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## **SYLLABUS**

### **B.Com I Year**

#### **Subject – Marketing Communication**

UNIT – I	Nature and importance of communication, Functions of communication, Communication process and its elements, Application of communication process in Marketing.
UNIT – II	Steps in Developing effective Marketing Communication, Elements of Promotion Mix: Personal Selling, Public Relations, Advertising, Publicity and Sales Promotion.
UNIT – III	Sales promotion-meaning nature objective and importance, Function and limitation of sales promotion, Types of sales promotion schemes, consumer and trader sales promotion.
UNIT – IV	Consumer oriented sales promotion: Free sample, discount, gifts, premium pack, Contests, price, quantities deals, rebates.
UNIT – V	Trade Oriented Sales Promotion: Discounts and Allowances, Plant Tours, Packages, Gifts, Contests, Training of Retailers/Dealers and their staff.



### **Meaning**

A process by which product information is transmitted to the *target audience*.

Marketing communication (MC) is a collective term for all the various types of planned messages used to build brand-advertising, public relations, sales promotion, direct marketing, personal selling, packaging, events and sponsorships, and customer service.

Marketing Communication functions, however, have little value without media, the vehicles through which marketing communication messages are carried to (any from) target audiences. The media that marketers use most frequently include TV, radio, newspapers, magazines, outdoor boards, internet, mail, and the telephone.

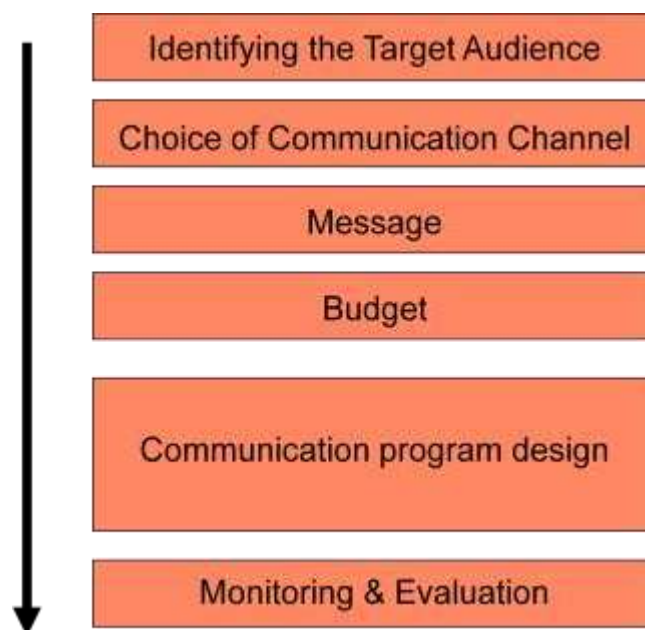
Building brands is the overall objective of all marketing communication as well as marketing.

### **Nature of Communication**

- Communication involves plurality of persons
- Existence of message is essential which may be the orders, instructions or information about the managerial plans, policies, programmes
- It's a two way and continuous process
- Its primary purpose is to motivate a response
- Communication may be formal controllable or informal uncontrollable
- It can be in vertical, horizontal or diagonal

### **Principles of Effective Marketing Communications**

- WHO?
- WHERE?
- WHAT?
- HOW MUCH?
- FORM – CHANNEL – PERIOD OF TIME
- WHAT WAS IT?





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### **Objective of marketing Communication**

- To persuade target audience
- To give and receive information
- To provide advice
- To educate and train customer
- To issue orders and instruction
- To receive suggestion

### **Importance**

1. Persuasion is one of the factors of marketing communications. Persuasion is the main reason companies engage in marketing: to persuade their target audience to take action, as in, buy their product or subscribe to their services, make a phone call, or donate money.
2. All marketing communication is goal oriented, as the predetermine objective helps to create effective marketing communication strategy.
3. Every successful marketing communications helps plan the marketing message at every contact point that are received by the target audience.
4. It facilitates in controlling the performance and take necessary remedial actions on the basis of feedback information from them.
5. Communication creates a meeting of minds and improve industrial relations. It helps to develop mutual co-operation and understanding thereby improving industrial productivity.
6. Communication is indispensable for every organization to develop and maintain reputation or goodwill with its customers, investors, dealers, suppliers etc.

### **Elements of Business communication**

- Sender
- Message
- Encoding
- Channel and medium
- Receiver
- Decoding
- Feedback

### **Process**

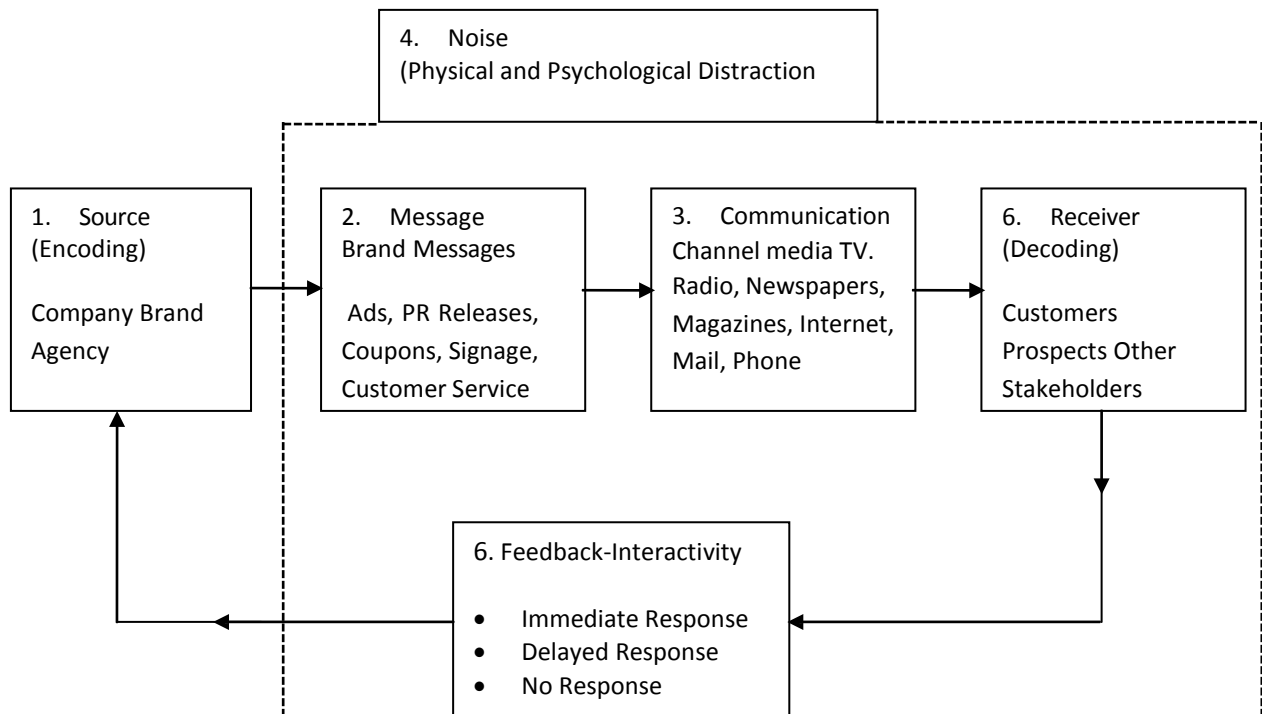
Marketing communication is a process for planning, executing, and monitoring the brand messages that create customer relationships. MC is about synergy (discussed below) and creativity, integration, and communication. Although many companies have coordinated and focused their marketing communication to a certain extent, one of the best examples of how to do MC is the story of Saturn. The receiver is anyone who is exposed to a message. Once receiver, usually customers and prospects, receive a message, they must decode it. Decoding is the process of interpreting what a message means. After customers decode a message, they respond in some way, indicating to what extent the message was received, properly decode, and persuasive. This response is called feedback, which is a response that conveys a message back to the source.

The communication process occurs in a context or environment where other things are going on- competitive brand message, people walking by, a telephone ringing, as well as thoughts inside customers' heads. These "other things" are called noise-interferences or distractions that can negatively affect the transmission and reception of a message. Companies and their NC agencies go to great lengths to create brand message that have impact that are attention getting as well as memorable.



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### Barrier of communication

#### 1. Physical barriers-

These are the interference that occur in the environment in which the communication takes place.

- Noise means interference that occurs in a process which blocks the receiver to receive the information and understand at the expected degree of perception
- Improper timing also hinders the communication process
- Physical distance or in a situation where there is scattered or too many division of audience, it becomes difficult for the sender to check whether message is properly understood or properly acted upon or not.

#### 2. Language Barrier

Language problem occurs when people use either the same words in different ways or different words in the same ways.

- Variety of meaning- to avoid word seldom sender and receiver must have to understand & choose one meaning in order to call the communication perfect.
- Communication becomes even more difficult because of different cultures and classes in globalised world. Same category of symbols, colours, phrases, actions mean different in different culture.
- Lack of clarity and precision in a message makes it badly expressed which leads to vague and poor expression.
- Un clarified assumptions which underlay in the message practically are expected to be understood automatically by the receiver.
- The sender does not specify everything in the message and receiver may presume nothing beyond the message or may assume different things.

#### 3. Organisational Barrier

The factors internal to the organization which adversely affect the flow of communication are called organizational barrier

- Organisational policies, rules and regulations that are not supportive to the flow of communication or affects the flow of communication by prescribing the subject matter and channel to be used.



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- If the organisational structure is complex there may be a large number of barriers that develops. Intermediary levels are likely to distort, withhold or stop message intended to float and message may lose its usefulness because of delay.
- Wrong choice of channel may lead to miscommunication or failure even when the message is effectively and clearly formed.
- Improper interpretation of the feedback received.

#### 4. Psychological or perceptual barrier

Every human may interpret the message based on his knowledge and understanding, this can be based on perception as well.

- In the form of Selective perception, consumers tend to block new information if it conflicts with existing belief.
- Premature evaluation takes place when there is tendency to form judgment before listening to the entire message. It may mislead the consumer and result in distorted decoding.
- Psychological or emotional barrier are another block, particularly in inter personal communication process as these are stronger than physical barrier because message cannot penetrate easily. Social values, inferiority complex, biased approaches, sentiments attitude affects the quality of communication.
- Inferring- direct seeing hearing, feeling tasting, smelling etc can be verified and hence constitutes a fact but when non experts draw inference without trying to verify facts, it causes communication issues.

#### 5. Personal factors

Barriers that are internal to the sender or receiver are referred as personal factors

- Barrier due to resistance to change or adaptability
- Lack of trust and acceptance based on past experience of the product by the receiver
- Lack of ability to express and communicate desire adversely affect the feedback



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From Keith Devis - Communication is a process of passing information and understanding from one person to another.

From Wilbur Schramm - Communication is something people do. To understand human communication process, one must understand how people relate to each other.

### **TYPES OF COMMUNICATION CHANNELS**

The main function of different communication channels is to diffuse the information correctly in the same sense carrying the same meaning as desired by the source.

1. **Vertical Channel** – A vertical channel exists, if there is meaningful difference in the interest's social status, demographic or economic characteristics of the communicating units or groups. In marketing the relations among manufacturer, wholesalers, retailer and consumer are often thought of as a vertical channel because these communicating groups differ from each other in various perspectives but still they provide a link (channel) between the manufacturer and the consumer.
2. **Horizontal Channel** – If the communication flows among members of a group having similar interests, social status, demographic or economic characteristics, it is horizontal channel. A group may be defined in many ways i.e., a social group, a work group, a professional groups. In marketing, communication from one consumer to another consumer may be identified as horizontal channel.
3. **Formal Channel** – A formal channel is one that is established intentionally and is under the control of communicator. Thus an advertiser has a formal channel to a target audience, that is established by choosing various media alternatives. The use of channel is paid for by the advertiser and is sometimes called the mass or direct exposure channel.
4. **Informal Channel** – Opposite to formal channel, an informal channel is one, not intentionally, established and not under the control of communicator. It is the word of mouth aspect of advertising and is sometimes referred to as interpersonal or indirect exposure channel. Although, an advertiser has no direct control over what is communicated through the channel he can attempt to influence it in one way or the other.

### **ELEMENTS OF COMMUNICATION PROCESS IN MARKETING**

Barbara Stern at Rutgers University proposed a more sophisticated communication model, derived from the traditional oral one but more specific to advertising. The Stern model acknowledges that the source, the message, and the receiver ye multiple dimensions.

#### **a. Source dimensions : the sponsor, the author, and the persona**

Certainly the sponsor is legally responsible, for the communication, but it usually does not actually produce the message. The author of the communication is actually a copywriter, an art director, or, most often, a group at the agency. However, within the text of the ad, some spokesperson, real or imagined, usually gives the ad or commercial a voice. To the consumer, this persona is the source of the within-text message.

#### **b. Message dimensions : autobiography, narrative, drama**

Multiple types of messages are communicated in advertising. Some messages are autobiographical. In narrative messages a third-person persona tells a story about others to an imagined audience. Finally, in the drama, the characters act out events directly in front of an imagined empathetic audience. In the encoding process, the advertising professional usually begins by studying the emotions, attitudes, and concepts that drive particular Customer. Once those are identified, symbols are developed are then placed in the most suitable format for the message dimension and the medium in which they are to appear

#### **c. Receiver, dimensions: implied, sponsorial, and actual consumers**

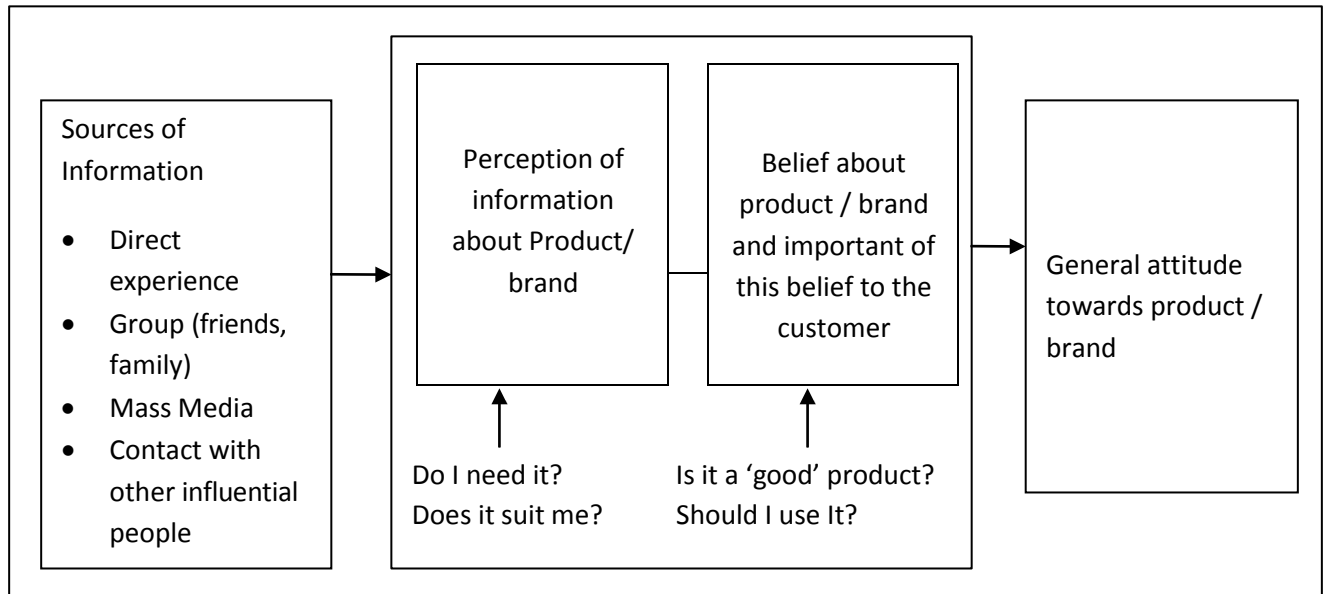
On advertising, receivers are also multidimensional. These implied consumers addressed by the ad's persona are not real. When we move outside the text of the ad, the first line of consumers is the 'group of decision makers at the sponsor's company or organization. So, before an ad ever gets a chance to persuade a real consumer, it must first persuade the sponsor's agents.



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### INFLUENCE OF COMMUNICATION ON CONSUMER ATTITUDE



### APPLICABILITY IN MARKETING

Marketing Communication channels may be personal or non personal. Such channels involve two or more persons communicating directly face to face, person-to-audience, over the telephone, or through e-mail. Following are some of the methods used for marketing communication.

**Non-personal communications channel:** Non personal channels are communications directed to more than one person and includes the following:

**Media :** It consists of print media (newspapers journals & magazines) broadcast media (Radio & TV), network media (Telephone, cable, satellite, Wireless) electronic media (audiotape, videotape, videodiscs, CD-ROM, Web page) & display media (Billboards, signs & posters).

**Sales promotion:** It consists of consumer promotions (such as samples, coupons & free gifts), trade promotion (such as price offs or allowances) & business & sales force promotion (contests for sales representatives).

**Events & Experiences:** It includes sports, arts, entertainment & cause events & less formal activities that create novel brand interactions with consumers.

**Public Relations:** It includes communications directed internally to employees of the company or externally to consumers, other firms, and the government media.

**Personal communications channel:** Personal communication channels include the following means:

**Personal selling, & Direct selling**

### PUSH AND PULL STRATEGIES

A push promotional strategy involves taking the product directly to the customer via whatever means, ensuring the customer is aware of your brand at the point of purchase.

Examples of push tactics

- Trade show promotions to encourage retailer demand
- Direct selling to customers in showrooms or face to face
- Negotiation with retailers to stock your product
- Efficient supply chain allowing retailers an efficient supply





- Packaging design to encourage purchase
- Point of sale displays

A pull strategy involves motivating customers to seek out your brand in an active process.

"Getting the customer to come to you"

Examples of pull tactics

- Advertising and mass media promotion
- Word of mouth referrals
- Customer relationship management
- Sales promotions and discounts

## IMPLEMENTATION OF STRATEGIES IN MARKETING COMMUNICATION

Following are the steps involved in developing effective marketing communication:

- 1 Identify the target audience:** The process must start with a clear target audience in mind, potential buyers of the company's products, current users, deciders, or influencers; individuals, groups, particular publics or the general public. This is done by the process of market segmentation.

### Market Segmentation:

Basically there are four levels of market segmentation:

**(a) Segment Marketing:** Here the marketer's task is to identify the segments that share a similar set of needs & wants & decide which one (s) to target. Even in a segment, every individual has a different set of needs flexible market offerings to all members of a segment. One way to carve up a market is to identify preference segments which are basically of the following three types:

- (i) Homogenous preferences:** Market where all the consumers have roughly the same preferences.
- (ii) Diffused preferences:** Here, the consumer preferences are scattered in nature.
- (iii) Deserted Preferences:** Here, the market comprises of distinct preference dusters caused natures market segments.

**(b) Niche Marketing:** A niche is a narrowly defined group of customers seeking a distinctive mix of benefits. E.g. 'ALL' in Treasure Island Becher producing oversized umbrellas

**(C) Local Marketing:** Here, the marketing programs are tailored to the needs and wants of local customer groups. eg. ICICI Bank or CITI Bank

**(D) Customerization:** Customerization signifies 'segments of one' or 'one-to-one marketing'. E.g. Nike offering different sized shoes in a pair or Mochi designing shoes as per the customer's requirements

**2 Consideration of Behavioral Variables:** Various behavioural variables need to be considered before deciding communication pattern. Following are some points to remember for Consideration of Behavioral Variables

**(a) Occasions:** e.g. Hallmark or Archies range of greeting cards for numerous occasions like Diwali, Raksha bandhan, id, birthday, friendship day, Christmas, Valentine's day & so on.

**(b) Benefits:** E.g. Shyam wants an economy car (Maruti 1000), Deepak is interested in a premium quality four wheeler (Ford Endeavor) Whereas, Pavneet loves driving premium quality SUV (Scorpio)

**(c) User Status:** This signifies dividing a market into

- \* Non users
- \* Ex-users
- \* Potential users
- \* First time users &
- \* Regular users.

E.g. Blood banks or airlines

**(d) Usage Rate:** e.g. Heavy beer drinkers, moderate beer drinkers & several light users or Working Teens, bachelors eating out very often whereas married people prefer eating mostly at home.





(e) **Buyer readiness stage:** A market consists of people in different stages of readiness to buy a product. Some are unaware of the product, some are aware. Some are informed, some are interested, some desire the product & some intend to buy.

(f) **Loyalty status:** Buyers can be divided into four groups according to brand loyalty status viz.

- **Hard core loyals**
- **Split loyals**
- **Shifting loyals**
- **Switchers**

(g) **Attitude:** Five attitude groups can be found in a market viz.

- **Enthusiastic**
- **Positive**
- **Indifferent**
- **Negative**
- **Hostile**

3 **Determine the communication objectives :** Various marketing communication objectives are as follows:

(a) **Category need:** E.g. Fully automatic washing machines or electric cars.

(b) **Brand awareness:** Brand awareness has two components viz.

**Brand recognition:** When customer enters a store & recognizes one particular brand most promptly.

**Brand recall:** When customer is contemplating a purchase & recalls one particular brand first.

(c) **Brand Attitude:** Brand attitude means its perceived ability in consumer's mind to meet a currently relevant need.

(d) **Brand purchase intention:** This signifies self instructions to purchase the brand or to take purchase related action.

4 **Message strategy:** Designing the communications requires the three decisions to be taken which are -

**What to say (Design the communications):** Determining message strategy signifies searching for appeals, themes, ideas that will tie into the brand positioning & help to establish points of parity or points of difference.

**How to say it (creative strategy):** Creative strategies mean how marketers translate their messages into a specific communication & are classified as involving either "informational appeals" or "transnational appeals".

**Informational Appeals:** An informational appeal elaborates on product or service attributes or benefits. E.g. In advertising, problem solution ads (No mark for a clean face & clinic all clear for fighting dandruff).

Product comparison ads (Pepsi & Coke war).

**Transformational Appeals:** Transformational Appeals elaborates on a non product related benefit or image. E.g. L'Oreal "you are worth it"

**Who should say it (message source):** Message source can be internal to the company or it could be unknown people also. Message delivered by attractive or popular source can potentially achieve higher



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attention & recall which is why advertisers often use celebrities as spokes people. E.g. Dipika Padukone for Fiamma, Kareena Kapoor for Globus, & Sachin Tendulkar for Boost.

**5 Establish the total marketing communications budget:** Now comes the turn to decide on how much to spend on communications & promotion.

Mainly there are four common methods:

**(i) Affordable Method:** This signifies to set the promotion budget at what the company or the brand thinks it can afford.

**(ii) Percentage of sales method:** Many companies set promotion expenditure at a specified percentage of sales (either, current or anticipated) or of the sales price.

**(iii) Competitive parity method:** Some companies set their promotion budget to achieve budget to achieve share of voice parity with competitors.

**(iv) Objective and task method:** This method calls upon marketers to develop promotion budgets in the following three steps:

- Define specific objectives.
- Determine the tasks to be performed to achieve these objectives. &
- The costs of performing these tasks.

**FEEDBACK AND MEASURING COMMUNICATION RESULTS** After implementing the communications plan, the communications director must measure its impact on the target audience. Members of the target audience are asked whether they recognize or recall the message, how many times they saw it, what points they recall, how they felt about the message & their previous & current attitude towards the product & the company. The communicator should also collect behavioral measures of audience response such as how many people bought product, liked it & talked to others about it.

## COMMUNICATION MODELS

In general, we can say that the communicator offers certain cues (i.e., signals: price, packaging, colour, brand name, store layout, design, etc. to signify the suitability of the product to the targeted customers) with an express desire to seek a favourable response (purchase/favourable attitude/ other type of behaviour) from them. The models that describe customer response stages are called (consumer) response hierarchy models.

1. **AIDA model:** It shows that a buyer passes through the stages of attention, interest, desire and action.
2. **Hierarchy of effects model:** Shows the buyer as progressing through awareness, knowledge, liking, preference, conviction and purchase stages.
3. **Innovation adoption model:** shows the buyer as passing through awareness, interest, evaluation, trial and adoption.

Communication model shows the buyer as progressing through exposure, reception, cognitive response, attitude, intention and behaviour. All these models assume that the buyer passes through a cognitive, affective and a behavioural stage, in that order. This sequence is also called 'learn (cognition),



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## UNIT 2 SALES PROMOTION

### Meaning and Definition of Sales Promotion

Sales promotion refers to many kinds of incentives and techniques directed towards consumers and traders with the intention to produce immediate or short term effects. In fact, whenever a marketer increases the value of its products by offering an extra incentive to purchase a brand or product, it is creating a sales promotion. The objective of sales promotion is to encourage 'action', although promotion can also help build identity and awareness.

A few definitions of 'Sales promotion' are quoted below:

1. **American Marketing Association (AMA) offering this definition:** "Sales promotion is media and non-media marketing pressure applied for a predetermined, limited period of time order to stimulate trial and impulse purchases, increase consumer demand, or improve product quality."
2. More recently, the **Council of Sales Promotion Agencies** offered a somewhat broader definition: "Sales promotion is a marketing discipline that utilizes a variety of incentive techniques to structure sales-related program targeted to consumers, trade, and/or sales levels that generate a specific, measurable action or response for a product or service."
3. **William Stanton defines sales promotion as** "demand-stimulating devices to supplement advertising and facilitate personal selling." He further writes that examples of sales promotion devices are coupons, premiums, in-store displays, trade shows, samples, in-store demonstrations, and contests.
4. Definition by **Institute of Sales Promotion, UK**, "Sales promotion comprises that range of techniques used to attain sales/marketing objectives in a cost-effective manner by adding value to a product or service either to intermediaries or end-users, normally but not exclusively within a defined time period."

### Nature, Characteristics or Various Aspects of Sales Promotion

1. **Target:** Sales promotions are conducted by producers and middlemen. The target for producers' sales promotions may be middlemen, end users-households or business users-or the producer's own sales-force.
2. **Categories:** There are three categories of sales promotion: trade promotions, directed to the members of the distribution channel; consumer promotions, aimed at consumers; and sales force promotion directed at salespeople to motivate them to increase their selling efforts.
3. **Extra Incentive:** Sales promotion involves some type of inducement that provides an extra incentive to buy. The incentive may also be a free sample of the product, given in hopes of generating a future purchase.
4. **Acceleration Tool:** Sales promotion is designed to speed up the selling process and maximize sales volume. Sales promotion techniques can motivate consumers to purchase a larger quantity of a brand or shorter the purchase cycle of the consumers by encouraging them to take more immediate action.
5. **Immediate Impact:** Sales promotion can often be implemented quickly and get sales results sooner than advertising. Philip Kotler says, "Sales promotion offers reasons to buy now."
6. **Focus on Short-Term Action:** Sales Promotion objectives usually focus on promoting some short-term action. The desired action by an employee might be a special effort to satisfy customer or more emphasis on selling a certain product.
7. **Non-Media Activity:** Sales promotions are sometimes referred to as non-media activity or as 'below-the-line' activity. This differentiates sales promotions from advertising and publicity and also includes them as part of the overall promotion mix.
8. **Strategic Role:** Because of the immediate nature of the impact, sales promotions have, in the past, been thought of as merely tactical. This view is changing and the strategic role of sales promotions and their integral role in the promotional mix are being recognized.



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9. **Planned Activity:** The fact that sales promotions can be effective throughout the life of a brand shows their strategic role. Clearly, sales promotion activities should therefore be planned and not just in an ad hoc manner.
10. **Supporting Activity:** Sales promotions are generally used to complement the other promotion methods.
11. **Versatile:** Sales promotions are extremely versatile. The different forms of sales promotions are capable of being used with various groups and designed to achieve different effects. Given this versatility, sales promotions can be useful throughout the product life cycle.
12. **Growing Field:** The total spending on sales promotion now exceeds spending on advertising. Promotional budget is increasing than allocated to advertising. The field of sales promotion has grown rapidly over the last fifteen years.
13. **Marketing Communication:** Similar to advertising, sales promotion is one type of marketing. It is focused on creating action.
14. **'Action'-the Ultimate Goal:** Although an 'action response' is the goal of the most sales promotion, it is also designed to build awareness. But it always focuses on action as the ultimate goal.
15. **Effective Marketing Activity:** Ultimately, the basic reason for the growth of spending on sales promotion is that it is now recognized as a very effective marketing strategy.

### Reasons for the Rapid Growth of Sales Promotion

Why are companies spending more money on sales promotion? Several factors have contributed to the rapid growth of sales promotion. These are discussed below:

- |                            |  |
|----------------------------|--|
| 1. Immediate Profits       | 9. The Power of the Retailer             |
| 2. Traditional Media Costs | 10. Declining Brand Loyalty              |
| 3. Immediate Response      | 11. Increased Promotional Sensitivity.   |
| 4. Added Value             | 12. Brand Proliferation                  |
| 5. Consumer Behavior       | 13. Increased Accountability             |
| 6. Pricing                 | 14. Competition                          |
| 7. Market Share            | 15. Fragmentation of the Consumer Market |
| 8. Parity Products         | 16. Media Clutter                        |

### Sales Promotion Objectives

Sales promotions objectives vary widely. To help ensure the proper application of sales promotion, specific objectives must be set. These may be as follows:

1. **Stimulate Trial Purchase:** When a firm wants to attract new users, sales promotions tools can reduce the consumer's risk of trying something new. A reduced price or offer of a rebate may stimulate trial purchase.
2. **Stimulate repeat Purchases:** In-package coupons goods for the next purchase, or the accumulation of points with repeated purchases, can keep consumers loyal to a particular brand.
3. **Stimulate Larger Purchases:** Price reductions or two-for-one sales can motivate consumers to stock up on a brand, thus allowing firms to reduce inventory or increased cash flow.
4. **Introduce a New Brand:** Because sales promotion can attract attention and motivate trial purchase, it is commonly used for new brand introduction.
5. **Combat or Disrupt Competitors' Strategies:** Because sales promotions often motivate consumers to buy in larger quantities or try new brands, they can be used to disrupt competitors' marketing strategies. If a firm knows that one of its competitors is launching a new brand or initiating a new advertising campaign, a well-timed sales promotion offering deep discount or extra quantity can disrupt the competitors' strategy.
6. **Contribute to Integrated Marketing Communications:** In conjunction with advertising, direct marketing, public relations, and other programmes being carried out by a firm, sales promotions suggest an additional value, with price reductions, premium, or the chance to win a prize this is an additional and different message within the overall communication effort.



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7. **Increasing Consumption of an Established Brand:** Sales promotion can generate some new interest in an established brand to help increase sales or defend market share competitors.
8. **Defending Current Customers:** With more new brands entering the market every day and competitors attempting to take away their customers, many companies are turning to sales plans to hold present customers and defend their market share.
9. **Targeting a Specific market Segment:** Most companies focus their marketing efforts on specific market segments and are always looking for ways to reach their target audiences. Many marketers are finding that sales promotion tools such as contests, coupons, and samplings are very effective ways to reach specific geographic and demographic markets.
10. **To disrupt Existing Buying Habits:** A coupon offering a discount might cause brand switching for a product such as orange juice or motor oil. For which many consumers do not have strong preferences.
11. **To Attract New Customers:** Demonstrations of Products such as vacuum cleaners or food processors can show people how easy they are to use and how well they perform.
12. **To Increase Impulse Buying:** End-of-aisle and island displays in supermarkets can increase sales of a product by as much as 50 percent.
13. **To Get Greater Retailer Cooperation:** A sporting-goods manufacturer gets additional shelf space by setting up point-of-purchase displays, training retailers' salespeople, and providing tote bags to be given away with purchases.
14. **Other Objectives:**
  - a. To speed up the sales of slow moving products.
  - b. To check the fluctuations in sales.
  - c. To clear the excessive inventories.
  - d. Motivate dealers to stock and sell more.
  - e. Encourage dealers to participate in display and sales contests.
  - f. To gain advantageous shelf-space.
  - g. To increase store traffic.
  - h. To improve relationship with dealers.
  - i. To motivate sales-force.
  - j. To supplement advertising and personal selling efforts.
  - k. To deflect customers' attention from price.
  - l. To educate customers and dealers.
  - m. To develop patronage habits among the customers.
  - n. To facilitate the market research study on consumer motives and behaviour.
  - o. To increase the goodwill of the firm.

#### **Distinction Between Sales Promotion and Advertising**

1. **Non-Media Activity:** Sales promotion is a non-media or a 'below-the-line' activity. On the other hand advertising is a media-related activity.
2. **Limited Time Period:** While advertising companies tend to have longer term effects, a sales promotion activity usually lasts for only a limited time period.
3. **Easy Evaluation:** The Impact or effect can be more easily measured than that of advertising or public relations.
4. **Focus on Immediate Purchase:** Most advertising is designed to have awareness, image and preference-building effects for a brand over the long run. The role of sales promotion, on the other hand, is primarily to elicit an immediate purchase from a customer. In the words of Philip Kotler, "Whereas advertising and personal selling offer reasons to buy a product or service, sales promotion offers reasons to buy now."
5. **Creating 'Action':** Although advertising is designed to build long-term brand awareness, sales promotion is primarily focused on creating 'action'.

#### **Importance or Advantages of Sales Promotion**





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Since the level of competition and costs of advertisements are rising, producers largely use this technique as a promotional tool. Sales promotion provides advantages to the various groups described below:

- I. Importance to Consumers
- II. Importance to Producers
- III. Importance to Middlemen
- IV. Importance to Society and the Nation

**I. Importance to Consumers**

1. Availability of New Products
2. Various Rebates and Free Products
3. Thrill in Life
4. Low Price
5. Increases Knowledge
6. Higher Standard of Living
7. Buying Confidence
8. Savings
9. Minimizes Exploitation

**II. Importance to Producers**

1. Increase in Sales
2. Improves Effectiveness of Media Activities
3. Helps Personal Selling
4. Efficient Distribution
5. Increase in Demand of New Products
6. Regular Sale of Seasonal Products
7. Able to Capture New Market
8. Easy to Maintain Existing Customers
9. New Uses of the Product
10. Creates Trust in Products
11. Promotes Sales in Low-Yielding Areas
12. Effective Measures to Face Competition
13. Cooperation from Middlemen
14. Direct Control
15. Increase in Goodwill

**III. Importance to Middlemen**

1. Facilitates Larger Sales
2. Provides Various Assistance
3. Increase in Amount and Volume of Every Deal
4. Reduction in Cost
5. Increase in Profits

**IV. Importance to the Society and the Nation**

The significance of sales promotion for the society and the nation can be summarized as below:

1. Increase in standard of living of the people.
2. Increase in employment opportunities.
3. Increase in gross national products and level of income in society.
4. Creation of healthy competition in national and international trade, etc
5. Development and expansion of various transport, communication, insurance, banking and warehousing services and facilities.

**Tools and Techniques of Sales Promotion**

Many tools can be used to accomplish sales promotion objectives. There are different groups who might be the target of sales promotion: consumers, trade, business and the sales-force. Sales promotions may be classified in the following types:

- I. Consumer Sales Promotion





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- II. Trade Sales Promotion
- III. Business and Industrial Sales Promotion
- IV. Sales-force Sales Promotion

## **PUBLIC RELATIONS IN MARKETING**

### **Definitions of Public Relations**

1. According to British Institute of Public Relations, "Public relations practice is the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organization and its publics."
2. According to an International Conference of Public Relations institutions held in Mexico City, "Public relations practice is the art and social science of analysis trends, predicting their consequences, counseling organization leaders, and implementing planned programmes of action which will serve both the organization and the public interest."
3. Public Relations Society of America suggests "Public relations help an organization and its publics adapt mutually to each other."

### **Characteristics of Public Relations**

1. Public relations are a two-way communication. Inflow of information and feedback is just as valuable in public relations as outflow of information.
2. Public relations can be linked to the eyes and ears as well as the voice of an organization. It is a kind of intelligence system.
3. The public relations message should be authentic, trustful and credible.
4. Modern public relations extend into all the functions of commercial and non-commercial, public and private organization.
5. It requires proper planning-just like an advertising campaign.
6. It is not concerned with 'the public' (or the 'general public') but with numerous groups or publics.
7. Public relations does not seek to create a favourable image. An image cannot be created: it can be only what it is. It may be necessary to establish a correct image but it may not be a favourable one.
8. It involves good deeds and good communication.
9. It generally has a broader objective than publicity, as its purpose is to establish and maintain a positive image of the company among its various publics.
10. Public relations uses publicity and a variety of other tools-including special publications, participation in community activities, fund-raising, sponsorship of special events, and various public affairs activities-to enhance an organization's image. Organizations also advertising as a public relations tool.
11. Public relations is an integral part of marketing and promotional strategies.
12. It is built on an understanding of public opinion regarding public affairs issues critical to the organization, such as ecology; how a company's practice impact on the environment and its local community; or workers' rights and how a company deals with its employees; (William Wells and others)
13. An important component of public relations is publicity-news media coverage of events related to a firm's products or services.
14. Public relations problems can arise from either a firm's own activities or from external forces completely outside a firm's control.
15. Public relations is not a 'soft-sell'.

### **Comparing Public Relations and Advertising**

The principal differences between public relations and advertising are outlined below:

1. **Objectives:** The objective of advertising is to create the consumer awareness and motivation to deliver sales. The goal of public relations is communicating with various stakeholders, managing the organisation's image and reputation, and creating positive public attitudes



(goodwill towards the organization). The anti-smoking campaign illustrates how a public relations campaign can change attitudes.

2. **View and Approach:** Public relations take a longer, broader view. It is a corporate competitive asset and addresses more target audience.
3. **Integrated Approach to Mass Communication:** William Wells writes. If we believe in an integrated approach to mass communication, advertising and public relations should be complementary even though one focuses on products and the other on the organization. As one researcher observed, "In IMC, company assets and product assets are managed at the same time." In integrated programmes, advertising and public relations aim at different targets with different but complementary messages.
4. **Factual and Informative:** Public relations writing must be factual and informative, and free of 'puffery'. To achieve credibility, it needs to be educational rather than persuasive, giving factual information rather than making emotional or dramatic claims and should avoid self-praise.
5. **Scope:** Public relations apply to many organizations which may not engage in advertising. A fire brigade does not advertise for fires.
6. **Editors and Producers:** Public relations deals with the editors and producers of the media, but advertising with the sellers of advertisement space.
7. **Market Segments and Publics:** Whereas advertising is usually addresses to particular market segment and certain social grades, public relations may be addressed to the numerous publics or groups of people with whom an organization has to communicate.
8. **Different Costs:** The costs of public relations are different. In advertising major costs are creative, space, airtime and production. In public relations they are time, since public relations is labour-intensive; plus production costs such as printing house journals or making videos.
9. **Media Use:** In contrast to buying advertising time and space, public relations people seek to persuade media gatekeepers to carry stories about their company. Gatekeeper includes writers, producers, editors, talk-show coordinators, and newscasters. Advertising will mostly use existing commercial media such as press, radio and TV, plus direct mail and exhibitions. Public relations will use a much bigger variety of commercial media, plus the created media of house journals, slides, video, audio tapes, private exhibitions, educational print, seminars and sponsorship.
10. **Control:** In the case of news stories, the public relations strategist depends on the media people-the editor, or reporter. There is no guarantee that all or even part of a story will appear. In contrast, advertising runs exactly as the client who paid for it has approved. And it runs as scheduled.
11. **Credibility:** Successful public efforts bring a credibility not usually associated with advertising. Experts believe that consumers tend to trust the media more than they do advertisers. Thomas Harris, in his book Value-Added Public Relations, observes that today's sophisticated and skeptical consumers know when they are being informed and when they are being "sold to." He explains, "PR closes the marketing credibility gap because it is the one marketing communication tool devoted to providing information. Not salesmanship."
12. **Reward:** Advertising agencies and public relations consultancies may be remunerated differently.
13. **Desired Action:** Advertising aims to persuade people to take some desired action such as visit a shop, respond by post or telephone, or simply remember, in order to buy. Public relations aims to create mutual understanding.

#### **Objectives of Public Relations**

1. **Promoting Goodwill:** An important public relations objective may be to create goodwill towards the company, locally, nationally or internationally.
2. **Building Corporate Image:** It may create proper understanding of the character of the company.
3. **Building Corporate Identity:** Sponsorship can help to identify a company by making its logo and color scheme familiar to people. This has been well achieved.



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4. Familiarizing the Name: It helps to familiarize the name of the company through continuous repetition of the name.
5. Promoting a Product or Service: Press releases or events that increase public awareness of a firm's brand can be pursued through public relations.
6. Preparing Internal Communications: Disseminating information and correcting misinformation within a firm can reduce the impact of rumors and increase employee support.
7. Hospitality: It can provide numerous opportunities for socializing.
8. Counteracting Negative Publicity: It helps to prevent the negative publicity from damaging the image of a firm and its brands.
9. Lobbying: It can assist a firm in dealing with government officials and pending legislation.
10. Encouraging Interests of Journalists: It can present awards to journalists for their skill and knowledge when writing about the firm or industry.
11. Giving Advice: It gives advice to management in determining what position should be taken on public issues.

**According to Wells, Burnett, and Moriarty, typical Public relations objectives include the following:**

- Creating a corporate brand
- Shaping or redefining a corporate reputation.
- Positioning or repositioning a company or brand
- Moving a brand to a new market or a global market
- Launching a new product or brand
- Disseminating news about a brand, company, or organization
- Providing product or brand information
- Changing stakeholder attitudes, opinions, or behaviours about a brand or company
- Creating stronger brand relationship with key stakeholders, such as employees, shareholders and the financial community, government, members (for associations) and the media.
- Creating high levels of customer (member) satisfaction
- Creating excitement in the marketplace
- Creating buzz (word of mouth)
- Involving people with the brand, company, or organization through events and other participatory activities
- Associating brands and companies with good causes

#### **Types or Areas of Public Relations Program**

1. **Media Relations:** This programme focuses on developing media contacts. This creates a effective liaison between a company and the media. A successful relationship between a public relations person and the editor is built.
2. **Employee Relations:** These programmes communicate information to employees.
3. **Financial Relations:** It includes all the communication efforts aimed at the financial community, such as press releases sent to business publications, meetings with investors and analysis, and the annual report.
4. **Corporate Relations:** These programmes focus on an organisation's image and reputation. The goal is to persuade the public to view the company in a positive light.
5. **Public Affairs:** This focuses on corporate communication with government and with the public on issues related to government and regulation.
6. **Lobbying:** In lobbying the company provides information to legislators on order to get their support and vote on a particular bill. It also includes government policies.
7. **Issue Management:** Public affairs programmes also monitor public opinion about issues central to the organisation's interest. This includes programmes to communicate to and with the public about these issues.



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8. **Crisis Management:** The key to crisis management is to anticipate the possibility of a disaster and plan how to deal with the bad news and all the affected publics.
9. **Marketing Public Relations:** This is the area where advertising and public relations overlap. Tom Harris, author of *The Marketer's Guide to Public Relations*, says MPR is the fastest-growing area of public relations. MPR supports marketing's product and sales focus by increasing brand credibility and the company's credibility with consumers.
10. **Social Marketing:** It is a public communication. It affects attitudes or behaviours towards some idea or cause. It is undertaken by non-profit organizations as a conscious effort to influence the thoughts or actions of the public.
11. **Cause and Mission Marketing:** Wells, Burnett and Moriarty suggest, Customer attitudes of disrespect, disgust, and distrust towards advertising and marketing create marketplace challenges. If a company wants to increase its integrity among customers, it must prove that it is a good corporate citizen.

#### **Public Relations Tools**

1. **House Ads:** A Company may prepare an ad for use in its own publication or programming. It costs nothing. These house ads are often managed by PR department.
2. **Public Service Announcements:** The ads for charitable and civic organizations run free of charge on television or radio or in print media. These are prepared just like commercials. In many instances ad agencies donate their expertise to design them. They also appear on the Internet.
3. **Corporate Advertising:** It promotes a corporate image or viewpoint. There is no attempt to sell a particular product. It sometimes tells the public about the company's position on some issue.
4. **Publications:** Organisations may provide employees and other publics with pamphlets, booklets, annual reports, books, bulletins, newsletters, inserts and enclosures, and position papers. Training materials, sales kits, corporate publication are also prepared and distributed to support campaigns.
5. **Internal Communications:** In addition to publications, public relations may employ other types of internal communications, including bulletin boards, e-mail list server group, letters, and memos.
6. **Bulletin Board:** It is another method used to communicate internally. PR department can put specific messages on bulletin board.
7. **Speakers, Photos and Films:** Many firms have renowned speakers who give talk about topic at the public's request. News media may want pictures of people, products, places, and events. Films, videotapes have become a major public relations tool for a great many companies.
8. **Displays, Exhibits, Events, and Tours:** Other public relations tools available to a firm include displays, exhibits, staged events, trade shows, tours, etc. where a company may take orders for much of their annual sales.
9. **News Releases:** Media news releases are messages issued by the company regarding a wide variety of topics, including the release of a new product, a change in corporate leadership, or any other item that generates a positive public image.
10. **Press Conferences:** Companies often call press conferences when they have significant news to announce, such as the introduction of a new product or advertising campaign.
11. **Online Communication:** E-mail, internals, extranets, Internet advertising, and web sites have opened up avenues for public relations activities. Candace While and Raman write, "The World Wide Web can be considered the first public relations mass medium in that it allows managed communication directly between organizations and audiences without the gate keeping function of other mass media."

#### **Shel Holtz notes three elements of Internet media:**

- a. The Internet offers a more limited opportunity to gain attention due to short exposure times.
- b. The Internet offers the opportunity to build internal links that provide the media with instant access to additional sources of information on the issue.
- c. The Internet offers the ability to provide much more substantial information.



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12. **Interviews:** A company may organized interviews with outside groups. Usually someone will raise specific questions, and a spokesperson provided by the firm will answer them.
13. **Community Involvement:** Many corporations enhance their public image through involvement in the local community. This involvement may take many forms, including membership in local organizations. Another tool to develop positive publicity may be a company-sponsored special event, such as annual "homecoming."
14. **Altruistic Activities:** Altruistic activities are things provided to employees and other internal stakeholders. Examples include sending flowers to employee family members in the hospital, alcohol counseling, child care for workers' children, purchase discount and numerous other benefits given to employees.
15. **Cause-Related Marketing:** When a firm ties a marketing programme into some type of charity work, goodwill can be generated. In choosing a cause, a company must focus on issue that relate to its specific business.
16. **Green Marketing:** It is the development and promotion of products that are environmentally safe. It may become a strong positive force to generate goodwill and mutual understanding between an organization and its publics.

#### **Advantages of Public Relations Program**

1. **Credibility:** The Public does not perceive public relations communications in the same light as advertising, hence these have more credibility. The fact that the media are not being compensated for providing the information may lead receivers to consider the news more truthful and credible.
2. **Low Cost:** The cost of public relations is very low.
3. **Avoidance of Clutter:** Because they are typically perceived as news items, public relations messages are not subjected to the clutter of ads.
4. **Ability to Reach Specific Groups:** If the firm does not have the financial capabilities to engage in promotional expenditures, the best way to communicate to these groups is through public relations.
5. **Image Building:** Effective public relations helps to develop a positive image for the organization.
6. **Value to Advertising:** Advertising can benefit from public relations activity. In fact, advertising may well fail because of lack of public relations.
7. **Effecting Negative Attitudes into Positive Attitudes:** Public relations can change negative attitudes into positive.





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### UNIT- III

#### SALES PROMOTION – MEANING

Advertising takes the buyer towards the product, while sales promotion takes the product towards buyer.

The word 'promotion' is derived from the Latin word "**Promovere**". This means to move forward or to push forward an idea. Sales promotion is the important element of promotion mix. The general purpose of Sales promotion is to boost product selling.

Sales promotion is the process of **persuading a potential customer** to buy the product. Sales promotion is designed to be used as a short-term tactic to boost sales – it is rarely suitable as a method of building long-term customer loyalty.

Sales promotion is a marketing strategy where the product is promoted using short-term attractive initiatives to stimulate its demand and increase its sales.

This strategy is usually brought to use in the following cases –

- to introduce new products,
- sell out existing inventories,
- attract more customers, and
- To lift sales temporarily.

#### DEFINITION OF SALES PROMOTION

The following are some of the important definitions of sales promotion.

*"Those activities that supplement both personal selling and advertising coordinate them and help to make them more effective".*

— American Marketing Association

*Sales promotion means any steps that are taken for the purpose of obtaining or increasing sales.*

— A.H.R. Delens

The above definitions reveal that sales promotion is a marketing device to stimulate demand for a product.

Sales promotion is the plus ingredient in the marketing mix, whereas advertising and personal selling are essential and basic ingredients in the marketing mix.





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**Fig. 4. Sales Promotion Bridge.**

Sales promotion is a vital bridge or a connecting link removing the gap between personal selling and advertising, the two wings of promotion. The sale of a product has to be promoted or encouraged through a number of influences at the point of purchase where retailers and prospective customers meet face-to-face.

### **OBJECTIVES OF SALES PROMOTION**

Sales promotion secures the following objectives:

#### **1. Bridge between advertising and personal selling**

Sales promotion consists of those activities other than personal selling, advertising and publicity. It serves as a bridge between personal selling and advertising.

#### **2. Introduction of new products**

Sales promotional devices help introduce new products in the market. They induce buyers to purchase a new product. Free samples are distributed or money or merchandise allowance is offered to the dealers to stock and sell the new product.

#### **3. Attracting new customers**

Sales promotion aims at wooing new customers. Sales promotional devices at consumer's level include Coupons, product samples; giving demonstration about the product, organizing contests, refund offers, offering free trials etc. These stimulate customers to make purchase promptly on the spot.

#### **4. Inducing present customers to buy**

Sales promotion induces present customers to buy more of the product. Sales promotion methods work faster than advertisement. Moreover, sales promotion materials make the salesman's effort more productive. It enables the consumer to know more about the product, its ingredients and uses.



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## 5. Increasing sales during off season

Some products are seasonal in nature. After the season is over, they are not demanded any more. Sales promotion is used to retain customer's interest in the product during off-season. Short term incentives offered to the buyers stimulate sales.

## 6. Encouraging business buyers

Wholesalers and retailers purchase goods for resale. Promotional activities are undertaken to attract retailers and wholesalers to stock the products more. Display and advertising allowances are granted to dealers to compensate them for the space given for the display of manufactured products. Premiums are offered for purchasing above a particular level.

## 7. Improving the public image of the firm

Huge amounts are now being spent on determining appeals for arresting the attention of the prospects towards the product. Consumer's dissatisfaction about a particular brand can be removed by aggressive sales promotion programmes. Sales promotional devices make products popular among customers. Ultimately, they enhance the public image of the firm.

# Sales Promotion Strategies

Sales promotion strategies can be divided into three broad types. These are –

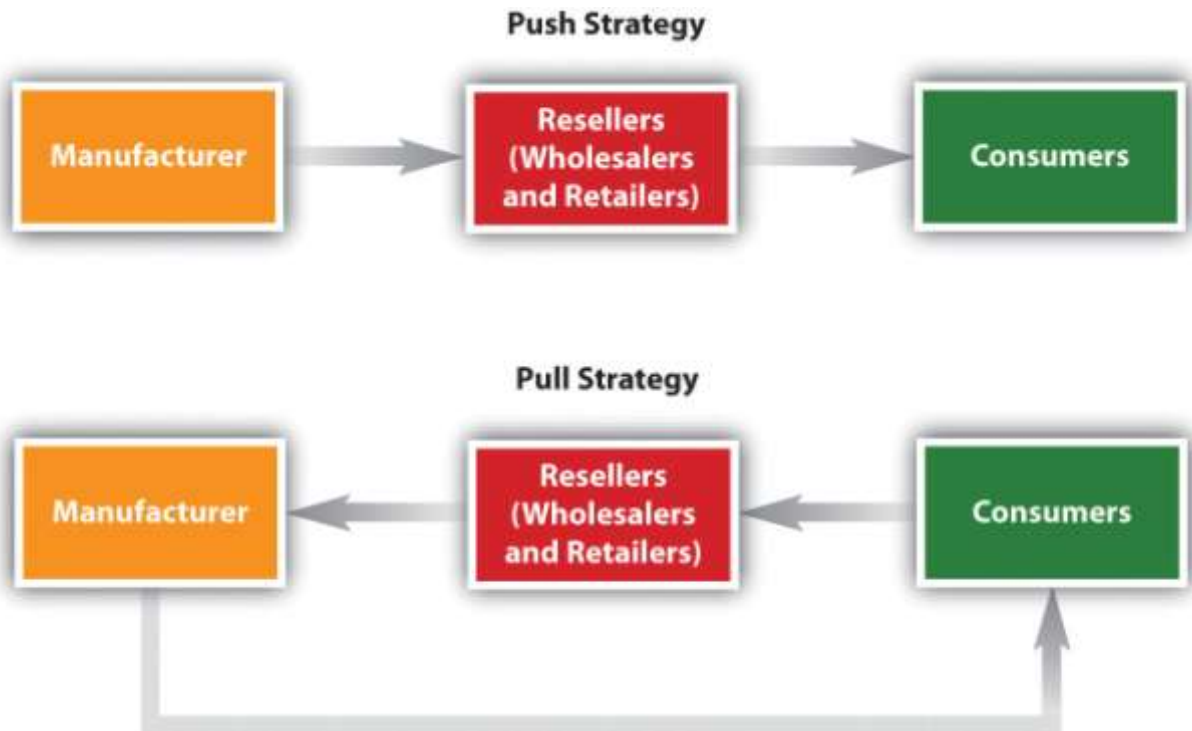
- **Pull Strategy** – The pull strategy attempts to get the customers to 'pull' the products from the company. It involves making use of marketing communication and initiatives like seasonal discounts, financial schemes, etc.
- **Push Strategy** – The push strategy attempts to push the product away from the company to the customers. It involves convincing the intermediary channels to push the product from the distribution channels to the final consumers using promotional and personal selling efforts. This strategy involves making use of tactics developed especially for resellers, merchants, dealers,



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distributors, and agents.



- **Hybrid Strategy** – A hybrid sales promotion strategy makes use of both the pull and push strategy to sell the product with the least resistance possible. It involves attracting the customers using special coupons and also providing incentives to the merchants to sell the brand's products.

## IMPORTANCE OF SALES PROMOTION

Sales promotion is an important component of a promotion campaigning programme. It can be specific tool of the marketing strategy of an enterprise. Because of increasing level of competition and costs of advertisement, producers largely use this technique as a promotional tool.

Sale promotion techniques are not only useful to the producers and distributors, but also are useful to consumers. The importance of sales promotion may be grouped as follows:

- a). Importance to Consumers.
- b). Importance to Manufactures/Producers.
- c). Importance to Dealers/Middleman.
- d). Importance to Society & the nation.

### A) IMPORTANCE TO CONSUMER

#### 1. Sufficient product knowledge:-

Various consumer promotion methods such as demonstrations, training to use the product, etc. give sufficient product's knowledge to consumer with regard to uses, operations, maintenance or upkeep of the product.



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## **2. Availability of product at reduced prices:-**

Sales promotional tools like prices-off deals, premium offers, discounts, etc. reduce the price of the product when purchased on notified occasions.

## **3. Increase in consumers buying confidence:-**

Free samples offered under the sales promotion programme give the potential consumers an opportunity to use the goods and satisfy with the quality of product. This experience may give them confidence to take a better decision towards the purchases of products.

## **4. Increases in the quality of goods purchased :-**

Stimulated by the various promotional incentives like free goods, premium and coupons, etc. the buyer are attracted towards larger purchases than their usual needs to avail the opportunity.

## **5. Higher standard of living :-**

The consumer also get plenty of opportunities in using the new , cheaper & durable items, to their satisfaction, which may help them to maintain a higher standard of living.

## **6. Minimize exploitation :-**

The consumer promotion programme gives sufficient knowledge about product and substitutes available for a product, its quality and price. As a result, a seller cannot be able to create a monopoly in his product an exploit the consumers. This may be the reason that for product like soaps. Detergent, toothpastes, etc. the exploitation is not at all possible.

## **B) IMPORTANCE TO PRODUCER / MANUFACTURE**

### **1. Increases in sales :-**

Sales promotion programme attracts the consumers & stimulates them for larger purchases leading to increased sales.

### **2. Regular sales of seasonal product :-**

The offer of off-season discounts, price cut etc. on seasonal products like fridge, coolers, fans, etc. are able to maintain regular are continuous sales of such items.

### **3. Improve effectiveness of advertisement and personal selling :-**

The sales promotion makes the advertisement more effective to push the sales. It is effective technique to minimize the dissatisfaction of customers that have been create by retail selling.

### **4. Cooperation from middlemen :-**

The various promotional incentives offered to the dealers help to achieve co-operations from them to sell the product on priority basis and to maintain maximum stock with them.

### **5. Demand for product & services :-**



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The sales promotion techniques have proved successfully in introducing new product & services. By the supply of free samples, the new product makes its place in the market.

**6. Able to capture new market :-**

The sales promotion programme facilitates the producer to capture new markets for his products easily. The markets of plantation products have been successfully in capturing the markets by the distribution of free samples.

**7. Increase in goodwill :-**

The repeated uses of sales promotion tools facilitate the consumers to get a special identification of the product as well as of the producer. The satisfaction that have been arrived to the consumers by continuous uses of the products will gradually increase the goodwill of the firm.

**8. Direct control :-**

Since the advertising media is controlled by advertising agencies, the advertising costs are on higher side. This has adverse effect on the sales and profits. But in the sales promotion programme, the producer has full control over the promotional tools & therefore, can achieve maximum results at minimum costs.

**9. Effective steps to face the competition:-**

Larger sales, reduce production costs, increase in profits, special identity and goodwill of the producer, etc. achieved through sales promotion measures can help to face the competition more effectively.

**10. Improvement & new uses of the production :-**

The sales promotion programme invites suggestions from the consumers from time to time to know about their change in need & performance. According, necessary improvements or modifications are made in the product to satisfy the consumer need.

**C) IMPORTANCE TO DEALERS/ MIDDLE MEN**

**1. Facilitates larger sales :-**

The dealers get advantages of sales promotional techniques for increasing their sales. Sales promotion is a coordinating activity between sales, advertising, research & public relations efforts & they reduce the resistance at the point of sales.

**2. More facilities & assistance :-**

The producer, under the sales promotional programme, provides various facilities & assistance to the middlemen, such as assistance to marketing research, providing with display materials and managerial assistance, etc. for maintaining regular stock for sales.

**3. Direct relation with customers :-**

A direct relationship between the dealers & the consumers are established through the sales promotion techniques which will continue for a long time.



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#### D) IMPORTANCE TO THE SOCIETY & THE NATION

The importance of sales promotion programme for the society & the nation can be summarized as below :-

- ② Increase in standard of living the people.
- ② Increase in employment opportunities.
- ② Development and expansion of transport, communication, banking, insurance and warehousing facilities.
- ② Increase in Gross National Product and percapita income.
- ② Creation of healthy competition in national and international trade, etc.

## Promotional Planning Process

The Sales Promotional Planning Process is comprised of following steps:

### PROMOTIONAL PLANNING PROCESS



1. **Problem Definition:** First of all, the management must identify the need for a promotion and should take into consideration the following points:
  - Which Product/Service is to be promoted?
  - Who is the target audience?
  - How much budget is allocated for the promotional activities?
  - What message is to be conveyed to the prospective buyers?





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- What marketing strategies are to be adopted?
- Which analytical tool is to be used?

**2) Establishment of detailed Objectives:** The objectives are the end goals towards which all the efforts are directed. Once the target audience is identified the management must set the objectives of the promotion. The objectives could be to encourage the non-users to use the product, increase the usage of the existing customers, or enter into a new market segment with a modified product line. Similarly, the objectives for the intermediaries could be to increase the off-season sales or reduce the effect of competitor's promotional schemes. Similarly, the objectives for the intermediaries could be to increase the off-season sales or reduce the effect of competitor's promotional schemes.

**3) Design of Promotion Mix:** Once the objectives are set, these provide the basis for selecting an appropriate promotional tool (advertising, personal selling, sales promotion, etc.). The management must carefully analyze all the costs and effects associated with each marketing element before making the final choice.

The objectives and the target market should be kept in mind while designing the promotion mix. As, the promotional tools for educated, urban and institutional buyers would be different as compared to the illiterate, rural and household buyers.

**4) Planning Sales Promotion Programme:** This is the most crucial step of promotional planning that requires the management to decide the time duration of the promotion i.e. for how long the promotional tool is to be used. While deciding on the sales promotion plan the overall marketing budget along with the eligibility rules and size of incentives should be taken into the consideration.

**5) Pre-testing:** Once the Sales Promotion Plan is prepared, it is tested in few selected market segments to identify the potentials or serious problems before its full launch. Here the management scrutinizes the cost effectiveness of the promotional plan, problems of ambiguity (if any), customer response rate, etc.

**6) Implementation:** After the promotional plan is tested in the few



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selected areas, it is ready to be launched in the complete market. Here the management must take care of two important time factors, Viz. **Lead Time** and **Sell-in Time**.

The lead time is the time necessary to bring the plan to the point where the incentives are made available to the public while; the sell-in time is the time starting from the date of the release until the time 90-95% of the incentives are received by the potential customers.

**7) Monitoring and Evaluation:** After implementation, the performance of the promotional plan is checked against the set standards and objectives and the corrective actions are taken accordingly. In case the objectives are defined in quantitative terms then the measurement of the actual results would be quite easy.

During the evaluation, the management must take care of all the factors that are beyond control such as economic recession, seasonal variations, natural calamity, etc. that might influence the buying decision of the customers.

Thus, the promotional planning is an integral part of marketing wherein the management decides on a complete promotion plan which includes all the marketing strategies to be adopted during the life cycle of the product, i.e. from the introductory stage till its decline stage.

### **Function of sales promotion:**

#### **1. To Motivate Customers:**

Sales promotion motivates customers to purchase goods. In sales promotion, free samples of goods are distributed among customers and prize winning competitions are organised. Assurance to return money is given and price is reduced. All these activities motivate customers to buy products.

#### **2. To Help Middlemen:**

Many middlemen work in business. Their purpose is to earn profit by increasing sales. Sales promotion helps in their work.

#### **3. To Help Salesmen:**

Sales promotion department also helps salesmen. It makes contact with customers and provides information to salesmen.

#### **4. To Work for Advertising Department:**



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Sales promotion department also helps in the functions of advertising department. It performs various types of advertising functions i.e. to prepare an advertising copy and to plan advertising programmes.

A business-concern sets up a department for sales promotion. This department completes all the functions related to sales. This department removes the distance between advertising and personal selling.

## **DISADVANTAGES OF SALES PROMOTIONS**

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.

- Increased price sensitivity

Frequently promoted brands in the product category, especially on the basis of price, make consumers and traders more price sensitive not only for the promoted brands but for other brands as well in the same product category.

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.

- Quality image may become tarnished

If the promotions in a product category have been rare, or the product happens to be of high involvement category, 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.

- Dealers forward buy and divert stocks

In case of deals for the trade, many dealers forward buy, in excess of their inventory requirements. This is particularly happens if a product is low bulk, much in demand and the inventory holding costs are favourably low. This is true both for wholesalers as well as retailers.

Forward buying of excessive stocks on deals or quantity discounts can lead to diversion of some of the stocks in non-deal areas. Forward buying of excessive stocks on deals or quantity discounts can lead to diversion of some of the stocks in non- deal areas.

Wholesalers and retailers do not hesitate in selling these excess stocks in non- deal areas on



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prices that are less than the list price, but keeping some reasonable margin for themselves. This is likely to have a negative effect on price discrimination efforts of the company as dealers and those areas would not be buying even the normal requirements from the company.

- Merchandising support from dealers is doubtful

One of the trade promotions tool is to offer promotional allowances to trade people to motivate them to provide merchandising support and to pass on some benefit to consumers. This generally is the condition attached with such promotional allowances. 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 may be 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 that is not maintained. Heavy use of sales promotion, in certain product categories, may be responsible for causing brand quality image dilution.

The argument given in favour is that companies should develop superior products or services which are better than competitors and consumer should be convinced through appropriate and focused advertising about the superiority of the product and its image.

This will result in lasting brand identities reflecting consumer values. Then there will be no need to offer any extra benefits; only the lasting brand image will keep customers loyal to the brand.

## Methods of SALES PROMOTION

There are mainly four methods of sales promotion :

- **Affordable Method :**

Many companies set the promotion budget at what they think the company can afford. One executive explained this method as follows : "Why, it's simple. First I go upstairs to the controller and how much they can afford to give us this year. He says a million and half. Later, the boss comes to me and asks how much we should spend and I say 'Oh about a million and half.'"



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It is a method which is uncertain one and makes long term planning difficult.

- **Percentage of Sales Method :**

Many companies set their promotion expenditures at a specified percentage of sales.

Accordingly the sales is set on the basis of sales.

In this a specified sales percentage is decided for the promotional budget Advantages of this method :

First, its use means that promotional budget vary with what a company can afford.

Second, it encourages the management to think in terms of the relationship among promotion costs, selling price, and profit per unit,

Third, it encourages the competitive stability to the extent that competing firms spend approximately the same % of their sales on promotion.

Inspite of the advantages, the % sales method has little to justify it. Its reasoning is circular : It views sales as the determiner of the promotion rather than as a result. It leads to budget setting by availability of funds rather than by marketing opportunities.

- **Competitive Parity Method :**

Some companies set their promotional budget to achieve share-of-voice parity with other competitors. Two arguments are made in support of competitive parity method. One is that the competitors expenditure represents the collective wisdom of the industry. The other is that maintaining a competitive parity helps prevent promotional wars.

Neither argument is valid. There are no grounds for believing that competition knows better what should be spent on promotion.

- **Objective and Task Method :**



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The objective & task method calls upon marketers to develop their promotion budgets by defining their specific objectives, determining the task that must be performed to achieve these objectives, and estimating the cost of performing these tasks.

## **SALES PROMOTION TECHNIQUES**

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Consumer Promotion Techniques	Middlemen Promotion Techniques	Sales Force Promotion Techniques
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**Free Samples**

**Special Discounts**

**Sales Contests**

**Price Reductions/Rebates**

**Sales Assistance**

**Sales Training Manuals**

**Trade Allowance**

**Point of Purchase Displays**

**Sales Meetings**

**Trading Stamps**

**Dealers Contest**

**Packets With Promotional**

**Coupons**

**Free Goods**

**Materials)**

**Premiums(Gifts)**

**Cash Rebate**

**Faires and Exhibitions**

**Advertising Allowance**

**Money Refund Orders**

**Buy-Back Allowance**

**Consumer Services**

**Count and Recount Allowance**

**Contests and Sweepstakes**

**Slotting Allowance**

**Point of Purchase Displays**

**Free Trials**

**Catalogues**

**Product Demonstrations**

**Product Warranties**

**Specialty Advertising**

**Road Shows**

**Exchange Offers**





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## **Sales Promotional at different levels**

### **Sales promotion at consumer's level**

The various schemes of sale promotion at Consumer's Level may include.

#### **1. Coupons (A Chit of Stated Value) :-**

These are given directly to the consumer these coupons are in most cases kept inside the package. The consumers may receive a price reduction of the stated values of the coupon at the time of purchase. The retailer receives reimbursement for the value of the coupon from the manufacturer. Coupons act as a short run stimulus to the sale of the product, since they are directly tied with the purchase of the item. They encourage the retailer to stock the product.

What is important is that a coupon offer does not spoil the named price of the brand nor does it unpair the margin of the dealers. But it is not easy to measure the effectiveness of a coupon offer. One over knows how many customer would have bought the product without the incentive. It is also difficult to find out how many customers were held after the coupon offer expired.

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This offer is intended to stimulate the sales during a slump season. In this method the customer is offered a reduction from the printed price list. It is also used when a substitute for competing product enters the market.

Many experts on sales promotion feel that 'Off Schemes' are among the weaker and less desirable methods of promotion. These can be trade resentment particularly when the retailer raises the price to retain his margin. Secondly that is not conducive to building up brand loyalty. Consumers may simply shift to the products that offer this scheme.

#### **3. Samples :-**

In the hope of converting a prospect into a customer a sample (Some quantity of the product) may be given. This helps the consumer to verify the real quality of the product. Various product manufacturing companies offer this method. For developing brand loyalty



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this method is quite useful. Sampling is a fast method of demand creation because one knows the result as soon as the consumer has had time to use the sample and buy the brand.

#### **Disadvantage of Sampler :-**

Offering sample is quite expensive. There is the cost of producing samples. The distribution costs are also high. Samples have to be mailed to potential customers or to be distributed through retail shops. There are also problems when the real product does not resemble the sample supplied.

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An offer usually stated on the package is that manufacturers will return within a stated period part or all of the purchaser's money if he is not completely satisfied with the product.

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A premium in the form of stamps is given by the sellers to consumers while selling goods. The number and value of stamp that the buyer receives depends on the value of the purchase. These stamps are redeemable through premium catalogues at the stamp redemption centres.

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This is an allowance following a previous trade deal not offering a certain amount of money for new purchases based on the quantity of purchases on the first trade deal. It extends the life of a trade deal and helps to prevent part deal sales decline. It greatly strengthens the buyer's motivation to co-operate on the first deal.

#### **7. Premium :-**

There are various forms of premiums provided by the manufacturer as sales promotional devices :-

(a) Coupons are supplied for effecting price reductions.

(b) Factory in pack premium these are popular in the case of Food and Tin food items, Spoons, Cups, Measuring, Glass etc. and such other items are packed with the



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product in the box itself. Factory in pack premium are particularly goods for product meant for children. The Binaca Toothpaste packs contain animal shape toys. These are very attractive and quite popular among the children.

### **(c) Self Liquidating Premiums :-**

The cost of the premium is collected from the buyer himself. But when the buyers pay for it he has to pay only a considerably low price for the premium. This is possible for the manufacturer purchases the items in bulk at a premium and his cost per unit as is substantially low.

- **Trade Allowances.** These are short term benefits provided to encourage retailers to stock and sell a particular product.
- **Dealer Loader.** This form of incentive is provided to retailers for purchasing and displaying a product.
- **Trade Contests.** By engaging retailers in a contest to sell the most of your products you stand to achieve maximum sales volume.
- **Point-of-Purchase Display.** This is a very effective tool to stimulate on-the-spot purchases and encourage impulsive buying.
- **Training Programs.** Adequate training of dealer and retailer employees can also help to boost sales of a product.
- **Push Money.** This is a targeted form of sales promotion that incentivizes retail employees to push or promote the sales of particular products.

Following are the Middleman sales promotion techniques as under:

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The advertising material prepared by the company such as store signs, banners, shelf signs, board etc. are distributed to sub dealer for display purposes this is in fact a method of advertising.

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These are in seasonal in character but could be arranged in an elaborate manner and for all the products of an company. Usually these are arranged along with trade fair and exhibition. Besides effecting sales these shows impress the company's name generally on the public.

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In this method, the manufacturer provides a discount facility to retailers and wholesalers on their purchase.

This may act as a good incentive to purchase more and more quantities. The discount is provided on the basis of the amount of purchase by the wholesaler or retailer.

As the amount of purchase is increasing the rate of discount increases.

#### **2. Sales Assistance**

Under these methods, manufacturers provide assistance to the dealers so that they maintain the cordial relation with them.

The sales assistance may be in many forms like helping them in making sales strategies or **training the middleman's salesman.**

Sales assistance also includes delivery facility, credit facility, and storage facility.

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In this method, allowances are offered to wholesalers and retailers for purchasing or promoting specific products.

It is simply a discount for the purchase of the promoted product during the specified period. The allowance is tied with the purchase of a certain **minimum quantity of the product.**



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This trade incentive is often used to gain more distribution or maintain the existing one. These allowances are over and done the **normal allowance**.

This scheme helps in shifting the retailers. Many retailers pass this allowances to customers and succeed in clearing the inventory.

#### 4. Point of Purchase (POP) Advertising

It includes a display or other promotion located near the site of the actual buying decision.

In expenses incurred by retailers on Windows dressing and other layouts, our Borne by manufacturers

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In this scheme vendors displays. These trade shows are goods organized by industry trade associations, perhaps as part of these association's annual meetings or conventions.

Manufacturers have the opportunity to display new products.

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Related: 15 Factors that Affecting Market Segmentation.

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These allowances are used priority for consumer goods.

#### 10. BuyBack Allowance

BuyBack allowance is used to encourage restocking by retailers.

**When the manufacturer realizes** that after the initial deal inventory levels at the retail are quite low this offer helps in building the inventory level with retailers to normal.

Retailers like it because they build up their stocks at a reduced price without offering any **promotion to consumers**.

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It is an offer of money to resellers for each unit of promoted product sold out during a specified period of time.

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This exercise involves a great deal of time and efforts.

Related: Top 10 Functions for Establishing A New Business Unit (Step by Step).

#### 12. Forward Dating

The manufacturer provides the facility to retailers to purchase a certain quantity of the product in the specified period but the building is done after a period of time.

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The retailers may be offered a discount on purchases exceeding a certain quantity or amount.

It helps manufacturers to save warehousing costs by shifting the goods to retailers shop.

### 13. Slotting Allowance

It is fees that manufacture pay retailers to make available the space on the shelf for their new product.

Fees charged may vary depending on the importance, images, and size of the store.

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## TRADE PROMOTIONS

A trade sales promotion is targeted at resellers—wholesalers and retailers—who distribute manufacturers' products to the ultimate consumers. The objectives of sales promotions aimed at the trade are different from those directed at consumers. In general, trade sales promotions hope to accomplish four goals: 1) Develop in-store merchandising support, as strong support at the retail store level is the key to closing the loop between the customer and the sale. 2) Control inventory by increasing or depleting inventory levels, thus helping to eliminate seasonal peaks and valleys. 3) Expand or improve distribution by opening up new sales areas (trade promotions are also sometimes used to distribute a new size of the product). 4) Generate excitement about the product among those responsible for selling it. Some of the most common forms of trade promotions—profiled below—include point-of-purchase displays, trade shows, sales meetings, sales contests, push money, deal loaders, and promotional allowances.

**POINT-OF-PURCHASE (POP) DISPLAYS** Manufacturers provide point-of-purchase (POP) display units free to retailers in order to promote a particular brand or group of products. The forms of POP displays include special racks, display cartons, banners, signs, price cards, and mechanical product dispensers. Probably the most effective way to ensure that a reseller will use a POP display is to design it so that it will generate sales for the retailer. High product visibility is the basic goal of POP displays. In industries such as the grocery field where a shopper spends about three-tenths of a second viewing a product, anything increasing product visibility is valuable. POP displays also provide or remind consumers about important decision information, such as the product's name, appearance, and sizes. The theme of the POP display should coordinate with the theme used in ads and by salespeople.

**TRADE SHOWS** Thousands of manufacturers display their wares and take orders at trade shows. In fact, companies spend over \$9 billion yearly on these shows. Trade shows provide a major opportunity to write orders for products. They also provide a chance to demonstrate products, disseminate information, answer questions, and be compared



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directly to competitors. Related to trade shows, but on a smaller scale, are sales meetings sponsored by manufacturers or wholesalers. Whereas trade shows are open to all potential customers, sales meetings are targeted toward the company's sales force and/or independent sales agents. These meetings are usually conducted regionally and directed by sales managers. The meetings may be used to motivate sales agents, to explain the product or the promotional campaign, or simply to answer questions. For resellers and salespeople, sales contests can also be an effective motivation. Typically, a prize is awarded to the organization or person who exceeds a quota by the largest percentage.

**PUSH MONEY** Similarly, push money (PM)—also known as spiffs—is an extra payment given to sales-people for meeting a specified sales goal. For example, a manufacturer of refrigerators might pay a \$30 bonus for each unit of model A, and a \$20 bonus for each unit of model B, sold between March 1 and September 1. At the end of that period, the salesperson would send evidence of these sales to the manufacturer and receive a check in return. Although some people see push money as akin to bribery, many manufacturers offer it.

**DEAL LOADERS** A deal loader is a premium given by a manufacturer to a retailer for ordering a certain quantity of product. Two types of deal loaders are most typical. The first is a buying loader, which is a gift given for making a specified order size. The second is a display loader, which means the display is given to the retailer after the campaign. 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 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—to encourage sellers to specially promote a product. The marketer might receive special displays, larger-than-usual orders, superior in-store locations, or greater advertising effort. In exchange, the retailer might receive special allowances, discounts, goods, or money. In many industries, trade deals are the primary expectation for retail support, and the marketing funds spent in this area are considerable. There are two main types of trade deals: buying allowances and advertising/display allowances.

**BUYING 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 period. For example, a reseller who purchases at least 15 cases of product might receive a buying allowance of \$6.00 off per case, while a purchase of at least 20 cases would result in \$7.00 off per case, and so forth. The payment may take the form of a check or a reduction in the face value of an invoice. In order to take advantage of a buying allowance, some retailers engage in "forward buying." In essence, they order more merchandise than is needed during the deal period, then store the extra merchandise to sell later at regular prices. This assumes that the savings gained through the buying allowance is greater than the cost of warehousing and transporting the extra merchandise. Some marketers try to discourage forward buying, since it reduces profit margins and tends to create cyclical peaks and troughs in demand for the product.



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The slotting allowance is a controversial form of buying allowance. Slotting allowances are fees retailers charge manufacturers for each space or slot on the shelf or in the 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 to convince them to carry your company's products. But many marketers are willing to pay extra to bring their products to the attention of consumers who are pressed for time in the store. Slotting allowances sometimes buy marketers prime spaces on retail shelves, at eye level or near the end of aisles.

The final type of buying allowance is a free goods allowance. In this case, 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 allowance takes the form of free merchandise rather than money.

**ADVERTISING ALLOWANCES** An advertising allowance is a dividend paid by a marketer to a reseller for advertising their product. The money can only be used to purchase advertising—for example, to print flyers or run ads in a local newspaper. But some resellers take advantage of the system, so many manufacturers require verification. A display allowance is the final form of trade promotional allowance. Some manufacturers pay retailers extra to highlight their display from the many available every week. The payment can take the form of cash or goods. Retailers must furnish written certification of compliance with the terms of the contract before they are paid. Retailers are most likely to select displays that yield high volume and are easy to assemble.

## **SALES FORCE PROMOTION TECHNIQUES**

Salesforce promotion techniques are used to motivate salespeople to put in more efforts to increase sales, increase distribution, promote new or seasonal products and build up morale and enthusiasm of Salesforce.

Sale force is linking pin between customers and the firm. Energetic efforts on the part of salesmen may make the firms competitive position sound.

### **Salesforce Promotion Techniques**

Following salesforce promotion techniques are generally used for Salesforce promotion.

#### **1. Sales Contests**

Sales contests are organized by the manufacturer in this scheme and rewards are provided to salesmen who have achieved exceptional targets. Contests are used to motivate Salesforce.



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A certain sales quota is fixed for the salesman and those who exceed the quota by a specified margin are awarded cash or a certificate.

## 2. Sales Training Manuals

Material such as manuals, visual aids, flip charts, programmed learning books, etc. are useful to salespeople.

These manuals help on spot decisions and make the task of salesmen easier.

## 3. Sales Meetings

Sales meetings are generally organized for salespeople from one area, region, or district.

These meetings are considered as a popular way of educating salespeople.

Sales meetings generally focus on product knowledge and motivation of the salespeople.

**Formal lectures**, film and slide shows, written and oral Quiz Contests are used in these meetings.

## 4. Packets with Promotional Material

Under this scheme, promotional materials are provided to salesman fulfilling certain targets.

Training materials such as manuals, visual aids and learning books are **most useful for salespeople**.

Promotional material often used by companies includes paid vacations within or outside the country, Cash or kind, medals, on merit certificates. These materials may be further transferred to customers.

## 5. Bonus to SalesForce

A quota of sale is fixed for each salesman during a fixed. Bonus is offered on sales in excess of the quota fixed.

In order to get a higher premium, the salesman will try to **sell more quantity of goods**.



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#### 6. Demonstrations

Demonstration of Technical product clarify many points to the salesman which is useful when queries are made to the salesman by the prospects.

This increases the confidence level of the salesman while dealing with the prospects. This technique is very effective about durable goods.

#### 7. SalesForce Contest

Salesforce contests are announced to stimulate company salesmen to redouble their interest and efforts over a stated period with prizes to the top performer. 15 Main Advantages and Disadvantages of Sales Promotion (Explained).

**Thus**, Personal selling by far is the most **important method of sales promotion**. To make it Highly Effective, Salesforce promotion schemes are felt necessary.



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## UNIT 4

### **Sales promotion at consumer's level**

The various schemes of sale promotion at Consumer's Level may include.

#### **1. Coupons (A Chit of Stated Value) :-**

These are given directly to the consumer these coupons are in most cases kept inside the package. The consumers may receive a price reduction of the stated values of the coupon at the time of purchase. The retailer receives reimbursement for the value of the coupon from the manufacturer. Coupons act as a short run stimulus to the sale of the product, since they are directly tied with the purchase of the item. They encourage the retailer to stock the product.

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the customer and the sale. 2) Control inventory by increasing or depleting inventory levels, thus helping to eliminate seasonal peaks and valleys. 3) Expand or improve distribution by opening up new sales areas (trade promotions are also sometimes used to distribute a new size of the product). 4) Generate excitement about the product among those responsible for selling it. Some of the most common forms of trade promotions—profiled below—include point-of-purchase displays, trade shows, sales meetings, sales contests, push money, deal loaders, and promotional allowances.

**POINT-OF-PURCHASE (POP) DISPLAYS** Manufacturers provide point-of-purchase (POP) display units free to retailers in order to promote a particular brand or group of products. The forms of POP displays include special racks, display cartons, banners, signs, price cards, and mechanical product dispensers. Probably the most effective way to ensure that a reseller will use a POP display is to design it so that it will generate sales for the retailer. High product visibility is the basic goal of POP displays. In industries such as the grocery field where a shopper spends about three-tenths of a second viewing a product, anything increasing product visibility is valuable. POP displays also provide or remind consumers about important decision information, such as the product's name, appearance, and sizes. The theme of the POP display should coordinate with the theme used in ads and by salespeople.

**TRADE SHOWS** Thousands of manufacturers display their wares and take orders at trade shows. In fact, companies spend over \$9 billion yearly on these shows. Trade shows provide a major opportunity to write orders for products. They also provide a chance to demonstrate products, disseminate information, answer questions, and be compared directly to competitors. Related to trade shows, but on a smaller scale, are sales meetings sponsored by manufacturers or wholesalers. Whereas trade shows are open to all potential customers, sales meetings are targeted toward the company's sales force and/or independent sales agents. These meetings are usually conducted regionally and directed by sales managers. The meetings may be used to motivate sales agents, to explain the product or the promotional campaign, or simply to answer questions. For resellers and salespeople, sales contests can also be an effective motivation. Typically, a prize is awarded to the organization or person who exceeds a quota by the largest percentage.

**PUSH MONEY** Similarly, push money (PM)—also known as spiffs—is an extra payment given to sales-people for meeting a specified sales goal. For example, a manufacturer of refrigerators might pay a \$30 bonus for each unit of model A, and a \$20 bonus for each unit of model B, sold between March 1 and September 1. At the end of that period, the salesperson would send evidence of these sales to the manufacturer and receive a check in return. Although some people see push money as akin to bribery, many manufacturers offer it.

**DEAL LOADERS** A deal loader is a premium given by a manufacturer to a retailer for ordering a certain quantity of product. Two types of deal loaders are most typical. The first is a buying loader, which is a gift given for making a specified order size. The second is a display loader, which means the display is given to the retailer after the campaign. 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.



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**TRADE DEALS** Trade deals are 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—to encourage sellers to specially promote a product. The marketer might receive special displays, larger-than-usual orders, superior in-store locations, or greater advertising effort. In exchange, the retailer might receive special allowances, discounts, goods, or money. In many industries, trade deals are the primary expectation for retail support, and the marketing funds spent in this area are considerable. There are two main types of trade deals: buying allowances and advertising/display allowances.

**BUYING 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 period. For example, a reseller who purchases at least 15 cases of product might receive a buying allowance of \$6.00 off per case, while a purchase of at least 20 cases would result in \$7.00 off per case, and so forth. The payment may take the form of a check or a reduction in the face value of an invoice. In order to take advantage of a buying allowance, some retailers engage in "forward buying." In essence, they order more merchandise than is needed during the deal period, then store the extra merchandise to sell later at regular prices. This assumes that the savings gained through the buying allowance is greater than the cost of warehousing and transporting the extra merchandise. Some marketers try to discourage forward buying, since it reduces profit margins and tends to create cyclical peaks and troughs in demand for the product.

The slotting allowance is a controversial form of buying allowance. Slotting allowances are fees retailers charge manufacturers for each space or slot on the shelf or in the 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 to convince them to carry your company's products. But many marketers are willing to pay extra to bring their products to the attention of consumers who are pressed for time in the store. Slotting allowances sometimes buy marketers prime spaces on retail shelves, at eye level or near the end of aisles.

The final type of buying allowance is a free goods allowance. In this case, 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 allowance takes the form of free merchandise rather than money.

**ADVERTISING ALLOWANCES** An advertising allowance is a dividend paid by a marketer to a reseller for advertising their product. The money can only be used to purchase advertising—for example, to print flyers or run ads in a local newspaper. But some resellers take advantage of the system, so many manufacturers require verification. A display allowance is the final form of trade promotional allowance. Some manufacturers pay retailers extra to highlight their display from the many available every week. The payment can take the form of cash or goods. Retailers must furnish written certification of compliance with the terms of the contract before they are paid. Retailers are most likely to select displays that yield high volume and are easy to assemble.



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