CONSUMER-ORIENTED PROMOTIONS

Chapter Objectives

After studying this chapter, you should be able to:

1. Describe the objectives of consumer-oriented sales promotions.
2. Recognize that many forms of promotions perform different objectives for marketers.
3. Explain the role of sampling, the forms of sampling, and the trends in sampling practice.
4. Explain the role of couponing, the types of coupons, and the developments in couponing practice.
5. Understand the coupon redemption process and misredemption.
6. Explain the role of premiums, the types of premiums, and the developments in premium practice.
7. Describe the role of price-off promotions and bonus packages.
8. Discuss the role of rebates and refund offers.
9. Explain the differences among sweepstakes, contests, and games, and the reasons for using each form of promotion.
10. Understand the role of continuity programs.
11. Appreciate the growth of Internet promotions.
12. Evaluate the potential effectiveness of sales promotion ideas, and appraise the effectiveness of completed promotional programs.

Opening Vignette: “I Scream, You Scream, We All Scream for [Free] Ice Cream”

A detailed section on sampling later in the chapter describes conditions when a brand manager might consider providing consumers with free samples. A fundamental dictum among promotion managers is that a brand should not be sampled unless it has demonstrable advantages over competitive brands and when those advantages cannot be adequately communicated by advertising alone. It is in this light that you may appreciate the following description of how Ben & Jerry’s ice cream was sampled.

Ben & Jerry’s Homemade ice cream is a famous brand that many people associate almost as much with the social mission and philanthropic activities of its cofounders (Ben Cohen and Jerry Greenfield) as they do with the brand’s scrumptious taste and clever names for different flavors (e.g., Cherry Garcia, named after the late Jerry Garcia of the Grateful Dead band). After Ben & Jerry’s was purchased by Unilever in 2000, the brand managers decided to sample the product to increase its market penetration and to convert new users from competitive brands. But how do you sample ice cream? It could be done in supermarkets, but that venue somehow doesn’t quite fit with Ben & Jerry’s image. Obviously, unlike most other products, sampling through the mail also is out of the question. Given these product-sampling limitations, Ben & Jerry’s marketing team decided to sample Ben & Jerry’s ice cream at a special event titled “Urban Pasture,” which was designed specifically for that purpose, and invited ice cream fans to “Stop and taste the ice cream.”

Requiring the event to match Ben & Jerry’s upscale, pastoral image, the promotion planners created an “Urban Pastures” motif complete with cow manikins, banners, lounge chairs, live bands, and, of course, free ice cream. The event toured 13 major U.S. cities, including Boston, Chicago, Los Angeles, and New York. The “Urban Pasture” set up in each city included a main stage from which music was played, and ice-cream-scooping matches were hosted by sports and entertainment celebrities, with the winner at each tour stop receiving the oppor-

Source: Adapted from Betsy Spethmann, “Branded Moments,” PROMO, September 2000, pp. 83–98. Used with permission from PROMO.
Consumer-Oriented Promotions

Chapter Eighteen

INTRODUCTION

This chapter discusses the many consumer-oriented sales promotions that are part of the brand manager’s arsenal when attempting to influence desired behaviors from present and prospective customers. Building on the base developed in Chapters 16 and 17, the chapter focuses exclusively on consumer-oriented promotions. It describes the unique character of each promotion technique and explains the objectives each is intended to accomplish.

Before proceeding, it is appropriate to reiterate some advice that was provided in Chapter 2 and repeated in Chapters 8 and 13. That guidance involved the relations among brand positioning, target markets, objectives, and budgets and was summarized in the form of the following mantra:

All marketing communications should be (1) clearly positioned, (2) directed to a particular target market, (2) created to achieve a specific objective, and (3) undertaken to accomplish the objective within the budget constraint.

This counsel, when considered in the context of strategy formulation about consumer promotions, simply advises that brand positioning and target marketing are the starting points for all decisions. With a clear positioning and precise target, the brand manager is in a position to specify the objective(s) a particular promotion program is designed to accomplish. The manager also must work diligently to ensure that promotion spending does not exceed the budget constraint. This is the challenge that brand managers face when using consumer-oriented promotions to achieve strategic objectives.

Brand Management Objectives and Consumer Rewards

What objectives do brand managers hope to accomplish by using consumer-oriented promotions? Why are consumers receptive to samples, coupons, contests, sweepstakes, cents-off offers, and other promotional efforts? Answers to these interrelated questions constitute the core of this chapter. Before discussing brand management objectives and consumer rewards, we first need to set the stage for understanding why consumer promotions are used extensively.

Why Use Consumer Promotions? In most every product category, whether durable products or consumer packaged goods (CPGs), there are several brands available to wholesalers and retailers (the trade) to choose among and for consumers ultimately to select or reject for personal or family consumption. As a brand manager, your objective is to get your brand adequately placed in as many retail outlets as possible and to ensure that the brand moves off the shelves with frequency sufficient to keep retailers satisfied with its performance and to achieve your own profit objectives. This requires that you get consumers to try your brand and purchase it regularly.

Your competitors, on the other hand, have identical goals. They are attempting to garner the support of the same wholesalers and retailers that you desire
and achieve purchase loyalty from the consumers you also covet. Their gain is your loss. It is a vicious zero-sum game in the battle for trade customers and final consumers. You are unwilling to make it easy for your competitors to succeed, and they are not inclined to make your life the proverbial bed of roses.

Though the stakes pale in comparison, brand managers—like their counterparts in the military—are constantly attacking, counterattacking, and defending their turf against competitive inroads. Advertising plays a major role in this battle, flying above the day-to-day action, in a manner of speaking, and dropping persuasive bombs. Sales promotion, on the other hand, is analogous to an army’s ground troops who are engaged in the “dirty work” of fighting off the competition and engaging in hand-to-hand battle. Advertising alone is insufficient; promotion by itself is inadequate. Together they can make a formidable opponent.

Now, in answer to the question opening this section, consumer promotions are used because they accomplish goals that advertising by itself cannot achieve. Consumers oftentimes need to be induced to buy now rather than later, to buy your brand rather than a competitor’s, and to buy more rather than less. Sales promotions are uniquely suited to achieving these imperatives. Whereas advertising makes consumers aware of your brand and promotes a positive image, promotions serve to consummate the transaction.

Before proceeding, I wish to make one final preliminary point. This actually is a personal request regarding your study of this chapter. In particular, as a consumer living in a market-oriented society who is exposed daily to the commonplace practice of marketers inundating us with promotions such as coupons, samples, and sweepstakes, you may think you already understand everything you need to know about these ordinary topics. I have no doubt that you do know a lot. Yet, just as you know of Einstein’s theory of relativity (E = MC²), you probably do not actually understand the theory any more than does the author of this text. Though promotions are trivial in comparison to Einstein’s theory, the point I am attempting to make is that you probably also do not understand sales promotions beyond a relatively superficial level. It is my wish that you study the following material with the goal of really understanding why the various types of promotions are used and what unique objectives each is designed to accomplish. Sophisticated brand managers do not simply reach into a “bag” and pick out any promotional tool as if the multiple forms of promotions are completely interchangeable. Rather, each is chosen to accomplish strategic objectives to a degree better than alternative options.

**Brand Management Objectives.** The overarching objective of consumer-oriented promotions is to promote increased sales. (Sales promotion = promoting sales.) Subsidiary to this overarching goal and in concert with trade-oriented promotions (the subject of the prior chapter), consumer promotions are capable of achieving various sales-influencing objectives for “our” brand:

- Gaining trade support for inventorying increased quantities of our brand during a limited period and providing superior display space for our brand during this period.
- Reducing brand inventory for a limited period when inventories have grown to an excessive level due to slow sales caused by economic conditions or effective competitive actions.
- Providing the sales force with increased motivation during a promotional period to gain more distribution for our brand, better display space, or other preferential treatment vis-à-vis competitive brands.
- Protecting our customer base against competitors’ efforts to steal them away.
- Introducing new brands to the trade and to consumers.
- Entering new markets with established brands.
- Promoting trial purchases among consumers who have never tried our brand or achieving retrial from those who have not purchased our brand for an extended period.
• Rewarding present customers for continuing to purchase our brand.
• Encouraging repeat purchasing of our brand and reinforcing brand loyalty.
• Enhancing our brand’s image.
• Increasing advertising readership.
• Facilitating the process of continuously expanding the list of names and addresses in our database.

As can be seen, consumer promotions are used to accomplish a variety of objectives, with the ultimate goal of driving increased sales of our brand. Consumer promotions, when done effectively, can serve to gain the trade’s support, inspire the sales force to improved performance, and, most important for present purposes, motivate consumers to commit a trial purchase of our brand and, ideally, to purchase it with greater frequency and perhaps even in larger quantities.

To simplify matters some, the following discussions of specific forms of consumer-oriented promotions (samples, coupons, etc.) focus primarily on objectives directed at influencing consumer behavior rather than initiating trade or sales force action. We will focus on three general categories of objectives: (1) generating trial purchases, (2) encouraging repeat purchases, and (3) reinforcing brand images.

Some sales promotions (such as samples and coupons) are used primarily for trial impact. A brand manager employs these promotional tools to prompt nonusers to try a brand for the first time or to encourage retrial from prior users who have not purchased the brand for perhaps extended periods. At other times, managers use promotions to hold onto their current customer base by rewarding them for continuing to purchase the promoted brand or loading them with a stockpile of the manufacturer’s brand so they have no need, at least in the short run, to switch to another brand. This is sales promotions’ repeat-purchase objective. Sales promotions also can be used for image reinforcement purposes. For example, the careful selection of the right premium object or appropriate sweepstakes prize can serve to bolster a brand’s image.

**Consumer Rewards.** Consumers would not be responsive to sales promotions unless there was something in it for them—and, in fact, there is. All promotion techniques provide consumers with rewards (benefits, incentives, or inducements) that encourage certain forms of behavior desired by brand managers. These rewards, or benefits, are both utilitarian and hedonic. Consumers who use sales promotions receive utilitarian, or functional, benefits of (1) obtaining monetary savings (e.g., when using coupons), (2) reducing search and decision costs (e.g., by simply availing themselves of a promotional offer and not thinking about other alternatives), and (3) obtaining improved product quality made possible by a price reduction that allows consumers to buy superior brands they might not otherwise purchase. Consumers also obtain hedonic benefits when taking advantage of sales promotion offers. These nonfunctional benefits include (1) accomplishing a sense of being a wise shopper when taking advantage of sales promotions, (2) achieving a need for stimulation and variety when, say, trying a brand one otherwise might not purchase if it were not for an attractive promotion, and (3) obtaining entertainment value when, for example, the consumer competes in a promotional contest or participates in a sweepstakes.

The rewards consumers receive from sales promotions sometimes are immediate, while at other times they are delayed. An immediate reward is one that delivers monetary savings or some other form of benefit as soon as the consumer performs a marketer-specified behavior. For example, you receive cash savings at the time you redeem a coupon, and you obtain pleasure immediately when you try a free food item or beverage. Delayed rewards are those that follow the behavior by a period of days, weeks, or even longer. For example, you may have to wait six or eight weeks before a mail-in premium item can be enjoyed.

Generally speaking, consumers are more responsive to immediate rewards than they are to delayed rewards. Of course, this is in line with the natural human preference for immediate gratification.
Classification of Promotion Methods

It is insightful to consider each consumer-oriented promotion technique in terms of its brand management objective simultaneously with its consumer reward. Table 18.1 presents a six-cell typology that was constructed by cross-classifying the two forms of consumer rewards (immediate versus delayed) with the three objectives for using promotions (generating trial, encouraging repeat purchases, and reinforcing brand image).

Cell 1 includes three promotion techniques—samples, instant coupons, and shelf-delivered coupons—that encourage trial purchase behavior by providing consumers with an immediate reward. The reward is either monetary savings, in the case of instant coupons, or a free product, in the case of samples. Media- and mail-delivered coupons, free-with-purchase premiums, and scanner-delivered coupons—all found in cell 2—are some of the techniques that generate consumer trial yet delay the reward.

Cells 3 and 4 contain promotional tools that are intended to encourage repeat purchases from consumers. Marketing communicators design these techniques to reward a brand’s existing customers and to keep them from switching to competitive brands—in other words, to encourage repeat purchasing. Immediate reward tools, in cell 3, include price-offs; bonus packs; in-, on-, and near-pack premiums; and games. Delayed reward techniques, listed in cell 4, include in- and on-pack coupons, refund and rebate offers, phone cards, and continuity programs.

Building a brand’s image is primarily the task of advertising; however, sales promotion tools may support advertising efforts by reinforcing a brand’s image. By nature, these techniques are incapable of providing consumers with an immediate reward; therefore, cell 5 is empty. Cell 6 contains self-liquidating premiums and two promotional tools, contests and sweepstakes, that, if designed appropriately, can reinforce or even strengthen a brand’s image in addition to performing other tasks.

Caution Is in Order! Before proceeding, it is important to reemphasize that the classification of promotional tools in Table 18.1 is necessarily simplified. First, the table classifies each technique with respect to the primary objective it is designed to accomplish. It is important to recognize, however, that promotions...
are capable of accomplishing more than a single objective. For example, bonus packs (cell 3) are classified as encouraging repeat purchasing, but first-time triers also occasionally purchase brands that offer extra volume. The various forms of coupons located in cells 1 and 2 are designed primarily to encourage triers and to attract switchers from other brands. In actuality, however, most coupons are redeemed by current purchasers rather than by new buyers. In other words, though intended to encourage trial purchasing and switching, coupons also invite repeat purchasing by rewarding present customers for continuing to purchase “our” brand.

Second, the tools in Table 18.1 are categorized under the primary objective each is designed to accomplish toward consumers. It is important to recognize, however, that manufacturers use consumer-oriented sales promotions also to leverage trade support. For example, when a manufacturer informs retailers that a certain brand will be sampled during a designated period, the manufacturer is virtually assured that retailers will purchase extra quantities of that brand and possibly provide additional display space. In other words, consumer-oriented promotions can influence trade behavior as well as consumer action.

Finally, note that two techniques, coupons and premiums, are found in more than one cell. This is because these techniques achieve different objectives depending on the specific form of delivery vehicle. Coupons delivered through the media (newspapers and magazines) or in the mail offer a form of delayed reward, whereas instant coupons that are peeled from a package at the point of purchase offer an immediate reward. Similarly, premium objects that are delivered in, on, or near a product’s package provide an immediate reward, while those requiring mail delivery yield a reward only after some delay.

**SAMPLING**

The baby-food division of H.J. Heinz Company developed a rather revolutionary product idea: a powdered, instant baby food. Although Heinz’s management was optimistic about instant baby food, they knew consumers would resist trying the product because of a natural inertia regarding dramatic product shifts and the fear of treating their babies as guinea pigs. A further complication was the difficulty of communicating the product’s benefits by advertising alone. Heinz needed a way to persuade mothers to try instant baby food. The solution was to employ the services of a company that specializes in delivering samples to mothers of newborn infants. This form of sampling avoided waste distribution and gave mothers firsthand experience with preparing and feeding their babies instant food. Many sample recipients became loyal users.3

This case illustrates the power of sampling as a promotional technique. Most practitioners agree that sampling is the premier sales promotion device for generating trial usage. In fact, some observers believe that sample distribution is almost a necessity when introducing truly new products. Sampling is effective because it provides consumers with an opportunity to personally experience a new brand. It allows an active, hands-on interaction with the sampled brand rather than a passive encounter, as is the case with the receipt of promotional techniques such as coupons.4

By definition, **sampling** includes any method used to deliver an actual- or trial-sized product to consumers. Over 80 percent of manufacturers use sampling as part of their consumer promotion mix for purposes of generating trial or retrial and to leverage trade support.5 Brand managers in the United States invest over $1.2 billion annually on product sampling.6

Various distribution methods are used to deliver samples either alone (solo sampling) or in cooperation with other brands (co-op sampling):

- **Direct mail:** Samples are mailed to households targeted by demographic characteristics or in terms of geodemographics (as discussed in Chapter 3). Figure 18.1 (for Pert Plus shampoo plus conditioner) illustrates how direct mail was used effectively by Procter & Gamble to introduce consumers to this brand. The two foil packets allow two consumers in the
same household to try this product—one with normal hair, the other with dry or damaged hair.

- **Newspapers and magazines**: Samples often are included in magazines and newspapers. The Sunday newspaper is an increasingly attractive medium for broad-scale sampling, especially when considering that over 60 million American households get a Sunday newspaper. Figure 18.2 is an advertisement from a company (Valassis Communications) that offers various formats (including plastic pouches as shown in the figure) for delivering samples via the newspaper. Note the claim that newspaper-delivered samples generate twice the brand awareness, recall, and sample trial as does the following distribution method, direct-to-door sampling.

- **Door-to-door sampling by distribution crews**: This form of sampling allows considerable targeting and possesses advantages such as lower cost and short lead times from when a sampling request is made by a brand manager and samples are ultimately delivered by the sampling company. Companies that specialize in door-to-door sampling target household selection to fit the client’s needs. Samples can be distributed just in blue-collar neighborhoods, Hispanic areas, or in any other locale where residents match the sampled brand’s target market.

- **On- or in-pack sampling**: This method uses the package of another product to serve as the sample carrier. Figure 18.3 is an advertisement from a company called Co-op Promotions that specializes in this form of promotion. The ad indicates that Nuprin pain reliever was sampled in Ace bandages and that the Molly McBButter brand was sampled in Success Rice. The complementary nature between each brand pair is obvious, which is a key requirement of this form of tie-in promotion. (More about this issue later in the chapter.)

- **High-traffic locations and events**: Shopping centers, movie theaters, airports, and special events offer illustrative forums for sample distribution. More will be said about this form of sampling in a later discussion of creative forms of sampling.
**In-store sampling:** Demonstrators provide product samples in grocery stores and other retail outlets for trial while consumers are shopping. It is understandable that in-store is the most frequent form of sampling when considering that this distribution mode offers samples to consumers where and when their purchase decisions can be influenced most immediately. A store such as Toys ‘R’ Us, for example, would be an appropriate outlet for reaching moms and kids, and Blockbuster is an excellent venue for delivering samples to teens and young adults.

**Internet sampling:** Brand managers are increasingly distributing samples online. They typically employ the services of companies that specialize in online sample delivery, companies such as Amazing Freebies!, FreeShop.com, Sampleville, StartSampling, and TheFreeSite.com. We return to online sampling in a later discussion of creative delivery methods.

**Major Sampling Practices**

Brand managers have distributed free samples for generations. Historically, however, many sampling efforts were unsophisticated and wasteful. In particular, there was a tendency to use mass distribution outlets in getting sampled products in the hands of as many people as possible. Sophisticated sampling now insists on three prudent practices: (1) target rather than mass distribute samples, (2) use
innovative distribution methods when appropriate, and (3) undertake efforts to measure sampling’s return on investment.

**Target Sample Recipients.** Sampling services that specialize in precision distribution (targeting) have emerged in recent years. The distribution of Heinz baby food to mothers of newborns is one example, as was the sampling of Ben & Jerry’s Homemade ice cream in the Opening Vignette. RightChoice Sampling, a targeting specialist, aims for children under the age of 8 by distributing samples at zoos, museums, and other locations that appeal to young children and their parents. It reaches children and teens (ages 9 to 17) at venues such as little league baseball fields, movie theaters, and skating centers. Young adults (18 to 24) receive samples at colleges and universities, at malls, beaches, and concerts. Airports, shopping centers, and high-density retail districts are good sites for homing in on adults aged 25 to 54.

Another form of targeting is delivering samples to consumers who are either product nonusers or users of competitive brands. The Gillette Company, for example, mailed 400,000 Sensor razors to men who use competitive wet razors.

How would you reach high school males? This is one of the most inaccessible markets because they are not particularly heavy television viewers or magazine readers. MarketSource, another company that specializes in targeted sample distribution, developed a program that connected with teenage males by distributing gift packages of product samples (such as shaving cream, razors, mouthwash, and candy) at tuxedo rental shops. Recipients picked up their sample pack when they arranged to rent a prom tuxedo.8
Suppose you wanted to reach young children with free samples. Where would you gain access to this group? Distributors hand out sample packs at stores such as Toys ‘R’ Us. One sampling executive describes the advantage of this form of targeting sampling in these terms:

When you’re giving your product to customers in Toys ‘R’ Us, you can bet with 99 percent accuracy you’re reaching families with children under 12 or grandparents with grandchildren that age. You don’t have that kind of certainty of reach with other [forms of marketing communications].

Targeting inner-city residents with samples is problematic due to the fact that a relatively high percentage of inner-city mailboxes are in a state of disrepair at any particular time, according to Lafayette Jones, president of a company that specializes in delivering samples to African Americans and Hispanics. What is Mr. Jones’s solution? His company has established a network of several thousand African American and Hispanic churches through which samples are distributed. Ministers in these churches often present sample bags to members of the congregation. Jones’s company also distributes samples to intercity residents through a large network of beauty salons and barber shops.

A final illustration of targeted sampling involves the distribution of Benadryl anti-itch cream conducted a few years ago by Warner-Lambert, then makers of Benadryl (since merged under the Pfizer name). Warner-Lambert wanted to develop a sampling program that would contact victims of itching caused by mosquito bites, heat rash, poison ivy, and so on. The objective was to approach prospective consumers at “point-of-itch” locations where they would be most receptive to learning about the virtues of Benadryl. The company considered sampling at retail lawn-and-garden departments but eliminated that prospect as not quite satisfying its point-of-itch objective. It eventually came up with the clever idea of sampling at KOA Kampsites—locations where people camp, enjoy the outdoors, and . . . itch. Twenty-five million people visit KOA sites every year. During a two-summer period Warner-Lambert distributed 6 million Benadryl samples to 550 campsites, thereby achieving effective and cost-efficient sample distribution.

Use Creative Distribution Methods. Companies are applying numerous creative ways to get sample merchandise into the hands of targeted consumers. One company distributed samples of Chunky candy bars to consumers stuck in rush-hour traffic.

Progresso Soup (Figure 18.4), marketed by the Pillsbury Company, employed a fleet of “Soupermen” to deliver cups of hot soup from backpack dispensers to consumers in cold-weather cities such as Cleveland, Chicago, Detroit, and Pittsburgh. From October through March, sampling teams visited consumers in these cities at sporting events, races, outdoor shows, and other locales—all of
which represented ideal locations for getting consumers to try cups of hot Pro-
gresso soup.

Guinness Import Company (Figure 18.5) sampled its unique beer using trac-
tor trailers equipped with dozens of taps. These trailers traveled to Irish music fes-
tivals in cities such as New York, Chicago, and San Francisco. According to a com-
pany spokesperson, Guinness invested in the trailers because it regards hands-on
sampling at special events as a good opportunity to create a unique brand usage
experience and to avoid the clutter of mass media advertising.\(^\text{14}\)

Another example of creative sampling is provided by the Marie Callender’s
brand of frozen foods owned by ConAgra Frozen Foods. West of the Rocky
Mountains, Marie Callender’s is a name well known for homestyle restaurants.
The line of frozen foods under the Marie Callender’s name performed well in
Western markets, but in the Midwest and Eastern markets, sales were sluggish
because the Marie Callender’s name in these markets had no preestablished
brand equity as it had in the West. ConAgra decided it would have to aggres-
sively sample Marie Callender’s frozen foods to establish the name and generate
trade and consumer enthusiasm.

ConAgra developed a clever way to sample its line of Marie Callender’s
frozen foods. Old Airstream trailers were purchased and converted into retro
Marie Callender’s Mobile Diners. The trailers were sent to six markets: Chicago,
Detroit, Grand Rapids, Milwaukee, Pittsburgh, and New England. Samples of
Marie Callender’s entrees were distributed to over 100,000 consumers in these
markets. Live radio broadcasts and in-store point-of-purchase banners ann-
nounced the diner visits. As a result of the sampling program, key retail accounts
in the six-market area ordered ConAgra’s Marie Callender’s frozen foods, and
consumers demonstrated their receptiveness to this new brand through trial and
repeat purchasing.\(^\text{15}\)
The most recent method to creatively sample brands is the Internet. As noted earlier, a number of specialized companies have entered this business to serve as online sampling portals for the CPG companies they represent. Interested consumers are driven to online sampling sites and register to receive free samples for brands that interest them. Samples are then mailed in a timely fashion. Because mailing represents a major cost element, it is estimated that online sampling costs are perhaps three times greater than sampling in stores or at special events. The justification for this added expense is that people who go online to request a particular sample are really interested in that brand—and eventually may purchase it—in comparison, say, to people who receive a sample at an event. Though representing a useful way to distribute samples, it is doubtful that online sampling will displace alternative sampling methods. The IMC Focus describes one case of successful online sampling by StartSampling (http://www.startsampling.com). (See Figure 18.6 for a clever advertisement from StartSampling that is directed at recruiting businesses to use its online sampling program.)

**Estimate Return on Investment.** As previously noted when discussing advertising, marketing communicators are increasingly being held accountable for their decisions. Financial officers, senior marketing executives, and chief executives are demanding evidence that investments in advertising and promotions can be justified by the profits they return. Return on investment (ROI) is a tool that can be used to assess whether an investment in a sampling program is cost justified. Table 18.2 lays out the straightforward steps in applying an ROI analy-
How Effective Is Sampling?

How effective is sampling in influencing trial purchase behavior? What influence does it have on stimulating repeat purchase behavior? NPD Research, a firm that collects data from a panel of over 30,000 households that maintain continuous diaries of packaged-goods purchases, has shed light on these questions. Their composite results for eight brands show that of the households who did not receive free samples (the control group), an average of about 11 percent made trial purchases of the eight brands. By comparison, 16 percent of the recipients of free samples made trial purchases. Moreover, nearly 36 percent of the families who made purchases after receiving samples repurchased the brand, whereas only 32 percent of the control group triers repurchased. However, research involving Frito-Lay’s sampling of its Sunchips brand determined no differences in repeat purchase rates for people who were given the brand compared to those who bought it without a prior sample.

There absolutely is no doubt that sampling can be an effective stimulant to trial purchasing. However, whether sampling also increases repeat purchase behavior undoubtedly depends on the specific characteristics of the sampled brand and the competitive situation. All that can be said for certain is that the sampling’s influence on repeat purchase behavior probably is moderated by the quality of the sampled product. In other words, if consumers try a new product and learn that it is demonstrably superior to alternatives on the market, it stands to reason that the sample-use experience will facilitate further purchasing. If, on the other hand, the product is found wanting in quality or has no relative advantage, sampling is likely to have no effect on subsequent purchasing or, in the worst case, may retard repeat purchasing.
When Should Sampling Be Used?

Promotion managers use sampling to induce consumers to try either a brand that is new or one that is moving into a different market. While it is important to encourage trial usage for new brands, sampling is not appropriate for all new or improved products. Ideal circumstances include the following:

1. Sampling should be used when a new or improved brand is either demonstrably superior to other brands or when it has distinct relative advantages over brands that it is intended to replace. If a brand does not possess superiority or distinct advantages, it probably is not economically justifiable to give it away.

2. Sampling should be used when the product concept is so innovative that it is difficult to communicate by advertising alone. The earlier example of Heinz instant baby food illustrates this point, as probably does the example of Ben & Jerry’s Homemade ice cream sampling described in the Opening Vignette. In general, sampling enables consumers to learn about product advantages that marketers would have difficulty convincing them of via advertising alone. Procter & Gamble sampled its new line of olestra-made Fat Free Pringles to lunchtime crowds in 20 major cities. The brand management team knew that consumers had to taste for themselves that this fat-free version of Pringles tasted virtually the same as regular Pringles chips.

3. Sampling should be used when promotional budgets can afford to generate consumer trial quickly. If generating quick trial is not essential, then cheaper trial-impacting promotional tools such as coupons should be used.
Sampling Problems

There are several problems with the use of sampling. First, sampling is expensive. Second, mass mailings of samples can be mishandled by the postal service or other distributors. Third, samples distributed door to door or in high-traffic locations may suffer from wasted distribution and not reach the hands of the best potential customers. Fourth, in- or on-package sampling excludes consumers who do not buy the carrying brand. Fifth, in-store sampling often fails to reach sufficient numbers of consumers to justify its expense.

A sixth problem with samples is that consumers may misuse them. Consider the case of Sun Light dishwashing liquid, a product of Lever Brothers. This product, which smells like lemons, was extensively sampled some years ago to more than 50 million households. Unfortunately, nearly 80 adults and children claimed that they became ill after consuming the product, having mistaken the dishwashing liquid for lemon juice! According to a Lever Brothers’ marketing research director at the time of the sampling, there is always a potential problem of misuse when a product is sent to homes rather than purchased with prior product knowledge at a supermarket.21

A final sampling problem, pilferage, can result when samples are distributed through the mail. A case in point occurred in Poland shortly after the Iron Curtain separating eastern from western Europe was literally and symbolically demolished with the fall of communist dominion in the east. Procter & Gamble mailed 580,000 samples of Vidal Sassoon Wash & Go shampoo to consumers in Poland, the first ever mass mailing of free samples in that country. The mailing was a big hit—so big, in fact, that about 2,000 mailboxes were broken into. The shampoo samples, although labeled “Not for sale,” turned up on open markets and were in high demand at a price of 60 cents each. P&G paid nearly $40,000 to the Polish Post, Poland’s mail service, to deliver the samples. In addition to the cost of distribution, P&G paid thousands more to have mailboxes repaired.22

Due to its expense and because of waste and other problems, the use of sampling fell out of favor for a period of time as many marketers turned to less expensive promotions, especially couponing. However, with the development of creative solutions and innovations, promotion managers have again become enthusiastic about sampling. Sampling has become more efficient in reaching specific target groups, its results are readily measurable, and the rising costs of media advertising have increased its relative attractiveness.

COUPONING

A coupon is a promotional device that rewards consumers for purchasing the coupon-offering brand by providing either cents-off savings or free merchandise. Cents-off savings often are as high as 75 cents or more. Free-merchandise offers typically come in the form of “buy 2, get 1 free” in which the free item is either another unit of the same brand or a different brand as in the Special K offer for a 2-liter bottle of Diet Pepsi along with two packages of Special K cereal (see Figure 18.7).

Coupons are delivered through newspapers, magazines, freestanding inserts, direct mail, in or on packages, online, and, increasingly, at the point of purchase by package, shelf, and electronic delivery devices. It is important to appreciate the fact that not all delivery methods have the same objective. Instant coupons (that is, those that can be peeled from packages at the point of purchase) provide immediate rewards to consumers and encourage trial purchases as well as repeat buying from loyal consumers. Mail- and media-delivered coupons delay the reward, although they also generate trial purchase behavior. Before discussing these specific coupon delivery modes in detail, it first will be instructive to examine pertinent developments in coupon use.

Couponing Background

Couponing in the United States reached its peak with 327 billion coupons distributed in 1994.23 Since then there has been a reduction in coupon distribution, with
approximately 250 billion coupons distributed in 2000. The decrease in couponing resulted not from diminished marketer interest in this promotional tool but rather is attributable to the fact that marketers have become more adept at targeting coupons to specific consumer groups. Because the use of coupons tends to decline during periods of economic upsurge and increase during recessions, it is expected that coupon usage will have increased during the recession of 2001–2002.

Virtually all CPG marketers issue coupons. The use of coupons is not, however, restricted to packaged goods. For example, General Motors Corporation mailed coupons valued as high as $1,000 to its past customers in hopes of encouraging them to purchase new cars. The Ford Motor Company quickly retaliated by offering to honor GM coupons.

Surveys indicate that virtually all American consumers (99 percent) use coupons at least on occasion and that almost all (93 percent) say that they like coupons “somewhat” or “very much.” However, research has established that consumers vary greatly in terms of their psychological inclination to use coupons and that this coupon proneness is predictive of actual coupon redemption behavior.

The appeal of coupons is not limited to American consumers. A major international study found that consumers in every country included in the survey valued coupons. Although vastly more coupons are distributed in the United States than elsewhere, redemption rates (the percentage of all distributed coupons that are taken to stores for price discounts) are higher in most other countries. However, couponing in some countries is virtually nonexistent or in the fledgling
stage. For example, in Germany the government limits the face value of coupons to 1 percent of a product’s value, which effectively eliminates this form of promotion in that country for consumer packaged goods. Only a small amount of couponing occurs in France because the few chains that control the retail grocery market in that country generally oppose the use of coupons. Couponing activity in Japan is in the early stages following the lifting of government restrictions.

**Coupon Distribution Methods.** The method of coupon distribution preferred by brand managers is the *freestanding insert (FSI)*. FSIs, which are inserts appearing in Sunday newspapers, accounted for approximately 82 percent of all coupons distributed in the United States in 2000. The other media for coupon distribution are handouts at stores or other locations (7.7 percent), magazine and newspaper distribution (4.4 percent), inside or on product packages (2.9 percent), direct mail (2 percent), and in store or via the Internet (1 percent). 28 The dominance of FSIs is a dramatic change from just a quarter-century ago, when only 15 percent of coupons were distributed by FSI, and nearly 75 percent were distributed via newspapers and magazines. 29 The reason for these changes should be obvious: Freestanding inserts capture the consumer’s attention more readily and therefore are superior in overcoming competitive clutter.

Another major trend in coupon distribution has been the establishment of *cooperative coupon programs*. These are programs in which a service distributes coupons for a single company’s multiple brands or brands from multiple companies. Two such service companies—Valassis Inserts and News America Marketing—are responsible for distributing the billions of FSI coupons. Val-Pak Direct Marketing Systems is a cooperative program for distributing coupons by direct mail.

**Economic Impact.** The extensive use of couponing has not occurred without criticism. Some critics contend that coupons are wasteful and may actually increase prices of consumer goods. Whether coupons are wasteful and inefficient remains problematic. However, it is undeniable that coupons are an expensive proposition. For a better understanding of coupon costs, consider the case of ConAgra’s brand of Marie Callender’s frozen entrees and its coupon with a face value of $1.00. The coupon’s actual cost to ConAgra, as shown in Table 18.3, is substantially more at $1.59. As can be seen from the table, the major cost element is the face value of $1.00 that is deducted from the purchase price of a Marie Callender’s frozen entree on redemption of the coupon. But the makers of this brand also incur (1) a hefty distribution and postage cost (40 cents), (2) a handling charge that is paid to retailers for their troubles (8 cents), (3) a misredemption charge resulting from fraudulent redemptions (estimated at 7 cents), (4) internal preparation and processing cost (2 cents), and (5) a redemption cost (2 cents). The actual cost of $1.59 per redeemed coupon is 59 percent greater than the face value of $1.00. Assume that ConAgra distributed 40 million of these FSI coupons and that 2 percent, or 800,000, were redeemed. The total cost to ConAgra of this coupon “drop” would thus amount to $1.272 million. It should be apparent that coupon activity requires substantial investment to accomplish desired objectives.

![Table 18.3](#)

<table>
<thead>
<tr>
<th>Full Coupon Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Face value</td>
</tr>
<tr>
<td>2. Distribution and postage cost</td>
</tr>
<tr>
<td>3. Handling charge</td>
</tr>
<tr>
<td>4. Consumer misredemption cost</td>
</tr>
<tr>
<td>5. Internal preparation and processing cost</td>
</tr>
<tr>
<td>6. Redemption cost</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
</tr>
</tbody>
</table>

Source: Adapted from an analysis performed by the McKinsey & Co. consulting firm.
Obviously, programs that aid in reducing costs, such as cooperative delivery programs, are eagerly sought. Creative and innovative couponing programs are constantly being developed. Coupons are indeed costly, some are clearly wasteful, and other promotional devices may be better. However, the extensive use of coupons either suggests that there are a large number of incompetent brand managers or that better promotional tools are not available or are economically infeasible. The latter explanation is the more reasonable when considering how the marketplace operates. If a business practice is uneconomical, it will not continue to be used for long. When a better business practice is available, it will replace the previous solution. Conclusion: It appears that coupons are used extensively because marketers have been unable to devise more effective and economical methods for accomplishing the objectives achieved with couponing.

Is Couponing Profitable? Recall the discussion in Chapter 16 that examined when promotional dealing is and is not profitable. Among other conclusions, it was determined that putting a brand on deal is unprofitable if the market is composed entirely of promotion-insensitive consumers or entirely of stockpiling loyalists. On the other hand, dealing a brand is profitable if the market consists of on-deal-only consumers.

Of course, markets never consist entirely of just one type of consumer. However, there is evidence showing that those households most likely to redeem coupons are also the most likely to buy the brand in the first place. It has been estimated that as much as 70 to 80 percent of coupons are redeemed by a brand’s current users. Moreover, most consumers revert to their pre-coupon brand choice immediately after redeeming a competitive brand’s coupon.31 Hence, when consumers who redeem would have bought the brand anyway, the effect of couponing, at least on the surface, is merely to increase costs and reduce the per-unit profit margin. However, the issue is more involved than this. Although it is undeniable that most coupons are redeemed by current brand users, competitive dynamics force companies to continue offering coupons to prevent losing consumers to other brands that do offer coupons, other promotional deals, or temporary price reductions.

Couponing is a fact of life that will continue to remain an important part of marketing in North America and elsewhere. The real challenge for promotion managers is to continuously seek ways to increase couponing profitability and to target coupons to consumers who may not otherwise purchase their brands.

The following sections describe the major forms of couponing activity, the objectives each is intended to accomplish, and the innovations designed to increase couponing profitability. The presentation of couponing delivery methods follows the framework presented earlier in Table 18.1.

**Point-of-Purchase Couponing**

As discussed in Chapter 7, approximately 70 percent of purchase decisions are made in the store. It thus makes sense to deliver coupons at the point where decisions are made. Point-of-purchase coupons come in three forms: instant, shelf delivered, and electronically delivered by optical scanner.

**Instantly Redeemable Coupons.** Most coupon distribution methods have delayed impact on consumers because the coupon is received in the consumer’s home and held for a period of time before it is redeemed. **Instantly redeemable coupons** (IRCs) are peelable from the package and are designed to be removed by the consumer and redeemed at checkout along with purchase of the couponing brand. This form of coupon represents an immediate reward that can spur the consumer to undertake a trial purchase of the promoted brand. Instant coupons provide a significant price reduction and an immediate point-of-purchase incentive for consumers.

Although the instant coupon is a minor form of couponing, it has emerged in recent years as an alternative to price-off deals (in which every package must be reduced in price). The redemption level for instant coupons is considerably higher than the level for other couponing techniques. Whereas the dominant...
couponing method, FSIs, generates an average redemption level of approximately 1.5 percent (i.e., on average about 15 out of every 1,000 households that receive FSIs actually redeem them at stores), the average redemption rate for instant coupons is about 30 percent. One would think that most all purchasers would remove instant coupons at the time of making a purchase so as to receive the savings immediately, but obviously the majority do not take advantage of these instant coupons.

A study compared the effectiveness of instant redeemable coupons against freestanding inserts in generating sales for a brand of body wash. The FSI and IRC coupons had face values of either 50 cents or $1. Each coupon type and value combination (that is, 50-cent FSI, $1 FSI, 50-cent IRC, $1 IRC) was placed on the body wash brand in each of two markets for a two-month period. Recorded sales data revealed that the IRCs out-performed FSIs of equal value. Moreover, the 50-cent IRC increased sales volume by 23 percent more than the $1 FSI! This obviously is a counterintuitive finding that requires some explanation.

A spokesperson for the company that conducted this research said that his company had no idea why the 50-cent IRC out-performed the $1 FSI. However, research from the academic front offers an answer. One study found that a 75-cent coupon was not considered any more attractive than a 40-cent coupon. A more directly relevant study determined that higher-value coupons signal higher prices to consumers. This is especially true when consumers are unfamiliar with a brand. In this situation, high coupon values may “scare them off” by suggesting, or signaling, that these brands are high priced.

Perhaps the $1 FSI for the body wash implied to prospective customers that the brand must be high priced or it could not justify offering such an attractive coupon offer. This being the case, they would not have removed the FSI coupon for later redemption. Comparatively, the 50-cent IRC was available to consumers at the point of purchase where the brand’s actual price was available to them. They had no reason to expect a high price; rather, they saw an opportunity to receive an attractive discount by simply peeling the coupon and presenting it to the clerk when checking out. Ironically, higher-valued coupons may attract primarily current brand users who know the brand’s actual price and realize the deal offered by the attractive coupon, whereas potential switchers from other brands may be discouraged by a higher-valued coupon if to them it signals a high price. This, of course, is particularly problematic in the use of FSIs, a form of coupon received away from the point of purchase and that, as a matter of practicality, include only the coupon value but not the brand’s regular price. Such is not the case, however, with IRCs.

It would be unwise to draw sweeping generalizations from this single study based on only one product category (body wash), but the intriguing finding suggests that IRCs are capable of outperforming FSIs. Only with additional research will we know whether this finding holds up for other products.

Shelf-Delivered Coupons. Shelf-delivered coupon devices are attached to the shelf alongside coupon-sponsoring brands. A red device (referred to as the instant coupon machine from a company named SmartSource) is the best known among several shelf-delivered couponing services offered by other companies. Consumers interested in purchasing a particular brand can pull a coupon from the device and then redeem it when checking out. The average redemption rate for shelf-delivered coupons is approximately 9 percent to 10 percent.

Scanner-Delivered Coupons. Several electronic systems for dispensing coupons at the point of purchase have been introduced in recent years. Although many of these systems have failed, one system that appears to be a success is from Catalina Marketing Corporation and is available in thousands of stores nationally. Catalina offers two programs, one called Checkout Coupon and the other Checkout Direct. The Checkout Coupon program delivers coupons based on the particular brands a shopper has purchased. Once the optical scanner records that the shopper has purchased a competitor’s brand, a coupon from the participating manufacturer is dispensed. By targeting competitors’ customers, Catalina’s Checkout Coupon program ensures that the manufacturer will reach people who
buy the product category but are not currently purchasing the manufacturer’s brand. The redemption rate is approximately 8 percent.37

The other couponing program from Catalina, called Checkout Direct, enables marketers to deliver coupons only to consumers who satisfy the coupon-sponsoring manufacturer’s specific targeting requirements. The Checkout Direct program allows the coupon user to target consumers in various ways: (1) in terms of a purchase-relevant demographic variable (e.g., distribute coupons only to households with incomes greater than $50,000), (2) with respect to their purchase pattern for a particular product (e.g., direct coupons only to consumers who purchase toothpaste at least once every six weeks), and (3) based on the amount of product usage (e.g., deliver coupons only to heavy users of the product). Once the couponing requirements are established, Catalina’s computer operators can identify coupon-target households by analyzing two databases: (1) optical-scanned purchase data and (2) household demographic variables acquired by supermarkets when requiring shoppers to complete a form to receive check-cashing privileges. When shoppers who satisfy the coupon-sponsoring manufacturer’s requirement make a purchase (as indicated by their check-cashing ID number), a coupon for the sponsoring manufacturer’s brand is automatically dispensed for use on the shopper’s next purchase occasion.

Frito-Lay used the Checkout Direct system to increase trial purchases of its new Baked Lays brand. Marketers at Frito-Lay targeted super-heavy users of healthier snack foods such as its own Baked Tostitos. Based on optical scanner data that records and stores consumers’ past purchase data, the Checkout Direct system was programmed to issue coupons for Baked Lays only to those consumers who purchased “better-for-you” snacks at least eight times during the past 12 months. When these consumers checked out, the scanner triggered a coupon for Baked Lays. In excess of 40 percent of the coupons were redeemed, and the repeat purchase rate was a very impressive 25 percent.38

Both Catalina programs are used to encourage trial purchasing. However, because coupons are distributed to consumers when they are checking out of a store and cannot be used until their next visit, the reward is delayed—unlike the instant or shelf-delivered coupons. Nevertheless, these scanner-delivered couponing methods are effective and cost-efficient because they provide a way to carefully target coupon distribution. Targeting, in the case of Checkout Coupon, is directed at competitive-brand users and, in the case of Checkout Direct, is aimed at users who satisfy a manufacturer’s prescribed demographic or product usage requirements.

Mail- and Media-Delivered Coupons

These coupon delivery modes initiate trial purchase behavior by offering consumers delayed rewards. Mail-delivered coupons represent about 2 percent of all manufacturer-distributed coupons. Mass media modes (newspapers and magazines) are clearly dominant, carrying well over 85 percent of all coupons (the bulk of which is in the form of freestanding inserts).

Mail-Delivered Coupons. Marketers typically use mail-delivered coupons to introduce new or improved products. Mailings can be directed either at a broad cross section of the market or targeted to specific geodemographic segments. Mailed coupons achieve the highest household penetration. Coupon distribution via magazines and newspapers reaches fewer than 70 percent of all homes, whereas mail can reach as high as 95 percent. Moreover, direct mail achieves the highest redemption rate (3.5 percent) of all mass-delivered coupon techniques.39 There also is empirical evidence to suggest that direct-mail coupons increase the amount of product purchases, particularly when coupons with higher face values are used by households that own their homes, have larger families, and are more educated.40

The major disadvantage of direct-mailed coupons is that they are relatively expensive compared with other coupon distribution methods. Another disadvantage is that direct mailing is especially inefficient and expensive for brands enjoying a high market share. This is because a large proportion of the coupon recipients may
already be regular users of the coupon brand, thereby defeating the primary purpose of generating trial purchasing. The inefficiencies of mass mailing account for the rapid growth of efforts to target coupons to narrowly defined audiences such as users of competitive brands.

**FSIs and Other Media-Delivered Coupons.** As earlier noted, approximately 82 percent of all coupons distributed in the United States are freestanding inserts in Sunday newspapers. The cost per thousand for freestanding inserts is only about 50 percent to 60 percent of that for direct-mail coupons, which largely explains why FSIs are the dominant coupon delivery mode. Another advantage of FSIs is that they perform an extremely important reminder function for the consumer who peruses the Sunday inserts, clips coupons for brands she or he intends to buy in the coming weeks, and then redeems these at a later date. Finally, there is some evidence that FSIs also perform an advertising function. That is, when perusing the Sunday inserts, consumers are exposed to FSI “advertisements” and are somewhat more likely to purchase promoted brands even without redeeming coupons. This comes as no great surprise because FSI coupons often are extremely attractive, eye-catching “advertisements.”

Research has shown that attractive pictures in FSIs function as peripheral cues (as discussed in Chapter 5) and are particularly effective when viewers of the FSI are loyal to a brand other than the one featured in the FSI. In this situation, consumers, loyal as they are to another brand, are not motivated to process arguments about a nonpreferred brand featured in the FSI. Hence, the use of attractive pictures (versus message arguments) is necessary to enhance consumer attitudes, if only temporarily, and increase the odds that consumers will clip the FSI coupon.

In addition to FSIs, coupons also are distributed in magazines and as part of the regular (noninsert) newspaper page. Though relatively inexpensive distribution media, redemption rates for coupons distributed in magazines and newspapers average less than 1 percent. A second problem with magazine- and newspaper-delivered coupons is that they do not generate much trade interest. Finally, coupons delivered via magazines and newspapers are particularly susceptible to misredemption. The latter issue is so significant to all parties involved in couponing that it deserves a separate discussion later.

**In- and On-Pack Coupons**

In- and on-pack coupons are included either inside a product’s package or as a part of a package’s exterior. This form of couponing should not be confused with the previously discussed instant, or peelable, coupon. Whereas IRCs are removable at the point of purchase and redeemable for that particular item while the shopper is in the store, an in- or on-pack coupon cannot be removed until it is in the shopper’s home to be redeemed on a subsequent purchase occasion. This form of couponing thus affords consumers with a delayed reward.

A coupon for one brand often is promoted by another brand. For example, General Mills promoted its brand of granola bars by placing cents-off coupons in cereal boxes. Practitioners call this practice crossruffing, a term borrowed from bridge and bridge-type card games where partners alternate trumping one another when they are unable to follow suit.

Though marketers use crossruffing to create trial purchases or to stimulate purchase of products such as granola bars that are not staple items, in- and on-pack coupons carried by the same brand are generally intended to stimulate repeat purchasing. That is, once consumers have exhausted the contents of a particular package, they are more likely to repurchase that brand if an attractive inducement, such as a cents-off coupon, is available immediately. A package coupon has bounce-back value, so to speak. An initial purchase, the bounce, may stimulate another purchase, the bounce back, when a hard-to-avoid inducement such as an in-package coupon is made available.

A major advantage of in- and on-pack coupons is that there are virtually no distribution costs. Moreover, redemption rates are much higher because most of
the package-delivered coupons are received by brand users. The average redemption rate for in-pack coupons is around 6 percent to 7 percent, whereas the redemption rate for on-pack coupons is slightly less than 5 percent. Limitations of package-delivered coupons are that they offer delayed value to consumers, do not reach nonusers of the carrying brand, and do not leverage trade interest due to the delayed nature of the offer.

**Online Couponing**

A number of Internet sites now distribute coupons. Consumers print the coupons on their home (or work) printers, and then as with other modes of coupon delivery, redeem the printed coupon along with the purchased item at checkout. Allowing consumers to print their own coupons creates considerable potential for fraud because it leaves open the possibility that consumers will manipulate the face value and print multiple copies. To avoid this problem, online couponing services allow the consumer to select the brands for which she or he would like to receive coupons, and then actual coupons are mailed. It is too early to know at the time of this writing whether online couponing will be a frequently used, effective, and efficient mode of coupon distribution. By offering a delayed reward, it is likely that redemption rates for online coupons will be relatively low.

**The Coupon Redemption Process and Misredemption**

As alluded to earlier, misredemption is a problem, especially in the use of media-delivered coupons. The best way to understand how misredemption occurs is to examine the redemption process. A graphic of the process is provided in Figure 18.8.

The process begins with a manufacturer distributing coupons to consumers via FSIs, direct mail, or any of the other distribution modes previously described (see path A in Figure 18.8). Consumers collect coupons, take them to the store,
and present them to a checkout clerk, who subtracts each coupon’s face value from the shopper’s total purchase cost (path B). For the shopper to be entitled to the coupon discount, certain conditions and restrictions must be met: (1) she or he must buy the merchandise specified on the coupon in the size, brand, and quantity directed; (2) only one coupon can be redeemed per item; (3) cash may not be given for the coupon; and (4) the coupon must be redeemed before the expiration date. (Some coupon misredemption occurs because consumers present coupons that do not meet these requirements.)

Retailers, in turn, redeem the coupons they have received to obtain reimbursement from the manufacturers that sponsored the coupons. Retailers typically hire another company, called a clearinghouse, to sort and redeem the coupons in return for a fee (path C). The two major clearinghouses in the United States are Carolina Manufacturer’s Service (CMS) and Nielsen Clearing House (NCH). Clearinghouses, acting on behalf of a number of retail clients, consolidate coupons before forwarding them. Clearinghouses maintain controls by ensuring that their clients sold products legitimately in the amounts they submitted for redemption.

Clearinghouses forward the coupons to redemption centers (path D), which serve as agents of coupon-issuing manufacturers. A redemption center pays off on all properly redeemed coupons (path E) and then is compensated for its services by the manufacturer (path F). If a center questions the validity of certain coupons, it may go to its client, a manufacturer, for approval on redeeming suspected coupons.48

The system is not quite as clear-cut as it may appear from this description. Some large retailers act as their own clearinghouses, some manufacturers serve as their own redemption centers, and some independent firms, such as NCH, offer both clearinghouse and redemption-center services.

However, regardless of the specific mechanism by which a coupon is ultimately redeemed (or misredeemed), the retailer is reimbursed for the amount of the face value paid to the consumer and for payment of a handling charge, which currently is 8 cents per coupon. Herein rests the potential for misredemption: An unscrupulous person could thus make a profit of $1.08 from a coupon with a face value of $1. One thousand such misredeemed coupons are worth $1,080! Exacerbating the potential for misredemption is the fact that many coupons now have face values worth as much as $1 or more.

Now with an understanding of the redemption process, how does misredemption occur and who participates in it? Estimates of the misredemption rate have ranged from a low of 15 percent to a high of 40 percent. Many brand managers have assumed a 20 to 25 percent rate of misredemption when budgeting for coupon events. However, a recent study found that past estimates of coupon misredemption have been inflated. It now appears that fraudulent coupon redemption is, on average, closer to 3 or 4 percent rather than the 20 to 25 percent assumed previously.49 Although the magnitude of misredemption has been reduced by imposing tighter controls on coupon redemption at all stages of the redemption process, a 3 to 4 percent misredemption level nevertheless represents millions of dollars lost by manufacturers.

Misredemption occurs at every level of the redemption process. Sometimes consumers present coupons that have expired, coupons for items not purchased, or coupons for a smaller-sized product than that specified by the coupon. Some clerks take coupons to the store and exchange them for cash without making a purchase. At the store management level, retailers may boost profits by submitting extra coupons in addition to those redeemed legitimately. A dishonest retailer can buy coupons on the black market, age them in a clothes dryer, mix them with legitimate coupons, and then mail in the batch for redemption. Shady clearinghouses engage in misredemption by combining illegally purchased coupons with real ones and certifying the batch as legitimate.

The major source of coupon misredemption is large-scale professional misredeemers (see path M, standing for misredemption, in Figure 18.8). These professional misredeemers either (1) recruit the services of actual retailers to serve as conduits through which coupons are misredeemed or (2) operate phony businesses
that exist solely for the purpose of redeeming huge quantities of illegal coupons. Illegal coupons typically are obtained by removing FSIs from Sunday newspapers.

The following examples illustrate organized misredemption efforts. The proprietor of Wadsworth Thriftway store in Philadelphia illegally submitted in excess of 1.5 million coupons valued at over $800,000. The top three executives of the Sloans Supermarket in New York were indicted for their role in a 20-year operation that led to $3.5 million in coupon misredemption. Another Philadelphian acted as a middleman between charities, from which he purchased coupons in bulk, and a supermarket employee, who submitted them for repayment by manufacturers or their redemption centers. The middleman earned $200,000 from the couponing scam before he was arrested. Five operators of Shop n’ Bag supermarkets in Philadelphia (is there a pattern here?) bought nearly 12 million coupons for only 20 percent to 30 percent of their face value and then redeemed them prior to being arrested. And finally, according to the New York Post, Mideast terrorists misredeemed perhaps up to $100 million by funneling illegally redeemed coupons through Arab mini-marts and Hispanic bodegas.

PREMIUMS

Many business-to-business firms as well as consumer-oriented companies use premiums. Total expenditures on premiums in the United States amounted to nearly $27 billion in one recent year, though only about 20 percent of this was allocated toward consumer-oriented premiums. Broadly defined, premiums are articles of merchandise or services (e.g., travel) offered by manufacturers to induce action on the part of the sales force, trade representatives, or consumers. Our focus in this chapter is on consumer-oriented promotions.

Consumer-oriented premiums are a versatile promotional tool, possessing the ability to generate trial, encourage repeat purchasing, and reinforce brand images. Brand managers use several forms of premium offers to motivate desired consumer behaviors: (1) free-with-purchase premiums; (2) mail-in offers; (3) in-, on-, and near-pack premiums; and (4) self-liquidating offers. These forms of premiums perform somewhat different objectives. Free-with-purchase and mail-in offers are useful primarily for generating brand trial or retrial. In-, on-, and near-pack premiums serve customer-holding purposes by rewarding present consumers for continuing to purchase a liked or preferred brand. And self liquidators perform a combination of customer-holding and image-reinforcement functions. A relatively new form of premium, phone cards, is discussed in a final section.

Free-with-Purchase Premiums

Whereas the subsequent types of premiums typically are offered by packaged-goods brands, free-with-purchase premiums more often are provided by durable goods brands. Examples of this type of free-with-purchase premium include an offer from Michelin to receive a $100 retail value emergency roadside kit with the purchase of four Michelin tires. Compaq offered a free Rio 600 MP3 digital audio player with the purchase of select computer models. Attractive premiums such as these might provide indecisive consumers with added reason to purchase the premium-offering brand rather than a competitive option.

Mail-in Offers

By definition, a mail-in offer is a premium in which consumers receive a free item from the sponsoring manufacturer in return for submitting a required number of proofs of purchase. For example, Vaseline Intensive Care lotion offered a free watch (see Figure 18.9) when purchasing one bottle of this brand and submitting a proof of purchase and $2 for shipping and handling. Although children and
their parents are the targets of numerous mail-in premium offers, this promotional tool certainly is not limited to children.

In addition to stimulating consumer trial, mail-in offers can achieve other objectives. When directed at adult audiences, these premiums can accomplish customer-holding objectives by rewarding consumers’ brand loyalties and encouraging repeat-purchase behavior. Perhaps as few as 2 percent to 4 percent of consumers who are exposed to free mail-in offers actually take advantage of these opportunities. However, mail-in premiums can be effective if the premium item is appealing to the target market.

**In-, On-, and Near-Pack Premiums**

**In- and on-pack premiums** offer a free item inside or attached to a package or make the package itself the premium item. For example, in a delightful promotional program for Cap’n Crunch cereal, the box was labeled “Christmas Crunch,” and Captain Horatio (the cartoon-character brand icon) was shown on the package dressed as Santa Claus. The package advertised a free Christmas tree ornament inside the box—a premium offer with much appeal to small children during the holiday season. In general, in- and on-package premiums offer con-
sumers immediate value and thereby encourage increased product consumption from consumers who like or prefer the premium-offering brand.

This form of premium is not restricted to children. For example, Ralston Purina offered tiny sports-car models in about 11 million boxes of six cereal brands. Ten of these boxes contained scale-model red Corvettes. Lucky consumers turned in the models for real Corvettes.

**Near-pack premiums** provide the retail trade with specially displayed premium pieces that retailers then give to consumers who purchase the promoted product. Near-pack premiums are less expensive because additional packaging is not required. Furthermore, near-pack premiums can build sales volume in stores that put up displays and participate fully.

### Self-Liquidating Offers

The **self-liquidating offers** (known as SLOs by practitioners) are named for the fact that the consumer mails in a stipulated number of proofs of purchase along with sufficient money to cover the manufacturer’s purchasing, handling, and mailing costs of the premium item. In other words, the actual cost of the premium is paid for by consumers; from the manufacturer’s perspective the item is cost-free, or, in other words, self-liquidating. Attractive self-liquidating offers can serve to enhance a brand’s image—by associating the brand with a positively valued premium item—and also can encourage repeat purchasing by requiring multiple proofs of purchase to be eligible for the premium offer. SLOs are increasingly being used by brand managers as a complement to sweepstakes offers.56 The combination of these two promotions enhances consumer interest in and interaction with the brand.

The Gerber Keepsake Millennium Cup (Figure 18.10) illustrates a self-liquidating offer. With 12 Gerber baby food proofs of purchase and $8.95, consumers received a cup engraved with their child’s name and birth date. This item at retail likely would have sold for around $25. Many parents could be expected to have purchased Gerber exclusively until they acquired the requisite proofs of purchase.

However, very few consumers ever send for a premium. Companies expect only 0.1 percent of self-liquidators to be redeemed. A circulation of 20 million, for example, would be expected to produce only about 20,000 redemptions. Industry specialists generally concur that the most important consideration in developing a self-liquidating offer is that the premium be appealing to the target audience and represent a meaningful value. It is generally assumed that consumers look for a savings of at least 50 percent of the suggested retail price.

### Phone Cards

Phone cards, also called phone debit cards, represent a rather unique type of premium offer. Introduced in 1991, this form of promotion incentive is classified in Table 18.1 as performing a customer-holding objective and providing consumers with a *delayed* reward. This is a bit of a simplification insofar as phone cards also are capable of generating trial purchase behavior or even reinforcing brand image. Although a variety of phone cards are available, the most common type offers a preset amount of long-distance calling time. Phone cards are lightweight and easy to mail, provide an inexpensive promotional tool, and are perceived useful by consumers.57 Marketers also are able to collect information from consumers, who typically are required to answer a few questions before their cards are activated.58 Phone cards operate as follows:

*Using a Touch-Tone phone, the caller dials the toll-free number on the back of the card. The call is routed to a computer switch or network containing memory that stores all information related to the card. The cardholder hears a personalized greeting from the marketer, then is prompted to enter an access number imprinted on the card. The system identifies the number, tabulates the amount of time remaining on the card and informs the user of how long he or*
she can talk. Whether the call is placed across the country or to the house next door, the card entitles the holder to the same amount of time on the phone.\textsuperscript{59}

Some illustrative phone-card promotions include the following:\textsuperscript{60}

- Clamato, a tomato-based drink with clam juice, offered a 10-minute phone card attached to 64-ounce bottles.
- Ryder offered phone cards with 20 minutes of long-distance calling to renters of its moving vans. Ryder dealers distributed 300,000 cards during a six-week promotion, and double-digit sales growth was enjoyed.
- L’eggs pantyhose promoted its Silken Mist line of hosiery with a phone card worth 10 minutes of long-distance calling time. Customers received the calling cards by mailing a proof of purchase.
- Lexus offered a Lexus-logoed phone card good for an hour and a half of long-distance calling time to 150,000 preselected customers. All who took a test-drive in the ES 300 Lexus sedan received a free card.
- Gillette included 4 million phone cards worth 5 minutes of free long-distance service in its 10-pack Daisy and Good News brands of disposable razors.

**What Makes a Good Premium Offer?**

It is undeniable that consumers enjoy gifts, like to receive something for free, and are responsive to offers for premium objects that are attractive and valu-
able. However, brand managers must be careful to select premium offers that are suitable in view of the objectives that are to be accomplished for the promotional period. In other words, as previously established, the various forms of premiums serve somewhat different objectives. As always, the choice of premium object and delivery method should be based on an explicit detailing of what objective is to be accomplished. Also, managers must be circumspect in choosing premium objects that are congenial with the brand’s image and appropriate for the target market. The mantra presented at the beginning of the chapter should be the touchstone in determining whether the premium object matches well with the brand’s positioning strategy, the specific objective designed for the promotion, the target market’s consumption interests, and the brand’s budget capability.

**PRICE-OFFS**

**Price-off promotions** (also called cents-off or price packs) entail a reduction (typically ranging from 10 to 25 percent) in a brand’s regular price. A price-off is clearly labeled as such on the package. This type of promotion is effective when the marketer’s objective is any of the following: (1) to reward present brand users; (2) to get consumers to purchase larger quantities of a brand than they normally would (i.e., to load them), thereby effectively preempting the competition; (3) to establish a repeat purchase pattern after an initial trial; (4) to ensure that promotional dollars do, in fact, reach consumers (no such assurance is possible with trade allowances); (5) to obtain off-shelf display space when such allowances are offered to retailers; and (6) to provide the sales force with an incentive to obtain retailer support.61

Price-offs cannot reverse a downward sales trend, produce a significant number of new users, or attract as many trial users as sampling, coupons, or premium packs. Furthermore, *retailers often dislike price-offs* because they create inventory and pricing problems, particularly when a store has a brand in inventory at both the price-off and regular prices. Yet despite trade problems, price-offs have strong consumer appeal.

**FTC Price-Off Regulations**

Manufacturers cannot indiscriminately promote their brands with continuous or near-continuous price-off labeling. To do so would deceive consumers into thinking the brand is on sale when in fact the announced sale price is actually the regular price.

The Federal Trade Commission controls price-off labeling with the following regulations:

1. Price-off labels may only be used on brands already in distribution with established retail prices.
2. There is a limit of three price-off label promotions per year per brand size.
3. There must be a hiatus period of at least 30 days between price-off label promotions on any given brand size.
4. No more than 50 percent of a brand’s volume over a 12-month period may be generated from price-off label promotions.
5. The manufacturer must provide display materials to announce the price-off label offer.
6. The dealer is required to show the regular shelf price in addition to the new price reflecting the price-off label savings.62

**BONUS PACKS**

**Bonus packs** are extra quantities of a product that a company gives to consumers at the regular price. For example, Listerine mouth wash provided consumers with a free 250-ml bottle along with the purchase of a 1.7-liter bottle. Carnation offered
consumers 25 percent more hot cocoa mix at the regular price. Golf ball manufacturers on occasion reward consumers with an extra pack of three balls when they purchase a dozen. Figure 18.11 illustrates a bonus pack offering for Flex-A-Min, a brand aimed at senior citizens. Note from the figure that the product offers a 33 percent bonus quantity for free; it also ties this offer into attractive coupon offers.

Bonus packs are sometimes used as an alternative to price-off deals when the latter are either overused or resisted by the trade. The extra value offered to the consumer is readily apparent and for that reason can be effective in loading current users and thereby removing them from the market—a defensive tactic that is used against aggressive competitors.

A potential drawback of bonus packs is that a large proportion of the bonus-packed merchandise will be purchased by regular customers, who likely would have purchased the brand without the incentive. Of course, this is not a drawback if the explicit purpose of the bonus-pack offer is to reward a brand’s present customers.

**REBATES/REFUNDS**

A rebate (also called a refund) refers to the practice in which manufacturers give cash discounts or reimbursements to consumers who submit proofs of purchase. Unlike coupons, which the consumer redeems at retail checkouts, rebates are
mailed with proofs of purchase to manufacturers. Marketers are fond of rebates because they provide an alternative to the use of coupons and stimulate consumer purchase behavior. Rebate offers can reinforce brand loyalty, provide the sales force with something to talk about, and enable the manufacturer to flag the package with a potentially attractive deal.

Refund offers are used by both CPG companies and durable goods companies. For example, Uniroyal provided a $40 mail-in rebate with the purchase of four Tiger Paw tires. Automobile companies are among the major users of rebate programs. In recent years, Jeep Grand Cherokee offered a $2,000 rebate, Chrysler Town & Country a $1,500 rebate, and Ford Excursion and Buick LeSabre both offered $1,500 rebates. In a particularly interesting rebate program, General Motors offered a $2,002 rebate on select 2002 vehicles.

Rebates offer consumers delayed rather than immediate value, since the consumer must wait to receive the reimbursement. In using these programs, manufacturers achieve customer-holding objectives by encouraging consumers to make multiple purchases (in the case of CPG items) or by rewarding previous users with a cash discount for again purchasing the manufacturer’s brand. Rebate offers also attract switchers from competitive brands who avail themselves of attractive discount offers.

For CPG products, rebate/refund offers have historically required consumers to acquire refund slips at retail sites. This is a bit of an inconvenience for consumers and a hassle for retailers who must make the slips available. This partially accounts for the increase in online rebate offers. There is some evidence indicating that consumers are more responsive to online than offline (via traditional retail outlets) rebate/refund offers.

**Phantom Discounts**

Perhaps the major reason manufacturers are using rebates more now than ever is that many consumers never bother to redeem them. Thus, when using rebates, manufacturers get the best of both worlds—they stimulate consumer purchases of rebated items without having to pay out the rebated amount because most consumers do not undertake the effort to mail in rebate forms. Hence, rebates can be thought of as a form of *phantom discount*. Needless to say, consumer advocates condemn manufacturers’ use of rebates.

One may wonder why consumers purchase rebated items but then fail to take the time to submit forms to receive the rebate amount. Academic research offers an explanation. It appears that at the time of brand choice, consumers tend to overweight the benefit to be obtained from a rebate relative to the future effort required to redeem a rebate offer. In other words, it seems that many consumers engage in a form of self-deception when purchasing rebated merchandise. They find rebate offers attractive and on that basis decide to purchase particular brands. Yet later on at home they are unwilling to commit the time and effort to send in the rebate form.

When manufacturers offer rebates, are they exploiting consumers, or are consumers to be blamed for their own inaction? This should make for interesting class discussion.

**Rebate Fraud**

Rebate fraud occurs by manufacturers, retailers, and consumers themselves. Manufacturers commit fraud when promoting rebate offers but then failing to fulfill them when consumers submit rebate slips with accompanying proof of purchase. Retailers sometimes advertise attractive rebates but then do not disclose (or disclose only in fine print) that the rebates will not arrive for several months or that the consumer must purchase another item to be eligible for the rebate. For example, a retail advertisement may claim that a computer has a $400 rebate offer but neglect to mention that the consumer must sign up for three years of Internet service to receive it.

It is not just marketers that engage in misleading or fraudulent rebating practices. Consumers undertake their own form of rebate-related fraud. There is, in fact, a huge amount of fraud associated with bogus claims paid out to “professional”
rebaters. At one time manufacturers paid out in excess of $500 million annually to these crooks. Fraud occurs when professionals acquire their own cash registers, generate phony cash-register receipts, and send them on to manufacturers to collect refund checks without making the required product purchases. Other scam artists use computers to design phony UPC codes, which they mail to manufacturers as evidence of purchases they actually have not made. Of course, these professionals do not send in just single refund requests; rather, they submit requests under multiple names and then have refund checks mailed to different post office boxes.

Two promotions illustrate this fraudulent practice. One manufacturer ran a $3 refund offer requiring submission of a UPC to be eligible for the refund. Three out of four refund requests had the same misprinted UPC number on them. Investigators determined that Moneytalk, a refunding magazine, had misprinted the product’s UPC number in one of its issues. In a second case, a manufacturer’s rebate forms were available in stores before its product reached store shelves. Nonetheless, this did not deter 2,200 rebate requests from flowing in immediately—all accompanied by bogus cash-register receipts and UPC numbers.

Postal authorities and marketers are taking aggressive efforts to curtail refunding fraud. Many marketers are beginning to state on their refund/rebate forms that they will not send checks to post office boxes. Others are stating that checks will be mailed only to the return address listed on the envelope. Because organized refund redeemers use computers to generate mailings and return address labels, manufacturers are further deterring fraud by stipulating on their refund/rebate forms that printed mailing labels are prohibited.

SWEEPSTAKES, CONTESTS, AND GAMES

Sweepstakes, contests, and games are widely used as promotional offers. It is estimated that marketers spent $1.5 billion on these promotions in one recent year, with sweeps accounting for about 63 percent of total expenditures, games 27 percent, and contests 10 percent. As explained below, though sweepstakes, contests, and games differ in how they are executed, all three promotional forms offer consumers the opportunity to win cash, merchandise, or travel prizes. Whereas sweeps and contests are used primarily to enhance a brand’s image—“by associating the brand with an attractive prize that is meaningfully related to the brand—brand managers use games as a means of generating repeat purchase behavior.

Sweepstakes. In a sweepstakes, winners are determined purely on the basis of chance. Accordingly, proofs of purchase cannot be required as a condition for entry. Figure 18.12 illustrates a typical sweepstakes, in this case Deer Park’s promotion for its spring water encourages consumer participation by offering a chance to win—a Ford Escape SUV. Because sweeps require less effort from consumers and generate greater participation, brand managers much prefer this form of promotion over contests.

Sweepstakes represent a very popular promotional tool. Indeed, approximately three quarters of packaged-goods marketers use sweepstakes, and nearly one-third of households participate in at least one sweepstakes every year. Compared with many other sales promotion techniques, sweepstakes are relatively inexpensive, simple to execute, and are able to accomplish a variety of marketing objectives. In addition to reinforcing a brand’s image and attracting attention to advertisements, well-designed sweepstakes can promote increased brand distribution at retail, augment sales-force enthusiasm, and reach specific groups through a prize structure that is particularly appealing to consumers in the group.

The effectiveness and appeal of a sweepstakes is generally limited if the sweepstakes is used alone. However, when tied in with advertising, point-of-purchase displays, and other promotional tools, sweepstakes can work effectively to produce significant results.

Contests. In a contest, the participant must act according to the rules of the contest and may or may not be required to submit proofs of purchase. Brand managers at Hershey’s Syrup created a contest that appealed to soccer moms and
their children. The rules (in the upper-left corner of Figure 18.13) require, simply, submission of an action photo of a 6 to 17-year-old child/teen playing soccer. Also required is an original store receipt with the purchase price of a 24-ounce bottle of Hershey’s Syrup circled. This promotion associates Hershey’s Syrup with the sport of soccer that is beloved by millions of families and also encourages brand purchasing so as to allow the consumer to participate in the contest and thus become eligible to win any of numerous prizes. The 25-cent coupon (upper-right corner) facilitates such a purchase. A contest such as this fits with the brand’s wholesome image and matches the interests of many consumers in its target market.

Contests sometimes require participants to do more than simply sending in a photo, as was the case with the contest for Hershey’s Syrup. For example, Dickies, a manufacturer of work clothes, required entrants to nominate someone for the “American worker of the year award” and to explain in 75 words or less their reasons why the nominee deserves this recognition. A promotion for Sun-Maid raisins required entrants to create an original recipe that used at least one-half cup of raisins and could be prepared in 20 minutes or less. PILLSBURY (maker of dessert baking mixes and frostings) required entrants to explain in 50 words or less “What upcoming event would you like the Pillsbury Doughboy to help you celebrate and why?” Contests such as these typically include a coupon as part of the...
Games. Unlike sweeps and contests, which delay gratification and require the consumer to wait an extended period before determining whether he or she has been a winner, games provide an instant reward. Figure 18.14 perfectly illustrates the instant gratification aspect of game participation. In this promotion consumers have an opportunity to “Instantly Win” a 2002 Jeep Liberty SUV with the purchase of Del Monte’s Fruit & Gel To-Go brand. In this case, the consumer learns on opening the package at home whether he or she has been fortunate enough—despite high improbability—to win the grand prize. In general, promotional games can create excitement, stimulate brand interest, and reinforce brand loyalty.

Game promotions often involve the placement of winning numbers under package lids. Coca-Cola, for example, offered consumers a chance to win $1 million and a role in a movie from Universal Studios, along with thousands of other smaller prizes, if the consumer opened a can containing winning numbers. V8 vegetable juice had a look-under-the-cap contest in which winners received trips to famous resorts. Orville Redenbacher’s popcorn offered consumers who were lucky to select specially marked packages of this brand a Mitsubishi home theater system (50 winners) as the first prize, DVD players as the second prize (50 win-
ners), and VCRs as the third prize (50 winners). Please note that almost invari-
ably, games are marketed with claims of “instant win” to appeal to consumers’
natural preference for instant gratification. See the Global Focus for another illus-
tration of a promotional game.

Brand managers and the promotion firms they recruit to execute contests have
to be extremely careful to ensure that a contest does not go awry. There have been
a number of celebrated snafus in the conduct of promotional games. For example, a
Pepsi bottler in the Philippines offered a one-million-peso grand prize (which at the
time was equivalent to approximately $36,000) to holders of bottle caps with the
number 349 printed on them. To the bottler’s (and PepsiCo’s) great chagrin, a com-
puter error (by the printer that produced the game numbers) created 500,000 bottle
caps with the winning number 349 imprinted—making PepsiCo liable for approxi-
mately $18 billion! The botched promotion created mayhem for PepsiCo, including
attacks on Pepsi trucks and bottling plants and anti-Pepsi rallies. Pepsi’s sales plum-
meted in the Philippines, and market share fell by nine points. To resolve the prob-
lem, PepsiCo paid consumers with winning caps $19 apiece. More than 500,000 Fil-
ipinos collected about $10 million. The Filipino justice department excused PepsiCo
from criminal liability and dismissed thousands of lawsuits.75

PepsiCo blew it again in a game conducted in the United States. Contestants
participated in a spell-your-surname event with letters printed on bottle caps.
Because very few caps bore vowels, PepsiCo assumed that only a small number
of people would win. What the game planners failed to realize, however, was that
many Asian names contain only consonants (such as Ng).76
The Beatrice Company’s Monday Night Football promotion illustrates another failed game. Contestants scratched silver-coated footballs off cards to reveal numbers, hoping to win the prize offered if the numbers on the cards matched the number of touchdowns and field goals scored in the weekly Monday Night NFL game. Game planners intended the chances of getting a match to be infinitesimal. However, to Beatrice’s great surprise, a salesman for rival Procter & Gamble put in a claim for a great deal more money than Beatrice had planned on paying out. A computer buff, the salesman cracked the game code and determined that 320 patterns showed up repeatedly in the cards. By scratching off just one line, he could determine which numbers were underneath the rest. With knowledge of the actual numbers of touchdowns and field goals scored on a particular Monday night, he would start scratching cards until winning numbers were located. He enlisted friends to assist in collecting and scratching the cards. Thousands of cards were collected, mostly from Beatrice salespeople. The P&G salesman and friends identified 4,000 winning cards worth $21 million in prize money! Beatrice discontinued the game and refused to pay up.77

This section would be incomplete without discussing a major scandal that rocked the promotions industry in 2001. Brand managers for McDonald’s restaurants and Simon Marketing, a company hired to run a summer promotion for McDonald’s, created a Monopoly-type game that was to provide customers with millions in promotional prizes. Unfortunately, there was a major problem in the game’s execution. An employee in charge of game security at Simon Marketing allegedly stole winning tickets and distributed them to friends and accomplices, who obtained approximately $13 million in prize money. After learning of the theft and informing the Federal Bureau of Investigation, McDonald’s immediately introduced a different promotional game run by another promotional agency so as to make good its promise to customers and restore its credibility. Apparently, the Simon Marketing employee who ripped off McDonald’s had for several years been stealing winning game tickets from other games. A

**Gaming in Canada for Dunkin’ Donuts**

Coffee has become a major profit producer for the retail chain known for its expansive assortment of donuts. After a major reformulation, Dunkin’ Donuts’ coffee is generally regarded as top of the line. A promotional game was designed to promote the chain’s coffee, the first time the company ever promoted coffee without donuts. Dunkin’ Donuts’ Canadian stores ran The Magic Coffee Ring game by offering consumers a variety of prizes, including 17 grand-prize trips valued at $10,000 each, to any of the 40 countries in which Dunkin’ Donuts has stores. Other prizes included Compaq computers, mountain bikes, and a half million Dunkin’ Donuts food giveaways.

The game worked as follows: On purchasing a 10-ounce cup of coffee, customers received a cardboard ring that they slipped around the cup. The heat from the coffee activated a chemical in the ring and produced a message in a matter of seconds that announced if the customer had won a prize. In addition to the instant-win opportunity provided by this game, Dunkin’ Donuts’ brand management sought to build repeat purchasing with a continuity program whereby each cardboard ring included a letter. Consumers collecting all six letters spelling DUNKIN accumulated travel award points. The travel theme was employed in both the game and continuity program in hopes of enhancing Dunkin’ Donuts global image among Canadian consumers. Game planners declared the promotion a huge success.

Source: Adapted from Amie Smith, “Heating Up,” PROMO, July 2000, p. 95. Used with permission from PROMO.
spokesperson for the Promotion Marketing Association, the trade association for the industry, characterized this debacle as a “black eye” for the promotion marketing industry. The moral is clear: Promotional games can go awry, and brand managers must go to extreme lengths to protect the integrity of the games that are designed to build, not bust, relationships with customers.78

**Online Sweeps, Contests, and Games.** Online promotional events are growing in importance. Increasing numbers of companies are encouraging participants to register online. For example, the retail chain Best Buy, which merchandises a wide assortment of electronic products, conducted its Go Mobile promotion that required entrants to log onto a Web site to determine if a unique code obtained on making a purchase at a retail site was an instant winner. Pepsi-Cola North America ran its annual Pepsi Stuff competition online in conjunction with Yahoo. Pepsi’s sales increased 5 percent during the promotional period, and, as a bonus, brand managers amassed an e-mail database of 3.5 million names and addresses of mostly younger consumers.79 (See the Online Focus for further reading about the Pepsi-Yahoo connection.)

Forrester Research, a company that tracks Internet developments, has estimated that online promotions will become a $6 billion business by 2005 and that 50 percent to 70 percent of Internet marketing budgets will be allocated to promotions rather than advertisements.80 Online sweeps, contests, and games appeal to consumers and also further the interest of brands by creating awareness, building consumer interaction with the brand, and enabling the expansion of a brand’s opt-in e-mail database (as discussed in the prior chapter).

A variety of companies have started businesses to assist brand planners in planning and executing online promotions. These include companies such as 24/7 iPromotions, ePrize, and DoubleClick. This latter Internet marketing communications company ran a sweepstakes for PlanetHollywood.com. The objective was to drive people to PlanetHollywood’s Web site and to supplement its opt-in list. During the course of a 10-week period, over 31,000 people entered the sweep. Seventy-three percent gave PlanetHollywood.com permission to send them e-mail messages regarding future promotions and events.

**CONTINUITY PROMOTIONS**

Promotions sometimes reward consumers’ repeat purchasing of a particular brand by awarding points leading to reduced prices or free merchandise. It is obvious from this description why continuity promotions also are referred to as loyalty programs or point programs. Frequent-flyer programs by airlines and frequent-guest programs by hotels represent one form of loyalty program. Fliers and hotel guests accumulate points that can be redeemed eventually for free flights and lodging. These programs encourage consumers to stick with a particular airline or hotel to accumulate requisite numbers of points as quickly as possible. Renaissance Hotels, for example, provided 1,000 bonus miles per stay plus three extra miles for every U.S. dollar spent. These points were added to hotel guests frequent-flyer point totals with designated airlines.

In general, continuity programs reward consumers for purchasing a particular brand repeatedly. The program need not be based on point accumulation and instead may simply require a certain number of purchases to be eligible for prizes. For example, Budget Rent a Car Corporation ran a continuity promotion whereby renters received free Bollé ski goggles with five car rentals from Budget.

Consumers who are already loyal to a brand that offers a point program or other continuity plan are rewarded for what they would have done anyway—namely, buying a preferred brand on a regular basis. In such a case, a point program does not encourage repeat purchasing; it does, however, serve to cement a relation with the consumer that is strong already. On the other hand, point programs can encourage consumers whose loyalty is divided among several
More Stuff from Pepsi-Cola

During a two-year period (1996 and 1997) Pepsi-Cola undertook a Pepsi Stuff giveaway event at a variety of sites around the United States. Each week a number of two-person crews would travel in vans to a particular city from which they would set up operations for the remainder of the week. A crew would go to two or three supermarkets each day, and outside the store set up a promotional stand from which they gave free samples of Pepsi and invited sample recipients to participate in games to win free Pepsi Stuff (i.e., merchandise such as caps, sunglasses, T-shirts, balls, etc.). These events operated in concert with advertising to inform consumers that they could collect points for purchasing Pepsi products and eventually redeem the points for attractive merchandise items, such as those items given away at the events. The events were very successful and increased Pepsi-Cola sales significantly; however, as might be expected, they also were extremely expensive. To maintain the Pepsi Stuff program but reduce the skyrocketing cost, planners at Pepsi-Cola decided to take the event online.

To run its program online, Pepsi decided to partner with the familiar Yahoo search engine. Millions of people search the Web using Yahoo, and its hip image is appropriate for Pepsi’s core consumers aged 13 to 34. The first PepsiStuff.com program ran in the summer of 2000, and, as noted in the text, resulted in a sales spike of 5 percent during the promotional period. The event was so successful that Pepsi decided to partner again with Yahoo in a promotion that urged consumers to vote for their favorite Pepsi commercial among the many classic commercials in Pepsi’s illustrative advertising history, including spots with stars such as Michael J. Fox and Cindy Crawford. Pepsi sent 3 million e-mails to its database of consumers and encouraged them to select a favorite commercial. (Needless to say, this is a great way to get consumers to view Pepsi commercials—at virtually zero advertising cost—and to further interact with the brand!) A total of 165,000 votes were cast, exceeding Pepsi’s goal by 65 percent, and most of the voters also entered a sweepstakes that gave away 100 prizes worth $2,001 each.

Later in 2001 Pepsi used its Yahoo partnership to drive consumers to a special Web site to review a new Pepsi commercial featuring Britney Spears. Site visitors could see the new commercial two hours before its debut on the Academy Awards show. Driving consumers to the Britney Web site was accomplished by sending 1 million opt-in e-mail messages to appropriately aged consumers from Pepsi’s larger database. These e-mail recipients viewed more than 1 million video streams of the commercial, and over 50,000 entered a sweepstakes competition for Britney-related items. Pepsi continues its relation with Yahoo, having just several months before the time of this writing launched PepsiStuff 2 with new incentives. Consumers logging onto the PepsiStuff.com were selected daily as instant winners, much in the spirit of offline games.

The partnership between Pepsi-Cola and Yahoo demonstrates how online sales promotions can be extremely successful. In addition to being able to target consumers who have opted in to receive e-mail messages and who obviously are core consumers, Pepsi is able to continuously introduce new promotions that offer appealing incentives and strengthen consumers’ relationship with the brand—in the very best spirit of the integrated marketing communications’ principle of building relationships.

OVERLAY AND TIE-IN PROMOTIONS

Discussion to this point has concentrated on individual sales promotions. In practice, promotions often are used in combination to accomplish objectives that could not be achieved by using a single promotional tool. Furthermore, these techniques, individually or in conjunction with one another, are used oftentimes to promote simultaneously two or more brands either from the same company or from different firms.

The use of two or more sales promotion techniques in combination with one another is called an overlay, or combination, program. The simultaneous promotion of multiple brands in a single promotional effort is called a tie-in, or group, promotion. In other words, overlay refers to the use of multiple promotional tools, whereas tie-in refers to the promotion of multiple brands from the same or different companies. Overlay and tie-ins often are used together, as the following sections illustrate.

Overlay Programs

Media clutter, as noted repeatedly in past chapters, is an ever present problem facing marketers. When used individually, promotion tools (particularly coupons) may never be noticed by consumers. A combination of tools, such as the use of a coupon offer with another promotional device, increases the likelihood that consumers will attend a promotional message and process the promotion offer. In addition, the joint use of several techniques in a well-coordinated promotional program equips the sales force with a strong sales program and provides the trade with an attractive incentive to purchase in larger quantities (in anticipation of enhanced consumer response) and to increase display activity. Nearly all the illustrative figures used previously in the chapter have overlayed a coupon with a refund, sweepstakes, contest, or other promotional offer.

Tie-In Promotions

Growing numbers of companies use tie-ins (group promotions) to generate increased sales, to stimulate trade and consumer interest, and to gain optimal use of their promotional budgets. Tie-in promotions are cost-effective because the cost is shared among multiple brands. Two or more brands, either from the same company (intracompany tie-ins) or from different companies (intercompany tie-ins) are involved in a tie-in. For example, Figure 18.15 illustrates a tie-in promotion for a variety of candy brands marketed by the Hershey Foods Corporation. Notice also that this tie-in offer overlays a coupon (buy two, get one free), a sweepstakes, and a game. Tie-in relationships between complementary brands from different companies are being used with increasing regularity. For example, a freestanding insert showed a breakfast plate of Black Label bacon (from Hormel) and Grands! buttermilk biscuits (from Pillsbury). The FSI included coupons for each brand. These companies shared the cost of producing and distributing this FSI offer.

Implementation Problems. Tie-in promotions are capable of accomplishing useful objectives, but not without potential problems. Promotion lead time—the amount of time required to plan and execute a promotion—is lengthened because two or more entities have to coordinate their separate promotional schedules. Creative conflicts and convoluted messages may result from each partner trying to receive primary attention for its product or service.

To reduce problems as much as possible and to accomplish objectives, it is important that (1) the profiles of each partner’s customers be similar with regard to pertinent demographic or other consumption-influencing characteristics; (2) the partners’ images should reinforce each other (e.g., Hormel and Pillsbury both are well-known brands with images of consistently high quality); and (3) the partners must be willing to cooperate rather than imposing their own interests to the detriment of the other partner’s welfare.
Discussion to this point has focused on manufacturer promotions that are directed at consumers. Retailers also design promotions for their present and prospective customers. These retailer-inspired promotions are created for purposes of increasing store traffic and offering shoppers attractive price discounts or other deals. Couponing is a favorite promotion among many retailers in the grocery, drug, and mass merchandise areas of business. Some grocery retailers hold special “coupon days” when they redeem manufacturer coupons at double or even triple their face value. For example, a grocery store on a “triple-coupon day” would deduct $1.50 from the consumer’s bill when she or he submits a manufacturer’s coupon with a face value of 50 cents. Retailers typically limit their double- or triple-discount offers to manufacturer coupons having face values of 50 cents or less.

A number of retailers offer their customers frequent-shopper cards that entitle shoppers to discounts on select items purchased on any particular shopping occasion. For example, in a Wednesday advertising flyer, one grocery retailer offered its cardholders savings such as $2.99 on the purchase of two Mrs. Paul’s fish filets, $1.25 when buying two cans of Minute Maid juice, and $1.70 with the purchase of Freschetta pizza. Customers receive these savings on submitting their frequent-shopper cards to clerks at checkout, who scan the card number and
deduct savings from the shopper’s bill when discounted items are scanned. These frequent-shopper cards encourage repeat purchasing from a particular retail chain. Because they are designated with labels such as VIC (very important customer), they also serve to elevate the shopper’s sense of importance to a store. Finally, frequent-shopper card programs provide retailers with valuable databases containing information on shopper demographics and purchase habits.

Sampling is another form of retailer-based sales promotion that is in wide use. Although many instances of store sampling represent joint programs between stores and manufacturers, retailers are sampling their own store/private label products increasingly.

Stores also offer premiums to encourage purchases of select items. Figure 18.16 illustrates this in the case of Lowe’s Companies, a major retail chain in the home improvement industry. This figure actually is an advertisement from Omaha Steaks in its effort to recruit promotional partners. The advertisement notes that Lowe’s partnered with Omaha Steaks with the objective of increasing sales of gas grills priced at more than $150. The giveaway of steaks and burgers increased Lowe’s grill sales by 35 percent in participating stores.

EVALUATING SALES PROMOTION IDEAS

It should be apparent by this point that numerous alternatives are available to manufacturers and retailers when planning sales promotions. There also are a variety of objectives that effective promotion programs are able to achieve. The combination of numerous alternatives and diverse objectives leads to a staggering array of possibilities. A systematic procedure for selecting the type of sales promotion is therefore essential. The following sections outline procedures for appraising potential promotions during the idea stage and then, after they have run, for evaluating their effectiveness.

A Procedure for Evaluating Promotion Ideas

The following straightforward, three-step procedure directs a brand manager in determining which promotion ideas and approaches have the best chance of succeeding.

**Step 1: Identify the Objectives.** The most basic yet important step toward successful consumer-oriented promotions is the clear identification of the specific objective(s) that is (are) to be accomplished. Objectives should be specified as they relate both to the trade and to ultimate consumers; for example, objectives may be to generate trial, to load consumers, to preempt competition, to increase display space, and so on.

In this first step, the promotional planner must commit the objectives to writing and state them specifically and in measurable terms. For example, “to increase sales” is too general. In comparison, the objective “to increase display space by 25 percent over the comparable period last year” is specific and measurable.

**Step 2: Achieve Agreement.** Everyone involved in a brand’s marketing must agree with the objectives developed. Failure to achieve agreement on objectives results in various decision makers (such as the advertising, sales, and brand managers) pushing for different programs because they have different goals in mind. Also, a promotion program can more easily be evaluated in terms of a specific objective than a vague generalization.

**Step 3: Evaluation System.** With specific objectives established and agreement achieved, the following five-point evaluation system can be used to rate alternative sales promotion ideas:
1. **Is the idea a good one?** Every idea should be evaluated against the promotion’s objectives. For example, if increasing product trial is the objective, a sample or a coupon would be rated favorably, whereas a sweepstakes would flunk this initial evaluation.

2. **Will the promotion idea appeal to the target market?** A contest, for example, might have great appeal to children but for certain adult groups have disastrous results. In general, remember that the target market represents the benchmark against which all proposals should be judged.

3. **Is the idea unique, or is the competition doing something similar?** The prospects of receiving interest from both the trade and consumers depend on developing promotions that are not ordinary. Creativity is every bit as important to the success of promotions as it is with advertising.

4. **Is the promotion presented clearly so that the intended market will notice, comprehend, and respond positively to the promotion?** Sales promotion planners should start with one fundamental premise: Most consumers are unwilling to spend much time and effort figuring how a promotion works. It is critical to a promotion’s success that instructions be user friendly. Let consumers know quickly and clearly what the offer is and how to respond to it.

5. **Is the proposed idea cost-effective?** This requires an evaluation of whether or not the proposed promotion will achieve the intended objectives at an
Sophisticated promotion planners cost-out alternative programs and know in advance the likely bottom-line payoff from a promotion.

**Post Mortem Analysis**

The previous section described a general procedure for evaluating proposed promotion ideas while they are in the planning stage, before actual implementation. It would be useful to also have a way of evaluating a promotional program after it has been implemented. Such evaluation would be useful for future planning purposes, especially if the evaluation becomes part of brand management’s “institutional memory” rather than discarded shortly after the evaluation is completed. A seasoned practitioner in the promotion industry has proposed judging completed promotion programs in terms of five characteristics: efficiency, execution ease, expense, equity enhancement, and effectiveness.\(^4\)

**Efficiency.** Efficiency represents a promotion’s *cost-per-unit moved*. The efficiency metric is calculated simply by dividing the total cost of the completed promotion by the total units sold during the promotional period.

**Execution Ease.** This represents the total time and effort that went into the planning and execution of a promotion. Obviously, everything else held constant, promotions that require less time and effort are preferred.

**Expense.** A promotion program’s expense is the sum of the direct outlays invested in the promotion. Typical cost elements include the expense to create the promotion, costs to advertise it, and payouts for coupons redeemed, refunds paid, game prizes awarded, and so on.

**Equity Enhancement.** This criterion cannot be measured objectively but involves a subjective assessment of whether a promotion has enhanced a brand’s image or possibly even detracted from it. A sweepstakes offer, for example, may serve to enhance a brand’s equity by associating it with, say, a prestigious grand prize. A self-liquidating premium may accomplish the same goal. Comparatively, a game may be inappropriate for some brands by virtue of appearing tacky. As always, the evaluation depends on the brand positioning and target market situation.

**Effectiveness.** A promotion’s effectiveness can best be assessed by determining the total units of the promoted item that were sold during the promotional period.

**Combining the Individual Factors.** Having evaluated a completed promotion program along the “E” dimensions just noted, it would be helpful if the five individual evaluations could be combined into a single score. This can be done simply enough by using a straightforward model that weights each of the five factors in importance and then summates the products of each factor’s score by its weight. A model such as the following could be used:

\[
\text{Program } j \text{'s Score} = \sum_{i=1}^{5} (E_{ij} \times W_i)
\]

where,

- \(\text{Program } j\) = A just completed promotional program (one of many potential promotional programs that have been run and subsequently evaluated).
- \(E_{ij}\) = Evaluation of the \(j\)th promotional program on the \(i\)th evaluation factor (i.e., the efficiency factor, the executional ease factor, etc.).
- \(W_i\) = Weight, or relative importance, of the \(i\)th factor in determining promotion success. (Note that the weight
component is subscripted just with an $i$, and not also a $j$, because the weights are constant across program evaluations. Comparatively, evaluations of the individual factors, $E_{ij}$, require a $j$ subscript to reflect the likelihood of varying evaluations across different promotional programs.)

Table 18.4 illustrates this straightforward model. Consider a company that has run three promotional programs during a particular year. On completion, each program was evaluated with respect to the five evaluative criteria (efficiency, etc.) on 10-point scales, with 1 indicating poor performance and 10 reflecting an excellent execution on each evaluative criterion. Notice also in Table 18.4 that the five criteria have been weighted as follows: efficiency = .1, execution ease = .1, expense = .2, equity enhancement = .3, and effectiveness = .3. These weights sum to 1 and reflect the relative importance to this particular brand manager of the five factors. (Relative importance of these factors will obviously vary across different brands, depending on each brand’s image, the company’s financial standing, and so on.)

Given this particular set of weights and evaluations, it can be concluded that program 1 was the least successful of the three promotions, whereas program 3 was the most successful. These evaluations can thus be archived for reference by future brand managers. Eventually, norms can be established for specifying the average effectiveness level achieved by different types of promotions (samples, coupon programs, rebates, etc.).

Of course, Table 18.4 is purely illustrative. However, in actual promotion situations it is possible for brand managers to formally evaluate promotions, provided that the procedure for evaluating each criterion is clearly articulated, systematically implemented, and consistently applied (as best as possible) to all promotions that are appraised. The point to be appreciated is that the model on which Table 18.4 is based is suggestive of how promotional programs can be evaluated.

Intelligent brand managers must develop their own models to accommodate their brand’s specific needs, but the point to be emphasized is that this can be accomplished with application of thought and effort. The alternative to having a formalized evaluation system, such as proposed here, is simply to run promotion events and then never to evaluate their success. Can you imagine as a student what it would be like to take courses but never to receive grades, never to be evaluated? How would you know how well you have done? How would your institution know whether grading standards have changed over the years? Like it or not, evaluation is essential. Good business practice requires it. The issue is not whether to evaluate promotions but how to do it in a valid and reliable manner.

**SUMMARY**

This chapter focused on consumer-oriented promotions. The various sales promotion tools available to marketers were classified in terms of whether the reward offered consumers is immediate or delayed and whether the manufacturer’s
objective is to achieve trial impact, customer holding/loading, or image reinforcement. Specific sales promotion techniques fall into one of six general categories (see Table 18.1).

Specific topics addressed in the chapter included sampling effectiveness; conditions when sampling should be used; coupon usage and growth; couponing costs; coupon misredemption; reasons for using in- and on-pack premiums, self-liquidators, and other types of premiums; FTC price-off regulations; differences between refunds and rebates and when each is used; phantom rebates and rebate fraud; the roles of sweepstakes, contests, and games; the innovation of phone cards as promotional incentives; Internet promotions; the nature of overlay and tie-in promotions; retailer promotions; and promotional program evaluation.

The first and most critical requirement for a successful sales promotion is that it be based on clearly defined objectives. Second, the program must be designed with a specific target market in mind. It should also be realized that many consumers, perhaps most, desire to maximize the rewards gained from participating in a promotion while minimizing the amount of time and effort invested. Consequently, an effective promotion, from a consumer-response perspective, must make it relatively easy for consumers to obtain their rewards, and the size of the reward must be sufficient to justify the consumers' efforts. A third essential ingredient for effective sales promotions is that programs must be developed with the interests of retailers in mind—not just those of the manufacturer.

Find more resources to help you study at http://shimp.swcollege.com!
DISCUSSION QUESTIONS

1. Why are immediate (versus delayed) rewards more effective in inducing consumer behaviors desired by a brand marketer? Use a specific, concrete illustration from your own experience to support your answer.

2. In view of the promotional disasters described at points throughout the chapter, what specific moral would you suggest should be taken from these examples? Be specific.

3. One of the major trends in product sampling is selective sampling of targeted groups. Assume you work for a company that has just developed a candy bar that tastes almost as good as other candy bars but has far fewer calories. Marketing research has identified the target market as economically upscale consumers, aged primarily 25 to 54, who reside in suburban and urban areas. Explain specifically how you might selectively sample your new product to approximately 2 million such consumers.

4. Compare and contrast sampling and media-delivered coupons in terms of objectives, consumer impact, and overall roles in marketing communication strategies.

5. A packaged-goods company plans to introduce a new bath soap that differs from competitive soaps by virtue of a distinct new fragrance. Should sampling be used to introduce the product?

6. A manufacturer of golf balls introduced a new brand that supposedly delivered greater distance than competitively priced balls. However, in accordance with restrictions established by the governing body that regulates balls and other golfing equipment and accessories, this new ball when struck by a driver travels on average only a couple of yards farther than competitive brands. The manufacturer identified a list of 2 million golfers and mailed a single golf ball to each. In view of what you have learned about sampling in this chapter, comment on the advisability of this sampling program.

7. Present your personal views concerning the number of coupons distributed annually in the United States. Is widespread couponing in the best interests of consumers? Could marketers use other promotional methods more effectively and economically to achieve the objectives accomplished with coupons?

8. Present a position on the following statement (voiced by a student who read a previous edition of this textbook): “I can’t understand why in Table 18.1 mail-in premiums are positioned as accomplishing just a trial-impact function. It would seem that this form of promotion also accomplishes repeat-purchasing objectives.”

9. Using Table 18.3 as a rough guide, calculate the full cost per redeemed coupon given the following facts: (1) face value = 75 cents; (2) 20 million coupons distributed at $7 per thousand; (3) redemption rate = 3 percent; (4) handling cost = 8 cents; and (5) misredemption rate = 7 percent.

10. Your company markets antifreeze. Sales to consumers take place in a very short period, primarily September through December. You want to tie in

11. What is the purpose of the FTC price-off regulations?

12. Compare bonus packs and price-off deals in terms of consumer impact.

13. What is sales promotion crossruffing, and why is it used?

14. How can sales promotion reinforce a brand’s image? Is this a major objective of sales promotion?

15. Compare sweepstakes, contests, and games in terms of how they function and their relative effectiveness.

16. Your company markets antifreeze. Sales to consumers take place in a very short period, primarily September through December. You want to tie in
a promotion between your brand and the brand of another company that would bring more visibility to your brand and encourage retailers to provide more shelf space. Recommend a partner for this tie-in promotion and justify the choice.

17. Go through a Sunday newspaper and select five FSIs. Analyze each in terms of what you think are the marketer’s objectives in using this particular promotion.

18. What are your thoughts regarding the future of online promotions?

19. Have you participated in online promotions, and if so, what has been your experience? Considering just a single online promotion that you participated in and considering yourself representative of the brand’s target market, do you think the promotion accomplished its objective.

ENDNOTES

1. Though the following discussion is based mostly on the author’s prior writing and thinking on the topic, these points are influenced by descriptions obtained from various practitioners, especially the following at pages 35 and 36: http://www.santella.com/marketing.htm.

2. Pierre Chandon, Brian Wansink, and Gilles Laurent, “A Benefit Congruency Framework of Sales Promotion Effectiveness,” *Journal of Marketing* 64 (October 2000), 65–81. The following discussion of benefits is based on a typology provided by these authors. See their Table 1 on pages 68–69.


5. 20th Annual Survey of Promotional Practices (Largo, FL: Cox Direct, 1998), 47.


26. Donald R. Lichtenstein, Richard G. Netemeyer, and Scot Burton,


37. Ibid.


46. Bowman and Theroux, *Promotion Marketing*, 24. It is noteworthy that one clearinghouse, CMS, estimates the on-pack redemption rate at 4.7 percent, whereas the other, NCH, estimates it at 11.5 percent. This latter figure seems out of line and perhaps is a misprint.


51. Ibid.


58. Ibid.


60. The Clamato case is from ibid. and the others are extracted from Shea, “Calling All Cards: Prepaid Phone Cards Are Ringing Up Sales,” 37–46.

61. Fredericks, “What Ogilvy & Mather Has Learned about Sales Promotion.”


71. Smith, “Postal Inspectors Target Rebate Fraud.”
77. Ibid.
85. This table is an adaptation of ibid., 53.