

Joint Sales Promotion: Prospects & Issues

Co-authored

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Abstract

This study is an attempt to understand current consumer joint sales promotion in India and thereby identify related prospects and problems. For a conceptual overview, relevant literature in this area was studied. To gain an insight into current practices, announcements of the offers through secondary sources were compiled. A content analysis revealed that "Target market commonality" relationship was the prime reason for companies offering joint sales promotion. It was found that the usage of joint sales promotion was most prevalent in consumer durable category. There exists a prospect for using joint sales promotion in non-durable category. Identifying a suitable partner, planning and co-ordination are the main issues for a manager wanting to use this tool. A guideline regarding the above issues has been suggested.

Introduction:

Sales Promotion, a short-term inducement, offered to a consumer or trade has gained momentum as a promotional tool world over. It represents nearly three fourth of the marketing budget at most consumer product companies [1]. Sales promotion is used to reduce dissonance and in turn the risk involved in the purchase process of a consumer. The risk could be financial, functional, social or psychological. Sales promotion can be used both for shaping of new behaviour as well as reinforcing existing behaviour [2]. Monetary promotions like price-off are primarily evaluated by a consumer on utilitarian benefits like savings in time and money, convenience and quality[3]. While value added promotions like contests, premiums provide both utilitarian as well as hedonic benefits like value expression, entertainment and exploration [4]. Tougher market conditions and complexity of modern business have led managers to make frequent use of sales promotions. With sales promotion becoming an integral component of brand building strategy, innovative forms of sales promotions have started emerging.

One of such form is **joint sales promotion**. When any sales promotion scheme either for trade or consumer is announced by more than one company and /or more than one brand of the same company, it is referred as joint sales promotion or horizontal co-operative sales promotion or cross promotion or umbrella sales promotion [5]. Joint promotions are one of the oldest marketing tools that companies employ to push sales. In US approximately 580 different products were reported to have been featured in various multi brand cooperative sales promotion during 1978 and 1979[6]. In India, 56 such announcements of joint sales promotion schemes were identified during 1993[7]. On one hand a highly competitive market place compels marketer to increase the spending on promotional mix, on the other hand promotional expenditures are under heavy scrutiny by top management for cutting costs [8]. Hence managers look for avenues to pool in resources to increase effectiveness and efficiency of their resources. In recent times, advertising hasn't been very effective due to increasing clutter and media costs, one way for companies to increase sales at low cost is using joint promotions. This can be attained in two ways, either by jointly promoting two of their own brands or joining hands with another company. Thus when Hindustan Lever offers a Sunsilk sachae free with its detergent powder Rin, it is termed as Intra-company joint sales promotion. When two different companies tie-in their brands such as Hindustan Lever's Kwality Walls tied up with Cadbury to give free 5 Star with the purchase of Kwality ice-cream [9].

At the turn of new millennium, Indian economy had undergone a sea change. Influx of competition in every product market with entry of multinationals, inflationary pressures, and consumer and trade becoming deal prone brought around pressure on managers to use sales promotions which would add value and show results within the constraint of tighter budget. However, a recent Blackstone Market Facts Ltd. survey (2001) shows that most companies had spent 50 to 100 per cent more on promotions over last year [10].

Given the above scenario, this paper attempts to examine current practices of joint sales promotions and draw managerial implications for the same.

Objectives:

The objectives of the research are-

- ❖ To examine current consumer joint sales promotion practices in India.
- ❖ To draw managerial implications.

The key questions addressed in this research are:

- 1) What is the nature and extent of use of joint sales promotion in India?
- 2) What are the underlying reasons?
- 3) What is the relationship between the promoted brand?
- 4) What are the avenues of joint sales promotion?
- 5) What issues are likely to arise in managing these activities?

Methodology:

The data about consumer joint sales promotion was collected by reviewing advertisements announcing these promotions. As the purpose was to get an idea about such promotional practices prevailing across various product markets, mass media announcement about these schemes were considered appropriate source of information. For this purpose two dailies Dainik Bhaskar and The Times of India with both having a very wide circulation in central India (Madhya Pradesh) were selected. In order to be exhaustive, one daily in English and one in Hindi- a regional language were selected. This would ensure coverage of both local as well as national promotions. The announcements were scanned for a period of one-year starting from 1st June 2001 to 30th June 2002. The content analysis of the same was carried out. From each announcement details about the companies/ brand were noted. Besides, products offered, the date of announcement, source and the duration of the scheme and conditions if any were noted whenever available. The duplication arising due to announcements which appeared in both the newspapers and due to the same advertisements appearing more than once was taken care of by eliminating those repetitions. 354

announcements were compiled and finally 194 schemes were selected for further analysis. P. Varadrajana (1985,1986) [11] has suggested a framework for classification of horizontal cooperative sales promotion and has proposed potential opportunities for joint sales promotion by looking at the characteristics that make joint sales promotion possible. The schemes are classified by modifying the above framework. The joint sales promotion announcements were segregated based on whether the brands involved in joint sales promotion belonged to the same company (Intra Company) or were from two or more companies (Inter Company). These were further classified depending on the product categories that were a part of joint sales promotion.

This classification schema satisfies the two critical questions raised by Hunt [12]

Regarding categories being mutually exclusive & collectively exhaustive. All the schemes identified belonged to only one particular category or class and no scheme remained unclassified.

Further to examine the relationship between the brands / companies, which are jointly promoted, the schemes were analysed based on following parameters:

- ❖ **use complementarily due to natural use:** for example a Kurlo pillow free with purchase of Kurlo mattress.
- ❖ **new use catering complementary relationships:** new uses of the existing product creating new complementary relationships can be used for joint promotions.
- ❖ **commonality of need due to use time:** for example Lipton Tazza Tea & a pack of Britannia Tiger (Cookies)Biscuits free
- ❖ **tie-up of a new /slow moving brand with an established brand :** for example a newly introduced brand Fa- a toilet soap given free with an issue of well established brand of a film magazine, Filmfare.
- ❖ **target market commonality:** when two products tie in to reach the same segment of the market for example Nestle's babyhood brand Cerelac and Johnson & Johnson's baby soap which were baby products.

- ❖ **seasonal demand** : during summer which is a vacation time two brands- Kelvinator refrigerator and VIP suitcase were jointly promoted .
- ❖ **distribution commonality** : Toshiba was using HCL outlets for its printers , copiers and PCs so a promotion which required a purchase from HCL showroom only helped both the brands at the same retail outlet.
- ❖ **targeting new segment:** for example Forhans toothpaste and Annie French when promoted jointly help both brands to reach a new segment.
- ❖ **derived demand** : " free Motorola T180 handset with BPL mobile on the spot sim card"
- ❖ **countering competitive joint sales promotions:** for example when BPL mobile gave free activation with Motorola mobile phone purchase, few days later Airtel and Nokia came with a similar offer where free Airtel connection was given on purchase of Nokia 3310 phone.
- ❖ **link to an event, festival, celebrations:** for example during Diwali which is the major festival in India, durable purchases are high, so offers like " on purchase of BPL Color Television ,get TITAN watch and Magnum suitcase is given Free" are often found.
- ❖ **process complementarity:** is when a product or a service by being jointly promoted try to satisfy a broader consumer need for example
- ❖ **not clear:** when in a joint sales promotion none of the above relationships could be applied and the purpose behind the joint sales promotion is not very clear for example "Get a free click camera with any shipment sent in jumbo box(25 kilos) of DHL courier." Giving a personalised item as a gift to a sender who is likely to be an institutional segment will not serve the purpose.

This classification and analysis was considered to be appropriate, as the objective of the paper is to gain insight into current practices and thereby identify untapped avenues for joint sales promotions in India, and draw managerial implications.

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Findings:

In the Indian context, scanning the advertisements announcing consumer joint sales promotions for a period of one year has revealed interesting facts. Most of the advertisements announcing the schemes in the Hindi daily, Dainik Bhaskar were in English. Most announcements were found to appear on the weekends. Out of total 194 joint sales promotion sound, 158 schemes were inter company joint sales promotions that accounted for 81 % of the total schemes (Table-1). The frequency of joint sales promotion amongst durable brands was highest 44 % of the total joint sales promotions. This was so for both inter company as well as intra company. The tie up between durable, non-durable and service together was found to be less frequent only (2 %) of the total. In durable goods category, similar nature of joint sales promotion schemes were found.

Classification of advertisements based on the inferred relationships among copartners can be seen from Table-2. It is evident from the table that target market commonality seems to be the most popular relationship which motivate companies to use this form of sales promotion. Out of the total offers, 67 (35 %) schemes were used to reach a common target segment. 31 schemes were found to be using joint sales promotions to reach either a new segment or a new brand/ slow moving existing brand along with an established brand to extend the segment.

In case of 33 (17% of the total) announcements, it was difficult to infer the relationship between the brands promoted together. The reason and the purpose for tie-up did not make sense for example Keo Karpin hair oil giving Sheffield pen, hence they could not be classified under any of the above relationships. Such indiscriminate use of joint sales promotion may lead to dilution of existing brand equity.

The third way in which joint sales promotion announcements were classified was based on nature/type of sales promotion being offered. (Table-3) Most joint sales promotions were of value added nature where consumers received immediate incentive. Premium (free gift) was the most

common practice of joint sales promotions being offered. Out of the total, 120 (62 %) offers were found to be of this nature. The incentive, which was offered free, varied from something as small as a packet of biscuit to a VCR or a TV or a scanner. Coupon was not found to be a popular technique used by companies.

Inferences:

The content analysis of the joint sales promotions provide the underlying reasons for use of joint sales promotions by companies. Some of them are:

- ❖ to reward & retain existing consumers
- ❖ to extend the user base
- ❖ to induce trial of a new product by cashing on the established brand
- ❖ to push slow moving brands/ models
- ❖ to counter competitor's offers
- ❖ to clear inventory
- ❖ to increase the footfalls at the retail outlets
- ❖ to increase the visibility and extend the reach for example Coke promoted its PET bottle with a pack of Good Day biscuits. This helped Coke sales and provided with good visibility and entry into numerous conventional outlets to Britannia Industries.
- ❖ to enhance brand value

Comparison of these reasons with the results of a similar study (1993) done in India

almost a decade ago do not show any substantial difference in underlying reasons of usage. The rationale of giving an English announcement in Hindi daily may reach the same target audience.

When regional language paper is used for announcements, it would help reaching larger and a different target audience. Most of the announcements were found to appear on Friday, Saturday and Sunday. Using these days announcements may not get noticed and reader may not cognitively process the information. The total number of joint sales promotions had increased from 56 in 1993

to 194 in 2001-2002. Combination offers were not found to be popular in India as such offers required consumers to buy several brands to avail promotion. Barring a few offers from multinational companies, the majority of the promotions lacked innovativeness. As seen from Table-3, companies opted for an easy tool of free gift. In most instances, when two brands of the same or different companies were involved, one brand was given free along with the purchase of the other for example, with purchase of a Videocon refrigerator a juicer grinder was given free. In fact the value of the products given as free gift was high especially in the categories where the competition was fierce. Since such offers are normally unconditional, the level of involvement of the company whose brand is offered free is likely to be low. Many a times a company may not be aware of its brand being given free. In comparison to this, offers like "Times Shop Karo" required involvement of large number of retail outlets, which would result in higher level of involvement.

Based on the findings of this study, it is seen that joint sales promotions are not popular in FMCG category even though large amount of money is spent by this category on sales promotions worldwide. The possible reason for this could be the high level of effort required to coordinate the activity vis a vis marginal benefits that are likely to accrue from such schemes. The rationale behind use of joint sales promotions to reach the same target market or to extend the existing segment, seems to be popular reason . This could be due to the underlying synergy, which reduces costs in terms of efforts required, time and money for the partners.

Discussion:

From the above, it is clear that there are vast avenues for joint sales promotions. Though the companies did not reveal the actual sales figures Blackstone Market Facts survey estimates that sales could go up anywhere between 10 and 30 per cent depending on the offer and the product category due to joint sales promotion[13].

Companies in various product fields can tie up promotions jointly to exploit potential of the market. The advantages, which can be derived from such joint sales promotions, are as follows.

- ❖ When two companies jointly promote a scheme, it increases their financial strength as costs are shared. As a result they can have the scheme for longer duration, offer more number of promotions and offer higher incentive.
- ❖ Both companies gain due to larger manpower resources and talent. This is beneficial for better and efficient planning and execution.
- ❖ Due to high value of incentive, which can be offered, there is a likelihood of enhanced response from trade and consumer.
- ❖ A smaller company gains from the equity of the larger and well-established company/ brand.
- ❖ Two unrelated product or service can be innovatively promoted to achieve a common purpose. As joint sales promotion helps in creating a symbiotic relationship among different companies. This fosters latter integration of categories in offering additional value to the consumer.

Joint sales promotion all its benefits also has its share of concerns and risks. Sales promotion itself requires careful planning and implementation for it to be a success. This is even more important and essential for joint sales promotion due to inherent complexity. Such schemes are possible only if the objectives of the companies/ divisions involved are not conflicting. Willingness to share information is another very critical for the success of joint sales promotion. Since such joint sales promotions involve more number of people, problems of communication and coordination are likely to occur. Any problem arising just before or during the period of the scheme for any brand/company involved could jeopardise the success of the entire joint sales promotion scheme. If terms and conditions of the two parties are not clearly specified at the beginning, it may cause conflicts. Such a situation will hinder achievement of the desired results.

When the tie- up brand does not live up to the expectation, the partnering brand is in danger of eroding its own equity. Hence caution needs to be applied before choosing a partner for joint sales promotion.

Measuring results of joint sales joint sales promotion is difficult because the impact of individual brand cannot be isolated. Careful monitoring through a systematic research is a prerequisite of a successful joint sales promotion.

In India even though sales promotion expenditure is on rise, very few companies are found to follow systematic way of budgeting, planning and implementation. Most sales promotion decisions are made on ad-hoc basis. In such a scenario, carrying out effective joint sales promotion could pose problems. This could be one of the reasons why the study of joint sales promotion practices did not reveal very many innovative schemes, the reasons behind them still remained the same: push sales, create awareness and clear inventories.

Guidelines for Managers:

A framework for managing joint sales promotion has been suggested by P.Rajan Varadarajan[14].

Analysis	Identify	Potential opportunities for joint sales promotion
	Define	The role of joint sales promotion within the broader domains of the sales promotion mix.
	Screen	Potential joint sales promotion participants
Planning	Develop	Alternative joint sales promotion concepts and tentative Programs (size of incentive, conditions for participation, duration of promotion, tentative budget, etc.)
	Evaluate	alternative joint promotion programs and perform preliminary cost-benefit analysis.
	Explore	Interest in the promotion concept and program among potential participants.
	Pretest	Promotion concept if necessary
	Refine	A detailed program in consultation with other potential program

	and develop	participants.
	Negotiate	Terms and conditions of participation in the proposed program.
	Gain approval	Of proposed program from the managements of participating organisations.
Implementation And control	Implement Monitor Modify Evaluate	The program The progress and performance of the prgram The program during the mid-course if required The performance of the joint sales promotion

Building and elaborating upon the above frame work, few more guidelines are suggested for effective joint sales promotion.

❖ *Whom to Choose?*

A manager must carry out an internal audit of the brand and its product, market A and customer characteristics. Similarly careful analysis of the joint sales promotion partner brands should be done to ensure that the joint sales promotion would yield better results than promoting independently. Strategic planning of joint sales promotion will lead to enhancement of brand value of the tie-up partners. Hence the key to successful joint sales promotion lies in selecting the right partner.

Another point to be noted while choosing a partner is, what kind of relationship exists between the partners that can be leveraged for joint sales promotion. Though opportunities are vast, it is seen from the study that many of these relationships are not fully exploited by companies/ brands. For example, distribution commonality and new use complementary relationship are not being extensively used. Therefore managers need to explore the strategic role that they want the joint sales promotion to play in order to build long-term positive associations for the brand. The interests and concerns of the channel members must also be kept in mind while doing so.

Care needs to be taken that your partner does not join hands with your competitor around the same time as this would nullify the effect of your joint sales promotion.

❖ *Nature of joint sales promotion:*

In today's market scenario, consumers are bombarded with similar monotonous promotional messages, so managers need to design schemes, which will break through the chaos & create the necessary impact. When free gifts are given, they should be carefully chosen to ensure that they are relevant to the consumers. For example a free hand mixer given to a teenager on registering for a computer course will not serve any purpose. Though consistency in joint sales promotions needs to be maintained, repetitive use of the same type of promotion reduces the incentive value. Excess promotion by any of the partner will also reduce the novelty value of the offer.

Limitations and Future Scope for Research:

The scope of this study was restricted to only consumer joint sales promotion schemes. A similar study of joint trade promotion schemes would enrich the understanding of this unique tool. The methodology of the study was limited to scanning of newspaper announcement from one city of central India for a period of one year only. An extended study of this kind encompassing more number of cities and other media over a longer period of time would enrich it further. The study was confined to secondary data sources. Future research incorporating perceptions of managers in charge of joint sales promotions and consumers responding to such promotions would be insightful.

Conclusion:

The study reflects that the use of joint sales promotion undeniably has increased over the years in India. Future holds lot of promise for such schemes across wider range of product-markets. Such schemes need careful planning and implementation as more than one party is involved but at a time when managers are under pressure of working within limited resources this type of sales promotion would be useful.

Table 1

Product Category and Type of Joint Sales Promotion

Type of Joint sales promotion Product Category	Inter-Company	Intra-Company	Total	% to Total
D-D	58	28	86	44.3%
ND-ND	23	07	30	15.5%
S-S	20	-	20	10.3%
D-ND	16	-	16	8.2%
D-S	31	01	32	16.5%
ND-S	06	-	6	3.1%
S-D-ND	04	-	4	2.1%
Total	158	36	194	100%
% to Total	81.4%	18.6%	100%	

Table 2
Classification of Joint Sales Promotions Based
On
Relationship of the Brands being Promoted

Sr. No.	Relationship	Frequency	Percentage
1.	Use complementarily	15	7.7%
2.	New use catering complementary relationships	-	
3.	Commonality of need due to use time	5	2.6%
4.	Tie-up of a new /slow moving brand with an established brand	11	5.7%
5.	Target market commonality	67	34.5%
6.	Seasonal demand	2	1%
7.	Distribution commonality	1	.5%
8.	Targeting new segment	26	13.4%
9.	Derived demand	2	1%
10	Countering competitive joint sales promotion	5	2.6%
11.	Link to an event, festival, celebrations	13	6.7%
12.	Process complementarity	14	7.2%
13.	Not clear	33	17%
	Total	194	100%

Table 3

Classification of Joint Sales Promotions Based on Nature of Promotion

Sr. No.	Nature	Frequency	Percentage
1.	Premium (Free Gift)	120	61.9%
2.	Discounts	28	14.4
3.	Coupons	1	.5%
4.	Contests	15	7.7%
5.	Lottery	24	12.4%
6.	Combo	6	3.1%
	Total	194	100%

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