CHAPTER 16

Consumer Sales Promotions: Relevant Issues, Concepts, and Some Tentative Propositions

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INTRODUCTION

This lecture complements text material in Chapter 16, "Personal Selling and Sales Promotion." The lecture offers one explanation as to why some consumer sales promotions are more profitable than others. Some issues relevant to understanding the consumer sales promotions phenomenon, such as evaluative schemas and primary and secondary reinforcers, are discussed. To stimulate student thought, it might be useful to develop a list of consumer sales promotions on a variety of brands. Students can then be asked to indicate whether in their opinion these were profitable.

TEACHING OBJECTIVES

1. To demonstrate to students that today's sales promotions expenditures exceed those on advertising.
2. To discuss the concepts of schemas and types of reinforcement.
3. To explain the concept of shaping as an underlying principle of the consumer sales promotions phenomenon.
4. To introduce students to a comprehensive set of consumer responses to sales promotions and their relation to profitability.

LECTURE

More is being spent on consumer sales promotions today than at any time in the past. There has also been a significant shift in the allocation of promotional budgets from advertising to sales promotions (Walters & MacKenzie 1988). During 1977–1985, the sales promotions expenditure of U.S. firms increased from $32.7 billion to $99.4 billion, while in the same period advertising expenditure increased from $23.4 billion to $54 billion (Frankel & Phillips 1986). Frey (1988) reports that in 1987, 65 percent of promotional budgets were allocated to sales promotions and 35 percent to advertising. Nevertheless, if profitability were to be used as an evaluative criterion, few promotions would be pursued because nearly one-half of all sales promotions do not perform well in the market (Strang 1976).

The objective of this lecture is to get students to think about the questions, Why are some consumer sales promotions more profitable than others? How are complex behaviors such as repeat purchase generated through the use of promotional incentives? To answer these questions relevant concepts and issues such as schemas, reinforcement, and shaping should be discussed.

Relevant Concepts: Schemas and Reinforcement

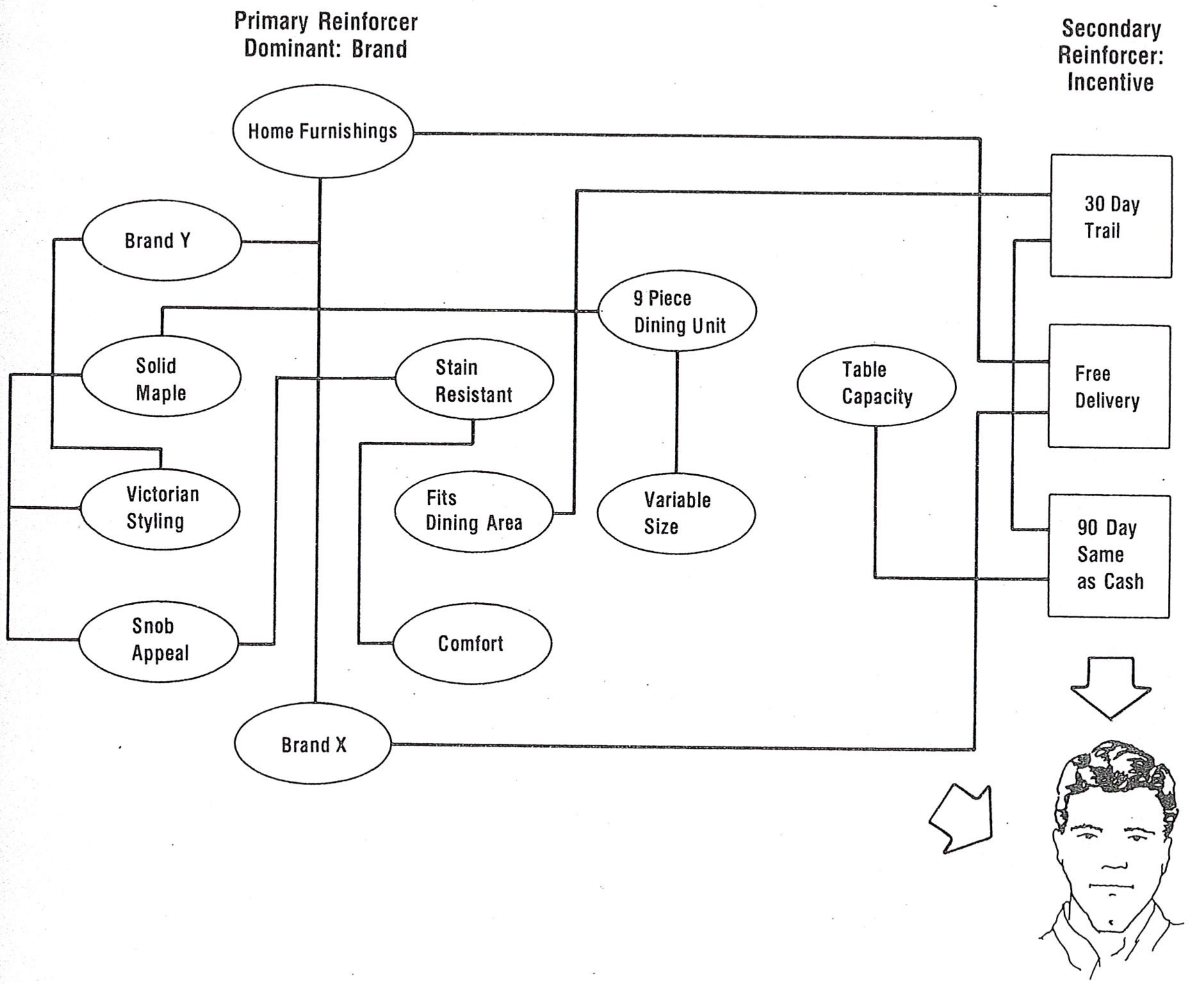
A *schema* is a set of concepts and the relationships among those concepts. When a brand is purchased with a promotional incentive, an evaluative schema is formed in the buyer's long-term memory. The schema consists of concepts related to brands, incentives, and other stimuli from the environment. While the buyer is processing information, the schema is retrieved into the short-term memory. The nature and composition of this schema are expected to affect purchase behavior.

Reinforcement is a consequence of behavior. Reinforcement can be positive, negative, primary, or secondary. When a consumer buys a product with a 30 percent rebate, both the brand and the incentive provide some reinforcement. If both provide positive reinforcement, the question is, Which one provides it more than the other? This is determined by the composition of the schema. The concepts dominant in the schema operate as the primary reinforcers, whereas relevant but not dominating concepts operate as the secondary reinforcers. For example, consider that the concepts associated with a product dominate those associated with an incentive. In this case, the former operates as the primary and the latter as the secondary reinforcer. Figure 16-1 depicts the evaluative schema associated with the brand and the incentive.

The Concept of Shaping

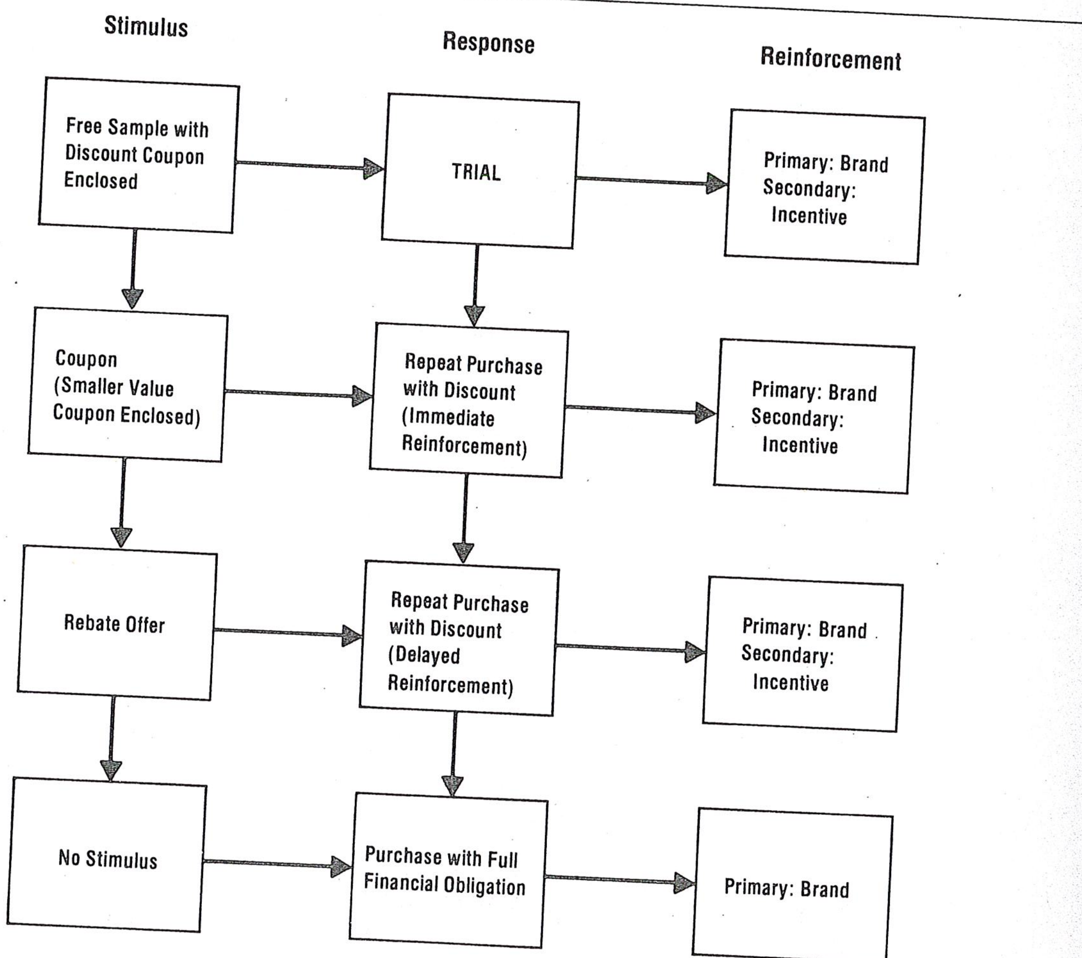
Shaping—the process of generating desired complex behaviors through a successive approximation of simple behaviors (Nord & Peter 1980; Rothschild & Gaidis 1981)—is the principle underlying the consumer sales promotion phenomenon. Consider a situation in which a marketer wishes to generate repeat purchase behavior from a segment of customers. But repeat purchase is a complex behavior; at any given time, the probability that a customer will become a repeat purchaser is low. The concept of shaping suggests that this probability can be increased by positively reinforcing, or rewarding, a series of simple behaviors that approximate the complex behavior. First, a series of simple behaviors that lead to repeat purchases are identified. Then at each step the simple behaviors are positively reinforced to increase the likelihood that the customers will eventually emit the desired complex purchase behavior.

Figure 16-1 The Evaluative Schema



Let us assume that the simple behaviors leading to repeat purchase behaviors are store entry, trial, repeat purchase after trial with incentive, and repeat purchase without incentive. The concept of shaping suggests that reinforcing or rewarding the simple behaviors with promotional incentives can lead to the desired complex behaviors. For example, a free sample can provide reinforcement for a simple behavior such as store entry and can induce trial. The brand (the sample) with an in-pack coupon can positively reinforce trial behavior and can induce repeat purchase. The brand with a lesser-value in-pack coupon can reinforce repeat purchase behavior and can induce future purchase. As buyers move through the series of simple behaviors, the promotional intensity is faded and eventually withdrawn. At this point, buyers are expected to derive positive reinforcement from the brand alone. The process of shaping as described by Rothschild and Gaidis (1981) is depicted in Figure 16-2.

Figure 16-2 Shaping Behavior with Consumer Sales Promotions



Source: Reprinted from Rothschild, M.L., W.C. Gaidis, "Behavioral Learning Theory: Its Relevance to Marketing and Promotions," *Journal of Marketing* (Spring 1981); pp. 70–78, published by the American Marketing Association.

The Tentative Propositions

As I discussed earlier, each simple behavior can be reinforced by promotional incentives. But promotional incentives cost money, and their continued use can adversely affect profitability. The key to profitability therefore is to gradually reduce and eventually remove incentives from the market once repeat purchase behaviors are generated. Incentives must ideally be used as means to generate repeat purchase behaviors, not as ends in themselves.

For some brands, however, sales become contingent upon promotional incentives. When the incentive is faded or removed, sales drop drastically. Marketers try to avoid such situations because they adversely affect sales and profitability. The major question is, Why and when do sales become contingent on the promotional incentives? The answer to this question lies in the composition of a buyer's evaluative schema and on whether the brand or the incentive is providing the primary reinforcement.

Thus, to understand why some promotions are profitable, we must examine the composition of the buyers' evaluative schemas. The schema contains concepts associated with the brand, the incentive, and other stimuli from the market. With respect to the brand and the incentive, four types of schematic compositions are possible. The brand and the incentive can be equally dominant, strongly or weakly, or one can be more dominant that the other, as depicted in Figure 16-3.

Figure 16-3 Schematic Compositions for the Brand and the Incentive

		Incentive	
		Primary Reinforcer	Secondary Reinforcer
Brand	Primary Reinforcer	A11. Strongly Dominant	B11
	Secondary Reinforcer	A12	B12. Weak Stimuli

Schema A11

This schema signifies a condition in which the brand and the incentive act as the primary reinforcers. Both of these are strongly dominant in the consumer's evaluative schema, and the purchase is attributed equally to the brand and the incentive. Sales of products such as automobiles and office equipment at discounts on list prices are examples of transactions in such a situation.

Propositions When the brand and the incentive both act as primary reinforcers in a sale transaction:

1. The probability of repeat purchase is directly proportional to the positive reinforcement derived from the brand.
2. The probability of repeat purchase is directly proportional to the positive reinforcement derived from the incentive.
3. Future sales will be contingent equally upon the brand performance and on the level of incentive offered.
4. The probability that the brand will be considered and evaluated during the next purchase cycle increases.

Implications Large-value consumer promotions on leading brands are susceptible to this type of consumer response. Because satisfaction is equitably attributed to the brand and the incentive, reducing the promotional intensity without losing customers to competitors becomes problematic. For example, it is difficult today to sell an automobile without rebates or low financing charges because both the brand and the incentive are dominant concepts in the consumer's evaluative schema. Additionally, promotions on competing brands make fading of incentives without losing consumer repeat purchase difficult.

Schema A12

This schema depicts a condition in which the incentive acts as a primary reinforcer and the brand as a secondary reinforcer. The incentive is strongly dominant in the consumer's evaluative schema, and the brand acts only as a supporting reinforcer. In this case, the purchase is attributed more to the incentive and less to the brand itself. The satisfaction derived from the use of the product is attributed directly to the dominant concept—the incentive—not to the brand.

Propositions When the brand acts as a secondary reinforcer and the incentive acts as a primary reinforcer:

1. There is a greater likelihood that repeat purchase behavior will be contingent upon the offer of a promotional incentive.
2. There is a greater likelihood that the sales of the brand will be disproportionately and negatively affected when the intensity of the promotional incentive is reduced.

Implications If a promotion does not increase the long-term user base of the brand, the promotion results in unprofitable use of marketing resources (Engel 1988). Under this criterion, such types of consumer responses are expected to be unprofitable for the firm. Consider the constant promotions on grocery items such as tomato paste, ketchup, detergent, toilet tissue, and canned goods. The satisfaction derived from the products are directly attributed to the incentive.

Upon removal of the promotion, there is a high probability that consumers will shift to the competitive brands that are being promoted.

Schema B11

This schema represents a condition in which the incentive acts as a secondary reinforcer and the brand as a primary reinforcer. In this case, the brand is strongly dominant in the evaluative schema of the consumer, and the incentive acts only as a supporting reinforcer. The satisfaction from the use of the product is attributed directly to the brand, not to the incentive. Some types of frequent flyer programs, free delivery on furniture and heavy consumer items, and free trial for demonstrably superior brands are examples of promotions that are likely to generate this type of a response.

Propositions When the brand is a primary reinforcer and the incentive is a secondary reinforcer:

1. The probability of repeat purchase increases.
2. There is a greater likelihood that the sales of the brand will not be disproportionately affected upon the fading of the incentive.

Implications This is the best possible type of response a consumer sales promotion can generate in terms of profitability for the firm. Because of the direct relationship between satisfaction and the brand, the incentive can be faded in its intensity and then removed from the market without a significant effect on sales. There is a high probability that such responses are characterized by an increased user base.

Schema B12

This schema signifies a condition in which the incentive and the brand act as secondary reinforcers. The brand and the incentive are not significantly different in the way they are dominant in the schema, but both act as weak stimuli; other concepts such as convenience, brand loyalty, risk aversion, habit, and/or peer pressure are more dominant in the schema during the purchase decision. Because both concepts under review—the brand and the incentive—are only weak stimuli in the evaluative schema, it is not possible to generate propositions using these concepts to predict consumer responses.

DISCUSSION QUESTIONS

1. How can we use the concept of shaping to influence buyer behavior?
2. What currently marketed products or services are appropriate for each quadrant of the consumer responses?

3. Why do some promotions tend to increase user base and profits, whereas others do not?
4. What could explain the continual promotions on some types of grocery items such as packaged foods?

AUTHOR'S NOTE

Because the lecture is based on the principles of operant conditioning and shaping, a review of Rothschild and Gaidis (1981) and Nord and Peter (1980) is likely to be useful.

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