

CHAPTER 14: CONSUMER PROMOTION AND PACKAGING

Chapter Objective

To explain the role that consumer promotion and packaging play in the development of long term customer relationships.

Chapter Key Points

Chapter Outline

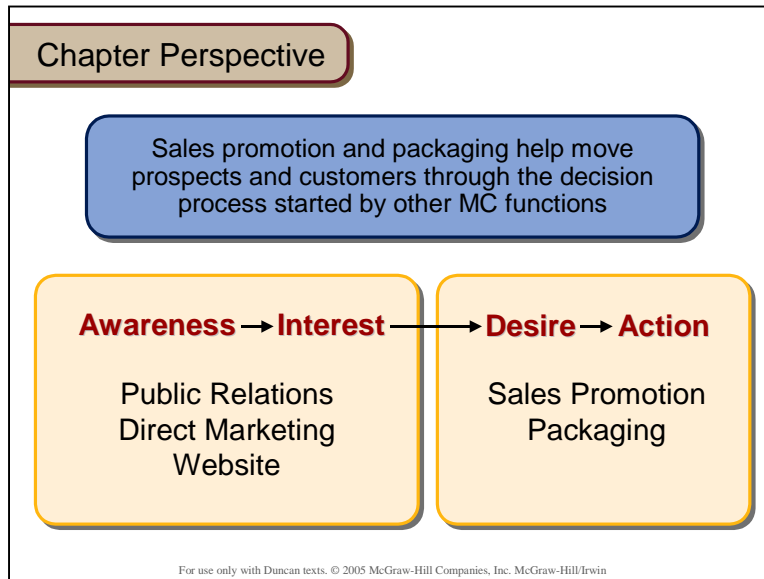
- How do sales promotions add value to a brand?
- What are consumer sales promotions designed to accomplish and what are their strengths and limitations?
- What role does packaging play when consumers make brand decisions?

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This chapter addresses three key issues:

1. How do sales promotions add value to a brand?
 - The chapter defines the concept of consumer sales promotions and identifies the most commonly used tools
2. What are consumer sales promotions designed to accomplish and what are their strengths and limitations?
 - The chapter identifies common sales promotion strategies and outlines the strengths and limitations of this MC function.
3. What role does packaging play when consumers make brand decisions?
 - The chapter discusses the importance of packaging as “the last ad seen” by consumers and identifies strengths and limitations of packaging.

Chapter Perspective



Sales promotions are used to intensify a brand contact for a customer or prospect, especially when these people are in a buying or using situation. Although consumer sales promotion's primary job is to affect behavior, it can (and should) also heighten awareness and reinforce a brand's image. In major purchase product categories, where the brand decision process may stretch over weeks or months, sales promotion can be used to help move prospects and customers through the decision process. Consumer promotional offers provide tangible added value and are generally available for - a "limited time only" to create a sense of immediacy.

Sales promotions are mostly one-way, non-personal messages, although when used in direct response marketing, they can be personalized. Loyalty programs, a special form of sales promotion, help in retaining customers and attracting a greater share of customers' category spending.

Once consumers arrive in a store, they are faced with three to ten brands in most product categories. The majority of consumers make their brand decisions in-store, which means packaging is the last brand message they see before making their brand choice. But not only do packages carry an advertising message, packages themselves can add tangible value to a brand by being reusable, decorative, sturdy (to protect the product during distribution and over a long period of use), and even contain coupons or premiums to reward purchase.

Opening Case: Snapple

Opening Case: Snapple



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Opening Case: Snapple

Challenge: Reinforce the brand's quirky image

Answer: A sales promotion program featuring:

- "Snapple yard sale" theme online
- Live yard sales in major markets
- Supported by web ad banners and non-traditional media:
- Airplane-towed banners
- Messages on pizza boxes and deli bags

Results:

- Snapple has received significant press coverage and consumer interest and involvement

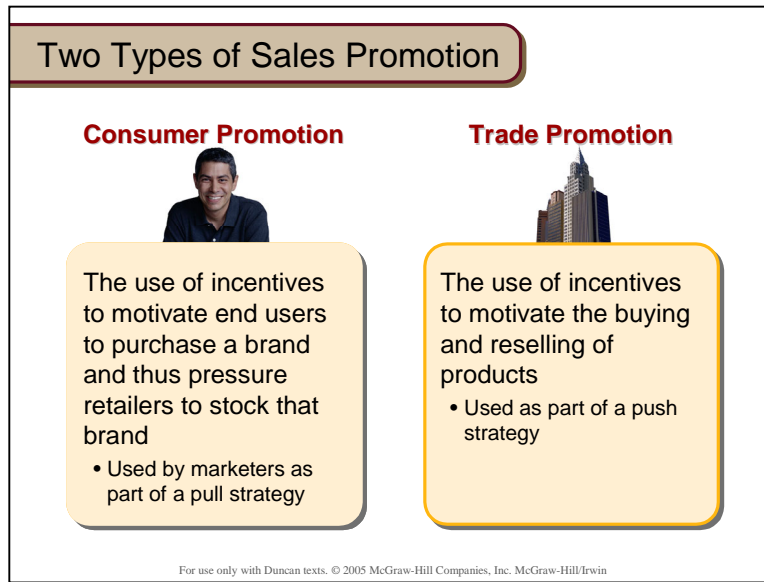
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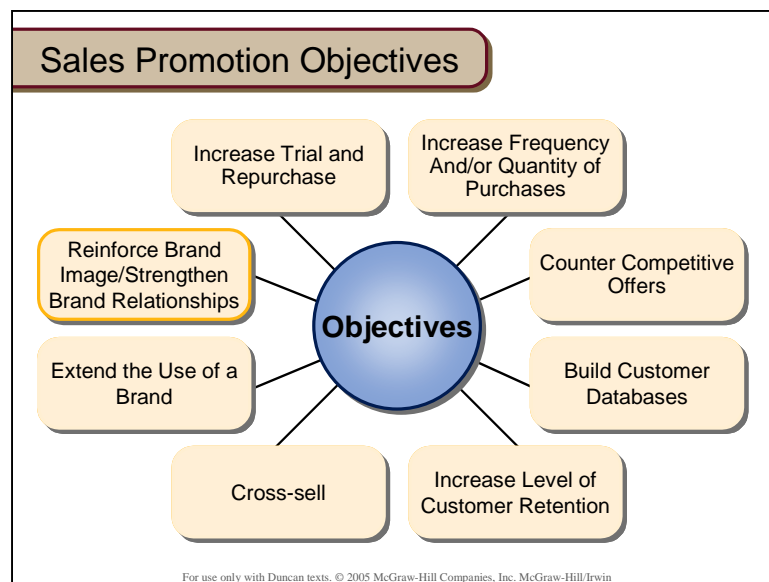
ii. 2 types of sales promotion



1. Consumer promotion
 - a. *The use of incentives to motivate end users to purchase a brand and thus pressure retailers to stock that brand*
 - b. Used by marketers as part of a pull strategy

2. Trade promotion
 - a. *The use of incentives to motivate the buying and reselling of products*
 - b. Used as part of a push strategy

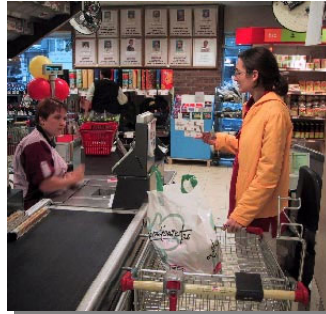
iii. Sales promotion objectives



1. Increase trial and repurchase
2. Increase frequency and/or quantity of purchases
3. Counter competitive offers
4. Build customer databases
5. Increase level of customer retention
6. Cross-sell
7. Extend the use of a brand
8. Reinforce brand image/strengthen brand relationships

IMC In Action: Catalina Coupons

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IMC In Action: Catalina Coupons

Challenge:

Personalize consumer sales promo offers

Answer:

Sophisticated product by Catalina that checks a consumer's buying history and prints out personalized coupons at the check-out for:

- \$1 off 3 jars to reward a "loyal customer"
- 50¢ off 1 jar to convert a "switcher" from another brand
- \$1 off 1 jar to motivate a "never buyer" to try the brand

Results:

This type of service has become very common in supermarkets throughout the nation

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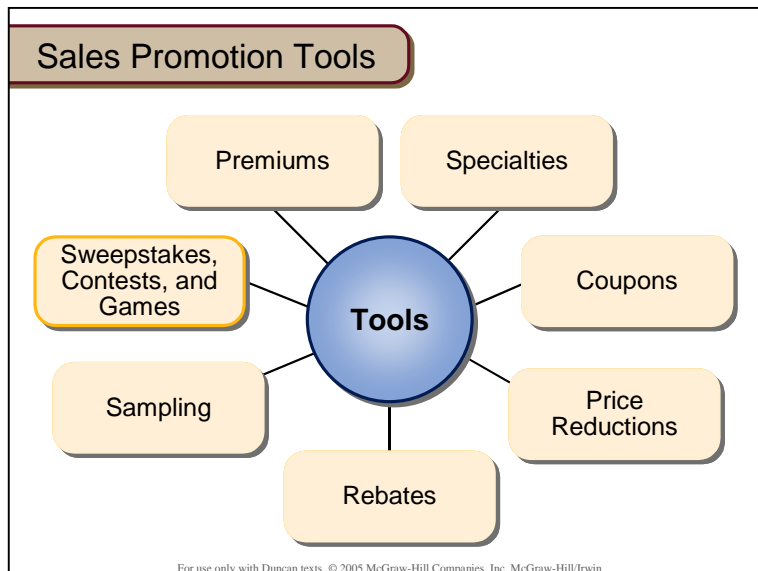
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Discussion Starters:

- 1) Students should be familiar with this concept, but they probably have not heard the coupons referred to by the "Catalina" name. So an icebreaker question could be to poll the class on their experiences with this technique. Specifically, ask "how many students in this class have received this type of coupon at the check out?"
- 2) Since many students have worked at supermarkets, a follow-up question could be to ask if anyone experienced this technique at their job. Then ask these students to explain how the process works in their own words.
- 3) A final question is intended to be a rough measure of redemption. Poll the class to determine how many of those answering question #1 recall actually redeemed the coupon. If the class mirrors society, the percentage should be relatively low.

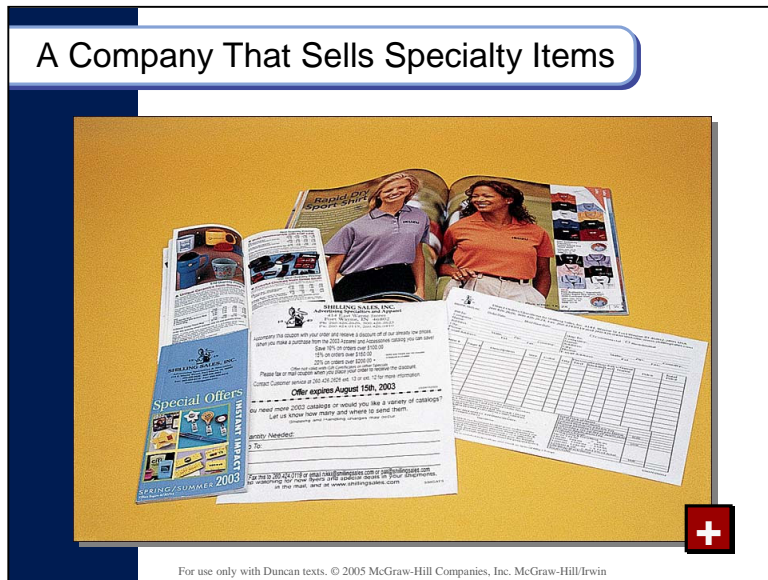
iv. Sales promotion tools



1. Premiums

- a. *An item offered free or at a bargain price to reward some type of behavior such as buying, sampling, or testing*
- b. Examples: toys at fast food restaurants or in cereal boxes,
- c. 2 challenges
 - Identifying something the target audience would want
 - Choosing something that reinforces the brand's image

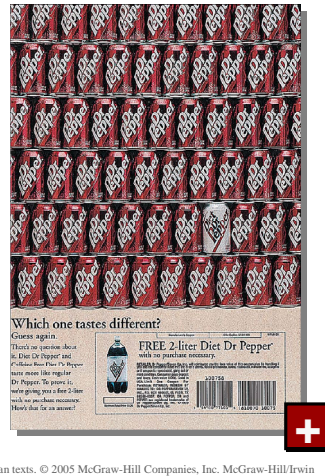
2. Specialties



- a. *Items given free to customers and other stakeholders to help keep a brand's name top-of-mind*
- b. Examples: low-cost items such as calendars, rulers, coffee mugs, T-shirts, and pens
- c. Generally, no purchase is necessary

3. Coupons

An Example of a Dr.Pepper Coupon Promotion



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- A certificate with a stated price reduction on a specified item*
- Examples: Coupons distributed through newspapers or magazines, on packages, in store displays, or direct mail
- Only about 2 percent are ever redeemed



TALES FROM THE REAL WORLD

Tales From the Real World

Many brand managers love sales promotions because, unlike some other MC functions, they can see definite short term results.

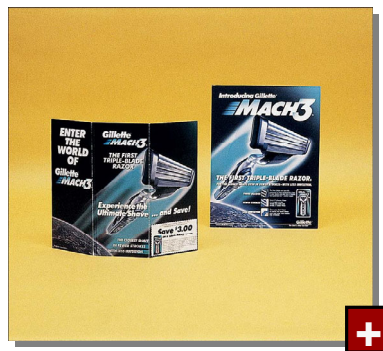
In the real world, it is not unusual for brand managers to look at a brand's sales reports and see a "spike" in sales that immediately followed a "coupon drop" in newspapers.

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4. Price Reductions

An Example of a Price Reduction Promotion



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- a. *Short-term price reductions*
- b. Examples: price that is lower than the regular price, on-pack coupons, free goods (“buy one, get one free”), and enlarged packages (“30 more for same price”)
- c. Price reductions are emphasized local ads and direct-mail

5. Rebates

- a. *Are a type of price reduction*
- b. Commonly offered for cars, appliances, or clothing
- c. Large rebates: typically handled by the seller
- d. Small rebates: typically handled by the manufacturer via a proof of purchase (a receipt and a bar-code label) and a completed rebate form

6. Sampling

- a. *Offering prospects the opportunity to try a product before making a buying decision*
- b. Usually targeted using selected mailing lists or carried out in stores or at events.
- c. One of the most costly/most effective sales promotions
- d. The proposition is powerful one: our brand is so good that once you’ve tried it, you’ll want to buy it

7. Sweepstakes, Contests, and Games

- a. *A contest is a competition that involves some form of skill and effort*
- b. *A sweepstakes offers prizes based on a chance drawing of entrants’ names.*
- c. *A game has the chance element of a sweepstakes but is conducted over a longer time*
 - All these tools require careful planning and monitoring because they must abide by state and federal regulations

II. Determining Consumer Sales Promotions Strategies
A. Consumer promotion strategies

Consumer Promotion Strategies

Partnership Strategies →

Cross promotion:

- Two or more products are promoted together, such as cheese and crackers
- Brands team up to boost their image power
- They also share in costs

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- i. Partnership strategies
- ii. Cross promotion
 1. Two or more products are promoted together, such as cheese and crackers
 2. Brands team up to boost their the image

A CBS/Campbell's Soup Cross Promotion

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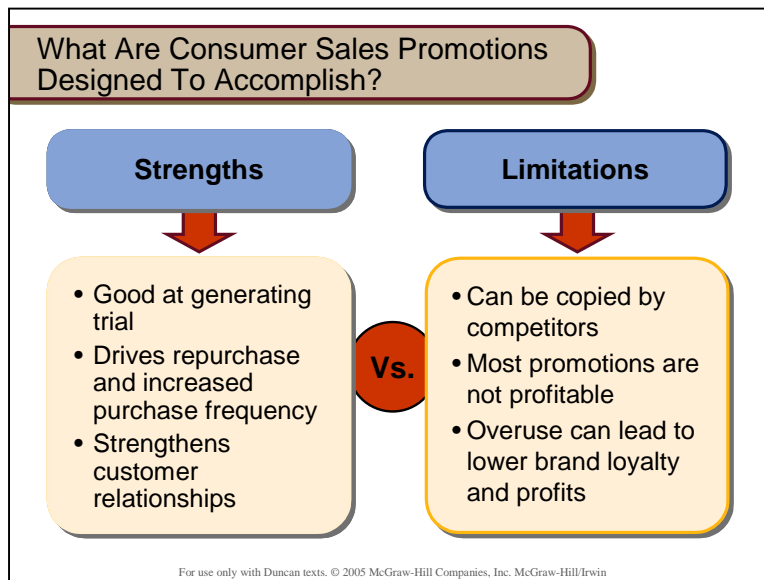
3. They also share in costs

B. Loyalty strategies



- i. Loyalty marketing
- ii. *Using promotions specifically designed for customer retention*
- iii. Example: punch card offering a free coffee (“buy 10 and get the 11th one free”)

C. Strengths



- i. Good at generating trial
- ii. Drives repurchase and increased purchase frequency
- iii. Strengthens customer relationships

D. Limitations

- i. Can be copied by competitors
- ii. Most promotions are not profitable
- iii. Overuse can lead to lower brand loyalty and profits

III. Packaging: The Last Ad Seen

A. Packaging

Packaging

- Often the “last ad seen” for a brand
- Critical for packaged goods
 - *Heavily promoted products that are usually sold through food and drug stores in small packages and carry a low unit price*



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- i. Often the “last ad seen” for a brand
- ii. Critical for packaged goods
 1. *Heavily promoted products that are usually sold through food and drug stores in small packages and carry a low unit price*

▷ **INSTRUCTOR IN-DEPTH INSIGHT: GENERIC PRODUCT
PACKAGING**

Insight: Generic Product Packaging



Generic products often come in plain white packages with black lettering that gives a basic product description (e.g. paper towels). Although they are often referred to as “unbranded,” they are in fact fairly distinctive. Their unique package design allows customers to recognize them easily, but more importantly, the package design cues a certain association (low-price) and a bundle of perceptions that differentiates them from competing and traditional brand-name products.

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- B. The package is a free medium
 - i. Not just a container...
 - ii. ...a miniature billboard
 - iii. Implication: create appealing and attention-getting packages that support other MC efforts



TALES FROM THE REAL WORLD

Tales From the Real World

Packaging consultants and agencies are now typically involved in some of the earliest stages of planning for new or improved products in the real world.

This early input can lead to unique aspects of a brand's package that may even become the most important aspects of the brand's MC program—like the new Heinz squeezable ketchup bottle.

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What Role Does Packaging Play?

Strengths

- Protects the product
- Free media before, during, and after purchase
- Adds value and convenience

Limitations

- Can be copied by competitors
- Can contribute to waste explosion

Vs.

C. Strengths


- i. Protects the product
- ii. Free media before, during and after purchase
- iii. Add value and convenience

D. Limitations

- i. Can be copied by competitors
- ii. Can contribute to waste explosion

IV. Final Note

Final Note:



While advertising often gets credit for being the most glamorous part of MC, sales promotion and packaging offer the opportunity of being the most inventive areas—and those best suited to move consumers through the final steps in the buying decision toward purchase

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Answers to Review Questions

1) Consumer Sales Promotion

- a) Why is sales promotion referred to as a sales accelerator? Give examples of how that might work at different points in a consumer's brand decision making.

Answer: Sales promotion accelerates sales because it provides a nudge to consumers at a critical point in the brand decision-making process. While advertising creates awareness and interest, sales promotions influence the next steps in buying behavior, such as desire and action. In other words, marketers know that, while prospects may be aware and even have some interest in a brand, they may not

have enough desire to actively seek the brand out or risk buying it. But an extra incentive can sometimes move a prospect into the desire and action stage.

- b) List at least three objectives that you might have in designing a consumer sales promotion program.

Answer: Student answers will vary, but the text identifies the following as examples: (1) increase trial and repurchase, (2) increase frequency and/or quantity of purchases, (3) counter competitive offers, (4) build customer databases, (5) increase level of customer retention, (6) cross-sell, (7) extend the use of a brand, and (8) reinforce the brand image and strengthen brand relationships.

- c) Do an aisle check in your favorite drugstore. What products could profit most by identifying segments of one?

Answer: Answers will vary by class, and by gender, but one example could be Motrin pain reliever. Using technology such as that discussed in the text and offered by Catalina, a drug store can track customer purchases over time, allowing the store to determine, on a given shopping trip, whether the customer is buying a particular brand for the first time or has been buying it regularly. For example, if a customer buys Motrin, the store's computer goes instantly into that customer's history of purchases and shows whether that customer buys it regularly. If she does, then this triggers the computer to produce a coupon good for, say, \$1 off on a purchase of two packages of Motrin. For a different customer, one who only occasionally buys Motrin, the computer will generate a coupon for 50 cents off one package of Motrin in order to increase the customer's frequency and volume of purchases. For a third customer who never buys Motrin, the computer will issue a coupon for \$1 off one package of Motrin in order to motivate her to try the brand.

- d) Define sales promotion, and explain how it adds value to a brand offering.

Answer: The text defines sales promotion as an MC function that offers a tangible added-value designed to motivate and accelerate a response. It can add value to the brand in the consumer's eye in a number of ways, including a reduction in price (e.g., 20 percent off, two for the price of one, no finance charges for a year); extra product (e.g., 30 percent more coffee for the same price); free samples; premiums (e.g., buy \$30 worth of cosmetics and receive a cosmetic travel case free), and or even an entry into a sweepstakes.

- e) How do coupons and rebates differ?

Answer: A coupon is a certificate with a stated price reduction on a specified item. Coupons can be used for price reductions or other merchandise. They are typically redeemed at the time of purchase to take advantage of the offer. Rebates are similar to coupons in that they are a type of price reduction, but the key difference is that they are typically issued at the time of purchase, and the consumer is responsible for taking some action to secure the rebate, such as mailing in the rebate form and a proof of purchase seal.

- f) How do sweepstakes and contests differ? Find an example of one or the other and explain how it works. Which category do you believe it illustrates?

Answer: A contest is a brand-sponsored competition that involves some form of skill and effort. On the other hand, a sweepstakes offers prizes based on a chance drawing of entrants' names. An example of a contest would be a "most creative cake" baking contest for a brand of cake mix like Betty Crocker. The winner would need to demonstrate some unique skills to win such a contest. An example of a sweepstakes would be winning a free trip to Ireland sponsored by Killian's Irish Red beer simply by submitting an entry form with your name and address—and then having the luck of being chosen randomly.

- g) How do specialties deliver brand reminder messages?

Answer: Specialties are items given free to customers and other stakeholders to help keep a brand's name top-of-mind. Generally, no purchase is necessary to get a specialty item. Specialties are generally low-cost items such as calendars, rulers, coffee mugs, T-shirts, and pens. The value they add is the long-term exposure of their brand message to the user. For example, a free calendar including a brand message could be posted on a family's refrigerator for an entire year.

- h) How many different sales promotion tools and techniques does Snapple use in promoting its brand and beverage? Create a list of the brand's promotional efforts that you can find on the www.snapple.com web site.

Answer: A recent visit to the Snapple website, called Snappleton, revealed at least four different types of consumer promotions. First, the Snapple Yard Sale is an example of a loyalty program using premiums. In this case, the premiums are neat items like table top hockey games, sandals, and cooler bags. To get the items, visitors must bid a number of Snapple bottle caps. Another premium is through the Snapple Shop, where visitors can simply pay to buy items like t-shirts and hats. Second, the site employs the use of a sweepstakes known as the Caps Can't Buy Sweepstakes." This is a game of chance for those who have not collected bottle caps, and offers rewards like a free trip to New York City or Paris. Third, a form of sampling is used on the site in the "New Flavors" section. Although it technically does not provide a free beverage, there are visuals and text on each of the newest Snapple flavors. A fourth type of sales promotion technique used in the "Cards" section. This feature allows visitors to send Snapple branded postcards to friends—with no purchase necessary.

2) How Consumer Sales Promotion Works

- a) What are the key strengths and limitations of consumer sales promotions?

Answer: The primary strengths of consumer sales promotions are driving sales, strengthening customer relationships and reinforcing brand image. On the other hand, many sales promotions are not cost-effective. Sales promotions sometimes attract customers who are searching for only the best deal, not a long-term brand relationship. These are customers who always try to buy what

is on sale and are not loyal to any brand. Another limitation of sales promotion is that as soon as one brand in a category has a successful program, competitors soon follow. This usually negates added-value advantage and simply represents another cost of doing business. A final concern is that an overuse of promotional offers will negatively reposition the brand as a “low price brand.”

- b) Explain how cross-promotions and tie-ins work. Why are they used?

Answer: Cross-promotions and tie-in promotions are used to enhance the image and sales of two brands working together. Cross promotions are when two or more products are promoted together, such as cheese and crackers. To obtain the offered savings or premiums, customers must purchase both brands at the same time. Tie-in promotions are when two products are linked in advertising and in-store merchandising promotion, such as promoting movies and their characters in fast food restaurants.

- c) Find a cross-promotion involving a movie and explain why the two brands are in this partnership and what they gain from the partnership. In your estimate, is this partnership effective?

Answer: An example would be the cross-promotion of the BMW roadster and the James Bond movie, Goldeneye. This promotion was particularly effective because the images of the brands, both upscale and sophisticated, were complimentary, as were the target audiences.

- d) How do loyalty programs work? What objectives do they accomplish?

Answer: Loyalty programs work by offering premiums or other incentives for customers to make multiple purchases over time. When successful, they accomplish the objectives of helping retain and grow customers' share of spending as well as for minimizing customer defections.

- e) What are the strengths and limitations of loyalty programs?

Answer: The strengths of loyalty programs include their ability to increase the level of customer satisfaction and retention, as well as their use in collecting customer profile information. Another strength is their ability to differentiate brands because rewarding customers for loyalty may be the only thing that sets one brand apart from another. A limitation of loyalty programs is that they can overshadow the brand and take more resources to manage and administer than other forms of marketing communication used by the brand. It is also difficult to determine whether such programs are truly cost-effective, especially when competitors offer similar programs.

- f) Loyalty programs work best when a brand has high fixed costs and low variable costs. Explain what that statement means.

Answer: The example cited by the text offers a good explanation: when a plane flies from New York to London, the fixed costs associated with the trip are high (i.e. amortized cost of the airplane, airport fees, etc.) These costs are incurred on the

trip even if the plane flies empty. The variable costs of awarding several empty seats to additional passengers, however, are quite low (i.e. beverages and food). In this situation, using a loyalty program to reward a loyal customer costs the brand relatively little. At the same time, the customer perceives the reward as being of high value.

- g) Check your medicine cabinet and pick one of your favorite products. How many different sales promotions can you identify as being used in support of this product? Consider not only the product's package, but also any other marketing communication you can find that promotes this brand.

Answer: One brand that is popular with students would be Crest toothpaste. Some examples of MC efforts used to promote the brand include: advertising on network and cable TV; tie-ins with the new Crest Whitestrips whitening product, consumer sales promotions efforts including brand-sponsored coupons in the FSI sections of Sunday newspapers, and trade sales promotions including buy-one-get-one-free offers in supermarket newspaper inserts; and public relations efforts related to the brand's claim that more dentists recommend Crest than any other brand.

3) Packaging

- a) What are the communication functions that a package performs?

Answer: As customers move through today's heavily stocked stores, shoppers can scan shelves at the rate of 300 items a minute. Amid all this clutter, a package's job is to attract attention and communicate brand information. The package delivers the final message in a process that may have started days or months before when consumers were exposed to other MC messages such as advertising or sales promotion for the brand.

- b) What does it mean to say that packages have a billboard function?

Answer: The number of people who walk down retail store aisles everyday is in the millions—far more than the number who watch an average prime-time TV show. What this means is that a brand's package is like a miniature outdoor board with millions of potential exposures each day. Brands that understand this billboarding function use their packages to create easy recognition and visual impact for themselves in the store.

- c) Visit your local grocery store and identify the brand that has the most "shelf facings" (packages that face you as you stand in the aisle). Explain how this brand benefits from the billboard effect.

Answer: Student answers will vary, but one brand that is popular with students, Coke, serves as a good example. In the soft drink aisle, Coke works hard to create a large area of red—based on the primary color scheme used by the primary Coke brand packages (regular Coke, Diet Coke, and variations of each). Another example is Oscar Mayer. By designing their package to fit on hangars

attached to a pegboard, Oscar Mayer packages create a wall of their distinctive yellow and red brand colors.

d) What are the key strengths and limitations of packaging design?

Answer: Strengths of packaging design include their ability to protect a product and facilitate its transportation. It can also be used to make a strong visual statement that brings the brand personality to life, ties in with other marketing communication efforts, and delivers low-cost brand information. A package continues to communicate after the buyer leaves the store. It can also provide important decision information, such as nutrition facts, product claims and showcase promotions.

e) List and explain at least three objectives that you might set for your packaging.

Answer: Three objectives that might be cited are as follows: The brand's package should mirror and reinforce the image that the brand wishes to project; the package should have a unique color scheme and design that helps differentiate it visually from competitors on the same shelf area of the store; and the package should provide consumer-friendly information about correct use of the brand; information about the brand's warranty; and convenient options for consumers to contact the brand with questions or comments 24/7.

Chapter Challenge

Writing Assignment

Introduce yourself to the manager of a local store and ask his permission for you to do MC analysis of his store's promotional activities. Then walk through the store and analyze the use of sales promotions, POP, and design. Is there a distinctive image and personality being presented in these materials and activities? What would you recommend to help the store tighten up its promotional program and create even greater impact?

Presentation Assignment

Using *Ad Age*, *Brandweek*, *PROMO* magazine, and other sources, read everything you can find about a special promotion used by one of the major fast-food chains such as McDonald's, Burger King, or Taco Bell. Explain how the objectives of the promotion, how it was set up, and how it worked. Describe all the materials, events, and other MC supporting efforts. Prepare a presentation for your class that summarizes your analysis.

Internet Assignment

Check the music section of Amazon.com and the CDnow website. Identify and compare the sales promotions efforts at both sites. Which one is more effective in its use of consumer sales promotions? Explain why.

IMC Plan Team Assignment

At this stage in their semester-long project, students should consider the types of sales promotion tools they will employ in their campaign, as well as packaging issues. This assignment asks them to identify and provide rationale for the types of sales promotion they are planning. It also asks agencies with a new product to develop a prototype package, and for agencies with existing brands to create a revised packaging prototype along with rationale for their recommendations.

IMC Final Project Checklist #14

Due Date: _____

Your Agency Name:

Sales Promotion tools you are considering:

Identify which of the following tools your agency is considering and provide rationale for each selection.

Premiums

Specialties

Coupons

Price Reductions

Rebates

Sampling

Sweepstakes, Contests, and Games

Packaging issues:

If your brand is a new product, create a prototype package and provide rationale for each of the following dimensions noted below (if applicable; for example, service products may not have packaging). If your brand is an existing product, create a modified package prototype by overlaying proposed changes on an existing package and provide rationale for each of the packaging dimensions noted below.

Size and shape

Dominant color scheme

Visual consistency with other MC messages

Convenience features

Security features

Recyclability