

Common Promotion Types, Objectives and Success Measures

Promotion Type	Objective	Measure of Success	Funded BY
Consumer sampling of product	To get consumers to try a new product	How many consumers continue to re-buy the product at full price afterwards	Manufacturer
Loss leader	To draw traffic into the store	An increase in overall transaction size and achieved margin	Manufacturer or shared with Retailer
Buy One Get One Free	To increase consumption of a product	Sustained increase in sales after the promotion	Manufacturer
Gift with Product or product with Product	Increase sales of a product or product group without damaging its price image	Increase in gross margin money more than compensates for cost of the gift	Manufacturer
Demonstrations	To create traffic and increase sales of a product	Size of traffic and sales increase	Retailer or Manufacturer
Product on sale	Draw traffic into the store and increase gross profit on the product sales	Increase in gross profit not offset by cannibalisation elsewhere	Manufacturer
Coupon	Increase sales of a product sometimes as part of a launch	Increase in level of sales during or after the promotion	Manufacturer
Event	To get customers into the store	Level of success (traffic and sales in money)	Retailer
Advertising	To get customers into the store or buy a product	Level of traffic or sales and return on advertising spend (ROAS)	Manufacturer mostly

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This chart summarises various types of promotion, other than clearance, which we will address later. It shows an objective for each type, how to measure success and who would normally fund it.

If you plan a promotion, you should always set an objective, pick the right type of promotion for that objective and then measure success. That's just retailing best practice.

What happened in the Covid lockdowns initially, was panic buying. Retailers stopped offering promotions because the stores that were open could sell everything at full price. Post Covid, a big challenge is to get customers back in store. The gray shaded promotions erode gross margins the least so should be considered first.

Manufacturers did not get to spend their promotional support budgets. Buy one, get one free, shown in orange here, basically became socially unacceptable. Those people causing shortages by buying more than they needed were pilloried in the press. Some retailers took the hint and post lockdown you no longer see BOGOF promotions in some countries.

The manufacturer funds many of these types of promotion through their trade promotion budget. This is another source of manufacturer cooperation to tap into. The name brand manufacturers typically spend 15% to 28% of their entire sales revenue on retailer promotional and marketing support.