

Chapter- 7

SALES PROMOTION

Sales Promotion is an activity or bunch of activities planned and perform to increase or promote sales. The contemporary market is a consumer's or buyers oriented market. Global market has changed the market scene. (Now a days), large number of sellers and substitutes are available for a product in the market. In such scenario, only advertisement doesn't works, personal selling and aggressive sales promotion schemes are to be used for growth in sales and market share. Thus, sales promotion is an important activity or function of sales management of increasing sales.

Meaning And Definition

Sales promotion refers to those non-recurrent activities that are undertaken to increase sales. The literal meaning of the term is to increase the sales of a product or service. In a narrow sense, it includes activities which are helpful in personal selling. However, in a broader sense, it includes all the activities which are undertaken for increasing sales. Considering this view point, sales promotion includes advertisement, personal selling, bringing new products, and improvement in marketing systems, discount offers, exchange offers, credit facilities, exhibitions, demo & test drive, etc. Specially, sales promotion includes the activities undertaken for increasing sales, apart from advertisement and personal selling.

Sales promotion has defined by various thinkers or management experts in different way, few **definitions** are as under:

According to the **American Marketing**

Association- *Sales promotion is “those marketing activities other than personal selling, advertising, and publicity that stimulate consumer purchasing and dealer effectiveness such as display shows, expositions, demonstrations and various non-recurrent selling efforts not in the ordinary routine”.*

W. J. Stanton defined sales promotion as those promotional activities (other than advertising, personal selling, and publicity) that are intended to stimulate customers demand and to improve middlemen's marketing performance.”

According to **George W. Hopkins**, “*Sales Promotion is an organised effort applied to the selling job to secure the greatest effectiveness for advertising and for dealer's help.*”

As per these definitions, we can say that sales promotion includes only those activities that are required to increase sales of a firm in a short period (short term incentives). These sales efforts are non-recurrent/ irregular which are meant to motivate consumers to purchase more and motivate traders to sale products in an effective manner. It does not include advertisement, personal selling and publicity.

Methods Of Sales Promotion

The main objective of sales promotion is to motivate traders for increasing sales and consumers for purchasing. The scope of sales promotion is quite broad and therefore various techniques are used for this purpose. Generally, the methods of sales promotion can be divided into

three categories, on the basis of objective, on the basis of products, and on the basis of area.

On the **Basis of Objective**, sales promotion can be further divided into two methods –

A) Consumer Promotion Tools/Techniques

B) Trade Promotion Techniques

Similarly, on the **Basis of Nature of Products**, sales promotion can be divided into two categories

A) Consumer Product Promotion Methods and

B) Industrial Product Promotion Methods.

On the **Basis of Sales Area**, producers use –

A) Domestic Trade Promotion Methods and

B) Export Sales Promotion Methods.

It is not possible to discuss in detail all the above categories here and therefore the first two methods have been discussed here:

A) Consumer Promotion Methods

Consumer promotion methods are directly related to consumers and motivate them to purchase more and more. These methods are implemented in the residential areas, work places or at the shops of retailers. The main techniques include:

1. Distribution of free samples: Free samples are distributed to the prospective consumers when a new product enters in the market. It is an important and effective method of sales promotion. With the help of samples, consumers can evaluate the products quality, use and utility and make purchase decisions. Free samples can be distributed at shops, on roads or at work places or at doorsteps of customers or with news papers or magazines. FMCG products samples can be distributed directly to users but recommended or reference products like medicines or books can't be circulated directly among consumers. Therefore, pharmacy companies distribute free medicine

samples to doctors for prescriptions and book publishers provides specimen copy to teachers. Following points to be considered under this method:

- (i) Samples should be actual representative of the product,
- (ii) Samples should be attractive and assessable,
- (iii) The words 'not for sale' or 'free sample' should be written so that no misuse occurs.

2. Competitions/ Contest: Producers organise various competitions for consumers before launch new products in market, to beat competition, and increase sales. To participate in such competitions, consumers need to show the cash memo or a part of the product packing. Winners are offered by cash prizes, gift products, or traveling packages and hotel stays. The competitions may be of following kinds:

- (i) Completing incomplete sentences about the product - for e.g.- I use *Lux* soap because '.....'.
- (ii) Give name or title on given picture of a product . The best name/ title will be awarded by prize.
- (iii) Asking jingles/few lines about the product, e.g.- '*I am a Complain boy*'.
- (iv) Asking the consumers to solve riddles.
- (v) Ask the consumers to write a letter about the product or a SMS (Text Message).

3. Price Discounts: Manufactures offer price discounts to attract consumers on some occasions like festivals, New Year, National days, etc. where they offer products on prices lesser than the 'list price', e.g. a shoe manufacturing company offers up-to 50% off or a cloth manufacturer offers 50% + 40% off or flat 25% or buy two and bring three. The products that are old fashioned or which run

out of trend and old stocks are sold with using this method.

4. Coupons: Under this method consumers are offered price discounts or some free products on presenting the coupons. Coupons are placed in the packaging of a product or can be published in a newspaper. Usually, when the consumer opens a packet, they find the discount or gift coupon offered by the company. The consumer receives the percentage discount mentioned on the coupons or the product mentioned for free. Rajasthan-Patrika and Dainik-Bhaskar e.g. use this method to maintain the existing consumer base and also to expand it. Coupons can be seen in the sachets of shampoo, soap packets, tea packets, etc.

5. Fairs and Exhibitions: This method plays an important role in sales promotion products are displayed in an attractive manner in the fairs and exhibitions. Some brochures or handouts can be distributed regarding the product in such fairs to visit their stall. National Book Fair, Shoe Fair, *Swadeshi Melas*, Cooperative Products and Handicraft Fairs and Exhibitions are some examples.

6. Premium: It refers to the additional products received as gift by the consumers, when they purchase some product. Some examples are- free toothbrush offered with toothpaste, free erasers with pencil packets, exchange offers (price discounts in new products) on giving old/used products to the producer. Premium motivates consumers to purchase the product.

7. Extra Quantity of Product: Usually this method of sales promotion is used by FMCG companies like hair oil, tooth pest, bath soap, and shampoo etc. cosmetic product companies. For e.g. 20% extra offered for free with same old price.

8. Demonstration: Under this method manufactures demonstrate the use of their products in their showrooms or fairs and exhibitions. The products of technical nature like - Computer, Mixer, Washing Machine, food processor, kitchen appliances, water purifier etc. are sold with using this method. It helps in doubt clearance of consumer's myths and brings confidence that they can use the product and can evaluate practically, all these exercise boosts purchase decision of a prospective buyer.

9. After sales service: Under this the sellers offer consumers a free services and warrantee after sales for a certain period. Due to this, during this period the consumers can avail maintenance, repairs etc for free. This method is popular for products like machines, fans, bikes, scooters, cars, fridge, etc. Consumers prefer those products which offer better after sales services.

10. Packaging: Attractive and beautiful packaging motivates consumers to purchase products and also reflect the quality, price, brand characteristics, etc. The reason behind higher sales of tea and food oils offered in glass or plastic packaging is their packaging.

B. Trade Promotion Methods

Trade promotion methods are those in which the middlemen (wholesalers, retailers, etc.) are motivated to purchase bulk orders and sale further to the consumers. The success of marketing depends upon the middlemen. The following methods are used under this:

1. Sales Contests: Various contests are organized to push the traders to increase sales. In this, the contests like highest sales, best seller, counter decoration, etc are organized. The winners receive

prizes from the producers.

2. Allowances: The manufacturers offer various allowances to the middlemen which include:

- (i) **Purchase Allowance:** Manufacturer offers this allowance to the traders for purchasing a fixed/particular quantity in a particular period, e.g. on the bulk order for Rs. 1,50,000/- will be provided a certain amount of discount.
- (ii) **Product Allowance:** When the trader purchases the products only from a single manufacturer, such allowance is offered. For e.g. instead of purchasing from different companies, the trader keeps only single brand of clothing i.e. Bombay Dyeing, then he is offered such allowances.
- (iii) **Advertisement Allowance:** It refers to the part of advertisement expenses borne by the manufacturer, on behalf of the tradesmen.
- (iv) **Decoration Allowance:** It refers to the part of the decoration expenses borne by the manufacturer, on behalf of the retailer. Consumers are attracted towards the shops when they see goods/products displayed in a creative manner.

3. Meetings And Conferences: The manufacturers arrange meetings and conferences from time to time for trade promotion. It provides a platform to the middlemen/retailers where they can share their achievements, experiences and problems. In problem-solutions session invites the discussion and suggestions. The manufacturers discuss new changes that occur and specify their sales policy. This also enhances the mutual cooperation between producers and traders and which is helpful in sales promotion.

4. Training : The functionality of medical representative/ sales personnel of finance

companies and electronic products companies makes it very clear that training is very useful in sales promotion. Producers provide training to the middlemen and retailers about the products, in general and on specifications. Sales creativity, trade policy are a part of usual training. For specification training other aspects like technical and functional aspects of products are covered.

5. Fashion Shows: Manufacturers organize fashion shows to publicize the products offered by the traders to consumers. In such shows, the products are displayed in an attractive manner, so that the consumers are motivated to purchase those products. Jewellery and automobile manufacturers organize fashion shows from time to time.

6. Trade Premium: Manufacturers offer the premium for purchasing in bulk orders or selling a particular quantity/amount of products; in form of expensive products like TV, silver jewelry etc. for free.

7. Special Facilities/ Services: Manufacturers offer credit facilities, buy-back guarantees and repair services to retailers to motivate them to purchase goods. Credit facilities are offered for particular period, and due to which the middlemen need not worry about financial issues. Also, buy back guarantees are offered to them. The repair facility/service includes offering the service of repair of products in case of damage by visiting their facility/showrooms.

8. Managerial Assistance : The manufacturers assist their middlemen on new managerial techniques, government policies, financial management, sales management, decoration, redressal of consumer grievances, etc. Due to this, the work capacity and wealth utilization of the traders improve.

Importance Of Sales Promotion: Sales promotion benefits producers, traders, consumers and society at large. It reduces the gap between advertisement and personal selling, and makes them effective.

1. Increase In Effectiveness Of Advertisement & Personal Selling: Sales promotion techniques (price discounts, sales competition, free samples, gifts, coupons, scratch cards) motivate the consumers to rush themselves and push to the traders point and demand for products. Due to this, the sellers do not need to convince, resolve consumer grievances or motivate consumers to purchase their products.

Under sales promotion, consumers and traders are given various incentives and offered schemes so that advertisement efforts can be converted into sales. Apart from this, through the sales promotion techniques, the consumers get an opportunity to use and evaluate the advertised products and this removes their doubts. This helps in increasing sales and making them effective.

2 Increase In Sales: Sales promotion includes distributing free samples / coupons, organizing fashion shows, offering discounts, various competitions etc. This leads to increase in trust of consumers for the brand and they are motivated to purchase more products, which leads to increase in sales.

3. Achieving Success In Competition: the present scenario is a competitive one. In such an era, the role of sales promotion is very important. By using different ways of sales promotion the organization can achieve a competitive edge over other.

4. Increase In Goodwill: Sales promotion techniques help the brand in becoming popular and win a lot of consumers. This results in an increased

goodwill.

5.increase In The Knowledge And Trust Of Consumers: Sales promotion techniques by using various incentives, help consumers gain information about quality and uses of the products and also this develops trust for the products.

6.entering New Markets: With the help of sales promotion techniques manufacturers can easily enter in new markets.

7.increase In Profit: Consumers are motivated to purchase more products because of sales promotion programmes. This results in increased sales and also in order to meet the growing demand, large scale production is required Large Scale production leads to economics of large scale and which results in reduced per unit cost and increase in profit.

8.better Facilities To Middlemen: Under the sales promotion techniques, producers provide various facilities to the middlemen like advertisement from retailer's side, decoration of shops, free goods and gifts, etc.

9.improvement In Living Standard: Consumers are getting new and qualitative products on competitive price with various promotional schemes, its increase purchasing capacity of consumers, which results in variety purchasing of products. Variety and new products consumption improve their living standard.

Important Points/ Points To Ponder

Sales promotion is a supportive activity which helps to consumer in buying decisions and motivates to buy more than capacity; at the same time it helps to retailers to facilitate their customers. All these reflect in sales growth and leading towards market leader.

Importance of Sales Promotion: 1. Increase in effectiveness of advertisement & personal selling, 2. Increase in sales, 3. Achieving success in competition, 4. Increase in goodwill, 5. Increase in the knowledge and trust of consumers, 6. Entering new products, 7. Increase in profit, 8. Better facilities to middlemen, 9. Improvement in living standard.

Methods of Sales Promotion: The methods of sales promotion can be divided into two categories: Consumer Promotion and Trade Promotion Methods-

(A) Consumer Promotion Methods : 1. Distribution of free samples, 2. Competitions / Contest, 3. Discounts, 4. Coupons, 5. Fairs and Exhibitions, 6. Premium, 7. Additional Products, 8. After sales service, 9. Demonstration, 10. Packaging.

(B) Trade Promotion Methods: 1. Sales contests, 2. Allowances: (i) purchase allowance, (ii) product allowance (iii) advertisement allowance (iv) decoration allowance; 3. Meetings and conferences, 4. Training, 5. Fashion shows, 6. Trade premium, 7. Special facilities/ services, 8. Managerial assistance.

EXERCISE

Very Short Answers Questions

1. What do you understand by Sales Promotion?
2. Name any four Consumer Promotion Methods.
3. Name any four Trade Promotion Methods.
4. What is meant by Consumer Promotion Methods?

5. What is meant by Trade Promotion Methods?
6. Mention any two importance of Sales Promotion.
7. Explain the contest method under the Consumer Promotion Methods.

Short Questions

1. Sales Promotion increase sales. Comment.
2. Discuss any five importance of sales promotion.
3. Discuss any five methods of trade promotion.
4. Discuss any five methods under the consumer promotion.

ESSAYTYPE QUESTIONS

1. What do you understand by sales promotion? Describe the consumer promotions methods.
2. What is meant by trade promotion? Describe the trade promotion methods?
3. What is sales promotion? Explain its importance.
4. Describe the methods of sales promotion.