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## IMPACT OF PROMOTIONAL PLANS ON CONSUMER PROMOTION

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### ABSTRACT

The growing managerial importance of consumer promotion has generated a great deal of recent research on how consumer promotion affects sales. This thesis will look into the matter of consumer promotion through two factors: (a) the data that is used to measure the impact of consumer promotion and (b) the time frame of that impact. The type of data considered is household level and market level. And the time frame considered is immediate term, intermediate term and long term. Retail markets have been one of the most rapid growing markets in the world for the last decade; to stay competitive, retailers use effective sales promotions tools and that become a vital technique for marketers to stimulate consumer buying behavior towards purchasing any product.

**Keywords:** Sales promotions tools, Purchase decisions, Marketing

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### INTRODUCTION

Consumer promotion is an important component of a small business's overall marketing strategy, along with advertising, public relations, and personal selling. The American Marketing Association (AMA) defines consumer promotion as "media and non-media marketing pressure applied for a predetermined, limited period of time in order to stimulate sale, increase consumer demand, or improve product quality." But this definition does not capture all the elements of modern sales promotion. Effective consumer promotion increases the basic value of product for a limited time and directly stimulates consumer purchasing, selling effectiveness, or the effort of the sales force. It can be used to inform, persuade, and remind target customers about the business and its marketing mix. Some common types of consumer promotion include samples, coupons, sweepstakes, contests, in-store displays, trade shows, price-off deals, premiums, and rebates.

Retail market is growing in a high velocity environment all over the world. All types of promotional activities are currently used by retailers in order to be differentiated in the market. At the same time, competitiveness among retailers is booming. As a result of population and economic growth, retailers started to enlarge their marketing activities toward consumers. Peattie and Peattie (1994) stated that "Marketing activities usually specific to a time period, place or customer group, which encourage a direct response from consumers or marketing intermediaries, through the offer of additional benefits". One or more of these activities is to use promotional tools and techniques (such as: sampling, discounts, sales, buy one get one free, coupons, rebates, point-of-purchase displays, contests, premium money back offers and loyalty programs) which directly influence individual to give quick decision and to finalize purchasing process. Since the competency between retailers is very high, the main two ideas behind these excessive promotions from marketers point of view that it has a direct influence on individual buying behavior by inducing competitive consumers towards their products and to retain their loyal customers. Therefore, the aim of this research is to study the impact and the relationship for the common promotional tools in the retail sector, namely: coupons, sample, price discount and buy one get one free, to examine their effect on consumers buying behavior which include brand switching and customer loyalty. In this study, researcher used theoretical information and data that collected from books and scientific published articles related to promotion tools and people buying behavior.

### **LITERATURE REVIEW:**

There is a great body of literature and previous studies which discussed the relationship between sales promotion and its impact on consumer buying decisions, especially coupons and price reduction, since they are most extensive used types (Krishnha and Zhang, 1999; Huff and Alden, 1998; Leone and Srinivasan, 1996; Bawa and Shoemaker, 1987, 1989 Gupta, 1988, 1993; Blattberg and Nelsin, 1991). There have been many definitions of sales promotion. According to John and William (1986), the sales promotional marketing activities considered to be more efficient than advertising publicity and personal selling. In addition to that other researchers considered sales promotion as a direct inducement, proposing special added value for goods to target salesperson, customers or resellers (William and Ferrell, 1987; Gardener and Treved, 1998). According to Joncos (1990) sales promotion is an effective way of competitive retaliation rather than marketing activities. Mercer (2002) defined promotion as it is a technique which mainly used by marketer on a temporary basis to create an attractive goods or services to encourage the customers to purchase goods or services in a specific time period by providing more benefits. Belch and Belch (1996) defined sales promotions as direct encouragements provide an additional stimulant for the products to be sold or distributed in a short period of time. Both Kotler (2002) and Totten & Block (1994) defined sales promotion as any activity which obtained by the producers usually short term designed to encourage quicker or greater amount trade retailer or wholesaler as well as influence individual to buy the product. According to Perreault, Cannon & McCarthy (2006) and Shimp (2003) sales promotion defined as a communicating information within two parties, seller and potential buyers, which is obtained to effect customers decisions. Zallocco, Perreult & Kincaid (2008) defined sales promotion as it is an intentional effort from marketers to deliver the appropriate information in suitable inducement way to get the desired acceptable responses from the customers.

### **EFFECTS OF PROMOTION:**

1. The present day market is very competitive due to the large number of rivals and substitutes. With the help of promotion producer must create product differentiation in the minds of consumers.
2. Consumer promotion is very essential to communicate the use of the product and the nature of the product to consumers and middlemen.
3. Nowadays most of the consumers market their products in wider area and the consumers are also very large in number. In such cases personal selling alone cannot be used and so all the steps for promotion are to be followed.
4. During the periods of depression it is essential to maintain at least some minimum market. Therefore it is very essential to use consumer promotion.

### **KINDS OF CONSUMER PROMOTIONS:**

There are two basic types: trade and consume sales promotions. The schemes, discounts, freebies, commissions and incentives given to the trade (retailers, wholesalers, distributors, C&Fs) to stock more, push more and hence sell more of a product come under trade promotion. These are aimed at enticing the trade to stock up more and hence reduce stock-outs, increase share of shelf space and drive sales through the channels. However, the cost incurred by the company as well as the limitations of the trade in India to stock up free goods limits trade schemes. Incentives can be overseas trips and gifts. A typical trade scheme on soaps would be buy a case of 12 soaps, get 1 or 2 free—or a 8% discount scheme ( $1/12=8\%$ ). Such schemes are common in FMCG and pharma industries. But consumer promotion activity aimed at the final consumer are called consumer schemes. These are used to create a pull for the product and are advertised in public media to attract attention. Maximum schemes are floated in festival times, like Diwali or Christmas. Examples are buy soap, get diamond free; buy biscuits, collect runs; buy TV and get some discount or a free item with it and so on. Consumer

schemes become very prominent in the maturity or decline stages of a product life cycle, where companies vie to sell their own wares against severe competition.

**GROWTH OF THE CONSUMER PROMOTION:**

Consumer promotion has grown substantially in recent years. There are several reasons for this dramatic growth in consumer promotion. First, consumers have accepted sales promotion as part of their buying decision criteria. It provides reluctant decision makers with an incentive to make choices by increasing the value offered by a particular brand. Second, the increasing tendency of businesses to focus on short-term results has helped spur growth in sales promotion, which can provide an immediate boost in sales. Product managers also tend to view sales promotion as a way to differentiate their brand from that of competitors in the short term. Third, the emergence of computer technology has enabled manufacturers to get rapid feedback on the results of promotions. Redemption rates for coupons or figures on sales volume can be obtained within days. Finally, an increase in the size and power of retailers has also boosted the use of consumer promotion. Historically, the manufacturer held the power in the channel of distribution. Mass marketers utilized national advertising to get directly to consumers, creating a demand for the heavily advertised brands that stores could not afford to ignore. With consolidation and the growth of major retail chains, however, retailers have gained the power to demand incentives from manufacturers to carry their products. Many consumer promotions are designed to provide benefits to the retailers.

**OBSERVATIONS**

The ranking has been given by the respondents according to their order of preference for different sales promotion schemes. The findings its implications of the following figure will follow. The ranking given according to the mean and standard deviation can be seen in the following table

**Table-1: Ranking of Sales Promotion Schemes on basis of Mean and Standard Deviation**

Sales promotion scheme	Mean	Standard deviation	Ranking
Price offs	1.74	0.803	1
Percentage extra	3.02	1.039	4
Bonus packs	2.9	1.265	3
Buy X get Y free	2.86	1.277	2
Coupons/Freebies	4.48	1.164	5

The above table reiterates some of the preferences shown by the consumer. In order to gauge the different benefits from different Sales promotions, the questionnaire administered shows the following results

**Table-2: Perceived Benefits derived from different Sales promotion schemes**

Sales promotions Benefits	Price Offs	Percentage extra	Bonus Packs	Buy X Get Y Free	Coupons
<b>Savings</b>	5.58 (1.64)	5.38 (1.83)	5.46 (1.47)	4.82 (2.26)	3.1 (2.14)
<b>Convenience</b>	3.92 (2.12)	3.98 (1.99)	4.02 (1.86)	4.64 (1.82)	2.28 (1.77)
<b>Buying Quality Products</b>	2.8 (1.64)	2.86 (1.69)	2.76 (1.93)	3.26 (1.86)	1.94 (1.01)
<b>Information gathering</b>	3.24	2.8	3.04	4.6	2.92

	(2.08)	(1.65)	(1.67)	(2.2)	(2.12)
<b>Entertaining</b>	4.28 (1.91)	3.7 (2.19)	4.34 (1.99)	3.82 (2.31)	3.42 (2.21)
<b>Value Expression</b>	4.92 (1.62)	4.78 (1.52)	4.72 (1.76)	5.06 (1.39)	2.96 (1.89)

**CONCLUSIONS:**

Consumer sales promotions encompass a variety of short-term promotional techniques designed to induce customers to respond in some way. The most popular consumer sales promotions are directly associated with product purchasing. These promotions are intended to enhance the value of a product purchase by either reducing the overall cost of the product or by adding more benefit to the regular purchase price. While tying a promotion to an immediate purchase is a major use of consumer sales promotion, it is not the only one. As we noted above, promotion techniques can be used to achieve other objectives such as building brand loyalty or creating product awareness. Consequently, a marketer’s promotional toolbox contains a large variety of consumer promotions.

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