

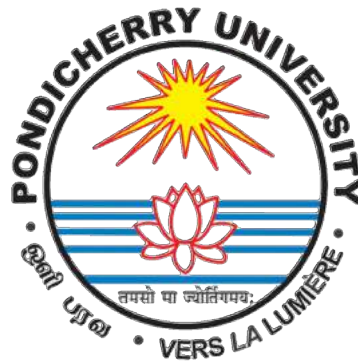
# PONDICHERRY UNIVERSITY

(A Central University)

**DIRECTORATE OF DISTANCE EDUCATION**

## **Retail Sales Techniques and Promotion**

Paper Code: MBRM 4002



**MBA - RETAIL MANAGEMENT**

**IV - Semester**

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**Paper - XIX**

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**Retail Sales Techniques & Promotions**

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**Objectives**

- To learn communication and promotion
- To understand the impact of promotion in retailing, and
- To develop sales promotion Technique

**Unit - I**

Advertising Communications and Promotions – Effective Advertising: Understanding When, How and Why Advertising Works – Marketing Objectives and Positioning – Target Audience Selection and Action Objectives – Communication Objectives – The Creative Strategy and Tactics – Media Strategy: The Reach Pattern and Effective Frequency – The Creative Strategy and Tactics – Media Strategy: The Reach Pattern and Effective Frequency Campaign Tracking and Evaluation – Setting the Campaign Budget – Sales Promotions.

**Unit - II**

Promotion Impact – On the Marketing Mix – On the Customer – Promotions and Integrated Marketing – Creating a Customer Relations – Characteristics of an Intergrated Programme – Strategic Considerations – Promotions role – Overcoming barriers in Integrated Marketing.

**Unit - III**

Tactical Analysis - Strategic Analysis to Promotion tactics – Objective Setting – Perspective on Strategy – Promotional tactical tool set – When and how to apply the right tactics – Built – Traffic – Reach new customers – Trade users up – Introduce new products – Gain Product Display, Placement & Distribution – Stimulate Repeat sales – Generate Brand loyalty.

## **Unit - IV**

Sales promotion technique – Off the self offers – Joint Promotions – Price Promotions – Premium Promotions – Prize Promotions – How Promotion affects sales – Switching – Acceleration and Deceleration – How promotion affects sales – Acceleration, Repeat Purchasing Consumption – Trade Dealing.

## **Unit - V**

Retailer Promotions – Consumer Promotions (Coupons, Rebates and Loyalty Programs) – consumer Promotions (Loyalty Programs, Online and Special Event Promotions) – Calculating Promotion Profitability – Trade Deals, Retailer Promotions, Coupon, Rebates – Measuring Promotion Effectiveness – Sales Promotion Strategy – Procter and Gamble's Value Pricing Strategy – Sales Promotion Strategy.

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## Retail Sales Techniques & Promotions

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### UNIT - I

#### Unit Structure

Lesson 1.1 - Advertising Communications and Promotions

Lesson 1.2 - Designing Advertising Campaign

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#### Lesson 1.1 - Advertising Communications and Promotions

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#### Learning Objectives

*After studying the lesson, you will be able to:*

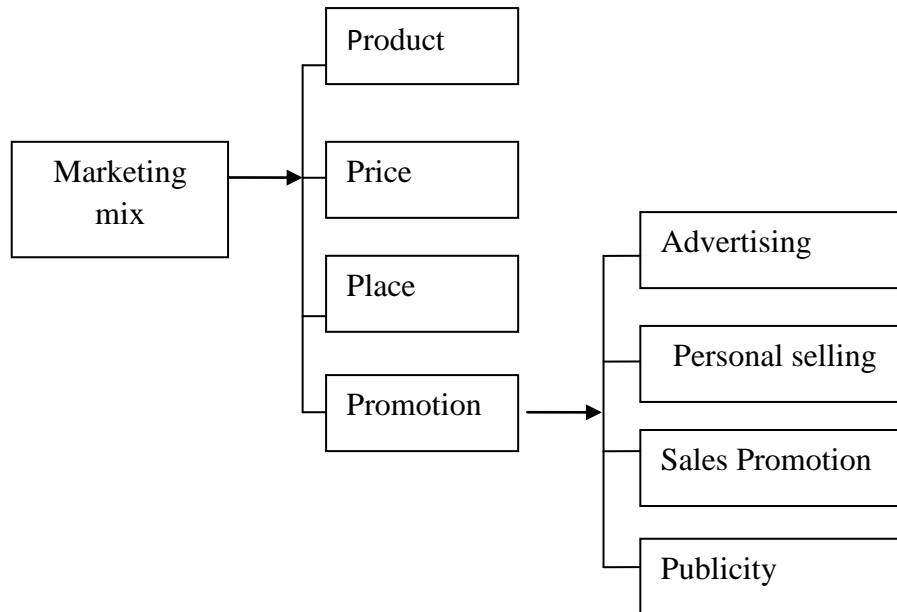
- Explain the concept of advertising
- Discuss the role of communication and promotions in marketing
- Understand When, How and Why advertising works

#### Introduction

In contemporary society, advertising has become an inseparable part of the everyday lives of millions of people all over the world. It is strongly believed by marketers that it has an immense manipulative power, influencing consumer beliefs, opinions, attitudes, decisions and actions through different types of media. What makes advertising so influential means of communication? What are the devices and strategies advertisers use with the aim of persuading people? An understanding of this is important for effective employment of advertising as a potent marketing tool.

## Advertising and Marketing Mix

Advertising is an integral part of marketing and promotion mix as shown in Figure. Marketing mix consists of four elements: product (the item that satisfies consumer need), price (the market or exchange value of the product), place (the chain of distribution that brings the product to the location of customers) and promotion that communicates to potential consumers about the product and stimulates its purchase by them.



### Ad in Marketing Mix

Promotion mix consists of four elements:

- **Advertising** – A paid, non personal form of presentation and promotion of ideas, goods, or services by an identified sponsor. *Examples:* Print ads, radio, television, billboard, direct mail, brochures and catalogs, signs, in-store displays, posters, motion pictures, Web pages, banner ads, and emails.
- **Personal selling** - A process of persuading one or more prospects to purchase a good or service or to act on any idea through the use of an oral presentation. *Examples:* Sales presentations, sales meetings, tele or face-to-face sales talk.
- **Sales promotion** - Communication along with incentives for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability. *Examples:* Coupons, sweepstakes, contests, product samples, rebates, tie-ins, self-liquidating premiums, trade shows, trade-ins, and exhibitions.



- **Public relations** - Paid intimate stimulation of supply for a product, service, or business unit by planting significant news about it or a favorable presentation of it in the media. *Examples:* Newspaper and magazine articles/reports, TVs and radio presentations, charitable contributions, speeches, issue advertising, and seminars.

Advertising does the pre selling of the product and makes the job of the sales people easier. Advertising reaches a relatively large audience and makes them favourably predisposed. Ads carry the sales, promotional messages and often produce quick sales response.

### **Concept of Advertising**

Advertising is a medium through which an individual or organization highlights the attributes and benefits of a product or service to influence the buying behaviour of the individuals.

It helps to create awareness and positive image of a particular brand in the minds of the customers and prompts them to consider, prefer and buy the same.

According to William J. Stanton, “Advertising consists of all the activities involves in presenting to a group, a non-personal, oral or visual, openly sponsored message regarding disseminated through one or more media and is paid for by an identified sponsor.”

Bovee and Arens defined it as follows:

“Advertising is the non-personal communication of information usually paid for and usually persuasive in nature about products, services or ideas by identified sponsors through the various media.”(Bovee and Arens, 1992).

We will now consider the key terms in the definition of advertising.

### **Non Personal**

There are two basic ways to sell anything: personally and non-personally. Personal selling requires the seller and the buyer to get together. If you enter a store, you will be greeted by a sales person. The seller pays attention to you and devotes time to tell about the product, show the varieties, answers questions and makes suggestions.

Advertising being non personal does not have such advantages: there is no way to know just who the customer is or how she is responding to the message, there is very little time in which to present the sales message, and the message cannot be changed in mid-course to suit the customer's reactions.

However, it is cheaper. It deals with hundreds, thousands, or millions of customers at a time, reducing the cost per customer. For small ticket items, such as chewing gum and fairness creams, advertising is cost effective to do the entire selling job. For large ticket items, such as cars and computers, advertising can do a large part of the selling job, and personal selling is used to complete and close the sale.

## **Communication**

Communication refers to transmission of information, ideas or feelings to another, with the aim of creating an understanding. Communication may use all the five senses: smell, touch, taste, sound and sight. In most of the cases, sound and sight are most useful.

- **Smell** –Pamphlets with the fragrance of a variety of scents can evoke good feelings for the product. Restaurants and star hotels provide ambience that is pleasant and absorbing.
- **Touch** - It is possible to use touch for a limited number of products. For example, samples of cloth or paper can be bound into magazines. The potential customer can thus feel the texture of corduroy, tell through touch the difference between slick magazine stock, embossing, Classic Laid or 100% rag paper. However, for the majority of products touch is not useful for advertising.
- **Taste** - There are few products other than food for which taste is a major selling point, and there is virtually no medium in which an ad can be placed that people are likely to lick. It is possible to use direct mail, sending samples to homes, but that is an expensive way to advertise. Thus, taste is much more effective in personal selling, such as sampling foods in supermarkets or in door-to-door sales.
- **Sound** - Words, the method by which humans communicate their ideas and feelings, are presented by sound, by speaking aloud. Sound can be used in a variety of media, from radio and television to the new technology of binding micro-sound chips in magazines to present 20-second sales messages. Words associated with music and other effects, are quite useful to the advertiser in affecting a listener.
- **Sight** - Sight is arguably the most useful of the communication channels available to the advertiser. Through sight it is possible to use both written words and images effectively. The old cliché, “A picture is worth a thousand words,” is correct.

## **Information**

Information is defined as presentation of facts or news. Information comes in many forms. It can be complete or incomplete. It can be biased or deceptive. It can be persuasive or explanatory. Complete information is telling someone everything there is to know about something: what it is, what it looks like, how it works, what its benefits and drawbacks are. However, complete information is impossible to provide in an advertisement.

## **Paid For and Identified Sponsor**

If an ad is created and placed in the media, the costs of creation and time or space in the media must be paid for. Next, the identity of advertiser and the advertising agency are to be given in the ad. This is a major area in which advertising departs from public relations.

Public Relations (PR) seeks to place information about companies and/or products in the media without having to pay for the time or space. PR departments produce events that will be covered by news media and thus receive space or time. However, there is no guarantee that the media will run the PR material in the way it is sent. It is often edited to change the content and style. Reporting on the events may give more coverage to the guest or other dignitaries, sidelining products and services of the company.

## **Products, Services or Ideas**

Products, services or ideas are the things that advertisers want consumers to buy (in the case of ideas, “buy” means accept or agree).

A product is a bundle of values, to the consumer. Let us look at a car.

- **Functional value** – The function of a car is transportation- moving people from one place to another.
- **Technical value** – The car will have a design that puts the engine, the shell, the wheels, the interior and other parts together to make it functional as well as look attractive. Its production is based on principles of good engineering. Slogans like ‘built to last’, ‘fuel efficient’ refer to the design advantages.
- **Social value**-. The type of car a person drives is often indicative of that person’s social status. A clunker shows a lower status than a Rolls Royce. A sports car shows that a person is more socially active and fun-loving than a person in a sedan or

station wagon. The type of car can even indicate which social grouping a person wants to be considered a part of: in the 1980s Volvos and BMWs were the car for Yuppies.

- **Psychological**- Some cars may make a person feel safer, or sexier, or give them self-esteem or enjoyment.
- **Economic**- Some cars may be low priced and cheaper to run, give better mileage, carry more people or cargo, cause less damage to the environment. Nano, and Maruti 800 are small economy cars.

The way the values are bundled together in varying proportions determine the personality of a car. How closely a product approximates an individual's personality will often determine whether the individual will buy that car or not.

### **Persuasive**

“Persuasive” stands to reason as part of the definition of advertising. The basic purpose of advertising is to identify and differentiate one product from another in order to change the attitudes and values of the consumer to buy that product in preference to another. Companies, through research, try to determine what values consumers want in their products, and then advertise to show how their product satisfies the customers better than the products of competitors. To do this, the company must differentiate their product from competitors. There are three basic differentiations: perceptible, imperceptible, and induced.

- **Perceptible** -Perceptible differences are those that actually exist that make one product obviously different from others of the same kind. The difference may be in color or size or shape or brand name. In any case, the consumer can easily see that this car is different from other cars. Perceptible differences allow a person to make an instant identification of one product as opposed to another.
- **Imperceptible**-Imperceptible differences are those that are associated with functional or design differences which cannot be identified by observation. It needs either technical expertise or experience to find the actual differences between a Maruti Zen and Nano.
- **Induced** - There is no actual substantive difference between some products. For many brands of cigarettes, beer, cleansers and soaps, rice, over-the-counter health products, etc., the difference between one brand and another is less significant. These products are called parity products. For these products, the only way to differentiate

one from another is to induce that difference, to persuade people that there actually is some difference, and that difference is important to them. These differences are created through advertising, by associating a product or service with an image, occasion or emotion. Consider the following examples.

Among cigarettes, Marlboro is rugged male, Virginia Slims is independent female, Benson & Hedges is intellectual, Camel is cool and sophisticated.

### **Various Media**

The various media include newspapers, magazines, radio, television, billboards, transit cards, sandwich boards, skywriting, posters, anything that aids communicating in non-personal way ideas from one person or group to another person or group. They do not include people talking to each other: first, talking is personal and advertising is non-personal; and second, there is no way to use people talking to each other for advertising—word-of-mouth is not an advertising medium, as advertiser cannot control it. With the advent of social media, Facebook, Twitter and other networks are facilitating conversations.

### **Objectives of Advertising**

The advertising is primarily a communication tool, which has the ability of promoting sales. Based on these abilities, two schools of thought are found: the communication school and sales school.

### **The Communications School**

There are many situations where the aim of a communication campaign is to enhance the image or reputation of an organization or product. Sales thus don't remain the only goal. Consequently, promotional efforts are seen as communication tasks, such as the creation of awareness or positive attitudes towards the organization or product. To facilitate this process, receivers have to be given relevant information before the appropriate decision processes can develop and purchase activities established as long-run behaviour.

Thus the communication objectives basically seek to move people to action and induce them to purchase the products.

Suppose, a person were to buy a coloured television, before making the investment he is likely to look into several aspects like features available, benefits, information with regard to these in the form of articles, etc. thus a marketer would do good if he could understand

what influences this person at every stage in the buying process and accordingly formulate his communication plan to ensure more effective allocation of the communication budget. The process of communication creates favorable attitudes stage by stage. As such communication objectives are three fold as given in Table.

### Communication Objectives of Advertising

Stage	Objectives
Cognitive	<b>Inform</b> -Building knowledge about the product or service by providing information.
Affective	<b>Impress</b> –to create an image for the brand and firm or store. <b>Persuade</b> - Intensify positive emotions for the product to create liking as well as interest. Interest may further strengthen to take the shape of strong desires or preference.
Conative	<b>Reinforce or Remind</b> - On the basis of his preference or dislike for the product, consumer may act - either purchase it or reject the product.

### The Sales School

Many managers see sales as the only meaningful objective for promotional plans. Their view is that the only reason for which organization spends money on promotion is to sell its products or service. Therefore, the only meaningful objective of advertising is to promote sales.

- To create trail sales for a product or service
- To facilitate the repeat sales
- To retain existing customers and increase the sales (brand loyalty)
- To attract customers of other brands to buy a firm’s product (brand switching).

### Functions

What does advertising do? What is expected of it by the marketers, who spend money and time on it? The different functions of advertising are informing, protecting and value adding as explained here.

- **Acts as a source of information** – Advertising acts as a source of information to the potential customers. Essentially, the print ads can provide more information and be kept for future reference.

- **Prepares ground for new Product**-New product needs introduction in a rational and emotional way to attract potential customers. Advertising help serve the important function of creating product awareness.
- **Supports promotional mix- As an element of promotional mix it enhances the preferences of consumers, builds brand image and promotes sales.**
- **Stimulates demand** –advertising creates awareness for a product by informing consumers about the availability of a product in the market, for fulfilling a need of a customer. In some cases it helps consumers identify their latent needs, and reinforces the aroused needs.
- **Creates brand preferences** – Consistent and persuasive advertising often induces brand trial or purchase.
- **Protects brand from competition**- Advertising creates brand image. Products with strong brand image offer some protection against the competition. Retailers develop confidence and do not hesitate in stocking strong brands. Advertising can bar entry of new competitors, by highlighting the differences.
- **Increases profits** – Advertising may promotes sales and reduces unit cost of production and profits. Selling costs also may decrease because there could be fewer wasted calls and less strain on sales people.
- **Informs the Changes to the Customers**- Whenever changes are made in the prices, channels of distribution or in the product by way of any improvement in quality, size, weight, brand, packing, etc., they must be informed to the public by the producer through advertisement.

### Advertising and Different Markets

The functions of advertising with reference to markets and products is given in Figure

**Role of Advertising in Different Markets**

<b>New markets</b>	Explain the basic benefits of your product, and your company record, to people unaware of them.	Explain the basic benefits of your product, and your company record in other fields
<b>Existing markets</b>	Suggest new uses for your product, or reasons for more frequent use, building on existing contacts and goodwill	Explain basic benefits, building on existing contacts and goodwill
	<b>Existing products</b>	<b>New products</b>

## Advertising and Purchase Decision Process

Advertising has communication objectives of informing, persuading, and reminding throughout the purchase process as given in Table. At the need recognition stage, marketers can vividly inform or intelligently make suggestions to help consumer identify a need or need gratifying product.

In the information search stage, a larger role is to be played to gain favourable perceptions and help consumer learn more about need satisfying options with specific focus on company's brand. In the next two stages, messages should be persuasive and reminding to drive the consumer towards decision and purchase. In the last stage, reassuring messages are to be delivered to the consumer to reduce cognitive dissonance and reinforce confidence.

### Role of Advertising in Purchase Decision Process

S. No	Stage	Communication goals	Type of ads
1	Need identification	Suggestive. Find solutions to self identified needs. Induce needs and offer solutions.	Informative highlighting problems and solutions
2	Information search	Informative. Messages may be informative and suggestive (comparative advertising) to help draw conclusions.	Informative elaborating benefits and features of a product or service
3	Evaluation of alternatives	Persuasive. Help identify criteria for evaluation and present cases satisfied customers.	Comparative Ads distinguishing the brand from those of competitors.
4	Purchase decision	Suggestive. Help arrive at a purchase decision –what to buy, where to buy, when to by and how to buy? Information on sales promotion and shop location and telephone numbers.	Informative ads with persuasive elements. Point of purchase ads to remind and stimulate.
5	Post-purchase decision	Informative. Information about use of product, service centers, contact numbers and timings. Presentation of customers who are satisfied with the product performance.	Ads showing satisfied customers, customer meets, company letters and gift coupons.



In the product life stages advertisements have a role to play. Table shows the work of ads.

### Role of ad in Product Life Cycle Stages

S. No	Stage	Communication goals	Type of ads
1	Introduction	Create awareness and create trial purchases	Informative highlighting problems and solutions. Point of purchase ads to draw attention.
2	Growth	Persuasive to create interest and confidence. The goal is to gain repeat purchases and increase trial purchases.	Informative, elaborating benefits and features of a product or service
3	Maturity	Persuasive and reminder. Help identify criteria for evaluation and present cases satisfied customers.	Comparative Ads distinguishing the brand from those of competitors.
4	Decline	Reminder. Information on sales promotion and shop location and telephone numbers.	Informative ads with persuasive elements

### Importance of Advertising

Advertising plays a very important role in today's age of competition. Advertising is one thing which has become a necessity for everybody in today's day to day life, be it the producer, the traders, or the customer. It provides several important benefits to consumers, firms, middlemen and society.

#### Benefits to Consumers

- **Need identification and fulfillment** – Ads help people identify various needs and suggest ways of fulfilling them in the present and future.
- **Saves time** - With the aid of advertising, consumers find and buy necessary products without much waste of time. It helps them to know where and when the products are available. This reduces their shopping time.
- **Provides assurance** - Advertising provides information on quality and very often prices. This forms an indirect guarantee to the consumers of the quality and price.

- **Helps evaluate products** - It provides an opportunity to the customers to compare the merits and demerits of various substitute products.

### **Benefits to Firms**

- **Introduction made easy**- It helps easy introduction of new products into the markets by the same manufacturer.
- **Increases sales**- It increases sales volume by creating awareness of and attraction towards the product.
- **Increases profits and market share** - By increasing sales, it reduces the unit costs and increases profit margins. It also increases the market share of the firm in the competitive market.
- **Strategic competitive advantage**- Strategically planned, and well orchestrated advertising campaigns provide competitive advantage to the firms by building not only product image but also corporate image. Also it help induce distributors to come forward to work with the firm and increase its sales.
- **Employee morale**- Advertising gives the employees a feeling of pride in their jobs and to be in the service of such a concern of repute. It thus inspires the executives and worker to improve their efficiency and customer orientation.

### **Benefits to Wholesalers and Retailers**

- **Increases sales of products** - Easy sale of the products is possible since consumers are aware of the product and its quality. It supports the consumer pull strategy of firms. It increases the rate of the turn-over of the stock because demand is already created by advertisement.
- **Raises profits** - It ensures more economical selling because selling overheads are reduced
- **Builds retail image**- The reputation created is shared by the wholesalers and retailers alike because they need not spend anything for the advertising of already well advertised products.

### **Benefits to Society**

- **Educates people**- Advertising, in general, is educative in nature. It helps educating people. There are some social issues also which advertising deals with like child

labour, liquor consumption, girl child killing, smoking, family planning education, etc. thus, advertising plays a very important role in society. In the words of the late President Roosevelt of the U.S.A., “Advertising brings to the greatest number of people actual knowledge concerning useful things: it is essentially a form of education and the progress of civilization depends on education.”

- **Entertainment** - Just imagine television or a newspaper or a radio channel without an advertisement! No, no one can any day imagine this. Advertising plays a very important role in customers life. Customers enjoy watching the ad themes, hearing music and seeing the models.
- **Raises production and employment** - Advertising leads to a large-scale production creating more employment opportunities to the public in various jobs directly or indirectly. It assures employment opportunities for the professional men and artist. Because of rise in consumption and production, investment will increase providing more employment opportunities in the manufacturing and services sectors. Also commercial entrepreneurs will become retailers
- **Raises consumption** - It initiates a process of creating more wants and their satisfaction higher standard of living. For example, advertising has made more popular and universal the uses of such inventions as the automobiles, radios, and various household appliances.
- **Supports press**- Newspapers would not have become so popular and so cheap if there had been no advertisements. The cheap production of newspapers is possible only through the publication of advertisements in them. It sustains the press.

## **Barriers to Advertising**

Advertisers target specific audiences, appeal to their tastes and sensibilities, and predict with some degree of accuracy how they will respond. This is true whether it be a consumer buying a soft drink or a voter choosing a candidate. Will they get the desired response and effect?

Retailing Tycoon John Wanamaker once said:

“I know that half of my advertising doesn’t work. The problem is, I don’t know which half.”

A company may be spending millions of rupees on advertising, but how do the managers know which ads are effective?

## **Barriers to Cross**

Advertising can be effective when it can cross the barriers in market environment and organization. We will now explain the different barriers.

### **Heterogeneous Consumer Groups**

Marketers have to skillfully communicate with a much larger but scattered audience characterized by variations in social classes, language, culture and lifestyles.

A segment of consumers who are educated and other segment uneducated. The educated ask for brands, where as the less educated identify brands by colours, mascots and graphics.

The younger 18–35-years age group, more mobile with exposure are brand conscious. They are internet savvy and their brand usage and recall rate is comparable to their counterparts in cosmopolitan areas.

The less educated comprehend information slowly. They can process linear, logical, simplistic communication with a beginning, ending and a sequence of events. In order to communicate the message, there is a need to use vernacular language, which is dialect-specific. This is a difficult task given that there are 16 social languages and 114 local vernaculars.

V. S. Sitaram, executive director of Dabur India, explains, “Often people treat India as one big market but, the reality is that India is more like the European Union—a mix of different cultures, habits and languages.” Dabur is also considering the use of South Indian celebrities to propagate the brand message in South India. Marketing companies not only need to customize their communication, but in some cases they must also change their product names to match regional differences. Take toothpaste. “Dabur’s Lal Dant Manjan” (red toothpowder in Hindi) was rechristened “Dabur Sivappu Pal Podi” (red toothpowder in Tamil, the local language) for the South Indian market

### **Different Media Habits and Reach**

Television has the highest reach with penetration of 38 per cent of the rural population in the country. The radio reaches 18 per cent whereas print reaches 15 per cent of the rural population. Cinema has the lowest reach in rural India. It reaches a mere 5 per cent of the rural population.

Gender-wise, TV's penetration in rural areas is 39 per cent for men and 35 per cent for women. Radio reaches 22 per cent of males and 13 per cent of females. Print reaches 20 per cent males and 7 per cent females. Cinema reaches 4 per cent males and 1 per cent of the females.

State-wise, the reach of television is highest in Goa, with 83 per cent penetration; it is the lowest in Bihar, with 11 per cent penetration. Radio, like in urban India, has the maximum reach in Tamil Nadu (40 per cent) and the minimum reach in Andhra Pradesh (3 per cent). Print is most effective as a medium in Kerala, with 62 per cent reach and least effective in Madhya Pradesh, with only 4 per cent reach. Cinema has the highest reach in Andhra Pradesh—20 per cent. The medium has the lowest reach in the states of Bihar, Gujarat, Haryana, Chhattisgarh, Orissa, Uttar Pradesh and West Bengal with only 1 per cent penetration in each of these states.

### **Different Lifestyles and Cultural Adaptations**

Culturally, people are different. Rural people are tradition bound and preserve their frugal habits due to the uncertainty of farm incomes. They uphold religious and social values and take decisions accordingly. They are price conscious and look for value-for-money products. They prefer family associations and like appeals that strengthen the emotional bonds between family members, friends and relatives. While a woman is given the freedom to study and take up jobs, her lifestyle and movements are controlled by social norms. She is not given the same freedom enjoyed by a liberated, independent and decisive urban girl.

While advertisements that show her as a growing young girl drinking “Complan,” as a job-seeking educated woman using “Fair & Lovely” to improve her chances of getting job, as a hardworking house-wife washing clothes with “Rin,” as a loving companion to her husband offering “Gemini tea”, and a caring mother giving her child a bath with Johnson & Johnson's baby soap are well received, the advertisements that depict women showing of their lustrous hair are not accepted.

### **Different Decision-Making Groups and Approaches**

Urban and city bred are more independent and make decisions based on social comparison to remain different. Rural people follow others. The society is open and acquaintances do not hesitate to encourage things that they consider good and sneer at things that they perceive as bad. Rural consumers are caught in what may be called a social trap and they do not come out of it.

Rural people respect village elders and officials; Urban people do not find such pressures. Even the kids in the middle- and upper-income families make their own brand choices. When they accompany their parents, they wield influence on the choice of brands and when they are sent to do the household shopping they even make the alternative brand choices in case of non-availability of the brand listed for purchase.

However, both of them bow to peer pressure and share pleasures and pains with family members, friends and relatives. As such marketers have to influence not only individuals but also large sections of people. They have to identify the opinion leaders who may be the doctor, bank manager or the teachers. In this context, interpersonal oral communication becomes all the more important. Interactive media will have more influence than mass media.

One of the results of economic development is social transformation that has liberated women. In developed places, women enjoy full freedom to make purchase decisions.

### **Different Social Classes and the Intentions**

Consumers are heterogeneous by their incomes. NCAER has divided the market pyramid into five categories—the very rich with annual income of more than ₹ 21,500, consuming class (₹ 45,001–215,000), climbers (₹ 22,001–45,000), aspirants (₹ 16,001–22,000) and destitute (up to ₹ 16,000). The destitute and aspirants mainly buy essential commodities such as food and clothing.

The lower middle are more interested in purchasing income-yielding assets like sewing machines for business, a two-wheeler that is a work companion, or a piece of land to till. Slowly, they upgrade their consumption to buy better, premium and expensive goods, after moving to the next income level. The climbers are the seekers of a wide spectrum of goods. They look for close substitutes to the premium products. The consuming class and the very rich indulge in conspicuous consumption and are easy targets for marketers of premium products.

### **Different Purchases and Usage Patterns**

Companies are recognizing the fact that people are becoming more brand savvy than a decade ago, thanks to the introduction of satellite TV in rural homes. Four important and interesting findings in this regard are:

- ▶ Penetration of premium products is reported even in the lowest socio-economic classification.

- The one family–one brand view is a myth. Multiple brand usage is noted in many categories.
- The preference for branded products is rooted in the belief that they stand for quality.
- The brand recall for products such as Clinic Plus Shampoo is high.

The reasons for buying a product are varied and multiple. A marketer may offer a product for some use whereas the users may invent some other uses that are unknown to marketers. It is necessary to know and adopt them, to make the message complete and effective.

- A refrigerator is purchased to preserve perishables. However, it is also purchased as an item to be given as part of dowry during marriages by some villagers.
- Televisions are purchased mostly for entertainment. A study by IMRB found that more than one in three televisions was a gift.
- A tractor is purchased by a farmer not just for his own use but also with an intention of renting it out to other farmers.
- A tractor is not only a replacement for the plough, but also a major means of transport to move both men and materials in rural areas.
- In rural Punjab, farmers seek power and vigour from “Revital” health capsules whereas rickshaw pullers expect more energy from it and truck drivers use it for long hours of concentration.

### **Different Purchase Propositions**

Market analysts found that there are three typical market segments –(i) quality conscious who are looking for premium products, (ii) value conscious who by value for money goods –willing to pay for reasonable quality and (iii) price conscious who look for low priced items.

### **Environmental Factors**

The communication environment presents some barriers and some facilitators. The barriers include the following:

- **Media barriers** -They key issue in communicating to target audiences is media access. Unlike urban consumers who are exposed to a proliferation of media channels, rural consumers have limited access to the media.

- **Distance barriers** - The country has 0.6 million villages, spread over 3.2 million sq. metre of area. The road conditions are usually poor. It is difficult to reach the rural consumers in the far-flung villages by van or foot.

### **Organizational Barriers**

The organizational barriers can be the concept of marketing and budget

- **Concept** – The firms which are sales or product oriented will think that promotion is a waste of time and money and emphasize more on distribution. They adopt push strategy (moving product through distribution channels by offering incentives to channel members). On the other hand, marketers adopting pull strategy will advertise in mass media and draw consumers to the retail outlets to buy the products.
- **Budget** - There are constraints in the organizational aspects too. Budget is a limiting factor.

### **Effectiveness of Advertising**

The effectiveness of an ad depends on several factors.

**Message-** An ad copy works in making appeal to the target audience and make desired impact when:

- **Interesting offer-** The information or offer is interesting
- **Relevant information** - The information is related to an unsatisfied need and explains how it be fulfilled
- **Credible provider-** the company or brand has image that is credible.
- **Compatible with budget** –the offer is affordable to the target audience
- **Congruent with life style-** the brand has personality that matches with the prospects
- **Stimulus-** the offer is associated with a short period incentive.

Ads work by their appeals – rational, emotional and sensory. While rational appeals help assure functional utility of a product or service, it is the emotional appeal that can take the potential consumer to the point of purchase.

“Ads are designed to have an emotional appeal that’s often more important than the actual information,” said Paul Freedman, a University of Virginia political scientist specializing in campaign advertising. “If you’re selling a car, you’re selling an image; you’re selling a state of mind. It’s not just a hunk of metal and plastic.”



**Repetition** The hammering away at an audience with a singular message — is also a powerful method of persuasion best accomplished through ads.

**Media vehicles-** Ads work well when they are placed in right media. Different media – print, TV, Radio, outdoor, websites and social media can make impact but the impact varies from product to product. For consumer goods all the media will be useful. For industrial goods print and internet ads will only be effective.

**Celebrities** – Celebrity endorsements may increase effectiveness. The four Qs of this type of ads are:

- **Quick saliency:** It gets cut through because of the star and his attention getting value. Goodlass Nerolac has ensured high saliency for its brand with the inclusion of Amitabh Bachchan in its advertising
- **Quick connect:** Sachin, Shahrukh and their ilk’s ensure an easy connect for Pepsi with the youth
- **Quick shorthand for brand values:** The right star can actually telegraph a brand message fast without elaborate story telling. Kapil Dev and Sachin Tendulkar seem to have done that successfully for Boost in the e malted beverages market.
- **Quick means of brand differentiation:** In a category where no brand is using a celebrity, the first that picks one up could use it to differentiate itself in the market. Boost did it in the malted beverage category And Preity Zinta does all the above four for Perk — connecting with the youth and reinforcing the brand’s youthful, spontaneous, energetic values.

## **Study of Television Ad**

An examination of a company’s television advertising may show that some of the current advertising is effective, while other ads are moderately helpful, and still others are not helpful.

Leonard Lodish of the Wharton School has researched taking the question why do some advertising treatments have an impact on sales and others do not? He found that many firms accept certain television advertising “rules” to keep the advertising effective.

### **(a) Findings**

- More television advertising is better than less.

- The impact and effectiveness emerged surprisingly fast, typically within 6 months. Impact lasted for more than two years.
- When television advertisements worked, they produced considerable volume effects: a mean increase of 18% in sales.

(b) **Rules**

- At least three exposures per person are required to make a significant impact.
- In order to increase market share, television advertising's share of voice must be larger than current market share.
- Brand or copy strategy must change frequently. There is considerable danger in maintaining the status quo: it is how companies lull customers into boredom and complacency.

**Why Advertising Works?**

Why do people care to watch or hear ads? Advertising being a form of communication, works as meets a variety of information needs of people.

**Satisfies human needs-** Advertisement for a variety of products from food to automobiles can help people identify the products and services that satisfy the different types of needs

**Fulfils transactional needs-** Communication is an essential component in our lives. It is important in our everyday lives. It has been estimated that 75% of a person's day is spent communicating in some way. Information exchange about products that satisfy needs, and other information like where and when it is available, at what price it can be purchased, what is the mode of payment etc help a potential buyer to take steps to find and purchase the product.

**Summary**

Advertising is an integral part of marketing and promotion mix. Advertising is the non-personal communication of information usually paid for and usually persuasive in nature about products, services or ideas by identified sponsors through the various media. Advertising, according to communication school has communication tasks, such as the creation of awareness or positive attitudes towards the organization or product. The sales school argues that the only reason for which organization spends money on promotion is

to sell its products or service. Advertising performs functions like informing, protecting and value adding. Advertising has an influential role throughout the purchase process and through the product life stages. It provides several important benefits to consumers, firms, middlemen and society.

Advertising can be effective when it can cross the barriers in market environment and organization. The barriers include: heterogeneous consumer groups, different media habits and reach, divergent lifestyles and cultural adaptations, divergent decision-making groups and approaches, different social classes and the intentions, different purchases and usage patterns, and different purchase propositions. The communication environment presents some barriers and some facilitators.

The barriers include media and distance. The organizational barriers can be the lack of integrated view of marketing and budget limitations. The effectiveness of an ad depends on several factors like message, Repetition, Media vehicles, Celebrities, Quick saliency, Quick connect, Quick shorthand for brand values, Quick means of brand differentiation: Why do people care to watch or hear ads? Advertising being a form of communication, works as meets a variety of information needs of people.

## **CASE**

### **Fevicol Bonds**

In 1959, Pidilite Industries decided to enter into the adhesive or white glue market. Glue is primarily consumed in woodworking. According to sources, approximately 60 per cent of the market share in the overall adhesives market in India is controlled by the company.

### **Target Audience and Positioning**

The company decided to enter the retail market with the product under the brand name Fevicol. It designed collapsible tubes in different sizes in order to cater to different segments of customers. Major sales are driven by carpenters who use Fevicol in woodwork.

The USP of the brand is the ease with which it can be applied. The company has become synonymous with adhesives and bonding agents. The punch line of the company, “building bonds,” projects and reinforces such an image.

## **Promotion Mix**

Pidilite has launched several initiatives to support carpenters. Fevicol Champion's Club, which helps carpenters to increase their social contact and improve their lifestyle, is one among them. The brand has built strong brand equity over the years and has been able to achieve so much success due to its consistent quality, efficient distribution network and CRM practices.

## **Creative Ideas**

The brand portfolio has been handled by O&M. The creative strategy has been to make bonding a Fevicol attribute. Fevicol advertisements overcome all barriers of region and language as viewers can relate with them easily. O&M won the Campaign of the Century Silver at the 2000 Abby Awards for their Fevicol ad. Fevicol also won them a Lion at Cannes, which is like getting an Oscar in moviemaking. Some of its award-winning TV advertisements include the ones described in the following section.

## **Ad Campaigns**

The origins of the ideas for advertisement campaigns are from day-to-day observations that are presented in an innovative and unique manner. Some of the famous punch lines are "pakde rehna chodna nahi", "aise jod lagae, acche se accha na tod paaye" and "lagake haisha jor lagake haisha." "Fevicol ka mazboot jod" is the theme of the campaigns. The commercials justify the Fevicol slogan "fevicol ka jodh hai toote ga nahi."

The first ad (1988) is set at a poultry farm where a hen is shown laying eggs. When the caretaker tries to break the egg, it lies of his hand and hits a steel vessel. The steel vessel breaks; not the egg. The caretaker is dumfounded and looks around. He finds that the hen is eating grains from a Fevicol box.

Another ad (2001) shows a bus bursting at the seams with people. Surprisingly no one falls off. The idea was to demonstrate the adhesive as so strong that even the mere mention of the name on the back of the bus (reading "Fevicol: The ultimate adhesive") would ensure a super bond.

Yet another ad is set in a carpentry shop where some people are shown watching a movie. The hero of the movie is hanging precariously from the bridge and is asking the heroine not to leave his hand. All of a sudden he falls. The reason—a worker takes away a Fevicol bottle that was placed on top of the TV.

Another interesting ad has a little child asking if anyone has watered the tulsi plant. The question lies across the house as each member of the large joint family ask each other if they have watered the plant. The ad pays tribute to the strong bond of a joint family, which stays together no matter what.

Having completed 50 years in India, Fevicol has released a commercial titled “moochwali,” positioning it as the “world’s shortest feature film.” The black-and-white ad film, shot by Prason Pandey of Corcoise Films, depicts the life of a little girl who was unable to shake of a moustache pasted on her upper lip during a village play. The film traces her life, through her teenage years, wedding, motherhood, death and finally rebirth, where she is born again with the moustache intact.

The ad closes with the tag line “50 saal se champion” (winner for 50 years). The film is a different cut on the whole bonding angle. We wanted to break away from what we had been doing in the past, and it was nice to come up with something that captured that legacy (of the brand),” said Abhijit Avasthi, national creative director, O&M India, who spent six months labouring over the idea for the new “moochwali” campaign. He said, “It has been a magical journey for Fevicol.

## **Image**

Today, the brand is a part of every Indian’s vocabulary and the brand has endeared itself to the man on the street to such an extent that everyone has an idea for the next Fevicol ad in his pocket. You can’t beat that level of engagement.”

## **Questions for Discussion**

1. What are the unique features of Fevicol advertisements?
2. Suggest two themes for future advertisements.

## **Internet Exercise**

There is a row over TV ad linking children romantically, with reference to a Vodafone ad. Visit the following website and read the comments of public. Look for more cases and prepare a note on ‘Kids advertising: Dos and Do not’s’

Row over TV *ad* linking *children* romantically - Times Of India, articles.timesofindia.indiatimes.com› Collections, by Rupam Jain, 11 May,2012

## Mini-Project

Collect 3 advertisements of three different brands of a product ( shampoo, hair oil or any other) and then show them to 5 girls and 5 boys of age 15-18. After one hour ask them to recall the ads shown. Note down what is recalled and what is not recalled from them. Ask them, which ad they liked most and reasons for their liking.

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## Lesson 1.2 - Designing Advertising Campaign

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### Learning Objectives

*After studying the lesson, you will be able to:*

- Discuss steps in designing and organizing an advertising campaign
- Learn about the advertising campaigns in India

### Introduction

Developing an advertising campaign is a very overwhelming task. Whether it is for a small business or a large one, whether it is for an existing product or a new one, marketer has to be careful in assessing the focus of the message and supporting it with right media and budget choices. As such, the trick is to plan everything carefully in order to overcome the challenges and avoid committing serious and costly mistakes. In this lesson, we will discuss the basic things that one should consider in planning an advertisement campaign.

### Planning an Ad Campaign

Planning an advertising campaign is really a challenge for marketers. But with proper planning, one can increase the chances for success and reduce the risk they will have to face. Planning an ad campaign involves the following steps. Box presents a format which marketers or ad consultants can follow.

## **Creative Strategy Format**

Company name:

Job #:

Project Title:

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### **Key Fact(S):** “What we should know”

This is background information or research pertinent to the execution of the creative. It's the frame of reference. (Ex: We are testing higher benefit levels to see if they're a viable way to raise the amount of premiums paid by customers.)

### **Objective:** “What we want to happen”

This is what we want the creative to accomplish. It's a specific communications objective, not a marketing/sales objective. (Ex: To persuade customers that buying LIC life policy is one of the smartest decisions they'll ever make.)

### **Target Audience:** “Who to sell”

This is a profile of the audience we are trying to reach. It's a demographic and/or psychographic portrait of the customer. (Ex: Those who have purchased life insurance and are family persons within age range of 25 -50. Average income per month is ₹ 20 K.)

### **Positioning:** “How to sell”

This defines where you want to place your product or service relative to the competition or a control and how you want to be perceived by the target audience. It suggests the personality of the product or service. (Ex: When tragedy strikes you need a name you can trust, you need LIC.)

### **Primary Message:** “What to sell”

This is the main benefit (not a feature) that the customer receives from the product or service. It's the unique selling point. (Ex: For a very small fee, customers can have the security of knowing they are covered 100% in the event of an accident.)



**Copy Platform:** “Why they should buy”

These are features (and benefits) that support the primary message by providing reasons why the customer should buy the product or service. It’s the details you would find in the body copy. (Ex: List tangible features and related benefits like the following:)—Bonus period of 60 days, — Average length of time in which claims are paid is two weeks. — Low monthly premiums, on line payments by credit or debit card).

**Tone and Execution:** “What’s our approach”

This dictates characteristics that should be reflected in the copy and design. It’s the overall style. (Ex: Copy and graphics should be dignified and convey stability; the customer should come away with a sense of validation that LIC was the right choice. Avoid language that implies “we know” what the customer is thinking.)

**Mandatories:** “What must be included”

These are specific copy points or design elements that must be included in the creative.

(Ex: Include a paragraph (from a customer ) about the stability of the LIC, i.e., number of years in business, number of policies, commitment to service and customer satisfaction This can go in the letter or in a special tip-in.

Source: Creative Strategy, [www.creativelatitude.com /downloads/ creative.../creative\\_ strategy. pdf](http://www.creativelatitude.com/downloads/creative.../creative_strategy.pdf)

**Marketing Objectives**

The “What to do” part of your ad strategy should follow logically from the “What’s going on” part. A SWOT analysis will help you figure out the “What’s going on” part. As such, the first step in ad campaign planning is assessing the marketing opportunities and threats and figuring out objectives in view of the strengths and weaknesses of the company. What’s going on in the market, what’s the history, the current situation? What are the major trends in the market, what’s the future looking like with the product, with competitors and with changing consumer attitudes? With this understanding marketer has to decide what is to be accomplished in a given period of time. Marketing *objectives* are specific and measurable. **Some of the important objectives are:**

- Increase sales by X% this quarter
- Reduce switching this year from X% to Y%
- Increase sales to existing customers for product line A by Z%
- Attract (N ) qualified leads by this date(..)

## **Target Audience and Positioning**

**Based on product and market**, consider factors such as age, gender, income level, education and general interests. After knowing who your target customers are, determine what motivates them to make a purchase. Put yourself into their shoes. You can start by creating a profile of the person who would likely be your typical customer.

**Based on the identification of audience characteristics and motivations, marketer has** to figure out the actions to be taken to reach the potential customers.

- What should marketer do about the most significant opportunities or problems presented by the situation?
- What should he do with the brand?
- What would be the right positioning for the brand?

An ad planning deals with the big strategic issues: branding, positioning, direct marketing, and media. And it does so with simple action statements describing, high-level, what you intend to accomplish.

Example: Say the SWOT analysis reveals that there is serious and growing competition from price slashers. Your action plan includes the following:

- Position, or re-position the product: “Because you’re worth it - worth so much more than the extra rupee.”
- Invest in, create a stronger brand personality - one based on an upscale, character that people will aspire to associate with.
- Use traditional dm and the Internet / Web site to target and sell younger buyers, new buyers, before they have established a product / service / company preference.

## **Positioning**

**Evaluate the product vis a vis those of competitors products.** Get some of their advertising materials. Look at their flyers, for example, and determine what is working and

what is not. Learn from the competitors. Even from their mistakes. What value does our business can provide to our customers? Are we offering something that is worth spending for? Answering questions such as these can help a marketer highlight the strengths of the product or service.

First identify the differences. Examine the uniqueness of the differences and pick up the one which is unique. Give emphasis to that unique quality or feature in positioning the product. In addition, a well-written positioning statement helps creative people to focus on the members of their target market with strong and specific messages that answer the prospective buyer's question, "What's in it for me?" You can create a simple positioning statement by filling in these blanks:

To the (target consumer), (name of brand) is the brand of (competitive frame) that (benefit).

Here is an example of a positioning statement using this format:

To (family food shoppers who are concerned about diet), (Mazola) is the brand of (margarine) that (tastes better than all other leading heart-healthy spreads)

### **Communication Objectives**

The entire nature of the advertising campaign – from the choice of medium to the content and other important elements – will depend on the desired objectives. Knowing what the objectives are and how to carry them out will also affect the budget.

Common objectives in advertising include creating brand awareness, increasing revenues, establishing positive image, and market penetration. For greater results, focus on one primary objective.

### **Objectives Differ Across the Product Life Cycle (PLC)**

Early in the PLC—during the introduction stage—the most important objective is creating *awareness* among consumers. For example, many consumers currently do not know the Garmin is making auto navigation devices based on the global position satellite (GPS) system and what this system can do for them. A second step is to induce *trial*—to get consumers to buy the product for the first time. Ads associated with a sales promotion offer will promote trial purchases. During the growth stage, the task is persuading the consumer to buy the product and prefer the brand over competing ones. A comparative advertisement will be helpful here.

## **Objectives Vary with the Stage of the Consumer's Decision Process**

Prior to the purchase, the marketer will want to establish awareness and a decision to purchase the product and the specific brand. Here, informative ads and samples might be used to induce trial.

During the purchase stage, when the consumer is in the retail store, efforts may be made to ensure that the consumer will choose one's specific brands. Paying retailers for preferred shelf space as well as point of purchase (POP) displays and coupons may be appropriate. After the purchase, an appropriate objective may be to induce a repurchase or to influence the consumer to choose the same brand again. Here

## **Based on the Objectives Ads Vary**

The "pioneering" ad seeks to create awareness of a product and brand and to instill an appreciation among consumers for its possibilities. The competitive or persuasive ad attempts to convince the consumer either of the performance of the product and/or how it is superior in some way to that of others.

Comparative advertisements are an example of this. Reminder advertising seeks to keep the consumer believing what other ads have already established. For example, Coca Cola ads tend not to provide new information but keep reinforcing what a great drink it is.

## **Creative Strategy and Tactics**

Creative strategy is an outline of what message should be conveyed, to whom, and with what tone. The creative strategy guides and directs the development of current and future sales messages, brochures, and advertising.

A written creative strategy becomes a potent management tool for directing the activities of advertising agencies. It clearly articulates how the product or service will be presented to customers and positioned versus competitors. The creative copy should be designed strategically keeping in mind the characteristics of target audience and product ad messages of competitors.

As idea starters, below are typical copy approaches. Box provides a description of different types of appeals being used by marketers and Box provides the themes of the award winning campaigns in India.

## Appeals in Ads

'Celebrate with Asian Paints Home Coming' appeals to upbeat mood. 'Lakme - she's a woman to me' appeals to sensuousness. "Promise" shows a boy weeping because of severe toothache, and then suggests the use of "Promise" to avoid a recurrence of toothache uses fear appeal. Khaitan Kitchen fans employing a positive benefit appeal. The headline states: "Are you cooking or being cooked?" It goes on: "Every housewife knows how miserable she feels when she cooks. It makes her irritable and saps her energy. Khaitan presents a simple, efficient and inexpensive answer. 'The Khaitan Fresh Air Fan.' Dettol soap has been called "The Love & Care Soap." In the closing sentence, the ad appeals by saying: "Give your family the Loving Care of Dettol Soap." Mother's love for the baby has been appealed to in ad of Johnson's baby soap. It says: "Gentle as a kiss on your baby's tender skin." It further, goes on to say: "Johnson's Baby Soap. Because Johnson & Johnson care for your baby almost as I much as you do.", "Suitings for the Connoisseur," a Digjam ad campaign, is an example of appealing to those individuals who are experts in matters of taste and choice. The ad series by Shriram group, evokes feeling of pride and oneness. "Indian Corporate Evolution. The Shriram Experience." It says: "we are Indians. We must remember our roots." Then it goes on to state the group's belief in Indian traditions and the advantages it shares with the country. 'Petals' brassieres of VIP are advertised with a dreamy message: "As you flower into a woman, you discover the epitome of international fashion. Discover Petals."

## Associate the Product with a Connected Idea, Feeling, or Emotion

Metaphor is commonly used in consumer advertising, corporate-identity, and brand-building publicity. It can be particularly effective in activating an archetype that connects an emotion with the brand.

*Product: Cognac.*

*Headline: "Let the conversation flow".*

*Visual: Glass of cognac in focus; a group of people in conversation after dinner out of focus.*

## Prove how Popular the Product is

People trust popular products because they are seen as reliable and imply good quality. Popularity messages also respond to deep emotional needs to feel part of a community.

*Product: Telecommunications.*

*Headline: “Thousands of people are coming back to XYZ Telecoms”.*

*Visual: Woman opening door to friendly telecoms engineer.*

### **Use a Case Study**

Case studies prove validity by showing how people have already benefited from the product in the past. They are particularly useful for highlighting success stories, before-and-after, or for demonstrating the versatility and universality of the product.

*Product: Weight-loss milkshake.*

*Headline: “I lost 18 pounds in just one month on the ThinQuick Plan!”*

*Visual: Before and after photos of individual alongside close-up of product*

### **Endorse the Product**

People trust respected figures in society. Your lead copy could be a published testimonial—or have the client pay a respected figure to put his/her name to the product.

*Product: Rowing machine.*

*Headline: “The Gold Standard”.*

*Visual: Snapshot of Olympic rower presenting product, with his signature.*

### **Tell the Product’s Story**

A product with an interesting background has real news value, and news makes for an attention-grabbing message, appealing to the reader’s sense of curiosity.

Product stories can also initiate desire for the product by developing the reader’s emotional attachment to the brand.

*Product: French Beer.*

*Headline: “When Edmund Willims created Bertillon Noir, he didn’t just break the mould. He broke the law.”*

*Visual: Melodramatic black-and-white photo of character nervously hiding behind a door.*

## **Put the Product to the Test**

You can ‘test’ the product to highlight its key features such as convenience, strength, versatility—or to show how the product compares with the competition.

*Product: Battery.*

*Headline: “Duromax lasts up to three times longer than conventional alkaline batteries”. Visual: Battery-powered toy rabbit beating his competitors in a race.*

## **Announce Something New**

The word ‘New’ is one of the most powerful words in advertising copy. Sometimes the most effective message is simply to announce the product’s newness.

*Product: Cat food.*

*Headline: “Introducing new finest cuts from Feleba”.*

*Visual: Plate of gourmet cat food hidden by a silver cover.*

## **Guarantee the Product**

A guarantee quickly dissolves any skepticism your reader has about the reliability of the product. Guarantees can be based around results, quality, durability, strength, customer satisfaction, a commitment on behalf of the company, fixed price promises, and lowest price claims.

*Product: Golf clubs.*

*Headline: “Guaranteed! Cut six to eight strokes off your game... or your money back!”*

*Visual: Product photo overlaid with guarantee stamp.*

## **Announce how much and where to buy**

If the product is particularly good value for money, you can’t go wrong with “the three Ps”: show the Product, show the Price, and show where to Purchase.

*Product: Clothes.*

*Headline: “Back-to-school sweat-shirts from just \$4. at Berkleys (opposite MacDonalds)”.*

*Visual: Photo of mothers and children choosing sweatshirts in-store, with map of where the shop is.*

## **State the Offer**

People are always looking for a bargain, which is why the word ‘Free’ is another powerful word in the advertiser’s lexicon. If you have a good offer to tell readers about, lead with it.

*Product: Newspaper.*

*Headline: “Get a free Mozart CD in tomorrow’s Sunday Bugle”.*

*Visual: Huge ‘FREE’ flash alongside product.*

This list of advertising concepts is hardly exhaustive, but can be used as a framework for brainstorming ideas. Whatever your concept, ask yourself this: “Am I effectively communicating the product message through my headline, visual, and body copy?” If you’re not, the chances are your concept is too complicated—you need to strip it down and focus on just one thing.

### **The Award Winning ad Campaigns**

The award winning mobile company ads are briefly described here.

#### **Airtel’s ‘Har ek friend zaroori hota hai’ (Agency: Taproot India)**

Airtel’s print and the TVC campaign have once again hit the right spot with the audiences. The campaign tries to focus on how every friend is important in his or her own small or big way for their specific abilities. This youth friendship campaign aims to reinforce the unique importance of each relationship in life.

#### **Tata Docomo (Agency: DRAFT FCB + ULKA)**

Tata Docomo’s melody has already become very hummable and popular from the day it launched its service in India. This 2011 campaign remained popular amongst audiences and drove home the point that it makes in the tagline ‘No getting away. The network that always connects. Everywhere’. Whether it is an office executive waking up from his noon reverie with the Docomo tune ringing on his phone or the groom picking up his call during his wedding ceremony, the short but sweet ads have been successful in generating a smirk on the face.



Vodafone Zoozoo superman 3G(Agency: Ogilvy India)

Vodafone's 3G services in India, made a series of very likeable ads to The lovely Zoozoo Ads were released. The Zoozoo turned superman and performed unearthly tasks to denote the speed of Vodafone's 3G internet. The campaign's main aim was to tell audiences that Vodafone's 3G is smarter, better and faster.

Top 10 **Indian advertising campaigns** of 2011! [trak.in/tags/.../top-10-indian-advertising-campaigns-2011-videos/](http://trak.in/tags/.../top-10-indian-advertising-campaigns-2011-videos/) 29 Dec 2011

## Media Strategy

Media Strategy aims at finding out the right path to transfer or say deliver the message to the targeted customers. The three important considerations for evolving media strategy are:

- Geographic location - Where to advertise?
- Media mix - What media type to use?
- Scheduling - - When to advertise?

**Geography** - Where is the place for showing or delivering advertisement? In short it means the geographical area from where it should be visible to the customers who use or are most likely to use the product or services offered. It can be on national basis, state basis and for local brands it can be on city basis. Three types of plans are in general found- (a) The National Media plan (b) The Key Market plan and (c) The Skim plan.

- **National Plan:** Largely applicable to marketers of national brands, the national plan seeks to reach the masses. Obviously, national network of television and national newspapers and magazines will be chosen as the key media vehicles under this plan.
- **Key Market Plan:** In the case of national brands and regional brands, media strategists seek to cover effectively the key markets rather than spread over the entire market thin. This plan is appropriate for products at the introduction stages and those suit regional, climatic conditions. Although there could be several small major key market media plans, it is desirable that they are coordinated well. Especially, customers located on the fringe of two key markets should not get totally confused by the two different advertisement programmes.

- **Skim Plan:** As most key market media plans concentrate on geographic areas, skim plans aim to skim off the cream of a segment and then sell it in general to the other markets. For instance, the first attempts of the marketers may be targeted at well-to-do segments. Later marketers may scale down to serve lower markets. Mobile phones started off as high priced items; gradually they became a mass product.
- **Media mix** - What type of media is to be used for delivering the message?

There are basically two media approaches to choose from.

- **Media Concentration approach** -In media concentration approach, the number of categories of media is less. The money is spent on concentrating on only few media types say two or three. This approach is generally used for those companies who are not very confident and have to share the place with the other competitors. They don't want anyone to get confused with their brand name so this is the safest approach as the message reaches the target consumers.
- **Media Dispersion Approach**-In media dispersion approach, there are more number of categories of media used to advertise. This approach is considered and practiced by only those people who know that a single or two types of media will not reach their target. They place their product ads in many categories like TV, radio, internet, distributing pamphlets, sending messages to mobiles, etc.

The selection of proper media is another consideration. Table shows different media vehicles. A brief description of the vehicles follows.

### Media Vehicles

Media type	Vehicles
Non-personal Media	Mass media (Radio, TV, cinema) Atmospherics ( store ambience) Events ( annual day, festival day)
Outdoor Media	Stationary (Point of purchase, Wall Paintings, Hoardings), Mobile (Video Vans, buses, trains, carts, animals ), Interactive media (folk media, dance, drama, skits)
Personalised Media	e-mails, postal messages, phone calls and demonstration.

- **Mass media** - If the product is for a big amount of customers then a mass media option can be selected like TV, radio or newspaper. The best examples for this type

are detergent ads, children health drinks and major regular used products such as soap, shampoo, toothpastes etc.

- **Point of purchase**- If the planners want to change the mind of people doing window shopping or just doing shopping for sake of name, then point of purchase type can be opted by the company. This helps the company to explain their point to the buyers and convince the buyers to go for their product.
- **Personalized media** - If the planners want to sell their product on one to one basis, then the third option is direct response type. Here, the company people directly contact the customers via emails, text messages, phone calls or meeting for giving demos. The best example of this type of media is the Life cell Cord Blood Banking. They go to their customers, explain them what it is all about and try to convince them.

## Scheduling

Once the media planning and selection is accomplished to the satisfaction of both advertisers and agencies, the attention is diverted to the task of deciding the media scheduling. It concerns answering questions such as the following.

How many of each media vehicles space and time units be bought?

Over what and time units, this will be bought?

Over what period, should such buying be?

Do we want a steady schedule or do we want a 'pulsed' campaign, concentrating heavily in the beginning and later slowing down?

Normally media scheduling is considered for a four-week period. Thus, to an advertiser, the following six types of schedules are available.

1. **Steady pulse**: Steady pulse is the easiest types of schedules to prepare. For instance, one ad per week for 52 weeks or one ad per month for 12 months may be prepared.
2. **Seasonal Pulse**: Seasonal nature of products dictates the use of seasonal pulse in advertising. Examples include Ponds Cold cream; ceiling fans; air conditioners etc., in the months of winter and summer respectively.
3. **Period Pulse**: Scheduling of media at regular intervals but not related to the, seasons of the year, is called the periodic pulse. Examples may include media scheduling of consumer durables (e.g. mixes) and non-durables (e.g. semi processed food to eat) during Puja or X-mas festivals, for gift purposes.

4. **Erratic Pulse:** When advertising is spaced at irregular intervals, it is called erratic pulse. Erratic pulse by itself is not to be ignored. It is quite likely that the advertiser is trying to cause changes in typical purchase cycles. For instance, ceiling fans, soft-drinks etc. Advertising in months other than the summer months, could attempt to even out purchases throughout the year.
5. **Start up Pulse:** It is quite common to see a heavily concentrated media scheduling to open either a new product or a new campaign. This is called as start up pulse.
6. **Promotional Pulse:** This scheduling pattern suits only a particular promotional theme of company. Thus, it will be more in the nature of onetime only and advertising will be heavily concentrated during a particular time. Examples of promotional pulse would include the advertising at the time of cricket matches and festival days like Dassera and Diwali.

Any thoughts on media scheduling will be dictated by a careful analysis of four factors of media. They are Reach, Frequency Continuity (RFC) and Cost per contact.

- **Reach-** It refers to the number of people the campaign message intended to reach. Precisely, it is the number of different target consumers who are exposed to a message at least once during a specific period of time. Reaching as many people as possible may be as important as the task of reaching a fewer number of people but more frequently.
- **Frequency-** It refers to the number of times an individual is exposed to a given message during a specific period of time. Repeated exposures are needed to impress a message on the memories of a large proportion of consumers. As number of exposure increases, the number of persons who remember it increases. Also the length of time for which they remember also increases. An intensive 'burst' of advertising is more likely to cause a large number of people to remember it, at least for a short time than spreading the campaign uniformly.
- **Continuity** – It assumes importance because advertising is often forgotten if not reinforced by continual exposure. It would thus, be unwise for a marketer to spend money one week on running an advertisement which is to be followed by another run say, after six months only. Such long gap will fail to reinforce the message.
- **Cost per contact** - It is the cost of reaching one member of the target market.

## Campaign Tracking and Evaluation

After releasing the campaign, marketer has to track the responses. Document your results to see which variables work and which you need to improve in the next stage of the campaign or in subsequent campaigns.

There are two basic methods for tracking a marketing campaign. Whether you receive customer responses online, through the mail, over the phone, or face-to-face, you can track responses in one of these two ways:

- On a printed list that you keep near your telephone, e-mail inbox, or front counter where you interact with customers. If you provide a different phone number with each of several postcard designs, you can print a unique recipient list for each phone number so that you have the correct recipient list ready when you answer each phone line.
- In a program, such as a Microsoft Office Excel worksheet or the data sources that you can create in Microsoft Office Publisher, or in a more sophisticated customer relationship management program, such as 2007 Microsoft Office system with Business Contact Manager.

### Track what?

Marketers have to consider carefully what information is important to track. Here are a few examples of the characteristics that you can track, what you can learn from them and take suitable measures as shown in Table

**What can be tracked in a campaign?**

<b>Characteristics</b>	<b>Action</b>
Repeat customers	Determine why they keep coming back or to tell them about sales and special offers.
Infrequent customers	Contact them to find out how you can encourage their return. Offer a discount or other incentive
Customer location	Understand influence of climate or location. Offer a specific locale products or services
Customer demographics	Based on income, age, gender, marital status, occupation you may devise incentive offers. For instance, you may design economy products for lower incomes, lifestyle features for young, free offer to women, family size packs for married, and achiever themes in campaigns.

Purchase history	Contact customers who have responded to a mailing and send them offers.
Response preference	By using recipients' responses, you can target each customer with a different follow-up that suits the customer's response. Some customers may respond by phone, others with a visit, and others by e-mail.

## Evaluation of Campaign Results

While you are collecting information about your customers, you also want to track how well your marketing efforts are working.

- **Rate of response** Of all the customers whom you contacted, how many responded?
- **Incentive response** If you provided a few different offers to encourage customers to respond, you can track which incentives prompt the greatest response rate.
- **Method of contact** If you provided customers with different ways to respond — for example, by postcard, phone call, e-mail message, personal visit, catalog, or Web site which was most successful in eliciting a response.

Presents how Think Change campaign is set out and evaluated.

### Think Change Campaign

The 'Think Change' campaign was a part of a comprehensive communication strategy developed to support the Government's climate change action agenda.

Primarily the 'Think Change' campaign aimed to:

- Increase the Australian community's awareness of the significance of climate change to Australia and to them persona
- Inform the Australian community about the release of the Carbon Pollution Reduction Scheme (CPRS) Green Paper; and
- Encourage the Australian community to be involved in the process of developing solutions to climate change.

Campaign advertising and activities were delivered between 20 July and 1 November 2008 and consisted of:

- Television advertising – 20 July 2008 to 16 August 2008
- Radio advertising – 20 July 2008 to 23 August 2008
- Print advertising – 20 July 2008 to 1 November 2008
- Online advertising – 20 July 2008 to 31 October 2008
- Release of the Green Paper – 16 July 2008
- Public consultation road show – 18 July 2008 to 1 September 2008
- Have Your Say Campaign hotline – 21 July 2008 to 31 October 2008
- Have Your Say Campaign email address – 20 July to 31 October

Although the campaign was targeted to the community as a whole, focus was given to decision makers on household energy use, individuals on low incomes, rural and regional audiences. Consideration was also given to vision /hearing impaired audiences, the indigenous community and individuals from non English speaking backgrounds.

A total budget of \$ 13.95 million (ex GST) was allocated to the ‘Think Change’ advertising campaign.

Department of climate change (DCC) used a number of measures to assess the effectiveness of the ‘Think Change’ campaign. These included:

- Benchmarking and tracking research [Responses analysis ( recognition, recall, appreciation and action)]
- An analysis of the registrations to take part in ‘Green environment seminar’
- Green Paper submissions
- Community feedback via the “Have Your Say” campaign hotline and email box
- Media buy statistics
- Website visits
- A comparative analysis of the change in concern, goals and actions due to previous climate change campaign conducted by the Australian Government in 2007.

*Source: Post campaign Evaluation ‘Think Change’, [www.climatechange.gov.au/.../Campaign-evaluation-Household-actio...](http://www.climatechange.gov.au/.../Campaign-evaluation-Household-actio...) 1 Sep 2009*

E-Marketing professionals can track their email marketing campaigns, through Google Analytics, Google Analytics has become one of the industry's most powerful Internet Marketing tools, helping advertisers, publishers and website owners improve their sales conversion, campaign targeting and marketing initiatives. Previously dubbed Urchin, Google Analytics is a robust web statistics software application provided by Google free of charge. Box provides information on Google analytics.

### **Tracking Through Google Analytics**

Once an email campaign is properly coded and delivered, Google Analytics automatically monitors resulting website traffic. Find out which links were most popular with your recipients, when they visited your website, how long they stayed and where they navigated following arrival. Then adjust campaigns, body text layout and other variables to improve results over time. To view campaign results:

- Log into your Google Analytics account.
- On your Dashboard, click 'Traffic Sources'.
- View your 'Top Traffic Sources' or click 'View Full Report' to see all traffic sources.
- Locate and click the link identifying your email marketing Campaign Source.

On your Campaign Source page, Google Analytics provides details on the number of visitors generated by your campaign, the number of pages they visited, average time on your website, percent of new visitors to your website and the average bounce rate. Campaign managers can also drill-down using the segments drop-down menu.

*Source: Using Google Analytics to Track Email Campaigns [www.webmarketcentral.com/email\\_campaign\\_tracking.htm](http://www.webmarketcentral.com/email_campaign_tracking.htm)*

### **Campaign Budget**

Figuring out how much to spend on advertising should begin with estimation of sales revenues. The cost of advertising will be paid for by sales and increasing sales is the goal of an ad campaign. Therefore, there are two formulas that to use when deciding how much to spend on advertising:

1. How much money do you need to promote the sale of a certain product at a given price? If you spend ₹ 10 of the selling price of an item that cost ₹ 300 on advertising,



then you should be willing to spend ₹ 3,000 in advertising to sell 300 units and generate ₹ 90,000 in sales.

2. The other way is to set aside a flat percentage of your total projected sales revenues for advertising. So if you plan to dedicate five percent of your revenues and you expect to bring in ₹ 100,000 in sales that year, you would spend ₹ 5,000 on advertising.

Once you have a handle on how much money you plan to budget for advertising, you need to figure out when you should spend that money during the next 12 months. Table provides a list of sample items to be considered in allocation of funds for various aspects of a campaign.

### Estimation of Campaign Expenditure

Category	Estimated Quantity	Estimated Cost
Research	Web project, field project	
Event	Number of attendees, meals etc	
Event facilities	Venue and Audio/Visual services	
Invitation	Printing and postage costs	
Promotions	Giveaways	
Advertising	Brochures (development and production), Mailings, Postcards Television Radio Newspapers Social Media and Website	
Campaign Office / Vehicles	Office Space, Office Equipment & Furniture rentals, Office Supplies & Printing Vehicle costs Miscellaneous / Contingency	

### Sales Promotions

To increase the sale of any product manufactures or producers adopt different measures like sample, gift, bonus, and many more. We will know more about some of the commonly used tools of sales promotion.

- (i) **Free samples:** You might have received free samples of shampoo, washing powder, coffee powder, etc. while purchasing various items from the market. Sometimes these free samples are also distributed by the shopkeeper even without purchasing any item from his shop. These are distributed to attract consumers to try out a new product and thereby create new customers. Some businessmen distribute samples among selected

Store name	Pantaloon	Megamart	Lifestyle	Westside	Wills	Max
Format Type	Multi brand	Exclusive Arvind's brand	Multi brand	Exclusive Tata (Trent Group)	Exclusive ITC	Multi brand Landmark
End of season	Yes	No	No	Yes	Yes	Yes
Festive Promotions ( Diwali, Christmas etc)	Yes	No	Yes	Yes	No	Yes
Loyalaty card programme	Yes	No	Yes	Yes	Yes	No
Special promotion (event )	Yes ( exchange offer)	Yes	Yes	No	Yes	No
Joint promotion	No	No	Yes	No	No	No
Media used	Hoarding, print, electronic (SMS,E-mail) POP	In store, electronic	Hoardings, in store	Print, electronic, Hoardings, in store	Telemarketing Print, electronic, outdoor	In store
Promotion type	Price off, free gifts, exchange offer	Price promotion, free gifts, contests, combo offer	Lucky draw, discounts, contests, free gifts	C Cause related vouchers, discount, contest, combo and coupons	Discounts, gift vouchers	Lucky draw free coupons, discounts
Evaluation of promotion	Sales, quarterly profit	Sales	Sales	Sa Sales, quarterly profit	Conversion, foot size, sales, average bill size, stock movement	Sales, average bill size, conversion (footfall)

### Sales Promotion Activities in Different Stores

persons in order to popularize the product. For example, in the case of medicine free samples are distributed among physicians, in the case of textbooks, specimen copies are distributed among teachers.

- (ii) **Premium or Bonus offer:** A milk shaker along with Nescafe, mug with Bournvita, toothbrush with 500 grams of toothpaste, 30% extra in a pack of one kg. are the examples of premium or bonus given free with the purchase of a product. They are effective in inducing consumers to buy a particular product. This is also useful for encouraging and rewarding existing customers.
- (iii) **Exchange schemes:** It refers to offering exchange of old product for a new product at a price less than the original price of the product. 'Bring your old mixer-cum-juicer and exchange it for a new one just by paying ₹ 500' or 'exchange your black and white television with a colour television' are various popular examples of exchange scheme.
- (iv) **Price-off offer:** Under this offer, products are sold at a price lower than the original price. '₹ 2 off on purchase of a lifebouy soap, ₹ 15 off on a pack of 250 grams of Taj Mahal tea, ₹ 1000 off on cooler' etc. are some of the common schemes. This type of scheme is designed to boost up sales in off-season and sometimes while introducing a new product in the market.
- (v) **Coupons:** Sometimes, coupons are issued by manufacturers either in the packet of a product or through an advertisement printed in the newspaper or magazine or through mail. These coupons can be presented to the retailer while buying the product. The holder of the coupon gets the product at a discount. For example, you might have come across coupons like, 'show this and get ₹ 15 off on purchase of 5 kg. of Annapurna Atta'. The reduced price under this scheme attracts the attention of the prospective customers towards new or improved products.
- (vi) **Fairs and Exhibitions:** Fairs and exhibitions may be organised at local, regional, national or international level to introduce new products, demonstrate the products and to explain special features and usefulness of the products. Goods are displayed and demonstrated and their sale is also conducted at a reasonable discount.
- (vii) **Trading stamps:** In case of some specific products trading stamps are distributed among the customers according to the value of their purchase. The customers are required to collect these stamps of sufficient value within a particular period in order to avail of some benefits. This tool induces customers to buy that product more frequently to collect the stamps of required value.
- (viii) **Scratch and win offer:** To induce the customer to buy a particular product 'scratch and win' scheme is also offered. Under this scheme a customer scratch a specific marked area on the package of the product and gets the benefit according to the

message written there. In this way customers may get some item free as mentioned on the marked area or may avail of price-off, or sometimes visit different places on special tour arranged by the manufacturers.

- (ix) **Money Back offer:** Under this scheme customers are given assurance that full value of the product will be returned to them if they are not satisfied after using the product. This creates confidence among the customers with regard to the quality of the product. This technique is particularly useful while introducing new products in the market.

### ***Launching a Sales Promotion***

The sales promotion decision may be taken by pretesting proposed scheme or schemes. The schemes are introduced in select stores and responses are noted. The measures include- trial purchase, repeat purchase, etc. if the responses are good, the schemes are launched in full scale.

Concurrent testing is done to monitor the programmes. The results permit the promotion manager to modify the sales promotion, if needed. This type of testing is conducted in terms of sales data which can be obtained on a weekly or monthly basis. If the promotion is a consumer contest and the consumer is not required to purchase anything, the response to promotion can be adjudged by the number of entries received at some interval and if need be, the contest period can be extended. In case of a coupon distribution programme, similar approach can be adopted by keeping track of coupons redeemed.

At the end of the promotion period, post-testing is done, to evaluate the success of the programme. Various assessment tools can be used to gauge changes in consumer awareness and attitude and sales. The survey techniques used include: telephone calls, questionnaire mailed to the consumers and personal interviews. In case of samples on premiums distributed through retail stores, intercept interviews at the Point of Sale can reveal more reliable information.

To measure the sales affect, sales figures before the promotion period can be compared with figures at the end of promotion and one month after the promotion ends.

### **Summary**

Developing an advertising campaign is an overwhelming task. But with proper planning, one can increase the chances for success and reduce the risk. The first step in ad campaign planning is assessing the marketing opportunities and threats and figuring out

objectives in view of the strengths and weaknesses of the company. Marketing *objectives* are specific and measurable. **Some of the important objectives are: Increase sales by X% this quarter, Reduce switching this year from X% to Y% and so on. Next identify target customers and their motivations, and decide how to reach them. Positioning is the first step to get a place in the mind of consumers.** Examine the differences of your product against others and pick up the one which is unique. Give emphasis to that unique quality or feature in positioning the product. Define communication objectives in advertising (creating brand awareness, increasing revenues, establishing positive image, etc) and develop a creative strategy to fulfill the objectives. Creative strategy is an outline of what message should be conveyed, to whom, and with what tone. Then decide media strategy. Media Strategy aims at finding out the right path to transfer or say deliver the message to the targeted customers. After releasing the campaign, marketer has to track the responses. Document your results to see which variables work and which you need to improve in the next stage of the campaign or in subsequent campaigns. Finally take decision on budget. Figuring out how much to spend on advertising should begin with estimation of sales revenues. The cost of advertising will be paid for by sales and increasing sales is the goal of an ad campaign.

To increase the sale of any product manufactures or producers adopt different measures like sample, gift, bonus, and many more.

### **Self Assessment Questions**

1. Explain the meaning and role of advertising in marketing mix.
2. What are the objectives of advertising?
3. Discuss the functions of advertising in promoting sales.
4. Examine the importance of advertising.
5. What are the barriers to advertising?
6. How do you measure effectiveness of advertising?
7. Why advertising works?
8. Explain ad strategies of Lifebuoy and Dettol
9. Discuss the effectiveness of different media of advertising in rural areas
10. Outline the advertising strategy of surf excel, and Ariel.
11. Explain the steps in planning an ad campaign.
12. What are the marketing objectives of FMCG firms?
13. How do you identify and profile target audience?
14. Identify the different positioning strategies in consumer market.
15. State the communication objectives of advertising

16. Explain how creative strategy can be developed for an ad on shampoos.
17. How do you develop media strategy for advertising shampoos and toilet soaps
18. How do you determine the campaign budget?
19. Enumerate the sales promotion activities of different retail outlets
20. How can ad effects can be tracked?

## **CASE STUDY**

### **The Amul Girl**

The Onida devil has died and so has the Liril girl and Air India's Maharaja, but the Amul girl has made it to 50 and is still dispensing with her signature "Utterly, Butterly, Delicious" one-liners to an ever-growing brood in the land of butter, milk and honey.

The little-girl innocence of the Amul girl, the immediate social relevance of the promos and the aesthetic combination of deft line drawing, cartooning and creative copywriting have helped the campaign outlive its rivals, says Rahul daCunha of daCunha Communications, which created the campaign in the mid-1960s.

The strength of the campaign is its tagline - "Utterly, Butterly, Delicious" that has penetrated almost every Indian urban household across economic and social divides over half a century.

The 50 years of the Amul girl, the making of the campaign and its social connect have been documented in a new book, "Amul's India" (Harper Collins-India). The book was released in the capital earlier this week.

Says Verghese Kurien, the visionary founder of the Gujarat Cooperative Milk Marketing Federation and the brain behind the brand Amul, in an interview in the book: "While the brand Amul was registered in 1957, it took nearly a decade for the campaign to take off. I never interfered with their (daCunha's) work...The Amul girl has given the brand just the image we had in mind."

Rahul daCunha, who inherited the Amul legacy from his father, Sylvester daCunha, says: "In the 1960s, my father got this idea about kids selling a product and he took a chance. It has been a great campaign and the Amul girl survived."

The campaign does not sell the butter directly, daCunha said. “The strength of this campaign is that it places the brand inside the Indian mind and the popular psyche to say what the Indian mind is thinking,” the creative honcho explained.

They don’t spend huge money. As far as my knowledge goes, they never had any celebrity brand ambassador. The lovely Amul girl, their all time asset, joins with their talented team of marketers to churn such brilliant ad campaigns. Amul’s ads are mostly placed in a corner and don’t even occupy 1/4<sup>th</sup> of the paper, leave about full-page ads. Yet they rarely fail to catch your attention.

**Seize the day** seems to be Amul’s formula. *Remember what Katrina said in ZNMD? Seize the day, my friend!* That’s what Amul does! They make the most of today. Their ads focus on the **current happenings** in India and yet they don’t look irrelevant.

Can we think of promoting Milk or Butter using the context of Sibal’s demand to censor Online content or the Kolaveri craze? Well! Amul can.

Post-1991, the twin forces of political empowerment of a new class and the assertive expansion of the world inhabited by the middle class can be seen clearly through the prism of Amul ads.

The portrayal of the politician as the villain begins to emerge with force around this time in the ads with references to a series of political scandals and controversies, the book says.

The advertisements drew on headline grabbers like Jayalalithaa going to jail, Kiran Bedi moved out of Tihar jail, the murky politics of Uttar Pradesh and Lalu Prasad Yadav’s fodder scam. Two of the Amul slogans that stand out are: “Party, Patni or Woh - I Love Amul”, referring to the leadership tangle in the Congress, and “Put her Back in Jail, Tihar: Amul Utterly But-Tihar-ly-Delicious”.

The growing popularity of this iconic campaign in the last decade can be attributed to the multiple platform it has been using - including the social media on the Internet.

“The campaign has acquired people’s ownership over the years. Once I put the Amul girl in an IPL cheerleader’s costume and we were flooded with hate mails. She is everyone’s daughter and the consumers are very orthodox. The character sells with eight billboard designs a week,” daCunha said.

## Questions

1. Critically evaluate the advertising campaign of Amul. Identify its success factors.
2. What suggestions do you make the campaign more relevant and salient?

## Internet Exercise

Visit the website of IFF consultants and read the cases given. Prepare a note on evaluation and tracking done in different campaigns. Tracking / evaluation of campaign reach and impact - IFF Research, [www.iffresearch.com/caseitem.php?id=case-studies&n=3](http://www.iffresearch.com/caseitem.php?id=case-studies&n=3)

## Mini Project

*Visit local supermarkets and find out the sales promotions offered by them in a particular period. Inquire the stores managers about the response they got for the schemes.*

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## UNIT - II

### Unit Structure

Lesson 2.1 - Promotion and Integrated Marketing

Lesson 2.2 - Strategic Integrated Marketing

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### Lesson 2.1 - Promotion and Integrated Marketing

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### Learning Objectives

*After studying the lesson, you will be able to:*

- ▶ Discuss the impact of promotion on marketing mix and consumer
- ▶ Understand how integrated marketing communication can be developed for better promotion of products or services

### Introduction

Promotion involves a number of tools that a marketer may use to accomplish marketing objectives of generating sales, achieving profits and creating image. Since promotion is an element in the marketing mix, there is a need for coordinating it with other elements and also integrating it with the corporate strategy. Integrated Marketing Communication (IMC) involves the idea that a firm's promotional efforts should be coordinated to achieve the best combined effects of the firm's efforts. Resources are allocated to achieve those outcomes the firm values the most. In this lesson, we will discuss the various components of promotion and its integration with marketing mix.

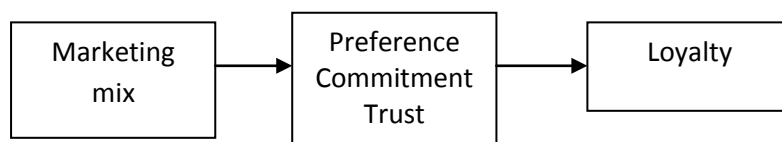
### Promoting Customer Loyalty

Today in the world of competition, companies are realizing that creating loyal customers is important. Loyalty is desirable by all business managers as it has established that it is cheaper to retain a customer than to win a new one (Rust and Zahorik, 1993).

Jones and Sasser (1995) identified three parts of consumer loyalty: re-buy intention, primary behavior and secondary level behavior. According to Jones and Sasser (1995) re-buy intention refers to future intention of the consumer to re-purchase the product or service; primary behavior means the practical re-visiting behavior of a consumer; while secondary-level behavior indicates the willingness of a customer to recommend the product to others and enhances customer loyalty through human relationship (Chen, Chen and Hsieh, 2007). Oliver (1999) further stated that loyalty is a deeply held commitment to re-buy or patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same-brand set purchasing.

Chen and Ching, (2007) suggested that loyalty comprises of two dimensions: behavior and attitude. The behavior dimension is characterized by consequential actions resulting from loyalty, while attitudinal dimension refers to formative behavior as commitment i.e. a desire to maintain a valued relationship. More importantly, the consumer's attitude toward a product/service including attitudinal preference and commitment has a greater impact on forming loyalty.

*Marketers have to develop a marketing mix that promotes loyalty – attitudinal preference and commitment. Figure presents the formation process of loyalty. Of all the elements of marketing mix, it is promotion which influences to a large extent the mind of consumer. Its influence begins even before the actual purchase is made.*



**Promotion of Loyalty**

## **Marketing Mix**

Philip Kotler defined marketing mix as follows:

“Marketing Mix is the set of controllable variables that the firm can use to influence the buyer’s response”.

Marketers have identified four variables which are popularly referred to as 4 ‘P’s [product, price, place (distribution) and promotion]. Each firm strives to develop a right mix of the 4‘P’ to create sales and consumer satisfaction. Obviously the mix varies based on the nature of the product, target customers, available resources, competition and marketing objectives.

## **Product**

Product refers to the goods and services that are capable of satisfying the needs of people. In simple words, product can be described as a bundle of benefits which a marketer offers to the consumer for a price.

A pair of shoes, or a lipstick, is referred as product and consultancy, medical advice, savings account and insurance policy are labeled as services. While buying a pair of shoes, we are actually buying comfort for our feet, and while buying a lipstick we are actually paying for beauty.

## **Price**

Price is the exchange value in monetary terms for a product or service in the market. Fixing the price of the product is a tricky job. Many factors like demand for a product, cost involved, consumer's ability to pay, prices charged by competitors for similar products, government restrictions etc. have to be kept in mind while fixing the price.

## **Place**

Goods produced at a place have to be moved to the place of consumers (market). They must be made available to the consumers at a place where they can conveniently make purchase. For example, Colgate tooth paste manufactured on a large scale in factories at different locations has to be moved across the country to facilitate convenient purchase by the consumer. The marketer has two options:

- (i) Direct marketing in which consumers buy products on line or by placing a mail order and marketer sends the product through transport arrangements.
- (ii) Indirect marketing in which consumers buy from retail outlets, which get stocks through a channel of distribution that may involve middlemen like dealers, distributors and wholesalers.

## **Promotion**

Promotion is an important ingredient of marketing mix as it refers to a process of informing, persuading and influencing a consumer to make choice of the product to be bought. Promotion is done through means of personal selling, advertising, publicity and sales promotion. It is done mainly with a view to providing information to prospective

consumers about the availability, characteristics and uses of a product. It arouses potential consumer's interest in the product, compare it with competitors' product and make his choice. The proliferation of print and electronic media has immensely helped the process of promotion.

### Examples

Table and illustrate the marketing mix of two services –insurance and mobile services.

#### Marketing mix of insurance services

Mix components	Decisions
Product	Combo products tied to life, non-life and deposits
Price	Small premiums with periodical ( weekly too) payment facility
Place	Agents, all retail outlets, part-time agents( retired teachers, housewives and youth ) tie –ups with Kisan kendras and companies.
Promotion	Advertisements, word of mouth, hoardings, and leaflets

#### Marketing Mix for Mobile Services

Mix components	Decisions
Product	Simple hand set with lifetime free prepaid service and a range of value added services (music, farm services, etc) and combo offer.
Price	Affordable Prepaid charges,, recharge coupons, group subscriptions without SIM card.
Place	Cooperatives,Dubbawalas, Corporate maals, Canteen Stores Department (CSD). retail shops.haats and mandis.
Promotion	Vans, Advertisements with celebrities in TV channels, sponsoring programs(movies and TVserials), FM radio, and opinion leaders.

### Extended Marketing Mix

In addition to the above four, 3 Ps are added for marketing of services.

#### People

Services require people, who interact with customers for delivering the service. In education, teachers interact with students, in consultancy the consultant provides service

by working together with the client, and a doctor provides medical services to the patient by involving him in the process of diagnosis and treatment.

As such, it is important to recruit the right staff and training them appropriately in the delivery of their service.

### **Process**

It refers to the systems used in delivering the service. When you seek the services of a doctor, the system may include the following method- taking appointment, waiting, diagnosis, prescription and purchase of medicine. If a hospital can reduce waiting time, and provide quick diagnostic facilities and sell medicines in the hospital premises, patients will rate the services more convenient.

### **Physical Evidence**

Physical evidence is required to establish credibility of service provider. A customer cannot assess the service capability of an organization or an individual prior to having an experience.

A clean restaurant with aesthetic ambience will assure quality food and good service by waiters. An air conditioned class room with smart boards will assure quality teaching.

### ***Integration of Mix***

Marketing mix elements require integration. Marketers as well as researchers have focused on the integration issue. For instance, Ki & Hyun(2011), studied relationships among marketing mix efforts (channel performance, value-oriented price, promotion, and after-sales service), corporate image, three dimensions of brand equity (brand awareness with associations, perceived quality, and brand loyalty. He found positive relationships among the variables.

### **Promotion Mix**

A business' total marketing communications programme is called the "promotional mix" and consists of a blend of advertising, personal selling, sales promotion and public relations tools. Table presents their merits and demerits.

- (1) **Advertising** - Any paid form of non-personal communication of ideas or products in different media - audio-visual (cinema, television, websites), visual ( newspapers,

magazines, billboard posters, radio,) and visual ( sign boards and banners). Advertising is intended to inform, convince and persuade a prospect to become a regular customer. The two basic aspects of advertising are the message (what you want your communication to say) and the medium (how you get your message across)

- (2) **Personal Selling** – An interactive method in which a sales person engages in oral communication with potential buyers of a product with the intention of making a sale. The personal selling may focus initially on developing a relationship with the potential buyer; however, ultimately ends with an attempt to “close the sale”.
- (3) **Sales Promotion**- A variety of incentive based offers ( cash gains like discounts or product gains like free samples or other gains like free tickets to a movie or eating out with a favorite star) to consumers or channel members to stimulate demand for a product.
- (4) **Publicity**-It is the communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly.
- (5) **Direct marketing** - It is the method of communicating straight to the customer, with advertising techniques such as mobile messaging, email, interactive consumer websites, online display ads, fliers, catalog distribution, promotional letters, and outdoor advertising.

### Promotional Mix- Merits and Demerits

Mix Element	Merits	Demerits
Advertising	Good for building awareness Effective at reaching a wide audience Repetition of main brand and product positioning helps build customer trust	Impersonal - cannot answer customer's questions
Personal Selling	Highly interactive –good communications between the buyer and seller Excellent for providing detailed product information and features Relationships can be built up. Important if closing the sale requires presence of company representative	Costly - employing a sales force has many hidden costs in addition to salaries and benefits

Sales Promotion	Can stimulate quick increases in sales. Good tactical tool- works for short periods.	If used over the long-term, customers may get used to the effect Too much promotion may damage the brand image
Public Relations	Often seen as more “credible” - since the message seems to be coming from a third party (e.g. magazine, newspaper) Cheap way of reaching many customers - if the publicity is achieved through the right media	Risk of losing control - cannot always control what other people write or say about your product
Direct marketing	It is target oriented and is effective. Social media is interactive and generates huge awareness.	It is expensive. Social media is not controllable.

### ***Digital Promotion***

Digital promotions benefit your promotional marketing campaign through increased response rates of loyal customers. Many companies are taking this route ( see Box). Loyal consumers are the best advertisers of your brand. Word of mouth advertising, including social media promotions, are the leverage you need to build the highest conversions and downloads for your digital marketing campaign.

By giving away a larger gift as part of your digital promotion, you are generating more word-of-mouth conversation than you could ever get by spending that money on a “real” advertising campaign. Another digital promotion idea is to create a referral program. For every referral that results in a purchase, the referrer receives free movie passes, or coffee or dessert card. People love going to the movies and everyone definitely loves food. Your digital promotion coupons can be retrievable online by a code or even through email, which would also save you printing costs.

The advantages for a digital promotion campaign are endless. The customer can print their certificates, download free music, or redeem their gifts at their convenience. Plus, by using a digital promotion, you are also making the lives of the winners much easier. No longer will they have to run all over town to retrieve their prize.

## Companies go Digital

Nike CEO Mark Parker explained the new promotion strategy: “*Connecting today is a dialogue*.” Nike launched a campaign supporting the Indian Cricket team in the world cup. It turned out to be an effective ad campaign which was a blend of TV, Print, Outdoor, Digital and audio media promotion. A campaign like never before where a billion Indians have the slogan in their mind while they watch each ball played by Indian cricketers. The mega cricket campaign “Bleed Blue Pledge,” where the pride, passion, and fearless soul of Indian cricket brought to life through the voice of the elite cricketers of Team India. The members of the Indian Cricket Team articulate the passion for cricket.

By utilizing both social and broadcast media, “Bleed Blue Pledge” reaches millions of India’s devoted cricket fans and allow them to share their passion for the sport/team. Participants can generate their own digital hand prints through facebook connect by simply logging onto the nikecricket site, enter their facebook user id and password. The platform ensures that relevant information from the participant’s facebook profile to generate a blue hand print.

Airtel, an Indian mobile provider, launched a campaign to enable Facebook for free on their more than 130 million customers’ phones for two months. This promotion shows the increasing popularity of Facebook in India, with more than 10.5 million people using the service in the country. Just last year, Airtel competitor Mobitel began running their own advertising campaign which touted Facebook support.

*Source: Nike Bleed Blue Marketing Promotion | Marketinomics [marketinomics.com/digital-marketing-2/the-bleed-blue-campaign/1](http://marketinomics.com/digital-marketing-2/the-bleed-blue-campaign/1) Apr 2011.and Airtel Launches Promotion Offering Facebook Free For 2 Months... [allfacebook.com/airtel-launches-promotion-offering-facebook-free-f...6](http://allfacebook.com/airtel-launches-promotion-offering-facebook-free-f...6) Jul 2010.*

## Need for Integration

It is important to integrate the promotion mix elements to create desired effects. Sedaghat, Sedaghat and Moakher (2012) studied the impact of promotional mix elements on brand equity in case of Samsung’s vocal and image equipment in Mazandaran province using a sample of 200 questionnaires returned by customers. They found that promotion mix has positive impact on brand equity, which consists of three elements – brand awareness, perceived quality and brand loyalty.



Smith, Gopalakrishna and. Smith (2004) investigated the complementarities between two dominant elements of the business marketing communications mix—personal selling and trade shows—from an integrated marketing communications (IMC) perspective. Through a field study with a group of industrial distributors, they found that follow-up sales efforts generate higher sales productivity when customers have already been exposed to the firm's product at a trade show.

Obviously, such positive results require right combination of promotion elements. It is this understanding that has led to the concept of integrated promotion mix.

### **Impact of Promotion on Consumer**

The consumer response to messages and incentives is based on how human mind responds to a stimulus (information or incentive). The stages in human thinking processes are as given in Figure. When exposed to a stimulus (ads, sales promotion etc) the consumer starts forming perceptions about the product.

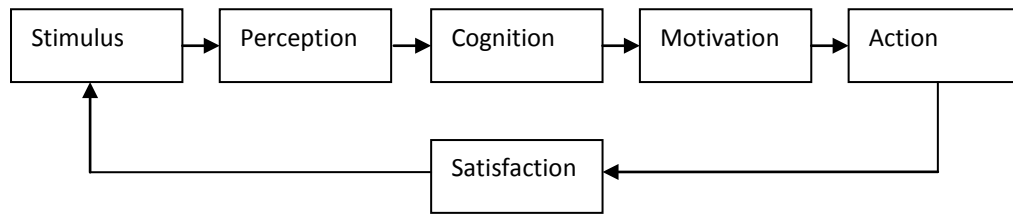
#### ***Perceptions***

They are views or images formed based on a preliminary understanding of a message. They are first impressions. It is therefore important for the marketer to remember first impression is the best impression and make a good attempt at scoring good points at this stage. Good perceptions will lead consumer to know about the product.

#### ***Cognition***

It is the process of learning or knowing. The consumer looks for data or information to gain good understanding of the product. When such data is not credible or not available, he seeks to learn by experience. He purchases and tests the product in use. Based on the understanding, he or she forms attitudes. Attitudes are “mental states, developed through experience, which are always ready to exert an active influence on an individual's response to any conditions or circumstances to which the person has been directed”. There are three components of an attitude, which can easily be remembered using ‘ACB’.

- **Affective component** – emotional part- feelings such as liking, love, affections, hate, anger and fear
- **Cognitive component** – rational part – knowledge of product features, composition and use occasions
- **Behavioural component** – Predispositions to act towards an attitude.



***Stimulus –Response Model of Human Behavior***

### ***Motivation***

The process of creating motives or intentions to do is motivation. Favourable attitudes drive a consumer to make a purchase. To strengthen motivations to buy marketers use sales promotions that prompt consumer to act.

### ***Action***

A motivated consumer buys and uses the product to satisfy his or her need. It involves placing an order by mail or through website or visiting a retail outlet and completing transaction by exchanging money with the product.

### ***Satisfaction***

The action may produce one of the two outcomes –(i) satisfaction when expectations and experiences relating to need fulfillment by the product match or (ii) dissatisfaction-when a product experiences fail to meet expectations of a consumer.

### ***Promotion Impact Models***

Marketing researchers have developed different models based on the understanding of consumer behavior and the promo-tools employed. Table provides summary details of the relevant promotion tools and metrics in different stages of consumer behaviour.

- **The AIDA model.** *The Awareness, Interest, Desire, Action (AIDA) model explains consumer response in the context of personal selling. The AIDA model shows that the consumer moves from attention (awareness) to interest and then develops the desire for purchase (propensity to buy or buying intentions) after getting required information about the product and its benefits. The final stage, action, may be reached with or without further prompting by the marketer.*
- **The hierarchy-of-effects model** *It traces the stages through which the consumer progresses in response to advertising. By providing associations for the brand with*

personality and related group of people it develops liking. The rational and emotional appeals cause the consumer to declare preference and conviction to the brand. Obviously, from this stage, the consumer moves to the action stage and makes purchase.

- **The innovation –adoption model** It presents the influence of promotion on consumer in the context of new product introduction. Innovation diffusion makes use of different tools like advertising, publicity, sales promotion and direct marketing. Advertising creates awareness of the existence of a product or service. Being informative it provides information about the product or service, its features, benefits and use occasions. The consumer is prompted by sales promotion to go for a trial. If the product is acceptable, the promotional tools wield further influence on him or her to adopt the innovation. Satisfied innovators will spread the message and act as opinion leaders.

### **Response Process Models and Effectiveness Measures**

Stages	AIDA	Hierarchy-of-effects	Innovation–adoption	Promotional tools	Metrics
Cognitive	Attention	Awareness Knowledge	Awareness	Direct communication,  Interactive Media, Advertising, Publicity,  Personal selling	Circulation reach, audience recall and recognition,
Affective	Interest Desire	Liking Preference Conviction	Interest Evaluation	Interactive media,  Advertising, personal selling,  sales promotion	Brand attitudes, brand recall, and buying intentions,
Behavioural	Action	Purchase	Trial Adoption	Interactive media, sales  Promotion, Personal Selling	Inventory, product shelf movement and sales
Application	Personal selling	Advertising	Innovation diffusion		

As products move through the four stages of the product lifecycle promotion plays a key role in attracting and retaining customers. Table provides a view of the role of promotion during the stages.

## **Introduction**

When a product is new to the organization, the objective will be to inform the target audience of its entry into the market. The key features of the product, and its availability are to be informed.

Television, radio, magazine, coupons etc may be used to push the product through the introduction stage of the lifecycle. Publicity is created through organization of events and sponsoring programmes on TV channels or sports or cultural events.

## **Growth**

As the product becomes accepted by the target market the organization works on the strategy of further increasing brand awareness to encourage loyalty. Promotion seeks to establish strong brand identity and image for the product through advertising, sales promotion and personal selling.

## **Maturity**

At this stage, with increased competition, the organisation take persuasive tactics to encourage the consumers to purchase their product over their rivals. Any differential advantage will be clearly communicated to the target audience to inform of their benefit over their competitors. Advertisement and sales promotion continue to play a big role.

## **Decline**

As the product reaches the decline stage the organization will use the strategy of reminding people of the product and makes changes in product and price to slow the inevitable death of it.

### **Promotion Mix During Product Life Cycle Stages**

<b>Stage</b>	<b>Goal</b>	<b>Advertising</b>	<b>Personal selling</b>	<b>Sales promotion</b>	<b>Publicity</b>
Introduction	To create awareness and preference	Informative – awareness for creating brand identity	Presenting as a new, distinct product	Introductory discounts or gifts	Product launch event and sponsoring visible programmes

Growth	To create favourable attitudes to make repeat purchases	Persuasive –emphasis on brand personality and brand image	Presenting as a popular product	Frequent use of variety of Sales promotion tools	Sponsoring sports or TV programmes
Maturity	To strengthen commitment to create brand loyalty	Comparative ads- to enhance brand equity	Emphasis on unique benefits	Frequent use of variety of Sales promotion tools	Sponsoring sports or TV programmes
Decline	To arrest changes in preferences	Reminder ads to retain customers	Stress on relative advantages	Promotions that provide monetary gains	-

### Impact of Promotion on Marketing Mix

Promotion is a communication and motivation process. As such it is the only way that a marketer can state the brand promise and positioning. For example a premium brand marketer will choose a niche market and communicate the brand positioning on quality and status platforms. It is important not to dilute the brand's image by placing ads in common media vehicles like news papers. Air conditioned show rooms, valet parking, courteous sales people, provision of beverages or soft drinks carpeting, and payment by credit cards help create the user's sense of exclusivity and pride. Table shows how promotion supports other elements of marketing mix.

### Marketing Mix Interrelationship

Segment	Product	Price	Promotion	Place
Quality conscious	High quality High functional value, Style	High price	Status, and Image	Aesthetics, Exclusive show rooms, departmental stores, and Malls.
Value conscious	Moderate quality, good functional value with desirable features	Moderate price	Individual freedom and esteem, health consciousness, social relationships. (Love, envy, friendship or national integration) savings and economy.	Super markets, General and Kirana stores.

Price conscious	Bare models with minimum features	Low price	Family orientation, low prices, savings and economy.	Kirana and general stores, paan shops.
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### Case of L'Oreal

L'Oreal India, the French multinational's Indian subsidiary, was set up in 1994 and is today growing at a 30 per cent CAGR. Currently, L'Oreal is the third largest player in shampoos after HUL and P&G.

It has adopted a dual pricing strategy for the Indian market. It has decided to make its hair care range under L'Oreal more affordable, bringing it under the 'masstige' segment, while retaining at the same time, its premium positioning in the colour cosmetics and skincare segment. It has also introduced sachets for its shampoos and conditioners with the hope of taking its distribution into the hinterland.

Mr Satyaki Ghosh, Director, Consumer Products Division, L'Oreal, told *Business Line*, "We have a dual positioning in India. In hair care, we are changing from super premium to the masstige segment and moving to the centre of the market. However, we will continue a premium positioning in the skin care and cosmetics segment."

L'Oreal took its first big price drop (25 per cent) for its hair care range after it started manufacturing shampoos in India in 2010. Recently, it took another price cut of four per cent to peg its 100 ml shampoos at ₹ 69. While L'Oreal Paris shampoos are priced at ₹ 69 for 100ml, the Pantene of P&G is priced at ₹ 59 and HUL's Dove at ₹ 64. L'Oreal is at a slight premium than its nearest competitors.

The MNC believes that it can afford to have a dual positioning strategy with L'Oreal as its other brands such as Garnier and Maybelline (with overlapping categories in hair care, skincare and cosmetics) can fill the gap with their lesser priced offerings while it continues to have premium pricing in certain categories.

On one side L'Oreal is creating bigger sizes of 400 ml and 700 ml shampoos, which have been launched specifically for modern trade, where consumers like picking up large packs. On the other side it is introducing sachets priced at ₹ 1.50 for enhancing distribution for its shampoos and conditioners. Currently, L'Oreal reaches out to 2,300 towns and covers seven lakh outlets. "We expect to go deeper into India with our sachets and reach out to an

additional 2,000 more towns,” says Mr Ghosh. The aim is to double the distribution reach from 250,000 outlets to 600,000. The ambition is to reach a million outlets in the next 3-4 years.

### Marketing Mix

Product	Packaging	Price	Place	Promotion
Premium segment	100ml packs	₹ 69	250,000 outlets	Aggressive in mass media
Mass segment	Sachets	₹ 1.50	600,000 outlets	Amongst the top 10 advertisers in India.

## CASE

### Campaign for Horlicks

Taking its ‘Cold Consumption’ campaign forward, GlaxoSmithKline Consumer Healthcare (GSKCH) has launched a modern retail activity for its brands, Horlicks and Boost. The campaign is targeted towards driving the HFD (health food drinks) category consumption in the summer months and includes special promotional offers, in-store branding and sampling activities.

GSKCH had first introduced the ‘Cold Consumption’ campaign in 2006 for Chocolate Horlicks, which resulted in 20% incremental sales for the health drink vis-à-vis the previous summer, traditionally considered the lean period for HFDs. This year, the company has extended the campaign to Boost with a two-month long activation at modern retail outlets across eight cities. GSKCH has also introduced a special limited edition pack of Butterscotch Horlicks, which will be available only in the summer months.

Talking about the campaign, Adityea Kapoor, general manager, CSD and modern trade, GSKCH said, “In the past we have observed a marginal drop in consumption of health drinks during the summer months. The idea behind this drive is to give consumers an opportunity to experience the great refreshing taste of cold Chocolate Horlicks and Boost.”

The ‘Cold Consumption’ campaign will be activated across the nation at GSKCH’s partner modern retail outlets including Big Bazaar, Spencer’s Hypermart, Reliance Megamart, Vishal Megamart, Shoprite, Magnet, Hypercity, Dmart and Metro.

## **Concept and Design of IMC**

As Don E. Schultz, the late Stanley I. Tannenbaum, and Robert F. Lauterborn asserted in their book, *The New Marketing Paradigm*, IMC challenges marketers to “start with the customer and work back to the brand.”

IMC suggests that marketers look at the customer first – his or her preferences, buying patterns, media exposure, and other factors – and then expose that customer to products and services that fit the customer’s needs via a mix of communication methods he or she finds attractive and credible.

The American Association of Advertising Agencies defines IMC as follows:

Integrated Marketing Communications is a concept of marketing communications planning that recognizes the added value in a program that integrates a variety of strategic disciplines, e.g., general advertising, direct response, sales promotion and public relations and combines these disciplines to provide clarity, consistency and maximum communications impact.

## **Objectives of IMC**

Integrated Marketing Communication (IMC) has the basic objective of serving the accomplishment of marketing objectives of sales and profits. In this direction, IMC may have the following goals:

- To create an understanding of the marketing offer –the risks, benefits, availability and affordability.
- To generate motivation to purchase and use the product /service.
- To establish relationships with the customers by creating brand awareness, brand association and brand loyalty
- To contribute to sales and profits of the company.

## **Tools of IMC**

A prospect becomes a customer when IMC provides information for awareness and persuasion to make choices and motivation to buy and use a product. The IMC audience contact tools can be classified as shown in Table.



## Tools of IMC

Promotional tool	Communication media and incentives
Direct marketing	Mail-order catalogues, telemarketing, mobile phone short message services (SMS), and direct –response advertisements
Publicity/public relations	news releases, press conferences, feature articles, films, video tapes, photographs, events, sponsorships, community services and meetings
Personal selling	Company sales force, mobile traders, free lance traders, trained youth and SHG members.
Advertising	product placements in mass media (TV, print and radio) outdoor media like wall paints, hoardings, vans, transportation vehicles (buses, trains and carts), market places like exhibitions, haats and melas
Sales promotion	Point of purchase displays, Consumer incentives (price –off, freebies, lotteries, contests etc.) and incentives to trade members.

### Developing an Effective IMC

Developing an effective IMC requires an understanding of the contribution each element can make to a particular campaign. In general, the roles played by different elements of promotion can be stated as given under.

- Advertising shines at strengthening brands and brand equity
- Direct marketing/personal selling builds relationships and dialogue, and provides the means to close sales.
- Sales promotion provides short-term buying incentives for both consumers and the trade.
- Public relations – mainly publicity in this case – offers third-party endorsements and extra reinforcement for the paid advertising messages.

None of the four elements is inherently superior or inferior; they all have important functions in an integrated campaign. The campaign should focus on a “big idea” and a graphic look that threads through all four elements. This maximizes the chances that consumers will get the message and then have the message reinforced and layered in their memories without the “cognitive dissonance” that arises from mixed messages or incongruous graphic elements.

Integrated Marketing Communications efforts can best be orchestrated by a cross-functional team using a comprehensive promotional plan as their “bible.” Mutual respect, open communication, and an absolute commitment to focusing on the target consumer – rather than on internal squabbles and turf wars – will help ensure that this team is successful in identifying and executing the ideal mix of general advertising, direct marketing, sales promotion and public relations.

## **CASES**

### **Image Makeover**

Jo biwi se kare pyaar, woh Prestige se kaise kare inkaar? ( If you love your wife, you cannot say no to Prestige pressure cooker)

With this slogan in its TV commercial aired in early nineties, Prestige cooker became a household name in India and still it rules Indian kitchens. The maker of the prestige cooker however, has found a need to build new image through product diversification and promotion campaigns. TTK Prestige Ltd has posted a net profit of ₹ 31 crore in Q1 of 2012-13.

From a product line consisting mainly of pressure cookers, TTK Prestige has been trying to transform itself into a ‘kitchen solutions’ provider. Promoting the view that the kitchen, will be a domain rather than just a hot place to get out of, the company has extended its brand across categories such as stoves, electric as well as non-electric kitchen appliances and accessories. Taking note of the consumer preference for the less messy and healthy microwave cooking, TTK Prestige rolled out a range of glassware and stylish cookware. Then, spotting opportunity in the perennial shortage of LPG cylinders in Southern cities, it began to sell induction cooktops that use electricity, with a whole range of specialized cookware to go with these stoves. These have literally flown off the shelves.

It backed this up with its own retail outlets, the Prestige Smart Kitchens, stylish stores in upmarket localities in the South that made shopping for pots and pans a better experience. Some smart digital marketing and advertising has helped changed the brand’s perception.

TTK Prestige has resolved another image problem. It is seen as a “South Indian” brand. Part of the problem is the wheat eating habits of the North. If you don’t eat rice, what would you do with a pressure cooker? But now TTK is going to fix the mix. The company did not have the right products to suit these markets. This was corrected with the launch

of appliances and inner-lid cookers. Opening new outlets in North and North-East India, TTK Prestige also began making inner-lid pressure cookers, which consumers in the North prefer.

Mr Ankur Bisen, AVP, Consumer Products & Retail, Technopak, a business consulting firm, says that the TTK brand is nationally recognised and does not carry a regional tag. “A lot has got to do with its iconic campaign - *Biwi se kare pyaar*. But there is a need for TTK to refresh the memory and connect afresh with the young India,” he says.

However, there is the rising challenge from competition. All kinds of players, ranging from MNCs to electrical brands like Havells are edging into the Indian kitchen space now. What’s more - global players such as Philips are strengthening their regional presence. The Dutch appliances maker bought Preethi, the South Indian maker of mixers and grinders. Mr K. Sankaran, Director, Corporate Affairs, TTK Prestige, seems unworried though. “Competition can grow the market and also drive the market to organised branded players. We will continue to focus on our philosophy of offering a concept and a solution through innovative products,” he says.–

### **Vodafone – 3 G Campaign**

The 3G campaign featuring Vodafone India’s brand ambassadors “The ZooZoo community” and their hero “Zoo 3G” is case of real integrated marketing communications.

If the tales of zoozoo weren’t enough on television you will still not miss the ZooZoo 3G avatar. You’ll catch him on YouTube, Journal websites, Google ads and news portals. If you toil through the streets, you’ll catch him on almost every second billboard. If you are a frequent flier, you’ll not miss on the airport. If you happen to be at the Delhi airport, you’ll see a Zoozoo city out there. Every aesthetically sound corner for advertising has a Zoozoo banner. And if that’s not enough, the community kids are spreading the most popular form i.e. Word-of-Mouth. If CocaCola gave shape to the santa, the future generations will remember vodafone for zoozoo.

### ***The Idea***

The Idea was conceived by Rajiv Rao, the national creative director at Ogilvy India. The characters were named ZooZoo because Rajiv and his team “*wanted something that sounded cute, lovable and a bit mad like the characters*”. Rajiv also “*wanted to make real people look as animated as possible*”.

## ***The Aim***

Vodafone had asked Ogilvy & Mather to create a series of 30 advertisements which could be aired each day during the IPL Season 2 to promote various value added services of Vodafone.

## ***The Character***

The egg headed white creatures with big ballooned bodies are characters. Although they look animated, they are actually humans in wearing “ZooZoo” costumes. These ads were created by Ogilvy & Mather, the agency handling Vodafone advertisements. They were shot by Nirvana Films in Cape Town, South Africa.

The Zoozoos are thin small-bodied women covered in layers of fabric. Each facial expression of the character is made of rubber and pasted on the actors to reduce the time and cost for shoot. The effect was achieved by a variety of methods including reducing the footage frame-rates, using the right material for the body suits to ensure a wrinkle free outer layer when the characters moved, and keeping backgrounds simple in terms of detailing color (grey). The sets were made larger than life to make the characters look smaller. The whole of first series was shot in a record time of 10 days. ZooZoo ad campaign also won the PETA (People for Ethical Treatment of Animals) glitter box award for replacing the pug (remember Hutch) with ZooZoo (considered to be a more humane alternative).

## ***Results***

The response by Indian audience was phenomenal. Although experts claim that the ads did not achieve the target of increasing Value added services (VAS )usage. ZooZoos have become a brand in themselves with ZooZoo T-shirts and other accessories being sold at retail chains apart from thousands of visits to their YouTube advertisements and over 2 million fans on Facebook pages.

## **Summary**

Promotion involves a number of tools that a marketer may use to accomplish marketing objectives of generating sales, achieving profits and promoting loyalty. Philip Kotler defined marketing mix(product, price, place and promotion) as the set of controllable variables that the firm can use to influence the buyer’s response. Promotion is done through means of personal selling, advertising, publicity and sales promotion. Marketing and promotion mix elements require integration. A business’ total marketing communications

programme is called the “promotional mix” and consists of a blend of advertising, personal selling, sales promotion and public relations tools.

With advent of information technology (IT), digital promotions, including social media promotions, are on the rise. The consumer response to messages and incentives is based on how human mind responds to a stimulus (information or incentive). Marketing researchers have developed different models based on the understanding of consumer behavior and the promo-tools employed- the AIDA model, the hierarchy-of-effects model and the innovation –adoption model.

Integrated Marketing Communications is a concept of marketing communications planning that recognizes the added value in a program that integrates a variety of strategic disciplines and tools. Developing an effective IMC requires an understanding of the contribution each element can make to a particular campaign.

## **CASE**

### **Marketing of Jewellery**

The decision making is done in most cases jointly by husband and wife. Jewellery purchase is mostly a family decision with the budget decided by the male member of the family and the selection of the jewellery decided by the female. The average age of the customer has gone down from 35 to 28. Jewellery is no longer considered a lifetime purchase. Lighter weight jewellery and trendy looks are in demand.. The purpose of the ornament is not that the piece is beautifully crafted or it has won awards but that it makes the wearer feel beautiful and special. This is the crux of marketing any jewellery – the women wearing it should feel beautiful when she wears it.

### ***Product***

It is essential to have a variety to attract a customer. Unbranded jewellery still commands 92% of market share. Ear rings are the most popular jewellery item purchased. It is important to understand the psyche of the customer...is she looking for a simple piece of jewellery which has better resale value or is he looking for that unique designer piece which no one else has. Customer in the south prefers buying an entire set over smaller pieces of jewellery. Urban customer buys modern, branded jewellery whereas rural families prefer unbranded traditional makes.

Says Shehzad Zaveri of Minawala Jewellers, Mumbai and Dubai “Strategise the stocks in changing scenario. The trends are illusionary, a jeweller has to have and create his own identity in the market, and follow his instincts and his customers demands. As Indo-western trend are fast catching on, we have introduced a range of day jewellery in white gold which is gaining popularity”.

### ***Price***

In India, where break-ups of gold, diamonds and labour are the norm, pricing should be viewed as a strategic tool. Says Sheetal Bhat, “Trust is the most important component of the success formula of a jeweller”.

Transparent pricing can help you built up trust. Though the price of gold is market determined and it is only the making charges which differ, customer will buy only if she has trust in the price terms quoted. The customer is paying essentially for the value that she derives from the product.

### ***Promotion***

*Giving gifts with jewellery, discounts on future purchases, and discounts on making charges are common forms of promotion. Innovative ideas like buy a whole jewellery set for ₹ 30,000/- only are being experimented. Since buying gold jewellery requires substantial amount, saving schemes associated with purchase and gifts are introduced by many.*

Point of purchase promotion by display and offers of discounts are very important. The window and front line displays should be the most eye-catching. The jewellery on display may not necessarily be the most wearable or may not even sell. Its purpose is simply to attract the attention of the customer to get the initial footfall. A rotation of the display is also essential to give the stock a fresh look and enhance sales. The customer must call her friend and tell her she saw the most divine set in your window display.

### ***Place***

If the store is in a busy market area then make sure you offer valet parking services. Not only does it add to the service you are offering our clients it also enhances the image of the store. Also make sure that the store does not have a crowded look. A customer will like to have some privacy is choosing her jewellery. Proper lighting and mirrors also enhance the store and give it a more spacious look

## ***People***

People are the most important factor in the marketing mix of the retail industry. The difference between two jewellers who sell similar product in a similar location is often the sales and interactive skill of the employees and the owner of the store. The customer is the queen and when she has come to your store to buy a high value lifetime. Staff has to be trained in product knowledge, as well as in customer interaction skills. The staff should be attractive and attentive.

## ***Internet Exercise***

*Refer 'Expanding Connections with Customers Through Social Media ... en. community. dell.com /dell.../direct2dell/.../direct2dell/.../expanding ... 8 Dec 2009 and develop a paper on social media for promotion.*

## **Mini-Project**

Conduct a media preferences survey of young students. Which media they prefer to get information on products and services? Why? Which recent campaign they liked most? why? Based on this kind of information prepare a note on “ Multi-media campaign for attracting youth –Some guidelines”.

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## Lesson 2.2 - Strategic Integrated Marketing

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### Learning Objectives

*After studying the lesson, you will be able to:*

- ▶ Appreciate the importance of customer relationship management
- ▶ Discuss the strategic considerations in design of IMC
- ▶ Explain the role of promotions and integrated marketing in customer relationship management

### Introduction

In this world of competition, marketing and communications should focus on building customer relationships. Accordingly, we find mass marketing (broadcast media) has lost its grip as the prevalent marketing strategy and multichannel marketing (narrowcast media) is now being recognized as the relevant, cutting-edge marketing strategy to understand and execute. There is a marked emphasis on integrated marketing communications (IMC). Strategically IMC examines the natural connections between the different communication methods and provides the 360-degree perspective to weave them into comprehensive, convincing marketing initiatives.

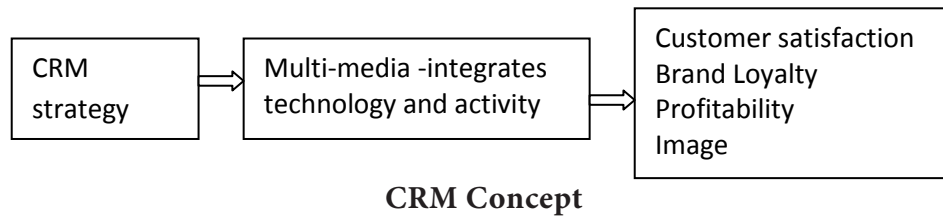
### Customer Relationship Management (CRM)

CRM is basically a customer centered integrated approach that focuses entirely on the customer and role of the organization in satisfying and retaining him or her. Figure presents the concept and purpose of CRM as a strategy. A sample of definitions on CRM are as given under.

Customer relationship management (CRM) is a business strategy of employing multimedia that guarantees the integration of all technological resources used in a company and activity fields related to customers; for creating maximum personalised satisfaction of customers' needs and optimizing profitability and image of an organization.



As a business strategy “CRM is a customer-focused business strategy that aims to increase customer satisfaction and customer loyalty by offering a more responsive and customized services to each customer”.



## Benefits

Experienced marketers have come to realize that customers are actually striving for a better relationship with organizations as they derive more from a lasting, better relationship that is laced with good customer service. Companies are also better off by retaining customers. With this understanding came the focus on CRM and its benefits.

- **Integrates goals-** CRM is a strategy that basically serves to reduce the organization costs while increasing customer loyalty and the overall profitability of an enterprise.
- **Integrates information** - It endeavors to give an overall perspective on the customer, his needs, his buying potential, his expectations, etc. It brings together information from within the organization and customer preferences, to evolve an integrated action plan.
- **Integrates departments** - It is but a process that strives to coordinate and integrate the efforts of marketing department and personnel department. CRM encourages employees to develop an understanding of customers and facilitate development of their skills to actively get involved in direct dealings with customers. The focus of personnel department is findings people who have positive attitude and skills in dealing with customers and training them.

## Strategic Role of IMC

Integrated marketing communication (IMC) is a cross-functional process for planning, executing, and monitoring brand communications designed to profitably acquire, retain, and grow customers. IMC is cross-functional because every contact that a customer has with a firm or its agents helps to form brand images.

For example, a retail customer might buy and use a product from the Web site, then e-mail or call the 1-800 number to complain about a problem, and finally return the

product to the brick-and-mortar retail store. Every contact with an employee, a Web site, a magazine ad, a catalogue, the physical store facilities, and so forth, helps the customer form an image of the firm.

In addition, the product experience, its pricing level, and its distribution channels enhance the firm's marketing communication in a variety of online and offline media to present a strong brand image. The best advertising can be undermined if these online and offline contact experiences do not communicate in a unified way to create and support positive brand relationships with customers.

Profitable customer relationships are key to a firm's existence. Successful firms recognize that not all customers are equally valuable — some, such as frequent flyers or buyers, are more important than others.

Using technology, firms can monitor profits customer by customer and, based on this analysis, pay more attention to high-value customers. Databases and the analysis techniques allow firms to differentiate customers by value and track the results of company campaigns.

IMC strategy begins with a thorough understanding of the target stakeholders, the brand, its competition, and many other internal and external factors. Then marketers select specific tools to achieve their communication objectives. After implementation, they measure execution effectiveness, make needed adjustments, and evaluate the results.

Box presents the integrated communication strategy of Horlicks.

### **IMC of Horlicks**

Glaxo SmithKline has rolled out an integrated marketing campaign for Horlicks to promote the brand proposition that Horlicks is an enabler of change for a better childhood.

Since 2005, Horlicks has focused on engaging kids, to establish itself as the “only proven health food drink that makes kids taller, stronger and sharper”.

The current campaign, *Badlo Apne Bachpan Ka Size*, takes the thought to the next level by communicating how Horlicks enables kids to have a bigger, better, childhood while growing Taller, Stronger, Sharper.

Kids of today are active decision makers. They want to influence the way they go about their life at home, school and with friends. By making Horlicks an ally in this endeavour, we expect the brand to strongly connect with them. This is the essence of the new campaign *Badlo Apne Bachpan Ka Size*, said Mr. Shubhajit Sen, Executive Vice President, Marketing, GlaxoSmithKline Consumer Health Care.

Directed by Shivendra Singh, the JWT-developed campaign features the brand ambassador, Darsheel Safary who along with his cool gang take the rush of new thought everywhere...from rooftops to classrooms, to playgrounds to staffrooms.

They are willing to get into the thick of things and take things in their own little hands to get what interest them, eradicate what bugs them and discover what intrigues them, infecting everyone with the winds of change. Horlicks, as the fifth member of the gang is no longer an onlooker or nutrition inspector of childhood but a seriously close playmate that completely believes in their philosophy, and stands as an accomplice to their intention.

The TVC will be supported by on radio, on ground activation, trade visibility and online activation.

In Kolkatta GlaxoSmithKline Consumer Healthcare (GSKCH) and Child in Need Institute (CINI) organized an exhibition – a part of ‘Horlicks Aahar Abhiyan’. It was an expression of support extended by 25,000 school children of Kolkata.

Walls of Kolkata Metro station had been transformed into a huge canvas for these paintings that highlight the children’s interpretation of nutrition and its importance for a child’s growth.

### **Characteristics of an Integrated Programme**

Journalism of Northwestern University, which has in many instances regarded as the home of IMC, presented a long explanation, that highlights the following elements

The IMC process starts with the customer or prospect and then works back to determine and define the forms and methods through which persuasive communications programs should be developed.” (Schultz in Percy 1997, 2).

Percy (1997) observed:

”IMC is the planning and execution of all the types of advertising and promotion selected for a brand, service, or company, in order to meet a common set of communication objectives, or more particularly, to support a single positioning.

IMC has been defined by the American Association of Advertising Agencies (“the 4As”) as following:

“IMC is a concept of marketing communications planning that recognises the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines — e.g. general advertising, direct response, sales promotion, and public relations — and combines these disciplines to provide clarity, consistency, and maximum communication impact.”

In their study about the potential value of IMC to corporate organisations Duncan and Everett defined integrated marketing communications in another form:

”IMC is the strategic coordination of all messages and media used by an organisation to influence its perceived brand value.

Further, Tom Duncan has also provided this following definition of IMC:

”IMC is a cross functional process for creating and nourishing profitable relationships with customers and other stakeholders by strategically controlling or influencing all messages sent to these groups and encouraging purposeful dialogue with them.

Pickton & Broderick (2001) attempted to develop a comprehensive definition.

”Integrated marketing communications is a process which involves the management and organisation of all ‘agents’ in the analysis, planning, implementation and control of all marketing communications contacts, media, messages and promotional tools focused at selected target audiences in such way as to derive the greatest economy, efficiency, effectiveness, enhancement and coherence of marketing communications effort in achieving predetermined product and corporate marketing communications objectives.”

The following characteristics emerge from the definitions

**Process** - Integrated marketing communications is the process of developing and

implementing various forms of persuasive communication programs with customers and prospects over time.

**Goal-** The goal of IMC is to influence or directly affect the behaviour of the selected communications audience.

**Multi –media-** IMC considers all sources of brand or company contacts that a customer or prospect has with the product or service as potential delivery channels for future messages. Further, IMC makes use of all forms of communication which are relevant to the customers and prospects, and to which they might be receptive.

**Strategic than operational** - (i.e., more than just about ‘one voice, one look’) IMC strategically controls or influences all messages sent to these groups and encourages purposeful dialogue with them.

**Results driven** - IMC seeks to derive the greatest economy, efficiency, effectiveness, enhancement and coherence of marketing communications effort in achieving predetermined product and corporate marketing communications objectives.

## **Creating Customer Relations**

Customer relationships can be created by employing right marketing mix, which is enriched by right promotion mix. At some point in the business lifecycle, every organization would find the need to set up a CRM process. Here is how to do it in simple steps.

### **Step 1 - Identify Target Market and Value Proposition**

This is the first step in establishing a CRM Process. Most business owners will have this well documented in a business plan. Ensure you know exactly who the target market is and a clear value proposition being offered.

List customer profiles in priority, for example: A, B, & C. “A” would be your most valuable customer, who can be by conversion retained as your customers.

“B” would be second priority; the number of customers who may be converted as your customers may be 40%. C-is the visitors/prospects and 15% of them can be converted as your customers.

Now the customer priority list is:

- Customer A- Past/Repeat Buyers (Conversion rate of 75%)

- Customer B- Irregular buyers and inquiries (Conversion rate of 40%)
- Customer C- Walk-in Customer (Conversion rate of 15%)

The next consideration is value proposition. In case of consumer packaged goods like shampoo – some look for economy, some look for dandruff removal and others look for silky hair. In case of a durable good like motor cycles, some may value pick up, some may value fuel efficiency and others look at service. Thus different customers may have different value propositions. Knowing what is important to each type of customer is what sets the CRM process up for success

### Step 2: Define Overall CRM Strategy and Consider Costs

This is solely based on what type of customer service and relationship management will work better for your business, and your customers. Believe it or not, you actually have many different options for customer relationship management. These can include:

- Service centre and help line
- A call center to attend to complaints and suggestion system
- An online social CRM community for your business
- Installing CRM software to track trends and trace complaints.

Each has their positives and negatives. Each option in the CRM process also has different costs that you'll want to explore, which can have a great impact on your business's ROI. Table provides **examples of customer service techniques**. Make choices carefully by adopting existing ones or by innovating right one for your business.

#### CRM Approaches

S.No	Method	Cost	When	Example
1	Personal assistant	Medium	For customers preferring human interaction	Call centre
2	Dedicated personal assistance	High	Responds exclusively to a customer	Real estate agents
3	Self service	Low	Customer can help themselves	Self service restaurants

4	Self service -Automation	Medium	Customers are capable of utilizing the service	Amazon.com ATMs
5	Online Customer Service Communities	Low	Customers help each other by posting questions and answers	Desk
6	Co-creation	Low	Customers make reviews	Social media like face book, twitter and linked in

### Step 3: Define Customer Profiles

Taking the customer profiles in priority from step 1, and the customer service strategies in step 2; define how each customer type will be handled throughout the CRM process.

Box explains the approach of Headway themes

#### CRM at Headway Themes

Headway Themes sells an online product. They have 2 different pricing levels.

The lowest pricing level is for consumers, offering a base level version of the product. This customer receives less dedicated customer service, in the form of access to an online support community where customers help each other (likeDesk.com). These customers are a lower priority, due to the fact they'll likely only purchase the product once for personal use.

The higher pricing level is for B2B customers. These are developers who use the product to customize, and then resell to their clients. This pricing level is much higher, so these customers receive lifetime dedicated customer support. These are also Headway Theme's repeat buyers.

*Source: Amanda Frazier, The CRM Process – Step By Step, [www.thinkaboutcrm.com/crm-process-step-by-step](http://www.thinkaboutcrm.com/crm-process-step-by-step), 31 Mar 2012.*

#### **Step- 4 Improve Service Delivery Process**

The critical elements in ensuring a positive material customer experience are:

- Mapping the service delivery processes
- Evaluating critical success points in the process
- Defining service standards and objectives for these essential points
- Establishing service delivery procedures to optimize material service
- Creating service level agreements to smooth internal service delivery

#### **Step- 5 Train and Motivate People**

To build a customer relationship culture, it is important to:

- Provide training in key areas (technical and interpersonal skills) to deliver exceptional personal service.
- Reinforce the skills using ongoing coaching and feedback
- Measure current performance levels and reward good performance.

#### **Step- 6 Focus on and Involve Customers**

To involve customers in the process of service delivery, the following guidelines will be helpful.

- **Exceed their expectations-** Go beyond expectations to ensure the highest level of customer satisfaction. Combine top quality service and products with hands-on and attentive customer service.
- **Admit when you're wrong** - In order to create long lasting relationships it is important to admit when you are wrong. The customer is always right, and even if you feel you are right, sometimes a good old "I am sorry" goes a long way for creating a solid, long-term relationship with your customer.
- **Getting personal is good business** - Work with customers professionally and personally, and it helps in creating long-term bonds.
- **Stay in touch** - Stay in touch to be top of their mind Even when your customers are not buying, you need to stay in touch say, once a month by phone, letter, or electronic. Finish conversations by asking, "Is there any way I may of service?"



- **Listen to your customers** - The more you listen to your customers and demonstrate that you truly value their opinion, the more they'll support you and your company's mission. Consistently communicate that you value your customers' feedback and you appreciate their voice.
- **Don't outsource customer service**- Make customer service a core competency within your organization. It helps create long-lasting relationships in the process.

### **Step 7: Select a CRM Software**

Most of the businesses out there will choose a CRM software to measure the performance of their strategy. The best CRM software solutions include SaaS (software as a service delivered online), and innovations in this area improve everyday.

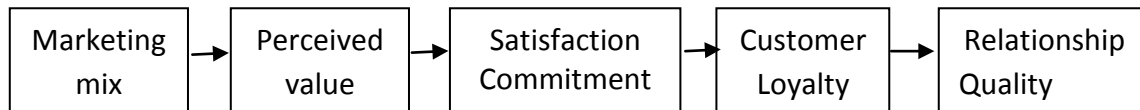
### **Step 8: Continue to Re-Engage Customers**

Customer engagement is a hard task to bring to perfection. The most used forms of customer re-engagement are customer satisfaction surveys, email, personal touch and social media.

- **Surveys** - You should measure customer satisfaction strategically throughout the CRM process. These customer surveys can help with this. If you find you're not receiving adequate responses with surveys, try giving out an incentive. You can also try adding a fun twist to the otherwise tedious (and not so interesting) surveys.
- **E-mails**- For most customers, keeping in touch with an email newsletter about once a week, or twice a month is more than enough. Send only important communications, like the top articles featured on your site for example.
- **Personal touch** - For higher level customers that require personal assistance in the CRM process (like the relationship with a major client), keep in touch on a personal basis. Don't rely solely on an email newsletter as a means of engaging with these types of customers. Personal & professional attention is more than likely what they pay for, and that's what these customers should get.
- **Social media** - Don't over tweet, or overload social feeds on Facebook. And when you do engage, engage with more than just a sales pitch. Have a real conversation. Be a real person. Be the face behind the brand, and you'll see true success in your CRM process.

## Promotions Role in CRM

The quality of customer relationships is dependent on loyalty built through customer satisfaction, commitment and trust. The creation of customer satisfaction, commitment and trust are outcome of the perceived value of customers. Figure presents the variables involved in the relationship. So the key to customer relationships is perceived value. How can marketer enhance and sustain perceived value of a customer?



**Model of Relationship Quality**

Building trust starts with the first encounter with your brand or firm and continues with every single subsequent interaction. Promotion should make every moment of interaction memorable and offer some value – economic, functional, technical, social and psychological.

According to Nobel Prize winning scientist Daniel Kahneman, we experience approximately 20,000 moments each and every day. A moment is the few seconds it takes for the brain to evaluate and record an experience. These experiences can be either positive or negative and your website, headlines, content, or responses can make a huge difference in how people record the experience and their reaction also determines what people do next.

The following measures are suggested to build strong relationships.

1. Make every customer interaction count. Follow-through on commitments and claims about products or services. Offer benefits and product value that responds to the customers desires.
2. Treat customers as individuals who are respected and valued. Listen to customers – even complaints can be a gift if handled properly and quickly. Be available and accessible when customers have questions, concerns, or comments.
3. Surround your customers with valuable information by using emails, website content, social media, and other methods of outreach but do not be invasive. Make your website user-friendly and easy to navigate for new and existing customers. Create a blog about your business where discussion is more casual and inviting. Search for new ways of connecting with customers. Box presents on-line reputation management by Maruti and the new shopper marketing ).

## **New Approaches to Reach Customers**

### **Social media and on line**

The New Delhi-based integrated marketing communication agency, Markigence Communications, was given mandate for Maruti Suzuki A-star look after duties such as social media optimization (SMO) and online reputation management (ORM) for the brand. With these activities, Maruti is looking to revive the brand recall value and market positioning of the brand in the automobile industry at large, and the car buying populace in particular.

Markigence Communications will undertake the social media activities, which include community development and engagement activities across Face book, Twitter, YouTube and other upcoming social media platforms.

Maruti Suzuki A-Star, launched in 2008, is a hatchback with the brand theme of 'Stop at Nothing'. It is targeted at urban youth in the age-group of 20-28 years, who are independent and working. The company invited the audience to share their success-stories through a television commercial that is currently on-air.

A similar campaign was also done online. Apart from this, there is also an engagement campaign, where the agency is disbursing information on the theme of 'Stop at Nothing'. "In the Stop@Nothing A-Star Heroes campaign, we are talking about anything and anybody with the never-say-die attitude. It can be about Dandi March, Einstein-ian theories or about any heroes in real life," says Dutta.

### **Shopper Marketing**

Store is the best medium to capture conversions. P&G is taking the first bold step to move from "consumer led" marketing where agencies looked for insights into how people use and interact with the product into what is clearly "shopper led" marketing. Here, the agencies will have to think differently. How do people buy the product?

A shopper at shelf is open to, and is asking for information, when they are comparing products. The stimulus-response gap is the shortest at point of purchase. By giving the right stimuli backed by fundamental sciences, we can do more to influence behaviour and help brands close the loop by making the mass media work harder.

P&G is leading the charge in closing the loop with all its advertising campaigns – if it doesn't work at the store, it's no longer a good marketing idea. P&G is propagating this “store back” concept with all its agencies, not just its shopper marketing agencies. According to P&G, shopper marketing should not be seen as yet another process, but as a change in mindset. If agencies don't have the end in mind while coming up with the marketing idea, it's a miss.

Despite spending close to \$3.5BN on trade promotion, P&G still sometimes gets beaten by smaller rivals who have a sharp focus on the store shelf. For example, Colgate-Palmolive's SoftSoap has maintained its share in the competitive body-wash category even though it spent less than \$5MN on measured media. What is key to this SoftSoap success is formulation, fragrance and packaging, which seem like a distant hazy dream on TV spots. The only one place where these can be interacted with is at the store. No wonder Colgate states emphatically that their packaging is the No. 1 touch point with the consumer.

*Source: Satish Krishnamurthy, Close the loop | FinalMile | Behaviour Architecture [finalmile.in/behaviourarchitecture/close-the-loop](http://finalmile.in/behaviourarchitecture/close-the-loop). September 22, 2011.*

## Overcoming Barriers to Integrated Programmes

Integrated marketing communication is essential to businesses who are dedicated to reaching their consumers and potential consumers through various forms of media, with a consistent message about their businesses and products. However, they are not without barriers. As such, it is important to identify the barriers and take necessary steps to overcome them. We will now identify such barriers as well as ways to overcome them.

### Multiple Levels of Integration

IMC require communication tools to speak consistently with one voice all the time, every time. The benefit of this is enhanced when integration goes beyond just the basic communications tools. There are other levels of integration such as Horizontal, Vertical, Internal, External and Data integration.

- **Horizontal Integration** occurs across the marketing mix and across business functions - for example, production, finance, distribution and communications should work together and be conscious that their decisions and actions send messages to customers.

- **Vertical Integration** means marketing and communications objectives must support the higher level corporate objectives and corporate missions
- **Data integration** -While different departments such as sales, direct mail and advertising can help each other through Data Integration. This requires a marketing information system which collects and shares relevant data across different departments.
- **Internal Integration** requires internal marketing - keeping all staff informed and motivated about any new developments from new advertisements, to new corporate identities, new service standards, new strategic partners and so on.
- **External Integration**, on the other hand, requires external partners such as advertising and PR agencies to work closely together to deliver a single seamless solution - a cohesive message - an integrated message.

### ***Lack of Top Management Support***

A successful integrated marketing communications campaign needs the support, guidance and resources of upper management, or it creates a barrier for employees. Some of the top managers still think that the marketing budget gets diluted and effectiveness suffers if multiple tools are employed or even fail to see that they can reach the target audience via multiple media channels. Upper management has to work to ensure that the proper resources are available; from people and budgets to sharing data across teams.

### ***Lack of Management and Strategy***

The implementation of IMC requires proper planning, redefining the scope of marketing communication, application of information technology and financial and strategic integration. It should adopt a flexible organizational structure and change the mindset of the employees. It should adopt a customer centric strategy to design communication campaigns from the consumer perspective. As such, it is to be done in a coordinated and systematic way, instead of adopting an isolated, piece meal approach.

### ***Lack of Financial Resources***

An integrated marketing campaign requires funds. Since it is a multimedia effort involving direct marketing, web marketing, print advertising and public relations it requires large funds for a chosen period. It is therefore necessary to have budget approvals as a part of planning the campaign.

## **Lack of Talented People**

Small businesses do not usually have the manpower with cross-disciplinary skills to integrate their marketing communications. Individuals who are highly skilled in specified areas are an essential part of any integrated marketing communications campaign. As such, a firm has two options-(i) to rely entirely on an agency and hire the right agency and (ii) to hire and train staff members specialised in the promotion areas to ensure the success of the campaign.

## **Time Scale Conflicts**

Integrated marketing communications require proper planning and time management to ensure that campaigns are executed in a timely, strategic fashion. If the timing of one aspect of a campaign is inaccurate, it could negatively impact the other aspects of the campaign, resulting in skewed campaign results. For example, image advertising, designed to nurture the brand over the longer term, may conflict with shorter term advertising or sales promotions designed to boost quarterly sales.

## ***Functional Silos in Organization***

A collaborative strategy is needed, that enables coordination and cooperation between various departments in the organization. This is sometimes easier said than done as rigid organizational structures (silos) are often “infested” with managers who protect both their budgets and their power base.

Sadly, some organisational structures isolate communications, data, and even managers from each other. For example the PR department often doesn't report to marketing. The sales force rarely meet the advertising or sales promotion people and so on. Imagine what can happen when sales reps are not told about a new promotional offer!

And all of this can be aggravated by turf wars or internal power battles where specific managers resist having some of their decisions (and budgets) determined or even influenced by someone from another department.

Although there is a lot of information about IMC in general and IMC tools in particular, there is still not a “standard procedure” that can be followed in organizing IMC. What should a truly integrated marketing department look like? Should the PR department report to Marketing? The practical aspects are still to be defined.

## **Different Cultures**

Integrated marketing communications typically involve more than just one company working to put together a campaign. An advertising agency may develop a print advertisement, while a public relations firm may be in charge of pitching articles to the press about a product launch. Each company has its own unique culture, but when meshed with a new company culture, the result is not always positive. As a result, there's a potential barrier the teams must overcome. One company may take a more relaxed approach to completing task, paying little to no attention to looming deadlines, while the other may be dead-line driven.

## ***Stifled Creativity***

With a variety of teams involved in launching an integrated marketing campaign, each team has to ensure that the piece of the campaign they're working on fits in with the overall goals and message of the campaign. This means that if the promotions team comes up with a creative idea for a sweepstakes, but it doesn't fall within the realm of the integrated campaigns goals, the team cannot implement the plan, regardless of how creative it may seem. The goal is to follow a unified strategy to create a message to send to consumers.

## **Lack of Proper Metrics**

There is a difficulty in measuring the impact of integrated promotion. As long as there is a lack of accurate metrics to measure marketing productivity, marketing expenditures in general will be seen by some CEOs as an expense that can be easily cut. It's even harder to measure the actual impact of a specific channel as part of the overall impact.

Most of the barriers that relate to HR and organizational changes can be overcome by training the staff. There is an innate resistance to change in people but with proper change management, the anxiety and fear of change can be put aside. The lack of accurate metrics however, can not be easily overcome as getting accurate information is usually expensive and sometime not even available.

## **Golden Rules**

Integrated Marketing Communications (or IMC) can surmount the barriers by following the 10 Golden Rules of Integration.

1. Get Senior Management Support for the initiative by ensuring they understand the benefits of IMC.

2. Integrate at different levels of management. Put 'integration' on the agenda for various types of management meetings - whether annual reviews or creative sessions. Horizontally - ensure that all managers, not just marketing managers understand the importance of a consistent message - whether on delivery trucks or product quality. Also ensure that Advertising, PR, Sales Promotions staff are integrating their messages. To do this you must have carefully planned internal communications, that is, good internal marketing.
  - Ensure the Design Manual or even a Brand Book is used to maintain common visual standards for the use of logos, type faces, colours and so on.
  - Focus on a clear marketing communications strategy. Have crystal clear communications objectives; clear positioning statements. Link core values into every communication. Ensure all communications add value to (instead of dilute) the brand or organisation. Exploit areas of sustainable competitive advantage.
  - Start with a Zero Budget. Start from scratch. Build a new communications plan. Specify what you need to do in order to achieve your objectives. In reality, the budget you get is often less than you ideally need, so you may have to prioritise communications activities accordingly.
  - Think Customers First. Wrap communications around the customer's buying process. Identify the stages they go through before, during and after a purchase. Select communication tools which are right for each stage. Develop a sequence of communications activities which help the customer to move easily through each stage.
  - Build Relationships and Brand Values. All communications should help to develop stronger and stronger relationships with customers. Ask how each communication tool helps to do this. Remember: customer retention is as important as customer acquisition.
  - Develop a Good Marketing Information System which defines who needs what information when. A customer database for example, can help the telesales, direct marketing and sales force. IMC can help to define, collect and share vital information.
  - Share Artwork and Other Media. Consider how, say, advertising imagery can be used in mail shots, exhibition stands, Christmas cards, news releases and web sites.
  - Be prepared to change it all. Learn from experience. Constantly search for the optimum communications mix. Test. Test. Test. Improve each year. 'Kaizen'.



## **CASES**

### **Airtel focuses on CRM**

Initially, when Bharti started operations, the whole system was run manually. “At that point of time only 40 percent of our customer issues were getting resolved-this has now gone up to about 90 percent,” reveals Amrita Gangotra, vice president of Information Technology at Bharti.

“It is vital for us to manage the expectations of our customers and provide them with innovative products and services in a manner which makes them loyal,” explains Gangotra. To achieve this, Bharti needed the right tools. “It is this need that made us opt for a CRM (customer relationship management) solution,” she says.

### **Strategy**

The CRM strategy at Airtel revolves around two aspects: operational CRM and analytical CRM. The first is about helping their call centres in the workflow part, helping them in their day-to-day activities. The second provides staff with the required information on customers; this is used for business development activities. Together they help Bharti provide better services to its customers.

### **Cherry Picking a Solution**

Today Bharti is using the Oracle CRM platform. “As part of our vision, we intend to provide AirTel services anywhere and at any time. A customer should get the same quality of service no matter which of our call centres he contacts. This has been our vision, and because of that we have gone in for a centralised application like CRM,” Gangotra adds.

Before choosing its CRM tool, Bharti evaluated many options. It considered factors like proper workflow automation, facilitation of knowledge sharing, and integration with the billing system. After a thorough evaluation exercise, it decided to go ahead with the Oracle CRM platform.

### **Tailor-Made Schemes**

Gangotra says it is important to understand and segregate customer needs depending on the product and services he is buying. “One of the primary things that we have done in this solution is the segmentation of customers. With this, AirTel is now able to give its

customers more value for money,” she says. With the help of CRM, they are able to provide customers different schemes and services depending on airtime usage. If the customer is a heavy user then they have some specific schemes; for normal users they have other schemes. Apart from this, they have also managed to segregate their workflow with the help of the CRM tool.

### **Information Technology**

Bharti considered information technology a key business enabler. It had a WAN in place with a mix of leased lines and E1 and E3 lines. The company also has an extranet in place through which it extends different applications to its dealers and partners. “We have an extremely large infrastructure based on products from multiple vendors,” says Gangotra. This includes a range of high-end servers from Sun and HP. “In the telecom business volumes are very large. We have millions of records and we process them everyday, so for us storage is in terabytes,” she adds.

Bharti also has a storage area network (SAN) in place. The main data centre is located in Gurgaon, Haryana. As far as software is concerned, some of the applications that are running on its network are billing, fraud management, revenue assurance and data warehousing. They also have some internal-facing applications like Oracle Financial and Oracle HRMS.

### **Johnson and Johnson’s Diabetes Community**

J&J is delivering customer satisfaction and making a consistent profit. It is the most comprehensive manufacturer of health care products with 97 operating companies in 54 countries. They sell in over 175 countries and employ over 100,000 people. Johnson and Johnson has a Credo, a set of guiding principles that has steered them since 1943. The Credo puts customers first and guides J&J’s innovations in online community building for acquiring customers. By experimenting with the idea: “Ask not what the Community can do for J&J, but ask what J&J can do for the Community”, they can test the business hypothesis - is this a good investment for the company. Using Customer Lifetime Value J&J will be able to determine how much they can and should invest in the community in order to increase customer lifetime value of their customers and prospects.

### **Our Credo**

We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. In meeting their needs

everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers' orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit. We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe. We must be mindful of ways to help our employees fulfill their family responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide competent management, and their actions must be just and ethical.

We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens - support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return.

**“When we operate according to these principles, the stockholders should realize a fair return.»**

Johnson and Johnson is experimenting with the supporting an online Diabetes community at [www.lifescan.com](http://www.lifescan.com). Johnson and Johnson is experimenting with using the community as a way to attract prospects. The site offers a quiz for visitors. The result of the quiz is available immediately.

You find out how many of the risk factors apply to you. The website and their newsletter are helpful in providing healthy recipes, exercise routines; get expert advice, and getting support for people who are at high risk for getting Diabetes. This is less a business transaction and more like being part of a community. This way J&J is experimenting and innovating with the goal of building a Powerful Customer Acquisition Online Engine, that works because it delivers value to prospects.

## Summary

Strategically IMC examines the natural connections between the different communication methods and provides the 360-degree perspective to weave them into comprehensive, convincing marketing initiatives. As a business strategy “CRM is a customer-focused business strategy that aims to increase customer satisfaction and customer loyalty by offering a more responsive and customized services to each customer”. Customer relationships can be created by employing right marketing mix, which is enriched by right promotion mix. At some point in the business lifecycle, every organization would find the need to set up a CRM process. Customer relationship management helps integrates goals, information and departments. The steps involved in setting up CRM are: **Identify target market and value proposition, Define overall CRM strategy and consider costs, Define customer profiles, Improve service delivery process, Train and motivate people, Focus on and involve customers, Select a CRM Software and Continue to re-engage customers.**

Integrated marketing communication is essential to businesses who are dedicated to reaching their consumers and potential consumers through various forms of media, with a consistent message about their businesses and products. Integration is necessary at Horizontal, Vertical, Internal, External and Data integration. The following barriers may hurt integration- Lack of top management support, Lack of management and strategy, Lack of financial Resources, Lack of talented people, Time scale conflicts, Functional silos in organization, Different cultures, Stifled creativity and lack of proper metrics. Remedial measures will help make integration effective.

## Self Assessment Questions

1. Explain the importance of customer loyalty.
2. Explain the elements in marketing mix.
3. What are the major elements of promotion mix?
4. What is digital promotion?
5. Examine the impact of promotion on consumer satisfaction and loyalty.
6. Examine the impact of promotion on marketing mix.
7. Explain the concept of IMC.
8. How do you design IMC?
9. Explain the marketing mix of a product and service with the help of cases.
10. Explain promotion mix of a product and service using case examples.
11. Explain the meaning and importance of Customer relationship management (CRM)

12. What is IMC? What are the characteristics of IMC
13. Examine the benefits of IMC. Why do you need a strategic approach to design of IMC
14. Outline the steps in creating customer relations
15. What is the role of promotion in CRM?
16. Identify the barriers to implementation of IMC
17. Suggest guidelines to make IMC implementation effective
18. Write short notes on ( i) IMC (ii) customer loyalty (iii) customer relationship management
19. With the help of cases, explain IMC approach for promoting consumer products.
20. Explain how IMC promotes services, with the help of case examples.

## **CASE STUDY**

### **Colgate Herbal White**

Colgate-Palmolive (India) Limited is India's leading provider of scientifically proven oral care products that have become an essential part of daily oral hygiene and therapeutic oral care. Its range of toothpastes, toothpowder and toothbrushes are marketed under the "Colgate" brand. While unveiling Colgate Herbal White, a Colgate spokesperson said, "As the Number one oral care provider, we are continually looking for ways to strengthen our leadership by understanding and meeting consumers' evolving needs and preferences. Our research has shown strong consumer demand for a whitening benefit from their toothpaste in addition to the fundamental requirements of strong, healthy teeth. Colgate Herbal White has been launched in response to this need."

Colgate Herbal was developed combining the best of international technology with the goodness of traditional herbs. This herbal bundle offers the distinct proposition of 'Strong Teeth and Healthy Gums - Naturally' and has appealed to a cross section of consumers across the country. The brand was essentially targeted at traditional consumers (such as in semi-urban and rural towns) who seek natural ingredients

#### **The Product**

Herbal White promises a 'unique formula' including a special blend of eucalyptus, calcium and minerals and lemon extracts. The use of Herbal in the brand name is self-explanatory. Herbal 'White' has been highlighted to stress the core brand promise of offering "pearly white teeth naturally".

The green-coloured packaging enhances the 'herbalness' of the product, while the pneumonics of mint leaves, lemon and eucalyptus supplement the ingredients which lend uniqueness to the product. The colours red and the word 'new' in blue are the two colours researched to be the most eye-catching on the shop shelf and aid the choice of the product during the purchase decision process. Standard fonts and colours of Colgate and associated pneumonics serve to maintain familiarity with the brand and capitalise on positive associations such as that of being one of the most trusted brands in the country (*Brand Equity* survey). It is available in three sizes as most others in the segment - 50g, 100g and 200g.

### **Price**

The product is in the popular segment and is priced higher to only the economy segment and lower than the gel and premium segments in the toothpaste market.

### **Promotion**

The launch of Colgate Herbal White is being supported by a 360-degree campaign including TV, outdoor advertising, in-store promotions and consumer-contact programmes. The merchandising and displays will continue to feature the mascot «Gillu-the beaver». Sales force consists of the company's distributors who are instrumental in ensuring that the product is stocked by the retailers, which is made easier by the range of product offerings supplied by the same distributor of Colgate Palmolive.

PR campaigns were undertaken extensively during the launch of the brand in leading newspapers and magazines, though they were focused more directly on enhancing the image of the parent company in the eyes of stakeholders like shareholders potential investors, etc. that in consumers.

### **Place**

The product is available in the all-India market, including semi-urban and rural markets which is their primary focus.

### **Channels**

The products is sold in retail outlets like Kirana stores, supermarkets, medical shops, co-operative stores etc. It is distributed through the supply chain of company distributor to wholesaler to retailer to final consumers.

## ***Display***

The product is placed at just below eye-level at the store surveyed among other brand clutter, unlike at most other supermarkets, where product placement at eye level and near the payment counter is generally preferred for such relatively low-involvement products, especially in the case of small packs which might be impulse purchases on a trial basis.

## **Questions for Discussion**

1. Analyse the consumer preferences in the market for herbal tooth pastes.
2. What kind of promotion strategy do you suggest to promote the brand?

*Source: The Marketing Mix - Colgate Herbal White Toothpaste [www.foolonahill.com/mbacolgateherbal.html](http://www.foolonahill.com/mbacolgateherbal.html)*

## **Internet Exercise**

Develop a note on IMC of Coca cola based on the information in Knowledge Inn: Strategies and Programs *Coke IMC*, [kninn.blogspot.com/2010/06/strategies-and-programs-coke-imc.html](http://kninn.blogspot.com/2010/06/strategies-and-programs-coke-imc.html), 17 Jun 2010.

## **Mini Project**

Visit local stores specialized in trade of a good like – textiles, hardware or consumer electronic goods and collect data on the promotion measures taken by them. Develop framework of integrated marketing communications based on the data gathered.

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## UNIT - III

### Unit Structure

Lesson 3.1 - Promotion Strategy And Tactics

Lesson 3.2 - Application Of Promotion Tactics

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### Lesson 3.1 - Promotion Strategy and Tactics

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### Learning Objectives

*After studying the lesson, you will be able to:*

- Explain the nature and principles of promotion
- Discuss the types of promotion strategies
- Understand the objectives and range of promotion tactics

### Introduction

Marketers often develop a promotional strategy to inform and differentiate their goods or services from those of competitors and motivate consumer to buy. Promotions can be directed to trade channels to push products or to consumers to pull them to the store to buy the product. Promotion is by nature short term. However, it is to be viewed as a strategy integrating with total marketing mix. To enable the strategy to work, different tactical tools are to be employed addressing consumers, middlemen, sales force and other influential groups.

### Promotion Strategy

The promotion strategy is a statement that tells what the brand will do in promotion, but not how to do it. It is a long-term statement of principle and policy that provides guidance to all concerned. It is changed only when the product manager and his management agree

that new conditions or new knowledge dictate a change in basic strategy. Once the strategy has been agreed upon, all promotional activities on the brand must conform to it.

### **Part of Marketing Strategy**

The marketing strategy is the basic long-range planning document for the brand. It must be kept up to date, though the basic strategy should be changed infrequently. What does it reveal?

- It defines in general terms the role of each marketing element (i.e. advertising, promotion, sales effort, etc.) in achieving the brand's marketing objectives.
- It provides broad guidelines as to the relative proportion of marketing funds that will be put against each element
- It sets out the relationship of promotion to advertising effect – under defined conditions or during various stages of marketing development.

### **Annual Plan for Promotion**

Promotion, like advertising and field selling efforts, must be planned on an annual basis and coordinated with other marketing activities on the brand.

They must be part of the brand's annual marketing plan. The annual plan is

- A statement of brand objectives, strategies and tactical plans for all marketing activities during the coming year.
- A financial forecast that translates these plans into sales, expenses and profits.

Failure to include realistic plans and expenditures for promotions means that when a decision is suddenly made to use promotion, advertising or other marketing activities must be cut to provide promotional funds. This in turn makes difficult to forecast profits accurately, and to coordinate promotion with other marketing activities.

An annual brand marketing plan, therefore, must include objectives, strategy and plans for promotion as well as for advertising, field sales effort, product development, etc. The annual plan must also (1) be consistent with the brand's long-range marketing strategy, and (2) provide a reasonable degree of flexibility when periodic reviews show that certain important conditions have changed.

## **Brand Wise Promotion strategy**

The promotion strategy statement is one of the major elements of the brand's annual marketing plan. Its fundamental purpose is to establish guidelines and principles that are most likely to ensure promotion success for the brand.

- 1. Broad objectives** – What the brand's promotion program is expected to accomplish. The objectives to be achieved in terms of communication and sales should be specified.
- 2. Kinds of promotion that will be used** - The choice of promotion tools, the approximate proportion of annual promotion effort that will be directed against the consumer vs. the trade or other groups and the specific types of promotion, that will generally be used (or not used) by the brand are to be outlined.
- 3. Policies relating to the annual program** – The frequency, duration and number of promotions to be offered; the times of year or types of areas in which promotions will be concentrated or in which no promotions will be run; the relative emphasis (in broad terms), if any, that will be placed on promoting specific package sizes; provision of funds, and broad policies to be followed, to meet specified types of competitive conditions that may arise
- 4. Guidelines relating to individual promotions** – Limitations, ranges or standards to assist in establishing pack quantities, price discounts, types and values of premiums, coupon values, etc.; the degree and nature of advertising coordination or support, if any, that is deemed essential for certain type of promotions or conditions; the nature of tie-in promotions that will be used and the standards established for the selection of products and brands as tie-in partners; etc.

## **Tactical Plan**

A written tactical plan must be prepared for each individual promotion comprising the year's promotional program – and must define the specific numerical objectives of that promotion.

## **Strategy vs Tactics**

The promotion strategy statement, as just described, establishes general promotion objectives for the brand's promotion program and tells what the brand will do (in terms or principle and policy) to achieve these objectives. A tactical promotion plan, on the other

hand, tells how the brand will execute an individual promotion that is part of the program, translating the strategy into specific terms for that promotion, and establishing numerical goals against which each promotion's accomplishment can be measured.

## **Purposes**

A separate tactical plan is prepared for each promotion in the brand's program. The tactical promotion plan, serves the following purposes.

- (1) As a tool to sharpen planning,
- (2) As a device to communicate plans, coordinate operations and control the execution and cost of the promotion, and
- (3) As the basis for measuring how successful and efficient the promotion, as run, actually was in relation to anticipated goals and costs.

## **Content**

The tactical promotion plan contains the following

- **Promotions** - Full details of the plan, the quantities, the cost, the timing, and the specific areas covered
- **Cross functional responsibilities** - The responsibilities of sales, Manufacturing and other groups involved.
- **Timetable for action** - It must include a time table showing the time required for each preparatory step and establishing realistic target dates.
- **Supporting data** - Where possible, the tactical promotion plan should also past experience, research or other facts to support the reasonableness of the stated objectives, anticipated consumer and trade reaction, and costs.
- **Evaluation criteria**- Finally, the tactical promotion plan should describe the basis for evaluating the promotion after it has run, and should indicate what special measurements must be set up in advance for this purpose.

## **Summary**

A consolidated outline and summary of the individual promotions planned for the year's promotion program is included in the brand's annual marketing plan to show how

the strategy will be carried out and to provide a finance breakdown and summary of the total annual promotion budget. This consolidated summary include information on the timing, nature, scope and cost of each promotion planned for the year (or it set up reserves and indicates preliminary plans for these promotions for which final plans have not been established.) the detailed tactical plan sheets for each promotion, however, usually are not included in the annual plan, since the consolidated outline and summary provides the essential information for management purposes.

A written tactical plan for each promotion is an essential element in the effective use of promotions.

### **Communication and Coordination**

Different groups of people become involved as in promotion. It requires the assistance of manufacturing, warehousing, transportation, sales, accounting, purchasing and legal groups in addition to promotion specialists, creative people, advertising agencies and brand managers.

Communication is essential to have coordinated effort.

A good plan can be vitiated, for example, by salesmen who don't understand its purpose, or who authorize payment of trade allowances for services not actually performed as specified; or by failure of the plant to ship deal packs on specified dates. Delays and mistakes cost money – such of it hidden – that may seriously reduce brand and company profits

Every promotion must, conform to legal and ethical standards. Lack of understanding and enthusiasm by legal advisors can result in routine legal opinions that deny to a brand a form of aggressive promotion necessary to ward off competition.

### **Research and Evaluation**

The mounting cost of promotion and the high risk of failure demand that knowledge be developed as rapidly as possible. It also demands that this knowledge be assembled and made available in valid and actionable form to all involved in promotion. Developing insights through special research to confirm or disprove assumptions on the working of a promotion. For instance, a marketer may assume the following: New triers will be more by a price-off than those obtained by a coupon (or by a sample) New triers usually buy the small size and “trade up” to larger sizes if they are satisfied. In order to prove or disprove such

broad assumptions focused research is necessary. All promotion tests and evaluations on all brands must be designed not only to answer the questions of immediate interest to the specific brand but also to permit deeper analysis and insights into the fundamental behavior of people and the basic ways in which promotion works standard methods of testing and evaluating brand promotions may be needed to permit brand-to-brand comparisons.

### **Push Vs Pull Strategy**

The business terms push and pull originated in logistics and supply chain management. It is used in the context of promotion.

- **Push approach-** When the suppliers move information and products toward the consumers, it is labeled as push approach. In push approach demand is unknown. As such, marketers forecast demand. Push production is based on forecast demand.
- **Pull approach -** When the consumers come forward to seek the goods or information for their needs, it is referred to as pull approach. In pull approach consumer demand can be estimated. Hence production is based on actual or consumed demand.

Depending on the medium used, the communication can be either push or pull. For example, if the seller makes his promotion by television or radio, it's not possible for the buyer to interact with. On the other hand, if the communication is made by phone or internet, the buyer has possibilities to interact with the seller. In the first case information is just "*pushed*" toward the buyer, while in the second case it is "*pulled*" because it is possible for the buyer to demand the needed information according to their requirements.

Personal selling and trade promotions (offering subsidies on the handsets) are also the most effective promotional tools for companies such as Nokia to encourage retailers to sell higher volumes. A «push» strategy may also try to sell directly to the consumer, bypassing other distribution channels (e.g. selling insurance or holidays directly). Book publishers sell directly through mail orders. Now e-tailers like Flipkart, Amazon.com, ebay sell through websites. The marketing intermediaries are usually offered special discounts, promotional materials, and cooperative advertising allowances. In the last case, the manufacturer shares the cost of local advertising of the product or line. All these strategies are designed to motivate wholesalers and retailers to «push» the product or service to their customers

A good example of a pull is the heavy advertising and promotion of consumer products like toilet soaps(Life buoy, Liril, Lux ) shampoos ( clinic plus, dove), fairness

creams(fair and lovely, fair ever) beverages ( Horlicks, Bru, Tajmahal tea, Boost, Bournvita) and so on mainly on television.

General Foods advertisement for Maxwell House coffee announced a sales promotion that tied in with the Taste of Chicago outdoor food festival. Consumers who brought two empty coffee cans to the Maxwell House cafe at the festival received \$6 worth of free food tickets. The consumer pull influenced Chicago-area retailers to prominently feature the brand at their stores. With consumers redeeming about 49,000 empty cans, the promotion was so successful it produced record sales and moved the Maxwell House brand from third place to first in the Chicago market.

Sponsorship is another pull method. Most common use of sponsorship is with sporting events. The 2012 Olympics being held in London is being sponsored by a number of organizations such as Mcdonalds and Coca-Cola as the event will attract a world wide audience that will run into hundreds of millions. The name of the company and logo are displayed in strategic places in stadium, dress of the players, tickets, T-shirts etc.

Box presents an example of pull strategy

### **Incredible Tiffin**

Impressed with the success of Incredible India — the Indian Tourism Ministry's award winning promotional campaign to attract tourists to India, now, the Ministry has expanded it by adding....Incredible Tiffin!

Incredible Tiffin focuses on promoting India's cuisine to tourists. It's a good idea because many foreigners have very little awareness about just how varied Indian cuisine is from region to region.

The Indian Tourism Ministry has partnered up with Cuisine Society of India to carry out the initiative, and apparently it's taken four years to develop and launch. While the focus of it will be special events across India that celebrates each individual region's local food, there will also be an interactive website([tiffin.in](http://tiffin.in)) filled with information about Indian food and grandma's traditional recipes. The inaugural Incredible Tiffin event was held in Delhi at the ITC Maurya hotel with a spread of Dehlvi cuisine.

*Source: Sharell Cook, Incredible India, and Now Incredible Tiffin, [goindia.about.com/b/.../incredible-india-and-now-incredible-tiffin.ht..](http://goindia.about.com/b/.../incredible-india-and-now-incredible-tiffin.ht..), 22 May 2012.*

## **Setting Objectives**

The possible objectives for marketing promotions may include the following:

### **To Provide Information**

Some promotion is designed to assist customers in the search stage of the purchasing process. In some cases, such as when a product is so novel it creates a new category of product and has few competitors, the information is simply intended to explain what the product is and may not mention any competitors. Some companies may use in-store videos or instructions to demonstrate more complicated products such as computer software, vehicles or educational courses, for example.

### **To Build Brand Identity**

New products and new companies are often unknown to a market, which means initial promotional efforts must focus on establishing an identity. In this situation the marketer must focus promotion to:

- 1) Effectively reach customers, and
- 2) Tell the market who they are and what they have to offer.

To accomplish this, they use promotions that apply the concept of positioning communicate to consumers meaningful distinctions about the attributes, price, quality, or usage of a good or service.

The Murphy-Phoenix Company uses to differentiate its household cleaner from its much larger competition. While market leader Mr. Clean and other large competitors such as Top Job are promoted as “tough on dirt” cleaners, Murphy’s Oil Soap is positioned as a gentle household cleaner.

Marketers often distribute brochures, catalogs, sales letters, videos and other information to market their products. Businesses also distribute promotional materials with their websites so people can view literature or online videos at their leisure.

### **To Accentuate the Product’s Value**

Some promotional strategies are based on factors, such as warranty programs and repair services, that add to the product’s value. Some of the Ford Motor Company



advertisements are designed to promote Ford's 6-year, 60,000-mile power train warranty, some others concentrate on the Lifetime Service Guarantee offered by Ford dealers. These promotions point out greater ownership utility to buyers, thus enhancing the product's value.

### **To Stimulate Demand**

Companies primarily promote their products to drive sales and profits. They may use product sales, coupons and "bogo" or buy-one/get one free offers to increase sales short-term. In the case of products that a customer has not previously purchased or has not purchased in a long time, the promotional efforts may be directed at getting the customer to try the product.

This is often seen on the Internet where software companies allow for free demonstrations or even free downloadable trials of their products. For products with an established customer-base, promotion can encourage customers to increase their purchasing by providing a reason to purchase products sooner or purchase in greater quantities than they normally do. For example, a pre-holiday newspaper advertisement may remind customers to stock up for the holiday by purchasing more than they typically purchase during non-holiday periods.

### **To Promote Loyalty Buying**

Once a purchase is made, a marketer can use promotion to help build a strong relationship that can lead to the purchaser becoming a loyal customer. For instance, many retail stores now ask for a customer's email address so that follow-up emails containing additional product information or even an incentive to purchase other products from the retailer can be sent in order to strengthen the customer-marketer relationship.

### ***To Increase Sales***

Some promotions are used to generate more customer traffic. For example, fast food restaurants often feature certain meals at reduced prices. These meals may be advertised in commercials to drive people into the fast food restaurants for lunch or dinner. Businesses may also reward regular customers with frequency card or loyalty programs. These promotions are designed to increase customer visits by rewarding them according to their expenditures. For example, a barber shop may offer customers a free haircut on the seventh visit. A company typically earns a large percentage of its sales from repeat business.

## To Stabilize Sales

Sales stabilization is another goal of promotional strategy. Sales contests are often held during slack periods. Such contests offer prizes (such as vacation trips, color televisions, and scholarships) to sales personnel who meet certain goals.

Sales promotion materials—calendars, pens, and the like—are sometimes distributed to stimulate sales during off-periods. Advertising is also often used to stabilize sales. Hotels are crowded on weekdays with business travelers, but these people go home on Friday. So many hotels promote “weekend packages” at lower rates to attract tourists and vacationers.

## Principles of Promotion

It has been observed that an effective promotion adheres, in the greatest possible degree, to the following nine basic principles.

1. **Principle of goal orientation** - The more the promotion is directed towards specific objectives the more beneficial its outcomes will be. It is not to be used to perform functions that are best performed by advertising or a good salesman. It is not to be offered simply because of whim or habit or desire for a change. It is to be aimed at specifically-defined goals that promotion realistically can be expected to achieve better than any other marketing tool.
2. **Principle of acceptance** –The more a promotion builds on existing – or latent – behavior patterns, the more effective it will be. If promotion requires target consumers to do something that is completely foreign to their practice, unless there is strong evidence to suggest that predisposition to change these practices already exists, it cannot be successful. Unless conditions are right and unless the incentive to action is adequate, consumers will not buy sizes or quantities they don't usually use or need ... nor will the trade buy merchandise they can't sell.
3. **Principle of right appeal** - The more a promotion appeals strongly to the self-interest of the consumer (or the trade, or other target group), the more successful it will be. Promotions make appeals on the emotional, ethical and rational level. While the rational appeal of a reduced price or monetary benefit can be very effective, equally effective – or even more effective – is the addition of extra value to a brand. Frequently an added-value promotion not only provides long-lasting benefits than reducing the price, but also is much more difficult for competition to duplicate. The value addition can be extrinsic, or tangible (as in the case of a premium or reusable container) or it may be intrinsic, or intangible – even emotional. Dramatizing a new

advertising claims; supplying house-cleaning hints or festival dinner service hints are examples to emotional value addition.

4. **Principle of uniqueness-** The more a promotion is unique- no other brands in the category are using such promotion, the more likely, it will be successful. The success is due to creative, imaginative thinking in the conception and execution of the promotion. Creativity can be seen in the basic idea or the reason for the promotion, in the name given to it, in the prizes or premiums offered, in the little, intriguing differences that excite imagination and arouse enthusiasm at all levels.
5. **Principle of action orientation** - The more a promotion creates a sense of urgency among consumers and drives them to act, the more effective it is. An effective promotion is arresting and cannot be ignored. It is concentrated within a limited time period and is limited in quantity. It features an incentive to action. It is not something that the consumer or the trade or the sales force can put off doing until later. Generally, the more immediate the reward, the greater the effectiveness of the promotion. A successful promotion is an infrequently-offered incentive of limited duration and quantity that demands action now.
6. **Principle of desired impact** – A good promotion is strong enough to do the job, but does not waste money. A promotion that is too weak to accomplish what it sets out to do is a waste of money. An effective promotion has sufficient impact at every level to achieve its goals. The incentive is adequate to trigger the desired action. However, the amount of money spent on a promotion, or the size of the incentive that is offered, is not necessarily a measure of its effectiveness.

A 20-cent coupon usually does not get twice as many new triers as a 10-cent coupon. Doubling the deal quantity may do nothing more than reduce brand profits. A good on-pack premium may attract more potentially loyal consumers than a price-off pack costing 50% more. Adding a trade display allowance to a strong consumer promotion may result in only a few more displays than would have been obtained anyway. A brand with an established value may need a smaller price-off concession than a brand of lesser value or poorer image.

7. **Principle of easy comprehension-** The more a promotion is clear, simple and easy to understand and execute, the more effective it will be. The consumer refuses to be confused. If the promotion is complicated, she will ignore it. So will the trade. And so will the sales force. The most successful promotions are simple in concept, clear in presentation, easy to operate. There is little opportunity for things to go wrong.

8. **Principle of transparency** - The more a promotion is honest, believable and represents good value and quality, the more successful it will be. Promotions, when straight forward and honest in presenting the terms of the offer and in describing the incentive, will gain easy acceptance and work. Trickery or subterfuge or gimmickry that the consumer or trade is quick to spot, diminishes credibility and brand loyalty.
9. **Principle of consistency in image** – The more a promotion is consistent with brand image the more effective it will be. A good promotion can enhance brand image. But many promotions actually conflict with the image that the product, its package, its advertising, its positioning have carefully developed. By appealing to the wrong type of consumers, some promotions not only waste money but actually drive the brand’s best prospects away. Good promotions are consistent with the brand image.

### Promotion Tactics Tool Set

As already pointed out, tactics are the marketing techniques used to accomplish the strategic objective. The promotion tools that come under push and pull strategies are given Table.

#### Tactics Related to Push and Pull Strategy

Push tactics	Pull tactics
<ul style="list-style-type: none"> <li>➤ Direct selling to customers in showrooms or face to face</li> <li>➤ Trade show promotions</li> <li>➤ Point of sale displays</li> </ul>	<ul style="list-style-type: none"> <li>➤ Advertising and mass media promotion</li> <li>➤ Word of mouth referrals</li> <li>➤ Sales promotions and discounts</li> </ul>

### Monetary vs Non –Monetary Tools

Although promotion covers a wide field and seems to offer endless variety, almost all promotional activity is a variation on one or more of a few basic types. However, a promotion tool cannot be easily put in a category because it has multiple effects. For example, a trade allowance that is passed ...100% to consumers in the form of a special reduced price might be classified as a consumer promotion. Likewise, a coupon distributed only to present users of a brand might not be used as sampling device”.

Promotion related to different stakeholders Promotional tools can be classified based on the group for which it is intended. Table presents a twofold classification.

### Classification of Sales Promotional Tools

Types	Consumers	Traders	Sales persons	Influencers
Monetary	Promotional pricing Price off Rebates Discounts Refunds Loyalty programs Contests and sweepstakes	Allowances Cash discounts	Bonus plans Commissions	
Non monetary	Samples, free products and premiums Coupons Demonstration Contests Loyalty programs	Sampling Trade discounts Contests Demonstration	Demonstration Contest	Samples Demonstration

### Advertising Tactics

Effectiveness of ad strategy depends on its execution. Tactics help remove barriers on the way of strategy implementation. Following examples illustrate the view point.

1. **Focusing on a segment** For instance a company seeks to increase customer base. For this it is decided to promote sales by appealing to prospects of a specific demographic. If it is found from market research that the target demographic typically enjoys a particular radio or television program, then commercials are designed to reach these potential customers through radio and television.
2. **Presenting incongruous messages-** For example, if a business tries to position itself as the provider of low-cost and luxury items — it might have difficulty relaying these incongruous messages via a single advertising campaign. A potential tactical issue, for example, is the difficulty of targeting distinct demographics. Consumers most interested in low prices might not watch the same television shows as consumers most interested in luxury items, making it difficult to design and tactically place a single set of effective advertisements.

The most effective approach is to adopt a single, clear strategy and a corresponding set of suitable tactics. For example, one campaign might promote a product's low prices

through direct-mail advertisements, while an entirely separate campaign promotes a product's high quality through radio and television advertising.

### **Presentation Techniques**

Messages can be presented in different ways to attract and persuade consumers.

- Latest, update, modern - The message suggests that using this product puts the user ahead of the times *e.g. a toy manufacturer encourages kids to be the first on their block to have a new toy.*
- Facts and figures -Statistics and objective factual information is used to prove the superiority of the product *e.g. a car manufacturer quotes the amount of time it takes their car to get from 0 to 100 k.p.h.*
- Weasel words- They are used to suggest a positive meaning without actually really making any guarantee *e.g. a scientist says that a diet product might help you to lose weight the way it helped him to lose weight.*
- Magic ingredients - The suggestion that some almost miraculous discovery makes the product exceptionally effective *e.g. a pharmaceutical manufacturer describes a special coating that makes their pain reliever less irritating to the stomach than a competitor`s.*
- Patriotism -The suggestion that purchasing this product shows your love of your country *e.g. a company brags about its product being made in America and employing American workers.*
- Diversion -Diversion seems to tackle a problem or issue, but then throws in an emotional non-sequitor or distraction. *e.g. a tobacco company talks about health and smoking, but then shows a cowboy smoking a rugged cigarette after a long day of hard work.*
- Transfer -Words and ideas with positive connotations are used to suggest that the positive qualities should be associated with the product and the user *e.g. a textile manufacturer wanting people to wear their product to stay cool during the summer shows people wearing fashions made from their cloth at a sunny seaside setting where there is a cool breeze.*
- Plain Folks -The suggestion that the product is a practical product of good value for ordinary people *e.g. a cereal manufacturer shows an ordinary family sitting down to breakfast and enjoying their product.*

- Snob Appeal -The suggestion that the use of the product makes the customer part of an elite group with a luxurious and glamorous life style *e.g. a coffee manufacturer shows people dressed in formal gowns and tuxedos drinking their brand at an art gallery.*
- Bribery -Bribery seems to give a desirable extra something. We humans tend to be greedy. *e.g. Buy a burger; get free fries.*
- Testimonial -A famous personality is used to endorse the product *e.g. a famous basketball player (Michael Jordan) recommends a particular brand of skates.*
- Wit And Humor -Customers are attracted to products that divert the audience by giving viewers a reason to laugh or to be entertained by clever use of visuals or language..
- Simple solutions -Avoid complexities, and attack many problems to one solutions. *e.g. Buy this makeup and you will be attractive, popular, and happy.*
- Card Stacking -. Basically, *Card-Stacking* means stacking the cards in favor of the product; advertisers stress positive qualities and ignore negative. For example, if a brand of snack food is loaded with sugar (and calories), the commercial may boast that the product is low in fat, which implies that it is also low in calories. Card-Stacking is such a prevalent rational propaganda technique that gives us only part of the picture. Examples of expressions that highlight positives are - light, organic, Natural, new and improved, free, etc.
- Glittering generalities -The glittering generalities technique uses appealing words and images to sell the product. The message this commercial gives, through indirectly, is that if you buy the item, you will be using a wonderful product, and it will change your life. This cosmetic will make you look younger, this car will give you status, this magazine will make you a leader-all these commercials are using Glittering Generalities to enhance product appeal.
- Bandwagon – It is a form of propaganda that exploits the desire of most people to join the crowd or be on the winning side, and avoid winding up the losing side. Few of us would want to wear nerdy cloths, smell differently from everyone else, or be unpopular.

## **Product Placements**

Product placement or “health” advertisements are “promotional ads placed by marketers using real commercial products and services in media, where the presence of

a particular brand is the result of an economic exchange. When featuring a product is not part of an economic exchange, it is a product plug. Along with cigarettes and junk food, alcoholic products are some of the most more commonly brands seen in product placements.

### **Presentation of Appeals**

The text, visual and layout should reinforce the predominant advertising technique. Any one product can be marketed in a variety of ways, using a variety of techniques. For example, an ad campaign for a diamond ring could be marketed through:

**A. An appeal to emotion** - Suppose the ad contains:

- A visual of a woman peering longingly at a tray of diamond rings displayed in a store front window
- While her husband, with a smile on his face, watches from a short distance away.
- The text reads “Show your love.”

Then the ad, is an appeal to emotion and the need is the desire to please someone you love.

**B. An association** - If the ad contained:

- A visual of a handsome man offering the ring to a beautiful woman
- A luxuriously furnished apartment
- A table set with wine and candles; and
- A text which reads “Love has no price”

Then the ad would be associating the purchase of the diamond ring to wealth. Depending on the positioning of the male & female, for example, a close embrace the association may extend to love and romance.

**C. Fear Tactic** -If the ad shows:

- A man and woman warmly embracing while visibly displaying the diamond ring on her finger and
- The text reads, “He just gave her a diamond. She thinks it’s absolutely perfect. She thinks he is too”



Then the ad technique may be a fear tactic. The fear implied here is fear of rejection if the gift is anything less than what the intended woman thought was a perfect.

### **Strategic Locations**

Another tactic advertisers use to lure customers in is by placing advertisements in strategic locations, or areas where they may be optimally viewed by the public.

Coca Cola advertises on their merchandise, commercials, and even their transport vehicles. Coca Cola use to sponsor movies so they could take advantage of the advertising opportunities by shooting scenes of the actors drinking Coca Cola in the film. If it was a box office hit, then millions of viewers would have received the effect of the advertisement for Coca Cola.

### **Persuasive Techniques**

Perfume, for example, is often advertised in a manner which implies that any woman who spritzes herself with the scent will become more sought after by men. Some advertisements which display anorexic thin girls have been so effective in captivating the public's attention that a large percentage of teenage females feel that they should a physique similar to the actresses in the media.

### **Surrogate Advertising**

In India, promoting alcohol through television commercials, print ads and hoardings is not allowed. One has to lookout for new and innovative ways to engage consumers through right communication when it comes to Alcohol advertisement.

India is positioned as number one whisky market. One of the main reasons behind this phenomenal success of Indian liquor brands is Surrogate advertising. As a result we see liquor brands selling a wide range of products from audio cassettes and CDs to darting kits, golf accessories, soda and mineral water under their respective brand names to create awareness.

### **Alcohol Promotions in India**

These brands also sponsor various events which have abundant viewership. Thus Kingfisher Premium has associated itself with 5 teams of IPL as the 'Good Times Partner' resulting in huge brand awareness among its target audience. Similarly Johnny Walker

Awards for Excellence has been a great promotional campaign for the whisky giant over the years, where people from various sectors are awarded in recognition of their achievements in their career and life.

### ***Specialty Advertising / Promotional Products***

Advertising specialties are defined as useful articles of merchandise that are imprinted with an advertisement and are given to customers and potential customers without any strings attached. Unlike premiums, they are not earned or awarded in exchange for a purchase.

Sometimes the ad on these specialties is no more than the name or logo of the sponsor. Everyday one comes across cigarette lighters, ashtrays, paperweights, ball-point pens and T-shirts that meet this description. These are just a few of the estimated 15,000 different types of merchandising items that are used in the medium called specialty advertising.

It is suggested that promotional products useful to kids will have better impact. If the promotion products are especially interesting to kids, they'll keep them around.

A number of the promotional pens we hand out get lost in catch-all drawers, but if we get the kids mini beach balls or Frisbees, they might still be playing with them a few weeks or months later. Our name or logo will remind parents that they've been meaning to call our company!

### ***Surrogate Advertising***

Surrogate advertising of a brand ostensibly advertises some other brand(s). For example, a whiskey brand does surrogate advertisements of soda, mineral water, etc. In response to restrictions on broadcast, print and outdoor advertising, the alcohol industry has increased the use of sponsorship agreements to keep the public aware of its brands.

Seagram's Royal Stag has roped in Saif Ali Khan along with famous cricketers like MS Dhoni, Yuvraj Singh, Harbhajan and Gautam Gambhir as its brand ambassadors. There have been a few TVCs (TV commercials) where these men are seen promoting the Royal Stag Music CDs followed by their famous tagline 'It's your life, Make It large'. TV ads of Imperial Blue show the distinct behavior of the male gender in their tagline 'Men will be Men' thereby promoting their own range of Music cassettes and CDs.

## **Public Relations Tactics**

Celebration of festivals, organization of meetings, participation in fairs and sponsoring cultural celebrations are ways to reach people at times when they're relaxed and in places they feel connected to their communities. Public relations can be used when legal restrictions impose limits to advertising and sales promotion.

### ***Cause Related Marketing or CSR for Product Selling***

Providing support to social causes is one way of increasing sales of product. MTV, being a youth channel, regularly created excellent public service advertisements aimed at youth on issues which matter to the young of this country.

For example, on the importance of adult franchise to first time voters. Tata Tea Jagore campaign is an excellent example of cause related marketing. One can log in at <http://www.jaagore.com> and learn about issues of public concern. In the U.S., Kraft, in the foods business, supports programs to feed the hungry.

## **Personal Selling Tactics**

In face-to-face personal selling, the seller can explain as well as demonstrate the good or service to a potential buyer, and reinforce the benefits that he has already discussed. Auto sales almost always involve test-driving vehicles. Television infomercials and shopping networks show consumers how to use and benefit from the product being sold.

Techniques such as 'overcoming objections', 'closing the deal' or 'hard pressure tactics' are still in use. Salespeople use number of techniques to close a sale, including:

- The "if I can show you . . ." suggestion
- The "which do you like better" alternative decision
- The "buy now or it might not be available later" teaser
- The sweetener—adding something to the offer
- Silence

However, increasingly relationship building has gained significance. Box presents how the relationship building technique closed a sale.

## **A Story of Relationship Selling**

I had been in the car showroom twice before. I was wary expecting to be faced with hard selling tactics. I had been pleasantly surprised. A salesman did approach me but I found his style non-threatening and genuinely interested and friendly. We talked for as long as I wanted to talk and then he left me alone. A few weeks later he emailed me (my preferred form of communication). He explained that he had a car in the showroom that he thought I would like. He detailed its engine size, the colour, the model and the music system. I went to the showroom. Until this point I had had no intention of buying. He showed me the car but more important than this he gave me a vision of the future with these words. "Imagine you have driven down to your house in France. The journey has been smooth and relaxing (this was very different from my experience of driving to France before which usually left me hot and bothered). You open the car door and you feel as cool and as at ease as when you got in. You step out onto the gravel and you know that this has been one of the best journeys that you have had." I bought the car.

*Source: Sue Knight, Personal Selling Skills - relationships are key, [www.sueknight.co.uk /Archives/Publications/Articles/Personalsell.htm](http://www.sueknight.co.uk/Archives/Publications/Articles/Personalsell.htm)*

The last stage in the sales process is follow-up. Post sales efforts often determine whether the customer will become a repeat customer. In most marketing situations, it is much more expensive and time-consuming to find new customers than it is to sell to existing customers. Follow up also cultivates word-of-mouth referral, which is almost always the best form of promotion a company can get. Good follow-up practices make personal selling easier.

## **Summary**

Marketers often develop a promotional strategy to inform and differentiate their goods or services from those of competitors and motivate consumer to buy. The promotion strategy is a statement that tells what the brand will do in promotion, and is one of the major elements of the brand's annual marketing plan. A written tactical plan must be prepared for each individual promotion comprising the year's promotional program – and must define the specific numerical objectives of that promotion. The tactical promotion plan contains the following -Promotions, Cross functional responsibilities, Timetable for action, Supporting data, Evaluation criteria and summary.

Depending on the medium used, the communication can be either push or pull. For consumer goods and appliances, pull strategy is necessary. A “push” strategy may try to sell directly to the consumer, bypassing other distribution channels (e.g. selling insurance or holidays directly). Book publishers sell directly through mail orders.

The possible objectives for marketing promotions may include -To provide Information

To build brand identity, To accentuate the product’s value, To stimulate Demand,  
To promote loyalty buying, To increase sales, and To stabilize Sales

It has been observed that an effective promotion adheres, in the greatest possible degree, to the following nine basic principles- Principle of goal orientation, Principle of acceptance, Principle of right appeal, Principle of uniqueness, Principle of action orientation, Principle of desired impact, Principle of easy comprehension, Principle of transparency and Principle of consistency in image. Promotion tactics employ a variety of tools like consumer promotion and trade promotion.

Celebration of festivals, organization of meetings, participation in fairs and sponsoring cultural celebrations are ways to reach people at times when they’re relaxed and in places they feel connected to their communities. Public relations can be used when legal restrictions impose limits to advertising and sales promotion.

In face-to-face personal selling, the seller can explain as well as demonstrate the good or service to a potential buyer, and reinforce the benefits that he has already discussed. Auto sales almost always involve test-driving vehicles. Television infomercials and shopping networks show consumers how to use and benefit from the product being sold.

Salespeople use number of techniques to close a sale. Techniques such as ‘overcoming objections’, ‘closing the deal’ or ‘hard pressure tactics’ are still in use Outline the promotion tactical tool set

## **CASE**

### **Will the New Dettol Strategy Work?**

Reckitt Benckiser’s flagship brand, Dettol makes for one-third of the company’s ₹ 1,000-crore (₹ 10 billion) turnover. It is the leader in the antiseptic market with 85 per cent market share. Launched in 1933 in India, Dettol liquid continues to be a first-aid staple in most homes. Dettol have always been positioned as a 100% germ fighter with germ fighting and protection as the core value.

## **Enhanced Usage**

During 1980's Dettol found that the sales are remaining stagnant, the reason being that the brand has its presence in most of the households but are seldom used. Hence the repeat purchases are not there.

Dettol had to expand the usage beyond cuts and bruises. Hence Reckitt and Coleman unleashed a campaign aiming to expand the usage of the brand to an all purpose antiseptic that can be used for shaving, rinsing, and as a general disinfectant.

## **Brand Extensions**

Since the antiseptic lotion market was stagnant Reckitt tried to leverage the brand by brand extensions. The first launch was the soap in 1990's. The initial launch was unsuccessful because the brand moved from core value of protection to love and care. The soap was again relaunched with positioning as "100 % protection" and now have a reasonable market share of 12% in the premium category.

The next extension was in the form of liquid soap. The liquid soap category is only 12 crore worth but the hand wash category is expected to grow to 100 crore. Liquid hand wash created a new market and lords over 60 per cent of the market in the category, while the various Dettol soaps account for 18 per cent of the health soap division. Others such as body wash and shaving cream make for a minuscule part of the turnover. The brand's foray into talcum and floor cleaners a few years ago, though, didn't work out.

## **Strategy of Reaching out to People**

From its launch to 1980's the brand had a dream run with virtually no competitors. In 1980s, even as the brand is extending, Reckitt failed to strengthen the mother brand and faced competition in that category from Savlon.

It launched "Dettol Surakshit Parivar" initiative, in continuation to several other initiatives of reaching out to people. "Until now it was more of a single initiative that we sponsored or worked on, and then got out," Sethi says, "It was time we did things differently. We also look at it as a part of our corporate social responsibility initiative."

Apart from ad campaigns and product schemes, the company used to sponsor programmes such as the National Nurses Meet. Brand equity tracking is done on a continuous basis. With an initial investment of ₹ 5 crore (₹ 50 million) and a year of work,

Reckitt Benckiser aims to target those who are most vulnerable to infections. It targeted new mothers, schools and hospitals in six metros - Delhi, Mumbai Kolkata Chennai, Bangalore and Hyderabad. The later stages will involve smaller towns and, ultimately, rural India. The programme will mean getting in touch with 1.2 million new mothers, 300,000 students and 250 hospitals across the country.

The new mothers will be presented with a vaccination chart with tips on how to keep the new-born and its surroundings germ-free, along with a free bottle of Dettol antiseptic.

School students will be educated in the importance of washing their hands before eating. The hospital programme will mean reaching out to hospitals and nursing homes where programmes will be conducted with nurses and staff to keep the environment germ-free. Health messages on first-aid and immunisation will also be displayed.

People from agencies specializing in dealing with people from the medical field and school children will reach out to the target groups. "At the same time, our brand team will train these people about the brand, too," adds Sethi. Constant checks by the company and the agencies ensure the plan moves smoothly.

### **Views on its Efficacy**

The programme might work in the same way as Colgate's initiative of free dental check-ups in school did. Arvind Singhal, managing director, Technopak Advisors, says such an initiative is a subtle way of nurturing the brand.

"More and more companies are looking at doing contemporary things. They want to be seen as doing the right things."

Will the exercise also mean a surge in sales for the company? "I would love it if my sales doubled," laughs Sethi, adding, "But on a more serious note, I am merely looking at establishing the importance of hygienic living."

### **Questions for Discussion**

1. Identify the promotional objectives and tactics of Dettol promotion strategy.
2. Will the promotion help increase sales? If yes, why? If no why?

*Source: Will new Dettol strategy work?www.rediff.com* Business

## **Internet Exercise**

Refer to the following websites and develop a paper on Promotion strategy of McDonald

1. How McDonald's evolved its marketing in India, [ipm.ge/.../...](http://ipm.ge/.../)
2. Marketing Mix McDonalds, [www.marketing91.com/marketing-mix-mcdonalds/](http://www.marketing91.com/marketing-mix-mcdonalds/)
3. McDonald's Marketing Strategy In India | Bigazo.Com  
[bigazo.com/mcdonald's-marketing-strategy-in-india/.../10380.html](http://bigazo.com/mcdonald's-marketing-strategy-in-india/.../10380.html), 25 Feb 2010.

## **Mini-Project**

Select two local stores and collect data on their promotion during festival times and prepare a paper on "Promotions during festival." Highlight the tools, the goals of promotion and the impact the tools made on the target consumers and sales.

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## Lesson 3.2 - Application of Promotion Tactics

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### Learning Objectives

*After studying the lesson, you will be able to:*

- Discuss factors influencing the choice of promotion tactics
- Explain the principles of effective promotion
- Discuss the promotional tactics applicable in different contexts

### Introduction

Promotion is an important part of marketing mix of a business enterprise. Once a product is developed, its price is determined the next problem comes to its sale i.e., creating demand for the product. For creating demand, marketers require promotion which comprises two important tools - communication and motivation, to bring the special characteristics of the product and of the producer to the knowledge of prospective customers as well as stimulating interest in buying. Today we find varied tactics of promotion employed by marketers and knowing about them is important for execution and innovation.

### When and How to Apply Tactics?

Promotional tactics are part of a strategy which is in turn a part of integrated marketing mix. Promotion can be used as a short term tool to produce sales as well as a long term tool to build brand equity. In both cases it is to be used in conjunctions with other marketing mix elements.

- **Short term** - Promotion has short term focus. It is to be (a) As an accelerator of the process of purchase by providing immediate motivation among consumers, the trade, the sales force, and other influential groups and (b) As an effective method of temporarily changing the price-value relationship.
- **Long term**- Promotion can be used for long term purposes like market development ( entering new markets), product development(launching new products), market penetration (increasing sales in the existing market) and diversification( launching new product and entering new markets).

Promotion, though has unique motivational power, has to be chosen properly. What some promotions can do other marketing mix elements also can do.

The following examples substantiate the argument.

- A product improvement(new, improved, novel) can increase the real or imagined value of a brand – at least until competition duplicates the improvement.
- An attractive, convenient, image-reinforcing package can increase a brand's value to the consumer or trade.
- A price reduction can change the price-value relationship – but in a way that can quickly be matched by competition.
- Effective selling efforts (effective distribution, pricing, display, etc.) can improve the price-value relationship – not only to the trade, but to the consumer as well.
- Improved advertising is one of the best ways to increase the value of a brand. A better advertising copy story – or possibly better media coverage and frequency – can give a brand an advantage that competitive brands cannot easily duplicate.

## **Contexts**

Promotion is considered as the best choice in some contexts outlined here.

### **(i) Product and market development**

- When a new brand is in the process of establishing its basic value through its initial advertising and through increasing consumer trial or the product – trial which promotion can accelerate.
- When an existing brand makes an entry into a new market

### **(ii) Increasing Sales**

- When consumers do not find justification in pricing the brand- the brand's value does not match with the price.
- When the brand's advertising copy – completely apart from the media expenditures behind it – is not as effective as competitive copy in persuading the consumer to buy the brand.

(iii) Improve distribution( Placement & Distribution, Gain Product Display)

- When a significant number of consumers (or retailers) are not convinced that a brand is better than that of leading competitor.

(iv) Generate Brand Loyalty

- When brand has stiff competition and consumers are choosy

(v) Terminate Product

- When brand has to be maintained to reap the benefit till it survives

Obviously, there are many degrees of need for promotion, and in actual practice even a healthy brand needs a certain amount of promotion in its marketing mix.

### **Introduce New Product**

A new product can usually profit from substantial promotion support – if the product, the advertising, distribution and price are competitive.

Promotion can truly perform its function of accelerating trial and purchase of a brand whose value has not yet been fully established in the minds of all consumers. The objectives of promotion are:

- To create an awareness of the brand
- To generate interest in knowing more about the brand
- To motivate consumers to make a trial purchase.

The marketing mix for introduction task is given under.

Product	New to the market
Price	Skimming price( high price to attract high income group of customers and recover investment costs) <b>OR</b> Penetration price ( low price to gain larger market share and make steady profits over the years)

Promotion	<p>Ad campaigns that are informative and exciting</p> <p>Personal selling for trade promotion</p> <p>Social media for viral marketing</p> <p>Consumer promotions –Introductory special prices, samples, consumer contests, coupons, promotion products</p> <p>Trade promotions to motivate channel members to stock and display</p>
Distribution	<p>Selective outlets and direct marketing for premium products</p> <p>All outlets in case of popular products</p>

Although good informative advertising on a new brand will persuade many consumers to try the brand, it is not likely to persuade every logical prospect to take immediate action.

Those that advertising does not quickly move to action require an extra incentive, such as a free sample or coupon or some other device that increases the value of the brand, or lowers its price, to the point where the prospect decides to buy it. If the product is of good quality, promotion thus helps to establish its value ore quickly in the minds of more people.

There are indications, incidentally, that many new brands (but not all) reach their share-of-market peak within six months to a year after the completion of their introduction. So marketers have to spend heavily in the advertising media and on the promotional devices that are most effective in reaching the brand’s long-term prospective consumers.

### **Reach New Customers**

An established, growing brand generally requires promotion support, usually of a selective nature, to offset competition and sustain growth. A high proportion of potential customers have tried the brand and many have become more or less regular users. In such a healthy situation, promotion has to address two aspects⊗(i) retention and (ii) increase sales. The objectives of promotion are:

- To establish brand identity
- To promote customer loyalty and increase use of the brand by existing customers
- To convince potential customers for buying the brand

The marketing mix for reaching new customers is given under.

Product	New features –real or imaginary
Price	Maintain close to competition
Promotion	Advertising matching with competitors Comparative advertising to establish relative advantages of the brand and reinforce brand identity Promoting brand personality and image through advertising. Personal selling for trade promotion Social media for viral marketing Consumer promotions to retain old customers and encourage brand switching by users of competitive brands Consumer promotions to attract non users to adopt the brand Trade promotions to motivate channel members to stock and display
Distribution	Widen distribution

Promotion has twin roles in this context as outlined below.

- (a) Retain and increase usage levels by existing customers** -. Loyalty programs can be of use for retention. Offering more quantity for same price, buy three get one free, gifts for large packs,, increasing usage by identifying new occasions of use, or other uses etc., will increase buying by existing customers.
- (b) Attract new customers** - The new users can come from (i) non users – to be encouraged to try the product by promotion offers and persuasive ads and (ii) switchers- converting users of other brands to buy our brand. Brand switching is not an easy task. In case of innovator type customers, a small provocation like a premium or price off is enough to switch. But the slow conversion types require pressure by way of short period offers that intensify the interest in buying. Advertisements that compare brands highlight satisfied customers, and endorsements by popular celebrities, will generate interest in buying. However, motivation to buy requires incentives in the form of relative advantage at the buying place. Offers like more quantity for same price, premium products, buy-one- get-o free, coupons etc., will help establish preferences for buying the brand.

## **Build Traffic**

Retailers use different strategies to increase store traffic. They invest in prime real estate having desirable properties such as high foot-traffic of their targeted customer segments, convenience, and visibility. Once they determine a location, retailers drive store traffic in a variety of ways; these methods include spending on advertising, offering loss-leader products, and conducting various promotional events, such as offering discounts, getting celebrities like authors or sportspeople, and conducting workshops or seminars.

## **Advertise More**

It is wise to increase marketing efforts during slower sales periods because there is more competition and consumer reluctance. Consider print media (news papers, magazines, specialty publications and other forms of marketing. Restaurants, textile show rooms, hospitals, educational institutions, malls etc may use advertisements, spread over quarter or half page of a news paper. Small retailers may opt for classifieds.

Personal care products do well by advertising in magazines relating to women (Femina) men (Debonair ), youth (sports magazines), etc.

Promote your business in your general correspondence, which is in effect targeted advertising that costs you virtually nothing. Some retailers and marketers have reported excellent results when they incorporate promotional messages on packing slips, reminder notices, instruction sheets, warranty notices, purchase orders confirmations, newsletters and bulletins.

## **Generate a Buzz**

Employ different means to get press coverage.

- **Developments-** Whenever anything noteworthy happens within your business, send a press release to the media. The idea is to grab any free coverage possible.
- **Events** - One of the best ways to increase foot traffic is to host charity event or a community service project. Consider hosting classes, meetings or other networking events in your retail store. Use a unique promotional event to generate a buzz about your business.

Finding an organization to support should be easy. Contact the manager of a local homeless shelter or food pantry and offer to collect things they need. A canned food drive

is super easy to conduct. You just need to buy or borrow a couple of clean trash cans to collect the cans. Consider offering customers who donate something a discount or gift-with-purchase as a ‘thank you.’ Depending on the organization you want to support, you can collect business attire, sports equipment, toys or kids’ clothes. Your mission is to get people into the store to do something good. Then, you can encourage them to look around and buy something.

If you conduct a service project, be sure to promote it to your customers, clients and the local media. Reporters are always looking for a good feature story with a human angle. Write a simple press release, detailing the facts of the event and listing a contact for more information, and send it to the editor. Since reporters move around a lot, call the paper, television or radio station and ask for the best contact person. Continue to promote it throughout the campaign and ask your customers and clients to help spread the word as well.

- **Contests** - Keep it simple; just conduct a drawing for a free item. Remember, free is the most powerful business word in the English language, so use it. Collect business cards in a bowl or ask people to fill out a short entry form. Email your contacts to let them know what’s going on. Write a story about it in your monthly e-newsletter. Create a colorful post card and mail it out. Post the details on your web site and social media pages.

### **Examine Your Pricing Strategy**

When purchasing and pricing products be sure you’ve considered the cost of goods and that your retail shop is able to make a profit at that price point. Your product price should be competitive, but still profitable. Ultimately, the right price is the price the customer is willing to pay for the product. Strategies like Every day low pricing, and tactics like discounts and price offs may be thought out.

### **Design Store for Sales**

Take advantage of cross-merchandising strategies and impulse sale opportunities. Use lighting techniques and creative techniques to attract customers. Play videos for product education, customer entertainment and any other up sell or promotional tie-in.

### **Connect With the Customer**

Associate your retail outlet with something of value to customers. It can be a product. For example, when you hear the word “hamburger” —what’s one of the first things you think

of? There's a good chance you thought of McDonalds. It can be an image – good ambience or excellent customer service. Listen to your customer to understand their needs and wants. Then educate him/her about the products. Finally, let the customer know you appreciate their business. Offer value-added services and products.

- **Mailing list** - Create a mailing list by asking for contact information from each customer.
- **Web forms** - Leverage web form data to increase in-store traffic. A web form is simply a “form” element on a web page where a customer or prospect can “submit” specific, formatted information such as name, address, phone number, a comment or short message, and any other information that may be needed by the retailer. The retailer has explicit permission to use every name and email address in the online database to send an email.

## **Coupons**

Give your customers great branding messages at the point of sale. For example, every time you print a receipt include a coupon with your business name, logo, tagline and the promo. You could even configure your point of sale software to print different coupons depending what merchandise the customer purchased.

Customers will take the coupon home and put it on their counter or somewhere they can find it again. If you have a good logo with your tagline on the coupon, they will see your business name when they put the coupon away. And when they clean up their house, they'll find the coupon again and try figure out what the coupon was for. So they'll see your name again and hopefully your tagline at least twice. This repetition is building your brand and improving your name recognition for just a few rupees. This is cheaper than a direct mail which is considered a very cost effective image building tool.

## **Window Displays**

Eye-catching displays are the best way to entice people to step inside your store. No matter what you sell, you can always tell a story with interesting merchandise, simple backdrops, props and other decorative materials.

Make your store seem more inviting to potential foot traffic. Walk around the retail store and decide what new items to move up front. Go through every rack and shelf. Set up attractive displays. Move seasonal or out of date merchandise to the back, mark it down or



put it away for next year. Once you decide what to offer at a discount print or order some signs.

And finally, while it may seem obvious, make sure the store is swept, dusted and vacuumed. Nothing turns shoppers off like a dirty store. If the rug needs shampooing, do it or hire a cleaning crew. Check all the light fixtures and replace any burnt out bulbs.

### **Unadvertised Store Special**

Offer several items each day at substantial discounts and install bright yellow signs that shout, “Save on these unadvertised specials.” The only way customers can find these treasures is by visiting the store. Display the specials throughout the store so customers are forced to browse.

### **Volume Buying Discounts**

Try special mailing to customers who have the potential of buying in volume, letting them know loud and clear how much they can save when they order in quantity. Encourage them with special terms, such as delayed billing.

### **Feature Irresistible Guarantees**

A good, liberal guarantee will give your prospects more confidence in buying from you, ultimately resulting in more repeat business. Examples of guarantees you can try are: a). Money-back-if-not-satisfied, b). The buy-back, c). Double-your-money back, d). Pay-the-difference, and e). Lock-in-the price.

### **Offer Express Delivery**

Customers are willing to pay for this optional service. And this can make the difference between a sale and no sale, especially to customers who need something immediately.

### **Stimulate Repeat Sales**

The benefits of generating repeat business are the same across all industries—it’s more profitable to sell to existing customers than it is to attract a new one. The concept of loyalty programs, offered by a restaurant, grocery store or retail center can be applied to create loyalty and reward customers for making repeat purchases. Consider these ideas:

## 1. Reward Repeat Purchases

Offer incentives to customer for making purchases. Here are four simple methods.

- Contests: Hold regular contests that encourage making a purchase. *Example: GoGurt holds contests that require you to enter a code from the product at their website to see if you've won.*
- Accumulate Points: Create a points or credits system that they can redeem. *Example: Safeway gives points for grocery purchases that you can redeem for a gas discount.*
- Coupon: Send a weekly coupon to frequent shoppers. *Example: Clothing stores that print weekly "50% off one item" coupons.*
- Gift: Offer a special free gift on the fifth purchase. *Example: Restaurants that offer a free sandwich after the purchase of 10 sandwiches.*

## Increase Purchase Frequency

A great way to increase revenue is to increase purchase frequency, but this is a challenge unless you can find a way to stay in front of your customers. Here are a few ideas:

- Collect: Offer different collectible items in a series that are available only for a limited time. *Example: Happy Meals with different toys each week or month.*
- Simplify: Make it really easy to buy your product. Offer home delivery, perhaps even at a discount. *Example: Medical prescriptions delivered by mail.*
- Discount: Offer coupon booklets and give a discount for buying in bulk. *Example: Car washes sell a bundle of 10 car wash coupons at a 20% discount.*

## Create a Subscription Product

One of the best ways to increase repeat sales is to create product or service subscriptions. Some products or services are naturally built for this (cell phone service, personal trainer, etc.), but others are not. Here are some examples:

- Calendar: Make the purchase an automatic, recurring event on someone's calendar. *Example: Book-of-the-Month Club.*
- Subscribe: Give a deep discount for subscribers only. *Example: Magazines that give a deep discount off the cover price.*

- Concierge: Charge a monthly fee to be redeemed for products or services. *Example: Subscription legal services.*
- Trend: Provide information about important trends for a fee. *Example: Online newsletter subscription about trends in the stock market.*

### **Value Regular Customers**

There should be a clear and obvious difference between regular customers and other customers – a difference that your regular customers perceive as showing that you value them. How can you expect customer loyalty if all customers are treated as “someone off the street”? There are all kinds of ways that you can show your regular customers that you value them, from small things such as greeting them by name through larger benefits such as giving regulars extended credit or discounts.

### **Educate Customers**

Provide information that is beneficial to customers. It helps create trust and increase repeat sales. For instance, if you have a promotion or sale coming up, tell your customers about it.

### **Get Suggestions from Customers**

Create a highly visible end cap with new items added to your inventory because they were recommended by your customers. Put a large sign on top of the end cap that says “We added it because you wanted it” Put a sign in the middle of the display that says “What can we add for you today” and put your Facebook page link below it. On the sign in front of each new product add the name of the customer who recommended the item with their Facebook picture. This will personalize your offerings, create an incentive for your customers to connect to you on facebook, and give you a good topic to post on your facebook page

### **Be in the Limelight**

Make the headlines, communicate with your potential customers and your prospects, make your store or commerce stand out. If stores has image, customers take pride in shopping there and visit it again and again.

## Generate Brand Loyalty

Collectively, retailers spend huge amounts each year trying to establish their brand in the hearts and minds of consumers. From establishing brand awareness, to building brand preference, to eventually achieving brand loyalty and even brand advocacy, retailers seek to separate their brand from the competition.

### Brand Preferences

Especially in the maturity phase of a brand, the market appears to be in a state of equilibrium. However, there is seething turmoil under the surface. Consumers are switching to competitive brands. For some time, there will be consumers switching away from competitors to our brand. Now the reversal begins. In this context building loyalty is the only way to safeguard the interests of the brand. Loyal customers not only maintain market share, but also help generate sales through word of mouth.

### Store Preferences

Based on the shopping preference we find five categories of shoppers as given in Table.

### Categories of Shoppers

S.No	Category	Description	Statement
1	Exclusives	Within a category, exclusives have only one brand of store where they will consider shopping.	When it comes to drug stores, I'll only shop at Appolo."
2	Favorites	Within a category, Favorites have a favorite brand of store, but will also shop at others.	I prefer to shop at Appolo, but for various reasons sometimes I shop at Himalaya or a local store.
3	Selectives	They have a small number of brands where they will consider shopping, with no particular favorite among those.	I divide my groceries shopping among Sun super market, Thillais, local kirana shop depending on what items I need and who has a good sale.
4	Avoiders	Avoiders have certain brands of stores they avoid, but no particular brands they prefer.	I don't really have a favorite stores, but I will not shop at More.

5	Brandless	Don't really pay attention to the brand or name of the store when they shop within a particular category.	I look at the ads and see what's on sale, then buy what I need wherever it's cheapest.
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### Tasks of Marketer

The tasks of marketers are:

- Build relationships with customers especially the frequent and large buyers, by understanding their problems and providing solutions.
- Interact with customers, greet them on special occasions and have conversations through social media.
- Measure consumer satisfaction and take steps to increase its levels.
- Redress consumer grievances and complaints with great care and attention.
- Reduce cognitive dissonance by confidence building ads and actions.

Leveraging on the product quality and memorable advertising that created a substantial reservoir of good will, and established value in the consumer's mind, marketer can promote loyalty. In this stage, increased promotional effort can provide the improved price-value relationships needed to hold onto present customer and to attract new users to replace those lost to competition.

The marketing mix for generation of loyalty is given under.

<b>Product</b>	<b>New features –real or imaginary</b>
Price	Maintain close to competition
Promotion	Advertising matching with competitors Persuasive advertising showing endorsement of brand by different types of customers Promoting brand personality and image through advertising. Personal selling for trade promotion Social media for viral marketing Loyalty programmes Consumer promotions to attract non users to adopt the brand Trade promotions to motivate channel members to stock and display
Distribution	Widen distribution

## **Customization and Co-Creation**

Joe Pine, author of the book, *The Experience Economy: Work Is Theatre & Every Business a Stage*, refers to interactive retail experiences as “Retail Theater.” Brands succeed when they evoke an emotional connection with the customer. When a company moves from simply satisfying a functional ‘need’ to creating an emotional ‘desire’ they begin to build brand loyalty.

Apple stores, for example, have moved beyond a commonplace tech shop to an engaging amusement park. Visitors not only visit and purchase, they participate and interact.

Retail strategist Michael Dart says that successful brands, such as Apple, are “creating a phenomenally addicting experience” with their customers.

With technological advancements in e-commerce, retailers can offer their customers new ways to enrich their experience outside of their brick and mortar walls. By using a visual customizer, companies allow customers to be part of the design process, increasing the fun quotient of the experience, and in turn increasing their emotional connection to the brand.

## **Loyalty Programs**

Promotions that offer customers a reward, such as price discounts and free products, for frequent purchasing or other activity are called loyalty programs. Though they were used by some companies earlier, it was the airline industry with its frequent-flier programs, that made it more popular. Today we find them in grocery, pizza purchasing and online book purchases, where they may also be known as club card programs since members often must use a verification card as evidence of enrollment in the program.

Loyalty program is more a strategy as it is a long term proposition and offers benefits to customers based on accumulation of points.

Retailers focus on loyalty programmes since it is believed that:

- Loyal customers are cheaper to serve.
- They are willing to pay more for a given bundle of goods.
- They act as effective marketers for the store’s offerings.

There are various types of rewards like, Simple discount, A more targeted discounts, Points which lead to gift from a catalogue, Points which lead to later money offs and Extra services.

Under loyalty programmes offering of membership cards to the customers have become a common trend today. Every retailer is providing some or other extra benefits to the customers through these cards. These cards not only the contain rewards but the particular retailer ties up with various other brands which provides some benefits to the loyal customers of the retailer.

For example, Pantaloons, one of the biggest brands in Indian retail have a Green Card for the loyal customers which provide benefits like, 5% off in apparels every Friday, Fast and foremost information about sales and discounts, Free of cost alterations, Pick and drop facility after alteration s, Facilities for jet airlines passenger through tie ups and Tie ups with Pizza hut, Aryans (restaurant),Pack and chew(restaurant).

### **Trade-In**

Trade-in promotions allow consumers to obtain lower prices by exchanging something the customer possess, such as an older product that the new purchase will replace. Indian consumers look for value even in old products, As such, several dealers and retailers offer exchange schemes to push sales of new products.

TTK Prestige Ltd., was the first to come up with a host of innovations in consumer marketing in the industry with offers such as “On the spot exchange schemes”, “Exchange Anything for Anything.

Maruti True Value business, provides reassurance to existing Maruti customers about resale of their cars and further emphasizes Maruti s Commitment towards enhancing customer satisfaction. Under True Value, the seller has the option to be paid in cash / cheque, or get a True Value car in exchange or a brand new Maruti Suzuki car in exchange.

### **Recycling Offer**

Recycling is a promotion measure as it helps dispose of used products and look for a buying a new one. E-waste is any electronic product or accessories which are not useable and it is at its end of life for example old defective products like refrigerator, TV, mobiles, chargers, ear-phone etc. The recycling is made a legal compulsion in India. Box shows how LG offers to recycle used products.

## **Product Recycling at LG**

You may contact LG CIC (Call Center 1800 180 9999) for putting request for recycling of LG electronics products.

LG will send its authorized recycler at your home/premise. Authorized recycler will inspect the product and calculate the residual value of electronics product.

As per valuation by authorized recycler, you will be offered the price of electronic products. On your acceptance of offer, authorized recycler will lift the sets after giving the offer price to you.

Your old LG Product will be recycled as per E-Waste disposal guidelines by the LG Authorized recycler.

*Source: LG Product Recycling | LG Electronics India, [www.lg.com/in/about-lg/corporate...products/product-recycling.jsp](http://www.lg.com/in/about-lg/corporate...products/product-recycling.jsp).*

## **Trade Users Up**

Some of the effective techniques used by stores to promote sales are:

### **Point of Purchase Displays**

Point of purchase (POP) displays is specially designed materials intended for placement in retail stores. These displays allow products to be prominently presented, often in high traffic areas, and thereby increase the probability the product will stand out. POP displays come in many styles, though the most popular are ones allowing a product to stand alone, such as in the middle of a store aisle or sit at the end of an aisle (i.e., end-cap) where it will be exposed to heavy customer traffic.

For channel partners, POP displays can result in significant sales increases compared to sales levels in a normal shelf position. Also, many marketers will lower the per-unit cost of products in the POP display as an incentive for retailers to agree to include the display in their stores.



## ***Advertising Support Programs***

Marketers lend promotional support to channel members in the form of physical displays, and financial assistance in the form of advertising money.

### (a) Funding Methods

- **Advertising by manufacturer** - In certain cases the marketer will offer to pay the entire cost of advertising.
- **Cooperative advertising** - In this method the dealer and the producer both jointly share the expenses of advertising. Either the producer may bear a fix amount of the advertising expenses or certain percentage to the purchase made by the dealer in a year.
- **Advertising allowances** - This is a very common practice among manufacturers, where a certain amount of money is given to the retailers by the manufacturing company. This is allowances is based on the number of products and orders retailers can bring to the manufacturers.

### (b) Advertising Types

- **Retailer kits**- Materials that support retailers selling efforts are retailer kits. The kits contain supporting information such as detailed product specification, ad slicks- print ads that are ready to be sent to the local print media.
- **Local advertising** — Advertisements in local news paper specifying name, contact no. and address of dealers, helps the people to know about the dealers in town.
- **Direct mail advertising**:- In this the producer sends various advertising and publicity material to dealer by mail. This includes reply cards, calendars, diaries, folders, house magazines, order book, hand bills etc.
- **Outdoor advertising**- Producers provide banners, sign boards, posters, bill boards, holdings to dealers at their own cost.

## **Trade Shows**

Trade shows (exhibitions and conventions) are certain activities designed where manufacturer can display their products to current as well as prospective buyers. At these events most sellers set up displays which can range from a single table covering a small area to erecting specially built display booths that dominate the trade show floor.

They are attended by retailers to distributors and involve demonstrating products, identifying prospectus and gathering customers.

- Trade shows are particularly valuable when introducing new product.
- It is a way to entertain key customers and to develop and maintain relationship with them.
- It paves way meet new customers and get immediate customer reactions.
- It provides an opportunity for selling products.

A successful trade show can be measured by keeping records of the number of visitors, products with most interests to customers, useful leads, and sales.

### **Trade Coupons**

It is a manufacturer-initiated sales promotion, however, the coupon distribution is undertaken by retailers, either through local print medium or in some other manner. The important thing about such coupons is that they can be redeemed only at the distributing store. There is an agreement between the retailer and the manufacturer that some agreed allowance will be paid to the retailer. Generally, this is in the form of re-imbusement of some amount of money to the retailer for each coupon redeemed. The distributing retailer gets the double benefit due to the increase in store traffic and the incentive of reimbursement from the manufacturer. This is a string incentive to the retailer to arrange displays and promote the coupon offer.

### **Sales Contests**

Sales contests are organized for dealers also on the basis of highest sales achieved by dealers during a specific time period. Prizes, certificates are issued to such dealers and such contest hence motivates the dealer for longer purchases.

### **Product Placement**

Product placement refers to the practice of including a brand name product, package, signage or other trademark merchandise within a motion picture, television or other media vehicles for increasing the memorability of the brand and for instant recognition at the point of purchase. It is also called embedded marketing, The product placement is not disclosed at the time that the good or service is featured.

In April 2006, Broadcasting & Cable reported, “Two thirds of advertisers employ ‘branded entertainment’—product placement—with the vast majority of that (80%) in commercial TV programming.” The story, based on a survey by the Association of National Advertisers, said “Reasons for using in-show plugs varied from ‘stronger emotional connection’ to better dovetailing with relevant content, to targeting a specific group.”

The vehicles used for promotion include traditional media like films and television programmes, as well as books, computer games, web sites. Shapiro (1993), in the context of movies, classifies PPL into four types:

- That provides only clear visibility (product/brand name shown
- That is used in a scene;
- That has a spoken reference;
- That provides hands-on use and mentioned by a main star.

Russel (1998) has classified them along three dimensions: visual, auditory and plot connection.

- **Visual** - The visual dimension refers to the appearance of the brand on the screen. This is called screen placement also which can have different levels, depending on the number of appearances on the screen, the style of the camera shot for the product and so forth.
- **Auditory**- It refers to the brand being mentioned in a dialogue. This is also called script placement which has varying degree depending on the context on which the brand is mentioned, the frequency with which it is mentioned and the emphasis on the brand name through the tone of the voice, place in the dialogue, character speaking at the time.
- **Plot connection** – This dimension refers to the degree to which the brand is integrated in the plot of the story (Russel1998). Where as lower plot placements do not contribute much to the story, higher plot placements constitute a major thematic element (Holbrook and Grayson 1996), taking the major place in the story line or building the persona of the character. A mere mention of the brand or a brief appearance of the product on the screen is taken as a lower plot. However when character is clearly identified with the brand like Saharukh with Santro Zip drive in the movie phir bhi dil hai hindusthani or James Bond with his Aston Martin, then his BMW Z3 or where the brand becomes the central part of the plot like Coca cola in Taal, Pottery Barn episode of Friends can be called higher plot placements.

## **In Hindi Films**

The first highly noticed product placement was Coca-Cola in the box office hit movie *Taal* (The Rhythm) in 1999 (Kripalani, 2006). Coca-Cola appears more than once in *Taal* as a prominent drink accompanying the stars in various emotional situations such as love, friendship, and nostalgia (Kripalani, 2006). Since then, product placement has become common in Hindi films. The 2002 film *Road*, shot mostly on roads with the lead characters driving the 24 cars, featured Tata Motors' Safari 4-wheel SUV. For this placement, Tata Motors paid about 12.5 million rupees (\$266,250 USD) (Kripalani, 2006). *Fashion* (2008) featured products such as Sunshine and Kimaya, The storyline of *Dostana* (2008) included one of the main characters working for the magazine *Verve*.

## **Distribution**

A customer may shop for a brand, - the specific products they desire differ based on the retailer. Men prefer to visit Raymonds for premium clothing and Big Bazaar for moderately priced apparel.

Each store's customer base has its own unique set of characteristics. Retailers often talk about "our customer" and develop a persona around this type of individual. Those who like to shop at Raymonds would find the apparel lines they like, and their loyalty would remain with Raymonds. The emotional appeal "complete man" is also a binding force. Those who prefer to buy online, meanwhile, could shop the retailer's website, since they would find the same merchandise they find in the stores. If a retailer has the right product for each channel, the number of products selling through at full price would be higher, creating a winning scenario for the department stores and the brands.

## ***Trade Allowances***

Allowances are payments to the trade usually for a specific purpose and for a specified time. In most cases the allowance is not only given as encouragement to purchase the product but also as an inducement to promote the product in other ways such as by offering attractive shelf space or store location, highlighting the product in company-produced advertising or website display, or by agreeing to have the retailer's sales personnel "talk-up" the product to customers. Payment may be in the form of cash or credit. There are several types, including:

- ▶ **Count and recount allowance**-Customer stocks counted at beginning and end of period (plus purchases) to give net movement out of stock; allowance paid on net movement.

- **Advertising and/or display or merchandising Allowance** -Allowance paid for performance of specified activity, such as featuring in dealer's advertising, display, reduced price, or offer of extra trading stamps, etc.
- **Introductory allowance** - Payment during introductory period to obtain distribution.
- **Brand deal allowance**- Such allowances are given to those middlemen who deal exclusively with a single brand.
- **Buying allowance/Price off allowance**- The price of allowance is given on purchase made during a specified period of time directly from the producer. This encourage larger purchase from the producer.
- **Free merchandise**- Free merchandise is sometimes offered to resellers who purchase stated quantities of the same or different products.
- **Buy back guarantee**- Producers sometimes gives buy back guarantee to dealers for the goods that have not been sold by them. Thus goods are sold to dealers on sell or return condition.

### Price Reductions

The effect of price is reduced by offering the following.

- **Free goods** - One package free with purchase of 11 (assuming cases are packed 12's) Baker's dozen deal (13 for the price of 12) One case of one size free with purchase of specified number cases of another size.
- **Trade premiums** – It may include gift to the organization or to individuals, frequently upon the purchase of specified quantities or selections. Examples include permanent display racks, or dual-use display pieces, such as a plastic boat).

### Cash Rebate

This is a form of delayed value promotion for the retailer. Only after the proof of performance is furnished, the retailer is given a cheque for the amount of discount. Once a retailer has met the laid down conditions, the rebate is given to the retailer. The advantage of this method is that the rebate is given only after the retailer has performed to qualify for the rebate.

## **Sales Incentives or Push Money**

A marketer may offer sales promotions to their reseller's sales force and customer service staff. Sometimes called push money, these promotions typically offer employees cash or prizes, such as trips, for those that meet sales requirements. It is a monetary reward given to the sales force of the dealers to sell a manufacturer's product. For example, a manufacturer of washing machines may offer ₹ 500 to each sales person who sells the manufacturer's brand of washing machine. The SPIFF money varies as does the willingness of the dealers to allow the sales force to accept the offer. Dealers who carry product brands of different manufacturers generally hesitate to allow such offers.

## **Free Training**

An increasingly popular trade promotion is to provide training for retail store personnel. This method is used specially for consumer durables like personal computers, exercise equipment, etc. The increased complexity of these products has made it important for manufacturers to ensure that the proper factual information and persuasive themes are reaching consumers at the point of purchase. For personnel at large retail stores, manufacturers can hold special classes that feature product information, demonstrations, and training about sales techniques. Another method to give information would be the use of videotapes and brochures.

## **Incentives**

This is a popular trade promotion idea with the manufacturers. Incentives are given as a form of cash bonus or prizes per sale. Incentives to the members of the trade include a variety of tactics like awards in the form of travel, gifts, or cash bonuses for reaching targeted sales levels that induce retailers and wholesalers to give attention to the brand. The incentive does not have to be large or expensive to be effective.

## ***Promotional Products***

Among the most widely used methods of sales promotions is the promotional product; products labeled with the brand or company name that serve as reminders of the actual product. For instance, companies often hand out free calendars, coffee cups and pens that contain the product logo.

## **Sales Training Program**

Another form of dealer promotional tool is sales training program. Salesmen at the retail level need to be trained about the features of the product, benefits, advantages of different models/brands etc. cosmetics, appliances, computers, electronic products are examples for which consumer rely on trained sales staff.

## **Sales Assistance**

Manufacturers work with dealers or distributors to ensure their success in the business.

- Building up sales plan- Producers extend help and express knowledge to wholesalers and retailers in building up sales plan, formulating strategies and sales programs. This help the dealers to increase their selling skills.
- Sales meetings- Producers organize sales meeting for distributors to provide knowledge about new products, sales policies and sales plan.
- Credit facilities- Producers provide short term credit facility to dealers to motivate them to have maximum stock of the goods.
- Special services- Producers also offer special services to dealers which include packaging, categorization of products, dealer listing.

## **Gain Product Display**

Avoid product placement on the “graveyard shelves.” Visibility is extremely important. (see Box )As a newcomer, you compete with much larger and more established vendors for shelf space. If your product is not being put in an attractive spot, you might not want to go ahead with the listing. The following steps help gain good placement.

### **Visual Placements**

Visual Product Placement refers to a technique where the products are placed in a way to immediately catch the attention of the customers walking into the store. The different types of visual product placement.

- Horizontal Product Placement -Products are placed side by side on shelves to offer a wide range of options to the customers.

- Vertical product placement –It displays the merchandise on more than one shelf level.
- Block Placement -The related products belonging to a similar family are stocked at one place together under one common umbrella.
- Commercial Product Placement – This is based on the brand value of the merchandise. A product which has several takers would definitely get the best position as compared to something which does not contribute much to the revenue of the store.
- Market share product placement - A product which generates the maximum revenue for the store should ideally be placed at a prime location for the customers to notice it and immediately buy it.
- Margin Product Placement - The more a product earns profit for the retailer, the better the location it is placed.

Source: Planograms - Meaning, its Need and Types of *Product Placements* [www.managementstudyguide.com/what-are-planograms.htm](http://www.managementstudyguide.com/what-are-planograms.htm).

### **Make Product with Industry Standards**

Know about the industry standards for your product, including sale terms, discounts, credit, shipping, allowances and return policies. Be ready to present your marketing and promotion plans, including visualizations of in-store demos, point-of-sale displays, advertising, online presence, etc. Have a sample of both your product and its packaging, including bar code and language requirements available.

### **High Sales Potential**

Products that gain display in retail stores are those which have high sales or profit potential. A retailer wants to maximize rent for the shelf space. This can be done in two ways, by either generating greater margins or quicker turnover.

### **Ensure Availability**

Be prepared to prove that you will be able to provide large volumes. This includes manufacturing information and as much evidence as possible to show how you or your manufacturer will be able handle increased volume while maintaining quality sand on time delivery. Be ready to talk about both your business and your personal history



## Support by in-Store Promotion

Consider offering some initial in-store promotion activities for your product. Retailers really want support from their vendors, including in-store demonstrations, point-of-sale displays, advertisement and any other kind of promotion they can get. This can help you to bump up sales at the beginning and to make store personnel familiar with your product.

## On Line Strategy

Leverage your online strategy. In today's business environment, it is critical to have an online strategy. With very little resources, small businesses can create a professional Internet presence. If you are aiming for brick and mortar distribution, your online presence should serve as a multiplier.

## Offer Allowances

Motivate retailers by offering a variety of allowances to stock and display the product.

- **Slotting allowance** - These are the fees that a retailer charges the manufacturers to make available the space on the shelf for their new products. Retail store owners say that the number of brands in each category is multiplying, there is increasing competition and margins are decreasing, hence they have no option but to ask for a fee to keep the product on their shelf and use the money to improve their shelf design and promotion, etc.
- **Merchandise allowance** - In the form of free products packed with regular shipments, are payments to the trade for setting up and maintaining displays. The payments are typically far less than manufacturers would have to spend to maintain the displays themselves.
- **Display and advertising allowance** - The retailer is required to arrange the product display in a prominent show-window or offer discount to consumers and advertise this offer in the local newspaper or arrange a point-of-purchase display on the shelf corner. The retailer earns the incentive only after meeting the conditions set by the manufacturer.

## Summary

Promotional tactics are part of a strategy which is in turn a part of integrated marketing mix. Promotion can be used as a short term tool to produce sales as well as a long

term tool to build brand equity. Promotion can truly perform its function of accelerating trial and purchase of a brand whose value has not yet been fully established in the minds of all consumers. An established, growing brand many have become more or less regular users. In such a healthy situation, promotion has to address two aspectsL

- i) Retention and
- (ii) Increase sales.

Retailers use different strategies to increase store traffic. They include spending on advertising, offering loss-leader products, and conducting various promotional events, such as offering discounts, getting celebrities like authors or sportspeople, and conducting workshops or seminars. Coupons, displays, volume buying discounts, late billing, irresistible guarantees and express delivery are other promotional tactics.

One of the best ways to increase repeat sales is to create product or service subscriptions.

Product placement refers to the practice of including a brand name product, package, signage or other trademark merchandise within a motion picture, television or other media vehicles for increasing the memorability of the brand and for instant recognition at the point of purchase. It is also called embedded marketing,

Each store's customer base has its own unique set of characteristics. Retailers often talk about "our customer" and develop a persona around this type of individual. The emotional appeal "complete man" is a binding force.

Allowances are payments to the trade usually for a specific purpose and for a specified time. There are several types, including: Count and recount allowance- Advertising and/or display or merchandising allowance - Introductory allowance, Brand deal allowance, Buying allowance/Price off allowance, Free merchandise and Buy back guarantee. Sales men are encouraged by push money and training. Retailers are supported by providing assistance in advertising, displays etc.

### **Self Assessment Questions**

1. Explain the nature of promotion decisions
2. Elaborate the process of developing promotion strategy
3. Discuss push and pull strategies

4. What are the objectives of promotion?
5. State the principles of effective promotion
6. Outline the promotion tactical tool set
7. Discuss the tactics advertisers use in the campaigns.
8. Identify the tactics markets may adopt in public relations
9. How does sales men convince buyer to purchase?
10. Explain the promotion strategy of a brand of your choice.
11. Explain when and how the promotion tactics are applied?
12. What is the role of promotion in introducing new products?
13. How can promotion be used to reach new customers?
14. What promotional measures help build traffic?
15. How do you stimulate repeat sales?
16. Explain how promotion helps generate brand loyalty.
17. What measures help motivate trade users?
18. Explain the concept and practices of product placement
19. How can distribution be strengthened by promotion approach?
20. How do you motivate retailers to display your product in the stores?

## **CASE STUDY**

### **HDFC Bank Reaches Customers**

HDFC bank is the second largest private banking sector in India having 2,201 branches and 7,110 ATM's spread over 1,174 cities in India and has more than 800 locations to serve customers through Telephone banking. HDFC ATM cards is the most preferred card for shopping and online transactions as it is compatible with all domestic and international Visa/Master card, Visa Electron/ Maestro, Plus/cirus and American Express. HDFC has received 'Best Bank' award from various financial rating institutions like Dun and Bradstreet, Financial express, Euromoney awards for excellence, Finance Asia country awards.

#### **Advertising**

The focus of banks has shifted from the largest ATM network to the fastest ATM. HDFC ATM's allow the customers to store their favorite transaction and then give quick access to that transaction with a favorite button rather than going thru multiple screens

every time and thus helps in 40% faster cash withdrawal. HDFC is communicating this benefit to the customers thru the “40% Faster ATM” TVC series. The ATM ad is well positioned to fit with the HDFC Bank’s tag line “We understand your world” by focusing on the real issues like parking problems that underscores the need for faster ATMs and thus delivers the message clearly that they care for their customers.

## **Promotions**

From doing cross-selling exercises to organizing school-level painting competitions, promotional activities are going to be the main focus of HDFC Bank’s marketing strategy.

Speaking to Business Line, Mr Ajay Kelkar, Vice-President and Head, Marketing, HDFC Bank, said, “We are looking at positioning HDFC as a one-stop financial supermarket and the objective of the promos is not just acquisition of new customers, but we are also looking at creating product awareness, enhancing usage and also providing value-adds to our customers to reward them for their faith and loyalty.”

The first promo is titled Wheels of Fortune. This promo is targeted at all those customers who avail a personal loan, car or two-wheeler loan. There will be a lucky draw at the end of the promo and the winners would get exotic prizes. For children, a school-level painting competition will be held on wildlife across cities to promote the Kids Advantage account. Besides these mass promos, there would be more personalised promos. “We plan to send personalised mailers about our various products to all those we come in contact with during these mass promotions.” said Mr Ajay Kelkar.

The bank has also tied up with Business Today, to sponsor 10,000 copies of the magazine in each metro. The cover of the sponsored copies would be the issue of Business Today, which rated HDFC Bank as the best bank in the country. On the opposite side, would be an advertorial which would talk about HDFC as a ‘one-stop financial supermarket’. “These copies would be circulated among top corporates and our high-profile customers,” said Mr Kelkar.

## **Rationale and Budget**

These promotions are conducted based on the results thrown up by data analysis and data mining. Therefore, they are intended to have maximum impact on our target audience. It is said that below-the-line promotions constitute a major part of the bank’s overall marketing plans this year, and therefore, a large percentage of the marketing budget is allocated to promos.

## Questions to Answer

1. Examine the concern for customer and rationale of the promotion tactics employed by HDFC bank.
2. Critically evaluate the communication and motivation elements in the promotional tools employed by HDFC bank.
3. What kind of promotion tools do you suggest to HDFC bank to expand its customer base?

Source: Ajita Shashidhar, Promotions to mark HDFC Bank strategy, *The Hindu Business Line*, Wednesday, Jan 14, 2004 and *HDFC Bank Marketing – ATMs are back in the ads*, [www.bizdewz.com/hdfc-bank-marketing-atms-are-back-in-the-ads/](http://www.bizdewz.com/hdfc-bank-marketing-atms-are-back-in-the-ads/) 2 Feb 2010.

## Internet Exercise

Beginning with Dabur Honey gets a new look - Marketing - Campaign India

[www.campaignindia.in/.../227059,dabur-honey-gets-a-new-look.asp](http://www.campaignindia.in/.../227059,dabur-honey-gets-a-new-look.asp)...8 Oct 2009,  
look at related websites and develop a paper on Promotion of Honey by Dabur.

## Mini-Project

Examine the promotional measures undertaken by consumer electronics durables marketers in your town and prepare a presentation talk.

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## UNIT - IV

### Unit Structure

Lesson 4.1 - Sales Promotion Techniques

Lesson 4.2 - Sales Promotion and Sales

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### Lesson 4.1 - Sales Promotion Techniques

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#### Introduction

Sales promotion has gained significance in recent times to get people to spend their money and make favourable brand choices. The continued recession and rise in prices of different products has adverse effects on the size of disposable incomes. As a result, people are trying to cut back their levels of consumption. In this context, it has become important to rationalize purchases both rationally as well as emotionally, and reward consumers for their loyalty so that they continue to spend money. While encouraging reluctant consumers to spend money continues to be the number one priority for all brands at the moment, directing customers to a specific brand proves to be a big challenge. The retail shelves are crowded with a variety of brands and winning customers is an arduous task. It is here sales promotion has a crucial role to play.

#### Above, Below and Through the Line Promotion

Promotion strategies are categorized as above the line and below the line activities. Box explains the origin of the terms.

**Above the line (ATL)** advertising strategies are direct and bring about positive results. They include factors like advertising on TV, radio, newspapers, and pamphlets.

**Below the line advertising (BTL)** has become an important factor in the marketing circuit. Those methods make use of an indirect way of advertising and brand promotion. They include sponsoring events, discounts, public relation events, coupons and contest.

### **ATL and BTL Promotions**

The term comes from top business managers and involves the way in which **Procter & Gamble**, one of the world's biggest advertising clients, was charged for its media in the 1950s and 1960s. Advertising agencies made commission from booking media (Television, cinema, radio, press, out-of-home and magazines). As below the line had no media involvement there was no commission to be made for the advertising agencies. The accountants thus labeled the different media ATL and BTL depending on where it would sit in the balance sheet and profit and loss accounts (ATL where they made a profit and BTL where they did not).

BTL services may include those for which a fee is agreed upon and charged up front.

BTL is a common technique used for “touch and feel” products. BTL technique while highlighting the features of the product, it ensures recall of the brand.

Another BTL technique involves sales personnel deployed at retail stores near targeted products. This technique may be used to generate trials of newly launched products. It helps marketers establish one-to-one relationship with consumers while mass promotions, by definition, make it difficult to gauge consumer-response, except at the time of sales. Examples include tele-marketing, road shows, promotions, in- shop and shop-front activities, display units.

### **Through the Line (TTL) Promotion**

More recently, in the past 5 to 6 years, agencies and clients have switched to an “Integrated Communication Approach”, or “through the line” approach. It is an immediate or delayed incentive to purchase, expressed in cash or in kind, and having short duration.

It is efficient and cost-effective for targeting a limited and specific group. It uses less conventional methods than the usual ATL channels of advertising, typically focusing on direct means of communication most commonly direct mail and e-mail, often using highly targeted lists of names to maximize response rates.

In the TTL approach, a mix of ATL and BTL are used to integrate a marketer's efforts and optimize returns from these separate investments. This switch in the TTL approach has shifted its emphasis more towards BTL. The idea remains to optimize the return on marketing budget spent by focusing one's energy on winning smaller yet more



crucial BTL battles than ATL wars with well-funded competition. A few examples are: bus stand hoardings, pamphlets, small informational sheets along with the newspaper, etc.

**Concept of Sales Promotion**

Sales promotion is commonly referred to as “Below the Line” promotion. Sales promotion can be directed at:

- The ultimate consumer (a “pull strategy” encouraging purchase).
- The distribution channel (a “push strategy” encouraging the channels to stock the product). This is usually known as “selling into the trade”

More than any other element of the promotional mix, sales promotion is about “action”. It is about stimulating customers to buy a product. It is not designed to be informative – a role which advertising is much better suited to.

**Sales Promotion Vs Other Tools**

How sales promotion does compares with each of the promotion mix options? The summary should be viewed only as a general guide since promotion techniques are continually evolving and developing.

**Comparison of Promotional Tools**

<b>Characteristics</b>	<b>Advertising</b>	<b>Sales Promotion</b>	<b>Public Relations</b>	<b>Personal Selling</b>
Reach	Mass	Targeted customers	Mass	Targeted customers
Communication	One-way	Some one way and some others two way	One way	Two way
Paid or unpaid	Paid	Paid	Unpaid	Paid
Message control	Good	Good	Poor	Very good
Goal	Awareness building	Sales	Awareness building	Sales

**Factors Influencing Sales Promotion**

Many factors have contributed to the increased use of sales promotion by consumer product manufacturers. There are a number of other factors that have led to the increase

in the importance and use of sales promotion and the shift in money spent from media advertising to consumer and trade promotions.

### **Growing Power of Retailers**

In recent years, two important developments have helped to transfer power from the manufacturers to retailers.

- First, the consolidation of the grocery store industry, which has resulted in larger chains with greater buying power and clout.
- Second, the advent of optical checkout scanners and sophisticated in-store computer systems. With them, retailers gained access to data concerning how quickly products turn over, which sales promotions are working, and which products make money.

### **Declining Brand Loyalty**

Though some consumers are always willing to buy their preferred brand even at full price without any type of promotional offer, it is found that a majority of consumers are conditioned to look for deals when they shop. The consumers have become fewer brands loyal and are purchasing more on the basis of price, value, and convenience.

### **Increased Promotional Sensitivity**

The value conscious consumers started responding favorably to the incentives tied with the products. An obvious reason for consumers' increased sensitivity to sales promotion offers is that they save money.

### **Brand Proliferation**

The market has become saturated with new brands, which often lack any significant advantages that can be used as the basis of an advertising campaign. Thus companies increasingly depend on sale promotion to encourage consumers to try these brands. Marketers are relying more on samples, coupons, rebates, premiums, and other innovative promotional tools to achieve trial usage of their new brands and encourage repeat purchase.

### **Fragmentation of Consumer Market**

As the consumer market becomes more fragmented and traditional mass-media-based advertising less effective, marketers are turning to more segmented, highly targeted

approaches. Many companies are tailoring their promotional efforts to specific regional markets.

### **Short-Term Focus**

Sales promotions are very often used by the brand managers, not only to introduce new products or defend against the competition but also to meet quarterly or yearly sales and market share goals. Many managers view consumer and trade promotions as the most dependable way to generate short-term sales, particularly when they are price related.

### **Increased Accountability**

Results from sales promotion programmes are generally easier to measure than those from advertising. Managers who are being held accountable to produce results often use price discounts or coupons, since they produce a quick and easily measured jump in sales. It takes longer for an ad campaign to show some impact and the effects are more difficult to measure.

### **Competition**

It is becoming increasingly difficult to boost sales through advertising as the markets for many products are mature and stagnant. Many companies are directing their trade promotions to key retail accounts and forming strategic alliances with retailers that include both trade and consumer promotional programmes. A recent development is *account-specific marketing* (also referred to as *co-marketing*), in which a manufacturer collaborates with an individual retailer to create a customized promotion that accomplishes mutual objectives.

### **Clutter**

An advertisement combined with a promotional offer can break through the clutter that is prevalent in most of the media forms today. A premium offer may help attract consumers' attention to an ad, as will a contest or sweepstakes. The readership scores are higher for print ads with coupons than for ads without them.

### **Growth in Promotion Agencies**

A major reason for the increase in spending on sales promotion is that the promotion industry has matured over the past several decades. In the past, sales promotion specialists

would be brought in after key strategic branding decisions were made. Promotional agencies were viewed primarily as tacticians whose role was to develop a promotional programme that could create a short-term increase in sales.

However, many companies are now making promotional specialists a part of their strategic brand-building team, a move that puts sales promotion on par with media advertising. Promotional agencies have expanded their integrated marketing capabilities as well as their expertise in branding and helping their clients build relationships with their customers

### **Off the Shelf Offers**

For all the variety of promotional objectives, there are some offers that come up again and again – because they work again and again. Off-the-shelf promotions require trust on all sides, since the company offering the promotion has very little control over the quality of the service provided, or the terms on which other people are benefiting from the same offer.

Run properly off the shelf promotions offer benefits to all the parties involved. The firm gains business during the off –season, and customers benefits by cheaper prices.

### **Scratch-and-Win Cards**

They're available in a variety of themes, perfect for any event. Each card has a center grid to be scratched off by the contestant to reveal the winning combinations. For example Off-the-Shelf Designs of SCA Promotions include the following - Scratch Magic™, Instant Gold™ (5 of 25), Instant Gold™ (6 of 30, Bust the Bank and Key to Riches™

The benefits of the scratch card schemes include the following:

- Reward shoppers or offer new customers an incentive to join your loyalty club.
- Build your customer database by having players complete the customer information form on the back of each card.
- Pre-printed cards give you an instant promotion that can be customized via your own prize package.

The cases of two firms using the cards are briefed in.

### **Scratch Card Promotions**

Tanger Outlet Centers ran an online Scratch Card promotion to boost its database and drive traffic to its stores by offering \$25,000. Tanger customized the card with their logo and the logos of their retail partners. Tanger was able to communicate with customers via email to promote specials, and customers were able to download coupons to their favorite stores in Tanger Centers. Another organization, Pechanga Resort and Casino chose the Scratch Magic promotion and set up a prize money of \$100,000. It was a success as customers loved the promotion.

*Source: Scratch Cards | SCA Promotions [www.scapromotions.com/promotions/event/scratch.htm](http://www.scapromotions.com/promotions/event/scratch.htm) - United States*

### **Free Accommodation Offer**

Free accommodation offer is made to customers who buy breakfast and lunch in a hotel. The accommodation is given only during the off season period. From this, the hotel is benefited by providing the experience of stay in the hotel to the customer. A satisfied customer will not only return to stay in the hotel offering full price, but recommends it to others. As the accommodation is provided during the lean period, when rooms will be anyhow vacant, there is no revenue loss for the hotel.

### **Free Travel Vouchers**

Another popular promotion measure is free travel vouchers. Box provides an example.

#### **Free Travel Voucher Offer**

The MobileStore format is a **one stop mobile solution shop** with over 1000 outlets across 150 cities with three formats: Large - 1000-1500 square feet, Medium - 800-1000 square feet and small - 150-200 square feet. All major handset brands like Nokia, Sony Ericsson, LG, Samsung, Motorola, Fly, Sagem, HP, iMate, Dopod, HTC and Blackberry are available at the store. It has also tied up with all leading operators including Airtel, Vodafone, BPL, Idea, MTNL/BSNL and Reliance, and Tata Indicom. Its free travel offers are:

- Handsets value ₹ 5,000-10,000- ₹ 2,500 voucher for flight, hotel and holiday package.
- Handsets value ₹ 1,001-15,000- ₹ 3,250 voucher for flight, hotel and holiday package.
- Handsets value above ₹ 15,001- ₹ 3,750 voucher for flight, hotel, holiday package and car booking.

Source: The Mobile Store: Buy Online at Lowest Prices in India - Mobile ... [www.themobilestore.in/pages/travel-offer](http://www.themobilestore.in/pages/travel-offer)

### **Free Insurance Cover**

Commercial banks, auto dealers and others are offering free insurance policies for promoting the products. Box provides an example.

#### **Free Insurance for Promoting Sales**

The unfavourable market conditions are forcing companies to dole out higher freebies, especially on petrol cars which have lost sheen in the market,” says Mayank Pareek, managing executive officer, marketing & sales, Maruti Suzuki. “Discounts are up by 20-22% since last year. Other than cash discounts, companies are offering free insurance and maintenance packages, gifting accessories and providing corporate benefits. Leading the pack are Maruti Suzuki, Hyundai Motor, Honda Siel Cars, Fiat Auto India, Volkswagen India and Toyota Kirloskar Motor.

Vivek Ltd is one of the most leading and respected consumer electronics and home appliances retail chain in India. Viveks Offers Easy Finance on Laptops and Tablets, Free 2 Years Extended Warranty on Samsung and Hp Laptops, Free 4GB Memort Card with Micromax Funbook, Milagrow Tab, Samsung and Karbonn Tab’s... Free Insurance on Cell Phones, Free 4GB Memory Card + Free Aircel 3G on Samsung Y S6102 Duos Smart Phone and More Offers on Cameras, Printers and other Accessories.

Source: Maruti, Hyundai, Honda, Fiat, Volkswagen & Toyota offer discounts ... [articles.economictimes.indiatimes.com](http://articles.economictimes.indiatimes.com/Collections) Collections, 3 Oct 2011. *Viveks Offers ‘Aadi Sale’ Easy Finance on Laptops and Tablets and ...* [www.frodoe.com/.../Viveks-Offers-Aadi-Sale-Easy-Finance-on-Lapt..](http://www.frodoe.com/.../Viveks-Offers-Aadi-Sale-Easy-Finance-on-Lapt..)

## Joint Promotions

Joint Promotions are marketing tools designed to promote two or more products, simultaneously, usually by associating compatible brands or products. Often these brands or products will belong to separate companies.

Joint Promotions may include giveaways, when the consumer is given a free promotional product when they purchase an item. For example, fast food restaurants often run sales promotions where toys, relating to a specific movie release, are given away with promoted meals.

The schemes can be classified on following parameters:

- *Complementary due to natural use:* for example a Kurlo pillow free with purchase of Kurlo mattress.
- *Commonality of need due to use time:* For example Lipton Tazza Tea and a pack of Britannia Tiger (Cookies)Biscuits free.
- *Tie-up of a new /slow moving brand with an established brand:* for example a newly introduced brand Fa- a toilet soap given free with an issue of well established brand of a film magazine, Filmfare.
- *Target market commonality:* when two products tie in to reach the same segment of the market for example Nestle's babyhood brand Cerelac and Johnson & Johnson's baby soap, which were baby products.
- *Seasonal demand:* during summer which is a vacation time two brands- Kelvinator refrigerator and VIP suitcase were jointly promoted.
- *Distribution commonality:* Toshiba was using HCL outlets for its printers, copiers and PCs so a promotion which required a purchase from HCL showroom only helped both the brands at the same retail outlet.
- *Targeting new segment:* For example, Forhans toothpaste and Annie French when promoted jointly help both brands to reach a new segment.
- *Derived demand:* " Free Motorola T180 handset with BPL mobile on the spot SIM card"
- *Countering competitive joint sales promotions:* for example when BPL mobile gave free activation with Motorola mobile phone purchase, few days later Airtel and

Nokia came with a similar offer where free Airtel connection was given on purchase of Nokia 3310 phone.

- *Link to an event, festival, celebrations:* for example during Diwali which is the major festival in India, durable purchases are high, so offers like “ on purchase of BPL Color Television, get TITAN watch and Magnum suitcase is given Free” are often found.

A framework for managing joint sales promotion has been suggested by P.Rajan Varadarajan is presented in Table

### **Guidelines for Joint Promotion**

Analysis	Define	Potential opportunities for joint sales promotion
	Identify	The role of joint sales promotion within the broader domains of the sales promotion mix.
	Screen	Evaluate the potential schemes and participants
Planning	Develop	Alternative joint sales promotion concepts and tentative Programs (size of incentive, conditions for participation, duration of promotion, tentative budget, etc.)
	Evaluate	Alternative joint promotion programs and perform preliminary cost-benefit analysis.
	Explore	Interest in the promotion concept and program among potential participants.
	Pretest	Promotion concept if necessary
	Refine and develop	A detailed program in consultation with other potential program participants
	Negotiate	Terms and conditions of participation in the proposed program.
	Gain approval	Of proposed program from the managements of participating Organizations.
Implementation and control	Implement	The program
	Monitor	The progress and performance of the program
	Modify	The program during the mid-course if required
	Evaluate	The performance of the joint sales promotion.



## **Price Promotions**

Price promotions are also commonly known as “price discounting” These offer either

- (1) A discount to the normal selling price of a product, or
- (2) More of the product at the normal price.

Increased sales gained from price promotions are at the expense of a loss in profit – so these promotions must be used with care. A producer must also guard against the possible negative effect of discounting on a brand’s reputation.

### ***Promotional Pricing***

One of the most powerful sales promotion techniques is the short-term price reduction or, as known in some areas, “on sale” pricing. Lowering a product’s selling price can have an immediate impact on demand, though marketers must exercise caution since the frequent use of this technique can lead customers to anticipate the reduction and, consequently, withhold purchase until the price reduction occurs again.

### **Price Off**

The reduction in money value of the product can be provided to customers in different ways like- ½ price sale, “Two for.....” sale and Bonus packs (larger quantity at same price). Exchange schemes/Money back offers- This is the latest sales promotion tool in consumer disables market.

E.g. Akai exchange scheme- Bring in your old color TV with remote. Philips- 5 in 1 offer.- Philips TV, 2 in 1, Mixer, grinder, rice cooker at an attractive price.

### **Price Pack Deals**

Some promotional methods offer free products but with the condition that a purchase be made. They can take any of the two forms: one is bonus pack and banded pack.

### ***Bonus Pack***

In case of a bonus pack, an additional quantity of the same product is offered free when the standard pack size of the product is purchased at the regular price.

Colgate offered 125gm. tube for the price of 100 gm.

Godrej colour gloss triple action shampoo, offers 20% extra free. 100ml +20ml.

Sunsilk shampoo (HLL) 400ml bottle gives 33% more free.

New Ever youth lemon face wash, by Cadilla Health care Ltd. Offers 20% Extra with 60 ml 12 ml free.

Lotus Herbal Ltd's Fresh Apricot scrub, 25% extra, communicated as 7.5 ounces at 6 ounce Price.

Dettol shaving cream (Reckitt Benckiser (India) ltd.) get 40% extra free

### ***Banded Pack***

A variation of this offer is when the marketer develops special packs of the product containing more quantity but the price is proportionately low. This is a method to “load” the consumer up with the product. This technique is often used to introduce a new large size of the product or to encourage continued usage and also to increase consumption.

The offer is termed as “banded pack” when 2 or more units of the products are sold at a reduced price compared to the regular price.

Pepsodent toothpaste special pack a 150gm toothpaste + a 100gm toothpaste and a G.I.Joe international character, all in 1 pack at a low price of just ₹, which saves ₹ 81/-

Another variation of this technique is “buy 1 get 1 free” or some similar offer, it could be “same for less” or “more for the same.” (Fairglow – buy 3 get 1 free)

The main advantage of this tool is that extra product may encourage increased usage and help sustain the habit. Also among other similar brands, a bonus pack stands out at the point of sale.

### **Coupons**

Coupons are another, very versatile, way of offering a discount. Coupons are certificates which offer reductions to consumers for specified items. Coupons offer buyers price savings or other incentives when the coupon is redeemed at the time of purchase. Coupons are short-term in nature since they carry an expiration date after which the value may not be received. Also, coupons require consumer involvement in order for value to be realized. In most cases involvement consists of the consumer making an effort to obtain the coupon (e.g., clip from newspaper) and then presenting it at the time of purchase.

The key objective with a coupon promotion is to maximize the redemption rate – this is the proportion of customers actually using the coupon. One problem with coupons is that they may simply encourage customers to buy what they would have bought anyway. Another problem occurs when retailers do not hold sufficient stocks of the promoted product – causing customer disappointment. Use of coupon promotions is, therefore, often best for new products or perhaps to encourage sales of existing products that are slowing down.

### ***Delivery Formats***

Coupons are used widely by marketers across many retail industries and reach consumers in a number of different delivery formats including:

- *Instant redemption coupon*- Consumers can immediately redeem the coupon. It is printed separately or on the back of the bill.
- *Bonus back coupon*- Coupons can be placed inside packages so that customer can't redeem them quickly.
- *Free-Standing Inserts (FSI)* – Here coupon placement occurs loosely (i.e., inserted) within media, such as newspapers and direct mail, and may or may not require the customer to cut away from other material in order to use.
- *Cross-Product or Cross ruffling*- It is the placement of a coupon for one product on another product. E.g. a coupon for an onion sauce placed on a package of potato chips is a cross scuffling coupon.

A pharmaceutical company may imprint a coupon for a cough remedy on the box of a pain medication.

- *Printout* – A delivery method that is common in many food stores is to present coupons to a customer at the conclusion of the purchasing process. These coupons, which are often printed on the spot, are intended to be used for a future purchase and not for the current purchase which triggered the printing.
- *Product Display* – Some coupons are nearly impossible for customers to miss as they are located in close proximity to the product. In some instances coupons may be contained within a coupon dispenser fastened to the shelf holding the product while in other cases coupons may be attached to a special display (see POP display )where customers can remove them (e.g., tear off).

- *Internet* – Several specialized websites, such as HotCoupons.com, and even some manufacturer’s sites, allow customers to print out coupons. These coupons are often the same ones appearing in other media, such as newspapers or direct mail. In other cases, coupons may be sent via email, though to be effective the customer’s email program must be able to receive HTML email (and not text only) in order to maintain required design elements (e.g., bar code).
- *Electronic* – The Internet is also seeing the emergence of new non-printable coupons redeemable through website purchases. These electronic coupons are redeemed when the customer enters a designated coupon code during the purchase process.

Fair and lovely dark circle removal cream to create more product trials has coupons in the newspapers and magazines which avail you of ₹ 10/- off on a 40 gm pack.

### **Money Refunds**

Here, a customer receives a money refund after submitting a proof of purchase to the manufacturer. These schemes are often viewed with some suspicion by customers – particularly if the method of obtaining a refund looks unusual or onerous.

After having launched its new product whisper ultra thin, confident about the product quality and confident about offering the promised product, to increase its trial and usage has started the money back offer.

The money back offer is a very effective tool in making the consumer try the product in 2 ways, firstly because the consumer feels that the company will launch such a scheme only if it is possible for it to offer such quality and so is become confident that the product will be satisfactory. And secondly he is more willing to try because if he does not like the product he has the option to get his money back.

### **Rebates**

Rebates, like coupons, offer value to purchasers typically by lowering the customer’s final cost for acquiring the product. While rebates share some similarities with coupons, they differ in several key aspects.

- *Time of benefit*- First, rebates are generally handed or offered (e.g., accessible on the Internet) to customers after a purchase is made and cannot be used to obtain immediate savings in the way coupons are used. In few cases “instant rebates”, are offered. In such cases customers receive price reductions at the time of purchase.

- *Require consumer data*- Second, rebates often request the purchaser to submit personal data in order to obtain the rebate. For instance, customer identification, including name, address and contact information, is generally required to obtain a rebate. Book sellers offer special rebates to teachers on submission of their identity.
- *Require consumer action* - Third, receiving a rebate only guarantees value if the customer takes actions. Marketers know that not all customers will respond to a rebate. Some will misplace or forget to submit the rebate while others may submit after a required deadline. Marketers factor in the non-redemption rate as they attempt to calculate the cost of the rebate promotion.
- *Used for high priced products* - Finally, rebates tend to be used as a value enhancement in higher priced products compared to coupons. For instance, rebates are a popular promotion for automobiles and computer software where large amounts of money may be returned to the customer.

### **Premium Promotions**

Premiums are goods offered either free or at low cost or an incentive to buy the product. Premiums are offered as bonus, prize, gifts or other free offers. Premium can be used to boost sales to attract competitor's customers, and introduce different products.

Santro- book year santro today & take home a worldspace Hitachi digital radio receiver worth ₹ 4990/- free.

Adidas- Buy product worth ₹ 2800/- and get an Adidas bag free.

Companies also give gifts to consumers, dealers and key people. These gifts include pens, diaries, table, decoration. Gifts normally carry the company's name and logo. The gifts are intended to create goodwill towards the company.

The “gift with purchase” is a very common promotional technique. It is also known as a “premium promotion” in that the customer gets something in addition to the main purchase. This type of promotion is widely used for:

- Subscription-based products (e.g. magazines)
- Consumer luxuries (e.g. perfumes)

## Prize Promotions

Another popular promotion tool with many variants. Most competition and prize promotions are subject to legal restrictions

## Contests

Contests of various kinds constitute widely used sales promotion tools. There are consumer contest which are open for all, consumer contest are given wide publicity to attract the participation of the widely scattered consumer base. consumer contest take a variety of forms- Quiz contests, beauty contest, car rallies, scooter rallies, suggesting a logo etc. Contests can be divided in to 2 broad categories- Skill competition & sweepstakes.

One form of sweepstakes is a game and scratch off cards with instant winners and prizes. Some interesting contests are outlined here.

- (i) Nescafe shake contest – Nescafe shake contest offered ₹ 5 lacks as total prize money with ₹ 1 lack for the first prize. The total number of prizes ran to 21000. The contest had a specific objective to make consumers aware of Nescafe as a cool summer drunk in addition to this traditional image of a hot beverage.
- (ii) Cadbury's family contest- Cadbury announced fabulous prizes- round the world, economy class are ticket for two adults & two children plus ₹ 1 lack in prize money. The participant has to submit a minimum number of cadbury's wrappers and coin a jingle to participate in the contest. The campaign helped to increase the sales.
- (iii) Lakme – Create your own shade contest – Lakme lever held the to elle 18, Create your own shade contest for the target audience of elle 18 range of colors cosmetics and fragrances. The participants were required to create own shades. The winner created a sparkling blue shade and later Lakme launched the new shade in the market.
- (iv) Pepsi contest for children – Pepsi ran a contest among children to promote its potato chips brand ruffles. Nearly 500 children from a school were collected 30 of them were picked to speak for a minute the winners were given ruffles. Pepsi had covered 250 schools and 125000 students across the country spending ₹ 2 lacks only.

## Business Gifts

These gifts are given as a part of building and maintaining a close working relationship with suppliers business gifts may include small items of jewellery, watch, electronic items, expensive trips.

## ***Contests and Sweepstakes***

Consumers are often attracted to promotions where the potential value obtained is very high. In these promotions only a few lucky consumers receive the value offered in the promotion. Two types of promotions that offer high value are contests and sweepstakes.

Contests are special promotions awarding value to winners based on skills they demonstrate compared to others. For instance, a baking company may offer free vacations to winners of a baking contest. Contest award winners are often determined by a panel of judges.

Sweepstakes or drawings are not skill based but rather based on luck. Winners are determined by random selection. In some cases the chances of winning may be higher for those who make a purchase if entry into the sweepstake occurs automatically when a purchase is made. But in most cases, anyone is free to enter without the requirement to make a purchase.

A sub-set of both contests and sweepstakes are games, scratch-off cards and collection of game pieces.

Unlike contests and sweepstakes, which may not require purchase, to participate in a game customers may be required to make a purchase. Games may be subjected to rigid legal controls and may actually fall under that category of lotteries, which are tightly controlled.

## **Disadvantages of Sales Promotion**

Sales promotion has its own demerits. Some of them are outlined here.

### **Increased Price Sensitivity**

Consumers wait for the promotion deals to be announced and then purchase the product. This is true even for brands where brand loyalty exists. Customers wait and time their purchases to coincide with promotional offers on their preferred brands.

Thus, the routine sales at the market price are lost and the profit margin is reduced because of the discounts to be offered during sale-season.

‘The Diwali Bonanza Offers’ on electronic goods.

## **Quality Image may Become Tarnished**

If the promotions in a product category have been rare, the promotions could have a negative effect about its quality image. Consumers may start suspecting that perhaps the product has not been selling well, the quality of the product is true compared to the price or the product is likely to be discontinued because it has become outdated.

The Smyle Powder offer of “Buy 1 and get 2 free” went on and on. Ultimately people stopped asking for the product as the on-going sales promotion strategy made the customers perceive it to be a cheap and an inferior product.

## **Merchandising Support from Dealers is Doubtful**

In many cases, the dealers do not cooperate in providing the merchandising support nor do they pass on any benefit to consumers. The retailer might not be willing to give support because he does not have the place, or the product does not sell much in his shop, or maybe he thinks the effort required is more than the commission/benefit derived.

## **Short-Term Orientation**

Sales promotions are generally for a short duration. This gives a boost to sales for a short period. This short-term orientation may sometimes have negative effects on long-term future of the organization.

Promotions mostly build short-term sales volume, which is difficult to maintain. Heavy use of sales promotion, in certain product categories, may be responsible for causing brand quality image dilution. While sales promotion is a powerful and effective method to produce immediate short term positive results, it is not a cure for a bad product or bad advertising. In fact, a promotion is speed up the killing of a bad product.

There are three aspects through which a deal can affect a consumer: economic (changing the economic utility associated with a product purchase), informative (influencing consumer’s beliefs about the brand or industry) and affective (Affecting the feelings and emotions aroused in the consumer) (Priya Raghur et al, 1996). The Economic route focuses on both monetary as well as non-monetary (time and effort) gains and losses. Non-monetary benefits can accrue as well, such as decreasing transaction time or effort required for a consumer to make a decision by simplifying the decision process (i.e., providing a good reason to buy). The information route focuses on the information conveyed such as price expectations, quality expectations and promotional patterns. These factors lead to



crucial implications on brand equity. The affective route focuses on the emotional aspects of consumer such as, does the consumer feels proud after the deal, does he feel embarrassed due to the cheap price product. Based on these three aspects, we developed the 3E model of deal evaluation - Economic, Evaluation and Emotional and developed research on these aspects.

## **CASE**

### **Promotion Key for Success**

The case of Savlon proves that without right promotion a brand cannot succeed. Savlon was a brand owned by a pharmaceutical MNC ICI ltd. Later ICI's over the counter (OTC) brands was acquired by Johnson & Johnson. Savlon was relaunched in Indian market in 1993.

### **Better than Competitor**

The brand was expected to give the market leader Dettol, a run for its money. Savlon had lot of advantages over Dettol. According to media reports, some lab tests indicated that Savlon is an effective germ killer than Dettol. Savlon is effective against both Gram Positive and Gram Negative germs. Another advantage about Savlon was that it does not sting while being applied on wounds. Dettol used to give a stinging sensation while applied on wounds. Savlon also had a better scent compared to the more clinical smell of Dettol.

### **Positioning and Promotion**

Armed with these properties, Savlon went into a direct attack on Dettol. The product was positioned as an antiseptic that does not hurt while healing. The main differentiator for the brand was its no-sting property and better smell. According to media reports, during the relaunch, J&J spent heavily on promoting the brand. The relaunch was a success and consumers tried out the new product. But the story did not continue like that.

### **Dettol Fight Back**

Dettol confronted the frontal attack from Savlon in a different manner. It tried to attack one of the most valuable brand of J&J - Band -Aid by launching Dettol plasters. This move got J&J defensive. It never expected Dettol to attack another brand in retaliation. Dettol plasters had the potential to attract consumers because of the brand equity commanded by Dettol Antiseptic. J&J scrambled to protect Band-Aid by launching a series of variants in

the medicated plaster segment. Dettol had a brand equity built over more than 50 years (at that period of time) and it is not an easy task to break into that equity. It needed painful long term sustained investment.

As such J&J allocated more resources for defending Band-Aid rather than in advancing Savlon. Slowly Savlon was pushed to a back burner after Dettol introduced the plaster. Savlon never re-emerged.

### **A New Hope**

In 1998, HUL acquired the rights to launch Savlon Soaps from J&J. While the rights for antiseptic lotion remained with J&J, the marketing alliance was for soaps. HUL was worried at the success of Dettol soaps.

Armed with a strong association with antiseptic property, Dettol soap became a huge success and cornered a significant chunk of the premium medicated soap category. HUL, wanted to arrest the rise of Dettol soap to retain its leadership.

Instead of trying to develop its own brand of soap, HUL looked for an easy solution. Thus came the idea of marketing alliance with Savlon. With much fanfare, Savlon antiseptic soap was launched. J&J was happy because it got some cash flow by giving the rights of Savlon.

### **Fails Again**

The marketing alliance lasted only for 4 years as it did not click well. According to reports, HLL put Savlon soap dumped it in 2003 and repositioned its Lifebuoy brand to fight against Dettol.

So where did Savlon went wrong? There are marketing experts who say that the positioning of Savlon was not correct. Consumers tend to believe that the stinging sensation is a property of the effective antiseptic. So what does not hurt, can not be an antiseptic. Dettol has taught them that way. The “No-stinging and sweet scent” of Savlon are thus unimportant for a consumer looking for an antiseptic lotion.

Hence Savlon was trying to differentiate on attributes which are not considered to be important by the consumers. Further, Savlon did not achieve its desired success because J&J was not able to support it in terms of investment. Somewhere along the way, the company disowned the brand. One reason can be that antiseptic lotion is a small market

that does not warrant such heavy investment. But if that is so, the the company shouldn't have introduced a brand in such a category. Savlon now occupies a negligible part of the market. It is a popular brand in the institutional market but in the consumer market, it is a no-brand.

### **Case:hand Sanitizers –Lifebuoy Vs Dettol**

Hand sanitizers are popular in markets like West and Europe because of the consumer awareness about hand hygiene coupled with the convenience of the product. The fact that the product can be used anywhere/anytime makes it a very useful product for those who are too much worried about keeping their hands always germ-free.

### **Rival Brands**

Today, hand wash sanitizer market is growing in India and families are moving towards hand sanitizer. Dettol & Lifebuoy both brands are offering hand sanitizer too. Many other local brands are available in Indian market. Dettol and Lifebuoy are very strong rival brands, holding huge market in antibacterial soap segments. Both the brands are very old as well as well known in worldwide market and already taken brand position in Indian market. However, both are competing strongly and aggressively in market.

### **Positioning**

Both Dettol and Lifebuoy are conveying message of protection against “Germs”. And, both brands are targeting especially Children market, though it is a family product. Today, normally children are facing germs problem while playing, not cleaning wash properly etc. And, Dettol and Lifebuoy promise to protect against germs and keep family healthy

### **Unique Promotion**

In Coffee Café Day at Santacruz every table is being displayed with a Lifebuoy Hand Sanitizer with a tag line “Haath Dhoye Kya (Lifebuoy Hand sanitizer).” HUL has segmented the market right and taken Coffee café day as the promotion spot, where most of the people who visit it are middle and upper middle class and most of them are really hygiene conscious. While using this sanitizer, a person will think of buying a hand sanitizer for himself because of the fact that most of the people carry bag along with them in Mumbai so will think of buying it after using it.

## Summary

Promotion strategies are categorized as above the line and below the line activities. Sales promotion is commonly referred to as “Below the Line” promotion. Below the line advertising (BTL) methods make use of an indirect way of advertising and brand promotion. They include sponsoring events, discounts, public relation events, coupons and contest. Sales promotion can be directed at the ultimate consumer (a “pull strategy” encouraging purchase) or the distribution channel (a “push strategy” encouraging the channels to stock the product). This is usually known as “selling into the trade”

Many factors like growing power of retailers, declining brand loyalty, increased promotional sensitivity, brand proliferation, fragmentation of consumer market, short-term focus, increased accountability, competition, clutter, and growth in promotion agencies have led to increased use of sales promotions. *Off-the-shelf promotions* like Scratch-and-win cards, Free accommodation offer, Free travel vouchers, free Insurance cover require trust to succeed.

Joint Promotions are marketing tools designed to promote two or more products, simultaneously, usually by associating compatible brands or products. For example a Kurlo pillow is offered free with the purchase of Kurlo mattress. For Lipton Tazza Tea a pack of Britannia Tiger (Cookies)Biscuits is free.

Price promotions are also commonly known as “price discounting” These offer either

- (1) A discount to the normal selling price of a product, or
- (2) More of the product at the normal price.

Short-term price reduction is known in some areas, “on sale” pricing. The reduction in money value of the product can be provided to customers in different ways like- ½ price sale, “Two for.....” sale and Bonus packs (larger quantity at same price). Exchange schemes/ Money back offers are the latest sales promotion tool in consumer disables market.

Some promotional methods offer free products but with the condition that a purchase be made. They can take any of the two forms: one is bonus pack and banded pack.

Coupons are another, very versatile, way of offering a discount. Coupons are certificates which offer reductions to consumers for specified items. Money refunds provide money refund after submitting a proof of purchase to the manufacturer. Rebates, like coupons, offer value to purchasers typically by lowering the customer’s final cost for

acquiring the product. Premiums are goods offered either free or at low cost or an incentive to buy the product. Premiums are offered as bonus, prize, gifts or other free offers. Another popular promotion tool with many variants is contests and sweepstakes.

## **CASE**

### **Levi's Promotion**

Apparel manufacturer, Levi's Strauss India Pvt. Ltd (Levi's), offered to sell its well-known Levi's brand of jeans and other Levi's products on equated monthly installments (EMI) payable through credit cards. Executives of Levi's jeans knew that this offer would increase sales against the chaotic economy downturn. They planned to arrest its decline in sales through this innovative offer.

Levi's Eco line brand support the "going green" movement in order to promote the Levi's brand, this manufacturer has come out with a promotional campaign centered around their new organic line, Levi's Eco. Levi's eco line organic cotton will be used to manufacture the clothing.

Levi's executives are trying to create change in the future. They want people to buy their new line but at the same time help the environment. They try to make people conscious about helping the environment just by wearing the eco line while still being trendy, fashion and conscious consumers.

The promotional method used are (print and TV), personal selling at stores. The estimated cost of the entire campaign was \$6.5 millions. Levi's has begun to use some interesting event marketing on Facebook to promote sales on its web site, as well as its stores via its Facebook Page and profile advertisements.

The Levi's® Loop is an Exclusive club of individuals who love Levi's®, wear Levi's® and get rewarded for doing so! This is a circle for those who like to be in the know. The benefits of the membership are:

- Exclusive presales premiere.- know about new product launches and other promotions.
- Discounts -Celebrate special occasions with gifts and discounts.
- Points - Get paid back upto e Levi's® Loop points with every purchase worth ₹ 100.
- Exclusive items- Every Levi's® Loop edition item is reserved for members only.

The most attractive target for them are the young demographic of adults 18-34 of middle income who value quality clothing and the hottest trends. Levi's jeans is sending the message that you can look hot and still be eco-friendly.

### **Questions for Discussion**

1. Identify the promotional measures taken by Levi's.
2. Do you think they are competitive and attractive?
3. Suggest some innovative sales promotions to Levi's.

*Source:* Marketing Mix of *Levi Strauss & Co* - ManagementParadise.com ... [www.managementparadise.com](http://www.managementparadise.com) ...> Marketing Management, 7 Dec 2010 and *Levi's*® Loop

### **Membership Program**

**Only For Originals**, [levi.in/loop/BenefitsAndFeatures.aspx](http://levi.in/loop/BenefitsAndFeatures.aspx)

### **Internet Exercise**

Based on the following develop a paper on promotion of FMCG players.

*FMCG* players spend more than what they earn on ads, [www.business-standard.com](http://www.business-standard.com)> Home> Companies & Industry, 26 May 2010 – and How *FMCG* makers coped with inflation - The Hindu Business Line, [www.thehindubusinessline.com/features/...world/article2153400.ece](http://www.thehindubusinessline.com/features/...world/article2153400.ece).

### **Mini-Project**

Develop a paper on promotion of two brands of a consumer durable.

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## Lesson 4.2 - Sales Promotion and Sales

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### Introduction

Sales promotion plays a unique role in the marketing mix. While advertising is primarily used to build a product's visibility and favorability over time, sales promotion is a means of giving buyers incentive to make an immediate purchase or to switch from a competitive brand. For example, a consumer might have a positive image of a brand based on a pleasing television commercial, but feel no urgency to try it until receiving a discount coupon or a sweepstakes opportunity. Thus to enable the marketer to add time urgency and other behavioral influences to the promotion campaign, sales promotion becomes necessary.

### How Promotion Affects Sales?

Retailers and manufacturers have come to rely on sales promotions to induce retailers and sales force to promote sales and stimulate consumers to purchase products and services. Table provides an over view of the different sales promotion tools.

#### An Over View of Sales Promotion Tools

Consumer market sales promotions	Trade sales promotions	Sales force sales promotions
Price discounts	Off-Invoice Allowance	Sales contests
Price pack deals	Buying allowance	Incentives
Rebates/refunds	Display and advertising allowance	Awards and prizes
Continuity programs	Buy back allowance	Premiums (gifts)
Coupons	Bill back allowance	Sales meetings
Samples	Count and recount allowance	Training
Contests and sweepstakes	Slotting allowance	Sales manuals etc.
Premiums and advertising specialties	Merchandise allowance	
Free trials	POP displays	
Brand placement	Cash rebate	

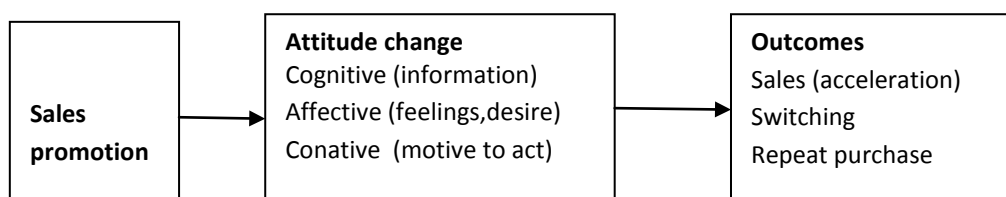
Event sponsorship	Free goods	
Product warranties	Trade coupons	
Exchange offers	Dealer listing	
Internet promotions	Dealer loaders	
Low interest financing	Sales contests	
Free service camps	SPIFFS (push money)	
	Incentives	
	Sales training programs	
	Trade shows	

### Sales Promotion is Action Oriented

Sales promotion is different from advertising which is more information oriented. In addition to information sales promotion provides motivation by creating a sense of urgency for purchasing a product and benefit from the transaction. It works in the direction of disseminating information, generating motivation and accelerating action. As shown Figure 8-1, it first works on attitudes to change them favourably for the brand and motivates the prospect to buy and also repeat the purchase.

- Price based promotions like price off, discounts or rebates, and coupons provide monetary benefit and induce price conscious buyers to buy products.
- Product based promotions like premiums, samples, exchange offers, product warranties, and price pack deals provide products for additional consumption and induce buying more or trying (switching to ) a new product.
- Excitement based promotions like event sponsorships, contests and sweepstakes, and product placements stimulate desire to buy an existing or switching to a new product.

Continuity or loyalty programs retain customers, negate switching intentions and sustain sales momentum.



**The way Sales Promotion Works**



## **Promotions Work Differently**

Research shows that every promotion should be viewed and evaluated as a separate marketing event. Promotions are tactical, not strategic, and they need to be managed that way. Only then will both retailers and manufacturers be able to reap the benefits of promotions while limiting the potential downside.

## **Fleeting Effects on Sales**

It is observed that most promotions have only fleeting effects. Research clearly shows that after a promotion runs its course, customers quickly return to their old buying patterns and sales drop back to normal levels. For retailers, promotions can often do more harm than good. An electronics retailer may find that buyers refuse to purchase a heavily promoted television once it returns to its higher price.

## **Positive Effect on Revenue**

A promotion increases manufacturer revenue and depresses retailer revenue in the short term but has no persistent effect for either party. However, different types of promotions can affect revenues and margins in other ways. Promotions of frequently promoted brands, for example, tend to have a positive short-term effect on both retailers' and manufacturers' revenues but a negative impact on retailers' profit margins. Thus, the interests of manufacturers and retailers may well be aligned for one financial metric, such as revenue, but not for another, such as profit.

## **Promotion may Build or Mar Loyalty**

Different forms of sales promotion can erode or build brand loyalty. Repeat purchasing is encouraged by marketers of low involvement and high frequency buying items, through promotions that require customers to collect points or take premiums.

Promotional strategies need to be in sync with the company's brand image in order to be effective and not detract from brand loyalty. For example, if Godiva chocolates, which has built its brand on an image of quality and imported elegance, used promotional strategies that featured discount coupons or videos of punk rockers, the sales promotion would erode its brand loyalty. To enhance customer loyalty, the promotion needs to reflect the established brand identity, capitalize on the product's advantages without compromising truth and integrity, and appeal to the consumer desires that have established the brand in the first place. For Godiva, promotion can emphasize its elegance, quality, and exclusivity.

## **Acceleration and Deceleration**

All promotions are not equal; nor do they have equal impact. Some increase sales and some others do not.

### **Display**

Display influences different products differently. Consider the effect of a display on the following four categories: beer, toilet paper, toothpaste and yogurt. Toilet tissue wipes up the competition with an 82% display-driven lift, with yogurt a distant second at 28%, beer at 15% and toothbrushes at 14%. Further analysis reveals that display-sensitive categories tend to be “must have” products or “easy-to-eat” meals that are stockable and traditionally demonstrate above average sensitivity to promoted price changes.

### **Price Promotion**

For companies, “if value is driven only by price, price becomes the only value proposition they have”. However, once the price game is started, it cannot be stopped. According to Narasimhan, a marketing professor at the Olin Business School at Washington University in St. Louis, “managers can be overly focused on losing market share and get caught up in a mindless cycle of discounting - without regard to the long-term implications of their actions.”

Take automobile manufacturers, for example. Dealers want to move more vehicles. In response, manufacturers initiate price promotions, offer rebates and lower buyers’ financing costs. “The additional volume that comes from these promotions will slowly fall,” Narasimhan said. “Why? In the mind of the consumer, there’s always another promotion and no real pressure to buy at a particular time. This dynamic, in turn, leads companies to continue price promotions.

A segment of market consists of strategic consumers who form expectations about future prices. They anticipate that certain products fluctuate in price and react based on their projections.

Narasimhan, Chan and Zhang based on their research on price cuts of paper towels observed the following:

- When prices are reduced, some consumers switched brands to take advantage of the sale,

- Loyal customers stocked up on their preferred brand.
- Light users increased their consumption
- Heavy users stored larger quantities.
- Price promotions could hurt large-share brand profits in the long run. An increase in sales at a lower price frequently came at the expense of future sales at the full price.

Narasimhan, Chan and Zhang opined that companies can drive value in ways other than price. For instance, a business could improve customer service, initiate a customer loyalty program or enhance the emotional appeal and image of a particular brand.

They suggested them to find creative opportunities to benefit from the entire marketing mix,. “Retain loyal customers through non-price, value-added components, and limit discounts to entice new buyers or brand switchers.”

### Display and Price Reduction

Consumers are reluctant to buy expensive items on display and temporary price reductions (TPR). Nielsen survey revealed varied responses for different price categories of items (Table).

**Average Product Lift in Food Channel**

<b>Promotion</b>	<b>Average regular price greater than \$5</b>	<b>Average regular price less than \$5</b>
Display	23%	43%
20% TPR	32%	44%
Feature	24%	27%

### Offering Multiples

This is a promotion distinct with success profile. Multiples work for items with expandable consumption, that are easily stored, where the multiple number makes sense (e.g. a five-pack lunch item that corresponds to a five-day work week). The total price should come in under \$10 with a unit price no greater than \$1.00, such as a 10 for \$10 offer.

## **Channeling Value**

Channel differences can dictate promotional success

- Food shoppers like price deals and are highly responsive to promotions. They are highly impulsive in buying. As such, displays stimulate unplanned purchase of utility items.
- Drug channel consumers, on the other hand, value convenience over price. Drug channel consumers plan their purchases and look for features, but are less responsive to displays.
- Mass merchandiser patrons exhibit an average response to displays, seeking overall value from the channel on the regular price. They expect lower regular prices, rendering TPRs less valuable for these segments..

## **Switching**

The general consensus appears to be that brand switching is a major source of volume (due to sales promotions). Gupta (1988) found that switching accounted for 84% of the increase in coffee brand sales generated by promotion. Putting together the facts that sales promotions generate dramatic immediate sales increases and that brand switching accounts for a large percentage of this increase, we can conclude that sales promotions are strongly associated with brand switching.

Switching can be effected through various promotional measures like price promotion, sampling, trial offers, premiums, and contests. The forms of sales promotion that are more effective at persuading consumers to switch brands are those that compare their product with that of a competing brand and point out its features that the other brand does not have

Consumer sales promotions that might induce impulse purchases include limited-time-only sales, limited edition products, price promotions, coupons and contests.

## **Price Promotion**

Loyal consumers do not respond to promotions. They display lower price sensitivity. People buying a niche product with less competitive offering tend to be fewer prices sensitive and prefer to buy same brand

Food store shoppers tend to be impulse-driven, and they respond to price promotions. They switch brands to try other offers with an expectation of better quality and taste.

Drug store shoppers come with a purpose and price or other kind of promotion works in case of general products like vitamins and food supplements.

Mass merchandiser patrons are less loyal and they seek everyday value and they are prone to switching.

## Sampling

Getting consumers to simply try a brand can have a powerful effect on future decision-making. Sampling is a sales promotion technique designed to provide a consumer with an opportunity to use a brand on a trial basis with little or no risk. Sampling is particularly useful for new products, but should not be reserved for new products alone. It can be used successfully for established brands with weak market share in specific geographic areas.

- **In-store sampling-** *Lakme has in-store trial products. Since it is in the cosmetics market it is very essential to provide samples, many stores in Mumbai from time to time have Lakme sampling offers. Where they allow you to try the product and then buy it.*
- **Door-to-Door sampling-** *Whisper have done door-to-door sampling, sampling through schools, newspapers, etc. even now after so many years of its launch it does sampling because of the new target base that gets added every year. Pantene also does door to door sampling.*
- **Newspaper sampling-** *Whisper and Pantene have done sampling through the newspapers.*
- **On-package sampling-** *Fair glow, a lot of free Fairglow soaps were available with many other products, especially other HUL products.*
- **Mobile sampling-** *Many road shows and mobile vans distribute free products or offers. Free Movie tickets, disco passes, pens...are often distributed.*

## Trial Offers

Trial offers have the same goal as sampling – to induce consumer trial use of a brand- but they are used for more expensive items. Segments chosen for this sales promotion technique must have high sales potential since the expense to the firm can be formidable. Ex: Exercise equipment, appliances, consumer electronics, etc.

## Premiums

They are items offered free or at a reduced price, with, the purchase of another item. Many firms offer a related product free. There are 2 options available for the use of premiums:

1. A free premium provides consumers with an item at no cost; the item is included in the package of the purchase item.
2. A self-liquidating premium requires a consumer to pay most of the cost of the item received as a premium. In this promotion offer the consumer is required to send a specified sum of money along with a proof of purchase to claim the premium.

Premiums have become very common today. Many companies are offering premiums. The main advantage of Premiums is that they offer not only that one product but also another product, which may influence the customer, to buy the product. Also new products are given free with established brands to stimulate trial of the new brand.

*Ponds – buy Ponds cold cream 100ml and get a ponds body lotion 50ml pack free.*

*Buy Good Knight expert refill pack and get 3 Nyle shampoo sachets free.*

*Pepsodent toothpaste – buy 100gm and get 4 Clinic Plus sachets free.*

## Contests and Sweepstakes

Contests and sweepstakes can draw attention to a brand like no other sales promotions technique. A contest has consumers compete for prizes based on skill or ability. Winners in a contest are determined by a panel of judges or based on which contestant comes closest to a predetermined criterion for the contest. Contests tend to be somewhat expensive to administer because each entry must be judged against winning criteria.

Contests were very often used earlier where people has to write slogans, poems, stories etc. generally “I like the product because ...” and the best ones won prizes.

Nokia India Pvt. ltd. With the objective of establishing Nokia phones as the most SMS- friendly phones in the market took up promotion “ Nokia SMS Challenge” in Delhi. It has tied-up with 15 premier outlets. It asked the customers to SMS a pre-decided message to a particular number. The winner is the one who takes the shortest time and the gift is a Nokia 3310 phone.

But off lately, contests are becoming less and sweepstakes increasing. People are more willing to play on luck rather than participate by showing their abilities. A sweepstake is a promotion in which winners are determined purely by chance. Consumers need only to enter their names in the sweepstakes as a criterion for winning. Some popular types of sweepstakes also use “scratch-off cards”.Contests and sweepstakes often create excitement and generate interest for a brand, but the problems of administering these promotions are substantial. One problem is that the game itself may become the consumer’s primary focus, while the brand becomes secondary. The technique thus fails to build long-term affinity for the brand.

Britannia khao world cup jao campaign has taken the market by a swing.Under the offer you collect points available on Britannia biscuit packets and exchange 100 points for a scratch card, which has various gifts and the 100 world cup tickets. The offer was actually introduced during world cup and had shown phenomenal results. Sale increased tremendously; there was an increase in the sales by 25%, claims the company. So it is repeated with good results.

### **Repeat Purchasing Consumption**

Repeat purchasing consumption is generally viewed as the behavior of brand loyal customers. In marketing, brand loyalty consists of consumer’s commitment to repurchase or otherwise continue using a brand. It is demonstrated by repeated buying of a product or service, or other positive behaviors such as word of mouth advocacy. However, customers may repurchase a brand due to situational constraints such as a lack of viable alternatives, or out of convenience. Such loyalty is referred to as “spurious loyalty.

### **Continuity Programs**

When competing brands have reached parity, continuity programs have provided the discrimination factor among those competitors. Continuity programs retain brand users over a long period by offering ongoing motivations; in this sense, long-term continuity programs differ somewhat from most other forms of sales promotions since they are relatively permanent. Self-liquidating premiums are one-time opportunities, whereas continuity programs demand that consumers keep saving something in order to get the premium in the future.

Shoppers stop started the “First Citizens’ Club” and enrolled customers as ‘members’ of the shoppers club by charging a fee of ₹ 150. The customers were entitled to a variety of benefits by collecting points.

## Collectibles

Loyalty or repeat buying is encouraged by promotions collectibles like stamps, packs or caps. Collectibles are irresistible to those who have established an ongoing collection. Trading stamps, popularized in the 1950s and 1960s, such as S&H and Gold Bond, are prime examples. The bonus was usually one stamp for every dime spent at a participating store. The stamp company provided redemption centers where the stamps were traded for merchandise. A catalog listing the quantity of stamps required for each item was available at the participating store.

Vendor lock in schemes - Lock-in schemes such as loyalty cards have proven to be very popular for creating brand loyalty. These types of schemes allow customers to collect points for purchases and receiving discounts or rewards based on the amount of points they have. Today, airlines' frequent-flyer clubs, hotels' frequent-traveler plans, as well as bonus-paying credit card programs have replaced trading stamps continuity programs.

Continuity programs have also opposed a new threatening competitor by rewarding long-standing customers for their continuing loyalty. A continuity program is all about sustaining brand loyalty through continuous reward. Retail-driven frequent-shopper plans focus on core customers to solidify store loyalty; manufacturer sponsored programs usually encourage product loading and repeat purchase from stores.

## Case Examples

The following cases explain how promotions can encourage repeat purchase.

**My Coke Rewards** is a customer loyalty marketing program for Coca cola soft drinks. Customers enter codes found on specially marked packages of Coca-Cola products on a website. Codes can also be entered "on the go" by texting them from a cell phone. These codes are converted into virtual "points" which can in turn be redeemed by members for various prizes. The program was first launched in North America in 2006. By November of that year, more than one million prizes had been redeemed. The program has since been extended every year for the past 5 years with the current extension until December 31, 2012.

**Pepsi Stuff** was a major loyalty program launched by Pepsi Co first in North America on March 28, 1996 and then around the world featuring premiums — such as T-shirts, hats, denim and leather jackets, bags and mountain bikes — that could be purchased with Pepsi Points through the *Pepsi Stuff Catalog* or online. Customers could acquire points



from specially marked Pepsi packages and fountain cups. Additional points were sold both by Pepsi and by consumers, the latter mainly enabled by ebay. The Pepsi Stuff promotion ended December 31, 2008

**Pyramid** is a leading chain of outlets across India. Pyramid wanted to give an additional advantage to their existing members and those who wanted to be a part of the power club. The Pyramid club members on purchase of product worth ₹ 2500/- were entitled for free membership card and save slip with purchase of domestic product and on purchase of Air Ticket from TravelPort.

**KCMMPL** is the real estate arm promoted by Future Group and it controls and manages the following 5 malls - Orchid City Centre at Mumbai Central, Milan Mall at Santacruz, Cosmos Mall at Bangalore, Lido Mall at Bangalore and Ahmedabad City Centre at Ahmedabad. KCMMPL conducts events and promotions on regular basis in their respective atrium. They want to generate repeat purchases at the malls and to increase brand loyalty.

As an alliance KCMMPL have tied up with RewardPort, whereby, its travel arm TravelPort is offered kiosk space in the mall atrium called TravelPort Terminals, shared with Customer Service Desk (CSD). TravelPort vends all its travel services from its hi-tech touch screen kiosk. Further strengthening the alliance KCMMPL purchased 5000 units of VacPac ( a 2days/ 3nights vacation-holiday package ) from TravelPort and offered for various purchases, contests and schemes for achieving the desired objectives of repeat purchases at the malls and to increase brand loyalty.

**Spencer** is the retail division of RPG Group of Industries with retail outlets spread across India with many outlets in South India. Apart from the attractive prices being offered by this chain, they also wanted to reward their customers in multiple ways.

1. For regular shoppers to build up customer loyalty.
2. Benefit during new years for shopping more than ₹ 3000
3. In tier II and III cities, benefits to customers who did monthly purchase of above ₹ 3000.

Appreciation to its shoppers in way of incentive was something Spencer thought of. They wanted a product wherein a customer feels that whatever he / she has purchased today is almost free and they have got value for their money. They gave VacPac and it gave response which even Spencer's had not anticipated.

## **Trade Dealing**

The term “trade” traditionally refers to wholesalers and retailers who handle or distribute marketers’ products. Other terms for wholesalers and retailers include “resellers” and “dealers.” Trade deals refer to the buying arrangement or terms of sale that offer special purchasing incentives.

## **Objectives**

Generally speaking, when marketers devise incentives for the trade market, they are executing a push strategy – i.e. sales promotions directed at the trade help push a product into the distribution channel until it ultimately reaches the consumer.

## **Obtain Initial Distribution**

Because of the proliferation of brands in the consumer market, there is fierce competition for shelf space. Sales promotion incentives can help a firm gain initial distribution and shelf placement. Like consumers, members of the trade need a “reason to choose” one brand over the other when it comes to allocating shelf space. A well conceived promotion incentive might sway them.

## **Increase Order Size**

One of the struggles in the channel of distribution is over the location of inventory. Manufacturers prefer that members of the trade maintain large inventories so that the manufacturer can reduce inventory-carrying cost. Conversely, members of the trade would rather make frequent, small orders and carry little inventory. Sales promotions techniques can encourage wholesalers and retailers to order in large quantities, thus shifting the inventory burden to the channel.

## **Encourage Co-Operation with Consumer Market Sales Promotions**

It does a manufacturer no good to initiate a sales promotion in the consumer market if there is little co-operation in the channel. Wholesalers may need to maintain larger inventories and retailers may need to provide special displays or handling during consumer market sales promotions. To achieve synergy, marketers often run trade promotions simultaneously with consumer promotions.

## **Increased Store Traffic**

Retailers can increase store traffic through sales promotions or events. A promotion that generates a lot of interest within a target audience can drive consumers to retail outlets.

## ***Off-Invoice***

Here marketers allow wholesalers and retailers to deduct a set amount from the invoice they receive for merchandise. This programme is really just a price reduction offered to the trade on a particular marketers' brand for a specified short promotional period. The incentive for the trade with this programme is that the price reduction increases the margin (and profits) a wholesaler or retailer realizes on the off-invoiced brand.

This scheme is in general available for many products, where if the bill amount is above a certain amount you get a certain percentage discount. The % varies from around 2% to 10%, from company to company and also from time to time.

## **Deal Loaders**

A dealer loader is a premium that the manufacturer gives to the retailers for buying a certain quantity of a product. There are generally two types of dealer loaders – buying loader and display loader.

A buying loader is given to the retailer on purchase of a specified quantity of a particular product.

A display loader is the premium given to the retailer for the window display. After the promotion period is over, the item or items, are given to the retailer as a free premium.

For instance, General Electric may have a display containing appliances as part of a special program. When the program is over, the retailer receives all the appliances on the display if a specified order size was achieved.

## **Trade Deals**

Trade deals are often special price concessions superseding, for a limited time, the normal purchasing discounts given to the trade. Trade deals include a group of tactics having a common themes encourage sellers to specially promote a product. The attention may be generated by special displays, purchase of larger-than-usual amounts, superior

in-store locations, or greater advertising effort. In exchange, retailers may receive special allowances, discounts, goods, or money.

Money spent on trade deals is considerable. In many industries, trade deals are the primary expectation for retail support. There are two main types of trade deals:

- Buying allowances
- Advertising/ display allowances.

A buying allowance is a bonus paid by a manufacturer to a reseller when a certain amount of product is purchased during a specific time. All the reseller has to do is meet the criteria of the deal. The payment may be a check or a reduction on the face value of an invoice. For example, a reseller who purchases ten to 15 cases receives a buying allowance of \$6.00 off per case; a purchase of 16 to 20 cases would result in \$6.75 off per case, and so forth.

In order to enjoy a buying allowance, some retailers engage in forward buying, a practice very common in grocery retailing. In essence, more merchandise than needed during the deal period is ordered. The extra merchandise is stored to be sold later at regular prices. The savings gained through the buying allowance must be greater than the cost of warehousing and transporting the extra merchandise.

### *Types of Buying Allowance*

- **Count and recount technique** is an approach used in the buying allowance strategy. It involves a certain amount of money for each unit moved out of the wholesaler's or retailer's warehouse during a specified period.
- **Buy-back allowance** is another type of buying allowance. It immediately follows a previous trade deal and offers a specified bonus for new purchases of the product related to the quantity of purchases from the first deal. The purpose is to motivate repurchase immediately after the first trade deal once the product has depleted warehouse stock.
- **Slotting allowance** is the most controversial form of buying allowance. Slotting allowances are fees retailers charge manufacturers for each space or slot on the shelf or warehouse that new products will occupy. The controversy stems from the fact that in many instances this allowance amounts to little more than paying a bribe to the retailer.

- **Free goods allowance.** The manufacturer offers a certain amount of product to wholesalers or retailers at no cost if they purchase a stated amount of the same or a different product. The bonus is in the form of free merchandise instead of money. For example, a manufacturer might offer a retailer one free case of merchandise for every 20 purchased.

### ***Advertising Allowance***

An advertising allowance is a common method exercised primarily for consumer products. The manufacturer pays the wholesaler or retailer a dividend for advertising the manufacturer's product.

The money can only be used to purchase advertising. Controlling this scheme may be difficult. Some resellers may view the advertising allowance as a type of personal bonus and engage in devious behavior such as billing the manufacturer at the much higher national rate rather than at a lower local rate. Therefore, many manufacturers require some verification.

### ***Display Allowance***

A display allowance is the final form of promotional allowance. Some manufacturers pay retailers to select their display from the many available every week. The payment can be in the form of cash or goods. Retailers must furnish written certification of compliance with the terms of the contract before they are paid. Retailers tend to select displays that are easy to assemble and yield high volume and profits.

## **CASES**

### **Case: Promotion of consumer durables**

With the onset of the festive season, consumer durables firms have kicked off big marketing initiatives and offers to woo customers.

### ***Target***

Samsung is eyeing to garner sales to the tune of ₹ 2,500 crore. Others companies like Haier, Panasonic and LG, are expecting up to 70 per cent jump in sales during the festive season, compared to last year.

## **Promotion**

As part of its strategy to boost sales during the period, Samsung has launched a range of LED and LCD flat panel TVs, 21 inch slim TV model and frost-free refrigerator models. "Samsung is looking at flat panel televisions, including its Smart TV range and its home appliance product ranges to drive the growth during this festival period," Krishnan said.

Based on new launches and offers, we are looking at a 30 per cent jump in sales during the promotion period. During the festive season, we are expecting a business of ₹ 2,500 crore," Samsung India Vice President and Business Head (Home Appliances) Mahesh Krishnan told PTI. Samsung is giving away gifts worth ₹ 150 crore during the promotion period.

Haier is shelling out nearly ₹ 100 crore for various marketing initiatives during the period. "This festive season, we are expecting around 50 per cent growth over last year. September and October months are crucial for us. From the two months, we expect to achieve sales of ₹ 200-250 crore," Haier India Operations President Eric Briganza said.

Japanese electronics and appliances maker Panasonic 's Indian operations are expected to contribute about 5 per cent to its global sales with an expected turnover of ₹ 25,000 crore by 2015 driven by local manufacturing, exports and enhanced R&D capabilities. India currently contributes around two per cent to Panasonic's global sales. Panasonic has also rolled out its latest campaign

'One Festival Many Celebrations with Panasonic', unveiling a range of special offers for the customers. "During September and October, we will invest ₹ 100 crore in marketing of our products that will include advertising on mass media, consumer offers and prizes, roadshows and in-store promotion," Panasonic India Director Marketing and Sales Manish Sharma said."The customer sentiments are upbeat and we will encash it with incredible offers like extended 3 years warranty, assured gift on every purchase.

However, Korean consumer durable giant LG said it has reduced the marketing budget for this festive season by around 15 per cent and expects a sales jump of 25 per cent over that of last year. "We feel that our brand is strong enough now and our past experiences have shown that heavy marketing during the season is not so effective. It is too much cluttered and differentiation does not up," LG India Chief Operating Officer Y. V. Verma said.

## **Case of Promotion by Godrej**

Godrej Appliances, started in 1958, dominated the consumer durables market for decades, especially in refrigerators. But gradually it grew complacent and lost touch with its customers. A survey report said the company and its products were not connecting with young people. The average age of its customers was 35 to 45 years - a serious impediment in a country with 45 per cent of its population below 25. Worse, they claimed, it was not even perceived as a technology brand - the market did not think its products incorporated the latest advances in technology.

### ***The Situation***

Though market share in refrigerators hovered around 27 per cent - there were rivals even then, indigenous ones like Kelvinator, Videocon, Whirlpool and Voltas - Godrej was always among the top three players. The aggressive foreign players, especially Korean brands like LG and Samsung, and the Japanese like Akai and Aiwa have posed a threat. «There was little or no difference in terms of technology between us and the foreign players,» says Ramesh Chembath, Assistant Vice President, Marketing, Godrej Appliances. «Yet the youth considered us a mom and-pop brand.»

While matching Godrej in the quality of their products, the new foreign players also employed advertising blitzkriegs, attractive packaging and aggressive pricing strategies to push sales. At one point, Godrej's products were priced 15 per cent higher than similar products offered by foreign players. Slowly, the market share of Godrej began to fall. The management remained complacent, calling it a temporary blip, unable to believe that customers would abandon a brand they had trusted for generations in favour of relatively new and unknown brands.

### ***The Challenge***

Godrej is set about overcoming the two drawbacks the surveys had pinpointed: the misconception about its technology use and its lack of youth connect. To woo the youth, Godrej turned to design specialists to suggest shapes and colours that would make their products look sleek and appealing. «We emphasised making our products look contemporary,» says Kamal Nandi, Vice President, Marketing and Sales, Godrej Appliances. «We gave our brand a sheen of technology by telling consumers about the presence of other Godrej companies in high tech areas such as aerospace and industrial equipment manufacturing.»

To address the market better, Godrej Appliances also began differentiating its product offering, providing different models for different socio economic groups. The high-end «cool shower technology» refrigerators were given the label Eon. For the mid-market segment Godrej launched the brands Edge and Axis, while for the cost conscious mass market, it had Neo. Within the company the emphasis is now on product expansion and innovation, with a 100-member multi-generation product planning team having been set up for this purpose.

«We are spending close to five per cent of our annual turnover on research and product development activities,» says Nandi. Godrej added around 100 new stock keeping units - or innovations under various categories - to its portfolio in 2010.

### **Case: Promotion of Nano**

The Tata Nano adopted innovative marketing ideas when it rolled into showrooms across the country. The ₹ 1 lakh car, which broke new ground in design, engineering and production processes, opted for “cost-effective and innovative use of media,” according to people with knowledge of the Nano marketing strategy. To make the car more easily accessible to people, the Tata Motors team offered the Nano not just through Tata car dealerships across the country, but also through conventional retail outlets like Westside and Croma. Westside is a lifestyle retail brand and Croma is an electronic megastore. Both are owned by the Tata group. Westside and Croma outlets displayed the Nano and also take bookings. Also a whole range of Nano merchandise like baseball caps, T-shirts and key chains, were offered among others. Carrying forward its vendor partnership production strategy, Tata Motors shared promotion of the Nano brand with its multiple PSU bank partners.

### ***Media Coverage***

These PSU financiers promoted the Nano brand during booking jointly with Tata Motors and on their own. The Nano’s overall marketing strategy was used conventional media in an unconventional manner. Unlike most small cars, Nano did not go big on advertising. There was no TV campaign, only innovative use of print, radio and other media, particularly the web. The Tata team worked on Nano news in papers, Nano breaks on radio, Nano appearing in the form of messages or ticker news on TV, online Nano games, Nano chatrooms on the Net, Nano pop-ups on major websites and Nano conversation on Facebook, Orkut and blog spaces.



## ***Innovative Campaign***

According to people in the ad industry with direct knowledge of the Nano's marketing strategy, the campaign will be cost-effective and innovative so that Nano becomes synonymous with anything "small, cute and brief." "The idea is to make the Nano part of our everyday lingo like 'see you after a Nano,' it's a totally word-of-mouth campaign," said a person familiar with the Nano marketing strategy. Tata Motors has appointed Rediffusion for creative content in the Nano campaign. Lodestar will handle media buying for the ₹ 1 lakh car. "The Nano is a huge brand and one of the most interesting accounts in the automobile business," said the COO of a top ad agency based in Delhi. "However, it is still not clear just how big the account will be." One cannot create a demand for the product, just on the basis of reduced cost. TATA had put in place a variety of promotools for promoting its sales.

## **Summary**

Sales promotion plays a unique role in the marketing mix. Retailers and manufacturers have come to rely on sales promotions to induce retailers and sales force to promote sales and stimulate consumers to purchase products and services. Research shows that every promotion should be viewed and evaluated as a separate marketing event. Promotions are tactical, not strategic, and they need to be managed that way.

It is observed that most promotions have only fleeting effects. A promotion increases manufacturer revenue and depresses retailer revenue in the short term but has no persistent effect for either party. Different forms of sales promotion can erode or build brand loyalty. Promotional strategies need to be in sync with the company's brand image in order to be effective and not detract from brand loyalty.

Display, price reduction, and offering multiples can help accelerate sales. The general consensus appears to be that brand switching is a major source of volume. The forms of sales promotion that are more effective at persuading consumers to switch brands are those that compare their product with that of a competing brand and point out its features that the other brand does not have. Consumer sales promotions that might induce impulse purchases include limited-time-only sales, limited edition products, price promotions, coupons and contests.

Repeat purchasing consumption is generally viewed as the behavior of brand loyal customers. Continuity programs retain brand users over a long period by offering ongoing motivations. Loyalty or repeat buying is encouraged by promotions collectibles like stamps,

packs or caps. Lock-in schemes such as loyalty cards have proven to be very popular for creating brand loyalty.

Trade deals are often special price concessions superseding, for a limited time, the normal purchasing discounts given to the trade. Trade deals include a group of tactics having a common theme encourage sellers to specially promote a product. The attention may be generated by special displays, purchase of larger-than-usual amounts, superior in-store locations, or greater advertising effort. In exchange, retailers may receive special allowances, discounts, goods, or money. Different types of buying allowance are in vogue. They include: Count and recount technique, Buy-back allowance, Slotting allowance, Free goods allowance, Advertising allowance and Display allowance.

### **Self Assessment Questions**

1. Distinguish between above, below and through the line promotion
2. What is the meaning and role of sales promotion
3. Identify the factors that influence sales promotion of consumer goods
4. What are the different types of off the shelf offers?
5. Write a note on joint promotions
6. Explain the different tools of price promotions
7. Examine the utility of premium promotions for personal care products
8. Explain the different types of prize promotions
9. Explain the use of sales promotion of any two shampoo brands.
10. Explain the use of sales promotion by mobile phone marketers.
11. What are the possible positive effects of promotion on sales?
12. Discuss the limitations of sales promotions.
13. With examples explain how promotion can accelerate sales
14. With suitable case examples show how sales may be decelerated by promotion
15. Can sales promotion cause switching?
16. How do you encourage repeat purchasing through sales promotions?
17. What are trade deals and how do you classify them?
18. Examine the sales promotion for increasing sales by any two brands.
19. Compare the sales promotion efforts of two retail chains and evaluate their effectiveness
20. Explain the loyalty programmes of any two organizations.

## **CASE STUDY**

### **Selling Colour Cosmetics**

India, with a population of nearly a billion people, is a country of contrasts. Although Indians are strongly attached and committed to their traditions, and culture, the advent of television and the awareness of the western world is changing the tastes and customs of India.

### **Target Market**

The increasing size of the middle-class population in India, representing a growth in disposable incomes, has led to more consumers for the cosmetics and toiletries market. The crowning of three Indians as Miss World and Miss Universe, has made Indian women conscious of their appearance. Consequently, the cosmetic consumption patterns of Indian women have changed, and this trend is fuelling growth in the cosmetic sector. More number of consumers is inclined to purchase higher-priced products. The prospect is profiled as follows:

She's the new age generation, fashion conscious and takes care of her image. Cosmetics are a feel good factor for her, which she showcases. She's keeps up with the trends and has her hand on the pulse of what's in vogue. She's a conformist looking for a unique twist, with a subtle narcissism about her.

### **Size of the Market**

The size of India's colour cosmetics market is ₹ 300 crore. That of fragrances is ₹ 170 crore while the skincare market size is larger at ₹ 400 crore. While lipsticks account for nearly a third of the colour cosmetics market at ₹ 90-100 crore, the market for nail enamels is estimated at around ₹ 110 crore. The remainder consists of products such as mascara, eye-liners etc. The market for cosmetics and toiletries in India is characterized by high volume sales of low-end toiletry products, while at the same time the legendary emerging middle-class has generally been fuelling demand for cosmetics and upper-mass toiletries.

### **Competition**

Maybelline competes with Revlon and Lakme in the colour cosmetics market in India. Revlon too has grown 65 per cent to strengthen its share to 13 per cent during the period. As per the data, Lakme's share stands at 34 per cent, and that of Elle 18 is 25 per

cent - both of which have suffered a de-growth over the previous period. The lip and nail colour market, at ₹ 107 crore, has registered a growth of 11 per cent.

Mass market products account for a major share, around 70 per cent, while the premium segment accounts only for a mere 9 per cent in lipsticks and 5 per cent in nail enamels.

## **Positioning**

The first challenge that the colour cosmetics industry had to face was to undo the negative connotations attached with “Being fashionable”. Further they also had to dispel the fears that colour cosmetics are harmful for the skin. They had to help the people to learn to adopt cosmetics as an essential part of daily grooming.

Lakme has always advertised in the various mass media available. For instance, its premium brand Orchids has followed the path of Chambor, and is placed only in large and reputed retail stores. To position them strongly amongst the 6 million youth section Lakme came up with Elle18. It was advertised for the “Young girl who breaks the rules and loves to have fun”. These ads showed young, college and high school going girls who projected the image of trying to be different and “cool”.

In the premium segment Lakme has introduced another player, Aviance, which has been position as “customized beauty solutions”. The distribution is handled by network marketing, which consists of a number of beauty consultants, mainly belonging to the upper-middle class, who have been well trained and are well groomed to spread the Aviance beauty gospel.

## **The Challenge**

Brand image and high degree of consumer acceptability need to be established in the personal products sector, and call for heavy promotional investments in awareness building, besides tie-ups with good FMCG companies to leverage their distribution strengths.

## **Questions for Discussion**

1. What kind of promotion mix do you suggest for colour cosmetics?
2. Identify the sales promotion activities suitable for their promotion.

*Source: Colour Cosmetics Stila Brand Launch India - Market Analysis ... [www.foolonahill.com/adcosmo.html](http://www.foolonahill.com/adcosmo.html)*

## **Internet Exercise**

Prepare a write up on Promotion strategy of Nano, based on the information in the following websites:

Nano to Ride on Innovative Marketing - Businessweek,

[www.businessweek.com/globalbiz/content/.../gb20090323\\_636187.h...23](http://www.businessweek.com/globalbiz/content/.../gb20090323_636187.h...23) Mar 2009  
and and advertising strategy for nano... - ManagementParadise.com - Worlds ...[www.managementparadise.com](http://www.managementparadise.com)> ...> Miscellaneous Projects, 14 May 2009.

## **Mini-Project**

Visit a local auto dealer and learn the promotion tools employed by the manufacturer and the dealer to promote sales.

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## UNIT - V

### Unit Structure

Lesson 5.1 - Retail Sales Promotion

Lesson 5.2 - Retailer Sales Promotion Strategy

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### Lesson 5.1 - Retail Sales Promotion

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### Learning Objectives

*After studying the lesson, you will be able to:*

- Explain some of the methods of consumer promotions
- Understand how to assess profitability of promotions
- Know the different retailer promotions
- Identify the ways of measuring promotion effectiveness

### Introduction

Consumer promotions are a key tool for managers to increase sales. Promotions can be improved if managers realize that the routes through which they affect consumers are more than through merely offering an economic incentive. Recognizing other positive and negative influence allows them to devise ways to reduce the negative effects in a way to maximize a promotion's impact in the short and long run. Due to their current proliferation, promotions are much trickier than they were three decades ago. Managers should always think twice before embarking on a promotional roller coaster.

### Consumer Promotions and Efficacy

It is difficult to sell products without right promotion support. The SymphonyIRI report into European pricing and promotions reveals the use of promotion in sales of different products. Box presents details.

## Use of Promotion in Europe

SymphonyIRI covers categories including alcohol, confectionery, personal care and food. SymphonyIRI's data was compiled in the 52 weeks leading to 15 March and is taken from barcodes of products sold in every major multiple in the UK.

On average European countries sold between 20%-30% of alcohol products on promotion.

The report reveals that 71.7% of alcohol products sold in the major UK supermarkets were on promotion. In Italy, the second most active European country in terms of alcohol promotions, 33.1% of alcohol products were sold on promotion.

The report observed that the nature of alcohol promotions could soon be forced to change due to minimum pricing legislation passed in Scotland last month and the looming consultation into minimum pricing in England and Wales this summer.

SymphonyIRI believes that as a result price-centric marketing could be replaced by product partnerships such as beer and crisp brand tie-ups.

Confectionery products are the second most promoted category in the UK with 67% of products sold on promotion, followed by non-alcoholic drinks (65%), personal care (64%), household (56%), chilled and fresh food (54%), frozen (51%), ambient food (50%) and pet care (43%).

According to SymphonyIRI, price-led promotions are being encouraged by the retailers, which often run them as loss-leaders in order to get people in stores.

Source: Chapman, Matthew, Supermarkets sell up to three quarters of alcohol on promotion,, marketingmagazine.co.uk, 13 June 2012.

Though consumer promotions are universal, the key managerial questions regarding consumer promotions today are:

1. Are they increasing sales to their maximum potential (e.g., can coupon redemption rates be increased without affecting the manufacturer's or retailer's margins)?
2. Are consumer promotions as profitable as they might be (e.g., can coupon values be lowered without affecting redemption rates)?



3. How sensitive is customer response to the design and communication of the sales promotion (e.g., are certain types of promotions more appropriate in certain circumstances)?
4. What are the long-term effects of sales promotions (e.g., do they lead to a larger customer base, or may they erode brand equity by increasing price sensitivity)?

## **Online Promotions**

Internet marketing can attract more people to your website, increase customers for your business, and enhance branding of your company and products. Here are tips for beginning an online marketing strategy.

1. Start with a web promotion plan and an effective web design and development strategy.
2. Get ranked at the top in major search engines, and practice good Search optimization techniques.
3. Learn to use Email marketing effectively.
4. Dominate your marketing niche with affiliate, reseller, and associate programs.
5. Request an analysis from an Internet marketing coach or Internet marketing consultant.
6. Build a responsive opt-in email list.
7. Publish articles or get listed in news stories.
8. Write and publish online press releases.
9. Facilitate and run contests and giveaways via your web site.
10. Blog and interact with your visitors.

By following the above tips you'll be on your way to creating a concrete internet marketing strategy that could boost your business substantially.

In on line promotion, one can leverage the networks of the competition's participants. With the advent of ego-boosting social networks, your participants will love to spread the word, providing them with a platform to talk about themselves. What the marketer needs is a self-hosted and properly configured WordPress blog. Box presents how a publisher of book promoted it before publishing it. The competition's basic structure can be copied for just about any product or cause. Keep in mind however that the competition's award will be a key factor in how much interest and engagement you receive.

## **Online Promotion**

A publisher of a book was interested in not only garnering some pre-publication attention but also involving community in the authoring of the book itself. He announced that the winning author's essay would be included as a chapter in the new book. He created a page on the company website to announce the essay writing competition. Through some simple social media promotion and email newsletters, the competition had received approximately 2,200 essays from over 88 countries. Picking up from the list of participant email addresses, he sent out an email asking them to submit a 250 word excerpt from their essay to the book's new WordPress website. Their new usernames and passwords would be emailed to them and they could login and publish their excerpt. They were informed that their excerpt's page was going to contain social buttons e.g. Twitter, Facebook share, and Google buzz. Each participant was encouraged to promote their excerpt within their networks. The participant who brought in the most traffic to their excerpt by the deadline would be guaranteed an opportunity to work with the editors to shape his or her essay for inclusion in the book manuscript.

He used a WordPress plugin called Dagon Design Import Users, and ran competition for about a month. In that time, he received over 185 excerpt submissions and approximately 10,800 visitors to the site. Facebook accounted for 56% of referral traffic. He also set up a Twitter account for the competition and used the WP to Twitter plugin so that every time an excerpt was published, it would be automatically tweeted.

This competition was very cost effective, easy to implement, and yielded a high return. The book received some great press and he now has a significant and targeted user base. Additionally, this connected platform was a great resource to announce the book's publication and initiate sales.

*Source: Promotional Strategy Case Study – Online Competitions - Squareoak [www.squareoak.com/.../promotional-strategy-case-study-online-com..11](http://www.squareoak.com/.../promotional-strategy-case-study-online-com..11) Nov 2010.*

## **Special Event Promotions**

Special events include weekly shandies/haats, trade fairs and exhibitions, expositions (expos), festivals, annual conventions, conferences, sports and cultural competitions. The occasions provide an opportunity to promote sales of the products and services.

Weekly shandies, which help rural people to buy and sell essential commodities is popular in urban areas too, with vendors occupying vantage points and spreading their shops, selling groceries, fresh vegetables and fruits at lesser prices. In rural areas, some consumer durable companies are taking part in such *shandies/haats*. The Editorial of Financial express (2011) reads:

“The sales of branded consumer expendables like soaps, shampoos and toothpastes as against unbranded, local lookalikes are on the rise at haats across the country as consumers prefer the variety offered here vis-a-vis the permanent village shop. Branded products now constitute a third of all FMCG sales at haats, pointing to the opportunity that awaits big brand marketers like Hindustan Unilever, Marico and Godrej in upgrading consumers to their offerings. Understanding from where and how sellers at these haats source the goods can be a good beginning. Haat sellers mostly buy on credit from wholesalers and sell on cash, largely ignoring the company-owned stockists in nearby cities.

Festivals of India are characterized by color, gaiety, enthusiasm, prayers and rituals. Foreign travelers are struck by the scale and multiplicity of Indian festivals that have evolved in the society. While some festivals, events and fairs have a very local significance, there are some which are celebrated universally across a state, region or country. Fairs are organized during some festivals which are celebrated week long or more. For instance, during Durga festival, a good number of fairs are organized. Box tells about a book fair.

### **Kolkata Book Fair**

All book lovers of Kolkata or West Bengal eagerly wait for this attractive festival in Kolkata, Kolkata Book Fair. This is a unique fair where Books are primarily for the general public rather than whole-sale distributors. The fair also has a typical fairground experience with the smell of new books - with the presence of picnickers, singer-songwriters, and candy floss vendors on the fair premises. With a total footfall of over 2 million people, it is world's largest book fair by attendance after the Frankfurt Book Fair and the London Book Fair

Every year, the book fair committee decides a theme for the fair. Eminent personalities are invited and a special pavilion for the theme country is made. E.g Mexico has been selected the focal theme country for the 2010 Book Fair. Scotland was selected the focal theme country for the 2009 Book Fair, USA was the theme country for 2008.

Virtually all major European scientific publishers or corresponding franchisees set up a shop. This includes Oxford University Press, Cambridge University Press, Kluwer and Springer Verlag.

The fair also has diplomatic mission stalls, which typically display and sell books of their country. The British Council, United States Information Service, and Alliance française typically host stalls. The European Union, Bangladesh and several Latin American embassies have hosted stalls in the recent years.

The fair traditionally starts on the last Wednesday of January and ends on the first or second Sunday of February (to ensure that the duration is always 12 days). It was initially a week-long event but popular demand forced authorities to extend the duration to 12 days in 2005.

*Source: Events and Festivals - West Bengal Tourism, [www.westbengaltourism.gov.in/web/guest/events-and-festivals](http://www.westbengaltourism.gov.in/web/guest/events-and-festivals)*

Another festival of national significance is Diwali, the festival of lights. It usually falls between 15<sup>th</sup> October and 15<sup>th</sup> November.

The day is celebrated by lighting lamps, visiting relatives, feasting, and displaying fireworks. During such festival times expos are common. Box explains how handlooms are promoted during festival seasons.

### **Handloom Expo**

The handloom weavers' cooperative societies in different parts of the State display their variety of textile items and interior decorative materials at the handloom expo in Dindigul to lure both young and old for this Diwali festival season. The show also serves the needs of home makers, designers and interior decorators.

Gorgeously designed silk saris, cotton saris and dress materials are on the display. A total of 40 handloom weavers from Erode, Karur, Paramakudi, Madurai, Nagercoil, Virudhunagar, Coimbatore, Tiruchengode and Dindigul have placed on array their aesthetically designed cotton saris, towels, table tops, dhotis, decorative materials, lungis, carpets and mats.

The weavers cooperative societies from Chennimalai in Erode district, have presented newly designed bed sheets and glittering satin bed sheets to enhance the beauty of bed rooms. The stalls also have different kinds of home furnishings and interior decorative items to satisfy men and women. All items carry a 30 per cent rebate. The expo is open between 10 a.m. and 9 p.m.

*Source:* Staff reporter, Textiles and furnishings, all on display at handloom expo, The Hindu, October 12,2011.

## **Coupons, Rebates and Loyalty Programs**

The use of coupons and loyalty programs are quite common to attract customers. Box presents the case of Hertz rental car.

### **Loyalty Programmes and Coupons**

For those that travel regularly, whether on business or pleasure trips, it's a good idea to sign up for one of the Hertz Club memberships. The basic Hertz #1 Club membership is available worldwide and is free and easy to join. Members can enjoy quick reservations and rental services, earn free rental days as well as special rates and discount offers throughout Canada, the U.S. and Europe. Other perks include discounts on infant and child seat rentals, no charge to add your spouse or domestic partner as a second driver and you will also receive exclusive e-mail discounts, upgrades, etc. For a small membership fee, the # 1 Club Gold membership is perfect for anyone who plans to rent a predetermined number of vehicles annually and entitles you to many additional offers and discounts. Hertz also has a Five Star and Club Gold Presidents Circle membership that includes a host of added privileges.

Car rental coupons offer great savings

Hertz Rental Car Coupons let you get the vehicle you need, with substantial savings. You can find car rental coupons or coupon codes for all kinds of discounts like free weekend rental days, complimentary upgrades, specific dollar amounts off daily fees and more.. Some coupons may be for specific types of cars or locations or even certain rental dates may apply.

*Source:* Bowes, Matthew, *Hertz Coupons and Promotions* | Car Rental *Coupons* [rentalcar-deals.com/hertz-coupons/](http://rentalcar-deals.com/hertz-coupons/) United states.

Rebates, widely known as refunds, are a popular tool used by businesses to promote their products and services. The term “rebate” derives from the Middle English *rebaten*, meaning “to deduct.” Rebates are distinct from **coupons** and other forms of discounting in that they reimburse a customer for part of the purchase price after rather than at the time of sale. Currently, businesses making use of rebates are diverse and include the manufacturers of health and beauty aids, household supplies, small and large appliances, automobiles, wine and liquor, and computers.

Rebate is generally offered during festival seasons by retailers. Box furnishes details on rebates offered by The Tamil Nadu Handloom Development Corporation.

### **Rebate on Handlooms**

A variety of handloom dhotis, saris, towels, bed spreads and bed sheets from different parts of the State have been stocked for sale at the Co-optex stores. The Tamil Nadu Handloom Development Corporation has fixed a target of over ₹ 2 crore for the four stores in Erode district during the Deepavali festive season. A 30 per cent special rebate would be provided for all the purchases made at all the Co-optex stores. The Corporation had also announced 5 per cent additional rebate for students and media persons.

*Source: Deepavali special sale inaugurated at Co-optex store in ... - The Hindu www.thehindu.com*  
News> Cities> Coimbatore, 25 Sep 2010.

Rebate promotions are an ideal solution for manufacturers looking to increase sales while maintaining their original price and margin. They can be used to move excessive inventory, achieve promotional price points for a targeted time period or give a new lease of life to a mature product. Indeed, a study conducted by United Marketing Services (UMS) found that participating in a rebate promotion makes customers better able to remember a product than is the case with other promotional methods.

UMS also found the rate of consumer participation in rebate promotions to be on the rise. Despite this fact, consumer participation in rebating ranges from just 25 to 40 percent, and most participants request only two or three refunds per year. Hence, because the number of purchasers who actually request the refunds is relatively small, the cash outlay in cash refunds for the manufacturer may be minimal in comparison with the sales and other benefits generated by the promotion.

**Calculating Promotion Profitability**

Discounts and promotions are what are needed to stimulate business. Marketer has to record expenses and benefits in order to determine if a promotion is likely to generate profit. Revenues driven by promotional activities are hard to specify as returns may be short-term or long term. Incidentally, all the money pumped into promotional activities does not always come from the stores. Sponsorships contribute as in Coco-Cola’s handling of the Shoppers Stop’s Valentine Day interactions with film stars Aamir Khan and Karishma Kapoor.

In computing profit, the considerations are as given under.

1. Profit from current sales= Revenue from sales by coupon promotion - Coupon costs- commission given to consumers returning coupons- cost to add new capacity to provide additional sales
2. Profit from future sales.

**Illustrative Case -1**

A textile retailer decided to introduce promotion of “Take 20% Off of your order, Today Only”. Average order value = ₹ 100. Profit margin on sales is 35%. The forecast for total demand on the day of promotion is ₹ 100,000. With promotion, the sales have gone up to be ₹ 140,000. How much is the profit?

**Profit Analysis**

Profit from ₹ 140,000 sales ( 35% of sales) = ₹ 49,000 . However, we gave up 20% of the ₹ 140,000 revenue, or ₹ 28,000, yielding ₹ 21, 000 profit. Without the sales promotion sales of ₹ 100,000 yields ₹ 100,000 \* 0.35 = ₹ 35,000 profit. The comparative figures are as given under.

Offer	Sales	Profit
20% off	₹ 140,000	₹ 21,000
No off	₹ 100,000	₹ 35,000

**Customer Analysis**

- Discount purchases: 400 new customers, 1,000 existing customers.
- Full-Price purchases: 100 new customers, 900 existing customers.

## Illustrative Case -2

A store has introduced a 90 day promotion.

### (i) Margin Generated by Sales Promotion

The people buying full price products generated ₹ 30 in Gross Margin per customer over 90 days; the people availing off discount generated ₹ 33 per customer. So ₹ 3 as additional Gross margin per customer was created because of promotion.

### (ii) Cost of Doing the Discount

This ₹ 3 nets down to ₹ 2.50 because the cost of doing the promotion was ₹ 0.50 per customer.

### (iii) Cost of Discount

This depends on number of customers availing of discount in the total customers.

Say 10% of the total 5000 customers availed of ₹ 5 discount

Total number of customers	5000
Number of customers availed of discount (10%)	500
Total cost of discount ( 500 x ₹ 5)	₹ 2,500
Cost of discount per customer ₹ 2500/5000	₹ 0.50

(iv) Gross Margin / Customer with Discount = ₹ 2.50 - 0.50 = ₹ 2.00

(v) **Overheads** -the cost to take a call and ship the box, the cost of additional salespeople needed to cover the promotion, and so on because of promotion

Overhead costs (Cost of sales people for promotion) = ₹ 2,000 since total number of customers in promotion is 5,000, per Customer overhead costs = (2000/5000) ₹ 0.40.

### (vi) Net Per Customer Value

Gross Profit per Customer from above	₹ 2.00
Net per Customer Value w/Sales Cost	₹ 1.60



This ₹ 1.60 is profit after all expenses have been paid back. You have added ₹ 1.60 in value to the LifeCycle (and LifeTime Value) of each customer in the promotion.

(vi) **ROI.** How much did we invest, and how much did we get back?

#### **Total costs or investment**

Per Customer Cost of Promotion	₹ 0.50
Per Customer Discount	₹ 0.50
Per Customer Cost of Salespeople	₹ 0.40
Per Customer Total Cost	₹ 1.40
Per customer value	₹ 1.60
ROI ( 1.60/1.40) x100	114%

You spent ₹ 1.40 and you generated ₹ 1.60 after all costs. It's a 90-Day ROI because the additional revenue generated was measured over 90 days.

#### **Illustrative Case- 3**

Manufacturer X noted a decline in base volume for its premium product, while private label value brand sales continued to grow. Assessing promotional options, the company articulated four objectives:

- Maintain or grow category sales
- Build base sales for its premium product line
- Maintain or grow retail profit
- Maintain or decrease trade spending

Historically, TPRs were the most common promotion type in the category, usually featuring a 20% discount. The standard category TPR ran for three weeks, and at the 20% discount level, generated about the same lift as a one week feature at a 30% discount. Manufacturer X typically opted for eight weeks of TPRs each year and four weeks of feature advertising.

#### ***Assessing Options***

To stir things up in the category and drive sales to its premium offering, manufacturer X considered three alternative promotional schedules.

Option 1—eliminate two weeks of feature activity and replace them with two TPR periods of three weeks each.

Option 2—increase the private label base price and raise promo prices by \$0.10.

Option 3—increase the private label base price, but hold promoted prices at current levels.

Running the simulation, manufacturer X discovered a clear winner. Only Option 1 delivered against every objective: growing unit and category sales by 0.9%, increasing manufacturer profit margins by 2.4%, boosting retailer profits by 0.8% and decreasing trade spending by 3.1%.

	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
Sales in units	0.9%	0.2%	0.1%
Manufacturer profit	2.4%	0.2%	0.1%
Trade spending	- 3.1%	0.1%	0.1%
Revenue	0.9%	0.2%	0.1%
Retailer profit	0.8%	0.2%	0.1%

### **P&G Measures Promotion Impact**

In the early 1990's, Procter & Gamble made dramatic and long-term changes in its pricing and promotion strategy. Procter & Gamble (P&G), a leading consumer packaged goods producer, instituted a "value pricing strategy" during which it boosted advertising while simultaneously curbing its distribution channel deals (in-store displays, trade deals), and significantly reducing its coupon promotions. This grand experiment leads us to a whole host of questions. What impact did the strategy have on brand loyalty? How did competitors respond? What was the "bottom line" impact on market share?

### **Evaluation**

Analyzing P&G's Value Pricing Strategy, Scott Neslin and his colleagues investigated how their strategy affected brand loyalty, whether their customer base increased or decreased, how the competitors reacted, and how the strategy affected market share.

To determine this, Neslin broke market share into three components:

- 1. Penetration (PEN):** PEN is the percentage of category buyers who buy the brand at least once

2. **Share of Requirement (SOR):** SOR measures brand loyalty and is expressed as the percentage of category purchases in which the consumer chooses the P&G product, among those who purchase the P&G brand at least once;
3. **Category Usage (USE):** USE is an adjustment for heavy and light users. In summary, PEN is basically how many customers you have;

**SOR** is how frequently these customers buy the brand (a measure of loyalty), and **USE** is whether the brand's customers are disproportionately light or heavy users.

Using the following formula you can equate market share:

$$\text{Market Share} = \text{PEN} \times \text{SOR} \times \text{USE}$$

One could conjecture that, with their new pricing strategy, P&G's PEN would decrease, but SOR would increase more than PEN and improve market share.



**Market Performance Framework**

### Regression Models

Neslin created separate regression models for PEN, SOR, and USE. To achieve this, he used the following variables as independent variables.

- P&G's price, promotion, coupon, and advertising expenditures
- The competition's price, promotion, coupon, and advertising expenditures

He quantified these as the net price paid for an item, percent sold on deal, percent sold with a coupon, and media advertising dollars. Neslin was unable to include a specific measure for distribution but distribution is captured indirectly in the catch-all "error term" of the model.

## **Results**

Neslin's analysis showed that although price, advertising expense, deals, and coupons (from both P&G and competitors) affect PEN, SOR, and USE, price has the largest affect on the three market share components.

Most interestingly, advertising had little effect on all three components, and deals and coupons actually a slight positive impact on SOR.

## **Retailer Promotions**

The goal of any promotional event is to get visibility for your retail store. The easiest way to do this is to conduct various promotions within the community where your store is located.

## **Sponsors**

If there is a local school in your area, contact its principal about sponsoring an art exhibit. Display the artwork created by students in your store windows and throughout the store.

Hold a wine and cheese reception for a few hours one evening to encourage the community to view the artwork. At the same time, they will be seeing your store's offerings as well. You can also hold a VIP sale during these hours.

## **Events**

Many communities have special events for the holidays. Get involved by holding special sales or events at your store that complement the community schedule of events. Consider having a performer, a book reading, fashion show, or festive family activities at your store.

## **Partnerships**

You might also want to establish partnerships with theater or nonprofit groups in the surrounding area of your business. Plan to hold activities or promotional sales that tie-in with their presentations or events. Be visible throughout your community by having a presence at charitable or community events. Just be sure your store name and address is visible.

You could also partner with another business in the area that complements yours. For instance, if you own a designer clothes boutique, you could partner with a nearby hair or nail salon. Through this partnership, you both agree to give out each other's brochures or other promotional information to your customers.

## **Case Examples**

### **BrandsMart**

It is an independent electronics retail store in Kansas City, Missouri ran a private sale promotion twice a year. Private sale promotions historically were the best sales of the year. After many years of running this promotion, the effectiveness started to dwindle. BrandsMart offered a chance to win a free car just for showing up at the sale. BrandsMart put a number on every invitation. The wording on the invitation read; "We have sent out the winning invitation, DO NOT LET THIS PRIZE GO UNCLAIMED!" This promotion was a huge success as it DOUBLED the sales of the same event over the prior year!

### **Brandow Fairway Chrysler Jeep**

Located in Jenkintown, Pennsylvania, the store wanted a promotion that would attract attention to their dealership and bring NEW customers. They turned to a direct mail keyless remote promotion. The strategy was to offer a PT Cruiser as a grand prize. They mailed 5,000 keyless remotes to their area zip codes with an invitation to the dealership to try to unlock the car. If the remote unlocks the car, the customer wins the car and the underwriter covers the cost. One lucky customer was the winner. During the five days the promotion ran, over 300 customers brought in the remote to see if they won and shopped at the dealership. "The event was very successful and traffic increased dramatically at the dealership" said Lou Tecco, the agency representative.

Similar cases can be reported in Indian context. Major players in Bangalore like Kids Kemp Group and Shoppers Stop are investing roughly one to two per cent of the total turnover on promotional initiatives per annum.

### **Shopper's Stop**

Beauty workshops and special deals on products were on offer and customers from the floor and members of the Shoppers' Stop First Citizens Club were invited to attend special sessions conducted by some of the big names in the beauty business like Cory Walia, Mickey Contractor and Zarina Godrej. Says Aveensh Khosla, customer care associate

and senior manager (operations) of Shoppers' Stop: "These promotions are targeted on consumers based on sex, age, purchasing power, etc and not meant only for boosting sales but at adding value to customers' shopping. Cosmetic and perfumes give us 12 per cent of our business and through this promotion we aimed at making our customers more aware about self-presentation, and think of our store for any future purchases."

Recently in 2012, keeping its enduring promise of coming up with bundle of discount during every season end, Shoppers Stop has once again flaunted its end-of-season sale using outdoor media effectively. The leading fashion and lifestyle retail chain has launched an innovative and engaging outdoor campaign – 'Delightfully low Prices'. The company has once again vested the campaign execution duties with OMI (A division of Laqshya Media Group).

The ongoing campaign which started on January 21, 2012 was launched in 22 cities that Shoppers Stop stores are present. The campaign informs about the end-of-season sale with discounts of up to 51 percent that the consumer can avail at Shoppers Stop outlets.

### **Crossroads**

Crossroads in Mumbai is cashing in on the vacation season. The store announced its summer sales way back in the month of March itself. The four-storeyed mall has roped in playback singers, television chat show hosts and the like to select couples for paid holidays to oft-visited destinations like Singapore, London and Dubai. The store has even geared itself to lure in customers by strategically positioning smiling faces of cartoon characters from the entrance itself so that even bystanders and those passing the mall in vehicles are tempted to hop in and have a look.

### **Ebony**

Delhi's Ebony has a small brainstorming team, which thinks up of innovative promotions. During their millennium promotion, they offered helicopter rides to customers, which were based on a draw of lots. The shop has always some promotion activity going on. For example, it may be as simple as an offer of a gift hamper to a shopper wearing green bangles. "We pass on all the benefits that we get from companies. We like to make sure that the customers get their value for their money," says Lalit Kumar, group vice-president of Ebony.

In fact, Ebony's Chandigarh store celebrated its first anniversary this weekend by organising a kids festival. "Kids festivals always draw in a large number of customers and are the most successful," says Anis Wajid, marketing manager of Ebony.

## Foodworld

FOODWORLD, the chain of food and grocery stores owned by the RPG group, has unveiled a new promotional programme for shoppers. Foodworld a leading supermarket chain in India consistently delivering 'Convenience', quality 'Fresh Foods', wider 'Range', Friendly 'Service' and 'Lowest Prices'. The three prime variables that the Company sticks to are stock turn, volumes and efficiency.

In May 2007, the first concept store of Foodworld Gourmet has been opened in Bangalore. It offers a wide range of international and premium products. Foodworld pioneered private label development in the value-added food and non- food areas in India, following the trend of successful retailers worldwide.

In May 2007, Dairy Farm own brand products – No Frills and First Choice have been exclusively launched in Foodworld stores. In July 2007, the first Foodworld Superstore with about 15000 sq ft has been opened in Hyderabad. It provides extensive range from fresh food, grocery products and up to household needs.

Foodworld promotion comprises elements like –(i)To offer a 100% Unconditional Replacement Guarantee. (ii) To offer the consumer a wide range of products on “promotion” right round the year and (iii) To offer the consumer “Value” for the monthly shopping basket in a comfortable ambience.

Foodworld introduced a 'Mega Saver' scheme that offers discounts to customers who buy more. “The objective of the promotion is to grow categories by offering loyal customers better value. We also want to have shoppers coming in to find out 'what is the Mega Saver this month' and thus create more excitement in the stores” said Ms Mala Morris, Head (Marketing), FoodWorld Supermarkets Ltd.

The offer will involve discounts ranging from eight to 30 per cent on top selling brands from a range of product categories including detergents, toilet soaps, toothpaste, toothbrushes, talcum powder, biscuits, chocolates and edible oils. According to Ms Morris, these discounts will be available to all shoppers who buy at least two units of the same variant of the product. However, in the case of some products, chocolates for instance, customers will have to buy at least three units of the same variant to avail of the discount, she added.

“The product categories and brands on offer will change every month,” said Ms Morris. However, consumer promotions on brands that are part of the Mega Saver offer would continue, she clarified.

The company will promote the Mega Saver offer through the use of high visibility point-of-purchase (POP) material, said Ms Morris. This would include 'shelf talkers' - small posters on the shelves - with a picture of the item on discount along with details of the original price, the discounted price and duration of the discount. In addition, the retailer would also communicate details of the products on offer through campaigns in the media, she added.

The offer had been rolled out in all the FoodWorld stores in the South and would be launched in company's stores in Pune in a short while, said Ms Morris. "The brand owners and manufacturers are very excited about this promotion and are supporting it," she added.

### **Promote Your Promotions**

When planning your promotions, remember to contact your local media or take pictures to submit to area publications. Newspapers generally run event information for free and weekly papers might send a photographer if the event is different or for a charitable cause. Some local television stations air a calendar of events or have an online community event calendar. You should also get to know the hosts of radio shows on your local radio stations. Often, they will mention events during their show.

It's important to also promote your events, activities and sales on your store's website, through your customer email list, on Twitter and social networks, and by handing out fliers in the store and throughout the community. In addition, ask your state to add a link to your store's website on its tourism or economic development website.

### **Incentives to Retailers**

Manufacturers are aware that unless motivated retailers will not store and display products, and encourage customers to buy them.

Microsoft is paying incentives to retail workers for selling Windows Phone devices.

Microsoft will pay between \$10-\$15 per handset sold to retail workers who sell a Windows Phone device. The idea of paying retail workers to push your products does remove the line of objectivity but for Microsoft, they know that they must overcome the sales associates own preferences for them to be able to market their products on an even playing field. Think of it this way, if a sales associate is an Android user, typically they will push you towards an Android product as that is their preference. The same can be said with iOS, Blackberry and the like.



Swiss food major Nestle is offering aggressive discounts and incentives to retailers on its flagship Maggi instant noodles, perhaps for the first time in a decade, in what analysts call a bid to protect its market share against increasing competition. Maggi, which has dominated the instant noodles market estimated at ₹ 1,300-crore, with an 80% share. Being leader for nearly three decades, it is now being challenged by aggressive new entrants such as ITC's Sunfeast Yippee, GlaxoSmithKline's Horlicks Foodles and Hindustan Unilever's Knorr Soupy Noodles.

A Nestle India spokesman said the company runs a dealer engagement programme as part of its '2 Minutes Mein Khushiyan' campaign.» He said the maker of Nescafe and Kit-Kat is running the campaign among all its stakeholders-consumers, trade, business partners and employees. «The idea is to bring all our partners to be a part of the campaign. «Analysts also warn that the move will put pressure on the firm's profit margins. Since Nestle depends heavily on commodities like milk, wheat and sugar, a deficient monsoon this year could escalate its raw material costs and hurt margins.

### **Measuring Promotion Effectiveness**

Since promotions work differently it is of interest to know whether the investment has met the objectives and delivered desired results.

### **Measurement Methods**

Measurement of results in any area of business activities related to the objectives that are set. To accomplish this, set of evaluation criteria is laid down before the implementation of the sales promotion programme. A number of these objectives are directly related to sales. In all such cases, the measurement does not pose any complexity and the sales based techniques can be used with relative ease. For instance, it is quite easy to measure the sales effect before, during and after the sales promotion. In case of objectives not related to sales, such as trial purchase, or changing consumer awareness and attitude as resultant increase and perceived value of the product, measurement is more difficult. In certain types of promotion, the reseller support is important and can have significant effect on marketer's promotion performance.

### ***Pretesting***

How sales promotion is to be communicated and what would be communicated to the target groups is important and can be pre-tested. For example the pre-tested may find out what is likely to be the perceived value and the risk. A customer considers whether it

would be wise to buy an unknown brand of sport shoes at a 45% discount. In this offer was there a risk of buying an unfamiliar brand?

The pre-test can be conducted to assess these factors by the following methods

- **Focus groups** – The members may be encouraged to see and discussion promotion methods chosen by the firm.
- **Consumer panels**-They can be provided with the experience of the sales promotion. For example samples may be given and opinion on product can be collected after their use.
- **Ballot method**- Consumers are requested to evaluate different illustrated promotions and vote for the best and return the ballot to the firm.
- **Portfolio test** - A relatively expensive but more accurate method is a portfolio test. A portfolio of sales promotion is prepared and shown to consumers in person and the responses are noted.
- **Test marketing** -To test consumers behaviour responds such as trial purchase, repeat purchase, etc., pretesting consists of experimenting in certain markets for individual stores in a market. All other factors remain the same; only the sales promotion device being tested is the variable that is manipulated.
- **Opinion surveys**- It is often quite helpful to evaluate the responses of resellers before implementing the promotion programme. The simplest ways to visit several important retailers and wholesalers, discuss the programme and seek their opinion and suggestions. This may prove to be quite favourable in case the support of resellers is considered to be of paramount importance for promotion results.

### **Concurrent Testing**

This testing is done when the sales promotion is in progress. Concurrent testing the permit the promotion manager to modify the sales promotion, if needed

This type of testing is conducted in terms of sales data which can be obtained on a weekly or monthly basis. If the promotion is a consumer contest and the consumer is not require to purchase anything, the response to promotion can be adjudged by the number of entries received at some interval and if need be, the contest period can be extended. In case of a coupon distribution programme, similar approach can be adopted by keeping track of coupons redeemed.

## **Post Testing**

Post-testing is done after the promotion period is over. To assess the changing consumer awareness and attitude, telephone calls, questionnaire mailed to the consumers and personal interviews can be used. In these methods, the most expensive is the personal interview method and the least expensive is the mail. The information sought pertains to the promotion event. In case of samples on premiums distributed through retail stores, intercept interviews at the Point of Sale can reveal more reliable information.

To measure the sales affect, sales figures before the promotion period can be compared with figures at the end of promotion and one month after the promotion ends. Suppose that the promotion objective was to increase sales by 30 percent in certain period and the pre-promotion sales for a similar period were worth 5 million rupees. The sales jumped to in excess of 5.6 million in the promotion period. This would show that the objective was achieved. It is very likely that in the ensuing month after the promotion, the sales will come down to say 3.5 million rupees. In the sales return to 5 million rupees on the long run, then perhaps the sales jump is because of brand features and deal prone customers. However, if the regular sales settle at 5.5 million rupees on the long run, then definitely the promotion prove successful in increasing the long run sales by attracting new customers and we have also attracted customers away from other competing brands.

## **Role of Agencies**

Some of the questions that bother marketers invested in promotion are:

- ▶ What is the impact of promotions on sales and profits?
- ▶ Which promotions work best for different consumer segments?
- ▶ How often and how intensely to promote? Promote the whole line or focus on a few key items?
- ▶ What is the optimal discount and how does price and promotion response vary by market?
- ▶ Which promotions have halo effects on non-promoted products?

Since answers to such questions require research approaches, marketing managers are increasingly turning their attention to promotion agencies which guide decisions on promotion spend and promotion mix. Marketing Analytics is one such organization.

Marketing Analytics models have been used to guide decisions on billions of dollars of promotion. Box presents a case handled by them.

### **Promotion Effectiveness**

The client was a leading US department store chain. At a time when the US economy was slowing and mergers were creating larger and better financed competitors, this company was seeking to maintain strong business performance, including improvements in marketing efficiency. The client traditionally spread their \$100MM - \$150MM marketing budget across a fairly broad mix of vehicles: newspapers, magazines, radio, in-store events, online, and targeted email.

### ***Solution***

Using weekly, store-level POS combined with marketing activity data from media agencies, service bureaus, and other partners, Marketing Analytics delivered sales response models that identified the incremental sales contribution of all marketing drivers. Brick & mortar and web sales were modeled separately to enable measurement of cross-channel media effectiveness, a key project objective for the client.

The models found that sales due to marketing increased 12% over the prior year. Notably, digital media and e-mail contributed half of total marketing-driven sales. These two drivers also achieved the greatest efficiency on a \$ incremental revenue per \$ spend basis.

The models also demonstrated that online media had a halo effect on physical store sales and that traditional media generated lift in online sales. At the same time, though traditional broadcast marketing vehicles yielded lower short term ROI, return was still positive.

Our recommendation to the client was to continue their overall shift from traditional media into digital while investing sufficiently in selective, high-end direct (glossy mail pieces, catalogs) and in-store events to reward best customers. Results were presented to the board from which they received positive reactions and support for implementation.

*Source: Price & Promotion Analysis, [www.marketinganalytics.com/..../PriceAndPromotionAnalysis.aspx](http://www.marketinganalytics.com/..../PriceAndPromotionAnalysis.aspx).*

## Software Aids

Offline promotion agencies are using software to promote products.

Predictix Promo lets buyers collaborate with colleagues and vendors, with real-time feedback on the true dollar impact of different promotion scenarios, so buyers can plan, forecast and execute more profitable promotions quickly, easily, and flexibly. Predictix Promo lets buyers:

- View and collaborate on every promotion in one single place
- Test and compare scenarios to design effective promotions
- Analyze the true dollar impact of promotions

## Summary

Consumer promotions are a key tool for managers to increase sales. Recognizing their positive and negative influence allows them to devise ways to reduce the negative effects in a way to maximize a promotion's impact in the short and long run.

Internet marketing can attract more people to your website, increase customers for your business, and enhance branding of your company and products. Special events include weekly shandies/haats, trade fairs and exhibitions, expositions (expos), festivals, annual conventions, conferences, sports and cultural competitions provide an opportunity to promote sales. The use of coupons and loyalty programs are quite common to attract customers. Rebates, widely known as refunds, are generally offered during festival seasons by retailers.

Marketer has to record expenses and benefits in order to determine if a promotion is likely to generate profit. In computing profit, the considerations are as given under.

1. Profit from current sales= Revenue from sales by coupon promotion - Coupon costs- commission given to consumers returning coupons- cost to add new capacity to provide additional sales and
2. Profit from future sales. Analyzing P&G's Value Pricing Strategy, Scott Neslin and his colleagues broke market share into three components: Penetration (PEN), Share of Requirement (SOR) and Category Usage (USE).

The easiest way to get visibility is to conduct various promotions within the community where your store is located through sponsors, events and partnerships. When planning your promotions, remember to contact your local media or take pictures to submit to area publications. Manufacturers are aware that unless motivated retailers will not store and display products, and encourage customers to buy them. Since promotions work differently it is of interest to know whether the investment has met the objectives and delivered desired results.

Measurement of results relate to the objectives that are set. Pretesting can be conducted to assess the impact factors through Focus groups, Consumer panels, Ballot method, Portfolio test, Test marketing and Opinion surveys. Concurrent testing is done when the sales promotion is in progress. Concurrent testing the permit the promotion manager to modify the sales promotion, if needed

Post-testing is done after the promotion period is over. To measure the sales effect, sales figures before the promotion period can be compared with figures at the end of promotion and one month after the promotion ends.

## **CASE**

### **Boosting Bournvita**

Bournvita was launched in 1948 and is one of the oldest brand in the malted beverages segment. The brand is a market leader in the Brown health drink segment with a market share of over 17 %. Cadbury's - true to its reputation has managed to sustain this brand over these years.

### **Brand Promise**

Bournvita is a chocolate flavored health drink. When the brand was introduced in the market, it tried to solve a perennial problem that mother's face: a need for a healthy food which is tasty. Bournvita offered that unique combination of health and taste. In 1970s the brand was positioned as a product that helps in good upbringing. The brand used the tagline: Goodness that Grows with You.

During 1980's the brand changed its focus from Upbringing to Intelligence. The tagline was changed to: Brought Up Right, Bournvita Bright.

In 1990's the brand felt that it should be focusing on the overall health of the kid thus changed its focus on Body and Mind. The brand also took Energy as a main focus and thus evolved the famous VO ( voice over): "Bournvita has proteins, minerals and carbohydrates". Along came the famous tagline: Tan Ki Shakthi, Man Ki Shakthi.

During 1998, the brand faced intense competition from Milo from Nestle. At this time, the brown health food drink segment was facing issues of stagnation because of lack of value addition. Bournvita then changed its positioning on the health platform. The brand used a marconym RDA ( Recommended Dietary Allowance) to reinforce the health positioning. The brand used a clever Nutritional meter to communicate the RDA formula: 2 cups of Bournvita for balanced nutrition.

The brand also set up a Bournvita Nutritional Center where nutrition experts recommended the right RDA percentage to kids. The brand at that time used the cricketer Ajay Jadeja to endorse the brand. The brand also harped on the taste and used the tagline " No Bournvita No Milk " to reinforce the taste attribute.

In the current millennium, the brand has moved to the next level. In the typical laddering Up strategy, Bournvita has identified Confidence as its Core Brand Essence.

The brand realized that every kid have a chance to excel in his chosen field of endeavour if he have confidence. The realization has enabled the brand to chalk out the current marketing strategy. The brand now uses the tagline "Do you have Bournvita Confidence".

In the Brown beverages segment, Bournvita faces intense competition from Boost. In order to defend the leadership position, Bournvita has invested heavily in product development, advertising and sales promotion. In the product development front, Bournvita had significantly changed its packaging and the latest pack is inspired by Boost.

Along with packaging changes, the brand also had come out with a new variant: Bournvita Fivestar Magic. The new variant has the unique chocolate with caramel flavor of Cadbury's Fivestar. The brand is using the brand association with Five Star as a key differentiator.

All these years, Bournvita has used taste as a consistent theme to attract the kids. The Five Star Magic variant further reinforced this positioning. Another innovative advertising campaign of Bournvita has featured Bournvita Confidence Academy.

Bournvita Confidence Academy is not a School but a reality show. The show which premiered on July 2007 in the Pogo channel is different from the usual reality shows. The show features 7 kids who have exceptional talents in various fields like dancing, racing, singing, magic, studies etc. In the reality show, these kids to act as Gurus and is expected to teach each other skills. So you have a magic whizkid learning to sing. The point is that “You Need Confidence” to venture into unknown fields.

Bournvita Confidence Academy is not the first event that this brand associates with. Bournvita Quiz is the longest running quiz show in Indian Television. In the sales promotion front also, the brand was active with its share of freebies and gifts. The association with Cartoon Network enabled this brand to use the famous characters like Powerpuff girls and Dexter to the brand’s advantage. The Quiz Master Derek O’Brian was loved by all, the young and the old alike. This Advertising concept was so successful, that they even came out with the Bournvita General Knowledge Book (a mini encyclopedia).

Now most of the sales are decided by the promotional gifts and freebies than the actual efficacy. Since mothers are happy whether the kids drink either of these, brand loyalty has become a thing of past in this segment. Bournvita always comes up with consumer promotion activities from time to time e.g. giving free gifts like plastic mugs, chess game or ludo etc. They also come up with the scheme of extra Bournvita for the same price. The attractive promotion for cartoon viewers is the Toon Mug offer. A 500 gram Bournvita pack comes with a mug featuring some of the best loved Cartoon Network characters. Toon buffs get a choice of over six toon mugs including *The Power puff Girls*, *The Flintstones*, *Scooby-Doo*, *Johnny Bravo*, *Dexter* and *Tom & Jerry*. The Bournvita promotion is being supported by television commercials and in-store advertising.

### Questions for Discussion

1. Examine the positioning strategy of Bournvita
2. What kind of sales promotion would promote sales of Bournvita?

Source: Marketing Practice: **Bournvita**: Do You Have **Bournvita** Confidence *marketingpractice.blogspot.com/.../bournvita-do-you-have-bournvita...* 12 Nov 2007 –

### Internet Exercise

Refer *Consumer Promotion* « Sales Management sales management indonesia.wordpress.com/.../consumer-promotion/26 Oct 2008 – and related sites and prepare a paper on consumer promotions with examples



## **Mini-Project**

Conduct a study of effectiveness of sales promotion campaign of local stores by asking customers whether they are influenced by the campaign and if yes, whether they made purchases in response to it.

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## Lesson 5.2 - Retail Sales Promotion Strategy

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### Learning Objectives

*After studying the lesson, you will be able to:*

- ▶ Discuss about retail sales promotion strategies
- ▶ Learn about the Value pricing strategy of P&G

### Introduction

Sales promotion is a preferred communication tool among retailers in order to increase sales immediately, attract new customers or retain new ones. The use of different financial allowances or other type of incentives became popular in the 21st century due to the spread of shopping centers, superstores and hypermarkets. Consumers are very price-sensitive and promotion-sensitive, they like good bargains, when they can buy something cheaper or with a better features. Due to the fierce competition and weak consumer demand, independent small shops are forced to use sales promotion techniques to be successful.

### Sales Promotion Strategy

We define a sales promotion as any incentive to get people to act. It could range from something as simple as discounted service for new customers to a fully integrated online sweepstakes. For a sales promotion strategy to be successful there needs to be a plan in place. When you design a sales promotion strategy, you need to make sure that the company is getting the best return on investment and good marketing exposure in exchange for the promotional part of the strategy. If a company is using a buy one, get one free promotional strategy, then there needs to be sufficient return for the item that will be given for free to make sales promotion a success.

### *Reaching Sales Representatives*

Step 1 - Determine if you want the sales promotion to be a short-term or long-term promotion. For a product just being introduced, you will want to use a long-term promotion to help establish the product in the sales representatives' minds. A

product that is at the end of life would be a short-term promotion as you are trying to get old product off shelves.

Step 2 - Create a spiff-based promotion for your product that will entice sales representatives to want to push your product. The spiff can be done on a per-unit basis where every unit sold gets a bonus, or you can create a spiff based on volume where the bonus is not paid until a certain volume of sales is reached.

Step 3 - Develop a registration system that will require sales representatives to sign up to be part of the sales promotion. The registration will not only track sales volume for each representative, it can also be used as a contact database for future sales promotions involving sales representatives.

Step 4 -Create marketing material that outlines the complete program to sales representatives, gives registration information and offers sales pitch information that representatives can use when trying to sell your product.

Step 5 -Stay in touch with registered sales representatives with weekly sales pitch information updates, and updates on how each representative is performing in the promotion. This will help to stoke the competitive fires among the sales representatives and drive revenue.

### ***Promoting to Retail Customers***

Step 1-Focus your promotion on one product, or one family of products. If you make the promotion too broad, then retail customers may get confused and not participate. If the promotion works for one product, then you can replicate it for other products as well.

Step 2-Determine which kind of retail sales promotion strategy you want to use. Some of the popular retail promotions are buy one, get one free as well as free sample, buy a product and get a free accessory or a mail-in rebate.

Step 3-Create a comprehensive set of rules for the promotion and include those rules on all of the promotional material. Work with your company's legal department to ensure that the rules of your promotion are complete and effective.

Step 4-Develop a website where customers can register to receive promotional rewards and find out more information about the product and company. Ask customers to

give their email address for future promotions. Designate a toll-free phone number where customers can call and ask for more information on the promotion.

Step 5-Create a retail display that gives all of the details of the promotion to be placed in all of your retail outlets.

## **Value Notions for Strategy**

The appropriate relationship between full price and sales and discounts is a fine balance to optimize price and demand over the long term. If that balance is achieved it will drive value enhancing customer behaviour, such as building loyalty

### **Concept of Value**

Customers do not buy features and benefits, they buy VALUE. Value is subjective. Value is a benefit but a benefit is not necessarily of value to all customers. For example, a vendor offers free installation and free updates for his software.

*Customer-A* considers “free installation” as “value” because he has no technical knowledge and this will save him time and effort.

*Customer-B* rates the free installation as “nice to have” and rates free updates more important as that will save him money in the long run.

Behind value-pricing strategies there are a few important concepts:

- **Customers are value conscious rather than price conscious** e.g. some customers will pay extra for prompt delivery.
- **Customers assign a personal value to a product or service** e.g. a teenager is willing to pay a premium price for a concert performed by his idol.
- **The selling price is based on customers’ perceived value** rather than on the vendor’s costs e.g. an ebook costs less to produce than a paperback but readers will pay more for it because of the value placed on format and instant delivery.

When customers evaluate competing products, they are usually comparing value. Philip Kotler defines value-added pricing as a pricing strategy that attaches value-added features and services to differentiate a market offering and support higher prices, rather than cutting prices to match competitors. It is employed to increase their pricing power,

that many companies adopt this strategy. Rather than cutting prices to match competitors, they attach value-added features and services to differentiate their offers and thus support higher prices. Their focus is not mainly based on the price to boost annual sales, rather, they keep customers loyal by providing service the customers can't find anywhere else.

## **Ways to Increase Value**

To increase the value of your products, you can either add benefits or reduce the perceived risk factors rather than resorting to reducing your price.

### **(a) Adding Benefits**

Value-added benefits do not replace comprehensive product information but are complimentary strategies to help converting website visitors into customers and giving you the competitive edge. Examples of these value-pricing strategies:

- Special packaging e.g. recyclable containers, gift wrapping with card
- Package deals (for convenience) e.g. bundles, “all inclusive” value pack
- Fulfilment options e.g. “white glove” delivery service, instant download
- Payment options e.g. monthly and yearly plans
- Free training material e.g. online manual, video, audio
- Personalised service e.g. “I oversee each account”
- Free product updates or refreshers (for courses)
- Bonus offers
- Certification e.g. licence, training certificate

### **(b) Reducing Perceived Risks**

For new customers, there is always an element of risk in purchasing from a new vendor, especially over the internet. These are examples of value-pricing strategies to boost confidence and credibility:

- A professionally designed website
- Free trials or samples
- Extended warranty option
- Free after-sales service
- Your credentials, length of time in business, list of important clients

- Guarantees of satisfaction “100% satisfaction guarantee”
- User-friendly privacy, security and refund policies
- Testimonials, endorsements, reviews
- Easy access with contact options e.g. toll free number, chat live

Naturally, everyone loves value for money but does not necessarily want the cheapest option. As value is an important consideration, premium sellers say: **“We’re not the cheapest but...we offer value.”**

### **Value- Base for Future Competition**

Retailers successful in the future are those giving more attention and dedicated resource to creating their value proposition for consumers. Successful retailers in the future will be those who:

- Are committed to adding value to the consumer buying experience.
- Have refocused much of their in-house effort which has previously been put into discounting and promotions into more value-adding activity.
- Hold sales, promotions and discounting activity only at specific, tightly controlled ‘sale’ times or with very clearly defined objectives which are not ‘derailed’ by the actions of competitors. Look broadly across all channels open to them in considering their price strategy. For example, separating promotional or marked-down goods into outlet stores or using other channels.

### **P&G’s Value Pricing Strategy**

P&G operates manufacturing facilities around the world in order to distribute and sell its wide variety of products to every consumer on earth. “Touching Lives, Improving Life,” is the company motto as P&G tries to touch all lives in the world and improve each life through P&G products. By operating manufacturing around the world P&G reduces the foreign exchange risk involved with selling products worldwide. P&G served 4.2 billion customers in 2011 and is on track to serve 5 billion by 2015.

### **Price cuts to Stimulate Demand**

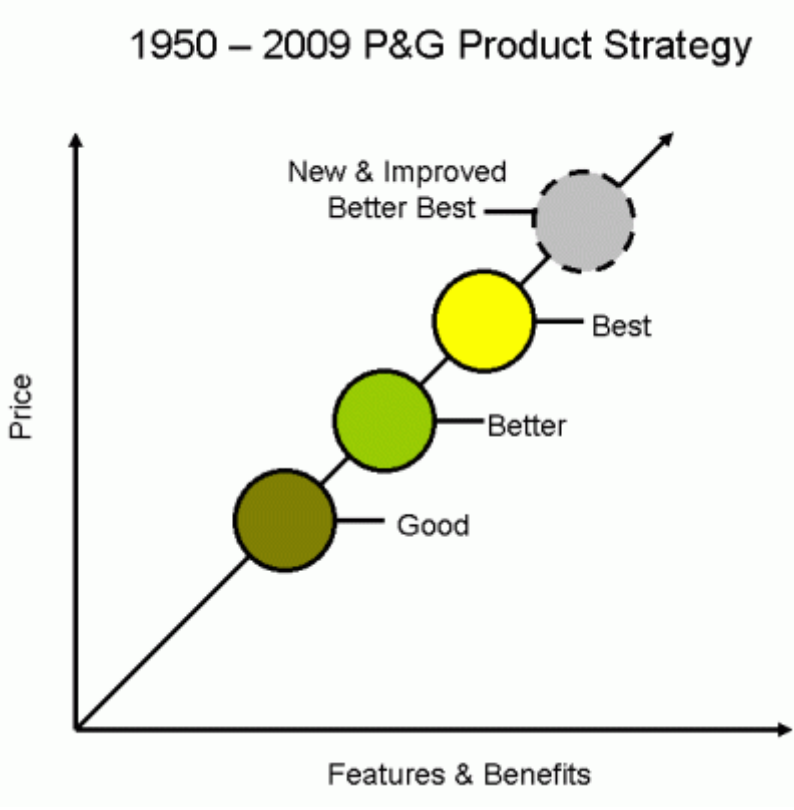
In September 2010, according to *The Wall Street Journal* Procter & Gamble Co.’s new CEO, Robert McDonald, decided to “slash prices” Though the paper predicted price wars, in the branded consumer packaged good (CPG) industry, Mr. McDonald assured that

there would not be any price war. If the pricing was not for competition but for increased consumption, what were the shifts in the post-recession market demands?

### Antecedents to Value Pricing

The US economy showed high growth potential following the 1940's, and much of the middle class was enjoying greater wealth and spending power. With their increased spending power, these middle class consumers increased not only their quantity of consumption products, but also upgraded their products.

To meet the demand for more and better products in those decades, companies like P&G followed a well proven product strategy: launch new and improved product formulations at higher prices. Most new product formulation had more features, delivered more benefits, and commanded a premium price in comparison to their predecessors. By increasing the price and the benefits in tandem, the new products offered consumers opportunity to make tradeoffs between the benefits they demand and the price they are willing to pay. The trajectory was not unique to P&G. Figure below gives 1950-2009 P&G Product Strategy.



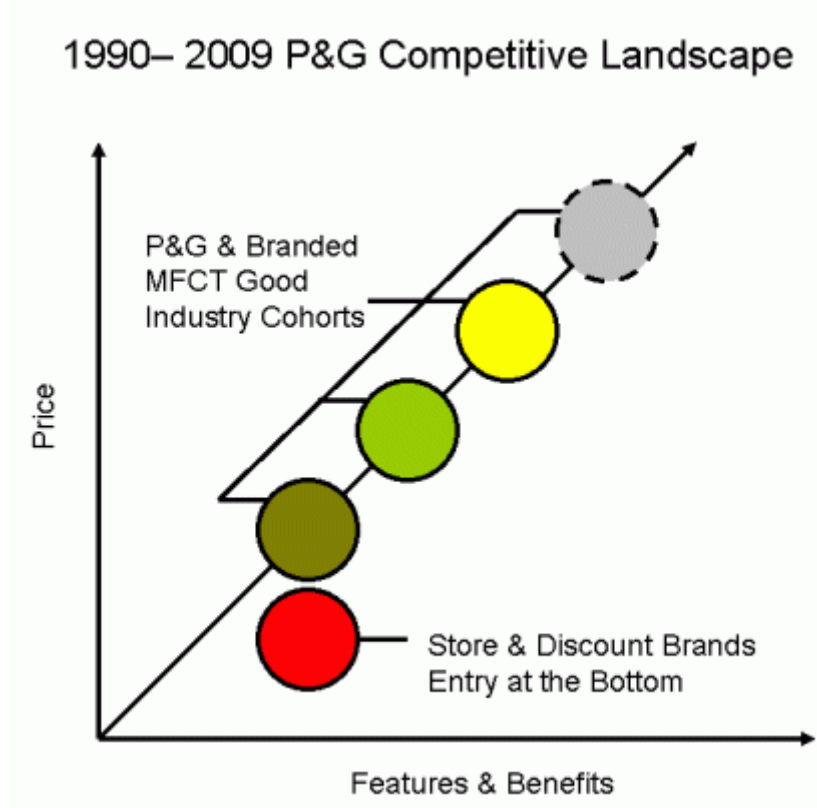
In the 1990's two forces however put a halt to the value of this strategic trajectory.

1. First,, incomes stopped growing

- As reported by Sanford Bernstein research report the introduction of low cost store brands was perceived as “good or better than those they replaced” in the consumer’s basket of goods.

### Low Priced Brand Rule the Market

The lower priced discount and store brands began eating away at branded consumer packaged good’s pricing power early in the 1990’s. Evidence of their growing strength can be seen through the increased market share of store brands and the growth of store-brand only retailers such as Aldi. Figure below presents 1990-2009 P&G Competitive Landscape.



To combat this growing threat, branded consumer packaged goods firms relied on couponing, trial offers, and promotional bundles in order to get back customers into their brand fold.

### Promotions Less Effective

This approach did help stem some market share erosion, but discount promotions proved to be a blunt instrument at best.

Perceived benefit low - As customers tried store brands, they began to determine

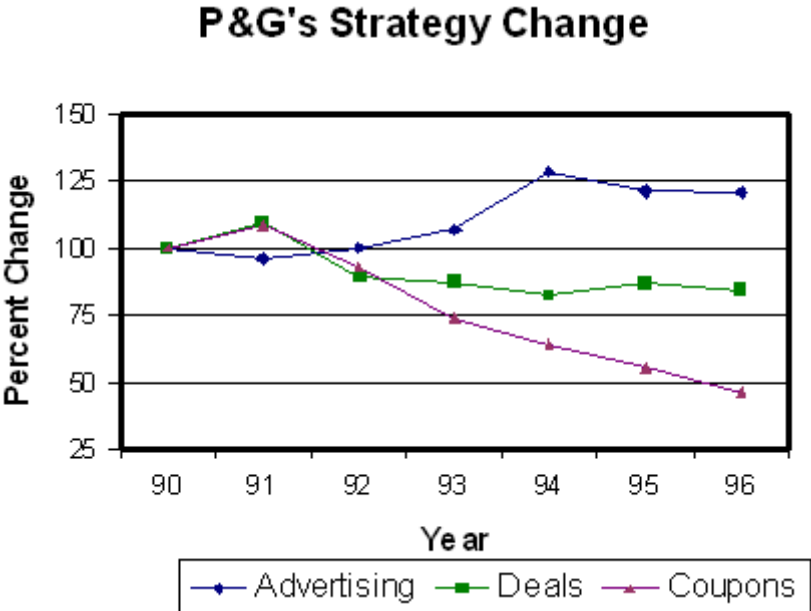


that the difference in benefits between branded goods and store goods didn't outweigh the difference in price. As such, the ability of discounts to attract customers that would convert to becoming a profitable and loyal following waned.

Costs of promotion - P&G was concerned with the cost of administering promotions, and the effect of up-and-down swings in demand on the production system. And to top it off, coupon fraud was also growing at this time with supposed nefarious links to organized crime and terrorist funding. Cutting back on coupons would obviously sever this link.

Loyalty - P&G was concerned with the impact of promotions on brand loyalty, fearing that on one hand they attracted "cherry-picking" bargain hunters who could care less about the brand, and on the other hand they weakened the loyalty of their core customers.

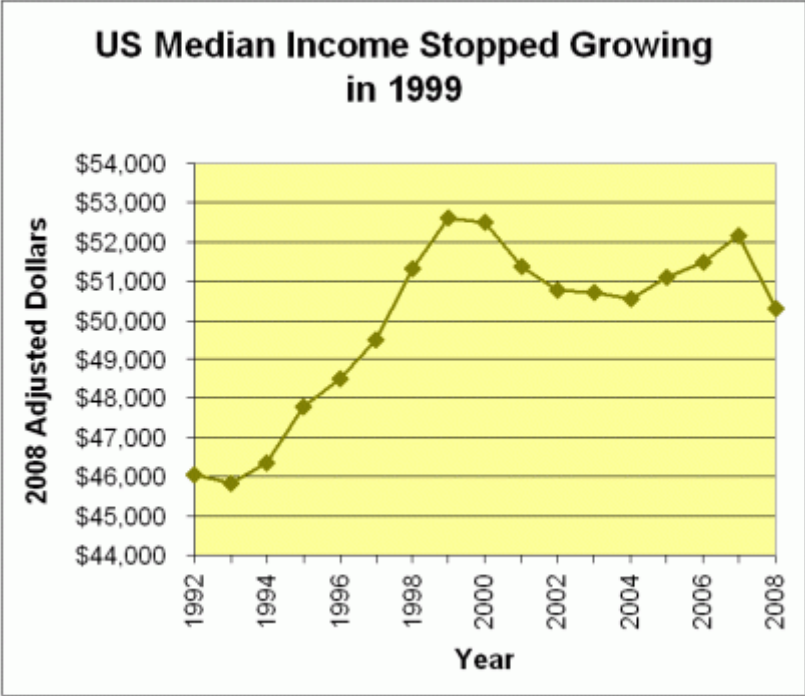
These factors inspired P&G to break with standard marketing practices. As a result, over the course of six years (1990 through 1996) P&G reduced its coupon expenditures by over 50%, reduced its distribution channel deal expenditures by 20%, and increased its advertising expenditures by 20%. This was truly a contrarian strategy as during the same period general market trends showed an increase in promotion (deals and coupons) by 15% and a decrease in advertising by 20%. Figure below presents the change in strategy of P&G.



**Fall in incomes - Selective Consumption**

While the threat of lower priced store brands was at best contained through targeted discounting strategies, a second shift to the marketing environment was underway.

Since 1999, the middle class has seen flat to falling incomes in inflation adjusted dollars. Their newly found poverty, or at best limited income growth, had driven a purchase behavior towards a more discriminating position. Figure below shows how US Median Income Stopped Growing in 1999.



With falling disposable incomes, the strategy of constantly improving and up-selling customers to higher price and benefit points became difficult. The consumption patterns had become less peculiar. Some customers were willing to pay more for some items. As such splurging did continue, but it was proving to be more selective. For instance, a middle class business bought store brand bathroom paper towel and Allen Edmonds' shoe, for walking with style. The flip side of an increased selectivity in customer's willingness to pay for higher benefits is that the mass market has moved to lower price / lower benefit demands. That is, consumers are increasingly looking for "good enough" products rather than "good / better / best." To capture the mass market at the "good enough" position, branded consumer packaged goods firms like P&G need to have a product in that market position.

**Pricing Strategy for Economy Conscious**

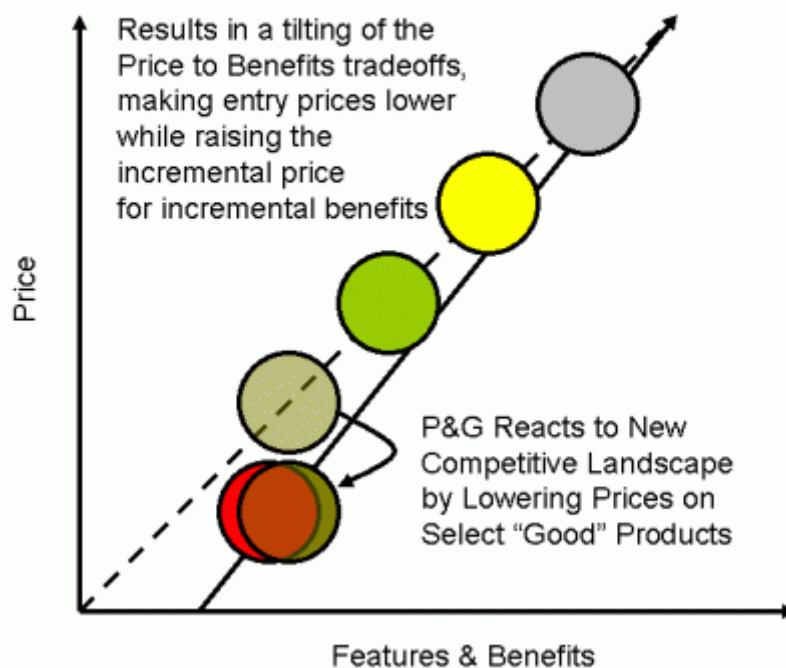
Mr. McDonald's pricing patterns were aligned to the environment. To fall in line with the tectonic shift in the market environments, both the increase in competition at the bottom and the decline in middle class income, a shift in pricing policy was targeted.

The objectives were two fold: (i) To continue tapping the demand of value conscious segment and (ii) To compete with low priced unbranded store products.

P&G lowered the price on entry level products while leaving prices on other, more feature enhanced and beneficial products unchanged. Thus P&G avoided direct price competition with their branded consumer packaged goods industry cohorts while targeting an attack on the unbranded discount goods and store brands.

To quote Mr. McDonald: “It’s basically been about a 10% price reduction on average on about 10% of the business.” The price reduction was targeted appropriately to meet the needs of the increased demand for “good enough” products. Figure gives below the 2010 P&G Product Strategy Adjustment.

### 2010 P&G Product Strategy Adjustment



Segmenting the more utility sensitive customers that will pay for added benefits that they seek from the more price sensitive customers that will only pay for “good enough” products is a proven strategy for improving both profitability and market share. The effect was one of raising the incremental price for incremental benefits, thus further encouraging customers to make tradeoffs for the value points they desire.

The strategy worked. P&G’s US market share in 8 out of the 13 largest product categories increased according to Consumer Edge Research, LLC. Moreover, P&G increased or maintained market share in all regions of the world. Yet the evidence is mixed.

## **Recession Impact**

Since 2006, the profit growth has been positive but the rate of growth has decreased. Mr. Lafley, the outgoing CEO of P&G, has this to say

“You have to see reality as it is. In every recession there are hosts of compensating consumer behaviors as they manage a more modest budget. We have to expand our portfolios to serve the needs of those consumers. I think a lot of that is going to last.”

To this end every business unit a P&G is working on reaching wider customer base with a broad price range of products. They are developing both super-premium products that can be sold at higher price premium than current products and value products that appeal to cost conscious customers.

Nestle, another CPG, has already outlined multi-priced points as its strategy. Multi version pricing is exactly the solution for increasing revenue and profits. It is about increasing product lines and keep the customers within your brand family. When the economy turns around it is easier to up-sell to your own customers than acquiring customers you lost to the competition.

But the challenge is every new product line comes with big costs. Even though R&D and productions can be piggybacked on previous lines, the biggest cost item comes from marketing and sales. P&G reported profits falling by 12% for the quarter ending June 30, 2010 due to increased advertising expenditures and lower prices.

There are also the risks of cannibalization, new brands steering sales and resources away from current brands and whether or not customers will turn to the premium brands when times turn around. Implementing a multi version strategy without spreading the resources too thin is what sets great companies apart from the rest.

## **Cases on Value Pricing**

It is not only P&G, but many organizations are going for value pricing and we will now look at the cases of some other organizations which have resorted to value pricing.

### **Case -1 Godrej**

Godrej and Boyce Mfg Co Ltd's total turnover was ₹ 2,000 crore. Of this, 95 per cent was contributed by appliances. Godrej has 20 per cent market share in single door

refrigerators, 15 per cent share in double door refrigerators, eight per cent share in ACs and 10 per cent share in washing machines. They are looking at 20-25 per cent, 40 per cent and 45-50 per cent growth in refrigerators, air conditioners and washing machines categories, respectively, this financial year.

While Godrej is expecting 35 per cent increase in its top line next year, they are betting high on their innovative products that would contribute 20 per cent to their total turnover by next year.

### ***Innovation to Add Value***

Godrej appliances have found a new strategy to woo customers — offering better value deals by converging two products into one device. Kamal Nandi, VP, sales and marketing, Godrej appliances says: “Convergence of two products has been our key focus area for innovations across all categories. In the last five years, every quarter we have come out with innovative products which are relevant to Indian consumers’ lifestyles and habits depending on the seasons.” “Our products are doing well as we offer relevant technology adapted to consumers’ lifestyles and habits. If we are able to provide higher value to consumers for the price they pay, they will definitely buy.”

Godrej planned innovative line of refrigerators and air conditioners. During monsoons, the company offered a new range of washing machines and during the festive season, it came out with innovations in microwaves and televisions.

### ***Music Enabled Refrigerator***

It’s noteworthy that in 2009, Godrej came out with its breakthrough innovation – ‘ChotuKool’ (small refrigerators) – priced at ₹ 3,250, targeting rural India. The product consumes half the power consumed by other refrigerators and uses high-end insulation to stay cool for hours without power.

Godrej has launched India’s first music-enabled refrigerator this month – ‘Edge SX MuziPlay’ – with inbuilt FM radio and MP3 player. The music system is built on the top of the refrigerator. It is targeted at housewives living in Tier-I, II, III and IV towns, who spend most of their time in the kitchen. Besides entertaining, it comes with the ‘stay cool’ technology that delivers 24-hour cooling retention despite power cuts. “This prevents ice melting and food spoilage during power cuts,” says Nandi. The refrigerator has additional facilities such as a mobile charging point with USB port. According to the company, the refrigerator is endowed with ‘silver ion freshness technology’ that fights germs and ensures

long lasting freshness. The new product comes in two capacities, 183 litres and 221 litres, priced between ₹ 12,690 and ₹ 15,660.

“In the refrigerator’s category, today’s consumers want features more than just cooling like freshness, storage efficiency, stylish exteriors and technological innovations. This innovation is targeted at single door entry level in tier I, II, III and IV towns, available across 19,000 outlets across India. We have converted refrigerators from being a ‘passive appliance’ in your kitchen into an active entertainer.”

The company is aiming at 3-5 per cent increase in market share in refrigerators category with the launch. Godrej will be promoting these refrigerators this summer with a 360-degree media campaign and consumer engagement programme. In the direct cool category, Godrej enjoys 20 per cent market share whereas in the frost free category, it has 15 per cent share.

### ***LCD TVs with Video Gaming Consoles***

Last year, Godrej had converged LCD TVs with gaming consoles, priced ₹ 5,000 more than ordinary LCDs. Nandi adds: “In a price-sensitive market like India, there are lot of opportunities and potential existing for converged products. A video gaming console comes at about ₹ 22,000 whereas an LCD costs you about ₹ 32,000-40,000. We offer the LCD-cum-gaming-console in one unit at just ₹ 5,000 more than a normal LCD.”

### **Case 2: HUL**

HUL lost more than 600 basis points in market share in personal wash (54.3% to 48.2%), 340 basis points in skin care (55.4% to 52%) and 150 basis points in toothpaste (29.5% to 28%). This loss is attributed to HUL’s focus on high-value products, consumers switching to cheaper regional brands, lack of product innovations and stable pricing by rivals. In the face of slowdown, HUL’s strategy to maintain margins was to focus on premium brands like Ponds and Dove since the demand for these products was perceived to be price inelastic. However, the consumers were looking for value offers during this period.

### ***Competitors***

The main competitors for HUL who have gained market share at its expense are Godrej and Reckitt Benckiser in soaps, Colgate and Dabur in oral care and Dabur in Shampoos. Moreover regional companies like Chik in shampoos, Dyna and Santoor in

soaps and Nirma and Ghadi in detergents gave incentives to trade by increasing trade margins and increasing the credit period, hurting HUL further.

### ***Strategy***

The company has put a strategy in place which includes grammage correction, pricing unit packs at lower price points and increasing promotions for value brands. Under the grammage correction, Wheel soap's ₹ 10 pack was increased by 25 gms to 275 gms while Lux soap's ₹ 18 pack now weighs 25 gms more than earlier. HUL also hiked retailer margins in some categories, offering 8% incremental margins. The company has reduced the prices of its detergent brands like Wheel and Surf and is invested heavily on brands like Rexona, Breeze and Hamam.

### **Case -3 Whole Foods Market**

The Whole Foods Market offers natural and organic foods with relatively expensive price compared to other foods retailers. Now that the economy is in recession (and actually is recovering), a lot of consumers are tightening their belt by cutting down on spending, including their purchase of foods and groceries. The Whole Foods market survived within the economic downturn because it has been able to adopt the value-added pricing strategy. Whole Foods was hit hard by the recession when shoppers cut back their spending. However, according to [canadianbusiness.com](http://canadianbusiness.com), the grocer said last quarter that the company is undergoing its emerging recovery. Here is what's special about The Whole Foods Market.

Firstly, they add significant value on the customers grocery shopping experience. The store's layout and appearance are different from other retailers or grocery stores such as QFC, and even their competitor, Trade Joe's. One of Whole Food Market's philosophy is providing a trip to Whole Foods Market is a place to explore. Its stores are spotless and the merchandising displays are beautiful to the eyes. Shoppers are encouraged to taste and touch almost everything in the store. What's more, Whole Foods Market also pampers the customers' sense of smell as the smell of bread, coffee, smoked meats, and fresh fruits permeate the air

Secondly, The Whole Foods Market believes in its customers as their "evangelists". They offer extraordinary customer service and exceptional customer experience, because they believe that their customers are going to "give back" to them by spreading the good words of the Whole Foods Market. So, instead of using traditional advertising vehicles, WFM uses the influential power of customers as the advertising vehicle

Based on such added values, Whole Foods Market is not afraid to sell their products at a higher price than their competitors', thus, applying the concept of value-added pricing strategy.

#### **Case-4: Eureka Forbes and HUL -Competing on Value**

Shapoor Mistry, Chairman of Eureka Forbes, while launching a new variant of Aquasure, emphasised his company's vision to provide pure and safe drinking water to every Indian home. Today the pioneer and leader in water purification is targeting the mass market with value-for-money (VFM) products. Competing with Eureka Forbes is one of the largest FMCG majors in the country, Hindustan Unilever Ltd (HUL), with its Pureit brand.

#### ***Value for Money (VFM)Segment***

"There is a dramatic growth of 60-65 per cent at the mass VFM segment" according to Marzin Shroff, CEO (Direct Sales) and Senior Vice-President (Marketing), Eureka Forbes. Both players are looking at segmenting the VFM storage water purifier market with new products and technologies to provide the benefits of pure drinking water by riding up and down the price value chain.

#### ***Entry of Aquasure***

Aquasure entered the storage segment in 2005 at the bottom of the pyramid priced at ₹ 1,500. It existed as the Forbes Aquasure brand in the Eureka Forbes portfolio where it consisted of RO (reverse osmosis) and UV (ultraviolet) water purifiers. The new Aquasure is launched to offer affordable solutions that are within easy reach for all. It is currently pegged at ₹ 2,290 and positioned compared to the top end of RO and UV filters which have reduced growth rates at 25 per cent.

#### ***Entry of Pureit***

HUL entered the storage water purifier market almost at the same time in 2005. However, both have adopted different strategies to make a mark in the segment. HUL decided to test-launch its product in Tamil Nadu while Eureka Forbes decided to go pan-India.



## ***HUL Strategy***

HUL has decided to replicate its FMCG strategy in its water business. It has decided to straddle the water purification pyramid completely in terms of pricing and products in the home water drinking segment. Having entered the premium segment with Pureit Marvella, there are chances of it bringing out more upgraded products with increasing price points to cater to all sets of consumers.

“We would look at the entire pyramid of water purification and if there is an unmet consumer need like an RO or UV filter we would look at it. Ideally, we would like to play the full pyramid in this business in terms of price points and convenience,” says Vikram Surendran, General Manager - Water, HUL and a former employee of Eureka Forbes. RO and UV filters require electricity and water unlike the storage devices which currently come under HUL’s Pureit franchise.

In fact, from the time HUL launched its initial Pureit products (Classic and Compact) pegged upwards of ₹ 1,000, it has been going up the price value chain with brands such as Autofill (₹ 3,200) and now Marvella (₹ 6,900). HUL is riding on its distribution strengths to make the Pureit brand available across the country. Nearly 75 per cent of HUL’s existing distributors have been roped in to sell the brand and additional distributors with expertise in durables retailing and direct-to-home selling agents are also supporting the business.

“We are leveraging the strengths of our existing distributors who form the backbone of the distribution channel and then layering it with other specialised distributors,” adds Surendran.

Claiming to reach three million consumers across towns with a population in excess of 50,000, HUL is also undertaking pilot studies of its other distribution channels such as the direct selling network (HUL Network) and Project Shakti (a microfinance scheme). However, the FMCG major believes there might be limitations to selling the water purification devices through the traditional FMCG channels.

“There is a significant difference between selling soap and a water purifier. We are still testing these channels to see if it will work,” says Surendran.

## ***Eureka Forbes Strategy***

While HUL is trying to find a foothold in the nascent category, an established player such as Eureka Forbes too has set its strategy in place. For instance, it has decided to sell

Aquasure through the trade unlike its iconic brand Aquaguard which has been sold through the direct sales route all these years. Aquasure has been positioned as a 'fighter' brand in the VFM segment with its pricing and costs which, on an average, are almost 25 per cent less than the Aquaguard brand in the overlapping segments such as the RO and UV filters.

Today, Aquasure has 16 SKUs (stock keeping units) offering five different technologies under its franchise. "We have proactively approached the bottom of the pyramid with Aquasure as we saw an opportunity in the segment. The product was meant for the smaller cities with water problems and required no plumbing," says Shroff.

Going forward, prices are also likely to stabilize in the ₹ 450-crore storage water purifier segment. As Shroff observes, "Prices should stabilize between ₹ 1,500 and ₹ 2,500." With the market large enough to accommodate more players, it is not pricing but new technologies which are expected to grow the category.

## **Summary**

Sales promotion is a preferred communication tool among retailers in order to increase sales immediately, attract new customers or retain new ones. Customers do not buy features and benefits, they buy VALUE. The appropriate relationship between full price and sales and discounts is a fine balance to optimize price and demand over the long term. If that balance is achieved it will drive value enhancing customer behaviour, such as building loyalty

Value-pricing strategies are based on the assumptions: Customers are value conscious rather than price conscious; Customers assign a personal value to a product or service and the selling price is based on customers' perceived value rather than on the vendor's costs.

To increase the value of your products, you can either add benefits or reduce the perceived risk factors rather than resorting to reducing your price.

Retailers successful in the future are those giving more attention and dedicated resource to creating their value proposition for consumers.

## **Self Assessment Questions**

1. Explain the importance and types of consumer promotions
2. Give an example of online promotion.

3. Describe a special event promotion.
4. Give examples of promotion by coupons,
5. Describe consumer promotion by Rebates and Loyalty Programs
6. How do you calculate promotion profitability?
7. Describe different types of retailer promotions
8. Give examples of promotion by retailers
9. How do you measure promotion effectiveness before introducing promotion?
10. How do you evaluate promotion effectiveness after implementation?
11. Explain the significance of sales promotion strategy
12. How do you formulate sales promotion strategy?
13. Does customer look for value or price?
14. How is value offered to customers?
15. Can a marketer offer products at high price and be successful?
16. Explain in brief the Procter and Gamble's value pricing strategy
17. Describe value pricing by HUL
18. Is value pricing strategy useful to service organizations?
19. Explain value pricing strategy of Godrej in refrigerator segment.
20. Discuss the effectiveness of value pricing for FMCG products with suitable case examples.

## **CASE STUDY**

### **Dabur Needs Strategy**

When a banyan tree's branches hit the ground, they start acting as roots, too. After a while, it is difficult to make out which is the tree's main source of nutrition — the original roots, or the branch-turned-roots. It is a particularly apt analogy for **Dabur India**, and not just because a banyan tree has been the logo of the company for since its inception.

In Dabur's case, though, the banyan tree stands for what has not been achieved. The company has been branching out — it has seven brands in the oral care category, nine in the hair care space and six brands in foods.

## The Question

In fact, the ₹ 1,852-crore (₹ 18.52 billion) company has a presence in categories ranging from mosquito repellents and juices to face packs and honey, some acquired and some developed in-house. Trouble is, not one of these categories contributes more than 21 per cent to the company's revenues. Still, Dabur has been growing at a lively 17 per cent over the past three years. Which raises an interesting strategy question: is there a right way to grow? What is better: a few power brands that are nurtured to offer huge returns, or a wide array of products all of which contribute meagre sums that, nevertheless, add up to a reasonably good total?

## Too Many vs a Few Brands

There is a school of thought that believes Dabur's choice may not be the best way of ensuring future growth: too many segments will constrain it from scaling up significantly to match increasing competition and that will bring down overall pace of growth.

Manish Saigal, associate director, KPMG says, "It is probably better for a company to create a few champion brands rather than dissipate its energies on too many products, because that is what will result in sustainable margins," says. Adds Ritesh Chandra, associate director, Ernst & Young, "It is difficult to scale up organically these days because brands are constantly being upstaged. Now, if companies don't scale up, margins are going to be under pressure."

"Not true," says Dabur India CEO Sunil Duggal dismissively. "We do have several categories but we don't believe our portfolio is unwieldy or too complex." This view is seconded by V Sitaram, executive director, consumer care division. "What works for Hindustan Lever doesn't necessarily work for us. Our strategy is based not on the size of the individual products, but on the size of the brands. We are using our two master brands — Dabur and Vatika — to grow categories, rather than single products."

## A Finger in Many Pies

Dabur isn't the category leader in any of the consumer product categories where it has a presence: it is No. 4 in shampoos, No. 3 in toothpastes and nowhere in the reckoning in toilet soaps. Duggal is clear about Dabur's direction: "We want to be in as many categories as possible, as long as they offer a herbal platform, even if our share is small."

## **Toothpaste Category**

Small is right. Consider toothpaste, for instance. In the ₹ 2,500-crore (₹ 25 billion) segment, Dabur's share across four brands — Babool, Promise, Meswak and Dabur Red — is just 8 per cent, accounting for ₹ 200 crore (₹ 2 billion). Compare that with market leader Colgate, which commands close to 48 per cent of the market. But then, being No.1 is nowhere in Dabur's gameplan.

The company is now aiming for 15 per cent of the overall market, depending largely on the growth in Dabur Babool (acquired from Balsara and subsequently renamed). Dabur claims the addition of the prefix has helped the brand grow nine percentage points to claim 21 per cent of the economy segment. Other brands, though, may not be so lucky.

Says an analyst, "Given the current size of the market and the number of products from whiteners to fresheners and gum, it may be an uphill task for brands like Meswak, which caters to the premium user and is worth around ₹ 15 crore (₹ 150 million), to make significant inroads." Dabur isn't however, ready to be brutal with Meswak (also inherited from Balsara), but the company is working on new ways to rejuvenate and promote the brand.

## **Shampoo Category**

Ironically, the company is far more focused in the ₹ 2,200-crore (₹ 22 billion) shampoo segment, where it has a meagre 5 per cent share: the combined turnover of its 10-year-old brand Vatika and its three variants is around ₹ 120 crore (₹ 1.20 billion).

Three years ago, the company launched a budget shampoo Anmol. The brand never took off and is now languishing on the verge of withdrawal.

"Anmol didn't succeed because it didn't have a differentiator," concedes Sitaram. Dabur now doesn't plan to launch a new shampoo brand any time soon. Instead, the company will concentrate on pushing sales of its Re 1 sachets, which are driving its shampoo sales at present. "We can double our share in this category," declares Sitaram.

Analysts are sceptical, though. "Competition from larger players such as Hindustan Lever (HLL) and Procter & Gamble is increasing," says Nikhil Vora, vice president, SSKI Securities. "It will not be easy for Dabur to grow its share, even though the category is underpenetrated."

## **Brand Strategy**

Sitaram explains that the strategy for a new brand launch is simple: by the third year, a new brand must contribute to common overheads and by the fifth year, it should make “some profit”. “I don’t intend to be the market leader. It’s enough that I’m growing faster than the market,” he adds.

Market watchers believe Dabur’s brands are too small to effectively withstand competitive pressure — shampoos account for just 4 per cent of the consolidated revenues of the company and Vatika is just a ₹ 100-crore (₹ 1 billion) brand.

Dabur argues that that it doesn’t need the scale of an HLL simply because none of its brands is that big.

But that’s precisely the worry, say analysts, especially given the growth in modern trade: unless a single brand is worth at least, say, ₹ 150 crore (₹ 1.50 billion), it won’t be able to negotiate effectively with large retailers, which means taking a hit on margins.

“If brands aren’t big, margins can’t be sustained,” agrees KPMG’s Saigal.

## **Scale: an Uphill Climb**

Of course, it’s not going to be easy to gain share in fiercely fought categories. Even traditionally higher-margin categories, such as foods, are now likely to be under threat as large retailers launch their private label products. (Dabur’s foods business, with four brands, contributes 11 per cent to revenues, at present.)

It will be worse in categories like personal wash. The category is estimated to be worth ₹ 5,500 crore (₹ 5 billion), but with more than a dozen players, scaling up for any single brand is difficult. Dabur is a minuscule player in this segment — its Vatika brand toilet soap is worth barely ₹ 25 crore (₹ 250 million), although the company hopes to grow it to ₹ 100 crore.

## **Leveraging the Brand**

Within the herbal platform, Dabur is trying to do is capitalise on the strength of its two flagship brands, Dabur and Vatika. There is a clear advantage in using the brands across categories: advertising costs are substantially reduced, since there is no need to go in for fresh brand building.

Vatika, for instance, is now used for hair oil, shampoos, skin care and also personal wash. “The Vatika brand equity rubs off on all the products,” points out Duggal.

There’s a flipside, though. Indiscriminate use of the brand across price points may dilute the brand equity. Returning to the Vatika example, the brand is a premium product in hair oil, a top-end product in shampoo, but a mid-level priced soap.

Dabur, too, is present across the spectrum in over a dozen products — from premium chyawanprash and honey to low-end toothpowder, addressing very different consumer groups. Dabur, of course, says it is careful not to over-stretch its brands.

Adds Sitaram, “Consumers seem to have no issues with the same brand being used across different price points.” That may be so. But Dabur has only two successful brands and if it is hoping to be anywhere near a ₹ 5,000-crore (₹ 50 billion) company in the near future, it can’t afford to take any chances.

### **Scope to Spend on Promotion**

Dabur India’s results for the quarter to June 2012 showed a recovery in sales volume growth and an improvement in gross margins. While sales volume grew by 13% year-on-year compared to 9% a year ago, its gross margins improved by 220 bps. The higher gross profit enabled the company to spend more on advertising.

A likely moderation in input prices will help the company improve its gross margin further. This will allow the company to invest more on advertising and branding activities, which will pay off in the medium to long term.

### **Questions for Discussion**

1. Analyse the situation faced by Dabur India.
2. Explain the product and price strategy of Dabur
3. Develop a sales promotion strategy that Dabur can use to reach its goals.

*Source:* Shobhana Subramanian *The Dabur strategy: will it work?* [www.rediff.com](http://www.rediff.com) Business, 6 Feb 2007 and Jwalit Vyas, *Increased promotion, tapering input cost to add value to Dabur*, [economictimes.indiatimes.com](http://economictimes.indiatimes.com) News News By Company, 25 July 2012.

## Internet Exercise

Begin with websites - Good Knight trumps AllOut, [www.business-standard.com](http://www.business-standard.com) › Home › Mgmt & Mktg, 24 Feb 2012 and Good Knight - Godrej, [www.godrej.com](http://www.godrej.com) › ... › Godrej Industries › Godrej-Consumer Products, collect data on promotion of Good Knight and prepare a discussion paper.

## Mini-Project

Visit local retailers and interview them to get information on sales promotion of a private label they are selling in their stores.

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