A COMPARISON OF RETAIL TRADE AND COMPANY SALES STAFF PERCEPTIONS OF A TRADE BASED SALES PROMOTION

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Abstract

This paper presents a case study that was undertaken to understand the perceptions of both dealers and internal staff about a sales promotion that was employed by the company. In terms of general attitudes to promotions, sales representatives and dealers both saw promotions as purely sales driven, in terms of objectives and evaluations. However, senior staff saw sales promotions as having a relationship building role and as a motivator for staff. The internal staff we spoke to were sceptical about the effectiveness of such promotions with the sales reps perceiving that they would have achieved the sales anyway and the senior staff unsure how to assess these more abstract objectives. The key findings were the identification of the areas perceived by dealers and/or internal staff as impacting upon a sales promotion. These were: ability to attract attention, simplicity, having realistic targets, having good support material, appropriate incentives, efficient logistics, communication of benefits and sales support. It was also important to ensure that the goals of the promotion, as set by the company, were able to provide a benefit to the dealers.

Introduction

“Getting maximum advantage from expenditures on sales promotions takes effort and a substantial amount of creativity” (Hardy and Magrath 1990).

Maximising return on investment from sales promotional activity is something that leaves many organisations in a quandary (Verstappen and Wierenga 1998). This is of great significance given the increasing reliance being placed on promotions to deliver short term sales targets (Roberts, 1995). It is also an area of substantial investment for many firms with total expenditure in Australia estimated at $600 million per annum (Reed 1997). Sales promotion is a key component in developing an offer for the marketplace and involves some form of inducement targeted towards end consumers, marketing intermediaries such as wholesalers or retailers, and/or the firm’s own sales force.

Trade promotion is often an acceleration tool designed to speed up the selling process and maximise sales volume (Belch, 1998). More specifically, it can be designed to neutralise competition, build loyalty, increase volume of existing sales, encourage resellers to carry more inventory, buy in bigger lots or stock new lines (Reed 1997). In terms of return on investment, marketers may well consider at what price does such activity occur. Rossiter and Percy (1997) suggest that “trade promotions are by and large not profitable and that most manufacturers wish they could avoid them” (p.355).
Questions such as this led a manufacturer of industrial pumps to consider the effectiveness of their expenditure on a recent promotional program. The trade-based promotion was designed to encourage greater sales volume by its dealers who sell pumps to end-users. The industry in which this firm operates is seasonal with a number of well-entrenched competitors. Market growth is at best marginal, depending largely on the climatic conditions. In wet seasons, when natural water supplies are abundant, market demand is much lower than in dry or drought conditions. Although typical trade promotions are price-based (Rossiter and Percy 1997), the promotion under review involved a sales volume based competition.

The Promotion
The promotion was targeted at retail outlets ranging from general hardware stores (eg Mitre 10 outlets) to specialist irrigation centres. The promotion ran from September to November 1998 and involved redemption tickets being issued for the achievement of specific sales targets. Details of the redemption scheme were quite complex. The major prize was a Harley Davidson motorcycle with the winner determined according to a 3-month cumulative target. In addition, seven Franklin Mint “Sons of Harley” replica motorcycles were offered as consolation prizes in each state. There were also prizes that non-winners could use their tickets to redeem. These ranged from workplace items such as faxes and phones to personal items such as clothing or cookware.

In a study by Shutt (1995) cited in (Murray and Heide 1998), manufacturers were reported to have found that poor retailer participation was the greatest concern when implementing trade promotions. However, in this instance we are discussing a promotion that was successful in terms of participation. Initial uptake was very good (over 80%) and there were a high number of continued participants. It also appeared to be effective in terms of overall sales, whereby the company recorded a 9% increase in overall sales over the time period of the promotion, and this increase was concentrated in the dealers who participated in the sales promotion.

Research Objective
The objective of this research was to explore the perceptions of dealers to the promotion, and to contrast them with those of the internal sales staff involved in implementing the promotion. It explored the following issues: how well the promotion was organised; the prizes on offer; the objectives of the promotions; level of involvement in promotion activities eg reading literature, enrolling, collecting tickets, placing orders, claim forms; and overall perceived strengths and weaknesses of the promotion.

Methodology
The sample was made up of dealers who had enrolled in the promotion, and internal staff throughout Australia, including National Marketing and Sales Directors, Regional Sales Managers, local Sales Managers and Sales Representatives. The company provided a random selection of contacts for interviewing which were then recruited separately without the company’s knowledge of individual participants.

The research involved a series of 24 in-depth interviews conducted in two stages. The first stage involved interviewing 16 dealers and was designed to capture a range of levels of participation in the promotion. Of these, 6 were general stores and 10 were specialist irrigation stores. Participation was deemed to vary according to the number of tickets
collected (large, medium and small). The second stage involved 8 internal staff, which captured a range of levels in the sales function of the organisation from the sales representative, who had direct contact with the dealers to the Sales Director, who was involved solely on a strategic level. There were also discussions that took place with the marketing staff responsible for the inception and overall running of the campaign. Each interview was a semi-structured interview that was conducted either by telephone or face to face with an average duration of 40 minutes. The sample was stratified to ensure that within the small sample size, a wide range of responses was obtained. This approach is popular because it combines the conceptual simplicity of simple random sampling with potentially significant gains in precision (Dillon, 1993). Representation in both stages came from a spread of geographic locations. Both dealers and internal staff interviews were conducted via telephone and face to face to maximise the ability to conduct the interview and minimise bias using any one method of collecting information.

Findings

General attitudes to promotions
Dealers at the more generalist stores (eg Mitre 10’s) tended to have a range of promotions available to them at any one time (ie 3 or 4 per week). Most of these were reported to ‘end up in the bin’. When probed about the triggers that separated the promotions where the dealers took an active part from those discarded, the main responses were provides a real incentive, offer bonus stock, realistic targets.

The promotions that appeared to have the greatest appeal were those that came from suppliers whose products constituted a large proportion of their business, and where there was additional support and incentive designed to increase traffic in the store. For example, favoured promotions were those that enabled dealers to run an advertisement in the paper and thereby stimulate demand to move the stock. It appeared that recommending one brand over another was not a perceived benefit to the store, while increasing overall sales was. Thus a promotion that was able to do the latter was perceived more useful and more likely to stimulate interest and involvement.

Some generalist stores saw trade promotions as primarily a way to increase margins. They were prepared to boost stock levels in response to bulk buy offers, but not in response to non-cash prizes. Others saw prizes based on competitions as good because they could be shared amongst the sales staff. Timing was also seen as critical, for example Fathers’ Day, because it meant that additional sales could be more readily generated. In contrast, the more specialist businesses had relatively few promotions come their way. The main form of promotion they experienced was trade shows. Several respondents reported that cash-back offers for specific sales generated had been particularly effective in their view.

The interviews with internal staff identified that there were very strong views on the use of trade promotion and on its objectives. While most internal staff where doubtful about the value of sales promotions, the reasons changed as we interviewed more senior employees of the company. At the lower level of the sales hierarchy – trade promotions were perceived as generating more business for the company, and should be evaluated as such. Here, scepticism about sales promotions was based on the perception that the sales would have come anyway,
so why all this extra effort don’t need it in our job (sales rep). While at the more strategic level, it was perceived that trade promotions could be a motivating force for staff, and provide the sales staff with something else to talk to dealers about (ie relationship building tools) causes sales staff to speak to the dealers on another level (sales director). Here the concern for the value of sales promotions was based on the inability to quantify these ‘fuzzier’ objectives.

Murry and Heide (1998) found that factors such as interpersonal attachments, incentive premiums, payment method and monitoring of the promotion all had significant influence on retailer agreement and compliance. The following are some of the aspects that arose in discussion about making a promotion successful. The perspective of both dealers and internal staff are discussed and compared here.

Getting attention – there needed to be some aspect of the promotion that provided a focal point. Both to attract the attention and interest of the dealer and to provide a talking point for sales reps. In this instance the company had been successful. It was however commented by dealers that while something different was needed to get attention, it didn’t have to be big ‘a box of jelly beans is as good as a Harley Davidson’.

Simplicity – this was considered vital to keep people interested over a period of time. In this context the ticket system used by the company was criticised ‘the last thing busy people running businesses need is more paperwork to keep checking’. The degree of complexity placed an unexpected additional burden on field staff to not only introduce, but then to keep participants au fait with where they stood for winning prizes at any point in time. Some staff suggested this meant it was difficult to maintain momentum and enthusiasm.

Realistic targets – this was agreed to be an important aspect for establishing and maintaining interest. From the internal staff there were considerable comments about the best method for establishing sales targets for the promotion. Several levels of staff were critical of the procedure that took place, however, it was difficult to get a common picture of how sales targets were actually set. Each level seemed to perceive events as happening differently. What was consistent however was the need for those who have direct contact with the dealers to be directly involved in setting targets. This was seen to ensure the targets would be realistic from the dealer’s perspective and the sales force would ‘get behind’ the promotion.

Support material – Written and verbal updates were considered to be important for maintaining interest and dialogue. In this instance there were also critical comments that the written communication outlining the promotion was considered somewhat unclear, and there could have been more on-going communication in print, such as a wall planner or spreadsheet where regular updates could be recorded.

Having incentives, not just prizes– There was some discussion from dealers about the recipient of the prize. There were those, who although responsible for ordering, felt that had they won the main prize it would have gone to the owner of the store and as such perceived little benefit in participating. This was considered by the company prior to implementation, and the winner was provided with a large number of tickets to redeem prizes for staff. However, respondents were generally unaware of this. Those who questioned the appropriateness of
the prize did so, either because it couldn’t be easily shared, or ‘I don’t ride a motorbike’ or ‘I would have preferred a dirt bike’.

**Efficient Logistics** – This was making sure that the prizes were delivered within a reasonable time and to the right people so that the company was seen as being efficient. Lack of efficiency in the promotion was thought to have a negative effect on how the company was perceived. In this instance there was some criticism of the promotion, however this was from internal staff rather than from dealers. The feeling was that participants were not issued with clear information and/or expectations in terms of who had won what and when they could expect delivery.

**Communication of benefits** - There should be more explicit detail of the potential rewards and how they can be achieved, however it does need to be checked that the objectives of the company implementing the promotion also provide benefits to the targets of the promotion. In this instance while the company can increase sales by getting dealers to switch to their products, dealers did not perceive this to be a benefit. A promotion that allowed them to increase overall sales was (naturally) seen as more desirable. This is supported by Wietz et al (1998) who state that such promotions work best when the manufacturer understands the retailer or distributors’ needs and work to satisfy those needs in a mutually beneficial way.

**Sales support** – There appeared to be a difference in the support of the sales staff and interest in the promotion. Anecdotal evidence suggests that those with minimal or no participation seemed to be also those that had minimal or unstable sales support (ie constant changing in sales reps). Promotions are also likely to be more successful when there is stability in the sales force, with sales calls consistently being used to support the promotion.

**Determining the appropriate number of promotions** - It is often suggested that sales promotion is an over-used marketing tool (Tuck 1972, Prentice 1977) in that it heightens consumer expectations and deal proneness (Dodson, Tybout et al. 1978; Lattin and Bucklin 1989; Chandon 1995; Mela, Gupta et al. 1997). It was clear that many of the respondents (both dealers and internal staff) were conscious of limiting promotions of this magnitude to no more than one per year, even those who viewed this promotion very positively. Overuse may well disable the cut through factor of having an unexpected and interesting promotion.

**Conclusion**

The most effective trade promotions are those which harness the support and involvement of all level of sales and marketing staff. By listening to the experience and knowledge of sales force who are “the eyes and ears of the firm” (Weitz et al, 1998), marketing should serve the firm by creating the most appropriate promotional campaigns. Support will be easier to manage if the promotion is uncluttered, easy to follow, well communicated internally and externally, rewards for most if not all participants, and clear procedure for implementation. The approach must be manageable in terms of monitoring results and administration, including clear identification of roles and responsibilities. Failure to track promotional impact will disadvantage marketers because it is so difficult to diagnose promotional inefficiencies without measurement (Hardy & Magrath 1990). Finally, a well managed communication and implementation plan is critical to avoid dissatisfaction post promotion.
References


