

## Promotions as market transactions

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### ABSTRACT

Marketing management involves the identification, creation, capture, communication and delivery of superior customer value to the target market to satisfy their needs and wants simultaneously meeting organizational objectives. Promotions as a part of communication of value include consumer sales promotions, trade promotions and promotions to the sales force. The study lays out the definition and conceptualization of promotions as market transactions. This involves defining promotions as well as defining transactions and placing transactions as a part of the market sequencing of exchanges, transactions and contracts. The study distinguishes market transactions as different from the transactions that are part of industrial organization studies. The study lays out implications for marketers and infers that promotions have an important role to play in transactional marketing in all four aspects – demand management, market potential realization that also results in demand, market share dynamics and market equilibrium. An empirical illustration of the distinction between ‘exchange’ and ‘transaction’ is laid out. Promotions should also act as the foundation of effective competitive market transactions that markets are built upon. Marketing strategists have to consider promotional strategies as an effective ploy for managing consumers and competitors in the long run.

Keywords: market transactions, market potential realization, consumer sales promotions, exchanges, contracts

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## **INTRODUCTION**

Marketing management involves the identification, creation, capture, communication and delivery of superior customer value to the target market to satisfy their needs and wants simultaneously meeting organizational objectives. Identification and creation of value is accomplished through the procedures and processes of existing product management and new product management using conceptualizations of needs, wants, ideas, concepts, features, benefits, functionalities, performance as well as the procedure of segmentation, targeting, positioning, differentiation. Capture of value is done using the conceptualization of costs and prices. Communication of value involves the tools and techniques of branding, advertising, promotions, public relations, personal selling, direct marketing, corporate and brand image management and exhibitions / event management. Delivery of value is done using distribution or channels. In addition for successful marketing an effective marketing strategy has to be put into place that involves the development of sustainable competitive advantages.

Promotions in the above context include consumer sales promotions, trade promotions and promotions to the sales force. Consumers are more likely to buy in response to coupons, rebates, price packs, samples, cash refunds, premiums, patronage awards, contests, product demonstrations, tie-in promotions, cross promotions, pop displays and warranties. Trade promotions includes price-offs or discounts, display allowances, buying allowances, dealer sales contests, cooperative advertising, training of distributor sales force and free goods. The sales force is motivated by bonuses, sales rallies and contests with prizes for superior performance.

In the beginning of the twenty first century the advertising-to-sales promotions ratio was about 60:40. Today in many FMCG companies, trade promotions account for 50% of the budget and consumer sales promotion accounts for another 25% of the budget indicating the increased importance of sales promotions in the market (Kotler et.al, 2013).

This study examines the issues and impacts of consumer sales promotions as market transactions.

## **RESEARCH QUESTIONS**

1. To layout the definition of promotions as market transactions
2. Conceptualization of transaction realm of consumer sales promotion
3. Conceptualization of market realm of consumer sales promotion
4. Implications for marketers

## **DEFINITION OF PROMOTIONS AS MARKET TRANSACTIONS**

In the past two decades, there has been an increasing emphasis on relationship marketing (RM). RM focuses on cooperative and collaborative relations between the firm and its customers and / or other marketing actors (Parvatiyar & Sheth, 1999). Cooperative relationships are interdependent and long term oriented rather than being concerned with short term discrete transactions (R Dwyer et.al, 1987). Frederick Webster (1992) stated ‘... today is a movement away from a focus on exchange and toward a focus on building value laden relationships and marketing networks’. RM is the idea of exchange relationships between market participants with a clear focus on interaction (Friese&Funck, 2001). Apart from interaction, RM also focuses on database and network. Dyadic relationships that emerge as a result of repetitive transactions

could be the micro level phenomena of network marketing. The development of the relationship marketing paradigm and its fulfillment has thus been through direct marketing, database marketing, customer relationship management and customer loyalty programs.

Promotions on the other hand (reference is made only to consumer sales promotions) are a short term incentive given to consumers to transact 'now'. According to Philip Kotler (Kotler et.al, 2013):

'Sales promotion consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker and / or greater purchase of particular products / services by consumers or the trade'.

As per W J Stanton (Trehan, 2011):

'Sales promotion includes all those activities other than advertising, personal selling, public relations, publicity that are intended to stimulate customer demand and improve the marketing performance of sellers'.

Promotions are based on transactional marketing as against the recent emphasis on relationship marketing. In relationship marketing, relationship through customization or otherwise is the focus in addition to the transaction that occurs on each purchase.

One of the fundamental concepts in marketing is of exchanges, market transactions and contracts. Exchanges are 'give' of value and 'take' of value between the marketer and the marketed. Market transactions are qualified exchange actions, that occur at each and every purchase, wherein the qualification occurs on two counts – one is the quantification or measurement of exchange values and the exchange of values between the marketer and the marketed; second is the accrual of transaction expenses to the customer or the marketed. In an accounting sense an exchange involves expenditures to one party in return for value from the other party and a transaction involves expenditures and the accrual of expenses to the customer in return of value in the form of market offering from the marketer. Transactions are the manifestations of purchase behavior that is of prime importance in marketing. The aggregate indicators of transactions are sales volume or revenues to the firm and market share of the firm in a competitive market place.

Transactions could further be made operational and formalized into contracts that lay out detailed procedures to the transaction and provide legal recourse in event of market failure. According to BusinessDictionary.com ([www.businessdictionary.com](http://www.businessdictionary.com)), contracts are defined as below:

A contract is a voluntary, deliberate and legally binding agreement between two or more competent parties. Contracts are usually written but may be spoken or implied, and generally have to do with employment, sale or lease or tenancy. A contractual relationship is evidenced by (1) an offer, (2) acceptance of the offer, and a (3) valid (legal and valuable) consideration. Each party to a contract acquires rights and duties relative to the rights and duties of the other parties. However, while all parties may expect a fair benefit from the contract (otherwise courts may set it aside as inequitable) it does not follow that each party will benefit to an equal extent. Existence of contractual-relationship does not necessarily mean the contract is enforceable, or that it is not void or voidable. Contracts are normally enforceable whether or not in a written form, although a written contract protects all parties to it. Some contracts, (such as for sale of real property, installment plans, or insurance policies) must be in writing to be legally binding and enforceable. Other contracts such as implied in fact contract and implied in law

contract are assumed in, and enforced by, law whether or not the involved parties desired to enter into a contract.

Contracts would include the following aspects: parties, definitions and interpretations, payment provisions, description of goods or services, term of contract, timescale and deadlines, limitation of liability, termination provisions, change of control if any, dispute resolution, confidentiality, intellectual property rights, warranties, indemnity, force majeure and applicable law for adjudication ([www.scholarsden.org](http://www.scholarsden.org) on commercial contracts and agreements).

## **CONCEPTUALIZATION OF TRANSACTION REALM OF CONSUMER SALES PROMOTIONS**

In the conceptualization of the transaction realm of consumer sales promotions, the issues include:

- a. How is exchange established and the transaction facilitated and fructified – the issue of promotion exchange dynamics
- b. How are exchanges measured and under what application conditions – the issue of promotion exchange measurement
- c. What are operational enablers and arguments- the issue of promotion exchange mechanics?
- d. What are the conditions on transactions to fulfill contractual requirements? These would include the performance conditions comprising of ex-ante contracting costs and ex-post transaction problems – the issue of market contracts at promotions

### **Promotion exchange dynamics**

The promotion exchange is established by a useful consumer value, that is passed on to the consumer for an exchange of the consumer having to transact 'now'. The dynamics include decisions on the particular incentive, the size of the incentive, the minimum threshold of the incentive, conditions for participation, and criteria for selection of the relevant target market or consumers, duration of the promotion scheme. The type of incentive which is the transfer of consumer value depends on the particular sales promotion technique. Appendix 1 gives a list of various consumer sales promotion techniques that lend to differentiation of the promotions. For example a price deal is a temporary reduction in the price, such as 50% off from 20 December 2012 to 10 January 2013.

The promotion exchange transaction (as in any other transaction) is facilitated by 'information', 'servicing' and 'financing'. In the above case the price deal could be advertised over the television as well as put up on billboards or hoardings with details of the product and a creative or with the product advertisement itself. Post 1990, the transaction facilitator of 'information' was greatly reinforced with the advent of the Internet. In another case a Canon Xerox machine was promoted by advertising for life-long free service if the Xerox machine was bought in a particular festive season; in this situation life-long free service acted both as a useful consumer value and as a transaction facilitator of 'servicing'. The transaction facilitator of 'financing' caused markets boom in emerging markets such as India with their equated monthly installments or EMI with minimal down payments; EMI financing schemes were made available by marketers in a wide range of consumer durables, automobiles, home loans.

In the considerations of fructification of promotions as market transactions is the concept of consumer inertia. Inertia leads to purchase of the same brand and variety seeking leads to purchase of a different brand. . There are two aspects of consumer inertia (Kahn & Raju, 1991). One is the depth of inertia which directs the amount of trigger or price drop required. The other is the breadth of inertia, which is the proportion of consumers who are influenced by inertia. Policy levers to counter consumer inertia include (a) flexible purchase options – money back guarantees, product returns / exchanges, free trials; (b) easy payment process – deferred payment and financing alternatives, facilitating electronic transactions; (c) provide information relevant for decision making.

Competitive transaction is another useful promotion exchange dynamics tool. In the process of justifying to the customer of a firm's products and services in relation to competition, the marketer is able to establish, facilitate and fructify the exchange. A leading garment firm exporting dress shirts to the Americas and Europe has to establish a competitive transaction to secure their first order with a buyer of a leading retail chain such as Zara. During this process, the marketer would have established the exchange through a promotion of 20% off for the first deal, facilitated on the factor of 'servicing' by top management visits and presentations, fructify through demonstration of the perfection of the shirt as well as, if not better than other competing shirt makers.

### **Promotion exchange measurement**

Exchanges are measured as a fraction / percentage or multiple of the 'transaction price', or as an absolute amount that is linked to every transaction. For example there could be \$5/- off on purchase of a shirt, or there could be a 5% off on purchase of a shirt. Measurement also takes place in promotion announcements of 'up to' a particular promotional value as for example in 'up to 70% discount'. Measurements through multiples are commonly expressed for example as 'buy one take one free' or 'buy 3 and get 40% off'.

The measurement of a promotional exchange is impacted by 'selectivity'. Selective attention is obtained if the transfer of consumer value is substantial; selective attention is also obtained by directly targeting search intensive consumers as in couponing; OOH media is a commonly used vehicle to obtain selective attention. Selective retention is obtained by branding promotion schemes, for example as the 'Maha-Festival Sale' (that means a big sale during a festival) or linking to events such as the Olympics or the Grand Slam events in tennis.

What is important that the exchange value makes a 'just noticeable difference to the consumer' meaning thereby that it has to exceed the price indifference bands commonly found for brands, if the promotion has to make any shift in the transactional sense. Just noticeable differences can be established depending on the context of the market and the product.

Promotion exchange measurement should also take into account 'purchase acceleration effects feasibility'. Goods that are repetitively purchased could be stock piled by consumers during promotions representing a forward buy motion. However it is to be considered whether promotions lead to purchase acceleration due to increased consumption.

The amount of 'consumer value' exchanged for 'transaction now' has to overcome the switching cost of that brand / product category, if any substantial response to the promotion has to be observed. For example in a 'shifting loyal product' such as telecom services of a two player market between AT&T and MCI, a promotion lasting 3-6 months of airtime may be needed to effect a promotion switch that might last two to three years.

An important issue of promotion exchange measurement is the over redemption that may occur on a promotion campaign (Mullin, 2010). Firms may prefer to factor the risk to a risk management company or may try and seek insurance coverage if available.

### **Promotion exchange mechanics**

Promotion exchange mechanics consists of budget, timing, communication, logistics and legalities. Also to be considered is the lead time to prepare the promotion program prior to launch and the sell-in-time that starts with the launch time and ends when approximately 95% of the deal merchandise is in hands of consumer (Kotler et.al, 2013).

Promotion exchanges involve transfer of 'consumer value' in return for 'transaction now'. The 'consumer value' can be in terms of monetary value that includes 'savings' and 'income enhancements'. Savings could be like a 20% price off on Nokia handsets during the New Year week; income enhancements could be a flat Rs.750/- coupon to a frequent hotel guest to redeem for goods at select stores. The 'consumer value' transfer through savings options includes the concept of price promotions; frequent price promotions for a brand could lead to devaluing the brand to an extent.

The 'consumer value' could also be in non-monetary terms such as a home sampling, bundled goods to provide extra value, self liquidating promotion premiums, charity promotions or cause related marketing actions, games and draws, participation in competitions. The 'consumer value' could also be in financing of the purchase through for example 0% interest if full payments are made within 12 EMIs (equated monthly installments). The 'consumer value' could be transferred on an immediate basis (as a refill pack costs less) or on a delayed basis (as a free mail-in to obtain a gift). A most effective and popular delayed basis transfer of 'consumer value' is through loyalty schemes.

### **Market contracts at promotions**

Promotions as market transactions have also to be understood in the realm of transaction costs given that the marketing exchange that takes place along with promotions is fructified through contracts. From the perspective of the governance theory of transaction cost economics for contracts, it has been argued (Mooi and Ghosh, 2010) that the performance of contracts is indicated by two factors – first is the ex-ante contracting costs and the second is the ex-post transaction problems. A balance between these two performance factors is also necessary for continued success of promotions as market transactions.

Ex ante contract costs and difficulties (Hammervoll, 2005) could be (1) availability (2) switching costs (3) action of firm (4) goals and motivation of consumer. Because of poor availability consumers may go to alternate exchange partners. Because of high switching costs, consumers may be prevented from responding positively to a promotion. The firm action may not raise a 'buy motive' in the consumer for the promotion exchange wither because of passing on of insufficient consumer value or because of inadequate sales promotion technique. Certain consumers may be loyal and may not have the goals and motivation to buy on a promotion exchange of another firm / brand.

Ex-post transaction problems (Mooi and Ghosh, 2010) could be (1) did the contract go over delivery schedule (2) did contract go over the price and or budget (3) was the product incomplete (4) was the product too slow or limited (5) was the support and service too slow or

too late (6) were there deviations from specifications (7) was there incompatibility with other products (8) was the installations too hurried / too sloppy (9) were the adjustments and customization too slow / too late (10) was there incomplete or unclear documentation

Transactional risk is a component of transaction costs (Clemons and Lorin, 2004) and pertains to the information transferred between parties for purposes specified in the contract that will deliberately be used by receiving party for purposes outside the contract, to its own benefit and to the detriment of the party that provided the information.

## CONCEPTUALIZATION OF MARKET REALM OF PROMOTIONS

Marketing objectives that sales promotions address would emanate from broader communication objectives of the brand; these communication objectives would in turn be derived from the marketing objectives of the product category or the firm given the understanding of the market context, competitor and consumer. Such sales promotion objectives include (Mullin, 2010) – increasing volume, inducing trial, increasing repeat purchase, increasing loyalty, widening usage, creating interest, creating awareness, deflecting attention from price, gaining intermediary support, discriminating among users, restoring brand perception on service failure. Other objectives include part of the launch campaign of introduction of new products and / or attraction of new customers, induce customers to buy more (purchase acceleration or stockpiling associated with possible increase in consumption), off-peak buying, aid the firm in remaining competitive.

Some of the useful functionalities of the market realm of promotions are discussed in this section below.

- a. Competitive trial or trial inducement is an important realm of promotion strategy especially in the introduction stage of the brand life cycle or product life cycle. As a thumb rule ratio of promotion expenditure to sales is highest during the introduction stage of the product life cycle though absolute value of sales promotion expenditure is highest in growth stage of the product life cycle. During the introduction stage different price and promotion strategy combinations are possible – low promo and low price as in large aware, price sensitive markets; slow skimming combining low promo and high price as in limited markets of text books; rapid penetration consisting of high promo and low price as in large unaware markets; rapid skimming due to high promo and high price in order to build brand preferences.
- b. Market share is a useful transaction indicator of an aggregate market and in branded markets, the Bertrand equilibrium applies, as the firms set the prices of their brands and sales volume or market share is the clearing variable. Market share changes are hence a useful indicator of promotions, when the exchanged consumer value is determined by the firm and the invitation to transact now has been announced by the firm. These market share changes may be captured on a weekly, monthly or quarterly basis. Promotions cause a competitive offsetting effect to market share dynamics in the short term strategies of marketers. The long run effects of promotions includes forward buying, selection, customer learning, and increased deal sensitivity (Anderson & Simester, 2004). The long run effects of price promotions, even in the rare occurrence of performance evolution are not necessarily positive (Dekimpe et.al, 1999). The long run effect of promotions on sales is virtually absent (Pauwels et. al, 2002).

- c. Extended promotions aid in the maintenance of loyalty as is evident in frequent flyer schemes of airlines and frequent guest programs of star hotels. Customer equity management is also effected, by helping acquisition of customers through promotions and having financial bond promotion options for supporting customer retention.
- d. Promotions can be used for helping the firm remain competitive. One realm is the area of competitive retaliations. A specific case is its use as a counter-offensive strategy to competing brand introductions. For example in the Indian market, Nescafe came up with a good promotion campaign to limit the initial market share of another coffee maker brand Bru (of Unilever) to just 3%, when Bru was first launched.
- e. Promotions can be used as a method to clear stocks by appropriate markdowns.
- f. Promotions attract attention of customers and also generate high amount of visibility for firms and their brands. Retail chains are constantly on the hunt for novel methods of promotions to maintain store traffic.
- g. Promotions can be used to both deflect the attention from price as well as attract attention to price. Major contests, bundling of goods, piggy back promotions of lower value goods on sale of high value goods are some ways of deflecting attention from price as they give a chance to the firm to be in the consumer's choice and provide the experience of usage to the consumer so that he can revise his assessments of the promoted brand. Deflecting attention from price is also done by bringing the promoted brand under the reservation price of the buyer with a hope that the consumer will up his reservation price after the trial of the product; the mobile / cellular services market is a good example of a product market that benefits from this method by offering free airtime services for a limited period. Attraction of attention to price is normally employed through price promotions, normally targeted at price oriented consumers.
- h. Promotions also help initiate value laden transactions that are precursors of relationships. Successive transactions / contracts could establish the realization of market relations on an ongoing basis.
- i. Promotions are useful tools to attract consumers when brands in a product category are similar.
- j. Promotions are also used to attract brand switchers.

## **EMPIRICAL STUDY**

The conceptualization of exchanges, transactions and contracts was checked out through store visits. Big Bazaar is selected for the illustration. Big Bazaar is the largest hypermarket chain in India that operates on a discount format and belongs to the Future Group. Big Bazaar was founded in 2001 and as of June 2012 they had 214 stores spread across 90 cities and towns in India covering 16 million sq ft of retailing space. Big Bazaar had revenue of US \$ 1.09 billion in 2011 with employee strength of around 36000. Big Bazaar is designed as an agglomeration of bazaars or Indian markets with clusters offering a wide range of merchandise including fashion and apparels, food products, general merchandise, furniture, electronics, books, fast food and leisure and entertainment sections.

The store selected is located in Bangalore, India. The following is a summarization of the observations made during the store visit

- a. The store operates on the discount format through a strategy called 'Price Guarantee – If a customer finds the same brand at another store for a lower price then the customer can



- return the good within the period of 2 working days from the date of purchase and obtain an exchange coupon for twice the difference of the prices between Big Bazaar and the other store.
- b. The store promises to provide ‘Service’ and ‘Value’ to customer. The following observations were made:
- i. Service – 365 days open; 15 days exchange policy however with no exchange on promotional items; apparel alteration desk; wheel chair available; free home delivery within 5 kilometres within 24 hours for more than a specified quantity of food and grocery items; free home delivery within 5 kms and 5 hrs for certain electronic goods; gift wrapping
  - ii. Value – discount format; gift vouchers; quality guarantee; 6% extra discount on food and grocery items upto the 10<sup>th</sup> day of every month as a part of ‘monthly savings bazaar’; retailer dependent discount on other products upto 10<sup>th</sup> day of every month as a part of ‘monthly savings bazaar’; loyalty program with ‘PAYBACK’ India’s largest loyalty program; membership in ‘Big Bazaar Profit club’ to pay Rs. 10,000/- and avail purchases of Rs. 1000/- every month for the next 12 months; Talk24 GSM Mobile services recharges at discounted rates; free talktime on Talk24 for shopping at Big Bazaar; ongoing promotion schemes
- c. At the time of the store visit, there was a promotion titled ‘THE GREAT XCHANGE’ between 16 February, 2013 and 31 March, 2013. Old items were taken in and exchange coupons were given which was of 10% off and 20% off denominations and consumers could purchase - food and grocery items using 10% exchange coupons; electronic products using 10% exchange coupons; fashion products including apparel using 20% off coupons. The 10% off or 20% off was on the discounted prices of Big Bazaar.
- The old-new exchange details are as: (i) old newspaper at Rs. 30/- per Kg (ii) old clothes at Rs. 250/- per Kg (iii) old plastics at Rs. 50/- per Kg (iv) old utensils at Rs. 200/- per Kg (v) old PET bottles at Rs. 30/- per Kg (vi) old furniture upto Rs. 7500/-
- d. Implication of (a), (b), (c) above: The store has a slogan ‘The Bazaar of a New India’ and the following was the newness in this promotion: The “Old” items were “EXCHANGED” for Exchange coupons, that combined with the discount format store prices represented “Deep Discounts” over other supermarkets, department stores and hypermarket. The consumer “EXCHANGED” the old items and “TRANSACTIONED” for new products in a limited time window of 45 days. The store received value on two counts: (1) it would later dispose the old in the second’s market and receive monies (ii) it sold new goods although at deep discount rates and increased its revenue. The consumer benefited on two counts: (i) he need not have to put in effort to visit the second’s market to sell his old products and (ii) he bought new goods at a deep discount. There was an exchange of values between the marketer and the marketed. There was only exchange of values for the ‘old- exchange coupon’ interactivity and hence no ‘expenses’ accrued to the store. The customer then purchased new goods and ‘transacted’ and both expenditures and expenses accrued to the customer. In this instance of ‘THE GREAT XCHANGE’ promotion there were two interactions with a clear distinction – ‘an exchange’ and ‘a transaction’. It is noted in the terms and conditions of the promotion that old products eligible for this promotion must have a resale value and Big Bazaar solely reserves the discretion to accept these old products.

## IMPLICATIONS FOR MARKETERS

Transactional marketing needs an appreciation of two basic characteristics of markets – uncertainty / risk and consumer heterogeneity. Uncertainty / risk is managed strategically through contingency planning and choice of robust options; however in a transactional sense they manifest as deviations of demand realizations from demand forecasts. Demand forecasts are obtained through qualitative and quantitative demand forecasting models as a part of strategic planning; however managers would strive to manage the deviations of demand realizations from demand forecasts dynamically through transactional marketing that includes quarterly, half yearly and annual target considerations. Demand management in a broader sense includes all marketing activities to create, satisfy and manage demand. Demand management also includes market potential realization. Market potential realization would include (1) first purchase or trial realization also called market penetration (2) market development in consumer markets and business development in B2B markets which includes market penetration as well as obtainment of first few repeat purchases and fructification of competitive transaction which is of prime importance, (3) diffusion of innovations in a market or at the aggregate level, that arises out of adoption at the individual level.

Market share dynamics results from the market forces of company, competitor, customer and context, and is transactional in nature. Market share dynamics is hence influenced by the management of consumer response and market response using marketing decision variables such as product, price, advertisement and promotion that are under the direct control of the marketing manager. Promotions should also be viewed from the point of whether it aided the firm to remain competitive through the process that is often called as competitive offsetting. Market share dynamics also include brand choice or competitive choice of the customer; choice is influenced by consumer heterogeneity and choice is rewarded by relationship marketing aspects. Market share dynamics associated with context are embedded in the market equilibrium that results. In branded consumer markets market equilibrium is the Bertrand equilibrium where brand managers set prices and the quantity sold is the market clearance variable. As such there is a demand realization that is stochastically decided and the marketer plans through a demand forecast. In a much wider context of B2B markets, the Cournot equilibrium applies where the demand realized quantity is set by the purchasing or sourcing manager at the tendering stage and price is the clearance variable that gets stochastically cleared based on price-value considerations. The demand forecasts are driven by sourcing or buying firm requirements which are in turn driven by the end use or consumer markets. Promotions have an important role to play in transactional marketing in all four aspects – demand management, market potential realization, market share dynamics and market equilibrium.

Promotions as market transactions need to be assessed using performance indicators to ascertain success. Assessments needs to be made first in the area of promotion response to examine whether the market responded with transactions to an extent the firm wanted it to be; in other words did the sales promotion campaign fulfill the objective with which it was laid out in the market place. The various consumer sales promotion techniques laid out in Exhibit 1 aid building transaction differentiation that results in better performance of the promotion campaign. The second assessment is regarding the promotion expense and if the promotion response matched up to the expense based on the promotion objectives laid out at the outset of the promotion effort. The third assessment is regarding the accountability of the marketing organization in executing or implementing the promotion campaign and to understand if the task

was carried out in an appropriate manner; there are five aspects to this value communication - – budget, timing, communication, logistics and legalities. Some kind of insurance or promotional risk management initiatives needs to be put into place to cover over-redemption and stay within the budget (Mullin, 2010). Fourth given that the long term impacts of these promotions on market performance are not significant, it needs to be examined whether the promotions caused the required changes in sales and market share in the short term.

Promotions needs to be at times jointly assessed along with relationship building and in this sense relationships base itself on customization and servicing and other parameters that do not drain transaction values but add to the long term or life time customer value that a firm can expect from a customer. Promotions may increase consumer's price sensitivity. Promotions should not be overused to undermine a brand's future or provide benefits at the expense of building brand equity; this would happen if consumers get used to them and expect sales promotions as part of their normal demand transactions. Rather promotions should contribute to brand building, by aiding brand contact, acting as positive moments of truth for product strategy, supporting advertising, and more importantly optimize customer equity and act as the foundation of effective competitive market transactions that markets are built upon. Marketing strategists have to consider promotional strategies as an effective play for managing consumers and competitors in the long run.

## APPENDIX 1

Consumer sales promotion techniques (based on [http://en.wikipedia.org/wiki/Sales\\_promotion](http://en.wikipedia.org/wiki/Sales_promotion))

- Price deal: A specific time period reduction in the price, such as 50% off.
- Loyal Reward Program: Consumers gather points, miles, or credits for each purchase and redeem them for rewards.
- Cents-off deal: Offers a brand at a lower price. Price reduction may be a percentage of the transaction price.
- Price-pack deal: The packaging offers a consumer a certain percentage more of the product for the same price (for example, 25 percent extra).
- Coupons: coupons are tokens or tickets that can be exchanged for savings.
- Loss leader: the price of a popular product is temporarily reduced in order to stimulate retail store traffic that could lead to sale of the promoted product as well as other products.
- Free-standing insert (FSI): A coupon booklet is inserted into the local newspaper for delivery.
- On-shelf couponing: Coupons are present at the shelf where the product is available.
- Checkout dispensers: On checkout the customer is given a coupon based on products purchased.
- On-line couponing: Coupons are available online. Consumers print them out and take them to the store.
- Mobile couponing: Coupons are available on a mobile phone. Consumers show the offer on a mobile phone to a salesperson for redemption.
- Online interactive promotion game: Consumers play an interactive game associated with the promoted product.
- Rebates: Consumers are offered money back if the receipt and barcode / package are mailed to the producer.

- Contests/sweepstakes/games: The consumer is automatically entered into the event by purchasing the product.
- Point-of-sale displays:-
  - Aisle interrupter: A sign that juts into the aisle from the shelf.
  - Dangler: A sign that sways when a consumer walks by it.
  - Dump bin: A bin full of products dumped inside.
  - Glorifier: A small stage that elevates a product above other products.
  - Wobbler: A sign that jiggles.
  - Lipstick Board: A board on which messages are written in crayon.
  - Necker: A coupon placed on the 'neck' of a bottle.
- Kids eat free specials: Offers a discount on the total dining bill by offering 1 free kids meal with each regular meal purchased.
- *Premiums*.consists of either merchandise offered free or merchandise offered at a significant savings over its retail price.
- *Samples*.Offering the product free or at a greatly reduced price. Often used for new products, sampling puts the product in consumer's hands. A trial size is generally offered that is smaller than the regular package size.
- *Loyalty Programs*. Are a sales promotion tool used to encourage and reward repeat purchases by acknowledging each purchase made by a consumer and offering a premium as purchases accumulate. The most popular loyalty programs today are frequent-flier and frequent-traveler programs used by airlines, hotels, and car rental services to reward loyal customers.
- *Product Placement* involves the use of a brand-name product in a movie, television show, video, or commercial for another product
- *Free trials* inviting prospective purchasers to try the product without cost in the hope that they will buy
- *Warranties* that product will perform as specified or that the seller will fix it or refund the customer's money during a specified period
- *Tie-in promotions* wherein two or more brands or firms team up on coupons, refunds and contests to increase pulling power
- *Cross-promotions* wherein one brand is used to advertise another noncompeting brand.

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