

Chapter 12

PROMOTION THROUGH THE MARKETING CHANNEL

Chapter Objectives

One of the major tools the manufacturer uses for implementing an integrated promotional program is selling support by channel members. A manufacturer must carefully administer promotional strategies to help assure a high degree of channel member cooperation in the promotion of its products. Research shows that merely offering more monetary incentives is not sufficient to secure promotional cooperation from channel members.

Push promotional strategies can be placed into seven general categories: (1) cooperative advertising, (2) promotional allowances, (3) slotting fees, (4) display and selling aids, (5) in-store promotions, (6) contests and incentives, and (7) special deals and merchandising campaigns.

In addition, there are four “kinder and gentler” push promotions. These are: (1) training programs, (2) quota specification, (3) missionary selling, and (4) trade shows.

The chapter discusses each of these issues in detail. The success of these promotional strategies is influenced greatly by the degree of cooperation the channel manager can secure from channel members in the implementation of these strategies.

Learning objectives

- 1) Recognize that reseller (channel member) support is one of the major tools of the manufacturer’s promotional mix.
- 2) Understand the distinction between pull and push strategies.
- 3) Realize that push promotional strategies are being used with increasing frequency and account for more dollars than pull promotions.
- 4) View promotion through channel members as a major form of channel strategy rather than mere tactical actions to get channel members to sell more products.
- 5) Know about the major findings from research on push promotions.
- 6) Be familiar with the seven basic types of push promotions that require channel member support.
- 7) Know the four types of “kinder and gentler” push promotional strategies.
- 8) Have a feel for the pros and cons of the various promotional strategies in the context of gaining channel member support.

Chapter Topics

- 1) Promotional Strategies and Channel Member Cooperation
- 2) Basic Push Promotional Strategies in Marketing Channels
- 3) “Kinder and Gentler” Push Promotion Strategies in Marketing Channels

Chapter Outline

In recent years, the term promotion has increasingly been used as shorthand for referring to all of the persuasive communications employed by businesses and other organizations. These include advertising, personal selling, publicity, sales promotion, sponsorship, and point-of-purchase communications. Some marketing texts use the term “integrated marketing communications” to refer to the systematic use of several or all of these tools in a coordinated effort to achieve maximum promotional impact.

Because most products and services are not sold directly to the final consumer, the promotion programs undertaken by producers, manufacturers, franchisors, and service creators need the assistance and support of channel members to be successful.

Thus the effectiveness of the manufacturer’s overall promotional strategy depends on *how skillful the manufacturer is in securing cooperation from independent channel members in implementing the promotional strategy.*

Some manufacturers rely on promotion in the form of advertising to their target markets to “pull” their products through the channel and hence indirectly secure channel cooperation. The belief underlying this so-called *pull strategy* is that by building strong consumer demands, the manufacturer will force channel members to automatically promote the manufacturer’s product because it is in their obvious self-interest to do so.

This strategy is often insufficient by itself to secure strong channel member promotional support.

An approach referred to as *push strategy*, requires more direct involvement by the manufacturer with channel members in the use of promotional strategies.

The real concept underlying the push strategy should be one of *mutual effort and cooperation* between the manufacturer and channel members in the development and implementation of promotional strategies.

The overall trend in promotional emphasis has been toward push promotion rather than pull, given the increasing size and power of retailers and wholesalers. About 50 percent of every dollar spent on promotion goes for push type promotions.

Promotional Strategies and Channel Member Cooperation

A wide variety of strategies call for the involvement of channel members in the promotion of the manufacturer’s products. Strategies that involve channel members stand a higher probability of being favorably received by channel members when they are *part of an overall program of manufacturer support of channel member needs.*

In short, the manufacturer must establish a comprehensive approach for providing support to channel members if their cooperation in the promotion of products is expected.

Quelch found four major shortcomings with many push promotions when they were not developed as an integral part of a more comprehensive program of channel member support. These are:

- a. Frequent promotion deals erode consumer franchises for existing manufacturer brands, add to the expense of establishing new brands, and increase consumer price sensitivity.
- b. Frequent discounts to channel members offered on products used in trade deals result in deal-to-deal purchases.
- c. Trade buyers often take advantage of discounts but fail to provide the merchandising support called for and do not pass along all price discounts to consumers.
- d. Some channel members respond to deals by purchasing well above their own requirements and reselling the excess merchandise to other retailers at a profit (called *diverting*).

Consequently, manufacturers may need to put more strategic emphasis on the development and support of their sales forces calling on the channel members to gain the support of the trade and consequently, gaining acceptance of the consumer.

In another study designed to identify the key factors associated with retailer support for manufacturer promotions, Curhan and Kopp found eight factors to be statistically significant. .

What is particularly noteworthy from these findings is the wide range of factors *other than* the monetary level of incentives that are of importance to retailers.

Several broad themes can be distilled from the foregoing research:

- a. All of the studies suggest that ad hoc, quick fix, and frequently offered push promotions do not foster higher levels of channel member support on a consistent basis.
- b. Push promotions should be viewed as a part of strategic channel management.
- c. Given the wide range of factors that can affect channel members' responses to promotion, manufacturers should study channel members' needs carefully before implementing.
- d. A tradition of post promotion (follow up) research is needed if the manufacturer expects to make steady progress in improving the effectiveness of push promotions.
- e. Despite the manufacturer's best efforts, channel members will come in conflict with the manufacturer over promotional issues because their self interests and goals will at times diverge.

Basic Push Promotional Strategies in Marketing Channels

Promotional strategies emphasizing the push approach initiated by the manufacturer but requiring channel member support and follow-through can take many forms. Most can be placed in the following seven categories: (1) cooperative advertising, (2) promotional allowances, (3) slotting fees, (4) displays and selling aids, (5) in-store promotions, (6) contests and incentives, and (7) special deals and merchandising campaigns.

1) Cooperative Advertising

One of the most pervasive forms of promotional assistance offered by the manufacturer to channel members is that of cooperative advertising. One of the most common is the sharing of costs on a 50-50 basis up to some percentage of the retailer's purchases from the manufacturer.

For the manufacturer, the effectiveness of cooperative advertising as a promotional strategy depends heavily on the level of support offered by the channel members.

Specifically, the channel members must:

- a. Have sufficient inventory of the advertised product
- b. Offer adequate point-of-purchase display
- c. Provide personal selling support if required

Getting this kind of support requires careful administration of the cooperative program by the manufacturer.

2) Promotional Allowances

The most typical strategy used for promotional allowances is to offer the channel member a direct cash payment or a certain percentage of the purchases on particular products. The allowances are offered to encourage retailers to buy more of the manufacturer's products, to give the products more prominent shelf space, to feature the products in special floor or end-of-aisle displays, or to engage in other similar promotional activity.

The availability of scanner data has made it feasible for manufacturers to measure the effects of promotional programs more accurately.

But, such measurements are taken after the fact. If a manufacturer wants to do something up front to enhance channel member support and follow-through, the most positive step to take is to make sure that the promotional allowance program is consistent with channel member needs.

3) Slotting Fees

Key Term and Definition

- Slotting fees or slotting allowances: Payments (either in cash or merchandise) by manufacturers to persuade channel members, especially retailers, to stock, display, and support new products.

The controversy over slotting fees has grown so intense that it has attracted the attention of some members of Congress, the Federal Trade Commission, and the General Accounting Office. They are investigating whether or not this practice violates antitrust laws.

From the viewpoint of the channel manager, slotting fees must be viewed as a reality. The channel manager should attempt to work with retailers to discover areas of commonality leading to slotting fee arrangements that create more win-win, rather than win-lose situations.

4) Displays and Selling Aids

It is estimated that \$25 billion is spent each year on displays and selling aids in all types of retail stores.

Besides, point-of-purchase (POP) displays, other common types of displays and selling aids include dealer identification signs, promotional kits, special in-store displays, and mailing pieces.

Displays and selling aids can be highly effective, but quite often manufacturers have difficulty getting retailers to use these materials. A wide disparity of perceived usefulness of such materials often exists between the manufacturer and channel members. Thus, the channel manager must make an effort to see whether the firm's selling aids and displays are serving any useful purpose or whether they are more of a bother than a help.

5) In-store Promotions

Most in-store promotions are short-term events designed to create added interest and excitement for the manufacturer's products.

Regardless of the form of the in-store promotion, the key issue for the channel manager is whether the *retailers perceive benefits from it in the form of increased sales, profits or recognition for the store.*

6) Contests and Incentives

Contests and incentives sponsored by manufacturers to stimulate channel member sales efforts for their products are another popular form of promotion.

Sometimes the impact of a contest or incentive promotion can be increased by tying it to some major event at the local, state, national, or even international level.

Key Term and Definition

- Push money: Offering monetary rewards directly to channel member salespeople for “pushing” certain products.

In the development of any contest or incentive program, the manufacturer should go out of its way to determine the views of channel members toward such forms of promotion.

7) Special Promotional Deals and Merchandising Campaigns

Special promotional deals and merchandising campaigns comprise a catchall category. It includes a variety of push type promotional deals such as discounts to channel members to encourage them to order more products, favorable offers to consumers to foster larger purchases, percentage or cents-off offers, rebates, coupons, prizes, and premium offers.

The fact that special deals and merchandising campaigns are in such widespread use does not mean that most manufacturers are happy with them.

These kinds of trade deals can:

- a. Erode consumer brand loyalty
- b. Foster deal-to-deal purchasing by channel members
- c. Fail to provide pass-through savings for consumers
- d. Encourage the diverting of merchandise to other retailers and wholesalers

Key Term and Definition

- Trade loading, forward buying or channel stuffing: Occurs when manufacturers induce retailers and wholesalers to buy far more products than they can sell in a reasonable period.

Unfortunately, there is no simple solution to the problems created by such promotional deals. The only defense most manufacturers have is to develop carefully planned channel promotion strategies that are based on knowledge of channel member needs and that take a long-term perspective on promotion through the marketing channel.

“Kinder and Gentler” Push Promotion Strategies in Marketing Channels

Other promotional strategies, whose ultimate purpose is also to get channel members to push a particular manufacturer’s products, stress doing so using more finesse, subtlety, and a more circuitous route. We refer to these as “kinder and gentler” push promotions. The most important of these are: (1) training programs, (2) quota specification, (3) missionary selling, and (4) trade shows.

1) Training Programs

Training programs aimed at improving the performance of the channel members' salespeople can be one of the most effective strategies for building channel member promotional cooperation. Such programs can demonstrate in a highly visible way the manufacturer's commitment to helping channel members in an area in which many of them need help.

In order to be effective, however, manufacturer-sponsored training programs for channel member salespeople must be planned to meet the particular needs of the channel members and must be implemented in a manner that is acceptable to them.

A) Wholesale Level Training Programs

Training programs at the wholesale level should be aimed at helping the wholesaler's salespeople in three major areas:

1. Their knowledge of the manufacturer's product
2. Their selling techniques
3. Their skill in counseling the customers they call on

B) Retail Level Training Programs

Training programs aimed at retail salespeople are useful for products that still need a significant level of personal sales assistance. Sales training at the retail level should emphasize:

1. Product knowledge
2. Selling technique

2) Quota Specification

Key Term and Definition

- Sales Quotas: The sales volume that manufacturers specify for channel members to generate during a certain period of time.

Manufacturers set quotas in the belief that they will spur channel members on to greater effort in return for rewards offered for reaching or exceeding the quotas.

Sales quotas if used properly can be an effective promotional strategy for improving channel member promotional support.

The key to using quotas properly lies in the context in which they are presented to the channel members. If they are presented in a coercive fashion, they will produce ill will and conflict. Further, if the manufacturer's line does not make up an important part of the channel member's product mix, the channel member may simply ignore the quota.

On the other hand, if quotas are developed in conjunction with the channel members, and if they are presented in the context of *providing information on the sales potentials* in the channel members' territories, they can be a positive force in fostering channel member support.

3) Missionary Selling

Key Term and Definition

- Missionary selling: This term was first used to describe the activities of manufacturer's salespeople who were sent specifically to convince distributors that they should handle the manufacturer's new products.

Today, the term is usually applied to any of the manufacturer's salespeople who are specially assigned to supplement the selling activities of channel members.

In the consumer goods industries, missionary salespeople can perform any of the following activities:

- a. Checking wholesale and retail inventory levels
- b. Calling on retailers to inform them of new products
- c. Helping to arrange window and in-store displays
- d. Answering the wholesalers' and retailers' questions and providing advice and training
- e. Trying to promote goodwill
- f. Taking orders for merchandise

In the business-to-business market, they are often involved in:

- a. Training distributor salespeople
- b. Accompanying distributor salespeople on sales calls to assist their selling efforts
- c. Taking initial orders for new products from the final user
- d. Providing technical assistance
- e. Helping distributors' salespeople to close sales, especially those requiring technical expertise

The use of missionary salespeople in building channel member promotional support is a two-edged sword.

On the positive side, missionary selling is a useful promotional strategy when the channel member lacks the sales capacity or competency to handle all of the tasks assigned and *desires* this kind of assistance.

On the negative side, several problems can exist:

- a. Using missionary salespeople is expensive

- b. Missionary selling can lead to conflicts in the channel when these missionary salespeople begin performing many of the channel member's tasks
- c. Some channel members view missionary salespeople as bothersome because they take up too much of the time of their own sales force

The channel manager must therefore pay careful attention to the attitudes of channel members toward the use of missionary salespeople.

4) Trade Shows

Trade shows are usually annual events organized by associations in industries.

The main objective of participating in a trade show (aside from making sales) is to attain the maximum impact and gain the widest recognition for the firm's products – especially new products – and thus enhance the firm's recognition and respect among its relevant publics.

From the standpoint of the manufacturer, using trade shows as a promotional strategy for motivating channel members can be worthwhile.

- a. It provides an opportunity to sell to existing and new channel members.
- b. It provides an opportunity to show channel members new products, strategies, and promotional programs on a face-to-face basis.
- c. It offers a chance to socialize with channel members in ways that might not be possible in the course of regular business relationships.
- d. Perhaps the most important from a long-run channel promotional strategy standpoint, is that a strong presence and impact made by the manufacturer – especially if it seems to shine above other competing manufacturers at the show – can create a sense of pride and belonging in the channel members that sell its products.