The law of promotion with prize fund—The most successful strategy in the current worldwide economic crisis

Momtchil Dobrev

(Institute Dobrev & Halachev, Sofia 1404, Bulgaria)

Abstract: Each company has to reopen different new methods and means in order to maintain high degree of competitive power on the market in the period of economic crisis today. The described and developed method and procedure by the author give every company concrete decisions to reach a better competitive power on the market in the globalization and mostly in the economic worldwide crisis today. The described method and procedures below was developed by the author 1993 as a president of consulting company “D & M Dobrev Consulting House” for analysis, trading.

Key words: degree of trust; innovation; Europe and world economy

Promotion with prize fund—the most successful strategy for each product in the today economic crises (Dobrev, 1998).

With this material, there will show priorities of the promotion with prize fund when introducing of a new product on the market. Different parallels with other similar strategies shall be made.

1. Differences between the advertisement and the promotion with prize fund

The advertisement is mass communication, made on the account of one company, called “advertising subject”, which pays to an information media to register an announcement, created by an advertising agency.

In our case, the promotion with prize fund simply generates an action, a purchase, as a step to a final objective which persecutes consumers—to earn a prize from a prize fund.

While in the advertisement the fault is the slow receiver of feed back, in our case in the promotion with prize fund, the feed back is received immediately. This feed back is measurable and quantified regarding the already received letters with cut off emblems, signs, pictures of the packing of the product. This also gives measurable result for the purchases and the respective turnover made in connection with the promotion with prize fund.

In this way, the flow of sales is managed best, also the turnover and respectively the profit of a company. Also every concrete measure is controlled which aims the increase of the sales.

Availability is one mechanism of self organization led by the results of the feed back which makes the process of sales better manageable and controllable on behalf of the company.

This reflects thus on the production scales, and respectively leads to decrease of the production risk for residual quantities of goods in the warehouses, the process of turnover and the sales of the goods produces is accelerated, the risk of turnover means for needless financing of the production, connected with risks also is
diminished.

While the part of the advertisement in introducing a new product is to create cognizance and learn about the product. In the promotion with prize fund, no accent is put on the product, mainly on the end result—the participation in a prize fund, including as requirement the purchase of the product. That’s why the function of the advertisement is not needed to inform the consumers about the special priorities and characteristics of the product.

The advertisement is the soul of the trade, and the advertisement with promotion with prize fund is the guaranteed profit in the trade, the guaranteed phenomenon and recognition of a product on the market, the guaranteed generation of an action for purchase on behalf of the consumers.

While the advertisement, according to Rosser Reeves, is an art to implement a unique one in its kind consumer’s motive in the heads of the biggest number of people at the lowest expenditures. According to us, the promotion with prize fund is an art to generate a positive action on behalf of the customer, leading to purchase.

While according to David Vayerhoff, the advertisement represents a strategy which has to contribute for stimulation of the demand. According to us, the promotion with prize fund represents a strategy contributing for stimulation of an action—purchase.

While the advertisement has the functions: information, stimulating, influencing, reminding, social and economic one. The promotion with a prize fund has the function along with above listed with a generating activity—an action of the product, generating in advance a motive for profit in the customer.

In the promotions, with prize fund is available:

(1) In formativeness of the consumer about the product, object of the purchase, the purchase of which generates participation in a prize fund. The stimulus and the purpose of the purchase here is not the product itself, but the respective prize fund. Availability is motivation, generating activity—a purchase with an end purpose to earn a prize from the prize fund. The aim is not the product, but earnings of a prize from the prize fund.

(2) Stimulating of a need of purchase. The accentuating on the action to send of definite number of stubs and labels or a part of labels of the respective product is the basic thing for the promotions with a prize fund. It is accentuates on the action “cut out and send”. This action follows the purchase of the respective product. The motivation is transferred in this way in the action after the purchase, i.e., the purchase is accepted as an unconditional necessary condition to send the respective stub or respective stubs.

(3) Affecting. Here is accented on the necessity to buy the respective product as conditions for participation in a prize fund. The customer is not convinced to buy a definite good. This simple action—the purchase is a premise and a necessary condition for the participation in a prize fund. The purchase is an unconditional action, on which it is not accented.

(4) Reminder. No speaking of reminder in this case, since an unconditional knowledge is available that if you buy, you will participate in the distribution of the respective prize fund.

In emitted advertisements 50% of the people, having watched it, have kept it in mind and the other 50% haven’t kept it. In promotion with prize fund with 100% confidence that the respective company will distribute the respective prize fund, the percent of people having kept it in mind is between 90% and 100%.

When reducing the respective percent of confidence, the percent people have kept in mind for prize fund varies from 80% to 100%.

2. The product in the promotion with prize fund
The product is variable on the marketing mix, dealing with study of the customer’s wishes regarding the product. This is the product that the customer wishes to possess. The product is a combination of material and nonmaterial means. The product is positioned in the market from the point of view of the quality, such as trade-mark, packing, design and service. Along with those strategies, new products are developed, considered with the needs of the market and the product policy and assortment.

In promotion with prize fund the product plays a secondary part. The final purpose is the participation of the customer in distribution of the prize fund by means of purchase of a definite number of products.

The strategy of the company, using promotion with prize fund, is also the improvement of the product, its compulsory tied by the customer after the purchase which is motivated not by the qualities of the product, but by the end purpose—the participation of the customer in the play (Dobrev, 2004).

3. The price in the promotion with prize fund

The price is the following important component of the marketing mix, since the customers are sensible to the value they would receive in return. The price is connected with expectations of the buyer for the usefulness of the product. Often this is used as a means against the competition. The price depends mainly on three factors: the demand, the cost price, and the prices of the competition. For the big part of the products, the quantity demanded is increased at price reduction and vice versa.

The importance for a company is the determination of the price purposes of the company. They may be survival of the company, profit, returns of the investments made, market seizure a.o. What is in force for the promotion with prize fund. If this is made with the purpose to impose a new product on the market, the price is the neglected value.

Since the attention of the customer is directed towards the end motivating visually, “sending of a definite number of packing aiming at participation in the prize fund”, the price makes no difference for the customer.

The study made by the author leads to the following conclusions:

(1) Even if the price of the product is the highest one, compared with the price of the competition, the customer makes a compromise, and would attempt to buy the respective numbers, with the sole purpose to participate at least once in the play.

(2) The price has importance for the middle consumer, if he is motivated to gain the biggest prize from the prize fund or to earn another award from the prize fund.

(3) The attention of consumers is not directed towards the price, even it is the highest one, but towards the final result which is far off from the motive “price” and the payment of this price.

(4) Availability is an ignoring of the fact that the price is the highest one, in favors of the participation in the play.

(5) Thus however, nevertheless that the price is the highest one (an example with the milk of the Meggle Company), the company makes use of the transference of the customer’s motivation to impose this high price.

(6) The parallel strategy of the company is by means of this strategy to impose the price it requires, all the same that this price may be the highest one towards the prices in the competition.

4. Communication in promotion with prize funds

As a part of the strategic planning, the communication is bound with the entire complex of the marketing mix
decisions. The communication represents all activities, connected with the communication—policy of the company.

The communication policy aims to keep a favorable concept for the company and its achievements. The promotion is a part of the communication policy. The promotion is in every form of communication, used by the company to give information, to create relations, opinion or simply to remind to the people about its services, image, ideas, its social activity (a citation from Hollowity Steven), American marketing, Relaxa Lt.d, Varna 1989.

4.1 Trade mark in promotion with prize fund

The parallel strategy of the company in testing a promotion with prize fund is also to impose the trade mark of the product, the trade mark of the company, and regard the knowledge of this trade mark as an additional element for the end purpose of the company.

4.2 Announcement in stimulation of sales with prize fund

The announcement is an element of the communication mix which, similar to the advertisement, represents a form of non-personal communication. While in the normal publicity, no feedback is available in its implementation, and in announcement with stimulation with prize fund there always exists feedback. From the filled stubs and cuttings of the purchases made, returned back by the buyers, the company may receive a full picture of this, if the announcement works well for the system, and respectively do what is to be done to make the announcement more complete and more effective.

From the way of organization of the announcement, in which media, or manner, binding or not binding one also depends on the effectiveness of the system for stimulation of the sales with prize fund.

The announcement of a concrete system of promotion with prize fund works towards demand of the product most accurately for accomplishment of purchases by the buyers. The purchasers are more interested in accomplishing a purchase and in collecting stub cuttings of the product and subsequently in their participation in the prize fund, than in the knowledge of the trade mark and product. Exactly, here is also the priority of sales stimulation with prize fund, showing it as the best convenient and successful method to be offered on the market from now on.

By means of this system, the purchaser is forced not only to buy the product, but also to attempt and to pay the price.

The price paid has no importance for the buyer, since his end purpose is the participation in the prize fund and the hope to gain the prize by the prize fund.

4.3 Promotional spiral in the vital cycle of the product

An important condition for the success of implementation of a new product on the market and for the imposture of the product in its different stages of the vital cycle are the organization and realization of the promotion with prize fund, their frequency, duration, terms, prize funds.

An important condition of the studies the author makes is the existence of a stage of information for the organization of promotion with prize fund.

A period of time exists which represents a delay of the process of information of the consumers. Let’s call this period “first promotional lag”, since it concerns the time after the start of the promotion.

After this time the consumers are included in the competition to buy the respective product with purpose of taking part in the prize fund.

For Bulgaria, this period varies between 15 and 30 days and depends on the following factors:

(1) The communicational channels by means of where and when the knowledge for organizing of this
The law of promotion with prize fund—The most successful strategy in the current worldwide economic crisis

promotion took place.

(2) The announcement frequency of the promotion.
(3) The availability of quoting advertising materials in the places of sale and the respective access and visualization at the customer’s sight.
(4) The availability of guiding advertisement in radio, TV or another media.
(5) The frequency of the advertisement in promotion with prize fund in newspapers.

Under promotional spiral, we call the time of intervals between every promotion of a product.

4.4 Text of the promotion with prize fund

Text of the promotion with prize fund is a kind of talk on sale with a concrete condition. The fulfillment of this condition on behalf of the buyer, namely, the purchase of a definite number of the product guarantee is participation in the prize fund.

And naturally, is the following motivation. The more efforts the buyer makes for his participation, the more rises his possibility to gain the prize of the prize fund.

Examples: Description of the promotion:
- Only another participant takes part in—not the employees and relatives of Coca Cola;
- Only the original cover gaskets are valid;
- Avoidance of responsibility;
- The prizes represent a well-known product demanded by almost every customer.

An important characteristic is the invasion of a new product whose start has happened before this promotion. The new product is 0.5l bottle. This has been dictated from the fact that 1.5l bottle already less demanded.

4.5 Media plan for promotion with prize fund

The choice of media is very important for the advertising message to reach the auditorium. The basic criterion in media planning is that if a possibility to secure the admittance/publication number needed for the entire auditorium is available. The effect of the campaign depends on the scope/number of consumers and households on which the media acts upon at least once during the period of time determined, the frequency of influence/ the quality value of admittance/publication.

Dependence between the knowledge and exposition is in direct ratio. The larger the scope, the frequency and the impact of admittance, and the larger the knowledge will be.

In the system for stimulation of sales with prize fund the use of media zones where the auditorium is most pliable to influence is imperative.

In planning of concrete media the main argument has to be to define the proper auditorium.

The basic task of the media plan in the promotion with prize fund is the planning of such campaign which has to secure the necessary presence of the advertising text with explanations for the prize fund in all possible media and on the concrete places for sale.

One of the important factors for search of maximum positive result from the promotion with prize fund is:
(1) The availability of the advertising newsheets, pamphlets on the places for sale;
(2) The availability of the advertising text with description of the promotion with prize fund in every media, having sufficient wide consumer’s mass.

4.6 Prize fund in the promotion with prize fund

Typical for the promotions with prize fund is that the proper auditorium is every household, every consumer who is interested in gaining a definite prize fund from a definite prize fund.
For them, the most important factor for the whole proper (purposive) group is not the product, object of the purchase, but the prize fund. The choice of prize fund and prizes, presenting and being of interest for the wide public, for every family, for every consumer makes this system of promotion with prize fund more successful.

As much the prizes in the prize fund represent a social product demanded almost by every customer, as the purposive auditorium shall be identified with more consumers, more households, etc.

If for instance the prize is a car, the wishing people to test their chance and to gain this prize shall be much more than if the prize is for example a microwave stove.

Very important is the choice of prize fund. This prize fund has to correspond to the interests to the respective products for the respective period of time and the respective year in which the promotion with prize fund is organized. While some time ago, every consumer showed interest in prize fund with balls, football shirts, plates, cups, while nowadays, in the first plan for such prizes which may be attractive for the consumer, like DVD devices, equipment for home cinema, etc.

The prize fund went through a development, since the consumers have succeeded to satisfy their interests in the course of this development. The necessities are directed already towards other prizes and other prize fund.

The choice of a prize fund, corresponding to the reality of demand of respective product-prizes at the moment of carrying out the promotion with prize fund is one of the most important conditions for success of the promotion with prize fund.

4.7 Determination of the communication channels

The choice of a medium or media is one of the most important one for the promotion with prize fund. And this depends mainly on the effectiveness of the promotion and hence the respective turnover, profits, when they shall be generated.

If the TV would be used as a communication carrier, the message for promotion with prize fund has to have only guiding character and to direct the consumer where they could find the pamphlets needed: in which places of sale, in which shops or other places—the printed materials needed for participation in the prize fund. A farther condition must be the availability of stubs for participation on the promotion with prize fund on places for sale.

Especially important for the promotion with prize fund is the organization for delivery of the products for participation in the prize fund and which purchase is a condition for participation in the prize fund to the places for sale.

The company dealer/distributor or producer provides the availability of the gods on the places for sale. Otherwise a disappointment may occur in the purchasers, that this product is missing on the market, and respectively to fall the degree of confidence to the promotion with prize fund of the company.

In the promotion with prize fund, necessary is a real planning about when and how frequently have to be printed and distributed the stubs for participation in the promotion.

If the medium daily newspaper is used, a preliminary planning of the dates for printing of the stubs for participation must be made. In the promotion with prize fund a feed back is always available, defined by the stubs sent or pamphlets with filled up data and proofs for the items of the respective product purchases. Thus the effectiveness of the advertisement in the respective newspaper may be always defined.

If the radio is used as communication carrier, since this medium is more expensive than the medium-newspaper, it would be proper the advertisement in the radio to have only guiding character—where are to be found the stubs for the promotion (Porter, 1999).

While at the TV and radio no feed back is to be received for the purchases made (about the number of
participants, the number of stubs) this may be received at the newspaper.

A feedback may be also received, when the stubs or the pamphlets for the promotion with prize fund are received on the place for sale.

Thus may be controlled the knowledge and the grade of information for the consumers and buyers about the promotion. Thus may be received also information about the effectiveness of the respective medium as a communication medium and channel.

4.8 Determination of the communication budget in the promotion with prize fund

Different methods exist in the practice which is used for assessment of the communication budget, as a method of the means available, a method of percent of the purchases, method of the competition equality, a method according to the purposes, a method according to the advertisement budget of the competition, a method according to the saturation of the market, etc.

In assessment of the communication, budget at the promotion with available prize fund is how about another situation.

The most important difference compared with every other advertisement is the fact that in promotion with prize fund, a feedback is available, which immediately may give an answer about the effectiveness of the publication of the stub for participation or the pamphlet for participation in a concrete medium.

However, important conditions for the receiver of a good feedback to give a good result are:

- The availability of the advertising newssheets, stubs, pamphlets at the places for sale;
- The availability of an advertising text with the description of the promotion with prize fund in all media, to which the wide consumer’s mass has an access.

5. Conclusions

The most important thing for the promotion with prize fund is the co-ordination and combination of the choice of the proper structure of the prize fund in dependence on the structure of the clientele.

As an additional important factor which is also the enlargement of the clientele by means of including in the prize fund of prizes which have to exist interest for exactly defined new future consumers.

Through the system—stimulating of the sales with prize fund is done:

- management of the demand;
- management of the consumption;
- management of the sales;
- management of the production.

Availability in this system is continuous feedback which contributes to the better and more effective management of the indices above.

The conclusions included in the examples listed are the following: the companies do not consider always the following factors:

(1) Analysis of the place of the respective product in the vital cycle of the product;

(2) Analysis of the structure of the clientele of the respective product;

(3) The choice of the respective structure of prize fund depending on the structure of the clientele;

(to be continued on Page 57)