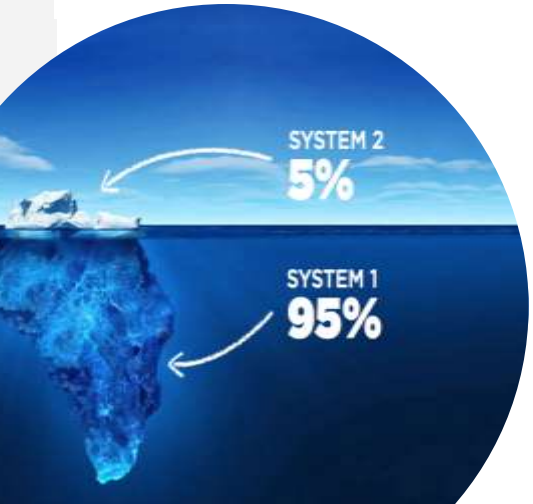
The most effective promotion

A competitive study across LATAM markets

Juan A. Tello (SKIM)
Manuel M. Zamora (Mondelez)

Up to 60% of purchase decisions are made in front of the shelf

And only 5% of human decision making is rational



Yet, customers attention is very limited… lost in context

Assimilate max 5 pieces of information at once

Shoppers “chunk” information to simplify the task

Promotions are becoming an important asset to deliver brand strategy for most companies and capture customer's attention

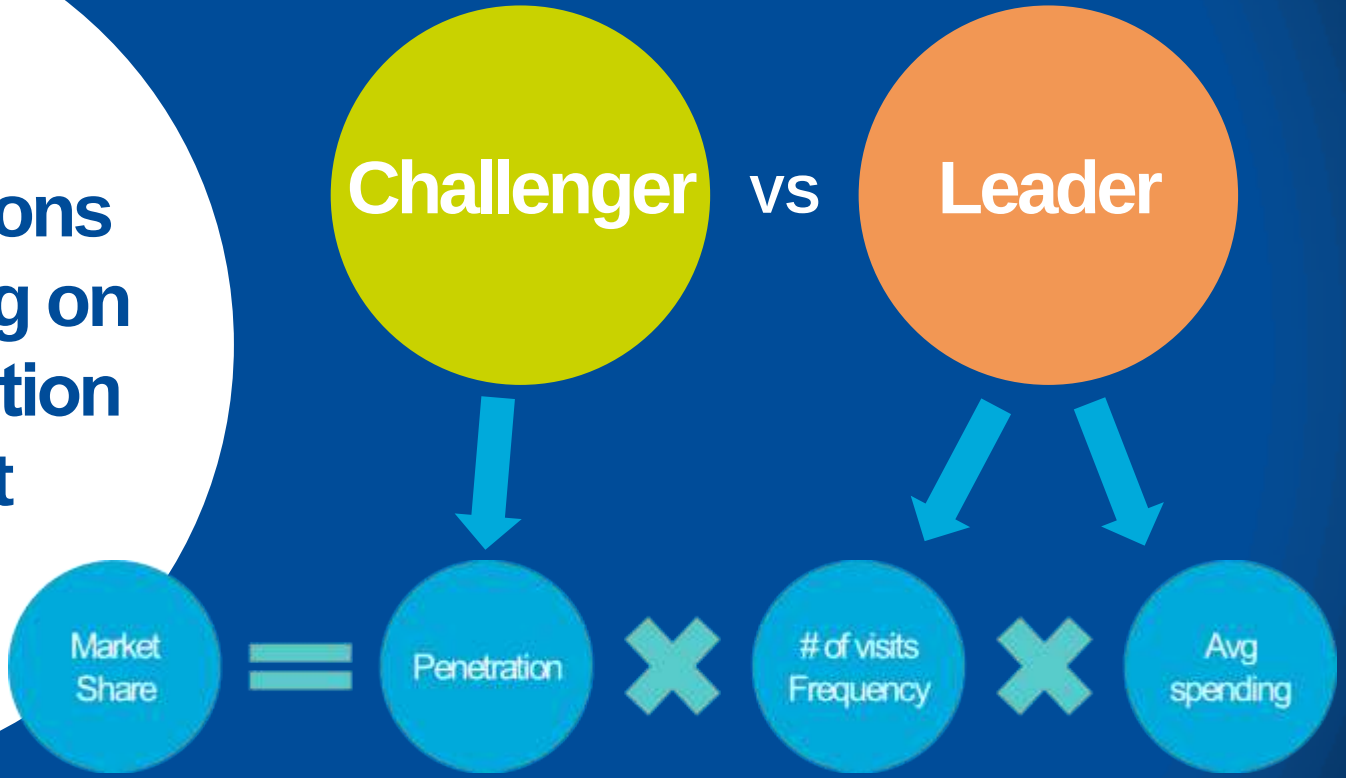
Powerful insights driving promotional strategy

Top promos in Colombia according to Shopper Study 2013:

- *Packaging trade,*
- *Cinema tickets*
- *Musical events and concerts*
- ***Cell phone minutes (77% prepaid)***

Design a promotion easily accessible by shoppers

Role of promotions varies depending on the brand's position in the market



Find the sweet spot between incremental sales and value – fuel sustainable growth

Productivity has become the name of the game

- Improve Gross Margins
- Wise marketing trade investments
- Improve profitability of stocks of retailers/ distributors

Companies should be selective in order to

- Find right level of promotion for the category
- Improve ROI
- Max. incremental sales and reduce cannibalization

Beware the loss of promotion sensitivity if abused over time

Lower ROI

Promotion effectiveness

Scattered

Incomplete

Disaggregate

Anecdotal

4
Countries

Mexico

Colombia

2
Product categories

Breakfast Cereal

Laundry Detergent

Argentina

Brazil

Price reduction

- Price From-To (10% & 20% reduction)
- Absolute saving $ amount (10% & 20% reduction)
- Relative % saving (10% & 20% reduction)

Bundles

- Comple-mentary Bundle
- Free gift with purchase

Same price, more product

- 20% more for same $ deal

Discounts by volume

- Buy 3 packs for a 20% discount
- Buy One Get One Free (BOGOF)
- Buy two Get One Free (3x2)

Coupons/rebates

- Coupons inside
- Rebates (get 20% back)

Sampling

- Free sample

21 Types of Promotion

Satisfaction guaranteed

- 100% satisfaction guaranteed ($ refund)
- 100% satisfaction guaranteed (product replacement)

Sweepstakes

- Instant prize on the inside of the label
- Sweeps-takes (register)

Charity

- Charitable Cause

Store rewards points

- Bonus points on loyalty card

Reach

Persuasion

2
metrics

The Most Effective Promotions

Based on promo effectiveness

Economical alternatives to BOGOF & 3x2

44%	50%	52%	54%
1 promo	2 promos	3 promos	4 promos

Economical alternatives to BOGOF & 3x2

Free Sample

A Price Discount

An Uncertain Promotion

An Extra Item

Optimal Quartet of Promotions

54%

4 promos

Relative Results

Differences by product category
Correlation of 0.99

	BOGOF	3x2	FreeGift	FreeSamp	Bundle	20% more	Buy2Get20%	F >T 20%	AbsSav – 20%	RelSav – 20%	Instant Trip	Refund100%	Charity 20%	F >T 10%	RelSav – 10%	Replace100%	LoyalCard 30%	Coupons 20%	AbsSav – 10%	Rebate 20%	Charity 20%
Laundry Detergent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Breakfast Cereal	1	2	10	3	4	5	7	9	6	8	11	16	12	15	13	19	17	14	18	20	21

+ FreeGift

Quality of the GIFT matters

Locally Effective Alternatives

Top Promotions

What to do

Brazil	Argentina	Colombia	Mexico
Free Samples	**Free Samples**	Instant Prizes	**Free Gifts**
Instant prizes	**Free Gifts**	**Bundles**	**Free Samples**
Sweepstakes	More for same price	More for same price	**Bundles**
	Bundles	**Free Gifts**	From-to discounts
		Free Samples	

What NOT to do

Brazil	Argentina	Colombia	Mexico
10% discounts	**Sweepstakes**	Loyalty Card Points	**Sweepstakes**
Loyalty Card Points	Rebates	**Coupons**	Instant prizes
Rebates	**Coupons**	**Sweepstakes**	**Coupons**
Replacements	Replacements		
	Refunds		

WHO

ARE THE MOST CHARITABLE

DOESN'T ENJOY A GOOD GAMBLE

ARE MORE MATHEMATICALLY MINDED

Promotion Specific Insights

Cause Related

Uncertain Rewards

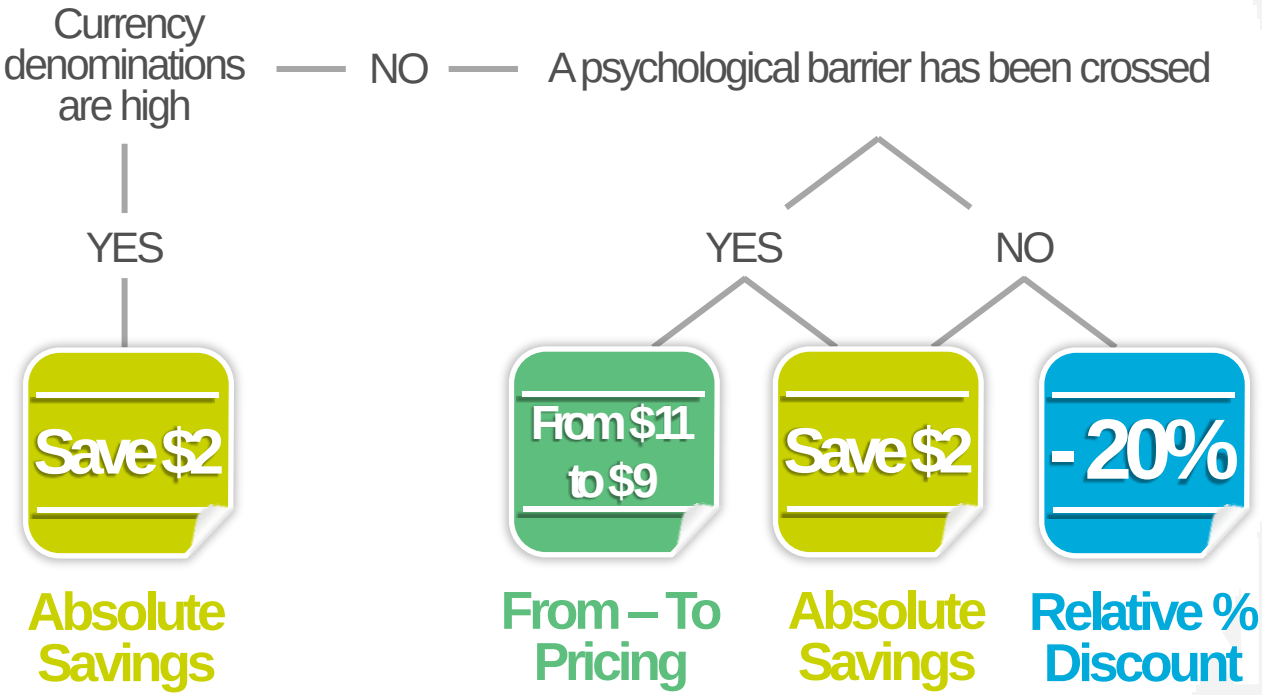
Same Discount, Different Wording

HOW TO EFFECTIVELY COMMUNICATE A PRICE REDUCTION

The effectiveness of each wording depends on…

Starting base price | Magnitude of discount | Currency denomination

3 Different Ways



“More product for the same price”

outperforms a straight % reduction

More palatable financial proposition

Improve Brand loyalty

Involves pack & manufacturing changes

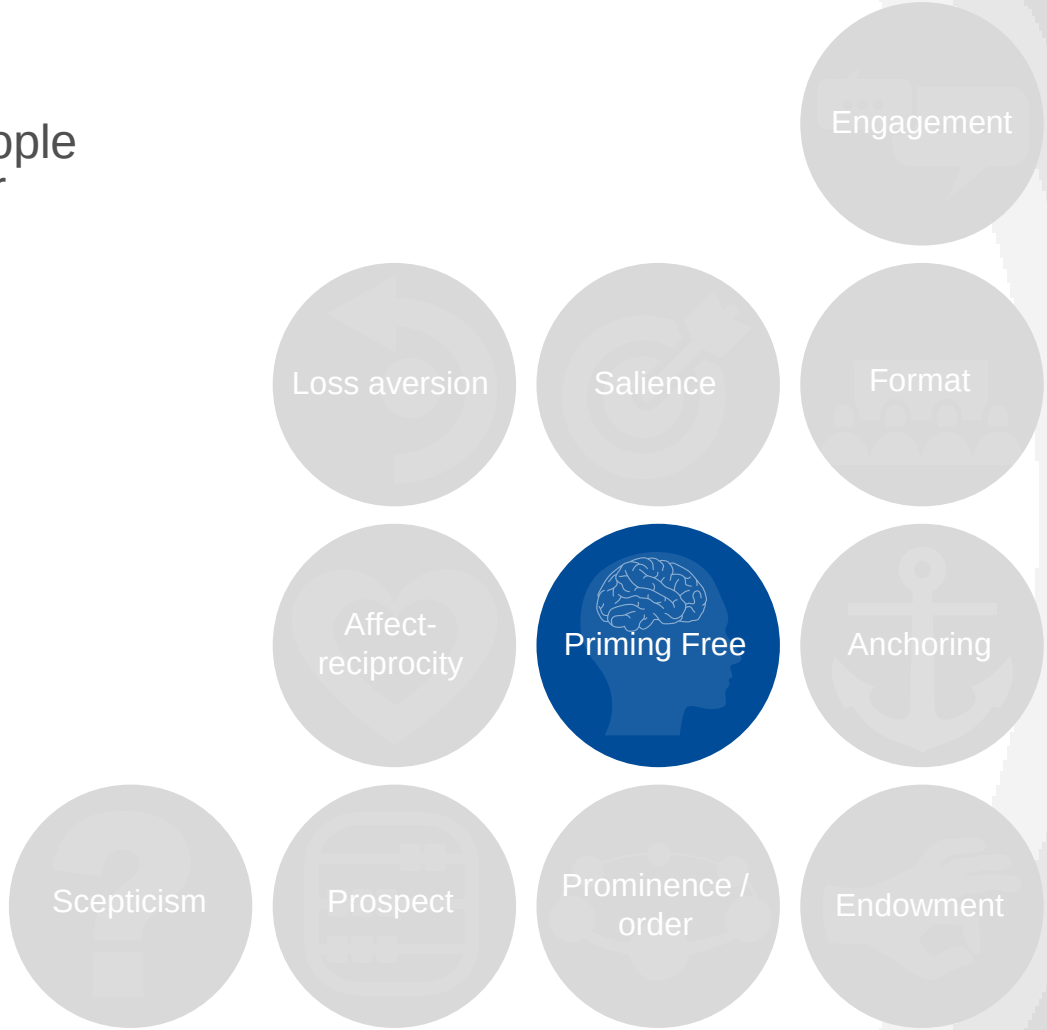
Effective alternative >4=$

The more the merrier

11 Behavioral Economic Principles

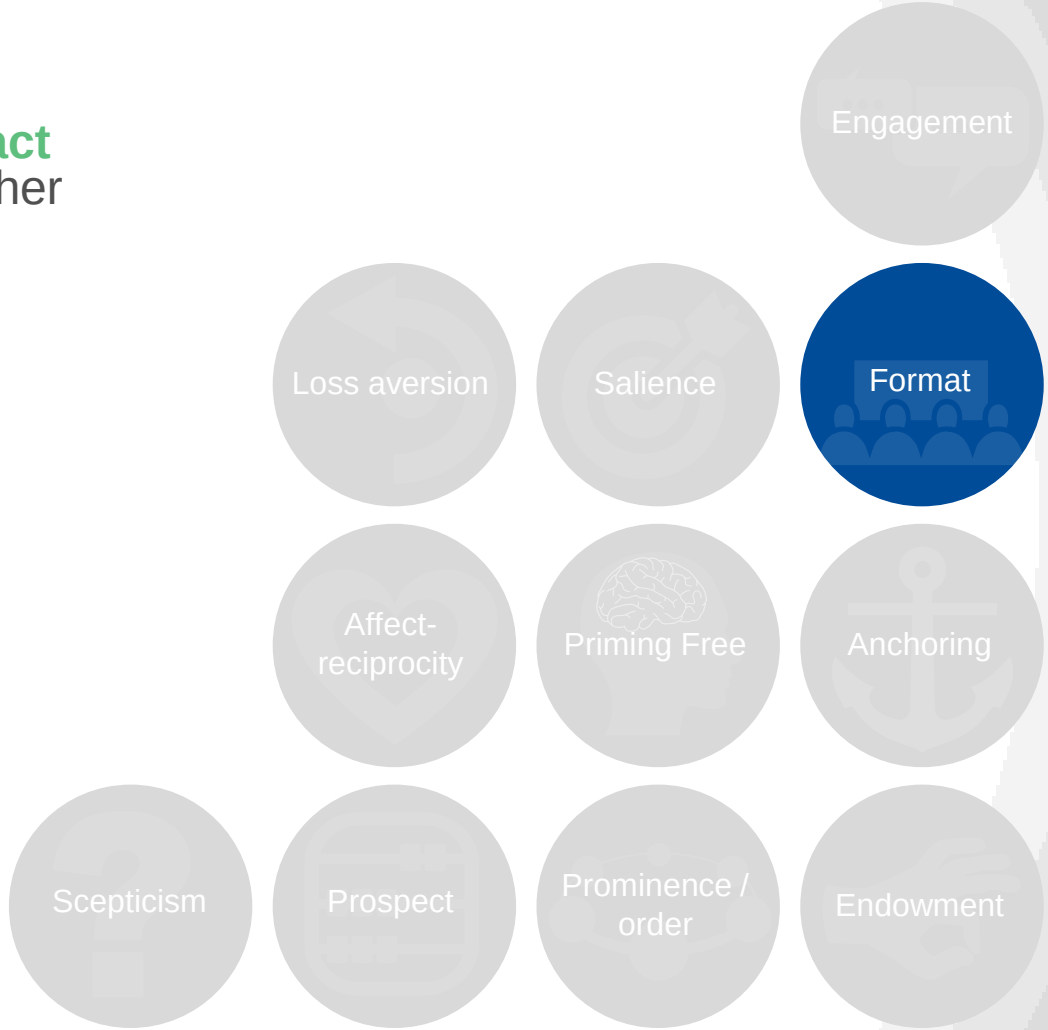
The power of **“free”** can make people consume what they wouldn't under normal circumstances

11 Behavioral Economic Principles



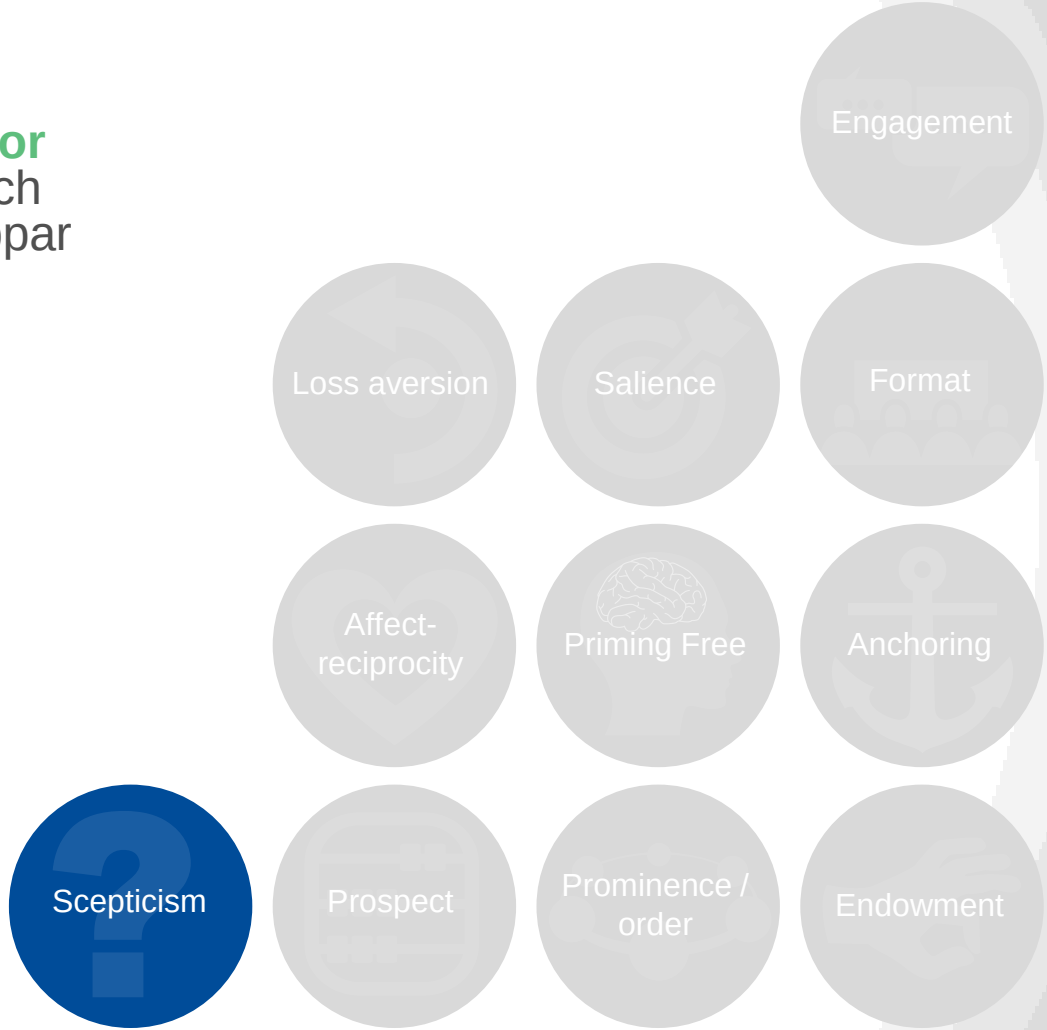
Promos with a **bigger visual impact** offering more product do show higher effectiveness levels

11 Behavioral Economic Principles



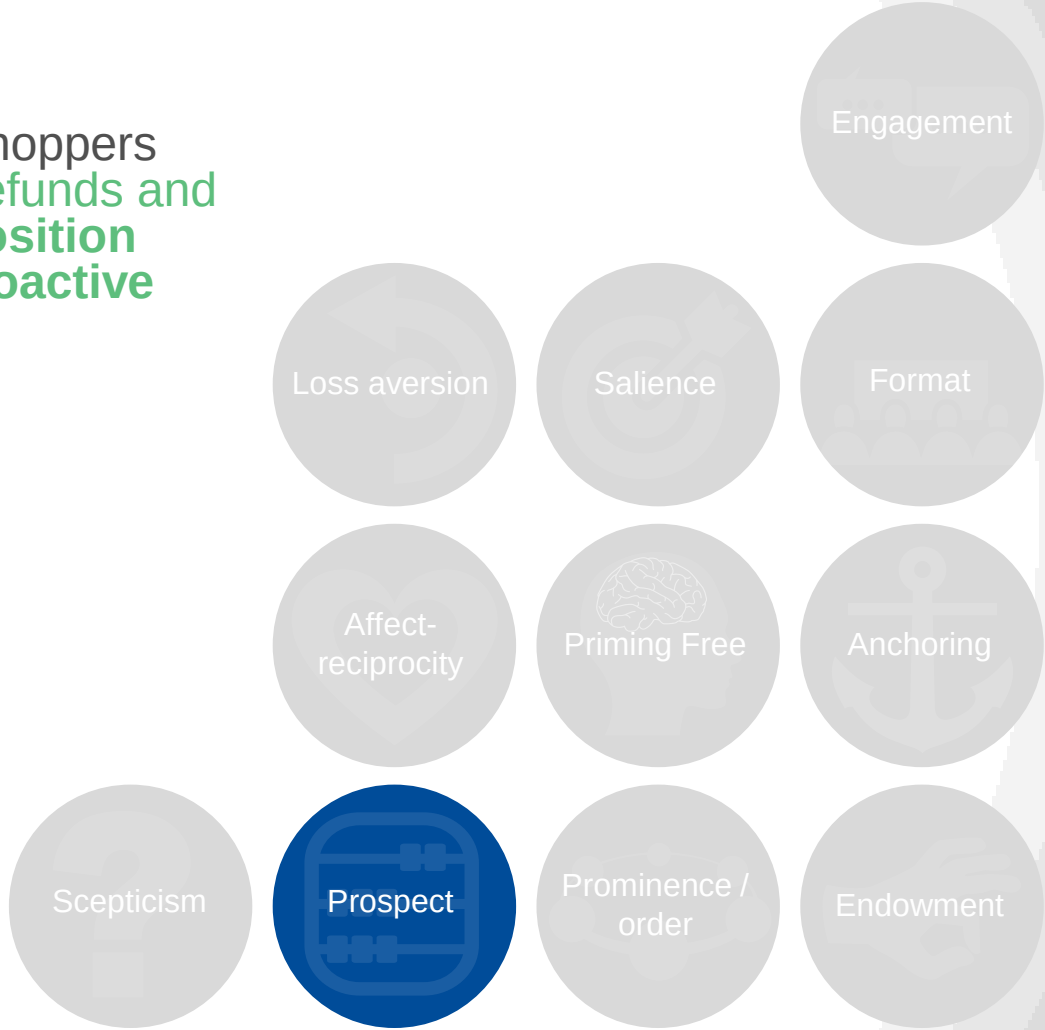
Mixed results. Lack of **immediate or compelling enough rewards** which overcome scepticism, leads to subpar promos

11 Behavioral Economic Principles



Mixed results. Promos shielding shoppers from a potential buyers' regret. Refunds and replacements take a **defensive position** while product sampling is more **proactive**

11 Behavioral Economic Principles



Most Effective Promos

Alternative promos:

Free Sample

A price discount

An uncertain promotion

An extra item

Key Behavioral Economic Principles

Promo Pitfalls

LOSS OF PROMOTION SENSITIVITY IF ABUSED OVER TIME

LOWER ROI

Drop by booth 16 to find out more

www.skimgroup.com

Juan A. Tello (SKIM)
Manuel M. Zamora (Mondelez)