

Consumer Promotions

Chapter Objectives

Be aware of the goals, advantages, and disadvantages for each consumer promotions program.

Tie consumer promotions with trade promotions and other elements of the promotions mix and then match them with the overall IMC program.

Seek out quality uses of consumer promotions for sales to business-to-business buyers.

Understand the limitations that are present when consumer promotions programs are developed for international customers.

TIME-SHARE VACATION PROPERTIES


Half-Product Half-Service Promotions

Leisure time activities and recreation generate major revenues for the economies of various regions, states, and even nations. Many types of companies attempt to lure tourists into various areas. Hotels, restaurants, theme parks, water sports, and other activities all improve the odds visitors will come. One of the most lucrative parts of tourism is that vacationers spend money in different ways while on trips. Items ordinarily considered too expensive or simply unnecessary are more readily purchased.

One type of company that has taken advantage of the desire for quality leisure time is found in the time-share industry. Basically, time-share property holders own blocks of time for condominiums, apartments, townhouses, or motel rooms in resort towns. Normally a block lasts for a week. Time-shares are "goods" in the sense that a person buys ownership of a real piece of property at a given location for the specified time period. A deed is prepared, and usually the ownership can be resold or passed along to heirs.

Time-shares also are services. The typical time-share agreement includes a clause stating that the owner will pay a "maintenance" fee each year. The fee covers housekeeping, lawn care, and other services the time-share company provides. More importantly, other aspects of time-shares make them truly unique. These time allocations can be traded across nationwide networks of time-share locations. A person can exchange a week in Santa Cruz, California, for a week in Branson, Missouri. The trade involves paying a fee for the swap. The fee is charged by the company running the trading network.

Various weeks of time have more or less "value" depending on the season. For instance, a time-share week in New England during the autumn, when the leaves are changing into spectacular colors, has more value than a week in the winter. A week in New Orleans during the Mardi Gras season has more value than a week in the middle of summer. Most firms



declare weeks of ownership to have one of three levels: (1) peak, (2) regular, or (3) off-season. Peak season weeks may be traded for all three types, and off-season can usually be exchanged only for off-season times.

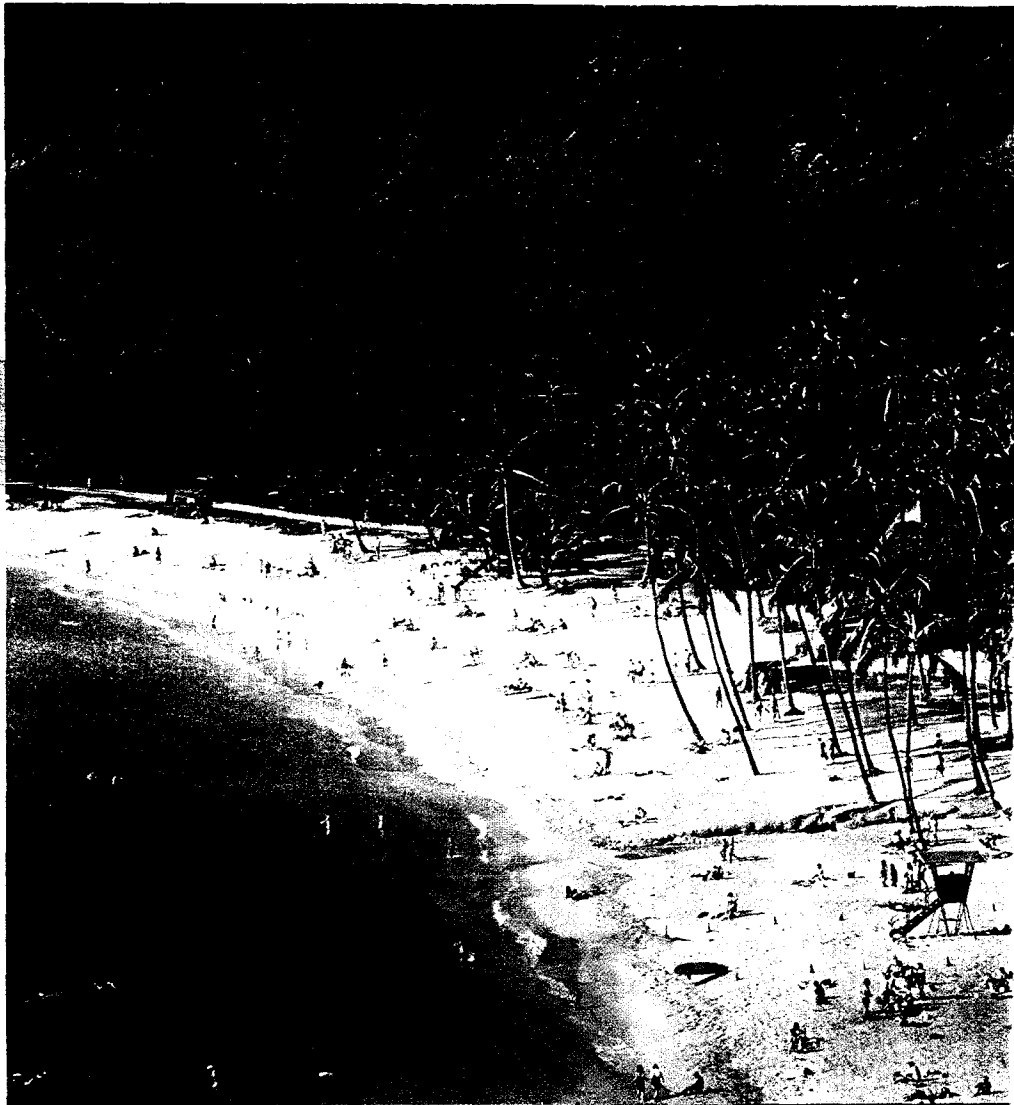
Promotion of time-shares involves a variety of tactics. First, the firms advertise heavily in tourist magazines and magazines devoted exclusively to properties. Second, the typical time-share program includes granting a prospective buyer a small period of time (usually for a night up to a full weekend) to stay free at a time-share property. The prospect must agree to tour the facility and hear the sales pitch in order to receive the free night(s) of lodging. Often, small gifts are given. Meals, fruit baskets, bottles of wine, and other small tokens such as T-shirts and lawn chairs are part of the package.

The tour involves showing the client the property in detail, plus a presentation of all the additional benefits of time-sharing, including the exchange network. Then, at the close of the sale, the prospect is usually offered a one-time, *must-buy-today* discount to purchase a week of time.

To beef up prospect lists, members of the time-share community are given gifts for bringing in potential buyers. A member may receive extra days or weekends of time for finding prospects. Some are even given "upgrades" for their weeks (e.g., from off-season to regular) for identifying someone who might visit the area.

The exchange program also offers vacations to non-time-share areas, along with coupons and discounts for tours and other activities in tourist areas, such as coupons for meal discounts and reduced-price boat rides at lake resorts.

There is even an after market for time-shares. Many can be resold. Firms that resell time-shares can work either separately from or in conjunction with the time-share management team. These properties normally do not offer the free visits and gifts used to entice first-time buyers of the property.



Competition in the time-share market is intense. Many hotel chains, including Sheraton, Hilton, and Radisson have now entered into the time-share marketplace. As a result, some locations do not sell enough time slots for each room. These companies quickly encounter cash flow problems.

Some critics argue the free time-share visits are simply "bait and switch" techniques that cause people who cannot afford to make purchases to spread themselves too thin. Those who enjoy time-share privileges argue the programs are among the best investments in leisure time. As the baby boom generation continues to age and accumulate additional disposable income, the odds are high that time-share companies will continue to prosper. At some point, you may find yourself tempted by a free vacation, a few goodies, and a very polished sales rep seeking to lure you into the exciting world of vacation property ownership.

overview

Consumer promotions (sometimes called *sales promotions*) are incentives aimed at a firm's customers. These customers can be end users of the good or service, or they may be other businesses. As noted in Chapter 9, the difference between consumer promotions and trade promotions is that trade promotions are directed at firms that resell the manufacturer's or firm's products. Consumer promotions are directed toward individuals or firms that use the product and do not resell it to another business. Thus, consumer promotions can be used in both consumer markets and business-to-business markets.

One of the primary goals of a consumer promotion is to entice the customer to take the final step and make a purchase. Advertising creates the interest and excitement that brings the consumer into the store. Marketers then use other tactics in conjunction with advertising programs. In addition to leading to the final decision to buy an item, consumer promotions programs can be highly effective in bringing traffic into a store and generating brand loyalty.

The two most general categories of promotions are: (1) *consumer franchise-building promotions* and (2) *consumer sales-building promotions*. Consumer franchise-building promotions are designed to increase awareness of and loyalty to a brand. The goal is to build a favorable image by pointing out unique features and selling points, with the goal being reduced reliance on discounts to entice sales. Sales-building promotions focus on immediate sales, rather than brand equity or loyalty, through discounts, prizes, or other enticements.

Marketers have traditionally believed that any type of sales promotion, whether consumer or trade, eroded brand equity and encouraged customers, businesses, and the distribution channel to focus on price. Recently, however, that view has changed. Many company leaders now recognize that a consumer promotion can be used to differentiate a brand from the competition. This increased differentiation builds brand awareness and can improve a brand's image. This is especially true for franchise-building promotions. Consumers who are exposed to franchise-building promotions tend to develop higher levels of brand awareness and stronger perceptions of brand equity. Although the sales-building promotions also increase awareness, the impact on brand equity is not as positive.¹

A marketing manager must carefully design a consumer promotional program that will meet IMC goals and that support a brand's position in the marketplace. In the early stages of a product's life cycle, promotions should match advertising and other efforts designed to achieve brand awareness, create opportunities for trial purchases, and stimulate additional purchases. Later, the goal may shift to strengthening a brand, increasing consumption, fending off competition, or finding new markets. In terms of brand positioning, a company should use more franchise-building promotions that do not focus on price for high-image brands; for lower image brands, sales-building promotions are more applicable.

As with other parts of the promotions mix, consumer promotions should be tied into the integrated marketing communications plan. Many large advertising agencies seldom

- ▶ Coupons
- ▶ Premiums
- ▶ Contests and sweepstakes
- ▶ Refunds and rebates
- ▶ Sampling
- ▶ Bonus packs
- ▶ Price-offs

FIGURE 10.1
Types of Consumer Promotions

actually prepare consumer promotions within the agency. Some agencies have relationships with subsidiary consumer promotions agencies. For example, the New York-based advertising agency DDB Needham handles advertising for brands such as Budweiser, Volkswagen, American Airlines, and Sony. Louis London, a sales promotion subsidiary agency of DDB Needham, handles the sales promotion aspect of these accounts. Others agencies have a separate internal division to handle consumer promotions.

The recent push toward more fully integrated marketing communications programs has led some clients to seek out firms that can manage every aspect of the communications program, including consumer sales promotions. This has led some specialty consumer promotion firms to add services, much in the same way that large advertising agencies are branching out into consumer promotions.

Regardless of which type of agency is used, full-service or specialty, the trend for both is to expand offerings to allow for a greater degree of integration of the consumer promotion component with the other elements of the IMC plan. Figure 10.1 lists the most common consumer promotions. A review of each type follows.

COUPONS

A coupon is a price reduction offer to a consumer. It may be a percentage off the retail price such as 25 percent or 40 percent, or an absolute amount (50 cents or \$1). In the United States, 336 billion coupons were distributed and 3.7 billion redeemed within just a year. The 1.1 percent redemption rate represents approximately \$3 billion in savings for consumers, or about 81 cents per coupon. Approximately 78 percent of all U.S. households use coupons, and 64 percent are willing to switch brands with coupons.² Figure 10.2 provides a more detailed breakdown of coupon usage.

Approximately 80 percent of all coupons are issued by manufacturers. Figure 10.3 lists the various forms of coupon distribution. Nearly 90 percent of all coupons are sent out through print media. Approximately 84 percent, or 251 billion, are distributed through **freestanding inserts (FSIs)**. FSIs are sheets of coupons distributed in newspapers, primarily on Sunday. An average U.S. citizen receives 850 freestanding inserts per year.

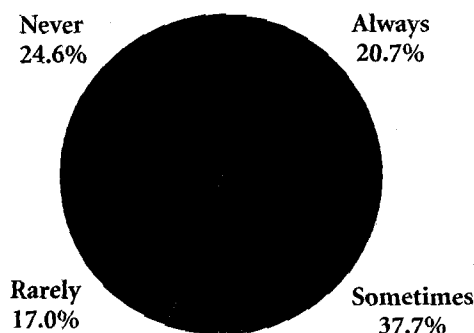


FIGURE 10.2
Percentage of Consumers
and Coupon Usage

Source: Karen Holt, "Coupon Crimes," *PROMO* 17, no. 5 (April 2004), pp. 23-29.

- ▶ Print media
- ▶ Direct mail
- ▶ On- or in-package
- ▶ In-store
- ▶ Sampling
- ▶ Scanner delivered
- ▶ Cross-ruffing
- ▶ Response offer
- ▶ Internet
- ▶ Fax
- ▶ Sales staff

FIGURE 10.3
Methods of Distributing Coupons

Other methods of distribution include in-store, on-shelf, and electronically dispensed coupons, along with coupons attached to free samples of a product. The remaining coupons are distributed in or on product packages, by direct mail, and in magazines and newspapers.³

There are several reasons for using FSIs and print media to distribute coupons. First, a consumer must make a conscious effort to clip or save the coupon. Second, coupons create brand awareness. The consumer sees the brand name on the coupon even when the coupon is not redeemed. Third, FSIs encourage consumers to purchase brands on the next trip to the store. Consumers are more likely to purchase a couponed brand and remember the brand name when they redeem a coupon, which helps move the brand to a consumer's long-term memory. The consumer is more likely to recall the brand and buy it the next time the need arises, even without a coupon.

Types of Coupons

Coupons are often distributed in retail stores and placed on or near packages. The consumer immediately can redeem the coupon while making the purchase. This type of coupon is called an **instant redemption coupon**. These coupons often lead to trial purchases and purchases of additional packages of a product. Many grocery stores allow a company to cook a new food product and offer free samples along with coupon giveaways. Coupons also are placed in dispensers near various products, which provide convenient access for customers. All of these are forms of instant redemption coupons, because customers can use them immediately.

Coupons also can be placed inside packages so that customers cannot redeem them quite as quickly. This approach encourages repeat purchases. These coupons are called **bounce-back coupons**.

Some companies issue coupons at the cash register. These are called **scanner-delivered coupons**, because they are triggered by an item being scanned. The coupon that is delivered is often for a competitor's product. This approach is designed to encourage brand switching the next time a consumer makes a purchase.

Cross-ruffing is the placement of a coupon for one product on another product. A coupon for a French onion dip placed on a package of potato chips is a cross-ruff coupon. Cross-ruff coupons should be on products that fit together logically and that are often purchased and consumed simultaneously. Occasionally, a manufacturer uses cross-ruffing to encourage consumers to purchase another one of its products. For example, the Kellogg company may place a coupon on a Rice Krispies box for another cereal, such as Frosted Flakes or an oatmeal product. This type of couponing tactic encourages consumers to purchase within the same brand or family of products.

Response offer coupons are issued following requests by consumers. Coupons then are mailed, faxed, or sent by Internet to the consumer. A fax is the most common method

of response offer coupon in the business-to-business sector. Office supply companies and other vendors use them to entice business customers to make purchases or place orders. Some firms distribute coupons through sales representatives. This creates instant redemptions, because the salesperson also takes the order.

Another form of coupon is one that is *electronically delivered*. Nearly 50 percent of the electronically delivered coupons are requested via the Web. Twenty-eight percent were requested after a consumer viewed a television ad. Another 18 percent were requested after the consumer heard about the coupon from a friend. The redemption rate for e-coupons is considerably higher than for any other type of coupon. With rising Internet access, the use of e-coupons should also increase.⁴

Coupon Responses

Coupon response rates are slightly more than 1 percent. Recently, coupon distribution has continued to increase, however, redemption rates have steadily declined.⁵ Redemption rates for Internet-delivered coupons have fared the best, with an average more than 20 percent redeemed.

Research into coupon redemptions helps the marketing team understand consumer response patterns. Coupons are not used equally among various ethnic groups. African-Americans and Hispanics tend to redeem coupons less often than the population as a whole, because there is a lower distribution rate to many ethnic groups. Freestanding inserts in Sunday papers account for 80 percent of the distribution of coupons. Minority groups tend to read ethnically-oriented newspapers and magazines and are less inclined to subscribe to publications aimed at the general population. Consequently, FSIs do not reach them. Magazines and newspapers targeting individual ethnic groups contain fewer coupon offers than do more general-appeal print media. Lower redemption rates can make ethnic groups appear to be less attractive and, therefore, they receive fewer direct-mail coupons. To correct this cycle, manufacturers and other distributors can improve target marketing by sending out coupon offers through ethnic publications.⁶

Problems with Coupons

There are drawbacks to the use of coupons as a promotional tactic. They include:

- ▶ Reduced revenues
- ▶ Mass-cutting
- ▶ Counterfeiting
- ▶ Misredemptions

Many current customers with a strong brand preference will redeem that brand's coupon with the next purchase. This reduces full-price revenues. Customers who already have a preference for a brand redeem approximately 80 percent of all coupons.⁷ Some argue that offering a price discount to customers who are willing to pay full price does not make sense. Manufacturers, however, point out that these consumers may be willing to stock up on the item, which means they won't use the competition's coupons. Consequently, manufacturers recognize that these brand-preference customer redemptions are a "necessary evil" if mass distribution is used. Some firms use direct mail to distribute the coupon primarily to nonloyal customers. The goal is to target nonusers and the competitor's customers. The primary disadvantage of this method is the high cost of direct mail, especially in light of the low response rate associated with direct-mail coupons.

Of the \$3.6 billion paid annually for coupon redemptions, \$500 million is in the form of illegal reimbursements, according to Coupon Information Council estimates.⁸ A common form of coupon fraud is *mass-cutting*. Coupons are "redeemed" through a fraudulent, nonexistent retail outlet, which is a mailbox set up by an illegal coupon-redemption

ring. At \$.50 to \$3 per coupon, mass-cutting of coupons can be lucrative. Many times these rings take advantage of charitable organizations and religious groups that think they are helping a worthy cause by sending in coupons to the mailbox to receive a percentage of the proceeds. Instead, they actually are aiding an illegal activity.

Counterfeiting occurs when coupons are copied and then sent back to the manufacturer for reimbursement. The manufacturer pays for phony coupons. Newspaper-generated black-and-white coupons are the easiest to counterfeit. Color copiers, however, have made other forms of counterfeiting easier. The major source of counterfeiting is the Internet. Web and high-quality printer technology makes it possible for people to create bogus coupons and then sell or distribute them via the Internet. In most cases the counterfeit coupons are sold in bulk and often it is for inflated discounts or even free merchandise. Under pressure from the Grocery Manufacturers of America and the Food Marketing Institute, both Yahoo! and eBay banned coupon sales. This has not stopped mass distribution of counterfeit coupons. Still, some progress has been made.⁹

A number of retailers have refused to accept Internet coupons. Soon after, however, these companies bowed to pressure from customers who had legitimate coupons. After investigating the problem further, a number of retailers such as Publix Super Markets and Ukrops noticed the primary counterfeit problem was for free merchandise rather than a discount on a product. Therefore, the policy was modified to accept reasonable Internet coupons, but not coupons for free merchandise or for an unusually large percentage of the purchase price. Wal-Mart only accepts Internet coupons that include a valid expiration date, remit address, and bar code.¹⁰

Retailers usually are not involved in mass-cutting or counterfeiting of coupons. They can, however, engage in the *misredemption* of coupons. For instance, a coupon for soup often states the size of can for which the discount applies. If the discount is used for another size, such as a 12-ounce can instead of the 24-ounce can, then a misredemption occurs. This may be due to an error on the part of the clerk who did not check the coupon carefully. Or, the clerk might have known it was the wrong-size can but did not want to bother finding the correct size or risk making the customer mad by denying the coupon. Other times, clerks honor coupons for merchandise that was not purchased when they take the coupon and subtract it from the customer's total without matching it to any actual product.

Some misredemptions are performed by retail "clearinghouses" that collect money for coupons even when they were not actually redeemed by customers. Other retailers submit coupons for reimbursement rather than placing them on the shelf or some other location in the store. The typical supermarket redeems hundreds of coupons per day. As a result, there is ample opportunity for errors, mistakes, and fraud.

Tactics to Improve Coupon Effectiveness

Three factors influence attractiveness of a coupon. The first is the face value of the coupon. A higher face value makes the coupon more attractive and more likely to be redeemed.

Second is the distribution method. Research indicates that FSIs are the most attractive to consumers because they can choose coupons in the privacy of their homes. In-store coupons are less attractive because consumers do not want to take time to process information while in the store.

Understanding that coupons sent to consumer homes are more effective, Valpak mails coupons in the company's customary blue envelope to high-income households consisting of educated adults and households with children. In an effort to boost sales, several heating, air-conditioning, and refrigeration companies now use coupons circulated by Valpak. One such company, Front Range Mechanical Services, generated considerable inquiries using a \$10 off coupon. Another company, Lancaster Plumbing & Heating, saw profits increase from \$1,420 to \$19,036 using coupons circulated by Valpak.¹¹

The third attractiveness factor is whether the coupon is for a preferred brand or at least for a brand that is already in the consumer's evoked set (readily recalled brands). Coupons for the preferred brand or one from the evoked set tend to be more attractive than those for unknown or unrecognized brand names.

PREMIUMS

A second form of consumer promotion is the offer of a premium. Premiums are prizes, gifts, or other special offers consumers receive when purchasing products. When a company offers a premium, the consumer pays full price for the good or service, in contrast to coupons, which grant price reductions. Some marketing experts believe the overuse of coupons damages a brand's image. Conversely, premiums can actually enhance a brand's image. The key is to pick the right type of premium. Premiums can be used in the attempt to boost sales; however, they usually are not as successful as coupon sales. Nevertheless, premiums remain a valuable consumer promotional tool. In the United States, over \$4.5 billion is spent on premiums each year.¹² There are four major types of premiums:

1. Free-in-the-mail
2. In- or on-package
3. Store or manufacturer
4. Self-liquidating

Free-in-the-mail premiums are gifts individuals receive for purchasing products. To receive the gift, the customer must mail in a proof of purchase to the manufacturer, who then mails the gift back to the consumer. Sometimes more than one purchase is required to receive the gift. Notice the premiums being offered in the Fisher Boy advertisement shown on this page. Consumers collect points from the front of Fisher Boy packages to be redeemed for "cool" prizes. To further encourage sales, the advertisement has a coupon attached.

Credit card companies use premiums to entice individuals to sign up for credit cards. Instead of providing a proof of purchase, the consumer needs only to activate the card to receive the incentives, which can range from cash back on purchases to merchandise and frequent-flier miles.

In- or on-package premiums are usually small gifts, such as toys in cereal boxes. Often the gift is disguised or packaged so the consumer must buy the product to find out which premium it contains. The most famous of these may be Cracker Jack's prizes. At other times the gift is attached to the package, such as package of blades with the purchase of a razor.

Store or manufacturer premiums are gifts given by either the retail store or the manufacturer when the customer purchases a product. Fast-food restaurants offer children a toy with the purchase of a child's meal. To entice individuals to purchase high-end homes and real estate in Prime Nature Villa in Thailand, unique premiums were offered by contractors. The premium was a 525i BMW automobile offer to individuals who purchased land plots larger than 1,600 square meters in the company's luxury-home project area. Individuals who purchased smaller plots, between 800 and 1,600 square meters, received gift certificates for diamond jewelry.¹³

The fourth major type of premium is called the **self-liquidating premium**. These premiums require the consumer to pay an amount of money for a gift or item. For example, the premium may be offered for only \$4.99 plus shipping and handling and two proofs of purchase from boxes of Cheerios. The premium is called *self-liquidating* because the \$4.99 covers the cost of the premium. The

A free-in-the-mail premium offer for Fisher Boy seafood.

Source: Courtesy of Fisher Boy.

COOL TREASURES only from **FISHERBOY**

Hunting for Treasures has never been **SO COOL!**

Collect points off the front panels of Fisher Boy packages to get COOL TREASURES!

10 FREE points inside 2 million packages!

See back panels for details

FISHERBOY
A GREAT CATCH!

Fast, fun, delicious seafood for the whole family!

SAVE a COOL 55¢

MANUFACTURER'S COUPON | EXPIRES JUNE 14, 2000
 Redeem: High Line Foods (H24), Incorporated will reimburse you for the face value of this coupon plus 5¢ if submitted in compliance with our redemption policy. Coupon redeemable against purchase of 10¢ of frozen, uncooked or frozen, cooked seafood. Send to: Coupon Redemption Center, P.O. Box 660262, St. Louis, MO 63166-0262. Limit one coupon per household. Good only in USA.

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manufacturer also receives money for shipping and handling. This means that consumers are paying most or all of the actual cost of the item.

Problems with Premiums

The two major problems associated with premium programs are: (1) the time factor and (2) the cost. Premiums tend to have short life spans. Many companies try to find items that are in vogue and adopt them. The problem is that by the time the marketing material is developed and the merchandise arrives, the item may no longer be popular. Many companies have warehouses full of premiums that turned out to be busts because either they waited too long to order the merchandise or the product they thought would be a great premium turned out to be no longer exciting for customers. A few years ago, KFC tried to take advantage of the popularity of Pokémon after seeing Burger King's success with the cartoon character. KFC offered Pokémon beanbags. The program turned out to be a disaster. Most KFC stores still had huge stocks of the beanbags 6 weeks after the end of the promotion.¹⁴

The second problem connected to premiums is the cost. A premium exclusively offered often increases the demand for the item. For example, numerous Disney tie-ins with fast-food restaurants are exclusive contracts. In these arrangements, Disney promises not to sell the premium to any other vendor or restaurant. Yet it may offer the merchandise to other types of businesses or to retail outlets. This type of deal normally raises the price of the item and cost to the firm. Consequently, a rising scale exists. Lower-cost premiums generate less interest and probably fewer sales. Higher-cost premiums create more sales, but cost more to provide.

Building Successful Premium Programs

Figure 10.4 highlights the primary keys to building successful premium programs.¹⁵ First, and most important, is to match the premium to the target market. For a target market such as older, high-income individuals, the premium may be china or fine crystal. If the market is children, a cartoon figure or a character from Disney or Sesame Street would be attractive. The premium should match the desires and interests of target market members.

Next, the best premiums are those that reinforce the firm's image in some way. They should not be low-cost trinkets. Offering cheap merchandise insults customers and can damage the image of a firm.

Premiums are more likely to succeed when they are tied in with the firm's products. These items can enhance the image of the product as well as the image of the firm. For instance, Sears offered a 20-piece Pfaltzgraff dinnerware set to every consumer who purchased a Kenmore microwave. Customers had a choice of four different patterns. In just 6 weeks, 4,000 premiums were redeemed. Offering the dinnerware dishes with the purchase of a microwave reinforced the idea that Sears' products are of high quality. The quality of the dishes reinforced Kenmore's brand image.¹⁶

Premiums should be integrated with the other components of the IMC program. Premiums are an excellent means of adding value to a product instead of slashing prices or using coupons. They can reinforce the brand's image. Premiums can serve as a "thank you" to current customers or to attract new customers. *Sports Illustrated* has a rich

- ▶ Match the premium to the target market
- ▶ Carefully select the premiums (avoid fads, try for exclusivity)
- ▶ Pick a premium that reinforces the firm's product and image
- ▶ Integrate the premium with other IMC tools (especially advertising and POP displays)
- ▶ Don't expect premiums to increase short-term profits

FIGURE 10.4
Keys to Successful Premiums

Source: Based on Don Jagoda, "The Seven Habits of Highly Successful Premiums," *Incentive* 173, no. 8 (August 1999), pp. 104-105.

history of premium programs, from videos to watches to phones, which are presented for either renewing a subscription to the magazine or ordering one for the first time.

There are three principles to remember when using premiums. First, premiums should build rational involvement in some way with the good or service. A moving company giving out tote bags that say, "No job too large or small" communicates the point that the mover can help any size household. Second, premiums should build emotional involvement, such as feeling more warm and secure or simply happy about the item given. Third, the premium must build involvement with the product, not just the premium.¹⁷

Although premiums are an excellent method of adding value or enhancing a brand, they are not as effective at increasing profits. Therefore, a clear relationship between the premium's intention and IMC goals should be established. Logically the goal should be more about image than profit.

CONTESTS AND SWEEPSTAKES

Contests and sweepstakes are popular forms of consumer sales promotions. Approximately \$2 billion are spent on various games, contests, and sweepstakes each year.¹⁸ Both are used in consumer markets as well as business markets. A primary factor that determines the success rates of this type of appeal is the prize list. Members of the target market for the contest or sweepstakes must believe the prizes are desirable enough to entice them to participate. A prize that is perceived to be of low or no value does not work.

The words *contest* and *sweepstakes* tend to be used interchangeably, yet there are some differences, primarily legal. *Contests* normally require the participant to perform some type of activity. The winner is selected based on who performs best or provides the most correct answers. Often, contests require a participant to make a purchase to enter. In some states, however, it is illegal to force a consumer to make a purchase to enter a contest. It is important in developing contests to know the different state and federal laws that apply.

Contests range from the controversial bikini or suntan contests at local nightclubs to popular television shows such as *Jeopardy* or *Survivor* in which contestants must answer

ETHICAL ISSUES

Consumer Promotion Activities

One of the fastest-growing problems in the United States is addiction to gambling by young people. Access to gaming facilities and gambling opportunities has never been greater, as individual states set up lotteries, dog tracks, casinos, and other operations. Many college students gamble regularly.

In this environment, does a marketing team worsen the problem by offering contests and sweepstakes? Currently, many consumers do not recognize that gambling can be a problem. Offering a contest may cause an individual to buy more products simply to obtain the chance to win a big prize. Is the marketing team comfortable with this possibility?

Another ethical concern in the area of promotions is coupon redemptions. Should stores honor coupons that have been created fraudulently, thereby risking alienating a store's customer base? Retailers also face the issue of honoring coupons for the wrong size of a product, such as one aimed at a 10-ounce size rather than a 15-ounce one. Again, the retail store's customer is happy, but the coupon provider loses money.

Manufacturers trust retail stores to accurately and honestly follow the rules of consumer promotions for contests, sweepstakes, premiums, coupons, or bonus packs. The difficulty is that manufacturers have no way of being certain that the rules have been followed. With so many retailers being involved, it is impossible for them to police all of the activity. In this type of environment, it becomes tempting for a retailer to violate rules if it will increase the retailer's profit or satisfaction levels of customers.

An advertisement promoting the Grace Fund Essay Contest sponsored by *The Joplin Globe*.

Source: Used with permission of *The Joplin Globe*, Joplin, Missouri.

Looking for a leg up?

Enter the Grace Fund Essay Contest...

All women and women's organizations are eligible. Please forward an essay, 500 words or less, on what, when, where, and why you would like to be awarded one of four monetary awards (\$500 minimum) from the Grace Fund. It may be to propel a dream or enhance an established venture.

Grace Magazine
P.O. Box 7 • Joplin, MO 64802
gracemagazine@joplinglobe.com

Entries must be submitted by March 15, 2004.
Recipients will appear in the April issue of *Grace Magazine*.

questions or win competitions to earn prizes. Although some contests are mostly chance (e.g., *Wheel of Fortune*), others require skill. For example, ACH Food Companies, Inc., sponsored a Karo Syrup Recipe Contest for students. To enter, students had to create original recipes using Karo syrup. In a similar type of contest sponsored by Florida's Tomato Association, participants created original recipes utilizing tomatoes. The grand prize winner for the latter contest was Steve Barnhart's "Fresh Florida Tomato Orange Soup."¹⁹

No purchase is required to enter a *sweepstakes*. Consumers can enter as many times as they wish, although it is permissible for firms to restrict customers to one entry per visit to the store or some other location. The chances of winning a sweepstakes are based on a probability factor. The probability of winning must clearly be stated on all point-of-purchase (POP) displays and advertising materials. In a sweepstakes, the probability of winning each prize must be published in advance. This means the firm must know how many winning tickets, as compared to total tickets, have been prepared.

People enter contests and sweepstakes that they perceive as being worth their time and attention. Consumers do not enter every contest or sweepstakes they encounter. Instead, they selectively choose. The decision is often based on the perceived value of the contest or sweepstakes prize combined with the odds of winning. The greater the perceived odds of winning, the more likely a person will play the contest or enter the sweepstakes.

The perceived value of a prize has two components: (1) extrinsic value and (2) intrinsic value. The extrinsic value is the actual attractiveness of the item (a car versus a free sandwich). The greater the perceived value, the more likely the person will participate. Intrinsic values are those associated with playing or participating. A contest requiring the use of a skill, such as the one with recipes or an essay contest, entices entry by individuals who enjoy demonstrating a skill. In that case, extrinsic rewards become secondary. Instead, participants enjoy competing and demonstrating their abilities, which in part explains the popularity of fantasy football and baseball leagues and "pick the winner" sports contests.

Problems with Contests and Sweepstakes

Company leaders must seek to overcome three issues in order to create successful promotional programs. The problems associated with contests and sweepstakes are:

- ▶ Costs
- ▶ Consumer indifference
- ▶ Clutter

Contests and sweepstakes require companies to provide prizes, entry forms, legal statements, supportive advertising and other promotional activities, and often enticements to retailers to set up POP displays and other contest-related materials. Failure to support a contest fully means the odds of success diminish. Companies must be prepared to undertake all of the necessary expenditures associated with the program.

Consumers are increasingly indifferent to many contests and sweepstakes because of the rising availability of gambling opportunities. State lotteries, casinos, riverboat gambling, and Internet gambling make it possible to play games of chance and skill frequently. As a result, a contest offering a prize of a free dinner or \$100 may not seem very exciting.

Clutter results from the number of firms promoting contests at any given time. With so many legal and illegal places to play games of chance, the idea of making a purchase or trip to the store to enter one more contest is less appealing.

Creating Successful Contests and Sweepstakes

One factor in the success level of a contest is finding the right prize. Firms can be creative in trying to reach this goal. For example, in Ohio a sweepstake was created for a small, local company called Velvet Ice Cream Company. Ohio was a gateway to the West in the early 1800s. A number of inns were built along stagecoach routes traveling through the state. Many of these inns still exist. Six inns were solicited and agreed to participate in the sweepstakes. The inns provided prizes, which consisted of one free night stay for two, dinner, and a dessert containing Velvet Ice Cream product. Each winner also received a booklet with pictures of the inn, a brief history of the inn, and various recipes for Velvet Ice Cream products. The sweepstakes ran from Memorial Day to Labor Day and was considered a rousing success by Velvet, as well as the six inns that participated. Traffic and revenues for all participants increased during the sweepstakes.²⁰

A second ingredient in a successful contest can occur when a company takes advantage of a special event, such as a sports contest or a celebration. Local companies sometimes create a contest in conjunction with a local celebration, such as a town's 100th birthday or at an annual event such as an ethnic festival.

A third method for creating a successful contest or sweepstakes is using the popularity of the Internet. The Internet can provide opportunities for individuals to play contests and sweepstakes for their intrinsic value. It also can be used to create interactive games that can challenge the contestant's ability. The Internet provides promoters with data-capturing capabilities. Internet contests are less costly to set up and run than other types of promotions.²¹

Yoyodyne Entertainment has designed more than 100 contests and games for companies such as H&R Block, MCI, American Express, Fox TV, and *Rolling Stone* magazine. H&R Block's contest was called "We'll Pay Your Taxes." The contest was designed to

COMMUNICATION ACTION

Mobile Phone Fun

Young people ages 18 to 24 are not watching much television nor are they reading newspapers. Teens and "tweens" are more likely to be instant messaging a friend than to be viewing any form of media. Wanting to reach members of these valuable target markets, companies looked to the mobile phone for creative ways to contact them. With the rise in popularity of instant messaging, a number of innovative marketing firms launched various marketing campaigns via cell phones. The most successful were those campaigns that incorporated some type of game, contest, or fun into the message.

Hip Cricket, a mobile marketing and event company based in Essex, Connecticut, developed the Mobile Emmy Trivia Challenge for the Television Academy. The challenge was a series of 2-part trivia quizzes that ran just prior to the Emmy Awards on ABC in September. To play, cell phone users sent a text message to the Emmys with the keyword "PLAY." It cost each player 50 cents to enter, per day, except for Sprint users, who did not have to pay the charges. The game was designed to draw 18- to 34-year-olds back into the Emmy audience. The winner won a trip to the following year's Emmy show in Los Angeles.

Hip Cricket prepared an even more intriguing sweepstake for Miller Brewing Company's Icehouse brand. The sweepstakes was the first to be conducted live, during a rock concert. Music fans, 21 years old or older, could enter the sweepstakes by text messaging the words "Pick Me" during the concert. At 10:00 P.M., one concertgoer, Melissa Hasty, received word via text message that she had won the grand prize, a 5-day, 4-night Caribbean cruise on the "Rock Boat." Other concert fans won secondary prizes throughout the night, again, receiving notification via their cell phone's instant messaging system. Winning is always fun. For Melissa and others at the concert, winning instantly was even more exciting.

Source: Kathleen Joyce, "Not Just a Novelty," *PROMO* 17, no. 12 (November 2004), pp. 52-56.



A new media trend for contests and sweepstakes is offering them over the Internet.

Source: Courtesy of LuckySurf.com.

drive traffic to the H&R Block Web site. Through a series of weekly e-mail messages, players were directed to H&R Block's Web site for the answers. Each e-mail message contained brief product messages from H&R Block. The game ran just 2 months but averaged 46,000 hits per week, more than H&R Block had the entire previous year.²²

To encourage consumers to continue playing a contest, the extrinsic values of prizes can be increased by allowing small, incremental rewards. A consumer who wins a soft drink or a sandwich in a sweepstakes at Subway is more likely to continue playing. Scratch-and-win cards tend to be effective because the reward is instant. The mobile phone promotions discussed in the Communication Action box in this section provided instant notification of winning via text messaging. As with coupons, instantly redeemed prizes are more popular with consumers than are delayed rewards. Using special Java technology, scratch-and-win cards can even be used on the Internet so that consumers can receive instant prizes.

To fully ensure the success of the contest or sweepstakes, it is important to coordinate the promotion with the advertising, POP displays, and other marketing tools. All of these elements must be directed toward the same target audience and convey a united message. These features add to the cost of the contest, however, such integration is a crucial ingredient in achieving the desired goals.

When the contest or sweepstakes program features a tie-in with another company, the two firms should carefully coordinate activities. It is a daunting task to include all creatives, trade promotions managers, consumer promotions managers, media buyers, and media planners, but it is also necessary in order to create a successful program.

The primary goals of contests and sweepstakes are to encourage customer traffic and boost sales. There is no doubt that a contest or sweepstakes increases customer traffic. The question is whether they actually boost sales. Some do, others do not. Marketers are beginning to realize that intrinsic rewards tend to draw consumers back. This means many Internet games are exciting prospects, because they can be structured to create intrinsic rewards.

Marketing research has demonstrated that brand awareness increases with multiple exposures to an advertisement or contest. Therefore, although contests and sweepstakes may not boost sales in the short run, they can be a driving force behind brand awareness and brand image development for longer periods of time, such as the McDonald's Monopoly game promotion that ran for several years. As a result, these games are often key weapons in the marketing arsenals of many organizations.

REFUNDS AND REBATES

Refunds and rebates are cash returns offered to consumers or businesses following the purchase of a product. Consumers pay full price for the product but can mail in some type of proof of purchase. The manufacturer then refunds a portion of the purchase price. A *refund* is a cash return on what are called "soft goods," such as food or clothing. *Rebates* are cash returns on "hard goods," which are major ticket items such as automobiles and appliances. Normally refunds are smaller and rebates are larger. For example, the typical refund offered on a food item may be \$1; the typical rebate on a car may be \$500, \$1,000, or more, depending on the price and size of the car.

Only about 30 percent of all rebates are ever claimed. For rebates valued at \$50 or more, however, the percentage of claims rises to about 65 percent. The major reason for the low response rate is the inconvenience associated with getting the rebate. Too many steps or long waiting times because of "snail mail" are common complaints about

rebates. It is not unusual for consumers to wait up to 6 months to receive a rebate check. Recently, the number of complaints to the Better Business Bureau concerning rebates rose by 21 percent in just a single year.²³

Rebates are common in the computer and electronics industries. In fact, computer retailers have reduced expenditures on advertising of computers and relied more on rebates to drive sales. Rebates are now offered for approximately 66 percent of all desktop computers on the market. Rebates are also used in the business-to-business sector. Most electric utilities offer rebates to companies that design and build more energy-efficient buildings. The rebates also apply to retrofitting inefficient buildings with energy-efficient lighting systems, motors, air conditioners, heating systems, and insulation.²⁴

Problems with Refunds and Rebates

The problems associated with refunds and rebates include the costs, the paperwork involved, and diminished effectiveness. The retail outlet must carefully document manufacturer rebates so that the customer is reimbursed. To hold down the paperwork, many automobile manufacturers have the rebate assigned to the dealer and deduct the amount from the sales price. This often lessens the “impact” of the rebate, because no check is ever delivered to the customer.

The cost of a refund or rebate is the lost revenue from the sale price combined with the mailing and record-keeping costs involved. Further, a promotional or advertising campaign emphasizing the offer must be developed, or the program goes unnoticed. These extra promotional expenditures further add to the costs of the plan.

Many rebate programs suffer from diminished effectiveness, because consumers have come to expect them. For example, many car dealers find that customers won't buy until rebates are offered. As a result, there is no new purchase activity associated with the rebate, but rather a delay in the purchase process as consumers “wait out” auto manufacturers. According to J.D. Power and Associates, slightly more than 60 percent of all vehicle purchases in the United States involve some type of cash rebate.²⁵ Further, increasing the amount of a rebate no longer seems to spur additional sales activity, yet discontinuing or reducing rebate levels tends to have an immediate negative impact on sales.

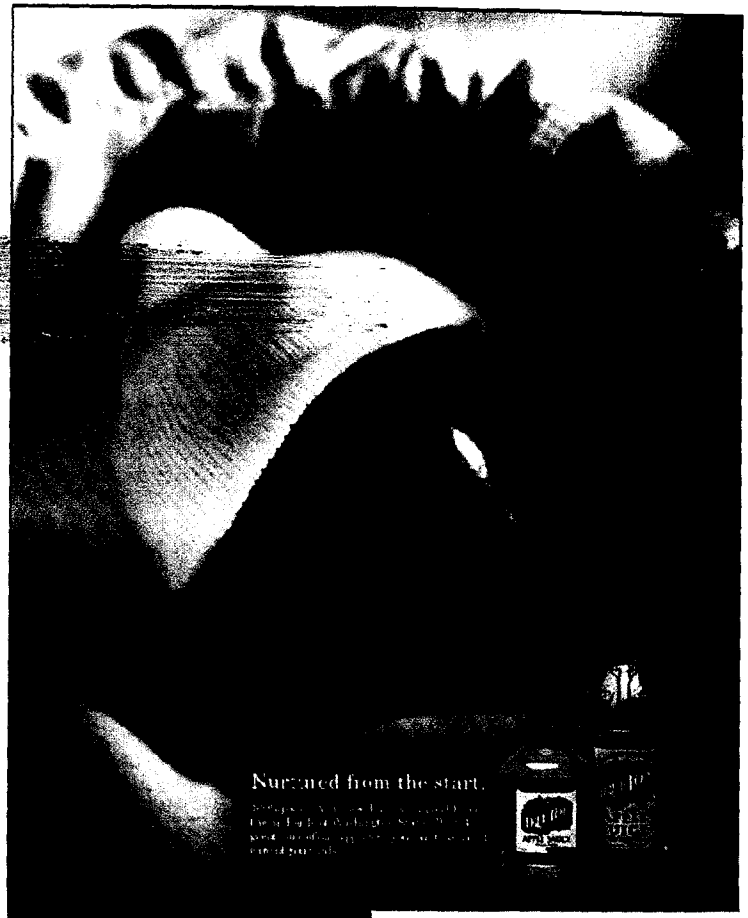
Creating Effective Refund-Rebate Programs

To generate an effective refund or rebate program, the offer must have:

- ▶ Visibility
- ▶ Perceived newness
- ▶ An impact

The refund should be visible. Customers must find out about the program before they can take advantage of it. Refunds and rebates achieve the greatest successes when they are perceived as being new or original. When they are an entrenched part of doing business, they have simply become an expected discount. Rebates and refunds must have the impact of changing the buyer's behavior, either by leading to more immediate purchases or by causing the customer to change brands.

Retailers tend to like refunds and rebates because the retailer maintains its margin or markup on the product, which means the item or service is sold at full price. Recently,



In developing a strong brand name such as Tree Top, it is important to choose the right consumer promotion.

Source: Courtesy of Tree Top Apple Juice.

SPIRU-TEIN® is the Number One High Energy, High Protein Shake for *14 Incredibly Delicious Reasons...*



Nature's Plus introduced SPIRU-TEIN years ago with a rock-solid guarantee of super taste, quality nutrition and high energy. A guarantee that still stands today. At a time when most people seem to be going "at the speed of life" at work and at play, just about everybody needs extra energy. Every SPIRU-TEIN flavor is power-packed, high energy and less than 125 calories per serving. And each serving delivers 100% of the Daily Value for all vitamins, most minerals and a meal's worth of vegetarian protein from nature's premier vegetarian sources—Non-GMO soy and spirulina. For a delicious meal replacement or to increase energy, try instant, great-tasting SPIRU-TEIN today. Join over one million discriminating health food store shoppers who have made SPIRU-TEIN their energy shake of choice.

For a **FREE Sample** of your choice and a discount on your first purchase call
1-800-937-0500, ext. 5822
Visit our website: www.naturesplus.com

Nature's Plus
The Energy Supplements.

25 grams of soy protein a day, as part of a diet low in saturated fat and cholesterol, may reduce the risk of heart disease. A serving of SPIRU-TEIN supplies 14 grams of soy protein.



FREE Sample

YES! please send me a FREE Single-Serving Sample of:
(limit one flavor)

Plus Discount Coupons toward my first purchase of SPIRU-TEIN Energy Shake.

Please mail to:
Nature's Plus, P.O. Box 91719, Long Beach, CA 90809-1719

Name _____

Address _____

City _____ State _____ Zip _____

Offer Expires: 12/31/02 5822

Natural Organics, Inc. © 2002 All rights reserved.

An advertisement by Nature's Plus offering consumers a free sample.

Source: Courtesy of Natural Organics, Inc.

Iomega offered a \$50 rebate on its Zip drive that sold for \$199. Retailers responded favorably to the Iomega rebate because it was easy for consumers to understand, the display materials were attractive, and implementing the rebate was easy for retailers. Also, the rebate was large enough to stimulate sales and encourage consumers to choose the Iomega brand.²⁶ Consequently, effective rebate programs are an option for various companies seeking to heighten the buying excitement levels associated with products.

SAMPLING

One popular method that is used to encourage consumers to try a new product is sampling. Sampling is the actual delivery of a product to consumers for their use or consumption. Most samples are provided free of charge. A coupon or price-off incentive is often given with the sample to persuade the consumer to purchase a larger version of the product, such as a full-size package.

In business-to-business markets, samples of products are often given to potential clients. Sampling also can be used in the service sector. For example, a tanning salon may offer an initial visit free to encourage new customers to try its facilities. Dentists and lawyers use sampling when they offer an initial consultation free of charge.

Figure 10.5 lists various ways samples are distributed. The most common consumer method is *in-store distribution*, such as when food product companies have personnel cooking the food and passing it out to individuals in the store. *Direct sampling* is a program in which samples are mailed or delivered door to door to consumers.

Various demographic target markets can be identified for free samples. In the business-to-business sector, salespeople often deliver direct samples. *Response samples* are made available to individuals or businesses responding to a media offer on television, on the Internet, from a magazine, or by some other source. *Cross-ruff* sampling plans provide samples of one product on another. A laundry detergent with a free dryer sheet attached to the package is a cross-ruff sample. *Media sampling* means the sample is included in the media outlet. For example, a small sample of perfume can be included in a magazine advertisement or with a newspaper. *Professional samples* are delivered by professionals, such as when doctors provide patients with free drug samples. These are

- In-store distribution
- Direct sampling
- Response sampling
- Cross-ruff sampling
- Media sampling
- Professional sampling
- Selective sampling

FIGURE 10.5
Types of Sampling

given out, for example, by doctors who receive free samples from a drug company. *Selective samples* are distributed at a site such as a state fair, parade, hospital, restaurant, or sporting event. For instance, many times Power Bars are given to people attending football or basketball games. There is a tie-in between the product (nutrition) and the event (athletics).

The target audience determines the best method of sampling to use. Direct sampling is generally the ideal for business-to-business situations. Other methods tend to work better for consumers. Women tend to prefer mail samples they can examine at home. Men prefer samples given to them at a store or an event. The advantage of passing out samples at an event is that the person receiving the sample receives the personal touch. A smile, a greeting, and additional information can be conveyed along with the sample. Also, if the consumer liked the event, then he or she may transfer the good feelings toward the event to the sampled product.²⁷

In recent years, marketers have increased usage of FSIs for the distribution of samples. A variety of products have been distributed in newspapers, such as breakfast bars, coffee, shampoo, snacks, tea, and automotive cleansers. Companies using newspapers like the FSI insert method because it breaks through the clutter and gets the attention of consumers. The newspaper is an "invited medium." Therefore, consumers are more receptive when samples distributed are with the paper.²⁸

Internet-based response sampling programs have also become popular with both consumers and manufacturers. Bristol-Myers/Squibb was one of the first companies to utilize the Internet for product sampling. The company offered a free sample of Excedrin to individuals who requested the sample and were willing to provide their names, addresses and e-mail information. In addition to the 12-pack sample of Excedrin, consumers received coupons for additional Excedrin purchases along with the quarterly *Excedrin Headache Relief Update Newsletter*. The advantage of this form of response sampling is that only consumers who requested the product received it. Also, companies normally can gather additional information to be added to a database. Seventy percent of consumers who requested a sample online were willing to complete a survey to receive the sample.²⁹

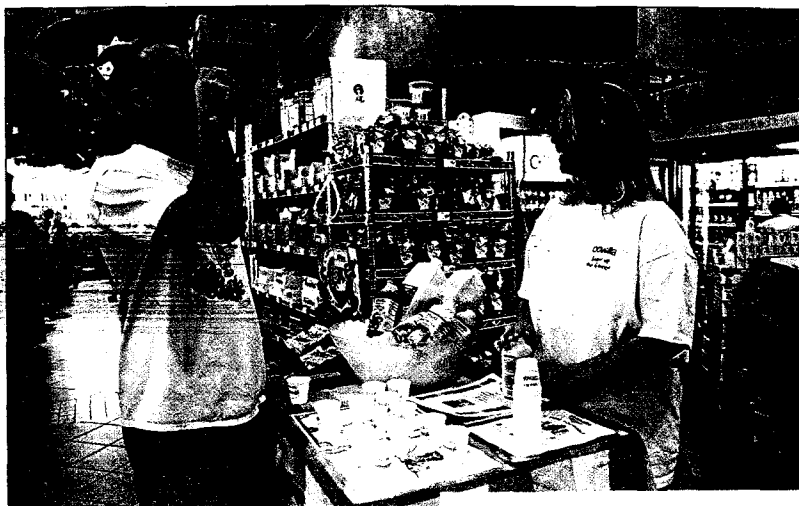
Problems with Sampling

Product sampling is an effective way to introduce a new product and generate interest in that product. The primary disadvantage is the cost. Often a special sample-size package must be developed. The package must be very similar to the regular-size pack, so consumers will be able to identify the product after using the sample. Many times samples are mailed, adding to the expense of the program. A sample given out in a store requires an individual to distribute it and some kind of permission from the store.

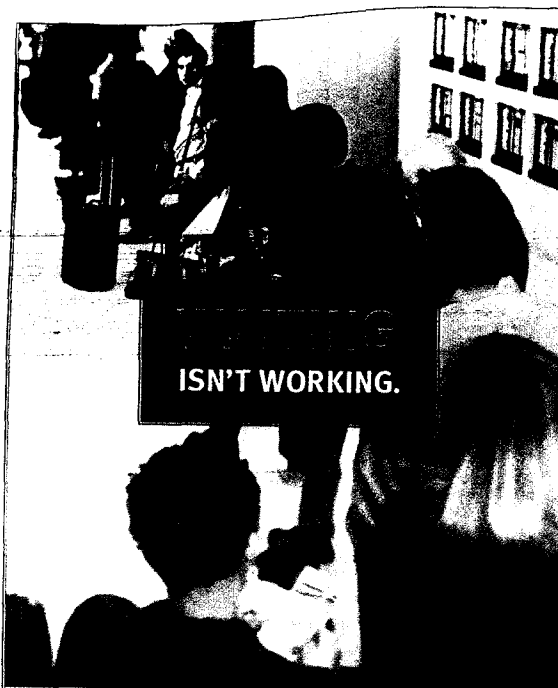
To fully cover an area with samples requires careful planning of the distribution. Many times people simply discard the sample without even trying the product. Therefore, careful market research should be used before undertaking a sampling program.

Effective Use of Samples

As with the other consumer promotions, sampling must be a central part of the IMC plan. The primary purpose of sampling is to encourage a trial use by a consumer or a business. Sampling is most effective when it introduces a new product or a new version of a product to a market. Samples also help promote a current product to a new target market or to new prospects.



Sampling is an effective method to entice consumers to try a product.



ISN'T WORKING.

Videoconferencing never looked so good.

With today's reduced barriers and increased focus on new, niche markets, Polycom's award-winning videoconferencing products are essential, must-have tools for selling business, doing. With the only end-to-end solution that seamlessly integrates video, voice, data and web capabilities, Polycom lets you be there without being there. As the industry leader, we say, show your line out side of the 11 video and audio quality defines the concept of face-to-face meetings. And that's why you can be there to be any time and any place. So, if you give us Polycom and we'll give you a free trial. Call today 1-877-POLYCOM Go to www.polycom.com/see

RISK-FREE TRIAL! Try any POLYCOM VIDEOCONFERENCING SYSTEM FREE FOR 30 DAYS.*

POLYCOM

Sampling is important in the business-to-business market to encourage trial usage of a product. Polycom offers companies a free 30-day, risk-free trial.

Source: Courtesy of Polycom.

The key to successful sampling is targeting the right audience. Mass sampling is not nearly as cost-effective as targeted sampling. Recently, Green & Black launched a sampling campaign for organic chocolates at 21 outdoor concerts in England. Each audience member was given a bar of Green & Black's organic chocolate at the entrance. More than 80 percent of the audience, a total of 105,000 people received sample bars. A tasting marquee was also set up in the concert area so that concert attendees could try other flavors. The goal was to build a brand experience between concert attendees and the Green & Black brand name and to boost sales, which it did. Sales of the organic chocolate bar increased 79 percent in the months immediately following the concerts.³⁰

BONUS PACKS

When an additional or extra number of items are placed in a special product package, it is called a bonus pack. When a consumer buys four bars of soap for the price of three, it is a bonus pack promotion. Recently, Rayovac offered three free AA batteries in a bonus pack containing nine batteries. Typical bonuses range from 20 percent to 100 percent of the normal number of units in a package. A 30 percent bonus is the most common.

Figure 10.6 identifies the major objectives of bonus packs. Increasing the size or quantity of the package can lead to greater product use. For example, if a cereal box is increased in size by 25 percent, the consumer is likely to eat more cereal, because it is readily available. This is not true for products that have a constant rate of consumption. For instance, if Colgate increases the size of a toothpaste container by 25 percent, consumers will not use more toothpaste. In effect, what this does is delay the customer's next purchase. Still, manufacturers do offer these types of bonus packs, because they may help preempt the competition. A consumer with a large quantity of the merchandise on hand is less likely to switch to another brand, even when offered some type of deal, such as a coupon.

less likely to switch to another brand, even when offered some type of deal, such as a coupon.

A firm's current customers often take advantage of a bonus pack offer. When customers stockpile a quantity of a particular brand, it discourages purchasing from a competitor. Bonus packs reward customer loyalty by offering, in effect, free merchandise.

Bonus packs rarely attract new customers because the consumer is less likely to have previously purchased the brand. Obtaining an extra quantity does not reduce the purchase risk. In fact, it adds to the risk, especially when the customer does not like to waste a product by throwing it away if he or she is dissatisfied with the product.

Bonus packs can lead to brand switching if the consumer has used the brand previously. Facing purchase decisions, consumers may opt for brands that offer a bonus pack at the regular price. These products have an advantage that competitive brands are not offering.

- Increase usage of the product
- Match or preempt competitive actions
- Stockpile the product
- Develop customer loyalty
- Attract new users
- Encourage brand switching

FIGURE 10.6
Reasons for Using Bonus Packs

Shop Wise™

WHERE SAVINGS BEGIN



PAPA JOHN'S
LARGE
YOUR CHOICE OF 5 TOPPINGS
\$9.99

TOPPINGS

Pepperoni	Lolapops Peppers
Extra Cheese	Pineapple
Bacon	Black Olives
Onions	Kielbasa
Green Peppers	Italian Sausage
Banana Peppers	Sausage
Fresh Baby Portabella Mushrooms	Ground Beef

*We take a lot of pride in finding the right toppings to top your pizza. No matter which toppings you choose, you can't go wrong.

FREE DELIVERY AND CARRYOUT
ORDER ON-LINE!
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PAPA JOHN'S

Carryout Special
One Large Cheese Pizza
\$6.99
ORIGINAL OR YOUR CHOICE WHERE AVAILABLE
Expires 2/21/00. Not valid with any other offer. Carryout only. All participating locations. Subject to local regulations. See local advertisement for details.

Papa's Choice
One Large Up to Five Toppings
\$9.99
LIMITED DELIVERY AREA - CARRYOUT REQUIRED
ORIGINAL OR YOUR CHOICE WHERE AVAILABLE
Expires 2/21/00. Not valid with any other offer. Carryout only. All participating locations. Subject to local regulations. See local advertisement for details.

Family Special
One Large with Two Toppings & One Large with Two Toppings
\$16.99
Add a Two Liter of Coca-Cola Classic for **\$1.99**
LIMITED DELIVERY AREA - CARRYOUT REQUIRED
ORIGINAL OR YOUR CHOICE WHERE AVAILABLE
Expires 2/21/00. Not valid with any other offer. Carryout only. All participating locations. Subject to local regulations. See local advertisement for details.

A special price-off offer by Papa John's.
Source: Courtesy of Papa John's International.

Problems with Price-Off Promotions

Price-offs are easy to implement and can have a sudden impact on sales. They can also cause problems. Although a price-off offer may increase sales, it can have a negative impact on a company's profit margin. It normally takes at least a 20 percent increase in sales to offset each 5 percent price reduction.

Another danger is that price-off programs encourage consumers to become more price-sensitive. In the same way that customers respond to rebates, they can either wait for a price-off promotion or choose another brand that happens to be on sale. An estimated 25 percent of consumers base purchase decisions on price. Price-offs are often necessary because of competitive and trade pressures. Individual firms must be careful not to overrely on price-offs.³³ Remember, however, that too many price-off offers can also have a negative impact on a firm's image.

Using Price-Off Offers Effectively

Price-off programs can be used to increase store traffic and generate sales. They work better with higher markup items and for goods or services that normally do not offer discounts. The goal should be to create new interest in the product to entice buyers to take a second look. Loyal customers may be attracted to a price-off discount and buy to stock up, but they should not be the primary targets for price-off programs. Instead, new users or customers who have drifted away to other products should be the target market.

Price-offs have proven to be successful consumer promotions for two reasons. First, the price-off has the appeal of a monetary savings to consumers. Second, the reward is immediate. Unlike rebates, refunds, contests, sweepstakes, and other promotional incentives, consumers do not have to wait for the reward. As always, price-off programs should be incorporated into the firm's overall IMC program.

OTHER ISSUES IN PROMOTIONS PROGRAMS

The major forms of consumer sales promotions programs are coupons, premiums, contests, refunds, sampling, bonus packs, and price-off offers. Each has distinct advantages and problems. The marketing account executive's goal should be to help the company select a consumer sales promotion approach that matches its trade promotions efforts, advertisements, and personal selling tactics. The entire promotions mix can then be structured to mesh with a more integrated IMC plan.

At times companies combine two or more consumer promotions activities into a single campaign, called an *overlay*. For example, to attract Chinese consumers in Canada, Tropicana combined sampling with coupons. Free samples (50,000 cups of orange juice) were given out along with 30,000 coupons at a Chinese New Year's celebration in Vancouver. Asians who live in the United States and Canada are not typically large users of coupons; however, Tropicana Canada's research showed that the Chinese consider oranges to be harbingers of good luck. A few weeks after the promotion, 40 percent of the coupons were redeemed, and sales of Tropicana orange juice among the Chinese community in Canada increased considerably.³⁴

Another common strategy is to develop a consumer promotion with another product or company such as in the ad featuring General Mills Betty Crocker brand and Tyson in

this section. This is called a *tie-in*. *Intracompany tie-ins* are the promotion of two different products within one company using one consumer promotion. An alternative method is with another company, such as General Mills and Tyson, which is an intercompany tie-in. Fast-food restaurants often use tie-ins with movies and toys to create attractive children's promotions. Whether a promotion is stand-alone, overlay, or tie-in program, careful attention must be given to planning the event to maximize its effect.

PLANNING FOR CONSUMER PROMOTIONS

In planning the consumer promotions component of the IMC, it is vital that the promotions support the brand image and the brand positioning strategy. To ensure this occurs, it is first necessary to bear in mind the target audience of the program. Then research must be conducted to identify the core values present in the target audience as well as opinions regarding the firm's products, especially as they relate to the competition. Once this information is gathered, the firm is ready to finalize the consumer promotions plan. In terms of promotions, consumers can be divided into three general categories:

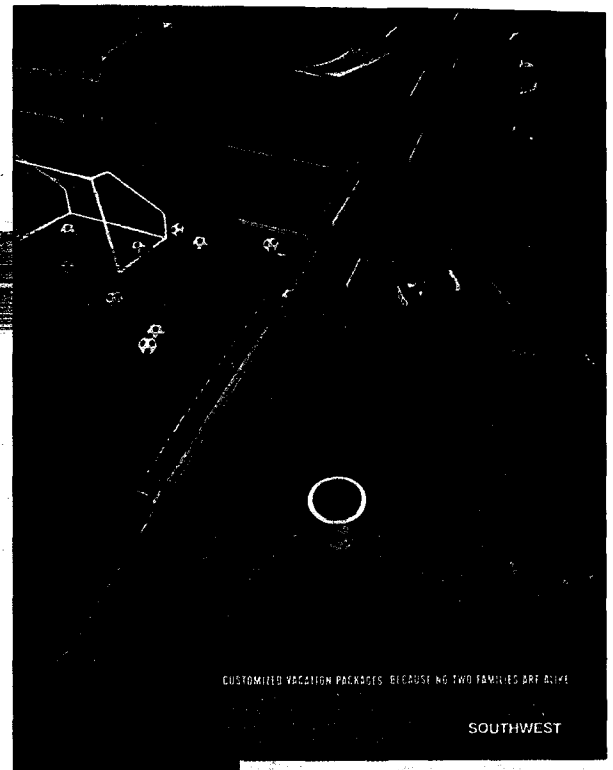
- ▶ Promotion prone
- ▶ Brand-loyal
- ▶ Price-sensitive

Promotion prone consumers regularly respond to coupons, price-off plans, or premiums. They are not brand loyal and purchase items that are on-deal. A **brand-loyal consumer** purchases only one particular brand and does not substitute regardless of any deal being offered. Few consumers are completely promotion prone or brand loyal. Instead, buying is more like a continuum anchored at its ends by promotional proneness and brand loyalty. People tend toward one approach or the other, but sometimes lapse into the other approach. The tendency toward being promotion prone or brand loyal may depend on the product being purchased. A beer drinker may be extremely promotion prone; a wine drinker may be quite brand loyal. The same beer drinker may be extremely loyal to a pizza brand, and the same wine drinker may be quite promotion prone when it comes to buying potato chips.

For the **price-sensitive consumer**, price is the primary if not the only criterion used in making a purchase decision. Brand names are not important and these individuals will not pay more for a brand name. They take advantage of any type of promotion that reduces the price. It is important to identify the set of promotion prone or price-sensitive consumers who will be targeted by a consumer promotions program.

For brand-loyal consumers, sales promotions can be crafted to boost sales and reinforce the firm's image. For example, a small local restaurant has a monthly drawing for a free meal for two. To enter, patrons place a business card in a jar upon leaving. Each month the restaurant draws a name. The more often a person dines at the restaurant, the greater the chance of winning. A simple promotion such as this can boost sales for the restaurant by tying chances of winning with additional meals. The additional cost to the restaurant to run this promotion is minimal and can result in excellent goodwill from customers.

In planning promotions, it is important for manufacturers to understand retailers' incentives in using promotions. It does little



Southwest Airlines is promoting their swavacations.com Web site with tie-ins for hotels, car rentals, and other vacation activities.
Source: Courtesy of Southwest Airlines.


An intercompany tie-in by Betty Crocker with Tyson.
Source: Courtesy of Betty Crocker and Tyson.

Two great products...one great meal. Tyson

Sign up today for your **FREE** Fresh Soli

Save \$1.00 on THREE any flavor Chicken Helper, Hamburger Helper or Tuna Helper

VOID



She loves her home
(saved 20% on painting supplies)

fresh flowers
(saved \$5 on a mixed bouquet)

family pictures
(saved 50% on enlargements)

and the blue envelope.

Valpak

There's something in it for you.³

Discover great savings like these inside the envelope and online at www.valpak.com.
To advertise, call 800-365-9642, today.

A Valpak advertisement soliciting other businesses to offer consumer promotions within the Valpak mailer.

Source: Courtesy of Valpak.

good to create a promotion that is popular with consumers if retailers are not willing to work with the manufacturer to enhance the promotional offer. Retailers want promotions that will benefit them in some way. The primary reasons retailers give for supporting a manufacturer's consumer promotions program are to:³⁵

- ▶ Increase store traffic
- ▶ Increase store sales
- ▶ Attract new customers
- ▶ Increase the basket size

In planning promotions programs, it is important to tie the promotions program with the theme of the IMC plan while keeping in mind the retailers who the promotions will be seen by the consumer. Specific goals associated with the product, the target market, and the retail outlets should be formulated. For instance, building brand image is more of a long-term goal; generating sales is more short range. Price-based offers normally are designed to: (1) attract new customers or (2) build sales. Other consumer promotions such as high-value premiums can be used to enhance a firm's image.

BUSINESS-TO-BUSINESS PROGRAMS

Consumer promotions are also used in the business-to-business area. In fact, 18.7 percent of business-to-business marketing budgets are spent on promotions directed to business customers, who are not part of the distribution channel. Manufacturers are the most inclined to offer some type of promotion to business customers.³⁶

Consumer promotions in the business-to-business arena are not monies or incentives offered to retailers, wholesalers, distributors, or agents who stock the manufacturer's products for resale. Those funds are trade promotions monies. Instead, manufacturers offering some type of special promotion to customers (other businesses) are involved in business-to-business promotions. For example, a manufacturer needing paper for copy machines may be enticed to buy from a paper company offering a promotional incentive. The paper itself is necessary for the company, but is not used in making products and is not resold.

Coupons often are used in the business-to-business sector. For example, an office supply company may fax or mail coupon offers to business customers. A pest control business may offer an introductory coupon to encourage businesses to sign up for its services. Microsoft offered a \$99-off coupon on a 1-day training session about installing and supporting BackOffice SBS. The offer was designed for small- to medium-size businesses. The coupon was made available only to CPAs who were official members of the American Institute of Certified Public Accountants (AICPA).³⁷

Though FSIs and print media work well for consumer promotions aimed at end users, direct mail, fax, or coupons distributed by sales staff work best for business markets. In business-to-business promotions, one key is to make sure the promotion reaches the right person. Few business buyers would see or use an FSI coupon. Instead, a coupon sent by mail or fax can be directed to the purchasing agent or someone with the authority to make the purchase decision.

Premiums also can be offered in business-to-business markets. They can be additional merchandise given to the firm for making a purchase. A company such as Quaker

State can offer a free case of motor oil for placing an order within a specified time period or for a specific size of order. John Deere used Christmas ornaments, toy tractors, and John Deere trading cards as premiums for business customers. These gifts should match the products being sold.

Contests and sweepstakes can be used to attract purchases in much the same way as they are used in consumer markets. Business buyers are just as interested in winning prizes as are retail customers. A central part of Office Depot's Small Business Month integrated marketing campaign was an Office Makeover Contest. The integrated campaign consisted of more than 350 weekly newspaper inserts, direct mailings, catalogs, newsletters, e-mails, radio promotions, television ads, and print ads. The goal of the campaign was to drive small-business owners and business technology buyers into Office Depot stores. To enter the Office Makeover Contest, someone from a small business with less than 20 employees had to send pictures into Office Depot along with an essay explaining why their business office was most in need of a makeover.³⁸

Sampling is an excellent method to encourage a business to try a product. For example, an office supply store offers a company the use of a copier for a month in an effort to land a contract to supply all of the firm's copiers. A company can provide a process or raw material sample to a perspective business client. Such a sample has the advantage of giving the engineers an opportunity to analyze the materials to see if it meets company standards. The goal is to get the engineers to believe that the material is superior to the product the company currently uses. Sampling is an effective method of placing a company's products in the hands of the individuals who are the influencers in business purchase decisions.

Bonus packs also can be part of business-to-business marketing. Offering a prospective business a bonus pack may attract new users. The lure of additional merchandise at no extra cost appeals to cost-conscious business buyers.

Price is often a negotiated item in the business-to-business sector. Consequently, *price-off programs* are seldom used. Many business relationships are formalized by a contractual agreement, and the price is fixed by that contract. Price-off discounts can be offered by vendors seeking to obtain a new business contract by enticing the business customer to at least consider the firm making the offer. Also, a vendor can offer a price-off program to tempt customers to purchase additional merchandise. Price-offs can be used to preempt competitive deals. The latter situations occur when there is no formal contract between the firm and the vendor. Firms furnishing operating supplies normally operate without contracts and use price-offs as part of their marketing programs.

Business-to-business consumer promotions programs play vital roles in an IMC program. Marketing managers should integrate them with all other parts of the promotions mix, for both business buyers and other customers.

INTERNATIONAL CONSUMER PROMOTIONS PROGRAMS

As was first discussed in Chapter 1, an international integrated marketing communications program requires an overall, global approach. At the same time, there must be flexibility to match the needs of each region or country, so that marketing activities, including consumer promotions, can be adapted to fit local conditions.

It is not possible to have a totally centralized, global consumer promotions program. Customs, laws, and views toward various types of consumer promotions differ throughout the world. Even in Europe, the laws governing consumer promotions are not consistent. In France and England, contests offering free prizes are legal; however, in Germany, The Netherlands, and Belgium, they are illegal. In Japan, the maximum value of a premium is either 10 percent of the selling price or 100 yen (80 cents). Thus, it would not make sense to use a premium in Japan. Although many marketers prefer to use the same sales promotional tactics around the world in order to gain economies of scale, it is not likely.³⁹

Coupons are not as prevalent in the United Kingdom as they are in the United States. Culturally, coupon redemption is associated with being underprivileged in England. Some customers in the United Kingdom fear that using coupons will cause the cashier to

TABLE 10.1

Couponing in Selected Countries

Media	Redemption Rate				Distribution Method			
	England	Italy	Spain	United States	England	Italy	Spain	United States
Newspaper	1.9%	—	1.4%	0.8%	26%	—	10.0%	1.9%
Magazine	2.8	1.4	1.4	0.3	13	5.7	14.7	4.2
Door to door	11.0	13.7	12.9	—	18	2.0	43.0	—
In/on pack	25.1	20.3	30.7	9.2	15	63.2	25.2	2.5
In store	27.7	32.3	28.2	6.8	19	22.1	5.5	1.9
FSI	12.0	—	—	1.4	1	—	—	85.4
Mailing	—	6.6	—	3.6	—	6.5	—	1.1
Overall average	6.8	14.3	16.0	2.0				

Sources: "International Coupon Trends," *Direct Marketing* 56, no. 4 (August 1993), pp. 47-49; "FSI Coupon Redemption Rate for Frozen Foods," *Frozen Food Age* 47, no. 3 (October 1998), p. 70.

judge them to be poor and needy.⁴⁰ Still, coupon redemption rates are higher in Europe than they are in the United States. Table 10.1 compares redemption rates and distribution methods of the United States with three European countries: England, Italy, and Spain. As shown, the overall redemption rates are 14.3 percent in Italy and 16 percent in Spain as compared to only 2 percent in the United States. Coupons are legal in all European countries except Germany. At the same time, German laws allow on-pack price reductions and gifts inside of a package.⁴¹

In Japan, restrictions on print media carrying coupons were not lifted until 1990. Retailers and consumers are still reluctant to use coupons. In 1991, Japanese newspapers were allowed to carry freestanding inserts, but the average redemption rate still is only 1.2 percent. To encourage retailers to redeem coupons, Japanese supermarkets are offering checkout coupons. Checkout coupons issued for competing products have had some success.⁴²

In order to manage the consumer promotions function within a global market successfully, a company should retain an experienced international sales promotion coordinator or manager. Some of the major responsibilities of this coordinator are:⁴³

1. Promoting the transfer of successful consumer promotion ideas among the company's brands from one country to another
2. Proposing and soliciting ideas for consumer promotions within and across each region or country
3. Developing and presenting training on consumer promotions planning to each local region that is responsible for developing them
4. Gathering performance data on each sales promotion program and making the information available to each regional sales promotion manager
5. Developing methods for measuring the effectiveness and efficiency of the various consumer promotions
6. Coordinating relationships with all sales promotions agencies that are being used
7. Coordinating efforts among advertising agencies, media buying agencies, and any other agencies or firms that are working with sales promotions in a region or country
8. Making sure all consumer promotions fit into the firm's overall IMC program

Effective management of a global IMC program is one of the keys to long-term success. Using sales promotions tactics wisely is a key ingredient. A truly integrated marketing communications program pulls together all elements of the marketing mix so that the firm's voice is heard clearly in all areas in which it competes.

SUMMARY

An IMC program highlights all four elements of the promotions mix. In the previous section of this textbook, advertising was carefully considered because it is often the main “voice” of the IMC message. At the same time, other parts of the mix including trade and consumer promotions play crucial roles in the success or failure of the overall marketing program.

This chapter reviews the techniques available to attract consumers to the company by using consumer sales promotions. These tactics include coupons, premiums, contests and sweepstakes, refunds, rebates, samples, bonus packs, and price-off deals. These items should be combined with specific promotional goals to have the right impact on customers.

Consumer promotions are often used to boost sales. They can be an excellent short-term method to increase sales or a firm’s market share. They can also be an excellent means of introducing new products. Often a consumer promotion prompts consumers to at least try the product where selling it at the regular price will not. Coupons and contests have been successful tactics for attracting new customers. Consumer promotions can boost sales of a particular brand, and evidence suggests that they increase sales of the overall product category rather than just take sales away from competitors.

Sales promotions also can be used to increase the household inventory of the item being promoted. Consumers with more of a particular product in their house experience fewer home “stock-outs” and often increase their usage of the product. In other words, having more potato chips on hand means people in the home might eat them at a faster rate.⁴⁴

Unfortunately, many sales promotions still are not part of the integrated marketing communications plan. They start out being

part of the IMC program and may be carefully designed to support the IMC plan and firm’s desired brand image. As long as sales increase and the goals of the firm are being met, all is fine. If, however, sales slump and target goals are not met, marketers often turn to additional sales promotion tactics, seeking a quick remedy. Yet, as was discussed in Chapter 9, money spent on promotions and taken away from advertising often dilutes the brand’s image. When the brand image is tarnished, consumers then base purchase decisions on criteria such as price or a promotional offer rather than brand name or perceived brand quality. Although increased use of sales promotions techniques often provides a short-term solution to slumping sales, their overuse can damage the brand’s image in the long run.

The most crucial step in planning an integrated consumer promotions program is to match the firm’s target market, specific marketing goals, and promotional tactics together. Goals range from quick boosts to sales, to increased brand awareness, to improved brand image, to establishing solid relationships between manufacturers and members of the marketing channel, specifically retailers. Consumer promotions programs also can expand the reach of the company into the business-to-business market. Again, carefully set goals combined with well-chosen tactics are the key.

Internationally, consumer promotions programs can be used when they are chosen based on the characteristics, attitudes, laws, regulations, and cultural nuances of a given geographic region. The primary objective of any promotions program must always be to enhance the message sent forth in other aspects of the IMC program in a manner that helps the company reach its long-term marketing objectives in a cost-effective and positive fashion.

REVIEW QUESTIONS

1. What is a consumer sales promotion? How is it different from a trade promotion?
2. What is an FSI? What kind of sales promotion is distributed through FSIs?
3. Name and describe five types of coupons. Which is the most popular with manufacturers? Which has the highest redemption rate?
4. What are the various ways consumers request electronically delivered coupons?
5. What problems are associated with coupon programs?
6. How can companies most successfully utilize coupons?
7. What is a premium? What four types of premium programs can companies use?
8. What are the disadvantages of premium programs?
9. How can companies enhance the odds of success of a premium program?
10. What is the difference between a contest and a sweepstakes?
11. What problems are associated with contests and sweepstakes?
12. What tactics can be used to improve the success rates of contests and sweepstakes? What role might the Internet play in this process?
13. How is a refund different from a rebate?
14. What problems are associated with refunds and rebates?
15. What can be done to make rebate programs more successful?
16. Name and describe six types of sample programs that manufacturers can employ.
17. What disadvantages are there to sampling programs?
18. What can be done to enhance the odds of success of a sampling program?
19. What is a bonus pack? How is it different from samples?
20. What problems are associated with bonus pack programs?
21. What bonus pack plans are most effective?
22. What is a price-off sales promotion?
23. What are the disadvantages of price-off programs?
24. How can manufacturers most successfully employ price-off discounts? How can retailers most successfully use price-off discounts?
25. Describe sales promotion tactics in business-to-business settings.
26. What problems must be overcome when developing international sales promotions programs?

KEY TERMS

consumer promotions (sometimes called *sales promotions*) Incentives designed for a firm's customers.

freestanding inserts (FSIs) Sheets of coupons distributed in newspapers, primarily on Sunday.

instant redemption coupons Coupons that customers can redeem immediately when making a purchase.

bounce-back coupons Coupons that customers cannot redeem instantly but instead must be used at a later purchase.

scanner-delivered coupons Coupons issued at the cash register, which are triggered by an item being scanned.

Cross-ruffing coupons The placement of a coupon for one product on another product.

response offer coupons Coupons are issued (or mailed) following requests by consumers.

free-in-the-mail premiums Gifts given to individuals for purchasing products; however, the customer must mail in a proof of purchase to the manufacturer to receive the gift.

in- or on-package premiums Small gifts, such as toys in cereal boxes, often disguised or packaged so the consumer must buy the product to find what the gift is.

store or manufacturer premiums Gifts given by either the retail store or the manufacturer when the customer purchases a product.

self-liquidating premiums Gifts that accompany purchases whereby consumers must pay an amount of money for them.

promotion prone consumers Individuals who are not brand loyal and regularly respond to promotions, such as coupons, price-off plans, or premiums, only purchasing items that are on-deal.

brand-loyal consumer Someone who purchases only one particular brand and does not substitute regardless of any deal being offered.

price-sensitive consumer A consumer for whom price is the primary, if not the only, criterion used in making a purchase decision.

CRITICAL THINKING EXERCISES

Discussion Questions

- According to Kim James, sales promotion manager for Eckerd Drug, "The teen and preteen segments are important because they (teens) are developing buying habits and loyalties during these ages and are our future loyal consumers." In addition to established brands such as Cover Girl and Maybelline, Eckerd Drug now stocks brands such as Bonne Bell, Jane, and Naturistics.⁴⁵ Which consumer promotions would be the best to attract teens and preteens to the cosmetics department of Eckerd Drug? What tie-ins or overlays would you recommend?
- Many manufacturers believe the best method for differentiating company brands from competitors is advertising. It is true that consumer and trade promotions cannot replace advertising in brand development. At the same time, well-chosen promotional tactics can support brand differentiation. Discuss which consumer promotions a manufacturer should and should not use to develop a brand. Justify your answer.
- Design a magazine advertisement with a detachable coupon or premium for one of the following products. Compare your offer with those of other students in your class. Discuss the differences between the offers.
 - SunBright Tanning Salon
 - Dixie Printing
 - Hamburger Haven
 - Blue Bell Ice Cream
- The Rawlings Sports Equipment Company plans to increase sales of baseball gloves this season. The company intends to use a coupon program. Discuss the pros and cons of each method of distributing coupons for Rawlings listed in Figure 10.3. Which methods should be used? Why?
- To maintain its strong brand image, Revlon's marketing team decides to use a premium for each of its lipstick products. What type of premium would you suggest for Revlon for each of the target markets listed here? Which premium would you use? Justify your answers.
 - Caucasian females, ages 50+
 - African-American females, ages 14 to 19
 - Hispanic females, ages 25 to 40
 - Professional females, ages 30 to 50
- Meet in groups of four to six students. Ask each group member to identify the last contest and the last sweepstakes he or she entered. What was the enticement to enter? What was the extrinsic reward? What was the intrinsic reward?
- Video games generate huge revenues for many companies. One manufacturer decided to use sampling as a method to reach the primary target market, males between ages 15 and 30. The sampling could have been distributed in one of two ways. First, the actual game could be loaded on a computer for targeted individuals. Second, potential customers could be sent an abbreviated version of the game. Which sampling method would be the best? Using Figure 10.5, discuss the pros and cons of each sampling method in terms of this new video game. Which type and method of sampling would you recommend? Why?
- Consumers can be divided into three broad categories in terms of how they respond to consumer promotions: (1) promotion prone, (2) brand loyal, and (3) price sensitive. Identify two services or goods that would fit into each category for you personally. For example, you may be promotion prone when you buy soft drinks (your favorite brand is "What's on Sale") but be very brand loyal when you buy shoes (Nike, Reebok). Compare your completed list with those of other students. Discuss the differences you observe.

9. Interview three people who have lived in another country about the use of consumer promotions in those countries. Make a list of those promotions heavily used and those not used. Present your findings to the class.
10. As with the other consumer promotions, international expansion requires understanding the laws and customs of each country and culture. In Saudi Arabia and other Muslim countries, Clinique had to modify its sampling techniques. In the United States and Western cultures, Clinique provides cosmetics samples in retail outlets for customers to try. In the United States, females normally sell retail cosmetics; in Saudi Arabia, males do. At the same time, Muslim custom prohibits a male from touching a female. Female customers

must either apply the cosmetics themselves or bring their husbands to the store with them.

Asking a female customer "What color are your eyes?" constitutes a grave offense in Saudi Arabia, because the eyes are believed to be the gateway to the soul. Asking her about skin tone does not make sense, because females keep their faces covered after they reach the age of 14. Sampling is very important for Clinique in Saudi Arabia.⁴⁶ How would you organize a sampling program in light of these cultural factors? What other consumer promotions could be used? If you have someone in your class from a Muslim country, ask your classmate to discuss the use of consumer promotions in his or her home country.

INTEGRATED LEARNING EXERCISES

1. Coupons are one of the most popular forms of consumer promotions. Access three of the following Web sites. What are the advantages and disadvantages of each, to a consumer? How do the Web sites impact manufacturers? How do they impact retailers?
 - a. Eversave (www.eversave.com)
 - b. CoolSavings (www.coolsavings.com)
 - c. SmartSource (www.smartsources.com)
 - d. Valpak (www.valpak.com)
 - e. Coupons (www.coupons.com)
 - f. Coupon Country (www.couponcountry.com)
2. Sweepstakes and contests are excellent methods for building customer traffic to a retail outlet and for building interest in a brand. Certain firms can assist in the development of sweepstakes and contests. This is important due to a variety of legal restrictions imposed by different states. Access the following web sites. What types of services does each offer? How can the companies assist in developing a contest or sweepstakes? Which firm would you choose if you were responsible for developing a contest or a sweepstakes program?
 - a. SweepstakesBuilder (www.sweepstakesbuilder.com)
 - b. Promotions Activators Inc. (www.promotionactivators.com)
 - c. Centra Marketing (www.centramarketing.com)
 - d. Ventura Associates (www.sweepstros.com)
3. Many companies offer special consumer promotions on company Web sites. Examine the following company Web sites. What types of promotions are available? What are the objectives of the various consumer promotions? Do the promotions on the Web sites mesh with the company's advertising and consumer promotions at retail outlets?
 - a. Taco Bell (www.tacobell.com)
 - b. Hershey's (www.hersheys.com)
 - c. Quaker Oats (www.quakeroats.com)
 - d. Papa John's (www.papajohns.com)
4. One widely read journal featuring promotional marketing is called *PROMO*. Access the Web site at www.promomagazine.com. Examine the table of contents and access the various areas. After exploring the site, write a short report on what is available at the Web site and how it can be used to assist companies wanting to develop various promotions.

STUDENT PROJECT

IMC Plan Pro

Sometimes an ad will get customers to the Web site or retail store, but they still need a little push to help them make the actual purchase. Consumer promotions such as coupons, premiums, price

deals, contests, and others are necessary to complement the total communications program. You can use the IMC Plan Pro disk and booklet available through Prentice Hall to help choose the best consumer promotions for your IMC campaign.

CASE 1

SUNNY SUCCESS

Jessica Corgiat faced a difficult challenge as she took control of the Sun Products, Inc., account. As a relatively new account executive, Jessica knew it was important to establish measurable results when conducting various marketing communication campaigns. Sun Products sells items primarily oriented toward beach-related activities, the most successful of which is the company's line of sunscreen products.

The tanning industry faces a unique set of challenges as a new generation of consumers emerges. First, more than ever, consumers are aware of the dangerous long-term effects of tanning. These include more wrinkles along with vastly increased chances of developing skin cancer in later life. In Australia, where the ozone layer is the most depleted, exposure to the sun is even more hazardous. More importantly, however, is a potential shift in cultural values regarding appearance.

A few generations ago in Europe, completely white skin was a sign of affluence. Those who were forced to work outside developed tans. Those who lived as royalty or as the wealthy class could show their high social standing by simply keeping out of the sun.

As the new millennium commences, it is possible that a certain set of consumers will begin to believe that tanning is equal to foolishness—or, at least, that a suntan is no longer as “sexy” as it has been for many years. Beach bums and bunnies continue to run counter to this trend. The question remains, however, whether a national obsession with being browner continues in the general population.

One way to counter this problem is by developing new products designed to screen out the sun rather than enhance the sun's tanning properties. Lotions with higher SPF (sun protection factor) values generally sell at higher prices. Higher-quality sunscreens do not wash off in a pool or while swimming. Further, items containing herbal ingredients and new aromas are designed to entice new interest. Sun Products with aloe vera and vitamin E may help reduce the pain and heal a sunburn more quickly. Products that “tan” without exposure to the sun are being developed for those who want the beach look without doing time in the sand.

At the same time, to promote more “traditional” products to college students on spring break and others who still enjoy a deep, dark tan requires careful promotion. Advertisements often stress the “fun” aspects of being outdoors.

Hawaiian Tropics, one of the chief competitors in the tanning industry, has taken a unique approach to the promotion of its products. The company holds an annual contest in which the Tropics team of beach girls is chosen to represent the firm. Contestants are female, beautiful, and have good tans. Those who win the contest tour the country promoting Hawaiian Tropics products and appear on television programs.

At individual events held at beaches across the United States and in other locations, free samples of Hawaiian Tropics may be given out, along with coupons and other purchase incentives. Giveaways of beach towels and other beach equipment are used to heighten interest in the product at various stores.

Jessica is considering how to respond to this quickly changing marketplace. Besides product development, she needs to describe a “theme” the company can use, either oriented toward “safety” or “sexy” or “safety with sexy.” She is considering the entire range of promotional possibilities, from coupons for new products, to premiums as giveaways for existing products, to contests, sampling, bonus packs (with various ranges of SPF values in the same pack), to refunds for higher-priced lotions. She knows the key is to maintain a message and theme for this company, which will help it stand out in the crowd of Coppertone, Bain de Soleil, and Hawaiian Tropics. She realizes that to succeed she needs Sun Products' POP displays placed

prominently in as many places as possible, from drugstores to swimming specialty stores.

1. Which consumer sales promotions items will be least helpful to Jessica and Sun Products?
2. Which consumer sales promotions items will be most helpful to them?
3. Design an IMC program for Sun Products, Inc., focusing on advertising themes, trade promotions, and consumer sales promotions. Explain how it will differentiate the company from other suntan product companies.

CASE 2

BEN'S COMPLETE LAWN CARE SERVICE

Ben Folds had turned a part-time college job into a full-time business. As a student, he maintained a solid client list of people using his lawn-mowing service. Following graduation, he knew the type of business that best matched his skills and personality: a complete lawn care service.

Lawn care is typically divided into three main types of companies: (1) ones that mow lawns and provide trimming, (2) firms that provide fertilizers, insect control, and weed control, and (3) sod and seeding companies. Ben's idea was to provide every single aspect of lawn care, from the first spring feeding, to mowing, trimming, weeding, leaf removal, and even a winter fertilization program. He would also offer sod and seed services for lawns with bare spots or brand new lots.

Ben's vision was to service two main types of customers: (1) residential homeowners who didn't want to do lawn work, either because they didn't enjoy it or because they didn't have the time for it, and (2) businesses requiring lawn care, including any construction contractors and house builders who wanted to subcontract out the grass-growing part of finishing a home.

Companies that provide lawn-mowing services tend to compete with price and quality. Most offer free bids for a residential mowing job. The more successful firms were those who made a lawn look as good as possible, including trimming around hard-to-reach spots.

Fertilization, weed control, and insecticide providers normally offer a full price and then discount in a variety of ways. Prepayment discounts are given for those who pay in advance. Quantity discounts are given for customers who use the services more frequently, such as a price-per-treatment for eight summertime treatments that is substantially lower than the price-per-treatment for a customer who only schedules four. Referral discounts are given when a customer finds a new client for the company. Specials are run for extra services when needed. The major national companies will also offer larger price discounts to those customers who decide to terminate services. A follow-up call is made or a coupon is sent to the customer, proposing substantial price discounts to get the reluctant customer to reestablish a relationship with the company.

Sod and seeding companies charge what the market will bear. A customer with only a few options pays more for sod and seed than those where there are more competitors. Many sod companies primarily service wealthy homeowners and contractors.

Ben knew there were several challenges facing his company. First was brand-name awareness. He had to reach a wide audience of potential buyers. Second would be convincing homeowners to use his services rather than those of national chains. His biggest advantage was being a full-service lawn care facility offering more than just one or two types of services. Ben's

(continued)

Complete Lawn Care Service began operations in Minneapolis in the winter. The company had four employees. Ben knew that he had to build a strong client list quickly and keep those clients happy so that word-of-mouth referrals would help his firm grow in the future.

1. What kinds of promotions are used by Ben's competitors?
2. Design a consumer promotions campaign for Ben's Complete Lawn Care Service.
3. What types of advertisements should be used in conjunction with the company's consumer promotions campaign?

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