want to shelve off 5,000 rupees because you do not feel like thinking or imagining or analyzing that I would end up spending 5,000 and saving lots of money at the end of the day.

On the other side you might feel that I would get stuck up with this store for a long time. So that can be a particular feeling and here I would like to reiterate the reference of Daniel Kahneman, wherein there are references of how we think as mentioned in "Thinking fast and slow" which can have a clue to this kind of a thought process if you will go deeper in to that very important research, one of the most lauded researches in the world.

Now another aspect is for example why do consumers respond more to an on shelf coupon than

to a similarly advertised temporary price reduction that offers the same monetary incentive? So that can also be a point of concern, why do consumers respond to insignificant price reductions? On one side you are responding to coupons on the other side you are responding to price reductions.

That as I said there is an aspect which is discussed in Daniel Kahneman's book wherein he refers to that why do we bargain for small incentives on small purchases? For example: you are purchasing for 200 rupees and you are bargaining for 5 rupees and you are purchasing for let us say 10,000 rupees and you might not be bargaining for a proportionate discount.

So that is how it is discussed and that is a behavioral perspective which has to be understood, so this paper is definitely very important while talking about this. Why consumers switch brands because of a coupon or a rebate but then do not redeem it? That is interesting, many customers they have lots of coupons and they end up passing it on to someone else that if you want to shop I have some coupons for you.

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Now the next phase for going or dwelling in to such questions or such kind of an understanding is that there is a metrics formation as described in this paper. How do promotion benefits influence the evaluation of monetary and nonmonetary promotions? On one side this hedonic benefits on the other side this utilitarian benefits and then the metrics tells us that if hedonic benefits are high and then utilitarian benefits are low then free gifts are the elements which can be placed there.

So it is more of an experience related to free gifts rather than utility actually and many a times you enjoy that especially in case of festivals. As I have been referring to Diwali season so definitely New Year season, Christmas season you actually feel happy about it. But when utilitarian aspect is high and hedonic aspect is also very high then free product offers definitely fit in to that kind of a situation.

And when only utility more of a concern then coupons rebates price reductions definitely and then when both of them are low then sweepstakes are there but it might end up bringing in larger benefits for people who win. And that is why people get attracted towards these kinds of things, because of these kinds of 2 larger dimensions which have been discussed here.

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See studies find that sales promotions can provide consumers with an array of hedonic and utilitarian benefits beyond monetary savings. And hedonic benefits include value expression entertainment and exploration along with simple monetary savings utilitarian benefits also

include product quality and shopping convenience, we can categorize several things as per the researches and data which are very important for us to provide directions in due course of time.

But one thing one should remember that something may work for a while and after a particular stage it might not be so attractive or proposition for the customer. So utility can matter for a customer up till an extent but after a particular stage that customer would like to have something else and there might be several other reasons if you will try to discuss those with consumers. So sales promotions are an ongoing exercise, which continuously pursued by advertisers, integrated marketing communicators or marketers.

And it is backed up by a continuous behavioral analysis of the consumers that what is going to work for them when and how? So it is very important for us to learn that following our consumers in due course of time and remaining in real time touch with them is what enables sales promotion in a longitudinal way. So, non-monetary promotions provide more hedonic benefits and fewer utilitarian benefits than monetary benefits and monetary promotions.

And all benefits except quality contribute to the overall evaluation as the paper says and however each type of promotion is primarily evaluated on the basis of dominant benefits it provides. So that is the perspective. For high-equity brands, sales promotions are more effective when they provide benefits that are congruent with those provided by the product being promoted. Specifically, monetary promotions are more effective for utilitarian products than for hedonic products and so on. So now the questions which discussed earlier let us talk about them briefly.  
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So first question was why consumers respond more to an on shelf coupon than to a similarly advertised temporary price reduction that offers the same monetary incentive? And while you are keenly watching this video and listening to this discussion, this is actually laying the grounds for you to understand how to pursue consumer sales promotions and trade sales promotions in due course of time. Because any sales promotion is related to cost and production processes as well.

Sometimes building inventory specifically for promoting a particular kind of a product if you are going for add on value within the same product. So remember that there is a whole lot of a process associated with that. Sometimes association's alliances with different kinds of other manufactures are being done, or with other division of the same organization is being done to offer a mutual gain in terms of marketing of two different products many a times.

When you incentivize the sales of one product with other product of the same organization, logically you try to associate those with each other. So one explanation to this kind of a question may be that coupons offer stronger value expression benefits because collecting and redeeming

coupons requires more skill and effort than buying products on sale. And you can read rest of the slide that is going to give you an explanation on why sometimes on shelf coupons they are more attractive to the customers.

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For further detail's you may always look in to this research paper which might be available to you through different sources and repositories. Now, the second element is why consumers respond to insignificant price reductions? This is very important as I said you will find a clue there in thinking fast and slow as well. But again here through this research the surprisingly strong response to sales promotion signals the absence of significant price reductions and which may be explained by convenience benefit.

Promotion signals can increase shopping convenience by reducing search cost, because the brand is more visible at the time of purchase and decision costs because it provides a simple justification for the choice of the promoted product. So again the benefit congruency principle explains why these effects are especially strong for hurried consumers or those with low need for cognition.

You are rushing through a store and you do not have a particular choice in your mind you just want to pick up a pencil or a rubber or a pen for general usage. You just want to pick up a set of hangers or clips you just want to pick up something which you are not very particular about and suddenly there is a slight discount on that product. You are purchasing gifts for people in bulk, for example definitely discount matters for you. There are 2 different kinds of branded products: one is very renowned brand and one locally known brand - good reputation. And they are offering 10, 15% discount and you want 100 packs of that biscuits for example. So definitely you would get attracted toward however low that discount is. And that is what precisely this research talks about that is how you find it on the stores and that is how it is in congruence with each other. So the searches direct the decisions in due course of time that is very important for us to understand.

So why do some consumers switch brands because of the coupon but then do not redeem it. They get attracted towards it at that particular moment they purchase it and they might redeem it. Just I will read one line for you from this slide and then you can go for reading it later on. The failure to redeem the coupons responsible for purchase decision may be due to these consumers valuing the convenience and exploration benefit coupons provide in the aisles at the time of the decision but not the monetary saving they provide at the time of payment.

For example at that particular moment when you are going for this kind of a purchase suddenly you find that this kind of a coupon is offered there. You feel that you would be getting an

advantage of having a discount of 500.00 rupees later on on your 2,000.00 purchase and you feel that usually you do that and after a while you forget about it. At that particular moment it attracts you and even you switch something from your traditional product to the other product and later on you just forget about it.

Because you do not want to spend 2,000 rupees on the product which actually is not your first choice. Or probably you do not want to spend 2,000 more to redeem those 500 rupees because at the end of the day you would be shelving off 1,500 rupees. And now I would enumerate few things associated with what we are discussing. Specifically in terms of objectives of sales promotion and here I would spend some time with you.

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Now first objective can be 'to build product trial' which is one of the most important elements. Because in many cases especially in consumer products or I should say in other products as well trial becomes the reason for a continued habit. Have you tried changing your sugar which you purchase or rice which you purchase?

Whenever you change your traditional product like a rice pack which you have been purchasing and you get a trial pack with one of your purchases somewhere, you bring it home and at home there is a lot of debate on it. You are being asked a question generally by the person who is cooking or preparing the rice that how do you like this new rice which we are using this time? And sometimes you get perplexed as what to answer on that as rice is rice after all.

But people who love rice they definitely are able to answer the difference and that makes the flows towards a different kind of a direction wherein you mutually decide at that moment yes now onwards we would be purchasing that rice. So that is where sales promotion comes in to build product trial for tea, shampoos, oil, face creams and many other products like socks, soaps, toothpaste, tooth brushes.

So everywhere trial is a perspective and I remember Baskin Robin's used to offer you trials and trials for all the flavors they used to have in their shops. So you could have consumed almost full ice cream before ordering an ice cream. And then have you been trying perfumes in shopping malls this is a most passionate act which person goes through when you go to a shopping mall.

And you visit perfume stall there or a shop there and you say that I want to see which suits me and then they will give you everything for trial more or less. And by the end of 10 trials you are confused which one to buy and you come out of the shop. You just spray cool water on your hand and you would realize what I am talking about. That is what actually the importance of trial is.

To encourage purchase for large size units of course if you are confident about what you are going to do in due course of time then definitely you would go for a repeated large size units and then that happens at almost every case.

To attract switchers and that is a very big segment of customers tabbed by 'n' number of marketers. Switchers do not want to stick with any product. Marketers they struggle for their loyalty but they know that they will shift from their product as well. But in the meanwhile if they are looking at someone who is willing to switch from the other products that is an attractive proposition to get a revenue advantage. And these switchers the fluctuative consumers the people who get influenced easily probably some of those might stick to you as well, So that is where sales promotion is very important because these people are looking for advantages from all the sides of these consumers. And these are intelligent consumers, they do not want to stick they want to go for several kinds of products now.

And then to reward loyal customers - on one side attracting switchers and on the other side to gain the loyalty of the customer so you keep on incentivizing them, and that is done by almost everyone. Have you noticed that your local fruit vendor whom you have been visiting for quite some time he gives you so many incentives while you are coming out of his shop? He may end up giving you some extra kilos or some extra grams of fruits and extra food or what so ever, so those kinds of things are there.

Then another aspect is to adjust the short term variations in demand supply example to use excess capacity of course and that is a very important thing. As I told you that when we talk of sales promotion we think in terms of the complete value chain as well we think in terms of production and product.

So for example you have lots of inventory now you do not want to say that you have unsold products and still you want to dilute your inventory. For example: the season is changing and you have some unsold T-shirts with you. And there is this middle kind of weather which wherein one can wear new T-shirts if sold through an incentive. On the other side some people are looking for incentives for the coming season wherein you want to dilute your last year's inventory and so on and whole lot of a things.

And when we are talking of floor areas or let us say display areas every square inch counts. So you do not want to have unnecessary inventory plus that is detrimental for your customers when they look at you with unsold products. And it happens in foot wear at large wherein you must have visited shops all around and you would have realized that foot wear if it not sold for a while it starts getting depreciated. So you have to dilute it with discounts and many people wait for

such a season wherein a foot wear or a particular model of a shoe is unsold and just before it starts depreciating there is a discount offered on that, so people keep watch of those kinds of things actually.

To offset competitor promotions - 10% discount by this competitor calls for a particular discount by another competitor as such to stall or prevent competitor entry. I remember few years back now almost few decades back. So at that I was working with media and a newspaper was being launched and almost all the newspapers they started incentivizing their customers and their vendor's altogether. Because they wanted that newspaper to find it challenging to get through the vendors through distributors through the vendors and through the consumer as well. On the other side that newspaper came with lots of schemes for example providing bicycles to the vendor's and motor cycles to some of the distributors and pressure cookers to the consumers and what not just to introduce the newspaper actually. Because they knew that if you would change your newspaper reading habits then you would not return back, you would stick with that for a long time. And then your advertisers would have a ready base of readers which was enjoyed by other counter parts.

To motivate channel members to advocate the marketer's brand that is one of favorite kind of objectives of marketer's in terms of sales promotion, you have to incentivize your channel partners and channel members for promoting your products actually, have you gone to a multiproduct electronic shop. Have you realized that many a times that retailer is more interested in switching on one kind of a television in front of you rather than the other kind of a television? Do why they do that? Because that television company might be offering a good discount actually or let us say good promotion good promotional incentive. That is why they are more interested in promoting one television as compared to the other.

To persuade channel members to carry new items and stock higher levels of inventory that is again a very important thing. There is a space crunch with all the retailers if you stock more of your products in their shops they might end up reducing the other products. So that is again a very important strategy for you to go for larger sales and to encourage of season buying which I have already mentioned.

So these are largely the objectives. Although you may do it by yourself but I urge you to do an exercise. Try and add other kinds of objectives which sales promotion might pursue try and enumerate those on the basis of the experience you have had in due course of time while going around online offline shopping. Or through seasonal shopping or observing others while shopping.

So try and do that try and see that if you can add objectives to this. And I will join you next time



with an insight on types of sales promotions. Wherein I would be talking to you about customers or consumer sales promotions first till then good bye.