



June 2017

Creating an Optimal Promotional Strategy for your Business

Debra Wood Perosio
 Dyson School of Applied Economics and Management
 Cornell University

At some time or another, most businesses find themselves developing various types of promotions to stimulate sales. Promotions are rarely “one-off” occurrences rather they are a part of an overall company promotional strategy.

A promotional strategy is a plan for the optimal use of five promotional elements. The five elements include: advertising, public relations, sales promotions, personal selling and social media. The “best” promotional strategies make use of all five of the promotional elements working together in harmony sending out similar messages about the brand.

Each promotional element is defined in the table below.

Advertising	<ul style="list-style-type: none"> • Typically thought of as commercials, or advertisements found in magazines, billboards, radio, Facebook etc. • Advertisements are usually aired frequently but are short in duration and are paid for • Used to reach large numbers of people resulting in a low cost per contact • Used to change a consumers negative attitude toward a product, reinforce a positive attitude or to change a consumers ranking of a brand’s attributes
Public Relations	<ul style="list-style-type: none"> • Helps an organization communicate with all stakeholders • “PR” as it is commonly referred to can help a company evaluate public attitudes, identify issues of public concern and helps a company gain public acceptance • Companies use “PR” to help foster a positive public image • Is used to combat negative events
Sales Promotions	<ul style="list-style-type: none"> • The primary role of a sales promotion is to stimulate consumer buying • Sales promotions have a short life span and can take many forms such as coupons, 2 for 1 sales, price reductions etc. • Where advertising gives consumers a “reason to buy”, sales promotions offer consumers an “incentive to buy”

Personal Selling	<ul style="list-style-type: none"> Planned presentations to prospective buyers Commonly used when selling expensive and/or technically advanced or “high-risk” products/services Personal selling is transitioning into “relationship selling” where the goal is to develop long term relationships with customers rather than strive for a short term sale
Social Media	<ul style="list-style-type: none"> Any tool that uses the internet to facilitate conversations between companies and customers There are three types of social media: <ul style="list-style-type: none"> Owned Media: online content that the organization creates and controls like a Facebook page Earned Media: free media, buzz from another source Paid Media: the company pays for content to be online

Promotions are *planned* and should serve a specific purpose for a business with an established goal in mind. Four general “goals” that a promotion can address include:

- informing customers
- reminding customers
- persuading customers
- connecting with customers.

Characteristics of each of the types of promotional goals are illustrated in the following:

Informing	Reminding	Persuading	Connecting
<ul style="list-style-type: none"> used to increase awareness or products or services especially new products or services Explain how the product or service works Suggests new uses of a product or service Helps to build a company’s reputation and image 	<ul style="list-style-type: none"> Used when a product has been on the market for a while and competition exists Encourages brand switching Can change customers’ perceptions of product attributes Can Influence immediate buying decisions 	<ul style="list-style-type: none"> Reminds customers that a product may be needed Reminds customers where to buy the product Helps to maintain customer awareness 	<ul style="list-style-type: none"> Accomplished through various social media strategies Helps to form relationships with customers Can encourage transparent information exchange between customers and the business If properly executed can result in customers becoming brand advocates

When to Use Which Promotional Element

While a marketer should use *ALL* of the promotional elements they are typically not all used at the same for the same reason.

One yard stick used to measure the use of promotional elements is guided by **the product life cycle**. Products experience four stages of their life cycle: introduction, growth, maturity and decline. Product sales grow until the late growth/early maturity stage after which they begin to decline. Competition from similar products also increases dramatically through the growth and maturity cycles. Because of these changes in revenue and competition the message and promotional element changes as a product advances through its lifecycle.

During the early introduction period light advertising is used along with public relations. As the product moves deeper into the introductory stage advertising increases and sales promotions are used to gain trial of the product. The growth stage is characterized by heavy advertising, and personal selling to retailers used to gain greater distribution of the product. During the late maturity stage advertising decreases, and sales promotions take on a “persuasive” and a “reminder” tone. Usually by this time in a product’s life cycle it will have been re-positioned in some way (new versions, new colors, more powerful formula, etc.) to launch it back into the introductory phase in an effort to avoid the dreadful decline period. During the decline period the very little promotion is done and there is a planned phase out of the product.

Putting it all Together...An Example

Situation: A small farm stand selling product and homemade baked goods

Promotional Strategy:

- Advertising: The owner could place ads on the local cable TV channel, puts sign along the road, place posters in popular places like supermarkets
- Public Relations: The owner might sponsor a local little league team, local theater, or have a pie eating contest at the farm stand...all of this would create a positive public image for the owner
- Personal Selling: at the farm stand employees should be trained to be friendly, knowledgeable, and helpful.
- Sales Promotions: putting coupons in local pennysaver is a great idea, 2 for 1 sale at the farm stand when there is excess inventory or product/baked goods will soon go out of date, discounts for frequent shoppers is always appreciated.
- Social Media: keep an active Facebook page update it often with new products, ripening dates for various product items, daily specials and events.

Developing a coordinated promotional strategy using all elements of the promotional mix as illustrated above will offer businesses the best opportunity for engaging customers and stimulating sales.

“Smart Marketing” is a marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews elements critical to successful marketing in the food and agricultural industry. *Please cite or acknowledge when using this material.* Past articles are available at <http://dyson.cornell.edu/outreach/smart-marketing-newsletter>.