
Sales and Distribution with Freebie Toppings - A Study of an Emerging Practice in Marketing

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Are you a common man? Are your expenses much more than your earnings? Do you dream to have an all - expenses paid life? Do you dream to have all the luxuries of life in all facets of your life? Do you dream to materialize all this within a lifetime?

The answer would definitely be "yes" but the next question would undoubtedly be "how"? How can a common man experience the lavishness when he is very well aware of his limitations, his limitations of limited sources of capital?

The answer would be, become a consumer in today's marketing era and enjoy the benefits of the royals associated with it, at least for a short duration which would last for a lifetime. No established industrialist, manufacturer, retailer or supplier who serves to cater some or the other services to the common man, could deny the fact that in today's era "Customer is the king." Astonishingly the king today is playing not with cards but with "scratch cards" to try his luck to stardom.

Ask any of the marketers and they will let you know how difficult it is to make new customers and how much more difficult it is to retain the old customers.

Delivering consumer contentment to the fullest in the present fast changing marketing environment is not an easy task. It requires giving a considerate thought to the needs and wants of the targeted customer. It requires delivering more than what one used to deliver 10 years back at least to satisfy the

appetite of the consumer or the so-called King.

Let me ask you this question. "How do you feel when you are being given personal attention by a bigwig or, how do you feel when you are the center of attraction of a large multinational company for being its loyal customers? The answer would be " honored".

We are all aware of the pride associated with this honorarium. But what we are not aware of is the hard work and labor put in by the marketers and producers that they have put in to give us a feel of how royal we are to them.

With the advent of globalization in the world of marketing it has become all the more difficult for marketers to prepare themselves to achieve the common man's share of wallet and common man's share of heart.

Share of wallet and share of heart of the consumer are the twosome-wholesome couples, which a marketer yearns to achieve in the end.

With market share points so precious and hard to come by, marketers are more and more relying on-"promotions and discounts". Collectively this deed is identified as shelling out the **freebies**. This fight for freebies amongst the masses was never so extensive in the past as it is today. Till, recently, sales promotion was a marketer's tool to increase short-term sales. Today, it has become the channel for brand building, customer's retention, and generation of long-

term revenues, this is what a marketer yearns for.

Marketers today have realized that there is a need to create a new type of bond - a conjugal relationship with the consumer, multiple touch points and an enduring bond.

The underlying principle behind any successful freebie launch is that the freebies the consumer loves are the freebies that he reacts to or the freebies that he really needs.

Even though the widespread use of sales promotion techniques have resulted in reduced brand loyalty and increased switching behavior, thereby fuelling consumers insatiable desire for deals but at least it has still served the purpose for which it was undertaken- *attracting customers*. Attracting customers would include involving the consumer, respecting the consumer and above all knowing him.

Companies had always relied on sales promotions while breaking into a market with a new product, or while attracting new customers, or while maintaining competitiveness in a cut throat market, or while sustaining market share during a recession. Promotions also help the company in offering the customers a chance of using other products of the same company and thereby helping in uplifting the face of even those products which otherwise would not have been possible.

But today the fight for the market share has strengthened, the thin line dividing promotions and value-for-money has got blurred. For example, the steeply discounted apex prices announced by *Hindustan Times* and *The Times of India* started out as a sales promotion but now it has morphed into an innovative value-for-money tactic aimed at luring readers even of the national *Hindi* dailies. Collectively both the leaders offered a combination of their English and Hindi dailies, *Hindustan Times* offering a combination of (HT+*Hindustan*) and *Times of India* group offering a combination of (TOI+*Navbharat times*) at a skimpy price of Rs. 75 per month. The quenching desire for luring hindi newspaper readers to their side didn't stop here. Both the leading newspapers went ahead and came out by flinging free carry bags and cosmetics to loyal customers.

No sound marketer would deny the logic that promotions are an effective tool for driving up sales, especially in short term. It is also true that the promotion route can even establish a company. Ariel, the upstart of this company shot to fame using the freebie route. Ariel gave away free sachets of its brand using door-to-door marketing. The scheme was a huge success and it helped make the company a multi-crore group rapidly.

Today, no company considers it below its dignity to piggyback on the freebie route. During Diwali 2002, Samsung India launched the "Phir se phod ke dekho" consumer promotion scheme. The promotion came packaged with as a coconut which the consumer picked up on the purchase of a Samsung product. On breaking the coconut the customer would get a 10gm silver coin and a chance to win a free gift. The gifts included an expense-paid trip to South Africa to watch the 2003 world cup or a Samsung VCD player, vaccum cleaner, or mobile phones among others. The scheme worked splendidly and Samsung achieved its highest ever turnover in November 2002 with sales of Rs. 150 crore.

Actually, there is nothing wrong with such schemes, provided they are season or occasion-specific and run for a month or so in a year. But critics warn that the short-term quick fix problem becomes a long-term, year round malaise with a momentum of its own. Pro illustrations take any leading soap brand and for eternity you would find "Buy three Get one free offer" all round the year.

The case with tea giant Brooke Bond, should also be remembered when it was taken to court for deceiving its prized consumers in lieu of the freebie which the company offered by increasing the price of its product. The company offered the well-known chocolate of its kind *5-Star* worth Rs. 10.00 for free but side by side the company tried to be over smart by simultaneously increasing the price of the tea by ten rupees and therefore had to face the consequences for not playing safe with its consumers.

So again the fact that comes out of the blues, and which the marketers should keep in mind while giving away the freebies is that they should remember that customers are the kings and the king today is far more smarter, intelligent and knows what he needs to

buy. He has his own selections to make.

Most of us must have seen the promos for winning a luxury car as the first prize followed by a huge list of prizes. Even though we are all aware of the fact that huge list of prizes also includes simple T-shirts, caps, or a 10gm silver coin costing just a few rupees. But still we all have at least for once have fallen trap to such promos.

Marketers often take it for granted and equate their consumers with kids and feel that, the bigger the size of their promotions the larger would be the masses attracted towards it. (*And they are correct most of the times*)

Many marketers seem to have forgotten that a major gain in market share can only come when they can proudly prove to themselves and their consumers that they are *different*.

Vadilal, the leading ice-cream maker reinvented itself by offering "Buy one Get one free" offers and made its competitors *Mother dairy* and *Kwality Icecream* makers a run for their money. *Mother dairy* and *Kwality* had no to other choice and sooner the market saw both of them with similar offers. Customer loves quantity married to quality, which is what *Vadilal* learnt early and came out with flying colors.

Repeated and continuous sales promotions tactics- without any other form of differentiation-erodes credibility of a brand. (If they can give me the same product with such a good free offer, were they overcharging me earlier, or worse, if they are giving me so much for free the quality must have been dropped!) What's more, freebies bleed a company's bottom line. According to a report published in "*Hindu Businessline*" there are categories in which the combined media and trade promotions budgets are close to 50 per cent of retail price.

Promotions are the heart for any successful brand building. However very few people are aware of the underlying principle which almost every business man follows: "*Once the wallet of the customer is open, empty it.*" For example, selling a shirt and a tie to a customer who is buying a suit or getting a patron to order more expensive dessert when he is ready to

order a less expensive one. The best example that could be quoted here would be of the innocent question which almost all of us have overheard "*how about some fries with that?*" at your own McDonald's and Co. which is actually an astutely thought out conspiracy into luring a customer into the buying trap. The above question may seem to be a very simple but if you were to know that it is responsible for emptying that extra cash from your wallets and generating billions of dollars of revenue for M/s McDonalds and Co. you will surely be surprised!!

Promotions wisdom states that it is always much easier to generate increased sales from an existing customer than it is to find a new customer. This is the basic theory on which all promotions based sellings are modeled. Such techniques try to maximize the volume of the sales to each customer by offering him complementary products or by trying to get him to upgrade his order when he has already decided to make a purchase. Again the basis on which this works is that once the customer has made the decision to make a purchase he is in a buying frame of mind and hence is vulnerable. Any suggestion made at that point by the company in terms of a product would add value to the purchase and perhaps provide a more comprehensive solution to the customer's requirement, which is lapped up.

Such techniques are not only restricted to individual customers but also to institutional buyers. For example a company selling mechanical equipment can also sell the insurance policies along with the machine to its customers.

Promotions as stated above have permeated every business today and have been responsible for the increase in sales of concerns by almost 20-25% and most importantly without increasing any selling costs for the company.

If an organization is planning to follow the freebie route it should always remember the value or the profitability of the product to the business owner and the value or the usefulness of the product to the customer. Marketers could also take a look at the prior sales and see what products the customer often purchased together.

Obviously the end motive is to earn a fixed

benefit for a fixed price and to sell a product or service that benefits and enhances the consumer's life in some way or the other. Providing the consumer with the extra benefits, which he could reap easily, would help establish a rapport with the customer thereby gaining his loyalty. Marketers need to discover the customer's needs and fill them with the relevant goods or services, because in the long run, the price is the thing that is most quickly forgotten. The service/promotion never is.

It's high time now that the marketers today should understand that customer might be illiterate, customer might be busy with his own work, customer might even not have the requisite time to have a proper glance at the product but what a marketer should remember very sternly is that *customers are not beggars*, whatever you offer them would not be taken by the customer blindly. Instead it should be learnt by heart that customers are the sole bread for any

company. Marketers should remember that they are not doing any favor to the consumers by offering them with sheepish T-shirts or caps or various such offers, it is the consumer who is doing a favor to the marketer by giving the marketer a chance to survive by purchasing their products.

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