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B.Com Honours | Semester I | Calicut University

Advertisement and Sales Promotion

Course Code: COM1MN108 • Module 4 Notes

1. Sales Promotion: Nature, Tools, and Trade Programs

While advertising builds long-term brand image and awareness, sales promotion represents the tactical component of the marketing mix designed to drive immediate action. By providing short-term incentives, sales promotion accelerates purchasing cycles, helps clear inventory, and counters competitor launches. This final module covers the nature and objectives of sales promotion, consumer promotion tools, trade promotion tools, and strategies for effective implementation.

Nature and Objectives of Sales Promotion

Sales promotion consists of diverse, mostly short-term incentive tools. It is used to complement advertising in two ways:

- **Pull Strategy (Consumer-oriented):** Offering incentives directly to consumers to pull products through the retail channel (e.g., offering discounts).
- **Push Strategy (Trade-oriented):** Offering incentives to wholesalers and retailers to push products onto their shelves (e.g., offering dealer discounts).

Consumer Sales Promotion Tools

Firms use specific incentives to motivate retail consumers to make immediate purchases:

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Discounts, Coupons, & Samples

- **Discounts / Price-offs:** Direct reductions in list price (e.g., 20% off). Highly effective for immediate volume.
- **Coupons:** Certificates offering a savings when purchasing a specific product (e.g., digital promo codes).
- **Free Samples:** Offering a small amount of product for trial (best for new product launches, e.g., small shampoo sachets).

Gifts, Contests, & Displays

- **Premiums (Gifts):** Goods offered free or at low cost as an incentive to buy a product (e.g., free toy in a cereal box).
- **Refunds / Cashbacks:** Returning a portion of the price after purchase upon submitting proof of purchase.
- **POP Displays:** In-store signs, stands, and banners that capture shopper attention at checkout.

Trade Sales Promotion Tools

Trade promotions target intermediaries (distributors, retailers) to encourage stocking and shelf-space allocation:

- **Buying Allowances:** A temporary price reduction offered to dealers for purchasing a minimum quantity during a set period.
- **Merchandise Allowances:** Reimbursing retailers for allocating premium shelf space or displaying promotional material in stores.
- **Dealer Contests:** Rewarding dealers who achieve highest sales targets during a campaign (e.g., free foreign trips for top dealers).
- **Trade Shows & Exhibitions:** Industry-wide conventions where manufacturers set up booths to demonstrate products, network with distributors, and generate bulk orders (e.g., fashion shows, auto expos).
- **Specialties & Novelties:** Distributing useful items (pens, calendars, diaries) branded with the company name to partners.

Strategies and Disadvantages of Sales Promotion

Although highly effective for short-term volume spikes, excessive sales promotion carries significant risks:

- **Brand Dilution:** Constant discounting can damage the brand's premium image, leading consumers to view it as cheap.

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- **Price Sensitivity:** Consumers get trained to buy only during sales cycles, refusing to pay standard retail prices.
- **Sales Forward Buying:** Retailers stock up heavily during discount periods, leading to zero orders in subsequent months.

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