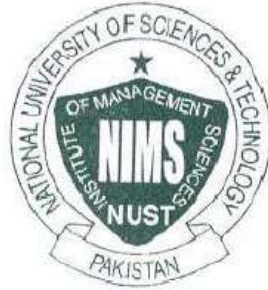




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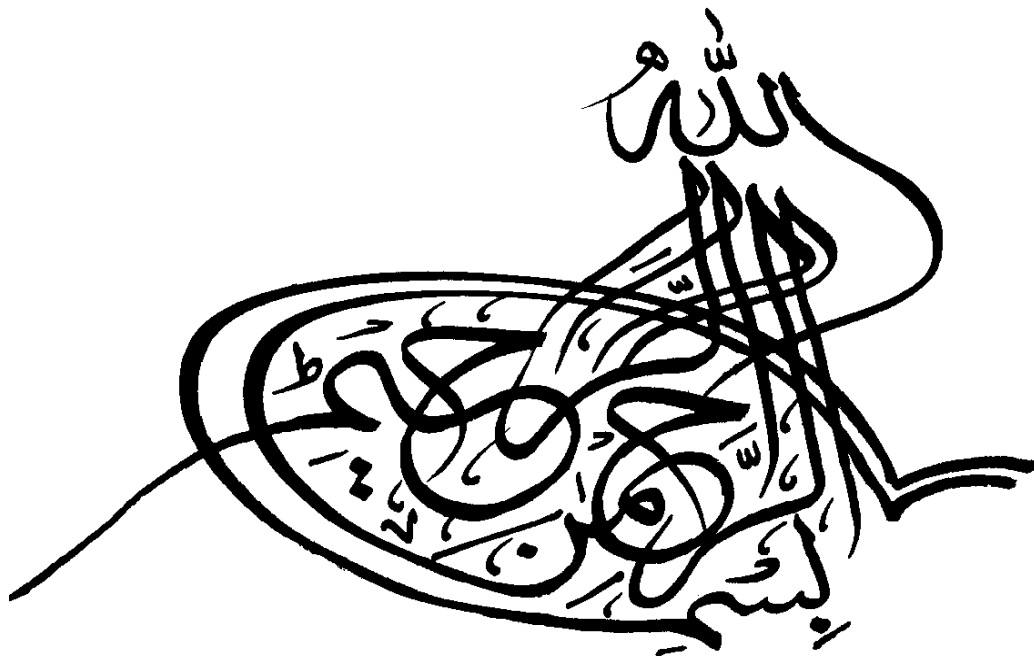
### **Final MBA Thesis**

### **Effectiveness of Sales Promotions**

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In the Name of Allah

*Most Merciful and Compassionate, the Most Gracious and  
Beneficent, Whose help and guidance I always solicit at  
every step, at every moment.*

## ABSTRACT

Sales promotions have been described as an effective means of inducing customers to change their attitude or behavior favorably towards a product. Both monetary and non-monetary promotions have been effectively used over time to generate additional sales for a product.

This research is based on the Benefit Congruency Framework and is used to test the effectiveness of different types of sales promotions for hedonic and utilitarian products available in Pakistan. The purpose of this study is to analyze the effectiveness of sales promotions on consumers' preferences and the impact of monetary and non-monetary promotions on hedonic and utilitarian goods

The hypothesis that were based upon the Benefit Congruency Framework and used for this study are;

- 1. Monetary promotions are relatively more effective (compared to Non-monetary promotions) for utilitarian products than for hedonic products.**
- 2. Non-Monetary promotions are relatively more effective (compared to monetary promotions) for hedonic products than for utilitarian products.**

For this purpose a consumer survey was undertaken with the help of a questionnaire. Four brands in two product categories were chosen. In the findings it was seen that monetary promotion for both the utilitarian products (Brooke Bond Supreme and Dalda) increased the number of potential users by a higher margin as compared to non-monetary promotions. In the findings it was also seen that non-monetary promotion for both the hedonic products (Khaadi and Bhabi's) increased the number of potential by a higher margin as compared to monetary promotion.

## ACKNOWLEDGEMENTS

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# **CHAPTER NO. 1**

# **INTRODUCTION**

## **1.1 Introduction**

In marketing, sales promotion is one of the four aspects of promotion. Therefore, sales promotions are non-personal promotional efforts that are designed to have an immediate impact on sales. Sales promotion is media and non-media marketing communications employed for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability

According to the Institute of Sales Promotion (ISP), sales promotion comprises a range of tactical marketing techniques, designed within a strategic marketing framework, to add value to a product or service to achieve specific sales and marketing objectives.

Put simply, sales promotion is a means of achieving marketing objectives by offering short-term additional value to a brand. The primary objective of sales promotions is to predict and modify customer purchasing behavior, most often to improve sales. Sales promotions have long been used tactically to increase customer retention, acquisition and sales.

## **1.2 Aim of the study**

This research is based on the Benefit Congruency Framework and is used to test the effectiveness of different types of sales promotions for hedonic and utilitarian products available in Pakistan. The purpose of this study is to analyze the effectiveness of sales promotions on consumers' preferences and the impact of monetary and non-monetary promotions on hedonic and utilitarian goods. Another aspect of this study is to analyze the change in customer preferences of products when offered with and without promotions.

Sales promotions have been described as an effective means of inducing customers to change their attitude or behavior favorably towards a product. Both monetary and non-monetary promotions have been effectively used over time to generate additional sales for a product. However, critics have argued that monetary promotion lead to the erosion



of market share in the short run which explains why so many are unprofitable. In the long run it is feared that sales promotions increase price sensitivity and destroy brand equity both with retailers and consumers. As a result, most of the industry experts call for more effective and cost efficient promotions that rely less on price, while some go so far as to recommend eliminating most promotions by switching to an everyday low price policy.

### **1.3 Specific Objectives**

The specific objectives of this study are concerned with the main hypothesis that is to be proved in congruence with the findings of the Benefit Congruency Framework;

1. Monetary promotions are relatively more effective (compared to Non-monetary promotions) for utilitarian products than for hedonic products.
2. Non-Monetary promotions are relatively more effective (compared to monetary promotions) for hedonic products than for utilitarian products.
3. Which types of monetary promotions are effective for utilitarian products and which type of non monetary promotions are effective for hedonic products.

### **1.4 Context of Study**

This study focuses on the effectiveness of sales promotions and how useful it is as an incentive technique for creating a perception of greater value among buyers.

Sales promotions in the past decade have played an extremely important role in selling of goods and services in this country. The popularity of sales promotion in the past decade gives even more importance to the study. As one of the big emerging markets, Pakistan's enormous population and rapid increase in consumer spending have catapulted its

business activity. The GDP has also grown by leaps and bounds. Overall, standards of living have increased.

## **1.5 Previous Research**

Prior to the presentation of the benefit congruency framework by Chandon, Wansink and Laurent(2000), several studies had been conducted in the area of advertising research on this theme.

For instance, Shavitt (1990) showed that the attitude toward a utilitarian product (an air conditioner) was more influenced by ads emphasizing utilitarian rather than hedonic benefits, and the reverse was true with a hedonic product (coffee).

Similarly, Strahilevitz and Myers (1998) found that donations to charities (a type of non monetary promotion) were more effective when offered for a hedonic than a utilitarian product.

The research conducted by Chandon, Wansink and Laurent in 2000 led to the formulation of Benefit Congruency Framework. Their research showed that monetary promotions provide more utilitarian benefits and fewer hedonic benefits than non-monetary promotions. When evaluating a promotion for a utilitarian product, say a battery, consumers place a greater weight on its utilitarian benefits than on its hedonic benefits. As a result, they will be more influenced by a (relatively utilitarian) monetary promotion than by a (relatively hedonic) non-monetary promotion. Conversely, when evaluating a promotion for a hedonic product, say a wine or a dessert on a date, consumers should place a greater emphasis on the hedonic benefits of the product. They should thus be more receptive to a (relatively hedonic) non-monetary promotion than to a (relatively utilitarian) monetary promotion.

The main findings derived from their research are summarized below;

1. Sales promotions are more effective when they provide benefits that are congruent with those provided by the product being promoted. Specifically, monetary promotions are more effective for utilitarian products than for hedonic products. Conversely, non-monetary promotions are relatively more effective for hedonic products than for utilitarian products.
2. Sales promotions can provide consumers with an array of hedonic and utilitarian benefits beyond monetary savings. Hedonic benefits include value-expression, entertainment, and exploration. Along with simple monetary savings, utilitarian benefits also include product quality and shopping convenience.

The Promotion Marketing Association (PMA), recently announced the results of their research, "Promotion, Brand Building and Corporate Performance," a collection of five distinct, but related, studies commissioned to determine the economic impact of sales promotion on corporate performance. The research found that promotion marketing results in significant contributions to the corporate bottom line and that, executed strategically; promotion builds brand equity, increases retail traffic, and most importantly, drives sales of both products and services.

Conducted over four years by the department of Integrated Marketing Communications at Northwestern University, the study is based on empirical analysis of consumer purchase behavior with respect to promotion. Data sources for the study included frequent shopper databases, controlled experiments, first-hand dissemination and tracking of promotional materials (coupons, etc.), as well as an extensive survey of more than 1,000 retail shoppers along with data on the actual purchases of those shoppers.

The study's findings prove that promotion directly influences corporate performance by attracting and serving a firm's customers in both economic and psychological ways.

### **Among the studies key findings:**

- Promotions contribute to shopping enjoyment. Promotions provide both measurable hedonistic (pleasurable) benefits, as well as utilitarian (monetary) benefits.
- Promotion activity is an integral part of the shopping experience and is positively related to consumer satisfaction with retail stores.
- Consumers of all incomes participate in and enjoy promotions.
- Promotion buying and brand loyalty are not mutually exclusive - many consumers who are loyal to a brand also respond positively to its promotions.
- Promotions contribute greatly to overall brand experience. Promotions serve as a point of differentiation that can help a brand stand out in a category - regardless of product attributes or prices.
- Coupon promotions particularly have distinct, measurable contributions to profit that can be directly tied to the specific characteristics of face value and length of redemption period. By managing these characteristics, specific outcomes can be achieved.

One of the more interesting findings is that all types of consumers participate in promotions, regardless of their income or spending habits. The research indicates that 20-35% of all consumer purchases are tied to some kind of promotion. This speaks to the level at which promotion can be effective - not only in attracting new customers but also in retaining those brand loyal customers who are known to provide enormous contribution to a company's profitability."

The research also indicated that the effectiveness of sales promotion is directly linked to the benefit provided. For high-equity, indulgent items such as gourmet chocolates and bubble baths, promotions are more effective when they provide non-monetary offers such as sweepstakes and other incentives. Low-equity items such as light bulbs, laundry soap and detergent were found to be best served by monetary promotions. These findings

correlate directly with the findings drawn by the “Benefit Congruency Framework of Sales Promotions.”

### **1.6 Key Findings from Other Researches**

- Promotion buying and brand loyalty are not mutually exclusive. Many promotion-responsive shoppers are highly brand-loyal.
- Consumers of all incomes — including the most profitable customers — participate in promotions as an integral part of the shopping experience.
- Promotion participation is positively related to satisfaction with retail stores.
- Promotions provide measurable hedonic (pleasurable) as well as utilitarian (monetary) benefits to consumers. Promotions are more effective when they offer benefits that match a product's benefits.
- Coupon promotions have distinct, measurable contributions to profit that can be directly tied to specific characteristics.
- Service promotions can attract new consumers who subsequently become regular customers paying full price.

### **1.7 Methodology of Research**

This study has a mix of both qualitative and quantitative research data. This is because of the nature of the research approach which banks heavily on the findings obtain through consumer survey through questionnaire conducted from various sources.

Questionnaires were the prime source of data in this research project. This is because this research project is based upon people’s preference about different product categories and how these change in response to various sales promotions. These questionnaires are most appropriate to find out these preferences.

**CHAPTER NO. 2**  
**LITERATURE REVIEW**

## **2. LITERATURE REVIEW**

### **2.1 Definition**

According to the Institute of Sales Promotion (ISP), sales promotion comprises a range of tactical marketing techniques, designed within a strategic marketing framework, to add value to a product or service to achieve specific sales and marketing objectives.

Put simply, sales promotion is a means of achieving marketing objectives by offering short-term additional value to a brand. The key words in this definition are:

- Marketing objectives. The objective is usually to increase sales in one guise or another.
- Short-term. Promotional activity has to be temporary in order not to become an intrinsic attribute of the brand
- Additional. Promotions have to offer the customer something extra, whether it is value, e.g. a free product, goods, eg. a branded gift or prizes, or other intangible benefit, such as a link with a charity.

A brand, whether it is a product, service or company, is taken to be a sum of its marketing mix: Product – attributes, function, packaging, Price – positioning, Place - distribution, location, and Promotion. As a result of the combination of these four elements, a brand will differentiate itself from its competitors and acquire its own special brand values.

In marketing, sales promotion is one of the four aspects of promotion. Therefore, sales promotions are non-personal promotional efforts that are designed to have an immediate impact on sales. Sales promotion is media and non-media marketing communications employed for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability.

Examples of sales promotions include:

- coupons
- discounts and sales
- contests
- point of purchase displays
- rebates
- gifts and incentive items

## **2.2 Types of Sales Promotions**

Sales promotions can be directed at either the customer, sales staff, or distribution channel members (such as retailers). Sales promotions targeted at the consumer are called consumer sales promotions. Sales promotions targeted at retailers and wholesale are called trade sales promotions. Some sale promotions, particularly ones with unusual methods, are considered gimmick by many.

## **2.3 Consumer sales promotion techniques**

### **2.3.1 Coupons**

A coupon is a ticket or document that can be exchanged for a financial discount on a product. Customarily, coupons are issued by manufacturers of consumer packaged goods or by retailers, to be used in retail stores as a part of sales promotions. They are often widely distributed through mail, magazines, newspapers and the Internet. Internet coupons have become very popular as of late, because the cost is borne by the user (who has to print off the coupons themselves) as opposed to the businesses issuing the coupons.



Coupons are also "attached" to bonds, either physically (as with old bonds) or electronically. Each coupon represents a predetermined payment promised to the bondholder in return for his or her loan of money to the bond-issuer. (The bond-holder is typically not the original lender, but receives this payment anyway.) The coupon rate (the amount promised per dollar of the face value of the bond) helps determine the interest rate or yield on the bond.

Other types of coupons:

- Free-standing insert (FSI): A coupon booklet is inserted into the local newspaper for delivery.
- On-shelf couponing: Coupons are present at the shelf where the product is available.
- Checkout dispensers: On checkout the customer is given a coupon based on products purchased.
- On-line couponing: Coupons are available on line. Consumers print them out and take them to the store

Retrieved from "<http://en.wikipedia.org/wiki/Coupon>"

Sales promotions in Pakistan do not normally take the form of coupons. Some coupons are given out at different restaurants as “discount cards”, mainly used to induce repeat visits.

However, coupons are mainly used as a means of entering into sweepstakes or draws. These coupons are mainly made available in newspapers and magazines.



### 2.3.2 Sweepstakes

Sweepstakes are promotions wherein winners are determined by a random drawing in some chance event. The participants exercise no control. Sweeps generate awareness and involvement with a brand. The most cost effective sweepstakes prize is travel, which has a substantially higher perceived value than its cost.

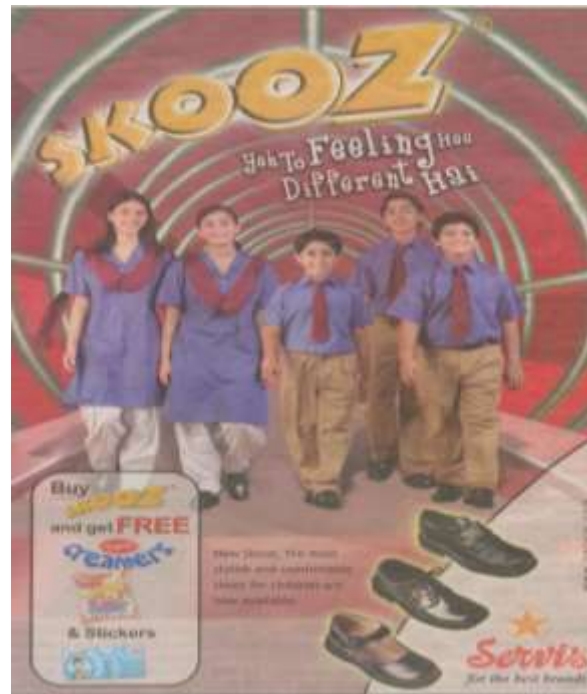
This is the most used form of promotion in Pakistan. Every industry from FMCG sector to small boutiques are using sweepstakes to attract clientele. Initially there was a huge response from consumers to this kind of promotion. There was also a huge protest from certain religious groups over such schemes being “games of chance” which are not allowed in Islam.



### 2.3.3 Gifts and incentive items

These include gifts given out with the product or some other complementary bundled with the original to make the offer more attractive. This is often a consequence of co branding, when two brands come together to offer their products together to the consumer.

This is another type of promotion that is used widely in Pakistan. This type of promotion is mainly used in the FMCG



sector in Pakistan. Free gifts given out with products are mainly complementary to the original product. For examples conditioner sachets with shampoo bottles, toothbrushes with toothpastes etc.

### 2.3.4 Price-pack deal

The packaging offers a consumer a certain percentage more of the product for the same price (for example, 25 percent off the retail price or 25 per cent more product). This type of promotion is more popular in the subcontinent.

Price pack deals are also common in the FMCG sector of Pakistan. Every year, products are available in different types of packing announcing a certain additional percentage of product free. This is ordinarily seen in the shampoo and surf industries in Pakistan.



These kinds of deals are also extremely common in the vastly growing mobile service industry. Many service providers provide free airtime, no expiration date etc.

### 2.3.5 Sampling

Sampling allows the customer to decide for him or herself whether or not a product satisfies a need. If the results are favorable, there are often product inventories available for purchase.

Sampling in Pakistan is only limited to when new products are introduced. These samples are also available to small target localities to judge reactions of the people. Haleeb's new juices, Mountain Dew's relaunch in Pakistan both used sampling in several urban areas of metropolitan cities.

### **2.3.6 Mail-in offers/rebates**

Mail-in offers are a delayed incentive. They appear in two general categories: Cash or coupon refunds and premium offers. Consumers purchase a product and send away in order to receive the reward.

*Refund Offers* require the consumer to mail in certain proofs-of-purchase in return for a set amount of cash or coupons. This encourages purchase continuity and brand trial.

*Premium Offers* offer free or discounted merchandise as an incentive for the customer to purchase more.

The genuine benefit to the marketer is a low redemption rate.

Rebates, also known as "mail-in rebates", are primarily used as incentives or supplements to product sales. A rebate is an offer in which the purchase of a product entitles the buyer to mail in a coupon or receipt and receive a check for a particular amount, depending on the particular product, time, and place of purchase.

Rebates are heavily used for advertised sales in retail stores in the United States, such as Best Buy and Staples. Computer components and electronics seem to have a large portion of rebate sales. For example, an item might be advertised as "\$39 after rebate", but the item actually costs \$79 and comes with a \$40 rebate coupon.

Outside of the United States (e.g. in Nordic countries, the UK, Europe and other countries) using rebates as a sale technique is virtually unknown. Rebates can be offered

by the retailer or the manufacturer of the particular item. The turnaround time is generally 4-8 weeks.

### 2.3.7 Group Promotions

There are usually three elements to group promotions: The offer, the unifying theme and joint advertising support. When participating in group promotions, overall costs are often lower. However, more time and planning must go into development. It is important to develop a logical and unifying theme, preferably one simple and to the point.

### 2.3.8 Discounts and price deals

Discounts and allowances are modifications to the basic price. They could modify either the manufacturer's list price (which is a price determined by the manufacturer and often printed on the package), the retail price (which is set by the retailer and often attached to the product with a sticker), or the list price (which is quoted to a potential buyer, usually in written form). The market price (also called effective price) is the amount actually paid. The purpose of discounts is to increase short-term sales, move out-of-date stock, reward valuable customers.



These discounts include seasonal discounts which are price reductions given when an order is placed in a slack period (example: purchasing skis in April in the northern hemisphere or in September in the southern hemisphere). On a shorter time scale, a happy hour may fall in this category.

These discounts are used regularly in Pakistan around Ramadan and also at other times where there are great seasonal variations in demand. Cola manufacturers lower their prices during Ramadan.

### **2.3.9 Point of Sales**

POS or PoS is an acronym for point-of-sale (or point of service or point of purchase). This can mean a retail shop, a checkout counter in a shop, or a variable location where a transaction occurs. In Europe, the acronym EPOS for Electronics at the Point Of Sale is used in preference.

#### Traditional stores

A check-out counter, check stand, or checkout is the aisle where people place items they have chosen to purchase from a store, such as a supermarket or department store. This is typically a long counter, which usually contains a moving belt or sometimes a rotating carousel, and a photocell to stop it when items reach the end. The cashier rings up each item on the cash register and obtains the total. The items are placed in bags and the customer can take them after paying.

Marketers design special advertisements, called point-of-sale displays that are typically found at or near a checkout counter. These displays are frequently designed to stimulate impulse purchases, (especially of items that children will beg parents for).

These POS include:

- Aisle interrupter: A sign that juts into the aisle from the shelf.
- Dangler: A sign that sways when a consumer walks by it.
- Glorifier: A small stage that elevates a product above other products.
- Wobbler: A sign that jiggles.
- Lipstick Board: A board on which messages are written in crayon.
- Necker: A coupon placed on the 'neck' of a bottle.
- YES unit: "your extra salesperson" is a pull-out fact sheet.

## 2.4 Trade sales promotions

### 2.4.1 Merchandising allowances

Think of merchandising allowances as “fees for favoritism”. There may be monetary or prize rewards such as travel, gifts, or discounts that are given to retail stores or wholesalers for featuring a product. In a way, you are purchasing real estate—shelf space, displays, features—for your product. These are mainly used to encourage distribution channel members to perform a function. Some discounts and allowances are forms of sales promotion.

The most common types of merchandising allowances are:

#### Cash discounts for prompt payment.

They are intended to speed payment and thereby provide liquidity to the firm. They are sometimes used as a promotional device. Examples are:

- 2/10 net 30 - this means the buyer must pay within 30 days, but will receive a 2% discount if they pay within 10 days.
- 3/7 EOM - this means the buyer must pay by the End Of the Month, but will receive a 3% discount if they pay within 7 days.
- 2/15 net 40 ROG - this means the buyer must pay within 40 days of Receipt Of Goods, but will receive a 2% discount if paid in 15 days.

#### Quantity discounts.

These are price reductions given for large purchases. The rationale behind them is to obtain economies of scale and pass some (or all) of these savings on to the customer. In some industries, buyer groups and co-ops have formed to take advantage of these discounts. Generally there are two types:

- Cumulative quantity discounts. - These are price reductions based on the quantity purchased over a period of time (often one year). The expectation is

that they will impose an implied switching cost and thereby bond the purchaser to the seller.

- Non-cumulative quantity discounts - These are price reductions based on the quantity of a single order. The expectation is that they will encourage larger orders, thus reducing billing, order filling, shipping, and sales personal expenses.

#### Trade discounts (also called functional discounts)

These are payments to distribution channel members for performing some function. Examples of these functions are warehousing and shelf stocking. Trade discounts are often combined to include a series of functions, for example 20/12/5 could indicate a 20% discount for warehousing the product, an additional 12% discount for shipping the product, and an additional 5% discount for keeping the shelves stocked. Trade discounts are most frequent in industries where retailers hold the majority of the power in the distribution channel (referred to as channel captains).

#### Forward dating

This is where the purchaser doesn't pay for the goods until well after they arrive. The date on the invoice is moved forward - example: purchase goods in November for sale during the December holiday season, but the payment date on the invoice is January 7th.

#### **2.4.2 Performance allowances (i.e. advertising allowance)**

This monetary fund is set aside to subsidize the advertising initiatives of resellers. Most times, these advertisements target a local audience or smaller population. For example, Xerox may have a national advertising campaign, which includes television commercials and magazine advertisements. However, a small-town distributor may advertise Xerox machines in a weekly flyer on its own. Xerox would then reward the distributor for their efforts by offsetting a portion of the distributor's prior year's advertising costs based on the distributor's total product purchases. This also includes brokerage allowance - From



the point of view of the manufacturer, any brokerage fee paid is similar to a promotional allowance. It is usually based on a percentage of the sales generated by the broker.

### **2.4.3 Dealer Incentives**

Getting a dealer to sell your product instead of your competitor's is difficult. Both you and your competitor may occupy the same niche and offer similar benefits. Perhaps your competitor has an edge over you, whether it be in brand popularity, pricing, or customer loyalty. Offering dealer incentives is one way to help secure your position. Rewarding the dealer with bonuses or prizes encourages them to choose your product and sell it enthusiastically. These also include;

- Dealer loader: An incentive given to induce a retailer to purchase and display a product.
- Trade contest: A contest to reward retailers that sell the most product.
- Training programs: dealer employees are trained in selling the product.
- Push money: also known as "spiffs". An extra commission paid to retailer employees to push products.

### **2.4.4 Trade Shows/Conventions**

These can significantly increase sales volume through direct contact with customers. About 90% of a trade show's visitors see a company sales person for the first time. Trade show preparation includes choosing the appropriate show(s) to attend, building a dramatic display to attract attention, a strategy for drawing attendees into your booth and effectively following up on sales leads.

## 2.5 Adequate Promotional Techniques

The primary objectives of sales promotions are to predict and modify customer purchasing behavior, most often to improve sales. There are many ways to approach and realize this goal.

### Promotion Strategy

An analysis of a product's performance takes into account both surface indications and underlying problems facing the brand. In-depth situation analyses and strategy development can help determine the incentive needed, the type of promotion likely to have the greatest appeal, and the media required to reach the desired audience.

Items to consider:

- Customer Attitudes and Buying Behaviors

Determine who your customers are demographically and psychographically – personal characteristics, age group, location, ethnicity, income, etc. Establish what about your brand attracts them and how they make their buying decisions.

- Brand Strategy

Consider your level of dominance in the product category. How will sales promotion factor into performance? What are the strengths and time period before returns are realized?

- Competitive Strategy

Evaluate past performance, both yours and your competitors', and determine what activities, levels of spending and time periods produced the best results.

- Advertising Strategy

How do you currently promote your product in your existing markets? Which media best suits your needs?

- Trade Environment

What are your distributors' attitudes towards the brand? Your competitors'?

- Other External Factors

What resources are available and what unpredictable factors may influence a product's availability or pricing (e.g.: weather, raw materials)

## **2.6 Benefits of Sales Promotions**

Sales promotion has some advantages over conventional advertising, which are particularly relevant to the smaller business.

- Promotional activity can be targeted to a greater degree than other forms of advertising.
- Promotions can be timed and results viewed over a more specific and much shorter timeframe than conventional advertising.
- Perhaps most importantly, promotional campaigns can be quantified relatively easily and as results are more readily available, activity can be accurately evaluated.

Good sales promotions say something about your work and who you are. They can be an inexpensive way of increasing awareness, of reaching new buyers or extending the buying choices of existing audiences.

Because sales promotions often involve working with other organisations, they can open doors into the wider community. By building mutually beneficial relationships, they could also be paving the way for sponsorship.

Marketers have a variety of tools at their disposal to promote sales activity, including coupons, product samples, premiums, rebates, contests, sweepstakes and various point-

of-purchase materials. Sales promotions aimed at the end-user encourage consumers to make an immediate purchase and can stimulate short-term sales. For example, samples, coupons, price reductions or premium offers can convince a consumer to try a new brand or maintain loyalty to an existing brand. Contests and sweepstakes, on the other hand, create excitement about a company's products or services.

Sales promotions also provide marketers with a way to respond to price-sensitive buyers who prefer to use coupons or purchase products at a discount.

Some companies worry about becoming too reliant on sales promotions and short-term marketing planning and performance. Critics of sales promotions argue that the sales gains they produce are temporary. Research shows, however, that sales promotions focused on end-users/ consumers have success rates above 80 percent.

Done properly, sales promotions can generate enough incremental sales to justify the expense of developing and implementing a promotional budget. Done in conjunction with a manufacturer, you may even be able to share the cost of setting up the program.

## **2.7 Evolution**

Traditionally, the definition of sales promotion is a tactical piece of marketing to generate sales at the point of sale (PoS) in retail outlets. However, in recent years, it has seen increasing respectability as a discipline and has become more of a strategic tool used across the marketing mix. Sales promotion is a core part of any integrated marketing program and last year was worth more than £19bn in the UK alone — more than a £1bn more than was spent on advertising.

The apocryphal story is that sales promotion has been around since Adam and Eve, when you got free knowledge with every apple, but it can at least be traced back to the Middle Ages when merchants started using price promotions, followed by lotteries in during the 1700s and the advent of cigarette cards and trading stamps in the 1800s. The modern

industry began in the Fifties when free plastic flowers were given away with brands of detergent.

Although price promotion at POS is still a huge part of the actual volume of the industry, its biggest growth is outside of retail stores. It has an important role to play at every point at which the consumer touches the brand, whether they're looking at shop shelves, surfing the net or opening their mail, sales promotion gets them to remember that particular brand and to choose it.

(**Source:** Business: Date, 25Aug, 2005)

## **2.8 Effective Sales Promotion**

Not all sales promotions receive success. They should be a highly planned, well managed and a coordinated effort. The following steps if followed ensure an effective sales promotion.

### **Step 1 Work out what you want to achieve**

What you want to achieve will be determined by the:

- Long-term goals of the organization — this might be to attract audiences from particular socioeconomic groups, increase first-time attendances and so on
- Particular needs of a project or show — the subject matter might be interesting to policemen or nurses, or individuals from a particular cultural background
- Time of the year — Christmas, Easter, Valentines Day
- Programming policies — for example, a shift in artistic direction may include more contemporary work or family shows and so on

Too often sales promotions are driven by events that are perceived as hard to sell. This is fine, provided you find the perfect audience match. Always ask whether a promotion is sending out the right image about your company.

### **Step 2 Analyze the benefits**

When you are identifying possible sales promotions make sure that everyone involved, including the customer, benefits.

The benefits might be:

- Access to communications channels such as lists, clients or advertising
- The 'feel good' factor the association creates for clients or customers
- Reinforcement of the company's image

- Provision of rewards to clients or audiences
- Stimulation from working and learning from each other
- Increased sales
- Better seats, priority booking, private viewings, cheaper prices, learning opportunities and so on

### **Step 3 Design the offer**

Your offer can be designed around one or a combination of the types of sales promotional techniques available. This means analyzing the target audience and then selecting the best type of sales promotion for them.

### **Step 4 Identify outlets for your promotion**

This includes the choosing of the right media and distribution outlet for the sales promotion. It includes decisions such as;

- Distribution and display
- The media; Media are widely used to deliver sales promotions, usually in the form of reader offers or competitions.
- Networks; Tapping into outside networks can be very cost effective and help you reach hundreds or thousands of people. These might include large employers, credit card companies, travel agencies, associations such as Rotary, manufacturers of fast moving consumer goods such as milk and so on.
- Events; An event can often be a form of sales promotion — if it is designed to reach new audiences or is devised to encourage attendance at future events.
- Establishing strategic alliances; Certain communities are large, motivated and very well organized; the gay and lesbian community for example or some ethnic

communities. Work with them, their publications and invite these communities to become a part of your organization, planning ways to produce mutual benefit. Approaches can range from artists' residencies or going to their community centers to charity appeals to discounted tickets; it depends on the needs of the particular community.

- Sponsors; Sponsors can introduce you to new networks; they are also often looking for ways to provide benefits for their staff. This is an excellent way to extend your reach and attract new audiences. Sponsor receptions often bring in visitors who are new to the art form; find ways to increase their appreciation and enjoyment of the occasion, beyond providing champagne and canapés. This could be sending programs in advance or inviting the artist, curator or theatre director to talk about the production at the pre-performance reception. Even a signed poster can be a treasured memento of the occasion.

### **Step 5 Designing the response and the follow up**

Sometimes promotions do not realize their full potential because the response mechanism is too complicated or unclear. It should be easy to respond by ticking a box, picking up the phone, handing over the coupon and so on. There is a risk in giving people too many choices, as it can take too long to work out what to do. On the other hand, customers like offers to be as flexible as possible.

### **2.9 Purpose**

The basic purpose of sales promotions is to act as an incentive technique used to create a perception of greater value among buyers. It is used in order to create short term sales increases by motivating people to take trials of the products ultimately resulting in consumption, encouraging larger and repeat purchases.



## **2.10 Functions**

- Facilitate a successful introduction of a product that satisfies a perceived need of some market segment and has a competitive advantage relative to other brands targeted for that segment.
- Can affect short term behavior of trade intermediaries
- Can reduce the impact of competitors' promotional programs
- Attain objectives without support from other promotional tools
- Change a long term downward sales trend for a product
- Create long term brand loyalty
- Ultimate key to what we can accomplish with sales promotions depends upon objective we want to attain and our creativity in designing an appropriate incentive

## **2.11 Hedonic & Utilitarian Consumer Benefits of Sales Promotion**

### **2.11.1 Utilitarian Products**

Utilitarian products include all those objects that provide some sort of utility to the user.

There are several categories of utilitarian products. The main categories include:

- man made objects
- every day objects
- equipment
- gadgets
- clothing
- furniture
- major domestic appliances

Utilitarian criteria refer to the usefulness or performance-related attributes. Hedonic criteria concern the experiential affect associated with the product and may range from emotion (pleasure, happiness, fun), to esthetic (beautiful, nice), to symbolic or value-expression (self-concept, self expression). As consumers make choices based on both utilitarian and hedonic needs, utilitarian and hedonic evaluation criteria are usually used simultaneously. But salience or relative dominance of the evaluative criteria differs.

### **2.11.2 Hedonic Products**

Many people have difficulties with impulse buying. They buy products that they did not plan to buy, sometimes leading to financial problems. Despite a growing number of empirical studies, impulse buying behavior is not well-understood. For example, very little is known about the cognitive bases of impulsiveness. Is it merely a problem of not being able to control one's urges to buy, or do impulsives also remember, think, and decide differently from other people?

#### **Other Differences between Impulsive and Non impulsive**

In the first stage, impulsiveness might mean that the internal or external stimulus (e.g., seeing a cookie) activates a hedonic goal (e.g., wanting to eat something that tastes good) fails to activate non- hedonic goals, either because the stimulus is not connected to nonhedonic goals or because there are strong inhibitory links between the hedonic goal and non-hedonic goals (e.g., seeing a cookie activates only the goal to eat something that tastes good and does not activate health concerns).

Impulsiveness may also be important in the second stage. That is, given the activation of certain goals, impulsives may retrieve different goal-satisfying behaviors/products from memory. Retrieval (or activation) of products may depend on the base- level activation of specific products (i.e., the general accessibility of a product in memory), and the strengths of associations between goals and products. In addition, there may be mood-like effects, which make everything more accessible in memory. Thus, different products

may come to mind in impulsive people than in non-impulsive people. For example, impulsive people may not even think about healthy snacks such as apples.

In the third stage, it is possible that we find an absence of making predictions about non-hedonic goals in impulsive people (i.e., a very focused decision process in which the implications of buying a product are not investigated in depth [e.g., given that a few products are under consideration be and nothing else] or in which the investigation only incorporates hedonic goals [e.g., given that a few products are under consideration, one determines how good the taste of each product will be, how pleasant it will be to experience the texture, etc., but he doesn't determine how healthy the product will be]).

In the fifth stage, we may find that impulsive people do not even compare more than one product before buying. They may just determine whether the hedonic product is desirable enough to buy.

Hedonic items, which might be anything from Godiva chocolates for one person to Bang Olufsen speakers for another—are goods that have an emotional pull and tend to appeal to the buyer's senses. They are aesthetically pleasing and probably are seen more as a luxury and a treat than a necessity.

Hedonic products have been defined as products whose consumption is primarily characterized by an affective experience (Dhar and Wertenbroch 1997). These products are driven by the experience that the product provides rather than the utilitarian benefit offered by its bundle of attributes. As such, many hedonic products are not directly comparable or substitutable.

With hedonic items, consumers think more about the brand and are willing to spend more money and time choosing them.



FIGURE: *Luxury items such as fine chocolates appeal to the senses and may have an emotional pull for the shopper.*

### **2.11.2.1 Hedonic Portfolio Products**

Many hedonic products are purchased to be part of a portfolio. For example, books are added to a library, music CDs are added to a collection, and movies contribute to a repertoire of experiences. These types of items are called hedonic portfolio products.

To assemble this portfolio of products, repeat purchasing in the product category is common. In fact, in many categories such as music and movies, the category purchase frequency is similar to many consumer packaged goods. However, repeat purchasing of an individual item in this product category is relatively rare. In this way, hedonic portfolio products are similar to many durables in that the useful life of a CD or book is very long and replacement is typically unnecessary. However, there are still vast difference among hedonic portfolio products. Music CDs, books, and toys are very different from live concerts, movies, and theatre. Hedonic portfolio products can be either tangible or intangible. The purchase of a tangible hedonic portfolio product, such as a CD, gives the consumer something to take home and experience at her convenience, possibly repeatedly. The purchase of an intangible hedonic product, such as a movie, allows the consumer to experience the product only once and at the convenience of the distributor. But once a movie goes from theatrical release to being available for retail purchase as a video cassette, it becomes a tangible portfolio product and begins to share more of the characteristics associated with CDs.

**(Source:** Consumer Psychology, Date: 30 Aug, 2005)

### 2.11.3 Hedonic & Utilitarian Benefits of Sales Promotion

Promotion marketers have some reassurance that their instincts have been right: Promotions can help build brands while building business. The research found that consumers like participating in promotions, whether they do it for discounts or for added value, and that promotion is an integral part of the shopping experience. While some consumers view promotions (such as frequent-shopper cards) negatively as a way to keep regular prices high, most enjoy shopping more when they can find bargains, other added benefits, or entertainment from promos.

The study by authors conducted two experiments to show that brand managers can predict a promotion's effectiveness by correlating its benefits — either utilitarian (monetary) or “hedonic” (pleasurable) — to the brand's image. Utilitarian products like light bulbs are best served by monetary offers; indulgence items like ice cream fare better with non-monetary offers.

“For high-equity brands, sales promotions are more effective when they provide benefits that are congruent with those provided by the product being promoted,” the study concludes (Wansink 1998). “There is a substantial correlation between what type of promotion (monetary or non-monetary) is utilized, the type of product (utilitarian or hedonic) being promoted, and the level of product equity.”

Consequently, an “everyday low price” strategy void of value-added promotions can turn off consumers: “If sales promotions provide consumers with an array of hedonic and utilitarian benefits beyond monetary savings, everyday low prices ... risk alienating consumers who value the non-monetary benefits.”

Less-tangible benefits go beyond mere entertainment and contribute to a brand's equity by making consumers feel good about themselves. Non-monetary promotions give shoppers information and variety. Price discounts have their own emotional benefit, too: Bargain hunters like getting a deal — and feel better about the brand. “Sales promotions

can enhance consumers' self-perception of being 'smart' or 'good' shoppers and provide an opportunity to reaffirm their personal values," the study concludes.

Discounts also help some shoppers trade up to a brand that's too expensive at its regular price. Shoppers who buy on coupon but don't redeem may be merely seeking variety; small price reductions may trigger shoppers to choose the discounted brand more for convenience than for any real savings.

The following summarizes the different types of utilitarian and hedonic benefits derived by consumers from different products.

Benefit	Existing Support	Excerpts from Interviews	Measures <sup>2</sup> (Disagree/Agree)
Savings <i>(Monetary savings)</i>	Sales promotions can provide perceptions of monetary savings by lowering the unit price of the promoted product, by offering more of the same product for free, or by providing refunds or rebates on subsequent purchases of the same or other products. Both the size of the price reduction and the deviation from a reference price can create perceptions of monetary savings and can reduce the pain of paying (Blattberg and Neslin 1990).	<p>“A promotion is a price cut or a larger package size for the same price.”</p> <p>“A promotion is like new money in your pocket that you can use to buy something else.”</p>	<ol style="list-style-type: none"> <li>I really save money.</li> <li>I feel that I am getting a good deal.</li> <li>I really spend less.</li> </ol>
Quality <i>(Increase in the quality of the product bought)</i>	By reducing the price of the product, or by offering a smaller package size, sales promotions can relax budget constraints and enable consumers to upgrade to a better product. Like the savings benefit, the quality benefit boils down to increasing value for money but, unlike the former, it usually involves spending more money. It can therefore be linked to the “excellence” type of customer value discussed by Holbrook (1994). This benefit can explain cross-promotional asymmetries. This benefit is a critical component of the price discrimination theory of coupons (Narasimhan 1984; Blattberg and Wisniewski 1989).	<p>“I normally don’t buy packaged salads because they are too expensive. But I buy them when they cut the price.”</p>	<ol style="list-style-type: none"> <li>I can have a higher-quality product at the same price.</li> <li>I can afford a better-than-usual product.</li> <li>I can upgrade to a better brand.</li> </ol>
Convenience <i>(Reduction in search and decision costs)</i>	Sales promotions can improve shopping efficiency by reducing search costs. This is done by helping consumers find the product they want or by reminding them of a product that they need to buy. This “advertising” effect is documented in field experiments (Inman, McAlister, and Hoyer 1990; Bawa and Shoemaker 1989) and in-store surveys (Dickson and Sawyer 1990; Inman and Winer 1998). Sales promotions can also improve shopping efficiency by reducing decision costs. This is done by providing consumers with an easy decision heuristic for purchase incidence or purchase quantity (Wansink, Kent, and Hoch 1998), and by signaling product price and quality (Hoyer 1984; Simonson, Carmon, and O’Curry 1994; Raghurir 1998; Raghurir and Corfman 1999).	<p>“Sometimes, I remember that I need a product when I see it on sale.”</p> <p>“I buy the brand on deal because I don’t know which one to buy.”</p> <p>“I like promotional packs because they make shopping fast and easy.”</p>	<ol style="list-style-type: none"> <li>These promotions remind me that I need the product.</li> <li>These promotions make my life easy.</li> <li>I can remember what I need.</li> </ol>

Benefit	Existing Support	Excerpts from Interviews	Measures (Disagree/Agree)
Value-expression <sup>b</sup> <i>(Expression and enhancement of self-concept and personal values)</i>	Some consumers respond to sales promotions to meet personal or moral values such as being a “responsible buyer” (Mittal 1994). The value-expression benefit can thus be linked to the “morality” value defined by Holbrook (1994). This type of customer value encompasses the gratification earned from fulfilling one’s duty. Other consumers respond to sales promotions to express and enhance their sense of themselves as smart shoppers, and earn social recognition or affiliation (Bagozzi, Baumgartner and Yi 1992; Feick and Price 1987; Shimp and Kavas 1984; Schindler 1992). This dimension of the value-expression benefit can be linked to Holbrook’s (1994) utilitarian “politics” and “esteem” values since it describes how consumers respond to sales promotions to earn status and control over others.	“When my husband comes back from his shopping trip, he is always very proud to tell me about the bargains he found.”  “I sometimes feel guilty when I could have used a coupon but didn’t.”	1. I feel good about myself. 1. I can be proud of my purchase. 1. I feel like I am a smart shopper.
Exploration <i>(Stimulation and variety)</i>	Because sales promotions are constantly changing, and because they attract consumers’ attention, they can fulfill intrinsic needs for exploration, variety and information (Baumgartner and Steenkamp 1996; Kahn and Louie 1990; Kahn and Raju 1991). The exploration benefit has been documented in the context of shopping (Babin et al. 1994), variety seeking (Kahn 1995) and exploratory behavior (Baumgartner and Steenkamp 1996).	“My husband likes to look at the promotion in the papers even though he never does the shopping!”  “When I buy, I look at sales promotions to get new ideas and to find variety.”	2. I feel like trying new brands. 3. I can avoid buying always the same brands. 4. I can get new ideas of things to buy.
Entertainment <i>(Amusement and aesthetic value)</i>	Many sales promotions such as sweepstakes, contests, and free gifts are intrinsically fun to watch and to participate in. The entertainment benefit encompasses both the active “play” and reactive “aesthetic” values of Holbrook’s (1994) typology. It is distinct from the overall enjoyment resulting from buying a promoted product often used to measure “deal-proneness”, which is part of the affective response to a promotion rather than one of its antecedents (e.g. Lichtenstein, Netemeyer, and Burton. 1990).	“I read the contests on the cereal boxes every morning; they are fun.”  “Sweepstakes in the store create a nice and exciting atmosphere.”	5. These promotions are fun. 6. These promotions are entertaining. 7. These promotions are enjoyable.

<sup>a</sup> All measures begin with: “(With) this type of promotion” and are translated from French.

<sup>b</sup> As discussed in the text, the value-expression benefit has both a utilitarian and a hedonic component.



## TYPES OF MONETARY AND NON-MONETRAY PROMOTIONS

Type	Technique	Description
Monetary	Price cut	<ul style="list-style-type: none"> <li>• Smart Saver! Save 35¢ with this coupon. Redeem at checkout.</li> <li>• Weekly Special! Take an additional 10% off the marked price.</li> </ul>
	Free product	<ul style="list-style-type: none"> <li>• Value pack! 15% more product free.</li> <li>• Special Offer! Buy one, get another at half price!</li> </ul>
Non-Monetary	Free gift	<ul style="list-style-type: none"> <li>• Buy this product and get one red rose free! Simply select a rose from the flower department and show this pack with the offer to the cashier.</li> <li>• Free videotape rental! Go to the nearest Blockbuster store and show one proof of purchase.</li> </ul>
	Sweepstakes	<ul style="list-style-type: none"> <li>• Want to have some fun? Do this crossword puzzle and win a week in Hawaii and other prizes.</li> <li>• 2 Free tickets to watch your favorite Major League Baseball Team! Look inside the pack to see if you are one of the 50 winners.</li> </ul>

**CHAPTER NO. 3**  
**METHODOLOGY**

### **3.1 Research Approach**

This study has a mix of both qualitative and quantitative research data. This is because of the nature of the research approach which banks heavily on the findings obtain through consumer survey through questionnaire conducted from various sources.

The qualitative data in the study relates to the preferences of the consumer about various products and sales promotion. Quantitative data relates to calculations about what proportion of consumer prefer a particular product category or how sales promotion affects their numbers.

### **3.2 Sources of Data**

Internal Sources of data in this thesis includes information about various brands that were taken in the context of the study. This information was displayed by the manufacturers on their website, catalogues and brochures.

External sources include

(2) Commercial services: Published market research reports and other publications are available from a wide range of organizations which charge for their information. Typically, the researcher was interested in media statistics and consumer information relating to Pakistan.

(3) National and international institutions; university research reports, journals and articles were found to be a useful source. These were mainly available from the internet, downloaded and used in the course of the thesis.

### **3.3 Methods**

Data was collected for this research by using different sources and techniques

#### **3.3.1 Primary Sources**

##### **3.3.1.1 Questionnaires**

Questionnaires were the prime source of data in this research project. This is because this research project is based upon people's preference about different product categories and how these change in response to various sales promotions. These questionnaires are most appropriate to find out these preferences.

Filling of questionnaires was a tedious task for the researcher. As the questionnaires were an extensive one and had many questions, people were generally apprehensive in filling them. Many could not understand the questions, and the researcher had to simplify the queries for them. To cater to this problem, extremely simple and repetitive question forms were charted out.

Many people were interviewed on the phone. In most of the cases the questionnaires were given to the respondents to fill, and in some instances the questions were read out to the interviewees for their response. Some questionnaires were e-mailed to the relevant people.

Many people who were given the questionnaires claimed that they were busy, or did not feel like answering or simply plainly said that they were not interested in these sorts of things. Another major problem that was faced is that often people promise to fill the questionnaire and then to return them but they forget and even at times lose them.

Much of the data collection was done during the day and the interviewees were clearly explained the significance of the test and its meaning. This enabled them to answer the questions in a much better fashion. Yet there were cases where some people simply

refused to understand why the test was being conducted and considered the entire exercise to be a big joke.

### **3.3.1.2 Direct Interviews**

As explained above, direct interviews was one of the ways the researcher got respondents to fill in their questionnaires. This was mainly due to inability of the researcher to directly meet and give the questionnaires to all the people. This was also due to the fact that the people did not understand the questions themselves or felt it was too much of an effort to fill out the forms themselves.

The researcher found telephonic interviews to be speedy and an efficient source of data. It was uncomplicated to provide clarification on unclear questions, respondents were found to be more relaxed with a stranger by telephone than face to face and the researcher found it easy to conduct a telephonic interview by reading questions from script and taking notes without concern of distracting respondents.

### **3.3.2 Secondary Sources:**

#### **3.3.2.1 Internet**

Internet was mainly used for material pertaining to the literature review and findings of this research project. This included information about sales promotions, previous research conducted by marketers, definitions and theories used as reference in this project etc.

The internet was also used for downloading information on the six brands used in the questionnaires. The net was also a medium used to conduct interviews as a few of the respondents were emailed the questionnaires.

The main problem faced in collecting data from the internet was the lack of local data available. No real information was available about current sales promotions going on in Pakistan and what their effects were.

### **3.3.2.2 Publications**

Publications regarding various marketing theories were used by the researcher for application of relevant marketing tools and models and for finding out previous research conducted by various authors on the same topic.

**CHAPTER NO. 4**  
**FINDINGS AND**  
**ANALYSIS**

#### **4.1 Data Collection & Sample Characteristics**

In order to conduct the study the data was collected in a systematic and organized manner. The first task was to determine the population of interest and then to take a representative sample.

Keeping in mind that the questionnaire was based on consumer purchase behavior, it was relevant to note that in Pakistan, housewives are mainly involved in the purchase making process of households. Apart from housewives, females in their early twenties have also been seen to spend more on both utilitarian and hedonic products. Therefore the target audience or population of interest comprised of females aged between 20 and 45 years. Also, the income groups that were targeted for this research belonged mainly to the middle and upper-middle classes with household incomes ranging from Rs 120,000 to Rs 480,000 per annum.

This research was carried out in Karachi. However, as the population of Karachi itself is 14 million this huge cosmopolitan city was divided into 5 major segments. These included:

- ❖ Nazimabad and vicinity
- ❖ Gulshan-e-Iqbal/ Gulistan-e-Jauhar
- ❖ PECHS/ KDA/ Bahadurabad
- ❖ Clifton
- ❖ Defence



The number of the respondents of each location is given below:

<u>Area of residence</u>	<u>No of respondents</u>
Nazimabad	19
Gulshan-e-Iqbal / Gulistan-e-Johar/Malir	22
PECHS/Tariq Road /KDA	19
Clifton/ Bath Island	19
Defence	20

Keeping in mind the diverse ethnic and cultural backgrounds of the people in Karachi, it is difficult to say that a totally unbiased research was conducted. People with different backgrounds will have different likes and dislikes and so one cannot make a generalization focusing on just some people. However the researcher tried to make the sample truly representative of the population. For this purpose the researcher tried to keep the income levels, the ages and the professions constant. Even after this the study may not be totally objective and unbiased, as there are many situational factors that can influence the responses. These include moods, time of the day, mental and physical health of the respondent, fatigue, etc.

Many people were interviewed on the phone. In other cases the questionnaires were floated and respondents were asked to fill it, and in some instances the options were read out to the interviewee for her response. Needless to say data collection is a tedious task. Many people who we gave the questionnaires to claimed that they were busy, or did not feel like answering or simply plainly said that they were not interested in these sorts of things. Another major problem that was faced is that often people promise to fill the questionnaire and then to return them but they forget and even at times lose them.

Much of the data collection was done during the day and the interviewees were clearly explained the significance of the test and its meaning. This enabled them to answer the

questions in a much better fashion. Yet there were cases where some people simply refused to understand why the test was being conducted and considered the entire exercise to be a big joke.

The data was collected over 5 days' time. 100 questionnaires were distributed in each of the 5 different areas

#### **4.1.1 Brands**

The brands chosen in the questionnaire were divided into two product categories, hedonic products and utilitarian products. Each set of products in questionnaire included a utilitarian and a hedonic product. Two different product categories for each product type were taken to substantiate the findings and remove any bias an interviewee may have toward one particular product category.

Four categories were chosen. These included tea, salon, cooking oil and clothing. Two brands were chosen in each of the six categories. The brands offered are the following:

#### **PART ONE**

<b>PRODUCT CATEGORY</b>	<b>BRAND</b>
Tea	Brook Bond Supreme
Clothing	Khaadi

#### **PART TWO**

<b>PRODUCT CATEGORY</b>	<b>BRAND</b>
Cooking Oil	Dalda
Salon	Depilex

For people to better understand what different types of promotions stood for, an example of each time of promotion that actually could be offered with that particular brand was given. These examples were actual sales promotions that have been offered by the afore mentioned brands in the past.

<b>PRODUCT TYPE</b>	<b>BRAND</b>	<b>TECHNIQUE</b>	<b>SAVINGS TYPE</b>
<b>Utilitarian</b>	<b>Brook Bond Supreme</b>	Free sachet of everyday milk or Win a brand new car	<b>Non-Monetary</b>
		Rs.5 saving or 10% extra product	<b>Monetary</b>
<b>Hedonic</b>	<b>Bhabi's</b>	Free sachets of sunsilk shampoo or Spend Rs.6000 to win free trip to Dubai	<b>Non-Monetary</b>
		15% discount on all services or Buy one; get another at 50% discount	<b>Monetary</b>
<b>Utilitarian</b>	<b>Dalda</b>	Free cutlery or Enter draw to win Ummrah tickets	<b>Non-Monetary</b>
		Save Rs 15 on 1ltr. Pack or 10% extra in every pack	<b>Monetary</b>
<b>Hedonic</b>	<b>Khaadi</b>	On purchase of raw silk, 2 free cushion covers or Lucky draw to win bed set	<b>Non-Monetary</b>
		20% off for summer sale or Buy one suit; get another at 50% discount	<b>Monetary</b>

The brands chosen in the questionnaire were all brands that have high brand equity in their respective product categories. Information about the brands is given below.

#### **4.1.1.1 BROOKE BOND SUPREME**

Brooke Bond has been in the tea business for a long time. The company has been a market leader in the tea industry having a number of established brands. Brooke Bond Supreme is highly reputed among its consumers. The company has been providing quality products at competitive prices. The market segment of the brand is from middle income and above. Supreme focuses on family values, bonding and conflict resolution in its ads and consumers usually associate Supreme with its “Apna-pan” themes.



Major competitors include Lipton and Tapal in the organized sector; and the loose tea sellers in the unorganized sector. They are now offering a large variety of tea, leaf, curl and dust. They offer teas obtained from the same sources, especially the African countries, as those marketed by Brooke Bond.

#### 4.1.1.2 KHAADI



Khaadi is a clothing and accessory manufacturer that provides highest quality hand-woven fabric that is exclusive and elegant in appearance. It targets fashion conscious men and women of all ages who belong to the upper middle and upper income classes.

What makes Khaadi the brand that it is, is inspiration and continuous innovation. Inspired by the ancient art of natural dyeing first used in Mohenjodaro, Khaadi came into existence with the idea of reviving the craft of hand woven fabric. Since then the brand has expanded manifold.

All Khaadi products symbolize high quality, comfort and durability. More and more people want to be seen in Khaadi products than any other hand woven fabric brand. They are willing to pay slightly high prices than the market average as quality is one hundred percent guaranteed. All products are perceived as objects of desire by the consumers. The beautiful motifs and borders are an expression of creativity and innovation. In addition to this the products come in a range of vibrant colors and a variety of styles.

Major competitors include Khaamta, Junaid Jamshed, Hala, and Handloom. Nontraditional competitors may include unbranded hand-woven materials.

#### 4.1.1.3 DALDA



Dalda is a market leader in edible oil industry. It has been in the food industry for the long time and has the reputation for highest quality product. In the cooking oil category brands like Dalda, Planta nad sunflower cooking oil in the banaspati ghee category. The company has brands like Dalda Banaspati and Dalda VTF.

The company is a price leader having spent a long tiem in the industry. However, the after sales service of the company is very weak. This is one of the reason company is facing declining sales in the past two years and was eventually sold of by its corporate company Unilever Pakistan Limited.

#### 4.1.1.4 BHABI'S



Established in 1989 with ultra modern equipment and qualified staff, situated in the heart of city. It is probably the most prestigious and better known place which is conscious of beauty and synonymous with health care. It is also a teaching institute where courses i.e. personal grooming, advance make-up, advance hair, electrolysis & skin care are taught in a very innovative and friendly manner by foreign qualified staff. Besides, imparting physical training of Yoga, Aerobics and other fitness programs ethics, morality and adherence to the acceptable norms of society and religion are greatly emphasized. The core message of Bhabhi's is "Fitness and Health is the prime factor for a long lasting beauty for which age is no barrier".

Bhabi's has the distinction of updating ever changing knowledge to all the beauticians under the platform of Beauticians Educational Cell. After the emergence of Bhabi's as an established health and beauty centre, scores of beauty experts trained at Bhabi's opened up the small business in the city as well as in the western countries such as USA, Canada, Gulf Countries and Japan thus providing job opportunities to professional women.

**Services offered by Bhabi's:**

<b>MAKE UP</b>	<b>HAIR</b>	<b>FACIALS</b>	<b>MANICURE</b>	<b>SLIMMING</b>
Bridal	Hair Cuts	Normal Facial	French manicure	Body Spa
Valima	Streaking	Herbal Facial	Pedicure	Body Peelings
Engagement	Color Change	Whitening Facial	French Pedicure	Body Massage
Party	High Light + Long	Special Facial	Waxing	Steamed Body
Evening	Lights	Hydrademic		Massage
Model	Rebounding	Aromatic		Electrolysis
Camouflage	Straitening	Ciftosome		Hair & Skin
Corrective	Perming	Peeling (Fruits		Scaning
	Hair Dyes	Enzymes)		
	Hair Treatment			

## 4.2 Hypotheses

The objective of this thesis was to substantiate and prove the findings of the Benefit Congruency Framework in the Pakistani economic scenario through a thorough consumer survey. The hypothesis developed by the researcher therefore, is based primarily on the findings of the Benefit Congruency Framework that was developed by Chandon, Warsink and Laurent (2000). The following hypothesis summarizes the researcher's predictions, that for high equity brands;

- 1. Monetary promotions are relatively more effective (compared to Non-monetary promotions) for utilitarian products than for hedonic products.**
- 2. Non-Monetary promotions are relatively more effective (compared to monetary promotions) for hedonic products than for utilitarian products.**

## 4.3 Questionnaire

The following were the main questions asked in the questionnaire for each brand in their respective product category:

**Do you purchase the brand regularly?**

The objective of this question was to find out how many people used the product when no promotion was offered by the manufacturers. This number of people would serve as a benchmark, against which the increase in users would be calculated for various sales promotions.

**If the following monetary promotions were available, would you purchase this brand?**

**Price cut OR Free Product**



This question was asked to judge how many people reacted favorably or unfavorably to monetary promotions. Examples of monetary promotions were also given in the question as people do not know the technical breakdowns of promotions and their various types.

**If yes; then which promotion is most appealing for you?**

**Price cut**

**OR**

**Free Product**

This question was asked to judge which particular technique of monetary promotions was feasible to the users of a particular product category that is either utilitarian or hedonic products. This time, monetary promotions regarding the exact Brand were given as an example, so as to clarify the question to the respondent. These examples of sales promotions relating to each brand were actual promotions that these particular brands have used in the past.

**If the following non-monetary promotions were available, would you purchase this brand?**

**Free gifts OR Sweepstakes**

This question was asked to judge how many people reacted favorably or unfavorably to monetary promotions. General examples of non monetary promotions were also given in the question as people do not know the technical breakdowns of promotions and their various types.

**If yes; then which promotion is most appealing for you?**

**Free gifts**

Example: One sachet of Everyday Milk Free

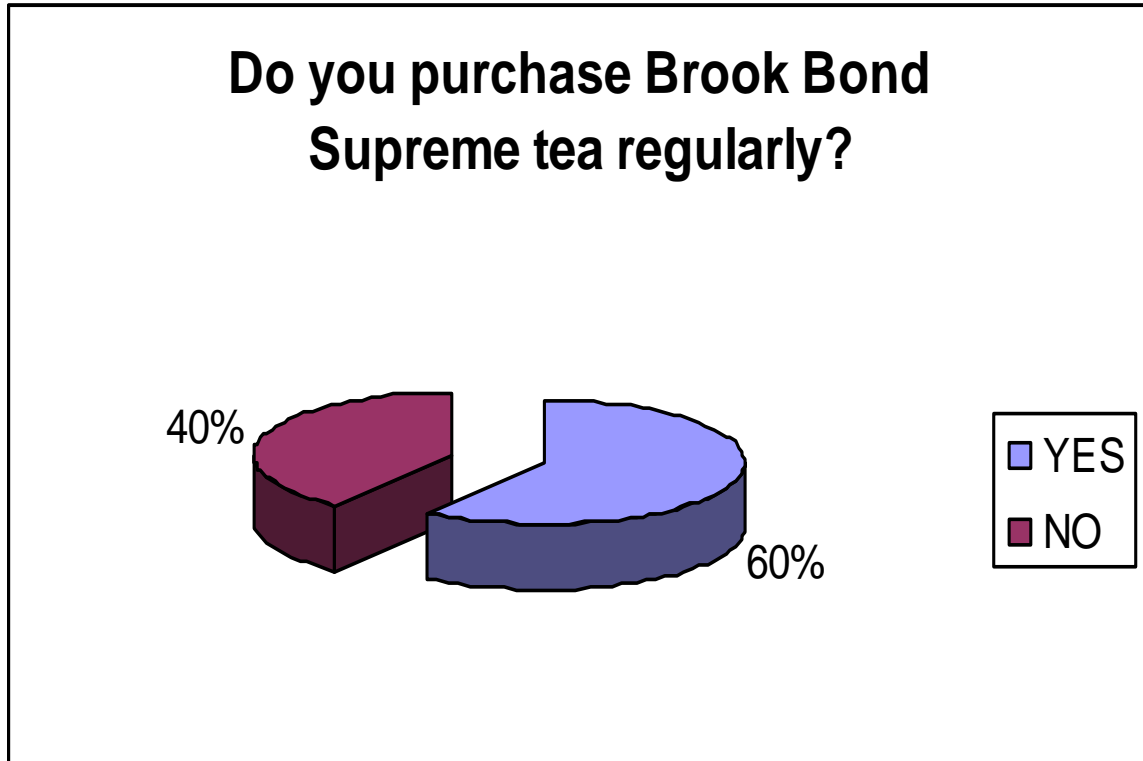
**Sweepstakes**

Example: Win a brand new car

This question was asked to judge which particular technique of non monetary promotions was feasible to the users of a particular product category that is either utilitarian or hedonic products. This time, non-monetary promotions regarding the exact Brand were given as an example, so as to clarify the question to the respondent. These examples of sales promotions relating to each brand were actual promotions that these particular brands have used in the past.

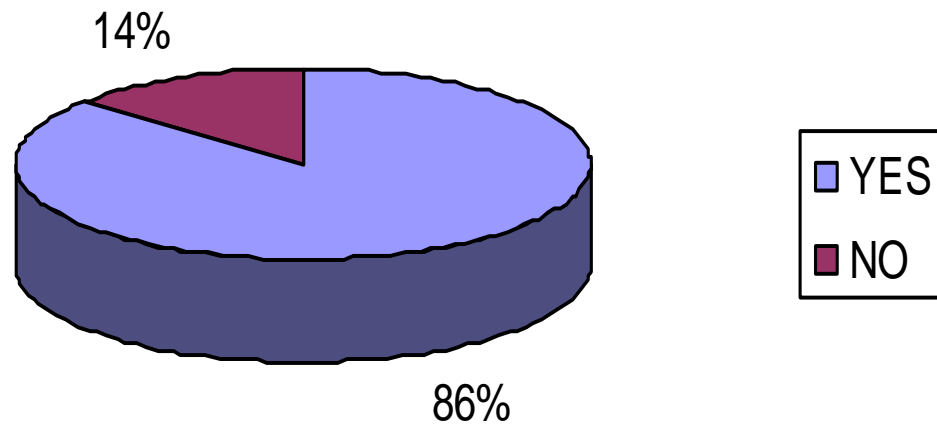
#### 4.4 Results of Consumer Survey

##### BROOK BOND SUPREME



Out of the total number of 100 people who were given the questionnaire, 60 people replied that they were already users of Brooke Bond Supreme. The objective of this question was to find out how many people used the product when no promotion was offered by the manufacturers.

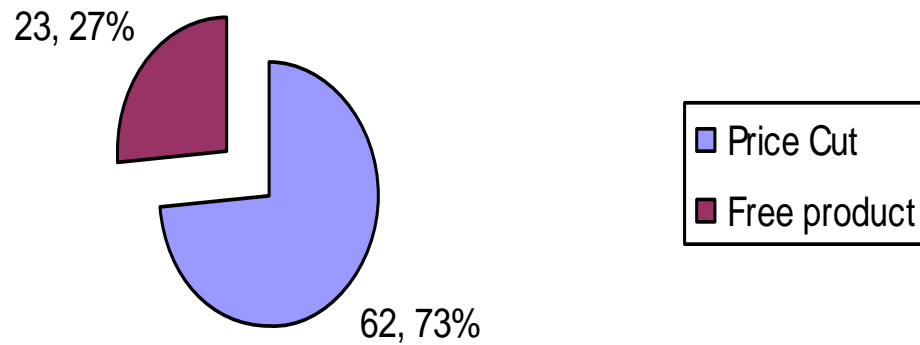
**If monetary promotions were available, would you purchase this brand?**



When asked if they would purchase the brand if some form of monetary promotion was attached with it, 86 people replied in positive. Therefore monetary promotion would increase the number of users of this brand in the sample by 43 per cent.

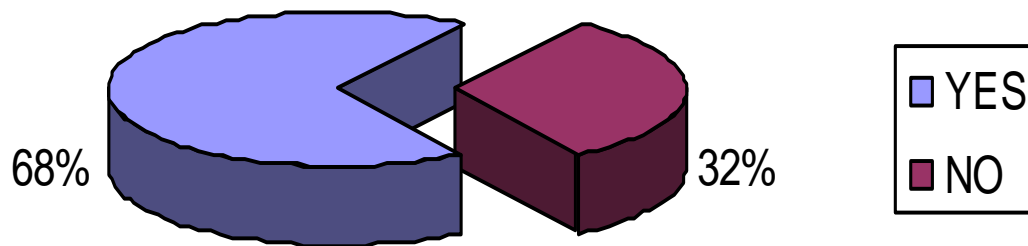
If yes; then which promotion is most appealing for you?

**If yes; then which promotion is most appealing for you?**

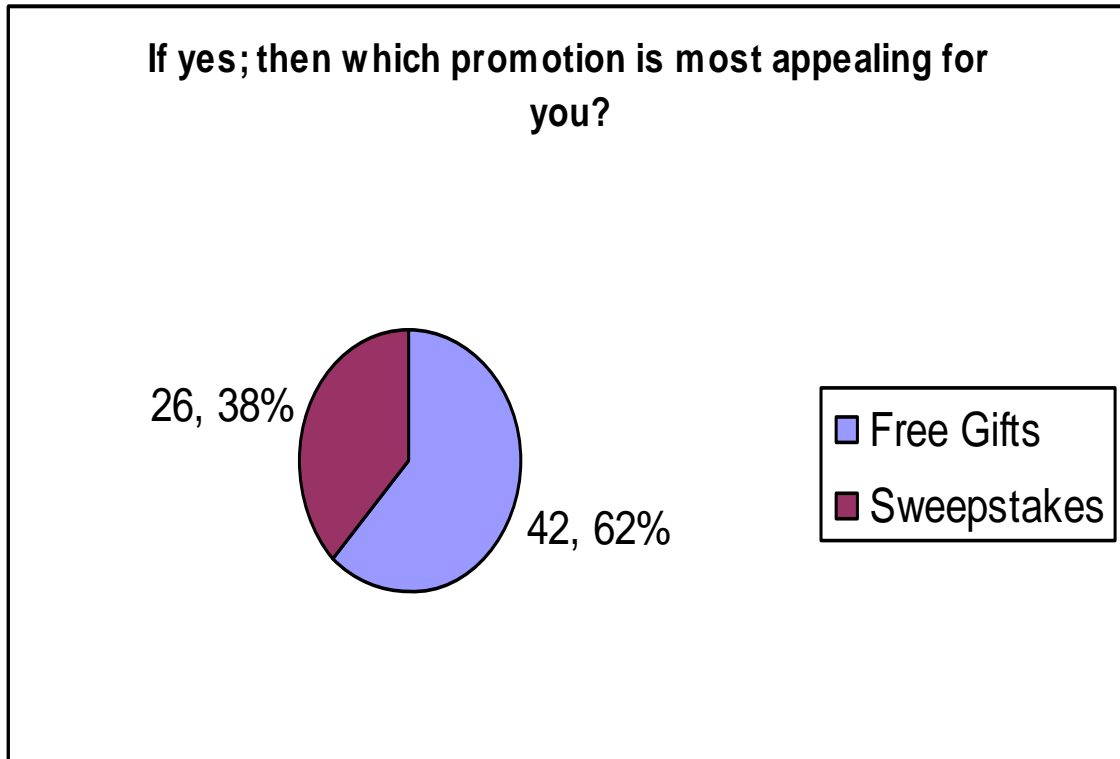


Out of the 86 people that proclaimed that they would purchase Brooke Bond Supreme if it was offered with a monetary promotion, 73 per cent replied that they would respond more favorably to a Price cut rather than a free product. Further research revealed that most consumers had previously experienced bad results with “free product” type of promotion; they claimed that the amount of free product actually available inside the packing was always less than the amount announced by the companies. They claimed that most of the companies made tall claims in their adverts which were never fulfilled in real life. This lack of trust of the companies by the consumers made them choose a more tangible form of promotion which was price cut.

**If non-monetary promotions were available, would you purchase this brand?**

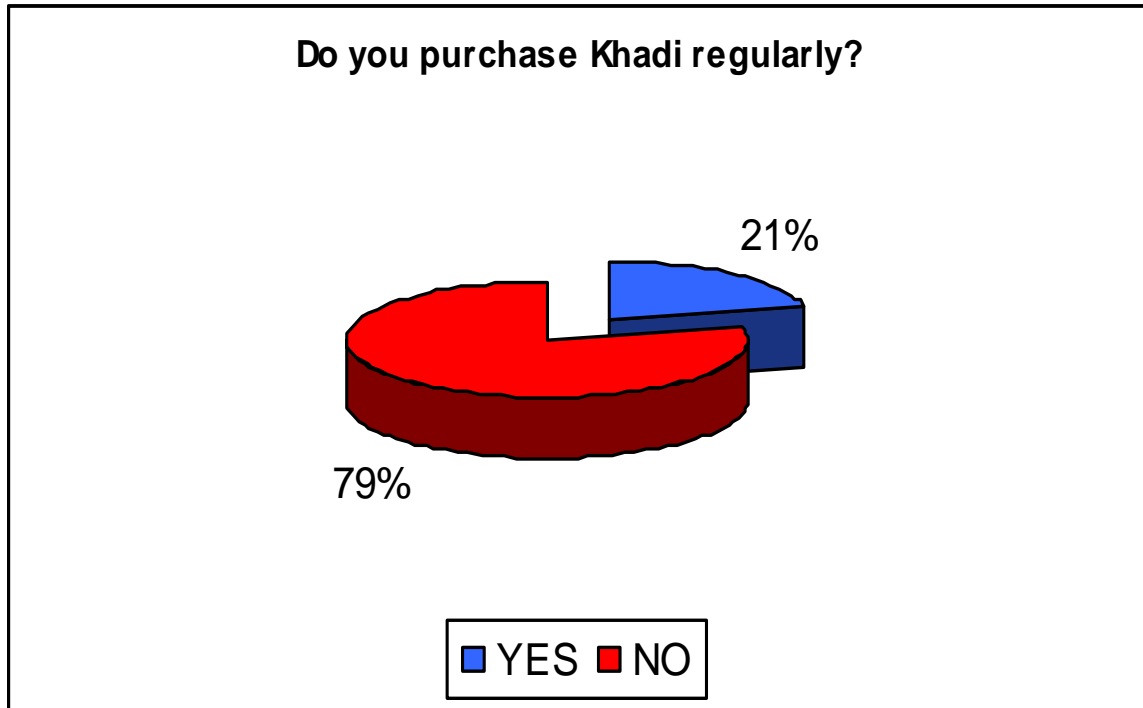


On the other hand when asked if they would purchase this brand if a non-monetary promotion was available, only 68 people out of 100 replied positively. Therefore non-monetary promotion only attracted 13 percent more users of the brand. Originally 60 people were already using the brand, only 6 more agreed to purchase it if it was offered with a non monetary promotion. It should be kept in mind that a monetary promotion of the brand attracted 43 per cent more users.



Out of 68 people who said they would respond favorably to a non monetary promotion, 62 per cent favored free gifts rather than sweepstakes. The reason why these 42 people preferred free gifts was again lack of trust of over the manufacturers. Consumers have always claimed that there is severe lack of transparency in these sweepstakes. The amount prizes given are also few, therefore the probability of actually winning are extremely scarce. Again, consumers choose a more tangible form of benefit which is free gift.

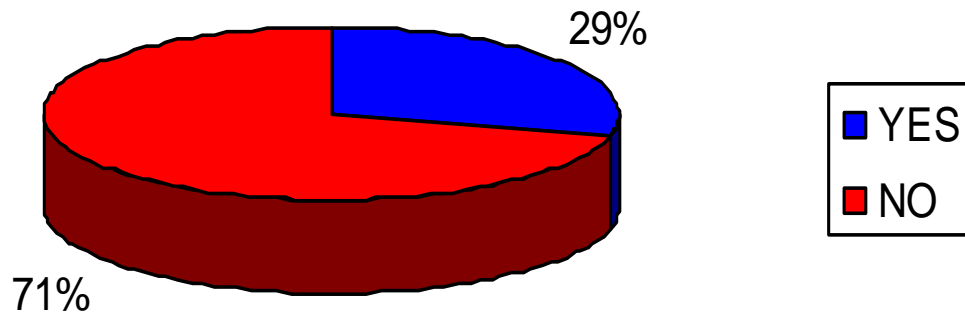
## KHAADI



Around 21 per cent of the people answered that they were regular purchasers of the Khaadi brand. This is not a small number when seen that Khaadi is a premier designer wear that has a very niche market.

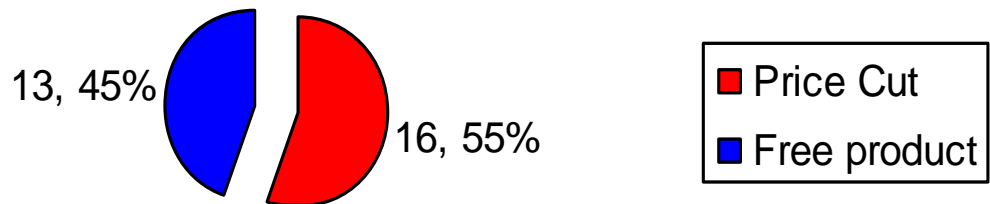


**If monetary promotions were available, would you purchase this brand?**



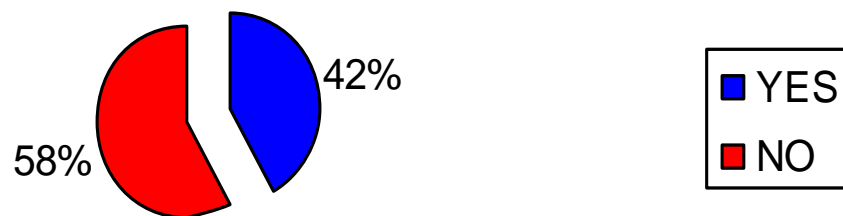
When given the possibility of a monetary promotion accompanied with the Khaadi brand, a total of 29 people now proclaimed they would buy this brand. This increased the number of potential customers by 38 per cent. This might not seem to be a large increase. The consumer's perspective was that this was a hedonic product, something that is bought for their own self, either to look good or for their own internal satisfaction. If the price of the product was cut down, their immediate reaction would be that the qualitative value attached with the brand would fall down as many more people can now afford it and it would no longer be unique.

**If yes; then which promotion is most appealing for you?**

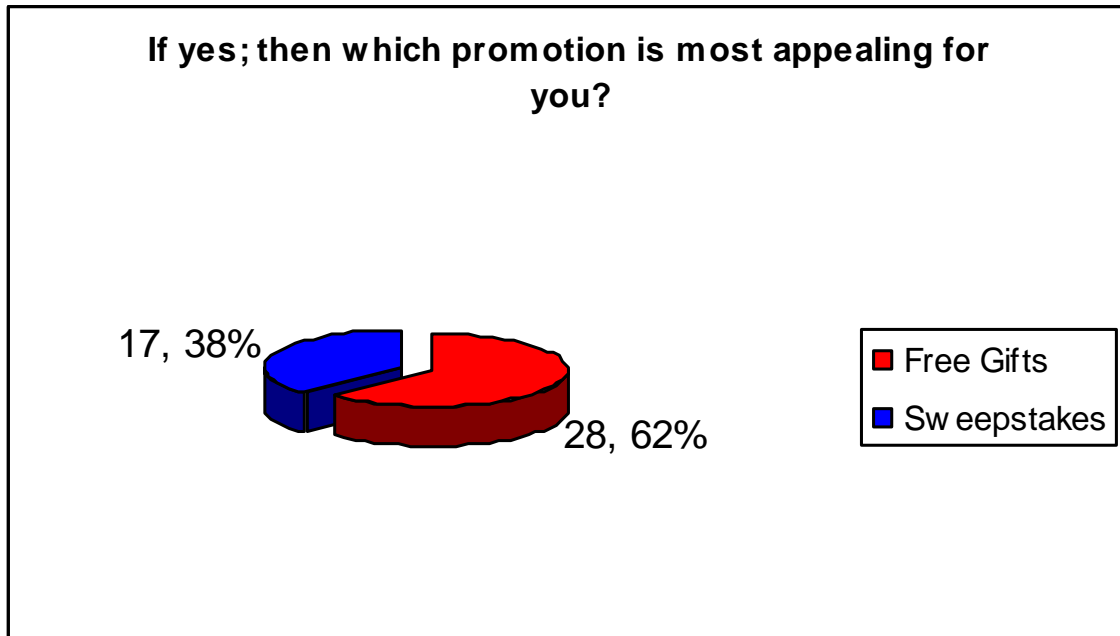


Out of the 29 people that would buy this brand if monetary promotion was available, 55 per cent preferred price cut type of promotion.

**If non-monetary promotions were available, would you purchase this brand?**

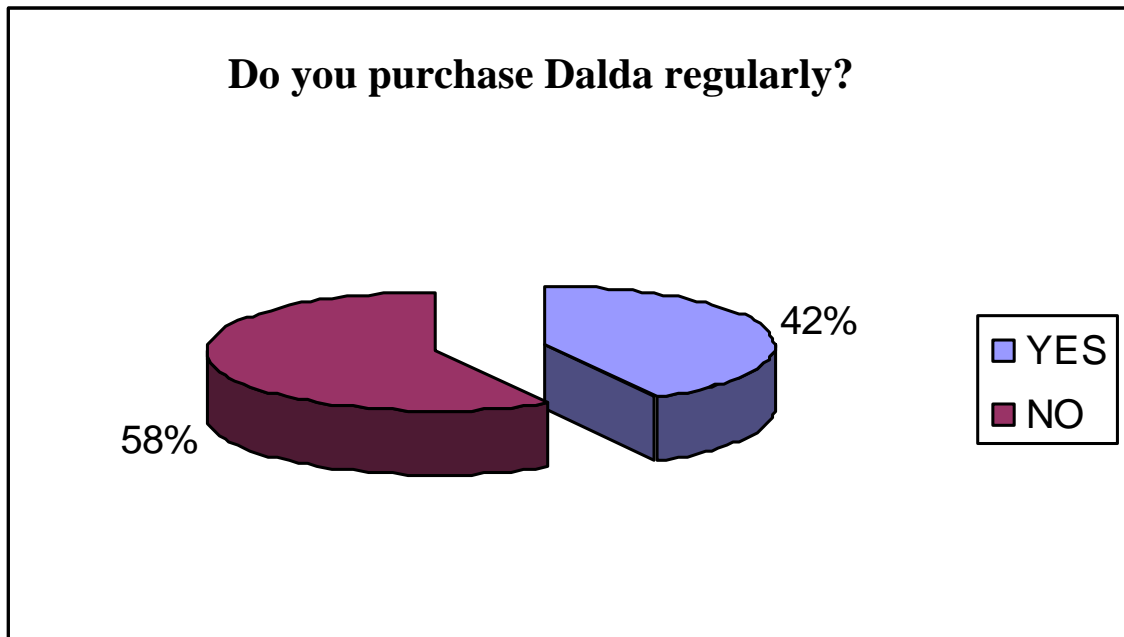


If non monetary promotion was offered for the Khaadi brand however, 42 people would buy this brand. This resulted in an increase of 100 per cent of consumers. It should be noted that non monetary promotion only resulted in 38 per cent increase in users.



Out of the 42 people that said they would purchase this brand if non monetary promotion was available, 62 per cent preferred free gifts rather than sweepstakes. They argued the same reason that was lack of trust.

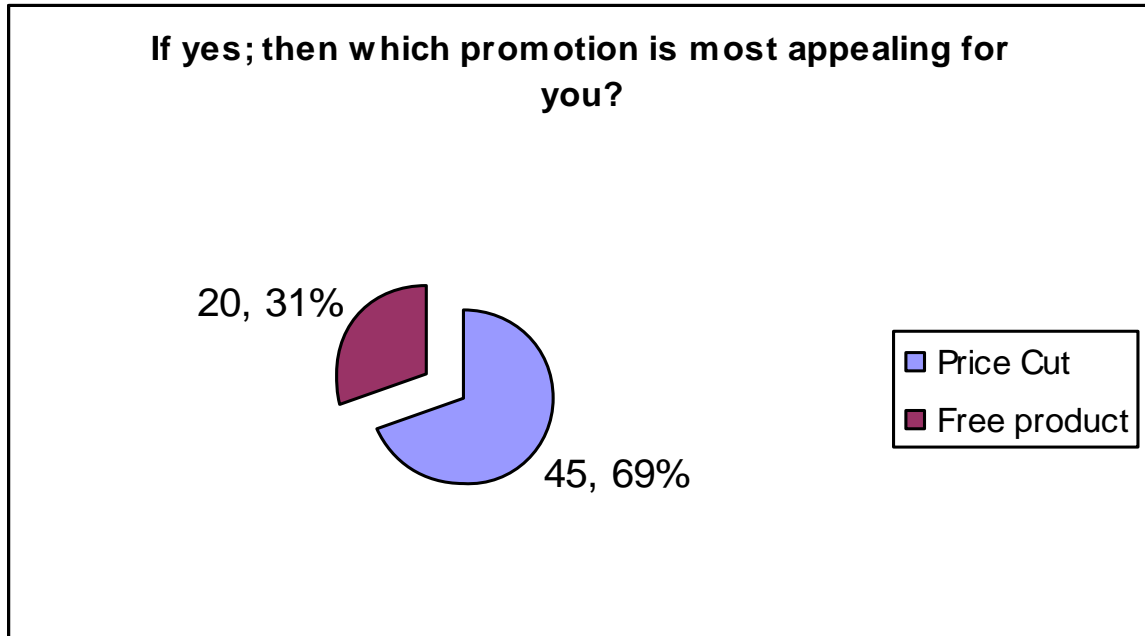
## DALDA



A large number of people, 42, replied that they were regular consumers of Dalda. This displays the strong brand name and household penetration that this brand has.



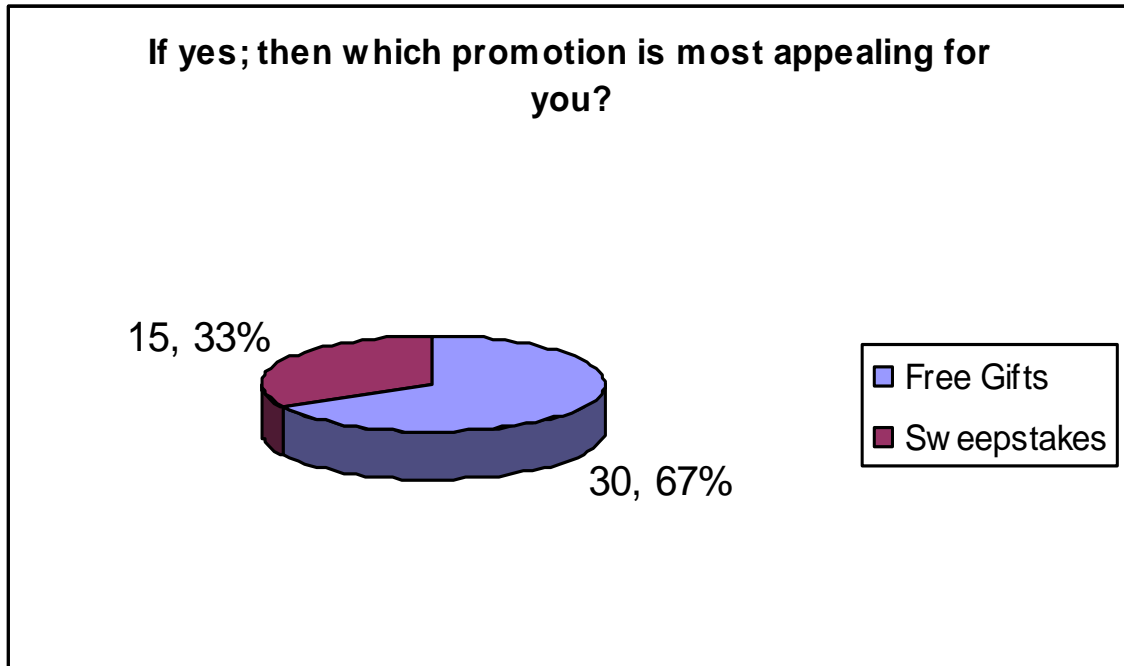
When asked whether they would use the brand if monetary promotions were available with the product, 65 people replied favorably. Therefore inclusion of a monetary promotion saw the number of users increase by 55 per cent.



When these 65 people were asked which type of monetary promotion they would prefer for this product, 69 per cent replied positively for price cut. Again the same reason of lack of trust in the eyes of the consumer as to exact amount of product given free in the packing applies here.



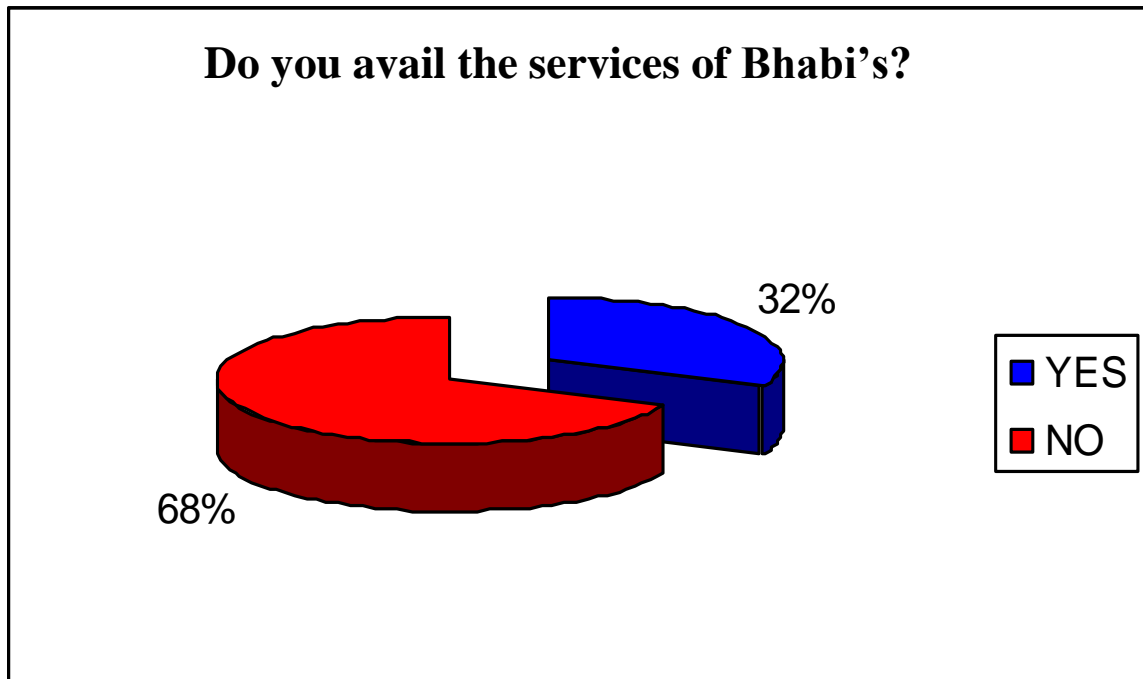
When asked if they would purchase this brand if non-monetary promotions were attached with this product, only three more people replied in favor. This registered an increase by only 7 per cent in the original number of people. This is in sharp contrast with the increase in users shown by monetary promotion for this product which was 55 per cent.



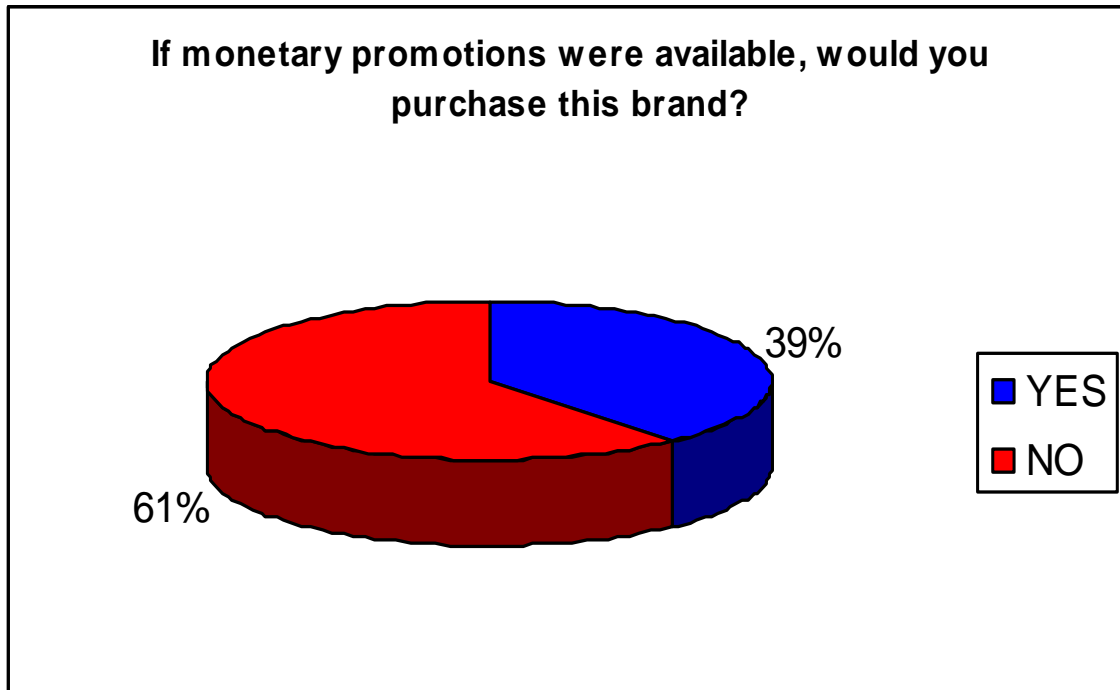
Out of the 45 people that said they would purchase this brand if non monetary promotion was available, 67 per cent preferred free gifts rather than sweepstakes.



## BHABI'S

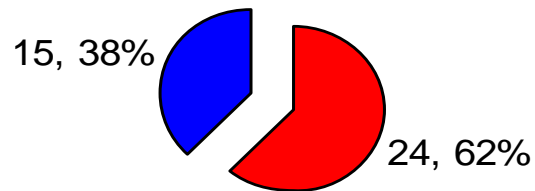


32 people out of a 100 replied favorably to the question of whether they regularly use the services of Bhabi's. Again, this is not a low number of people keeping in mind the market that this salon serves is limited and niche.



When asked if they would avail the services of Bhabi's if it offered monetary promotions, only 7 more people replied favorably, marking an increase by only 22 per cent. Again, the ability to be unique by availing the services of this outlet was left in jeopardy if offered with monetary promotion, which is why many people were not attracted to it.

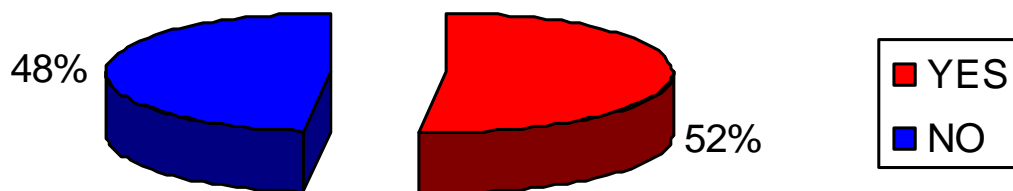
**If yes; then which promotion is most appealing for you?**



■ Price Cut ■ Free product

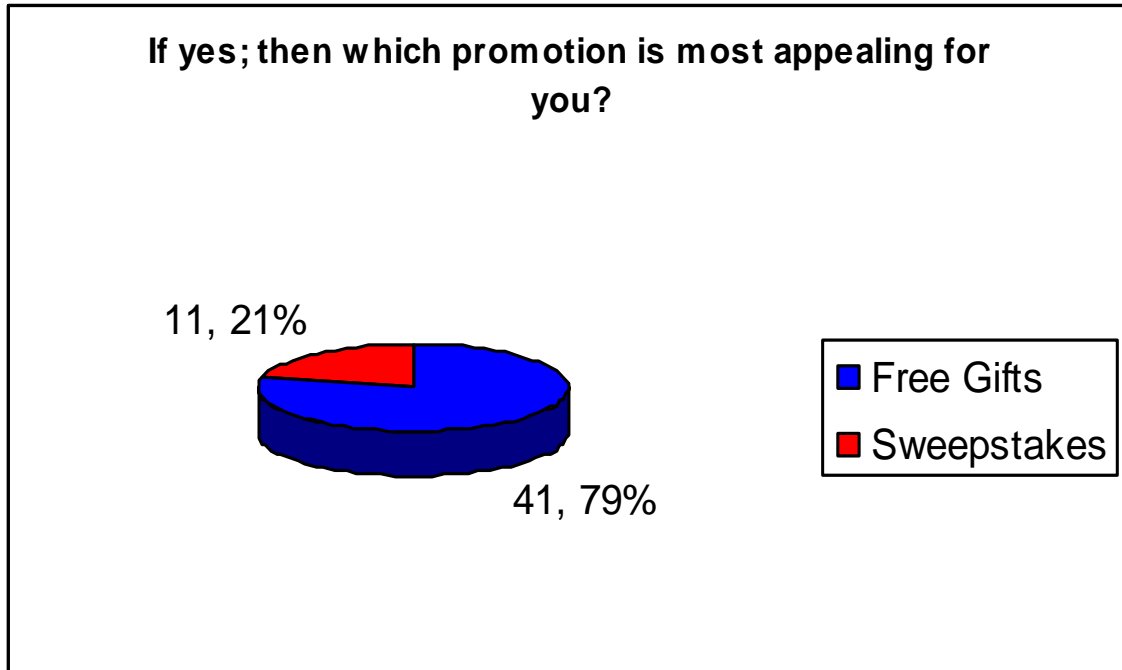
Out of the 39 people who favored monetary promotion, 62 percent preferred price cut rather than free gift.

**If non-monetary promotions were available, would you purchase this brand?**



■ YES  
■ NO

When asked if they would avail service of Bhabi's if offered with non-monetary promotion, 52 people replied positively. This was an increase of 63 per cent more users. It should be kept in mind that monetary promotion in this regard only saw an increase of 22 per cent more users.



Out of the 52 people that preferred non-monetary promotions, an overwhelming 79 per cent thought that free gifts were more feasible.

## 4.5 Analysis of Results

The findings of the consumer survey strongly support the hypothesis laid down by the researcher, which were primarily based upon the findings of the Benefit Congruency Framework.

The first hypothesis that this study was based upon was;

### **3. Monetary promotions are relatively more effective (compared to Non-monetary promotions) for utilitarian products than for hedonic products.**

In the findings it was seen that monetary promotion for both the utilitarian products (Brooke Bond Supreme and Dalda) increased the number of potential users by 43 per cent and 55 per cent respectively. This is a large increase number of users, particularly for high equity brands, as compared to users which were purchasing these brands without any promotion.

Non monetary promotions only increased the number of users of these brands by 13 per cent and 7 per cent. Therefore we see that monetary promotions are more effective for utilitarian products than non monetary promotions.

The second hypothesis that this study was based upon was;

### **4. Non-Monetary promotions are relatively more effective (compared to monetary promotions) for hedonic products than for utilitarian products.**

In the findings we saw that non-monetary promotion for both the hedonic products (Khaadi and Bhabi's) increased the number of potential users by 100 per cent and 63 per cent respectively. This is a large increase number of users, particularly for hedonic products, as compared to users which were purchasing these brands without any promotion.

However, monetary promotions only increased the number of users of these brands by 38 per cent and 22 per cent. Therefore we see that non-monetary promotions are more effective for hedonic products than monetary promotions.

One objective of this study was to find which types of monetary promotions are effective for utilitarian products and which type of non monetary promotions are effective for hedonic products. From the findings it is obvious that people prefer price cuts for the utilitarian products and free gift for hedonic products. This is substantiated by the fact that 73 per cent of Brook Bond Supreme users and 69 per cent of Dalda users while 62 per cent of Khaadi user and 79 per cent of Bhabi's user prefer free gift type of promotion.

As explained before there is general lack of trust in the consumers mind about the various offers being floated by the manufacturers. That is why they prefer more tangible promotions like price cuts and free gifts. The lack of transparency and previous bad experiences of consumers with promotions like sweepstakes and free products have let them to dislike such promotions.

#### **4.6 Limitations**

The foundation of our research was the benefit congruency framework as proposed by Chandon, Wansick and Laurent(2000). However, this model as used originally in the research has been simplified to a large extent for the purpose of the study. This has raised many limitations regarding the scope and results of the study, along with the variation received in the responses.

First, the respondents that had been chosen sometimes showed lack of seriousness while filling the questionnaires. This can be attributed to its length, and even to the fact that rarely do consumers with the specified characteristics come into contact with surveys related to non-commercial research. This was indicated by the hastiness respondents showed in answering questions, especially towards the end, that were seemingly

answered without much thought. Also, there were many contradicting responses to different questions, which further supported our apprehension that they were not seriously answered. This was, however, not seen as a limitation in the parent study of Chandon, Wansick and Laurent(2000), as incentives were offered to the respondents, the feasibility of which for our sample was small due to its limited scope.

One major limitation of the research is in fact its overall simplicity, as compared to the parent research. This is owing to the fact that the overall consumer environment in the West is much more sophisticated than that in Pakistan, hence making the results very localized and simplistic.

**CHAPTER NO. 5**  
**CONCLUSION /**  
**RECOMMENDATIONS**



## CONCLUSION

Keeping the comparatively simplistic nature of this study in mind, it can nevertheless be concluded that sales promotions do play a critical part in the development of customer preferences for concerned products. Brands are promotion elastic, and react positively to both types of promotion.

Adding to this premise, it can be affirmed that the findings of the Benefit Congruency Framework also hold true for the business scenario in Pakistan. It can be primarily stated that non-monetary promotions when on hedonic products, are successful in gaining more positive consumer attention than in situations where utilitarian benefits are offered on products of similar nature. Likewise, monetary promotions are aptly used when connected with utilitarian products, and hence providing related benefits than when linked to hedonic products.

One objective of this study was to find which types of monetary promotions are effective for utilitarian products and which type of non monetary promotions are effective for hedonic products. From the findings it is obvious that people prefer price cuts for the utilitarian products and free gift for hedonic products.

It should be kept in mind that the results have been generalized to state a comparative analysis of the impact of monetary versus non monetary promotions on utilitarian and hedonic products respectively, while the researcher does recognize the major limitation that differences in consumer buying behaviors can very well produce the opposite results based on various other variables that can be the focus of future studies.

## RECOMMENDATIONS

At the end of this research project, the researcher has derived certain recommendations for manufacturers, particularly those operating in Pakistan.

It has been observed that the predominant form of sales promotion being offered by manufacturers in Pakistan are sweepstakes and lottery schemes. These promotion techniques, while creating awareness, are unethical in the sense that they provide no real value to the consumers. There is not enough transparency in the drawing process and there are not enough prizes being offered to grow around. Every manufacturer and service provider is offering some sort of “lucky draw” or lottery. Consumers fall for the flashy adverts shown in the media about “thousands of prizes” being distributed in a particular draw, the only way to enter which is to buy the manufacturer’s product. These types of promotions should therefore be avoided or executed in such a manner that real benefits are indeed provided to the consumer with the process being clear and transparent.

The findings of the Benefit Congruency Framework should also be applied in the Pakistani business scenario. However marketers don’t even know about this Framework and what its findings were. Generally sweepstakes and free product are the dominant form of promotions being offered by the manufacturers and service providers. However, in order to generate more effective sales promotions, manufacturers should keep in mind the aforementioned findings and apply the following; monetary promotions should be applied on utilitarian products and non-monetary promotions should be applied on hedonic products. This is more often not the case for our country. Non monetary promotions like raffle draws on consumer products like in the FMCG sector are quite common, while price cuts on hedonic products are also done quite regularly.

In the findings of this research it has been found out that for utilitarian products, price cuts are the most effective type of monetary promotion and for hedonic products, free gifts are more appropriate. However it has been observed in Pakistani scenario that price

cuts are mostly accompanied by products during seasonal variations such as Ramadan. Free gifts have been seen to be accompanied with utilitarian consumer products rather than hedonic products. Therefore, keeping the findings of this research project in mind, manufacturers should offer monetary promotions for utilitarian products and non-monetary promotions for hedonic products.

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# **APPENDICES**

## QUESTIONNAIRE

I am a student of NUST Institute of Management Sciences, conducting a research on Sales Promotions. Your true and honest answers will be appreciated.

### PART ONE

#### BROOKE BOND SUPREME

**Q1. Do you purchase Brooke Bond Supreme tea regularly?**

- Yes
- No

**Q2. If the following monetary promotions were available, would you purchase this brand?**

Price cut

OR

Free Product

- Yes
- No

**Q2a. If yes; then which promotion is most appealing for you?**

- Price cut

Example: Save Rs 5 on 100 ml size

- Free Product

Example: 10% more product free in every package size

**Q3. If the following non-monetary promotions were available, would you purchase this brand?**

Free gifts  
OR  
Sweepstakes

- Yes
- No

**Q3a. If yes; then which promotion is most appealing for you?**

- Free gifts  
Example: One sachet of Everyday Milk Free
- Sweepstakes  
Example: Win a brand new car

**KHAADI**

**Q1. Do you purchase Khaadi regularly?**

- Yes
- No

**Q2. If the following monetary promotions were available, would you purchase this brand?**

Price cut  
OR  
Free Product

- Yes
- No



**Q2a. If yes; then which promotion is most appealing for you?**

- Price cut

Example: 20% off for Summer Sale

- Free Product

Example: Buy one suit; get another at 50% discount

**Q3. If the following non-monetary promotions were available, would you purchase this brand?**

Free gifts

OR

Sweepstakes

- Yes  
 No

**Q3a. If yes; then which promotion is most appealing for you?**

- Free gifts

Example: On purchase of Raw Silk, 2 free cushion covers

- Sweepstakes

Example: Lucky Draw to Win Bed Set

**DALDA**

**Q1. Do you purchase Dalda regularly?**

- Yes  
 No

**Q2. If the following monetary promotions were available, would you purchase this brand?**

Price cut

OR

Free Product

- Yes  
 No

**Q2a. If yes; then which promotion is most appealing for you?**

Price cut

Example: Save Rs 15 on 1Ltr. pack

Free Product

Example: 10% extra in every pack

**Q3. If the following non-monetary promotions were available, would you purchase this brand?**

Free gifts

OR

Sweepstakes

Yes

No

**Q3a. If yes; then which promotion is most appealing for you?**

Free gifts

Example: Free cutlery

Sweepstakes

Example: Enter draw to win Ummrah tickets

### **BHABI'S**

**Q1. Do you avail Bhabi's services regularly?**

Yes

No

**Q2. If the following monetary promotions were available, would you purchase this brand?**

Price cut

OR

Free Product

Yes

No

**Q2a. If yes; then which promotion is most appealing for you?**

Price cut

Example: 15% discount on all services

Free Product

Example: Buy one; get another at 50% discount

**Q3. If the following non-monetary promotions were available, would you purchase this brand?**

Free gifts

OR

Sweepstakes

Yes

No

**Q3a. If yes; then which promotion is most appealing for you?**

Free gifts

Example: Free sachets of Sunsilk Shampoo

Sweepstakes

Example: Spend Rs.6000 to Win free trip to Dubai

Thank you for your valuable opinion.