

Question 4 (June 2004 exam)

As someone who has had exposure to marketing management, you have been asked by a group of businessmen wishing to improve the performance of their small companies to advise them on the following aspects of promotional management:

- a. The objectives of sales promotion programmes.
- b. How the success of sales promotions can be measured.
- c. What can be done to make sales promotions more successful.

Please note that sections a, b and c carry equal weightings.

See pages 609 to 611 in Marketing Management.

Suggested solutions

a. **Here are some objectives:**

- to adjust demand and supply fluctuations (i.e. to get rid of large stock piles)
- to temporarily increase sales and market share
- to segment a market by offering promotional discounts to some groups (*in the memo, but somewhat questionable*)
- to temporarily differentiate the product where the product is a commodity (i.e. gain exposure for the brand and therefore build brand equity)
- to pre-empt competitive moves (for e.g., a new brand may be about to launch)
- to gain entrance into new stores (national advertising may force regional shop owners to stock the product on special)
- to attract defectors from other brands (entice buyers to switch to the brand by encouraging trial of the product)

b. **This can be done by measuring:**

- the awareness raised among the target market (both regular and new customers) of the existence of the promotion [*determined through a survey after the sales promotion has finished*]
- the number of one-time customers who bought and used the product due to the promotion [*determined through POS (Point of Sale) data analysis, a survey, or the number of coupons redeemed*]
- the number of new customers who were converted to the product as a result of the promotion [*determined through POS (Point of Sale) data analysis, a survey, or the number of coupons redeemed*]
- the profit and loss calculation of the promotion – this may be calculated as follows:
 - (1) additional sales due to promotion
 - (2) * gross profit percentage =
 - (3) additional profit from promotion
 - (4) – cost of promotion =
 - (5) net profit/loss on promotion

c. What can be done to make sales promotions more successful?

- advertise the sales promotion sufficiently
- don't forget in-store banners, demonstrations, etc. to increase effectiveness and appeal
- set a relatively short time limit for the promotion to run... it creates urgency
- ensure that the timing of the sales promotion is right and does not, for example, coincide with that of a close competitor (if possible)
- limit objectives to a maximum of two... avoid 'add on' objectives
- balance creativity with simplicity... the deal should be easy to understand
- ensure that employees are motivated and well trained to handle the sales promotion
- deliver on the promises... avoid out-of-stocks!
- ensure the sales promotion is both ethical and legal!