

Integrated Marketing Communication
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Sales Promotion – Part 2

Welcome back friends. Now, I would be taking you towards the bifurcation as we discussed in terms of sales promotion. So, one is consumer-oriented promotion the other is trade oriented promotion.

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So, let us see first what consumer-oriented promotion is. Consumer promotions are tactics or techniques designed to help a business find new customers or reward current customers. We have talked about that when we were referring to the objectives of sales promotions, but now let's focus on consumer side. And this is related to enticing a consumer to take the final step and make the purchase which constitutes a primary goal for consumer promotions program.

Many a times consumer is going through a decision-making process. Remember those videos which we talked wherein we talked about consumer psychology, consumer perspective, social aspect or let us say consumer behavior perspective associated with integrated marketing communication wherein we talked about the process of consumer decision making.

Now imagine or watch that video once again and try and think of that consumer is passing through different stages of decision making. And during those stages, influence of integrated marketing communication is definitely there but specifically what sales promotion can do? That is where you are just casually out in lunchtime and you are walking through a particular street wherein you have 3, 4 restaurants and suddenly there is an offer related to Pizza, you are not a pizza fan, but then there is an offer and you may end up trying that pizza just because of that offer. So, that is where fair decision-making perspective can come in in a shorter while as well as in a longer term as well. For example, automotives also use that when they realize that consumer go through this kind of a process for purchasing an automotive.

So, there they influence consumers or customers with some sales promotion. For example, they may say that three years warranty, five years' service whichever way it's a random kind of a

thought.

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What are the types of consumer promotions? Coupons, Premiums Contests, and Sweepstakes, Sampling, Bonus packs and Price off largely. And as I said I have always been saying you may add to this list in due course of time with help of your wisdom and knowledge and observations all around. What are coupons?

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Coupons are distributed in retail stores, offered digitally from the Internet or in a store such as CVS, and may be placed on or near the packages. Now in each instance the consumer is able to use the coupon in the store through an instant redemption coupon program or let us say later redemption as such. And there are surprised coupons within the packs also many times in festival packing, and refills - or the kinds of that when you open up that refill, there is a specific thing which you get as an incentive or probably when you are buying in store. You get an announcement that beyond this kind of a particular purchase or beyond you spend 2,000 Rupees or 5,000 Rupees you would be getting one pack of sugar or 1 pack of ghee and one pack of this and so on. And that kind of an incentive is related to the objectives of diluting the inventory as well and many a times some other objective.

Now, the coupons often lead to trial purchases and purchases of additional packages of a product. Now, that is very interesting you end up spending 2000 Rupees on the product of your choices. And you get coupon and immediately you have to redeem that coupon. So, you go there and you put it in front of the teller and she puts up a particular kind of a pack of ghee in front of you. Now you are not that ghee fan. You do not want; you would not be usually purchasing that ghee for yourself. But 1 kilo pack you bring it back home. Obviously, you will start using that, so that would be compulsive trials option also, some incentive also and redemption of coupon perspective is there always. So that is solving several and, and it is diluting inventory of that store as well. So that is solving so many purposes at one go it is scientific, it is mathematical, and lots of calculation goes there.

And I have been repeatedly talking about the relational limits. And we have talked about how this kind of a promotion is related to advertisements as a mode of integrated marketing communication wherein you might get to learn about coupons and schemes through newspaper advertisements. And you might get attracted towards this kind of purchase at large, through that advertisement ending up in that store going through the coupon, going through this compulsive trial of that particular product. And you might end up using that product repeatedly, that is how advertising sales promotion inventory dilution and trial and then repeat purchase of that particular product which was given to you as free comes in all together. And that is what this

small thing can do.

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Instant Redemption Coupons, what are they? Many a times you will find them attached to the outside of a consumer package product. And you can peel them off or pull them off and you can use them for discount purposes of whatever the offer is. And these on pack coupons are removable for immediate use, or let us say at the checkout counter, as we have been talking of or you can redeem those in a short while.

Or let us say you can call someone and you can say that, I am ending up my shopping you can enter into the store and you can purchase this additionally. Or you can club in your purchase, although it is not very fair. But if two people can club in their purchase go for one billing increase the billing level and get your coupon redeemed for a particular kind of a purchase.

So, bounce back coupons - they accompany a delivered product within the product box or with the product statement or invoice. We have talked about that and this encourages repeat purchase as well, there can be several kinds of combinations. These are just mentions these are just specifically observed methodologies and techniques, which are used by organizations. You may find several others which can tell you that these come under coupon categories.

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Cross Ruff coupons are obtained at the time of purchase of a carrier brand and may be redeemed at a later stage on a target brand. So that are related to what we discussed, that are related to a particular kind of a purchase and then that can enable the incentive in terms of other kind of a product, which will accompany you later on.

So, and again it is related to placing a coupon on one product for another product, and this encourages consumers to purchase within the same brand or family of the products, Of course, as I said, you are not using a particular kind of a haldi, but then you end up getting that haldi and using that particular haldi or sugar for that matter. You are not fan of a particular kind of sugar, but this and you are fan or you are a consumer for another product of the same company you end up purchasing that and so on. And multi product companies they utilize it often for, as far as promoting integrated products for the same consumer.

Scanner delivered coupons - several retailers they issue coupons at the cash register. An item being scanned at a cash register triggers a scanner delivered coupon and this encourages brand switching and so on.

Just at the time when you are moving out, there are several disadvantages of coupons. I would

not enumerate so many but just a brief passing element.

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Some marketers believe that offering price discounts through coupons to those who are willing to pay full price does not make sense. There is another feeling in terms of the discounts whether coupon discounts or other discounts, that when there is a seasonal upsurge, when there is a bigger sales prospect then why to give discounts? Some some marketers do specifically believe when the sales reduce then only you should go for discount.

Some marketers believe that during the upsurge in the seasonal sales to counter the competition you must give discounts. Some marketers believe that as we discuss in the objectives, that to attract switchers you offer discounts. And some marketers believe that during this seasonal upsurge your loyal customer is vulnerable to purchase other brands that is why you offer discounts.

So there is an element of philosophy against the coupons, against the discounts and pro coupons and pro discounts as well. So, you can go further into this slide.

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And now I am switching over to premiums. Premiums are prices gifts or other special offers consumers receive when purchasing products. Slightly associated with what coupons offered to you. But it is in the form of direct kind of gifts. The consumers here do not have to redeem those. So, the consumer pays full price for the original good or service with a premium and receives something free. For example, this pack of biscuit is along with this product. This pack of soap is free along with this product and so on. Taking it you might feel happy about it and many a times you might not, so this is how it goes.

And remember that paper we discussed how hedonic and utilitarian perspective goes along with the kinds of offers you would make in terms of sales promotions. So, buy one get the second half at half price. The whole logic is that if you somehow put it under a proper price bracket, customer might end up purchasing more.

There is a manufacturer whom I have observed that they very intelligently put up a psychological bracket in front of you. For example, they would say that for 2 shirts you might not get any discounts, for 3 shirts you might get one shot free and for 5 shirts you might get 5 shirts free. Now, that is a very typical kind of a calculation in front of a person who is thinking in terms of purchasing 2 shirts only. And as soon as he purchases 2 shirts, and he feels third would fetch me one more. We are greedy by nature, aren't we? As soon as you purchase the third you realize that, oh my god if I purchase 5 then 5 free. Now that is a very important element, which comes to

your mind and you end up purchasing 5 shirts. That is an intelligent kind of a premium which is offered to you in terms of your purchase or enhancing your purchase.

And that is what sales promotion on shop sales promotion is. Earlier it was associated with handkerchiefs, or those kind of things. Now it is associated with apparels, suits, shirts whichever product you will find. And sometimes you feel that how are they recovering the all the costs associated with this kind of a thing? But remember, that not everyone gets greedy after a particular kind of a stage.

People are intelligent they say no, I will go 2 to 3 but not 2 to 5, that is how people think and you might not find those attractive colors on the floor as well.

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Types of premiums, free in the mall premiums, in-or-on package premiums, self-liquidating premiums, store or manufacture premiums and several other kinds of premiums. And one of those I mentioned in terms of shirt manufacture and there are some retailer premiums as well. I remember my local retailer the grocery shop. He used to offer premium from his own side.

When I used to go for purchasing things from his shop, he used to say sir because you are a loyal customer and you are purchasing so many things so these are 2 gifts packs from my side. I do not know if a company was offering that to him or not, but he was managing his inventory system by offering the products to his loyal customers wherein, he wanted those products to get diluted and so on.

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Now, free-in the-mail premiums are gifts individuals receive for purchasing products, and to receive the gifts the customer mails in a proof of purchase to the manufacturer who then sends the gift to the buyers. Now that is largely associated with generating connect with the customer, and generating the data base of the customer deriving the address of the customer, deriving the demography of the customer and so on.

Whenever you communicate with the manufacturer you get insight of the manufacturer, your details they get associated with the manufacturer. That is a very big incentive against a small premium which he is offering to you. Because now you are on his radar and if you are purchasing something else from someone else, he knows that this customer is a switcher or a loyal customer or a satisfied customer. Or what kind of a response this customer is giving to you. So that is how that database is very valuable for and these premiums are also a method of generating that kind of a database in terms of people who want to go for enhanced targets and

whatsoever.

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So now in-or on-package premiums are very common kind of thing. In seasons, you will find something written on almost every pack and these packs they feel and look very attractive when you move into the stores. For example - razors and blades, there is a very big combination of such kind of free gifts and so on.

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And then store or manufacturer premiums - these are related to gifts given by either the retail store or manufacturer and customer purchases a product. I talked about my local vendor in this example wherein Ultra Beauty offered consumers a 14-piece cosmetic gift. So, the goal of the premium offer was to attract new customers and to encourage courage trial purchases of various products.

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Self-liquidating premiums they require the consumers to pay a small amount of money for the gift or item. Again, that is associated with recovering some of the cost of that particular product. It is logical many a times, but customer feels that they are getting an additional product at a huge discount. So that is how customer starts thinking. And self-liquidating promotion technique generates enough sales revenue to pay for the cost of complete promotion campaign. So that is again offsetting the cost.

The objective of this premium offers is to attract more customers. Who want to procure a product at less price and increased sales and this increases sales.

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So, contests normally require the participants to perform an activity to get engaged and definitely you would pass on your details to the manufacturer and the organization and so on. What we are reaching to when we are talking about these kinds of premiums is - it is not just that the manufacturer or the organizations or the products they want to increase their sales, it is not just that they want to capitalize upon switchers, and they want to enhance the loyalty of the customers towards them, It is not just that they want to cater to the competition. It is that they want to remain in a continued connect with the customer to enhance their database to think about different kinds of customers with different kinds of propositions while categorizing the data, which they get.

So, it's an all-around exercise. And I mentioned about how it is connected to value chain system

advertising and I will be mentioning about how sales promotions are related to personal selling or direct marketing and so on. So there are other elements which are associated with sales promotions and such also.

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Sweepstakes is a chance promotion where a winner is randomly selected from all eligible entries. As I said, it is not one of the most preferred kind of promotions when we were discussing about that paper from Journal of marketing. But people are attracted towards sweepstakes because people do want to think in terms of that they are lucky. So that is how it works. It is a major kind of a promotion being practiced by marketers. I do not have exact data on how it is working for them.

You may fetch it from statistics and other sources to analyze the relevance and the strength, although as far as preference goes hedonic or utilitarian it is on the lower side as we discussed. So sweepstakes takes entries, do not require a required activity and consumers enter as many times as they wish although companies can restrict customers to one entry per visit to the store or location.

Contestant sweepstakes can be used to build database list information from entry forms can be stored and used for future promotions as in the case of other methodologies as well.

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Sampling is important. This is where you consider production at the first stage with respect to samples you would generate along with the main production you want to have in terms of the final products. Because many a times you are changing the orientation of the product, many a times you are introducing the product, many a times you want customers to try almost a couple of times before start, before getting deeply associated with the product. As I said, in the case of ice cream for example a customer knows the taste of a particular kind of an ice cream. But sampling every time or putting up a taste in front of customer every time enables the customer to compare those two offers options on the spot. At the end of the day, you are the winner because customer stays with one of your products and that is where you importance of sampling comes in.

So it is the actual delivery of a product to consumers for their use or consumption. Dentists and lawyers feature sampling when they provide initial consultation free of charge. It's not very attractive kind of a sampling, because I would not suggest anyone to go to dentists or lawyers, except for very intense need. So goal of the sampling is to put product in the hands of customer and let them feel the quality weight or texture of the product.

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Bonus packs - when a company places an additional or extra number of items in a special product package, it is a bonus pack and I tell you it is my feeling and observation in due course of time that this is one of the most loved kind of sales promotion all through, because there is no complexity associated with that there is no redemption analysis has to be done by the customer.

There is no brain mapping which has to be done by the customer. There is no calculation to be done by the customer. In premiums, in coupons and discounts also customer has to go through some calculation analysis that I would end up gaining this much here. Here you are spending a regular amount which you usually do and you are getting a benefit, some percentage of your favorite product, which you often buy and you feel happy about.

2 biscuits, 3 biscuits, whatever they write 25%. 25% is how much - three or four biscuits but that makes you happy and you love it. For example, you go for purchasing coffee and that particular pack of coffee is slightly bigger and you feel happy about it.

So that is the perspective of bonus packs, very loved kind of methodology and definitely, as I said that, this is related to inventory, retaining the loyal customer and the provision for this is designed usually well in advance. This happens many a times because of some insight from the on ground sales force retailers and so on.

We will be talking about sales force element in terms of person selling also direct marketing wherein that kind of a feedback motivates you to create sample packs, so that avoids switching of customers from your side because they are getting more from their favorite products. So, they do not tend to go away so easily.

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Price offs - It is a temporary reduction in the price of the product to the consumer. As we have seen it can be taken very positively. It may not be because somehow, a customer might feel benefited, and somehow it might not be so attractive. You just walk into some fast food and they say that there is a 25% discount, you are unable to analyze that 25% discount is how much?

For example, in products like petrol there was a time up till recently, when you were getting your tanks full or purchasing petrol on SBI cards or those kinds of cards and you are getting cash back. So that is similar to price off, but although that is also associated with being offering some premium. But that is closely related to premium and price off and so on.

But when you are getting that cash back many a times you feel that you have purchased petrol worth 1,000 rupees and they are getting a minimal amount back. It attracts you, I do not know

how many times you feel attracted for repeatedly using that card. And that happens most of the times in case of credit cards and those kinds of wherein products and companies getting associated with this card base purchase. They often go for such kind of cash redemptions or let us say cash reversals or whichever way you look at it.

So, price offs are attractive, but not always. Yes, one thing, which is very special in relation to price offs. Price offs are many a times very attractive in terms of vegetables and fruits. There are several researchers and papers related to types of products, and price offs and types of products and coupons and so on.

But, just an observation - someone offers you a price off on particular kind of a product. You might end up feeling happy or not, but in vegetables and fruits, you might feel happy all the time. (Refer Slide Time: 27:14)

So, now the benefits of the price offs are to stimulate sales of existing products, and it entice customers to try new products because the lower price reduces the financial risk of making the purchase that especially in case of when price offs are to the good levels or percentage, which is appreciable by you. They encourage customers to switch in brand parity situations or when no strong brand loyalty exists.

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So now one very important element which we must talk about here is that can you retain customers through relational price discounts? And we have been talking about price offs, premiums, coupons, different forms of sales promotions. So what is the understanding which we gain in terms of customer retention. Firms use discounts to generate temporary sales as well as building long-term relationships.

Some conceptual and empirical studies have also suggested negative effects of initial discount on customer retention primarily because discounts may make customers more prices sensitive. Other research has found that initial discounts may also encourage repurchase behavior with potentially positive effects on customer's habits building and loyalty. And many a times customers might feel that product is not up to the mark also, many a customers might feel that somehow quality is not that good.

I have talked about a television company long back in one of my examples that was related to price offs. Or let us say huge discounts or reduced prices, if you want to look at it that way. So see, there are several sides to when we talk of relationship of discounts, or for that matter, any form of sales promotion with customer retention. And that is a major aspect and that is why I want you to recall that we are not studying just the sales promotion.

We are studying sales promotion as the part of integrated marketing communication wherein it has to play a complementary role in whole of the integrated marketing communication process. Either it is to support advertising or to gain support from advertising and to materialize the objective. So that is what one must remember at this particular moment.

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And, the results of large-scale field studies reveal nonlinear effects of initial discounts on customer retention. Specifically, moderate initial discounts(5% to 35%) are effective relational discounts; they enhance customer retention rates and lifetime revenues, whereas high and low discounts may undermine the two. I just mentioned that that discounts have can project both the sides, getting customers and sometimes putting up a question in the minds of the customers.

A laboratory experiment identifies customers' metacognitive processing as the psychological mechanism underlying the nonlinear effects of initial discounts on customer retention. So just to summarize that starting from coupons, to premiums, to price offs, and other forms of sales promotions, the most important element which we should learn is how to strategically use these tools? And finally, not just to focus on switchers because that definitely would gain revenues in a short while.

But the ultimate objective for integrated marketing communication is to gain customers for a longer time. So, as I said short-term gains are definitely there, lots of mathematics and behavioral analysis is there, lots of methodology and methodical analysis is also there when we think in terms of providing products or extra products to the customers in terms of production inventory that is also there, relationship elements with the retailers and the channel partners is also there.

But, the most important thing which we should keep in mind and keep on analyzing that this form of communication must have an intense relationship with other forms of communication to be used in and to be used in an integrated manner. So, I leave you with this thought here I will come back to you later on, with further insights on this aspect as well as the next stage of sales promotion in terms of trade promotions, so goodbye for now thank you for bearing with me. Bye.