CHAPTER 9

Sales Promotions: Boom or Bust for Brand Loyalty?

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"Half the money I spend on advertising is wasted. The problem is, I don't know which half." Among the people to whom this aphorism is attributed is department store magnate John Wanamaker.

What would Wanamaker say about sales promotions in the 21st century? How much of this money is wasted? How much of it is well spent? How can we know the difference?

Varying definitions of sales promotion and the difficulty of tracking expenditures make estimation of annual spending difficult. The Promotion Marketing Association (PMA) has tracked the industry into the 21st century and has endeavored to maintain comparability over time. The PMA estimated overall spending on promotion in 2004 to be $429 billion, including both consumer targets and trade targets. This compares to an estimate of advertising spending dial reached only $56 billion using similar procedures.

Promotion spending had dipped in 2001 along with world economic markets. Since that time, spending has rebounded, in some areas more strongly than others. Investment in consumer promotions has continued to increase, up 7 percent from 2003 to 2004, although trade promotion has not gained as much and was down from 2003 to 2004 by 3 percent.1

Spending levels vary by sector as do die strategies and goals of the spending. Procter & Gamble alone, for example, spends in excess of $2 billion annually on trade promotion alone. Best estimates are that more than a quarter of such trade spending ends up as profit or margin contribution for the retailers rather than being shared with the end consumers. Procter & Gamble is undertaking a program to increase the effectiveness of its promotions by tying retailer payoff to consumer benefit. "Whenever you can get the retailer to actually apply 80 to 90 percent of those funds to actual in-score merchandising, temporary price reductions, end-aisle displays, what have you, it's very good for P&G," according to a quote in a trade publication.2

Total spending on sales promotions as well as spending relative to advertising is likely to continue to increase according to many in the industry. These increases are attributable to a fragmentation of traditional advertising media and the evolution of customer targeting techniques. The increasing use of micromarketing encourages the use of specific tools to encourage immediate response. Some clients are seeking very specialized tactics including sales promotion, while others are seeking more holistic approaches, incorporating ail marketing disciplines.3

A word of caution is in order. One industry publication, *Marketing Week,* has likened sales promotion to the "reality television of the marketing world."4 It argues that in its early days, sales promotion was innovative and vibrant. Consumers benefited from promotions because they perceived and received an actual value in excess of investment. Now, promotions dominate the landscape and consumers have become blasė" or hostile toward the techniques. The comparison with reality programming is apropos and well-timed. Some of the most excessive promotions are introduced on the backs of the reality programs themselves.

TECHNIQUES OF SALES PROMOTION

Traditional methods of consumer sales promotion such as deals (for example, buy one, get one free or BOGOF programs), sampling, coupons, refunds, rebates, premiums, and sweepstakes have been joined by event marketing, product placement, and online promotions. Given the choice, many consumers would prefer a cash incentive over one involving additional product or premium gifts. The best promotion is to get something for nothing. Buy one get one free (BOGOF) is somuch more compelling than a promotion inside the wrapper of a Kit Kat [candy]. 5

Customer loyalty programs continue to gain popularity among consumers and marketers. Television networks have experimented with a new form of sampling new programs. CDs containing new shows are tipped into magazines or sometimes newspapers (in the United Kingdom). Product sampling to large audiences takes place at sporting and entertainment venues. Another new activity has been occurring in the direct marketing sector. *Promo* magazine is now including direct mail in its inventory of sales promotion techniques. Various forms of e-commerce promotions, including reminders, viral marketing, incentives, video games, contests, and sweepstakes have helped to fuel the growth of online customer relations. Many commercial sites offer instant win sweepstakes or facilitate sweepstakes entry in some form. Those sites that allow repeated entries on a daily basis encourage return visitors. Most sites have some restriction, requiring UPC or other product codes. Many also collect data useful in creating a customer database.6 Regulations vary from state to state and globally as to what can be required and what information can be gathered to qualify as a legal sweepstakes.

Promotion to individuals to prompt word of mouth and opinion leadership has grown as techniques to identify and contact those who are most likely to be effective communicators have improved. The Haygarth marketing agency has developed a proprietary approach to this called SMART TARGETING. This technique locates, identifies, and profiles those consumers who are most likely to be innovators and market leaders and determines how best to interact with them. Sophie Daranyi, Hayganh's managing director, offered as example Nokia Corporation's participation at the Newquay Rip Curl Boardmasters sports festival targeting the active lifestyle market. By the end of the festival, attendees had increased their association among Nokia, youth, and sport.7 In a similar fashion, Procter & Gamble (P&G) is using a teen buzz-marketing program, Tremor, to generate awareness and hype for its products. For example, P&G contacted the males in its 250,000 teen database with a communication designed to use coupons for Schick Quattro razors to inoculate the market against the introduction of the Gillette Fusion razor. "Each Tremor panelist is getting 11 of the booklets with free-razor coupons—10 are intended for distribution to friends—totaling more than a million. That adds up to nearly $100 worth of free razors per panelist."8 This continues what has become the cornerstone strategy in the razor market—giving free or greatly discounted razor handles to encourage purchases and/or block a rival's introduction of a new blade.

Another way to muster strength against a rival's introductory campaign is through partnerships. Partnerships ate regaining attention in the promotion field. In the United Kingdom, for example Walkers Snack Foods successfully teamed its crisps (that is potato chips in the United States) with the News International Books for Schools campaigns. Using an access via entertainment durables, Britvic soft drinks company partnered with PlayStation 2 for an instant-win on-pack promotion with an investment of $4 million. Partnerships that come together by convenience and are not seen to provide a relevant relationship or message to consumers may be doomed to failure. Many partnership promotions have railed in recent years due to lack of synergy. Giving another brand as a gift or premium may not help either brand if me products are not used together, or at least appear to address the same lifestyle audience or similar usage situations.9

Event sponsorships continue to grow. National Automotive Parts Association (NAPA), an automotive parts retailer, has participated in support of motorsports for years. Customers do not expect to buy the same pans, but brand exposure is the key factor in utilizing this form of promotion. A regional approach is taken to reach segments of consumers/fans. NAPA credits the effective use of this tool to drive sales to users who find awareness and credibility from the promotion. In a similar fashion, the National Institute for Automotive Service Excellence (ASE) sponsors the NASCAR (National Association for Stock Car Auto Racing) Craftsman Truck Series. The organization beganits involvement with the Crafts* man Truck Series in order to recognize auto technicians. Emphasis was placed on certified technicians, convenient for the only industry-wide certification program for automotive professionals. In this case, the promotion is expected to reach both a consumer, do-it-yourselfer audience as well as the trade audience of technicians whether presently ASE certified or not.10

Trade promotions continue to be important to the management of distribution channels. Slotting allowances, performance allowances, case allowances, dealer rebates, trade shows, and die like continue to be popular for use by business-to-business (B2B) firms. More recently, we have seen the emergence of account specific promotions, e-commerce, and business loyalty programs in that sector. Not all of this has been in the fast-moving consumer goods (FMCG) arena. Matthew Hooper, chairman of the Marketing Communications Consultants Association, is quoted as observing, “The money is simply not there in FMCG any more, so agencies are having to find new routes to market." 11

It is difficult to settle on one authoritative measure of the scope and impact of sales promotion. Global marketing estimates are difficult to locate, but one source claims that worldwide, suppliers spend at least twice as much on promotion as on advertising.12 See Table 9.1.

Tracking of effects is better for promotion than for advertising, but is still, primitive. Nevertheless, sales promotions continue to serve their traditional purpose of achieving timed sales increases. These increases come about through the specific call for action that is inherent in a sales promotion. The actions typically fall into one of two categories: creating trial or encouraging larger purchase volumes.
Up to now, these objectives have been viewed as running counter to a longer- term goal of encouraging the development of loyalty. However, more recent discussions find a role for sales promotion in loyalty-based strategies.19 The Promotion Management Association tracks spending on promotion-related customer relationship management programs (loyalty cards, reward points, and similar tactics) and estimated this would exceed $16 billion in 2006.4 The question arises, though, whether customers want or need such loyalty programs. The perception may change depending on the type of firm involved. With higher-risk products, consumers may feel more secure in a long-term relationship. Conversely, they may not want a relationship for lower involvement products.

The cellular telephone industry encouraged consumers to reconsider the meaning of loyalty in the face of sales promotion. Customers are expected, even required, to commit to seemingly long-term relationships. Recent *U.S.* legislation that enables the "portability of telephone numbers is intended to provide more flexibility, but the impact has been modest.16 Perhaps it is a form of inertia that keeps consumers with the same company even in the face of promotions from competitors. A more insidious effect, perhaps, may be the resentment felt by loyal customers at the "perks" offered to the "newbies" joining the fold.

Table 9.1
Select Promotion Spending 2004 (with increases from 2003, some categories omitted

Category	**2004 $Billion**	**Potent Change from2003**
Direct Mail	$56.8	+8
B2B Promotion	45.68	+5
Premiums	31.56	+5
Trade Shows	24.88	+6
Point of Purchase	18.0	+6
Ad Specialties	17.75	+5
Sponsorships	11.03	+8
Couponing	9.98	+8
Licensing	6.16	+1
Fulfillment	4.70	-.15
Interactive	3.50	+25
Sweepstakes	1.84	0
Sampling	1.80	+18
In-Store	0.89	-2
Total Consumer	*293.07*	+7
Total Trade	*136.41*	-1
All Promotion	*429.48*	+4

Advertising Spending log 2004 (PMA)	
Category	2004 $Billion
All TV	$67.79
Radio	19.14
Magazines	12.25
Newspapers	46.64
Outdoor	5.77
Business Public	4.07
Grand Total	*155.66*

Source: Promotion Marketing Association

Do these customers remain loyal because of inertia? Or is there an impact from promotions that do target loyal customers' additions of services or enlistment in new programs or extended time periods? Can promotions act to positively affect brand loyalty?

This requires a consensus view of loyalty, which may be difficult to achieve. Many measures and concepts have been used to evaluate loyalty in academic and practitioner studies. These have included (a) the percentage of consumers buying a brand, (b) the number of purchases per buyer, (c) the percentage who continue to buy the brand (repeat buyers), (d) the percentage who are 100 percent loyal, and (e) the percentage who also buy other specific brands (duplicate buyers). It may be that a better descriptor of behavior in the marketplace is "polygamous loyalty" in which customers are "loyal" to a set of brands. Examples include having a set of preferred restaurants or hotels, membership in multiple reward programs within the same product class, and even having service with multiple providers although one could satisfy multiple needs (for example, land-line telephone, wireless phone, broadband Internet, and television programming can come from one or separate providers to one household).17

A brand-loyal user of a product would likely respond differently to a sales promotion than a customer who typically purchases a competing brand. This changes the strategy of sales promotion. One goal may be directed to brand switchers, those not yet strongly loyal to one given brand. These customers may be newer to the product category and not yet have the experience on which to base loyalty. They may switch as a response to market efforts by various brands or as a way to collect information from experience. Indeed, within most product categories it is rare to find consumers who exclusively purchase one brand, and thus a brand-loyal consumer may be considered one who (usually) purchases a given brand.18 A potential additional goal of sales promotion is to create an impact on brand equity and thus loyalty to the brand. One study, described below, evaluated whether sales promotions consisting of bonus merchandise with each order would reinvigorate purchases by "lapsed" customers.

SALES PROMOTION AND BRAND LOYALTY

In the long term, brand loyalty is perceived to be the key to sustainable competitive advantage.19 Brand loyalty can be defined as the consumer's desire to buy the same brand on a regular basis, just as people are more likely now than ever to change jobs, homes, even spouses, brand choice is also in question. New products, more media communicating choices, wider variety of distribution channels, and greater choice in financing lead to difficulty in maintaining loyalty. Shari Caldron attributes this decline in brand loyalty to rising consumer price sensitivity, a decrease in advertising effectiveness, and an increase in new brands.20 As a result of these changes, marketers have become interested in the potential effect of price promotions on brand trial, repurchase intentions, and long-term brand loyalty.

As noted previously, just as there are many ways to understand loyalty, there are also many ways to influence and improve loyalty. The three M model proposes a strategy of measuring, modeling, and managing. Companies that measure customers beyond mere financial performance levels can be shown to have stronger performance than non-measurement-driven companies in multiple key indicators according to one source. A comparison of measurement-managed versus non-measurement-managed organizations showed that (a) 83 percent of the measurement-managed group were raced in the top third of their respective Indus-tries as compared to 52 percent for others, (b) 74 percent are recognized as industry leaders versus only 44 percent for non-measurement organizations, (c) 80 percent realized a three-year positive return on investments as compared to 45 percent for non-measurement-managed organizations, and (d) a whopping 97 percent of measurement-managed organizations experienced success in their last major change effort compared to a 55-perccnt success rate for others.21

In order for measurement to be useful, the measures have to have some grounds in a realistic definition and theory. The best definition is one that is consistent with how other related concepts are present in an overall theory or model Statisticians have developed a way to evaluate whether cause-and-effect relationships really hold through chains of variables. These causal modeling techniques allow marketing managers to put their concepts of the marketplace, including influences and effects of brand loyalty, to the test.

It has been said that knowledge becomes power only when it is put to use. That simple perspective summarizes the essence of any marketing management theory, but was offered as the reasoning behind the third M of the strategy, managing customer loyalty. For die process to work, the loyalty measures have to become pan of assessment of brand management, internal relationships within the organization, part of the objectives for quality improvement, and a way to track and direct other customer research. This can be accomplished through strategic planning around loyalty management, senior-level adherence to the models, communication of loyalty trends and goals throughout the organization and the building of an overall culture that recognizes die importance of loyalty.22

Often it is the brand-loyal consumers who benefit most from a pricing promotion versus more novice consumers. This is attributed to the fact that brand-loyal consumers have greater exposure and greater knowledge of actual market conditions of their brand.23 In an analysis of price-related promotions across 13 different product categories, Andrew S.C. Ehrenberg, Kathy Hammond, and GJ. Goodhardt found price promotions often reward the brand's existing customers. Consumers rarely respond to a price promotion if the brand has not previously been tried. When these one-off purchases do occur, it is the result of a "selective consumer reaction" not likely to result in additional brand-loyal customers, according to the researchers. At best, these are temporary brand switchers. Brand loyalty may seem strong, yet still be short-lived, leaving brands vulnerable. In research of brand loyalty across 27 brands, Allan Baldinger and Joel Rubinson noted chat after a year only 53 percent of "high loyalty" users remained highly loyal to die brand.25 These authors identified three distinct loyalty groups: (1) high loyals, who have a 50-percent probability of purchasing the brand,(2)moderate loyals, those having a 10- to 50-percent probability of purchasing the brand, and (3) low loyals and nonbuyers, having a 0- to 9-percent probability of purchasing the brand. The brand loyalty of moderate loyals, who may or may not buy the brand on any given occasion, can be enhanced through promotional programs. Price promotions such as rebates, cash discounts, and other promotional offers can serve as a mechanism to say "thank you" and recognize and reward long-term loyal customers. Therefore, making the promotion a reward rather than an enticement at least for the long term can serve as a positive reinforcement for loyal purchasers of the brand.

Price promotion strategies have been linked directly to customer brand loyalty. One *study* found that if all brands in a product market have high brand loyalty, price promotions will not be useful to any of the brands. In more competitive markets, where both stronger and weaker brands compete, the picture is more complicated. When a stronger brand competes with a weaker one, the stronger should use promotion less often. Brand loyalty was found to have the potential to explain the use of price promotion as well as the frequency and depth of discounts in various markets. The data are consistent with the finding that there is a positive correlation between the number of competitors and a brand's likelihood, of using price promotions in a product market, and chat stronger brands promote less often than weaker brands.

Another potential goal for sales promotion is to address the "moderate loyals" or "system beaters" who are not yet loyal users of the brand, but have the greatest potential for becoming long-term brand-loyal consumers. Sales promotions reinforce the brand for this group, and some people may even convert into highly loyal product purchasers.

Simply put, "a loyalty program must enhance the overall value-proposition of the product or service. This in turn will help to motivate buyers to make the next purchase of a product and therefore support other aspects of the firm's offensive and defensive marketing strategy."27

AN EXAMPLE WITH LAPSED BUSINESS BUYERS

A Midwest medical products company (MedProd) wanted to find a way to increase response rates from its current direct mail marketing campaign. MedProd sought to increase sales from its database of physicians and physician suppliers, decking the files, a three-year sales history showed that sales levels had stagnated at just over $3 million. Relatively few new customers were placing orders, just over 600 per quarter.

With these numbers leading into the study period! MedProd was anxious to find a way to reinvigorate its direct marketing. The company felt that previously loyal customers could be brought back, with the right incentives. Prior studies have shown that, in business-to-business situations suppliers who formed dose working relationships with customers tended to experience more loyalty and to receive a greater proportion of the orders. Further, the customers found that they enjoyed "better" suppliers when the relationships were stronger.28 So it makes sense to strengthen ties with prior customers who may have grown to feel neglected or unappreciated.

'The company found that it had a significant number of these customers lapsing over time. By one measure, customers were falling off at a rate of 726 each month in the "lapsed from 4 to 12 months" category. These lapsed customers were to be the target audience for the sales promotion program. To ensure a more valid study, the company focused its efforts on two sub segments of customers in only-one sector of the business. Although the company deals in both equipment and non-equipment merchandise, the study would examine only the more frequently purchased non-equipment goods.

How important are the lapsed customers? Too often, marketing departments obsess over acquisition of new customers and retention of current customers without sufficient attention to profitability or cost-effectiveness. Beyond a certain point the cost of acquisition or retention may exceed the revenues generated. Many methods are available to assess the value of customers and compare that value to the cost of service. One such model in a consumer domain is ARPRO (Allocating Resources for Profits), a regression analysis that combines behavioral and psychographic descriptions of a company's customer base with the buying behavior and cost of serving those customers.29

At the time of die-promotion test, customers who had lapsed between 4 and 12 months numbered 5.809 with an average (non-equipment) prior order of $83.82. Data on longer lapsed customers, those without an order in the prior 13 to 33 months (longest consecutive data available) counted 5,120 in this group, with prior average orders of $8335.

Each group contributed a sample of 2,500 names for a test of a direct mail program designed to reactivate their business. The program consisted of a self-mailing over the course of 90 days. The products promoted in the mailings were selected to be appropriate for lapsed customers, popular, and of general usability. These were chosen from among MedProd's most popular stock keeping units (SKUs) as well as the SKUs that were most popular among the specific target audiences. The same products were featured in each of the mailings. Additionally, three products per mailing were featured in a separate insert as further promotions. This amounted to a total of nine new products being featured in each communication.

The sales promotions mat were used to stimulate purchases were FREE offers with a qualifying purchase. The first mailing offered free self-grip tape. For the second incentive, free X-ray envelopes were offered. Finally, one pint of a specific medical product was featured in the third promotion. In each case, a $50 purchase was required in order to qualify for the free gift.

The initial mailing was sent to all of the 3,000 customers who had been selected. The sampling used a replacement approach; that is, as initial customers purchased, they were removed from the mailing list and new customers were added from the appropriate list of lapsed accounts. The second mailing went to 4,735 addresses one month after the first mailing. The third mailing, an additional month later, was sent to 4,494 addresses. There were a total of 6,001 unique addresses in the final database.

Purchases could be tracked to a specific mailer either by customer identification or by citing an assigned code. Despite instructions, 85 percent of those ordering from the mailer did not mention the code specifically. Overall, the multiple coding systems enabled a very good measure of effectiveness.

By the end of the trial period, 987 of me targeted customers had placed orders totaling over $140,000. This level of reactivation was achieved at a cost of $29,000 over the course of three months.

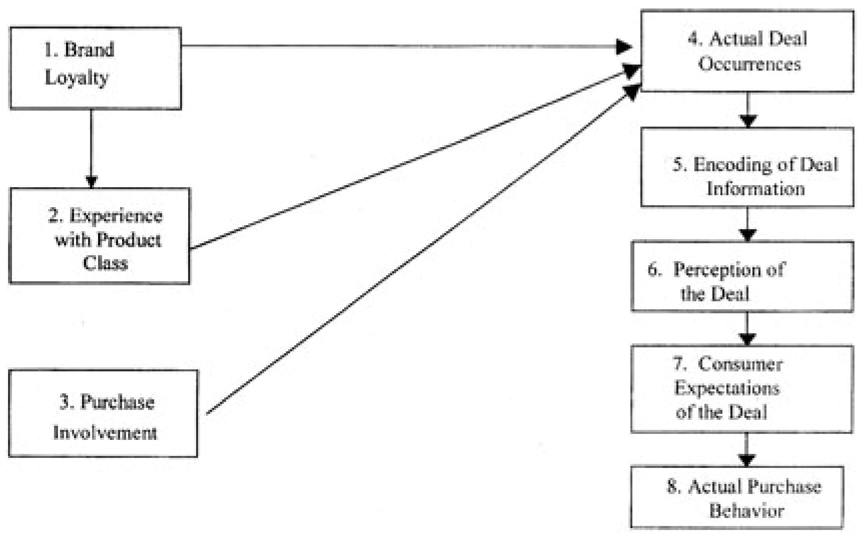
The mail program was successful with the customers, achieving many of the company objectives. Both segments purchased SKUs in the database, whether they cited the offer or not. A total of 987 customers from a total group of 6,001 responded for an average response rate of 16.4 percent. Spending level per customer increased from $83.00 to $145.98 during the study period. The return on marketing investment was estimated at 4.87. This level of return was determined to be acceptable, given the goals of the company. There is a further expectation that returned customers will become once again loyal.

BUSINESS-TO-CONSUMER EXAMPLE

In the business-to-consumer realm, sales promotions and loyalty may interact positively as well. Promotions encourage customer activity—visits and/or purchases—without which loyalty programs cannot benefit the participants. The trick is to avoid the discounting effect that may result from customers attributing their own purchase behavior to the deals. Promotions have to be designed to reinforce relationships to encourage loyalty.30

Aradhna Krishna, Imran S. Curlm, and Robert W. Shoemaker proposed a model that can be used to understand the response to sales promotion.31 As shown in Figure 9.1, the model suggests relationships among sales promotions, consumer characteristics, product characteristics, and managerial actions. A reduced version of that model has been evaluated in a business-to-consumer context.

Figure 9-1
Model of Promotional Activity



Source: Adapted from Krishna, Andhn, Imran S. Curim, and Ruben W. Sboemaker, "Consumer Perceptions of Promotion Activity," Journal of Marketing, 55 (1991): 4-16.

This framework proposes chat rational consumers respond to promotions through a thoughtful information processing. Brand loyalty, experience with the product class, level of involvement, and consumer characteristics combine to generate customer response. Responses to promotions can be estimated as resulting from individual consumer characteristics including (1) frequency of shopping, (2) brand loyally, (3) interest in deals, (4) frequency of exposure to actual market conditions, and (5) degree of involvement and ability to encode information.

These elements of the model were evaluated in a study looking at consumer response to promotions for paint.32 Paint was chosen because consumers have a range of experience levels, and they tend to planpurchases of the product for specific uses. Paint does not store well enough to be stockpiled for long periods, so demand cannot be skewed excessively. However, paint has a relatively high per. unit price, soprice-referred promotions are more valuableand more immediatelyattractive to customers.

Paint promotion was tested using a nationally branded product sold through large building supply centers, home centers, and Independent specialty paint stores. The price promotion consisted of a rebate on the paint product over a six-week period in the southeastern United States. Consumers were offered a $4.00 per unit rebate on a $22.00 product, resulting in an 18-percent price reduction per unit Purchases of between 2 and 25 units qualified for the rebate.

A dealer promotion supplemented the consumer promotion. Dealers were offered a special purchase incentive of a 5-percent discount off the invoice, a special cooperative advertising program for newspaper advertising, and an upgraded point-of-purchase merchandising display. A total of 4,478 rebates were redeemed by consumers during the eligible promotional period. A mail survey was sent to the first 3,500 rebate redeemers and 385 completed questionnaires were returned.

Low- and high-loyalty groups were compared and differed significantly on two measures of consumer perception of the deal. Consumers who were more brand loyal had higher perceptions of the quality of the promoted product. Likewise, consumers who were more brand loyal had higher perceptions of the attractiveness of the promoted price than those consumers who were less brand loyal.

What happened with actual purchasing? Were there any differences among loyalty groups? The more loyal buyers had higher perceptions of the quality and value of the promotion. These loyalists also purchased significantly more units of the promoted produce than did their less loyal counterparts. Purchase volumes also showed a loyalty effect. Although users categorized as "high loyal" were only 26 percent of the sample, they purchased 43 percent of the product sold during the promotion period. Consistent with this finding, the "low loyal" group, 23 percent of the sample, purchased less than 5 percent of the produce sold during the deal period.33

These results suggest a new perspective on customer response. Traditionally, sales promotions have been viewed solely as a mechanism for producing immediate short-term sales effects. Promotions have been assailed as the very "antithesis" of rewarding loyalty. Manufacturer positioning suffers to benefit the short-term gains of retailers.34 Now it seems that viewing sales promotions as merely a tool for achieving short-term goals may not be valid. Loyal buyers have a considerably more positive perception of the deal, which translates into higher purchase volumes. This may be due to their added knowledge. Therefore, sales promotions may assist in sustaining long-term product loyalty of present users. This is in addition to their more traditional role of creating trial among new users. For the brand-loyal consumer, a price promotion can serve to encourage repeat usage and neutralize the competition.35

There is another potential explanation for the effects on loyalty. Loyal customers may have more realistic (lower) expectations of product performance than those customers attracted for the first time by advertising or other marketing communications. The reduced expectations meet the actual performance, and enhanced satisfaction levels result. The more satisfied customers are then more likely to become loyal customers, requiring less investment to create or maintain brand loyalty.

This study provides further evidence that brand managers muse concentrate their focus on the highly loyal consumer who purchases in considerably higher volumes than their less loyal counterparts. In this field study investigation, for example, the highly loyal group purchased an average of 8.92 units compared to 5.58 units for moderately loyal brand users and 4.71 for low loyals. While together the high brand loyals and moderate loyals produced 95.5 percent of the revenues, based on the amount of product sold during the promotional period, these two groups comprised only 77 percent of the firm's customers.

To neutralize the effects of intense competition, marketing managers must begin to view sales promotions as a brand management strategy to improve relationships with the existing customer base, while avoiding the promotion-only buying behavior of some customers.36 In this field study of a price-based paint promotion, very real differences existed between high, moderate, and low loyalty consumers. Highly loyal consumers have a considerably higher perception of the deal than those who are less loyal to the promoted brand. This relationship was true for both quality perceptions as well as price perceptions.

The research found that highly loyal customers, who bought the brand during the promotional period, had quality perceptions that were nearly 40 percent higher than their low loyal counterparts. Likewise, the perception that the promotion made the price attractive was nearly 70 percent higher for the highly loyal group as compared to the low loyal group. Asreflected in the Krishna, Curim, and Shoemaker model, these higher perceptions of the deal led tohigher consumer expectations of the deal, and ultimately higher purchase volume for the promoted brand.37 It seems clear from the results of this study that brand loyalty may be critical in determining the impact of a price-based promotion. This research also found that experience with the product class was not a significant criterion associated with perceptions of me deal or participation in the price-based promotion.

There are other processes that might add to the effectiveness of sales promotion on brand loyalty. Promotions that are repeated over time or require some input from the customer might make the experience "sticky," to use an e-commerce term. That is, the customer's personal investment and involvement may encourage returning to the process if for no other reason than merely to amortize that investment. This may be true, in particular, if the transaction occurred in a service environment. Whatever the case, if customer performance is required to redeem a promotion, the event becomes a "coproduction experience." Customers who become involved in these more elaborate transactions may play their role in one of these ways:

Transactionals. They like to execute everyday business themselves. They use self-checkout at the grocery store, eat at buffets, and book travel online.

Traditionals. They favor do-it-yourself in terms of home improvement, gardening, financial management, auto repairs, and *so* on. They frequent The Home Depot, Smith & Hawken, Charles Schwab Corporation, and Kragcn Auto Pans.

Conventionals. They acquire tangible, self-contained produces that enable diem to perform tasks independently. For example, a Viking stove facilitates gourmet cooking, and a snow blower clears snow from a driveway.

Intentional. They engage in coproduction experiences to customize goods and services *(for* example, at Build-A-Bear Workshop or at the Nike iD.com design center where customers can create their own pair of athletic shoes).

Radicals. They take coproduction experiences to new extremes. They include me man in California who modified his Toyota Prius's batteries to achieve 80 miles per gallon and the Apple iPod aficionados who create podcasts (audio programs featuring comedy, music, and sports).38

In order to make die process as simple, yet involving, as possible, it is important to manage the process of promotion redemption. To the extent that customer participation is required to return rebate forms, track usage, register for sweepstakes, or perform any of a myriad of tasks, the promotion manager must take care to create a "designed experience." That is, cross-functional teams integrate company and customer feedback into the process specification.

If the process of claiming a sales promotion incentive creates a delay or is problematic for the customer, the value of that promotion in creating motivation to purchase or to remain loyal is jeopardized. That is why accumulating benefit programs, such as frequent flyer promotions from airlines or points clubs from credit cards or retailers, send regular statements of progress toward the next level of promotion. Often these statements include further reinforcement for the program and the rewards to be gained. This reduces the need for record keeping by the customer and potentially alleviates the stress for those personality types who do not choose to invest in monitoring their own performance in the promotional experience.39

GENERAL CONCLUSIONS

The traditional view of sales promotions as being good for short-term effects alone has been shown to be outdated. Loyal customers are more aware of the true value of deals they receive, are often more invested in acquiring those deals, have experienced learning as pan of the deal process, and fed more positively about the deal provider. All of this argues for a stronger effect on loyalty of sales promotion than had been understood previously.

Sales promotions do not always create negative attributions of value and quality, nor do they diminish the value of relationships between sellers and buyers (whether trade or consumers). In fact, some promoted products have rated higher in quality after the promotion, when tested. Sales promotions can reward loyalty rather than replace loyalty.

NOTES

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