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The Promotion World According to Retail

by

John L. Park and Gene A. German, Edited by Kris Park

Department of Agricultural, Resource, and Managerial Economics, Cornell University

As agricultural producers start to budget promotional activities to retailers, it is important for them to understand how various types of retailers rate the effectiveness of different promotional programs. This report is based on a study of the promotional preferences of supermarket, drug store, and mass retail executives.

Responses were received from the key retail companies in each channel of distribution, including over forty responses from the nation's top supermarket chains. Retail executives were asked to evaluate twenty-two promotional programs in terms of the promotion's effectiveness in (a) increasing product movement and (b) increasing overall store sales. In addition, respondents identified the programs that were used most frequently in their company, and answered questions relating to their company's interest in increasing spending for account specific marketing.

Status of Promotional Activities

The top seven programs that were used most frequently by retailers were:

- In-Store Demos and Sampling
- Shipper Displays
- Promotion with a Local Charity
- Targeted Direct Mail
- In-Store Coupons

- Co-op Radio
- Retailer Generated Shelf Talkers

It is important to note that the frequency of use does not necessarily relate to the retailer's evaluation of the promotion's effectiveness in moving product or in increasing overall store sales. It must be assumed that these are promotions that are frequently offered, easy to implement, and that match the company's promotional strategy.

Although in-store coupons ranked very high among all three retail groups, there was a wide difference in the distribution methods of the coupons. For example, more than half of all supermarket executives reported using paperless coupons while very few mass or drug retailers used paperless. Instant redeemable coupons (IRC), however, were reported to be used by over two-thirds of all types of retail companies.

What Works?

Product Movement

The promotions that retail executives rated the most effective in terms of moving product included:

- Shipper Displays
- Targeted Direct Mail
- Frequent Shopper Programs
- In-Store Demos and Sampling

All three types of retail companies included in this survey rated shipper displays and targeted direct mail as very effective at moving product. Supermarket executives rated frequent shopper programs higher in product movement effectiveness than did executives from either drug stores or mass retail outlets.

What Works?

Overall Store Sales

When retail buyers and merchandisers were asked to evaluate promotions in terms of their effectiveness in increasing overall store sales, they chose all but one of the same top four promotions considered most effective in increasing product movement. These four were:

- Targeted Direct Mail
- Frequent Shopper Programs
- In-Store Demos and Sampling
- Retail Generated Shelf Talkers

Shipper displays (which rated high in effectively moving product) were not considered to be as effective in increasing overall store sales. Retailer generated shelf talkers were considered effective at increasing overall store sales by all retail groups, with drug store executives giving this promotion their highest rating.

The promotional program that was identified as the least effective of all twenty-two promotions by executives from all three retail groups was national sweepstakes.

Table 1. *What works in terms of increasing overall store sales is led by targeted direct mail and frequent shopper programs.*

What didn't work? Again, national sweepstakes is at the bottom of the pack.

Promotional Program	Evaluation Score on a scale from 1 to 5
Targeted direct mail	4.18
Frequent shopper programs	4.03
In-store demos and sampling	3.89
retail generated shelf talkers	3.85
Retailer cross-ruff	2.46
Premium giveaways	2.43
Tear pads	2.38
National sweepstakes	1.97

Funding Preferences

We asked retail executives “which programs would you negotiate to increase (or decrease) funding?” The following were identified as the top five promotions for which retail executives would try to negotiate a funding increase:

- Targeted Direct Mail
- In-Store Demos and Sampling
- Shipper Displays
- Co-op Radio
- Frequent Shopper Programs

Here we can see that the ratings reflect the buyer's beliefs regarding the effectiveness of the promotions as well as the ease with which the promotion can be implemented. This choice is also an indication of the trends in marketing strategy now being employed by leading retail firms.

Table 2. Negotiations for increased funding were most often indicated for targeted direct mail and in-store demos and sampling.

Promotional Program	Would Negotiate for Increased Funding
	% respondents
Targeted Direct Mail	89
In-Store Demos and Sampling	87
Shipper Displays	70
Co-op Radio	70
Frequent Shopper Programs	68
Co-op television	66
Paperless couponing	62
Retail shelf-talkers	60

Respondents to this survey also identified promotions for which they felt funding should be *decreased*. The five promotions receiving the most votes to decrease funding were:

- National Sweepstakes
- Premium Giveaways
- Tear Pads
- Chain-Wide Sweepstakes
- Manufacturer Generated Shelf Talkers

There was general agreement among all retailers regarding the funding decrease for these five types of promotions.

Summary

Of the twenty-two promotional programs that retail executives were asked to evaluate regarding effectiveness (to increase product movement or overall store sales), twelve consistently rose to the top of the list. Likewise, the other ten were consistently perceived as average or below average in their effectiveness at either moving product or increasing store sales. Each group is listed below.

Lackluster Promotions

- Chain-Wide Sweepstakes
- National Sweepstakes
- Near Pack Offers
- Premium Giveaways
- Manufacturer Shelf Talkers
- Tear Pads
- Internet Programs
- Retailer Cross-Ruff
- In-Store Advertising
- Promotions Tied to Local Charities

Shining Promotions

- In-Ad Coupons
- In-Store Coupons
- Paperless Coupons
- Instant Redeemable Coupons
- Retail Shelf Talkers
- Co-op Television
- Co-op Radio
- Targeted Direct Mail
- In-Store Demos and Sampling
- Frequent Shopper Programs
- Shipper Displays
- Manufacturer Purchased Display Space

Glossary of Terms Used in the Promotional Preference Survey

Chain-wide sweepstakes - a sweepstakes promotion offered in all stores through a retail chain.

Co-op media - promotional advertising for a manufacturer's product that appears on a retailer's television or radio ad and is funded by the manufacturer.

Frequent shopper programs - the support by manufacturers of promotions offered by the retailer through its loyalty card program (i.e., discounts - paperless coupons, etc.)

In-ad coupons - coupons for manufacturers' products that appear in the print ad of one retail company and are redeemable only through that one company.

In-store advertising - point of sale advertising in the retail store; on shopping carts, aisle markers, in-store radio or TV, etc.

In-store coupons - coupons that are distributed in the retail store.

In-store demos/sampling - the sampling of products in the retail store.

Instant redeemable coupons (IRC) - coupons that are attached to products in the retail store.

Internet programs - promotional programs that are offered to consumers through the retailer's web page.

Manufacturer purchased display space - special displays that are built in the retail store in space that is paid for by the manufacturer.

National sweepstakes - a sweepstakes promotion advertised and promoted by a national organization and available through various types of retail stores throughout the country.

Near pack offers - premiums that are offered by manufacturers as an incentive for purchasing a product and are available in the store.

Paperless coupons - coupons that are made available to consumers through a frequent shopper program or some type of card marketing program.

Premium giveaways - any promotion that offers a premium to consumers as an incentive for purchase of a product, often a mail-in offer. This promotion can also be one that offers a premium to a store or department manager.

Promotion tied to local organization or charity - a special promotion where the retailer and manufacturer agree to contribute a portion of the sales to a local group.

Retailer cross-ruff - promotions or coupons delivered on one product (national brand) that are good on another product (retailer brand).

Shelf talkers - point-of-sale signage designed to hang over the edge of a shelf and deliver a promotional message. They may be produced by the retailer (usually price oriented) or by the manufacturer (usually product oriented).

Shipper displays - product that arrives at the store in its own display unit.

Targeted direct mail - promotional mailings sent to specific customers or a retail store encouraging the purchase of a specific product or brand.

Tear pads - promotional information in the form of a tear pad that is posted in the store - either near the product or at a central location such as a bulletin board.