

Market Penetration through Sales Promotion - A Review

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Abstract

Market penetration has always been a vital challenge for companies targeting customers in different sectors. Samsung outsmarted Nokia by introducing dual-sim technology and Android operating system in mobile-phones. Haldiram has been a dominant player in fast-food category in the Indian market in spite of the presence of McDonald's, KFC and Domino's. Sensodyne and Colgate Sensitive are the two brands struggling to make a mark in the low-priced oral-care segment. Bajaj Scooters in India experienced marketing myopia in spite of being a first-mover in the two-wheeler segment. Keeping in view the problems faced by different sectors in the industry, a multiple qualitative case analysis has been done taking into account their innovative practices. A site-ordered effects matrix model has been derived out of the sales promotion cases about established market-players in the industry to find solutions to problems related to market penetration faced by the companies in Oral-care, FMCG, Automotive, Banking, Consumer Electronics, Real Estate segments.

Keywords: Customer Engagement, Brand Revitalization, Affiliate Marketing, Sales Promotion

Introduction

Market penetration has always been perceived by companies as an uphill task for product launches and service delivery, especially in a market where competitors already exist (Masterson and Pickton, 2014). Samsung outsmarted Nokia by introducing dual-sim card technology and Android operating system in mobile phones. Samsung has a wide range of handsets with different price points and screen sizes, and is thereby ahead in competition with Nokia. The oral care industry has not been able to retain its customers in the sensitive toothpaste category. Experts feel sensitive toothpaste brands like Sensodyne, Colgate Sensitive hit the mark initially but consumers switched to regular ones after

early trials (Malviya, 2015). It has also been observed that in Quick Service Restaurant (QSR) category, despite the profusion of multinational corporation brands with high cool quotient like McDonald's, KFC and Domino's, good old-fashioned Indian offerings from Haldiram's still dominate the Indian market. Haldiram's presence has been felt both in ubiquitous casual dining eateries and packaged snacks. Every product of Haldiram is made in-house (Malviya, 2015). In yet another segment, slow-moving winter has affected FMCG players viz., Emami, Dabur. Sales of winter care products, primarily cold creams, body lotions, specialized face-care creams, lip balm, and food items like chyawanprash, dry fruits and sweets such as chikki have dropped by five to seven percent, while 20 percent fall has been observed in woolen garments like jackets and footwear across general trade (Bhusan and Mukherjee, 2014). Two-wheeler industry has been going through a changing phase. Most of the market-players like TVS, Piaggio, Honda, Hero Motors, and Yamaha have re-invented their scooters with innovative features and introduced customer loyalty programmes. Two decades ago, Bajaj was the key player in the two-wheeler scooter segment. There was a sudden decision to fade out scooters, which had been on a successful journey on the Indian roads from 1950-2000, as a result of technology obsolescence and redirecting their focus on manufacturing and marketing of motorcycles (Pandya and Jani, 2011). Industry trends show changes in tastes and preferences of customer with progress in time, technology and thought process. Therefore companies have to look for continuous improvement of product promotion and service delivery. The need of the hour is to find ways to penetrate the markets by replicating successful innovative practices from different sectors. The study was conducted during the year 2014-2015 to identify innovative sales promotion practices implemented by companies while penetrating different global markets.

Literature Review

A study by Yeniyurt, Townsend and Talay (2007) identified factors impacting the launch of brands in emerging global markets. The multiple indicators of activities can contribute to experiential learning while launching brands globally. Market attractiveness positively impacts the possibility of a brand being launched in an emerging market. This indicates that potential demand conditions should be considered during the product introduction stage. The results have shown significant outcomes with respect to the role of psychic distance and experiential learning. There are lesser probabilities of brands launching into nations that are culturally and economically less similar to the domestic market. From a managerial perspective, this research suggests that enterprises should look for acquiring both local and global expertise to materialize the launch of products and brands in the international markets.

Industry analytics can be treated as a customized informatics solution for creating an entry strategy into an emerging market, launching a new product or developing the operating strategy of a firm. The firms have to proactively design and modify their strategy to maintain market position.

The telecom industry of United States might be experiencing spin-offs, mergers and acquisitions. The country has faced falling stock prices, decreasing margins and declining market share. The double-digit growth of a stable economy is now a place of businesses competing for each other's customers in a saturated market. The situation of declining costs and market shares have resulted to a wave of consolidations. The market is significantly moving to a phase when companies would concentrate on their core competencies and offer low cost products with high level of differentiation. This research, (Krishna and Ghatak, 2008), based on secondary data, ascertains the fact that convergence of technology and consolidation along with technology leadership is the need of the hour. The saturated markets in America are driving companies offshore into emerging markets like India in search of newer acquisitions in terms of customers and

competencies.

A study (Beverland, 2002) analyzed the strategy adopted by large New Zealand based companies and reveals that the relationship with East European traders is context driven. It has been debated that relationship-marketing models accurately capture the trading realities of market entry in Eastern Europe. A series of propositions have been developed with respect to the research which has reflected uncertainties in market entry, formation of alliances and building relationships.

Cordis Australia is an American company that is a division of Johnson & Johnson. Cordis manufactures and markets medical devices designed to treat cardiovascular conditions. The study describes and evaluates Cordis introduction of a new and innovative coronary artery stent named as CYPHER. Coronary artery stents are tiny stainless steel 'mesh like' tubes (similar to a spring from a pen) that are used to open up arteries of the heart when they become blocked. This procedure is called angioplasty. Such blockages of coronary arteries can lead to chest pain and heart attacks. Cordis has been the first-mover to develop a stent with a drug coating that offered superior features when compared to plain stainless steel stents (Rankin, 2004).

Marlboro advertisements have benefitted by the tradition that precedes them. They have captured a complex message which attempts to differentiate a product from competitors, that are largely the same, through simple image and few words. The success of Marlboro brand can be attributed to the branding strategy used by its parent company - the Altria Group. Altria has opted for an endorsement strategy. In this strategy, individual brands and divisions are marketed under the canopy of the parent company. The combination of brand equity of the parent company with the value of individual brands and divisions has created greater impact. It leverages the endorsement equity of the parent across divisional and product categories. The brands and divisions retain their identity and can be included in the total equity of the company. Thus, it brings recognition among the shareholders, increased cross-selling opportunities, and endorsement credibility for new products or services (Hemdev, 2005).

Research on the car wars identifies the issues leading to success or failure of an automotive, analyzing product successes and failures in United States during the last 50 years. The development and analysis of twenty case studies have found several factors driving the fate of the products launched. The results indicate that the product development system of new vehicles with high success has emerged from financial and corporate responses to market crisis. The target segment of a new entrant in the automotive sector and its progress depends on the economic conditions of buyers and the leadership position of the firm (Hanawalt and Rouse, 2010).

A study discusses the challenges faced by sales people to understand consumer behavior that boost up sales growth. Data has been collected from across industries through a survey of sales managers, sales representatives and customers. With reference to product promotion through personal selling, the findings highlight that an optimum level of customer orientation is essential with regard to individualized products having premium price and high degree of competitive intensity (Homburg, Muller and Klarmann, 2011).

Co-creating experiences demands interactions between the customer and the company (Klaus and Maklan, 2011). Co-creation considers every interaction to be vital for customers' evaluation of their experience (Ballantyne and Varey, 2006).

The findings of a qualitative study highlights that customers perceive quality on three dimensions: brand experience, service experience and post-purchase/consumption experience. The research has also pointed out that customers experienced quality, while evaluating significant marketing outcomes like satisfaction, level of loyalty and word of mouth publicity (Klaus, 2015).

Objectives of the Study

The current study aims to derive solution to challenges faced in selected sectors with respect to market penetration. The objectives of this qualitative research study include:

Understanding the sales promotion approaches to enter different markets through review of cases pertaining to leading business enterprises;

Aligning the problems faced by sectors like Oral-care, FMCG, Automotive, Banking, Consumer Electronics, Real Estate, with the innovative sales promotion practices in the industry.

The Methodology and Model

The study represents a qualitative multiple case analysis (Gay, Mills and Airasian, 2008). A case study can be about an event, activity, firm or individual. It gives detailed information, acquired from multiple sources, leading to a detailed understanding of a particular situation (Masterson and Pickton, 2014). The data has been derived from reliable secondary sources like renowned journals and books on marketing and sales management. The researchers have designed a site-ordered effects matrix model for aligning the innovative sales promotion practices in the business with the problems faced by the companies with respect to market penetration (Gay, Mills and Airasian, 2008). Multiple case studies related to sales promotion are considered as previous knowledge. The innovative sales promotion practices derived out of the cases can be implemented as solutions to problems faced by different sectors like FMCG, Automotive, Consumer Electronics, Banking, QSR, and Oral-care.

Market Penetration for Haul-Away Truck Segment

A reputed manufacturer of large trucks, MAN, wanted to improve its sales performance and identify ways to penetrate a new market segment. The company wanted to launch more trucks on the road. MAN followed a franchising model of business. The product was technically sound with its engine offering the best-in-class fuel economy. The brand reputation was immense and financially competitive. The success of the franchises, however, varied significantly. The largest demand for the trucks had been in the 'haul-away' market segment. This involves waste or construction spoil being transported from wherever it has been created or stored to where it would be disposed of or used. The trucks were heavy, durable and reliable. The company failed, however, to successfully penetrate the container haulage market segment. The container haulage market segment required trucks to haul containers to and from

ports, and to make deliveries throughout Europe. It was found that truck buyers (the product) not only looked for technical functionality but also for trust in the franchisee's 'in franchise territory' service and the service coverage provided through the manufacturer for 'out of franchise' and European use of the truck. The buyers were looking for flexible and quick turnaround times for vehicle servicing, preferably overnight, and fast and reliable breakdown services throughout UK and the rest of Europe.

The solution to this franchisee problem can be through shared understanding of the market, its segmentation and how the truck manufacturer sees its future competitive positioning within it. The need of the hour is to develop the product and service portfolio to enable them to exploit the market opportunities more effectively. The truck manufacturer relied upon the franchisees' commitment to the product and their willingness and ability to invest in the customer relationship and services to support it. It is a symbiotic relationship based upon mutual understanding and intent to invest for boosting the product sales and service portfolio (Morlay, 2014).

Brand Revitalization at KFC

KFC, having its base in Louisville, Kentucky, is considered the world's most preferred chicken restaurant chain. It operates over 5,000 restaurants in United States and more than 15,000 globally. It is a division of Yum Brands, with a revenue of around \$11 billion in the year 2009. In 1965, KFC started its operations in Britain. The number of KFC stores has exceeded 700 in the year 2015. KFC lost its dominance during the year 2005 as a result of declining reputation and sales. This led to exhaustive research leading to revitalization the brand's image. A strategy has been developed to change the taste of its offerings to differentiate them from the competitors. The initiative to design products with different ingredients has been carried out over the year, to increase both frequency of visits and spending. The brand has regained its lost glory by April 2006 and hence forth has been maintaining a high rate of year-on-year growth. Sales promotion helped to a great extent in regaining the brand's reputation and average spends. In India,

KFC has created awareness among people by adapting affiliate marketing in tie-ups with banks like Bank of India for attractive offers via SMS and emails to the bank customers on registered mobiles and email ids. The factors customers consider before visiting KFC are found to be store ambience, friendliness of the staff, and inclination towards the brand and store location (Davis, 2009).

Sustainable Brand Promise by Audi

The famous German car manufacturer, Audi, has been launching vehicles since early twentieth century and is considered a valuable brand within the Volkswagen Group. In UK, Audi has proved to be a major competitor within the prestige car category, known for its excellence in engineering and commercial success. Marketing has enhanced the success of Audi from a niche brand to a leading position in the prestige car sector. Audi's unique approach has always been challenging the conventional design in the car industry. The company is positioning itself as *Vorsprung durch Technik* which means, advancement through technology.

Technological advancement is both Audi's brand message and philosophy. Audi has always emphasized on innovation while reaching out to its buyers, going beyond the conventional way, meeting the expectations through emerging technologies, and justifying the progressive ideology of brand. Innovative design is projected while communicating with the audience in a more appropriate manner. Launch of a new TV Channel named Audi Channel for prospective customers to engage with the brand, imaginative content creation in the form of a magazine named GQ, generating brand buzz by partnering with the New Scientist for a competition and going interactive through online marketing are examples. The website of Audi works as a virtual dealer which helps customers to explore and identify the perfect car (Davis, 2009).

Shell Joint Promotion through Long-Term Scheme

Petrol retailers faced steep competition and difficulty to sustain in the market in 1997. The popularity of supermarkets generated higher revenue than dealing with petroleum products. There were various heavily

promoted card based schemes from Shell as well as other forecourt businesses. But these offers failed to bring about benefit to continue with the petroleum business. In 1994, Shell launched a 5-year 'Smart Card' programme. Shell had been the market leader for quite some time but was steadily losing its leading position due to its failure in offering a life-long loyalty programme. The focus of Shell's sales campaign had been to attract customers through premium pricing and high mileage for their vehicles. The Smart Card campaign was launched in a tie-up with prominent service providers like Air Miles, HMV, UCI and Ticketmaster. The offer against the card was the choice of redeeming points with the option of saving, third-party deals and catalogue shopping, opportunity for donations and individual gains. The promotional activities caused a viral effect through television advertisements, direct selling, and point of purchase in forecourts, radio promotions, direct mailers and magazine insertions. Shell achieved 3 million cardholders within a year and also won ISP Gold Award for its card scheme. Further, Shell developed partnership with Dixons, Currys and Victoria Wine. Shell re-launched its brand with a new card scheme in the year 2007. Thus, joining hands in the forecourt business with different brands helped the petrol retailers to sustain and build a long term relationship with petrol users (Mullin, 2010).

Electrolux Premium Promotions

Product launch in case of a vacuum cleaner is always a tough task. Electrolux launched a new micro-cleaner, the X8, in the year 1994. The company initially sent a series of mailers to potential buyers. The sales representative had been visiting the prospects with a security box made of stainless steel having top-secret messages. Once the lid was opened, a personalized message was played by a cassette player about the top secret mission that the buyers were about to experience. The box showed the X8 in all its 'micro' glory after the message was played. This created valuable impact in terms of interest and amusement to the traders. The Electrolux outlets started showcasing X8 and this motivated the rise of X8 sales in different outlets. The market share of Electrolux in the cylinder cleaner sector

rose to 50 percent, capturing the brand leadership position (Mullin, 2010).

Sainsbury's 'Schoolbags' Campaign

Sainsbury's is the second largest supermarket chain in the United Kingdom with a market share of around 17 percent. Sainsbury's 'Schoolbags' promotion is an innovative measure to fulfill business objectives and address social and environmental issues. Sainsbury's had been planning strategies to increase its family appeal to deal with market competition and on the other hand, to reduce the huge waste of carrier bags for shopping issued to millions of customers every year. The Promotional Campaigns Group emerged with an idea to involve families with children shopping at Sainsbury's and reiterate the reusability of the carrier bags. The shoppers were offered schoolbag vouchers at the exit point for the bag they reused. The vouchers could be collected by educational institutions to acquire equipments like crayons and clipboards. Schools were invited to participate in the scheme through direct mail, in-store and TV advertisements.

The campaign was a huge success for Sainsbury's and engaged families to shop for a noble cause and fulfill the requirements of their kids going to school. About 12,000 schools across United Kingdom participated and benefitted in acquiring equipments for school children. The above initiative saved the society from environmental pollution by restricting the use of new carrier bags and attracting the shoppers for repeat purchases (Mullin, 2010).

Upselling - A Common Practice for Real Estate Market-Players

This case study illustrates helping or attracting customers to invest more than they originally intended. It is essential to identify the buyers' needs and thereby offer them the best possible solutions. Sometimes the prospective buyers are ready to scale up their budget for a better future. In this case, a judicious real estate customer would buy an economy apartment at a reasonable price and sell it off at a much higher price in a short duration of about five years to purchase a premium spacious apartment of the same construction

company or some other builder. The sales assistant in the real estate business creates a value proposition (features, benefits and values) of its offerings for the prospective buyers. The value appreciation enables the investors in real estate to gain within a short period of time (Leadbetter, 2011 and Gould, 2012).

Results and Discussions

The cases discussed can be considered innovative practices by companies facing difficult situations for penetrating into new market segments. Based on the study, the following Site-Ordered Effects Matrix Model(Gay, Mills and Airasian, 2008) has been derived: (Table 1)

The study has future scope for research in sectors not mentioned earlier.

The case study based research highlights the major issues in penetrating new market segments of different

sectors and suggests ways to overcome problems related to market penetration. Customer Engagement Campaigns, Branding, Service Delivery, Upselling and Affiliate Marketing play a major role in influencing prospective customers. An attempt has been made to map the innovative industry practices with the problems faced by existing market-players. The sustainability of products and services in any market depend largely on customer involvement and innovation in marketing.

Scope for Further Development

This research can help marketers to define sales promotion strategies for market penetration. The proposed model can be further tested by collecting primary data with respect to customer engagement, branding, service delivery, upselling and affiliate marketing.

Table 1: Alignment of Innovative Practices with Problems faced by Industry

| Sector | Problems faced | Recommended Innovative Practices in the Cases Discussed |
|-------------------------------|---|--|
| Oral-Care, FMCG, Real Estate | Lack of Usage, Seasonal Fluctuation in Sales | Customer Engagement by Sainbury's 'Schoolbags' Promotion |
| Automotive | Technology Obsolescence, Lack of Service Facilities | Innovative Brand Communication by Audi, Affiliate Marketing by KFC; Overnight Service Facility by Haul-Away Truck Segment |
| QSR | Unable to create Purchase Intent for the Foodies | Premium Promotions of a new Micro-Cleaner by Electrolux to its dealers; Joining hands in the forecourt with Petrol Retailers like Shell offering loyalty schemes |
| Banking, Consumer Electronics | Selling Products at a Premium Price | Creating Value Proposition in Real Estate Business |

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