

**Integrated Marketing Communication**  
**Prof. Vinay Sharma**  
**Department of Management Studies**  
**Indian Institute of Technology Roorkee**

**Module No # 09**  
**Lecture No # 43**  
**Sales Promotion – Part III**

Hello friends!

Welcome back to integrated marketing communication and now as we are going through different modes of communication, different forms of marketing communication, and trying to foresee and understand the integration between all of those. The first phase of our discussion went largely on understanding the complete thing in a composite way.

The association of integrated marketing communication with several other things, several other concepts, several other elements and so on and we have seen lots of examples. Now we are moving towards analysing different modes individually as well as their mutual integration. In that sequence we have been talking about sales promotion up till now. And last time if you remember we have talked about consumer-based promotion, today we will be moving towards trade promotions.

There is a contextual difference wherein there are elements of channel partners influencing the types of promotion which we will be discussing. There we think in terms of consumer behaviour, here we would be analysing the elements which would influence our channel partners. And definitely there is a lot of behavioural understanding with that also although that would not be the point of discussion as far as this particular session goes.

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Let me start with types of consumers in relation to consumer promotion that is the last part of what we were discussing the last time. There are promotion prone consumer, promotion liking consumers, there are brand loyal consumers, there are brand preferring consumers (loyalty and preference has a difference, preference moves towards loyalty after a particular stage) and then there are price sensitive consumers.

Let us look at these with little detailed understanding and then move towards trade promotion.

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Promotion prone consumers look forward to promotions, that is why they are called promotion

prone consumers. That means their insight or instinct is that something should be added on to whatever they are looking forward to purchase. Promotion prone consumers look for seasons to come for example they wait for Christmas season, they wait for Diwali season, they wait for marriage season and so on.

And I am not saying that they compulsorily wait for that but they look forward to if they can postpone their purchase they go for that kind of a thing as well. Because they like to have something added to whatever they intend to purchase. Then there are price sensitive consumers they take advantage of any type of promotion that reduces the price. Here you have a consumer who wants some addition to whatever they can get and here a consumer which is largely looking forward to some discounts.

Now there is technically no large difference in both of these sites and we have seen that. And if you remember we have talked about hedonic and utilitarian perspective and how different types of promotions work. And why one promotion is preferred over the other. But it is interesting because this categorization exist so does the strategies and that is how promotions are designed and structured.

There should be a discount. And this reminds me that the other day I was watching someone purchasing some artificial garlands or malas. Now I was observing people buying those and this shopkeeper was quoting a particular price and then people start negotiating. He very happily adds on whatever the price is for example you are purchasing 10 of those products and then he gives you 50% discount which makes everyone happy and the actual price probably is after the discount.

This is a usual kind of a thing with what these consumers they like and everyone coming out of that particular shop is keep saying that this person gives you a good discount always. The price sensitive consumers lie into that particular kind of a bracket, they move to that kind of purchase usually.

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Brand loyal consumers - Who do not want them? They are the people who actually stick to whatever they usually like and have been using. And these customers if they are incentivized to stay back then it is an important kind of a thing. Because loyalty must be rewarded and customers also know that their loyalty is eligible for reward.

Brand preferring consumers - I do not know if it should be called as brand preferred or brand preferring. But brand preferring consumers means they have a lineage or liking towards that particular kind of a brand and because they are mentally associated with that particular brand.

They might become loyal in due course of time if somehow, they keep on using that for a longer time. These categorizations help us in designing different kinds of incentives which we offer to the consumers.

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Trade promotions - trade promotions are incentives designed by members of the market channel to entice another member to purchase goods for eventual resale. A very technical kind of a structure which this definitional framework offers in simple terms. Value chain partner whether he can be manufacturer or wholesaler or whosoever, one partner offering incentive to the other partner that is what it means. So, it can start from manufacture it can go to wholesaler. Wholesaler can pass on some incentive to the retailer or manufacturer can directly pass on incentive to the retailer and so on, that is how trade promotion works.

What is the logic of trade promotion - definitely you want to capitalize upon the distribution retail skills of your channel partners and to motivate them to pursue your product in front of customers at the end of the day, or to move your product ahead or faster whichever way you want to look at it.

Marketers aim trade promotion at retailers, distributors, wholesalers, brokers, or agents. And wholesalers, distributors, brokers, and agents use trade promotions to persuade retailers to purchase products for eventual resale. One, logic can be that everyone wants their space empty, one logic can be that everyone wants their inventory diluted. Inventory has a very big cost.

One logic can be that manufacturer is continuously producing something and you are directly related to manufacture the higher the sales volume the higher would be the flow from manufacturer to your side. You can look at it with various perspectives but again the point is the ultimate goal is to move the goods forward.

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Now there are several types of trade promotions but broad classification is related to allowances, shows, contests, and incentives. And you would realize that there is a very thin line between allowances and intensive incentives. Allowances are offered as benefits and they are pre-stated benefits which one partner offers to the other partners.

Incentives can be devised and designed at that particular moment or within a time frame or offered on the spot as well. There is a very thin line difference but technically they do exist that is what the perspective is so let us see these one by one.

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trade allowances provide financial incentives to channel members to motivate them to make purchases. Now each of the trade allowance makes it possible for a company to offer discounts or other price reductions to customers in the channel. But why trade allowances are offered? Trade allowances are offered for a similar kind of a logic wherein whatever we have seen in terms of customer promotions or consumer promotions.

You want your trade partner to remain associated with you for a longer time, to feel motivated to be your partner, to feel happy to remain associated with you as compared to your competitor if he is a multi-product channel partner, if he is offering a competitor's product from the shelf as well which in consumer products is a very common thing in larger products also. In many countries there are multi product automotive retailers. In India it is not a common thing largely. Similar kind of an element of consumer behaviour also traverses as trade partner behaviour. You wish to attract them to remain with you and to pursue your objectives in terms of reaching in a better way to the consumer.

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What kind of trade allowances we can have? Off-invoice allowances, slotting fees, exit fees. You want someone to keep your products but the product is new and your trade partner has a perspective of risk associated with giving a larger space to your products. He would like to have some incentive on that or allowance on that. Because your trade partner or retailer is not so confident that what would be the movement of this kind of a product. If it is a high moving product if it is a high saleable product wherein lots of advertising and pull factor is there so he is confident. But if he is not confident then some allowance will definitely motivate that.

And as we can see that in such kind of cases if you are going for an aggressive advertising on one side for that particular product which you are launching new or it is fairly new to that region particularly. Then also it would be motivating for your trade partner to keep that product because he understands your advertising plan, and here comes the association of advertising with trade promotions at large. Most of the times channel partners do worry about that what is the company's advertising plan, how well company wants to reach to the customers in terms of the information about the new product.

Because if customer comes by himself searching for some other product and happens to look at this new launch then it would be an onus on the retail partner or the channel partner at large to push that product to introduce that product to pursue that product. If customer comes searching for that particular product himself through a pull factor of advertising, then it would be an advantageous situation for the retailer.

That is where slotting fees fits in. Exit fees is also there - you want him to cut off some products.

Now that product might be selling well in his region, he wants to keep it, he wants to retain that product, he pushes you that you should keep on supporting him with a particular kind of a product otherwise he might look towards a competitor for that kind of a thing.

Because in that particular region the customers like to have that kind of a product. You may look at some kind of a television, you may look at some kind of jewellery, you may look at some kind of watches, or mobile phones for that matter. And you want to introduce something new you are willing to extract that particular product from the market so he charges an exit fee.

Exit fees and slotting fees - they can be looked at with a transitory perspective as well in due course of time when you have a long-term relationship with your channel partners. And then off-invoice - it explains itself when per case rebate paid to the retailers for their orders actually. Every case you define that this is the kind of discount I would be offering you. Then there are trade contests: you have customers competing for something For example, some lucky draws that is also sort of competition, a sweepstake wherein people are competing with their luck, then there are some contests on the floor and same happens with trade contest but this is not that kind of a contest environment. This is where you put up that whosoever does best in this region would be rewarded with this kind of an incentive - that is what trade contests largely are.

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And they are held at every level within the channel, and it can be between brokers or agents, wholesalers, or retailers also and so on. And that is also many a times related to promoting one kind of a channel partner to the other stage if he desires for. Many a times many wholesalers they are looking forward to become retailers as well because if they somehow integrate their business, their margins would rise.

And the company by virtue of not giving the complete control of that particular portion of chain to one kind of a partner wants to have two three kinds of people there. If wholesaler is doing well he would ask for that kind of an incentive to become a retailer as well. So, there are several kinds of business negotiations and aspects associated with as far as trade promotion goes.

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Trade incentives are not much different as compared to trade allowances. But the context is that they are offered many a times out of the circumstances or let us say pressure from the competitors or when exceptionally someone does well. He would like to be incentivized on something and you are not expecting that so you have not pre-negotiated that.

And you have assured that at the end of the day if you do this then we will see how we can

incentivize you, and that is why many trade channel partners are offered free holiday tours with their families also. This is a very general norm nowadays and then there are several other aspects which can be introduced in due course of time.

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There are few types of trade incentives so you can look at them with cooperative merchandising agreements, premiums or bonus packs and then cooperative advertising programs. When there is a pull factor that means advertising program of a company is doing well, and especially in case of new launches then retailer looks forward to the customers coming by themselves asking for the product.

At that particular level when a local level concentration for some additional form of advertising is required. For example, some additional holdings are required which may not be beyond budget of the organization at large, but organization may think to generate further involvement of the retailer in materializing sales in due course of time or in pursuing sales of that particular product in due course of time.

They might suggest them to put up some money some local advertising. And that not only generates interest from the side of the retailers because they are offering their stake, they are into it wholeheartedly to pursue the product. It happens very commonly in case of automotive - two wheelers, some consumer products also but not so common and then apparels and several other cases.

Some local newspaper advertising is also pursued by the retailers. There is a budget which company pre-negotiates with them when deals are getting closed on how this particular product is to be sold in certain market. We are talking about trade promotions. In trade promotions advertising, local level advertising, mutual advertising stakes they are all integrated and this is strongly pre-planned and pre-structured. We have talked about it earlier just visit those videos and think of that how it makes a difference.

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Then there are trade shows. These are events held to bring together the members of a particular industry to display, demonstrate, and discuss the latest products and services. These are very effective things actually. In a national capital region there are several places allocated for these kinds of things wherein lots of organizations display their products.

It is very effective in terms of B2B sales wherein you have your wholesalers, clearing and forwarding agents and then those people supporting you in your due course and businesses. But definitely you like people to visit a particular place and look at some virtual demonstration of

such products. Trade shows are very helpful in pre-launch stages of the products for consumer products, consumer durables, automotive etc.

There are large auto shows, there are large book shows which happen and many a times they generate bulk demand as well so these are very important events. A trade show can strengthen the brand name of a product as well as the company's image, and then because lots of media attention is there so you get coverage which is not technically advertising but definitely it acquires space and time in print, television and internet as well.

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Now what kinds of buyers attend trade shows. There are education seekers- who are just looking for information they want to educate themselves, they want to understand what is happening around. And probably they are looking for something in future in terms of becoming one of those who belong to this value chain. For example, people look for different kinds of technologies being introduced and so on.

Then there are reinforcement seekers - these buyers want reassurance that they made the right decision in as far as their past purchases go or what better technologies are coming up and is there technology which they are pursuing in terms of being a trade partner or let us say even consumers. For example, you are a small entrepreneur and then you have purchased a machine within last six months or a year. And then on the other side some new technology is being introduced during a trade show. So person would like to reinforce the feeling that he has the best of it.

Then solution seekers are there. These are Buyers seeking solutions to specific problems and are in the buying mode. They know that something of that sort is available and let us see if that gets materialized when they visit that particular show or they get an insight related to that.

There are several budding entrepreneurs who visit these kinds of shows. They look for particular kind of a technology and machinery. Many times, in service industry also trade shows are organized wherein people seek franchise of larger service setups. They want to know what would be the level of their earnings, what would be the level of business they would gain in due course of time, what would the stakes they have to offer in due course of time.

Because however you analyse, when you talk to people, when you visit these kinds of shows then only you would realize. And one very interesting thing which I have seen have you ever visited gold and jewellery trade shows? It is one of the most attractive sites you would ever see. I visited one of the trade shows by a large company selling gold, gold related products and diamonds and believe me that was a sight - you find gold and jewellery everywhere.

For me it was definitely an opportunity because I would not be able to see that kind of a thing around me except for these kinds of trade shows. I wanted to see large jewellery spread in front of me all around. One of my students he invited me there and you would not have seen that kind of jewellery at one single place in whole of your life and that attracted me.

This is just on the lighter side but that also attracts lots of customers, lots of jewellers, lots of business partners, lots of people who are looking for those special things all around them. Buying teams are there, power buyers are there, so now I would be taking you briefly through a short case or example just to explain promotion contextually, consumer promotion trade promotion all through but look at this particular caseload with the context of promotion.

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And this is Starbucks.

The Starbucks reward loyalty program has a 16 million active members. There are several organizations which offer loyalty programs. Loyalty programs are not just to attract people but actually to pursue loyalty amongst customers. Companies who are sure of their products they wish to pursue and they want their customers to stick with them so they incentivize loyal customers.

Starbucks attributes 40% of its total sales to the rewards program and has seen same store sales rise by 7%. The reward program is available on mobile devices as the Starbucks app, has seen impressive membership and growth since 2008, with multiple iterations on its original form.

Now you devise an application in today's world. When you generate a mobile application and somehow associate customers through different incentives and offers and hints and messages which they can have by using that app. That creates a continuous connect between the organization and the customer not only you are in regular touch with them but customer also feels comfortable.

Starbucks uses this tool to individually market specific products and features based on data collected from the app about its users. And customers can order pay through the app ahead of arriving at a physical location, as well as earn stars rewards that translate into free drinks, food, and merchandise which is a beautiful surprise many a times for the customers.

This case can be seen in detail. The source is Leah H (2020) “Starbucks winning on rewards, loyalty, and data”. The reference is given on the slide and the detailed difference would definitely be offered at the end of this session.

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Ease of payment in store through this mobile app motivates the customers. And Harvard business school has a huge case repository and that is a reliable source as well. You can fetch this case study in detail from Harvard business school case repository. Leah H(2020) Starbucks winning on rewards, loyalty, and data. Now that motivates the customer because he gains ability to order and pay ahead of arriving on the store.

Rewards and benefits such as free refills or brewed coffee and free drinks on member's birthdays, when you have your own birthday, or someone near to you whose database is registered with them, or they registered family names as well. And then there are special member events also. Further customer gains an ability to send their members and friends gift cards through these apps and there are several other elements of creating value through this application.

Once you have a customer connected with one of the procedures which you have generated in the form of an application or whichever way. Then you have an advantage of being innovative all through while putting up something new for offering to the customer, what may attract the customer. There are several organizations which give you special discounts on marriage anniversaries or birthdays or birthdays of your children.

And Starbucks is also doing similar innovative things as far as getting closer to their customers. Many a times, members are first to know about upcoming seasonal and new product releases as well. Now that is a very big advantage because if you are a loyal customer, you would definitely like to know that what is coming your way.

Largely you can read into this case further or similar such examples can be found either through similar kinds of repositories like Harvard business school case repository or you can find these kinds of examples through other sources. But all through you would realize that organizations are tending to become more innovative in terms of offerings and promoting their products designing promotional schemes for their customers.

Associating those schemes logically with their advertising programs, with their selling programs, personal selling programs which we will see after this session how personal selling works. And then with their direct marketing programs also which we will see definitely in due course of time. They keep on integrating everything together while being innovative all through.

The objective is to come closer to the customer to capitalize upon every single opportunity you may get while pursuing integrated marketing communication. So that is all from my side in this session.

Good bye for now!  
See you next time.