ABSTRACT. During the economic turndown, the purchasing power of consumers all over the world has considerably dropped, effecting consumer confidence and trust. Supermarkets are applying various mixes of promotional activities to make customers return to the supermarkets, as there are clear signs of their switching to cheaper alternatives of farmers’ markets, corner shops and local groceries. Therefore, supermarkets have a tough task to lure their customers back by effective planning activities in sales promotion, especially with inflation getting momentum and increasing prices in Lithuania. The paper investigates the planning process for sales promotion on the theoretical level and on sales promotion activities as performed at major Lithuanian supermarkets in 2010, primary data obtained through the method of observation.

JEL Classification: M31, P2

Keywords: promotion mix, sales promotion, planning, supermarkets, Lithuania.

Introduction

“The regulation of sales promotions in retail markets has recently become an important policy issue in Europe, and the European Commission has started a consultation process aimed to homogenize the regulation on sales promotions in the European Union” (Aguirregabiria, 2002, p.2). According to Chandon (1995), “more than 200 studies on sales promotions have been published in the past 10 years, compared to about 40 studies between 1965-1983 (Blattberg and Neslin 1990)”. We can only assume how many more papers and research studies have been completed in the meantime, since 1995, which another 15 years onwards.

Producers and retailers on equal rights seek to maximize their profits, even in economic turndown, as it has been witnessed in Lithuania in 2008-2010. Experts of the Institute of Free Market (Vilnius, Lithuania) have emphasised that the prices for most commodities and foods have risen twice, when comparing to the same period of last year. Sales promotions and advertising activities taken together constitute a large proportion of total marketing expenditure in most services and consumer goods’ companies; nevertheless, they remain an area given less strategic consideration or attention than any other aspect of the promotion mix (Srinivasan and Anderson, 1998; Grundey, 2007).
Profits usually consist of two variables: a) appropriate pricing strategy and b) sales volume. The main purpose of sales promotion is to focus on the second variable (as it might appear later in the discussion, it is often done through modifying the first one). Due to this, retailers must manage to find the best application of sales promotion, which would not only stimulate the customers’ purchasing decision but also lead to customer satisfaction as customers turn to be more confident in their product or service choice. Therefore, the factor of consumption volume might be omitted in most cases (Fornell et al., 1985). Fam et al. (2005) pointed out that consumption on specific holidays, like Christmas, or change-of-season sales should be considered on equal rights.

_the main research goal_in the paper would focus on sale promotion activities as being performed at four major Lithuanian retail chains: a) MAXIMA, b) IKI, c) RIMI, and d) NORFA.

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**Figure 1.** Logic sequence of current research on sales promotion at major Lithuanian supermarkets  
*Source: created by the author.*

The research tasks of the current survey would focus on (see Figure 1):

1. Defining the theoretical framework of sales promotion.
2. Discussing the promotional tools as used in sales promotion for customers and traders.
3. Illustrating the theoretical sales promotion tools for a) customers and b) traders with effective sales promotion techniques as witnessed in four major Lithuanian supermarkets (MAXIMA, IKI, RIMI and NORFA).

### 1. Theoretical Framework of Sales Promotion

1.1 Defining sales promotion and its functions

Sales promotion is one of the four aspects of a promotional mix, which itself is incorporated in the core marketing mix (the 4 P’s: Product, Price, Place, Promotion) (see Figure 2). It works alongside a) advertising, b) personal selling and c) public relations, each serving to fulfil a different function in stimulating promotion of products and services (see Figure 2).

Solomon and Stuart (1997) define sales promotion as short-term programs aimed at building interest in, or encouraging purchase of, a good or service during a specified time
period (Solomon and Stuart, 1997). To put it into perspective, Kotler and Armstrong (2001) provide a comparison of sales promotion and advertising: “Whereas advertising says, “Buy our product,” sales promotion says, “Buy it now.” Sales promotion effects are often short lived, however, and often are not as effective as advertising or personal selling in building long-run brand preference.” In summary, it could be stated that sales promotion is a short-term tool, aimed at immediately increasing sales volume, especially in seasonal sales promotions.

Sales promotion usually performs three functions (Scholz, 2008; Grundey and Bąkowska, 2008; Žvirelienė et al., 2008; Pranulis et al., 2008; Dutu and Halmajan, 2009; Grundey, 2009; Propescu et al., 2009; Solomon et al., 2010):

1) creating economic benefits and informing customers upon (i.e., making them aware of) immediate product purchase;
2) creating customer awareness of a specific product or service, attracting their attention, especially in the point-of-purchase environment;
3) providing the customer with various perks of choosing a specific product, service, brand, or retailer.

1.2 Planning for sales promotion – a theoretical standpoint

Planning is the key to successive sales promotion. Before beginning to promote a product, an opportunity or a need must be identified, objectives of the promotion must be considered. The main objectives of consumer-aimed promotion were listed above. After the objectives have been decided on, details must be decided on: specific promotional tools, time-frame and budget. Afterwards the plan has to be executed. Implementation of a sales promotion plan requires certain cooperation between retailers and manufacturers. Finally, it is important to note the results of a sales promotion campaign, whether it was successful or not. Modifications to the plan should be applied as needed.

When speaking about sales promotion planning, one must also consider by whom the sales promotion is initiated: the retailer or the manufacturer. Different tools are used and emphasized by these two initiators of sales promotion. Retailers more often use tools such as loyalty programs and various price reductions or two-for-one deals, whereas manufacturers can initiate the use of point-of-purchase displays, fund product demonstrations and tastings,
offer gifts with purchases (Schultz et al., 1998). The goals of retailers and manufacturers are slightly different too: while they both seek to maximize profits (through increased customer loyalty, sales volumes, etc.), retailers do not actually care to increase the sales of a specific product, but sales as a whole. Manufacturers, understandably, only wish to increase the sales of their own products. The goals of these two stakeholders are not always compatible. For example, if a retailer chooses to become a price leader, thus increasing their total market share, it can cause certain manufacturers, because of small profit margins, to decide against selling their products via that particular channel. Things such as these must be considered when constructing a sales promotion plan. Solomon et al. (2010) indicated that promotional plan could be viewed from four major perspectives, namely:

1) **Objectives for the promotion**: What measurable change do you wish to achieve?
2) **Budget**: How much do you intend to spend?
3) **Messaging strategy**: What do you plan to say? Who is the target of the message?
4) **Media strategy**: Which channels do you plan to use?

The following scheme could be developed for planning for sales promotion (**Figure 3**), defined further in more detailed steps:

1. Recognize a need/an opportunity for increased sales (seasonal, decrease in sales, etc.);
2. Analyzing opportunities for, and planning the use of, different sales promotion tools:
   1. Specific tools;
   2. Budget;
   3. Length;
3. Implementation;
4. Feedback;
   4.1. Did actual sales increase; can this be attributed to the sales promotion effort?
   4.2. Customer survey, other methods;
5. Modifications to sales promotion plan, if needed.

The suggested sales promotion plan could be developed and adapted considering what Schultz et al. (1998) indicated towards the psychographic type of the consumer, which could have direct influence on sales promotion plan adjustments. Psychographic behaviour of consumers was also detailed by Grundey (2008). From the point of view of Schultz et al. (1998, p.20) five typologies of consumer segments could be identified: 1) current loyalists (those people who buy the “right” product or service most or all of the time); 2) competitive loyalists (people who buy a competitor’s product or service most or all of the time); 3) switchers (people who buy a variety of products in the same category); 4) price buyers (people who constantly buy the least expensive brand); 5) non-users (people who do not use any product in the category).

Boone et al. (2010, p.485) point out the environmental factors, which effect the sales promotional planning, namely: “the nature of the market; the nature of the product; the stage in the product life cycle; the price; and the funds available for promotion”.

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**Figure 3. Proposed planning steps for sales promotions**  
*Source*: created by the author.
1.3 Sales promotion objectives

While sales promotion is a short-term tool, as stated by Solomon and Stuart (1997) and Somolon et al. (2010), it should be used to further a company’s long-term goals, i.e., it should encourage the target of the promotion to pick the same product later on as well. The objectives of consumer-aimed promotion most often are as follows (Kotler and Armstrong, 2001):

- stimulate impulse buying;
- encourage stocking up on a product;
- lure away customers from competition;
- reward loyal customers;
- convince people to try a new product.

Boone et al. (2010, p.471) additionally indicate that marketers identify five objectives for promotion: 1) provide information to consumers and others; 2) increase demand; 3) differentiate a product; 4) accentuate a product’s value; 5) stabilise sales.

Sales promotions sales targeted to consumers encourage purchase or build interest in a product during a specified time period. The key element of sales promotions is its limited-time nature (Boone et al., 2010).

Mullin and Cummins (2008) have enumerated sales promotion techniques in the following manner (without indicated the consumer-trader perspective): off-the-shelf-orders, joint promotions, price promotions, premium promotions, prize promotions and international sales promotions. Joint promotions could an answer for emerging markets, when companies could save on promotional budgets by joining their efforts in sales promotion activities (Varadarajan, 1985).

The following is a list of the main sales promotion tools according to the function performed (Kotler and Armstrong, 2001; Solomon and Stuart, 1997):

1. Economic benefits:
   a. Coupons
   b. Refunds/rebates
   c. Reductions in prices (price deals)
   d. Loyalty programs
   e. Two-for-one deals

2. Customer attention:
   a. Point-of-purchase displays
   b. Samples
   c. Product demonstrations, tastings
   d. Product catalogues (seasonal, showcasing discounts, etc.)

3. Perks:
   a. Contests/sweepstakes
   b. Gifts with purchase (can also be considered an economic benefit, depending on the point-of-view of individual customers)
   c. Souvenirs

More promotional tools would focus on economic benefits of an immediate product or service purchase. Most of these tools are also time-limited, thus urging the consumer to buy now, as if saying “Buy today, because tomorrow it will cost more.” Also, a large part of sales promotions are coordinated by retailers who rarely focus on specific brands, thus negating any benefits for brand loyalty. These two facts are proof for Kotler and Armstrong’s (2001) statement that sales promotion is a short-term tool.
2. Sales Promotion Tools for Customers and Traders

In order to define promotional tools, as practiced towards customers and traders, the viewpoint of Solomon et al. (2010) will be adapted here.

2.1 Sales promotion tools for customers

From the perspective of sales promotional tools used towards customers, Solomon et al. (2010) indicated three major types, namely (see Figure 4):

1) price and value discount promotion tools,
2) visibility increasing promotional tools,
3) volume increasing promotional tools.

In this subchapter, the explanation of each type of sales promotional tool will be explained with illustrations from the practice in Lithuanian supermarkets, as investigated by the author, using the method of observation.

Price or value discount promotion tools include coupons for packaged-goods products (Solomon et al., 2010). These days in Lithuania, various supermarkets offer from 20-45% or more discounts (in individual case, up to 75% discounts are valid in sales for the end-of-season goods) on weekends or holiday season for consumables. Other cases include special deals at the start of the season or introducing a new product or service into the market – these measures could support loyal customers and win the new ones. At the time of writing this paper, the season of All Saints Day was approaching in Lithuania. What has been noticed is that during the last weekend in September (i.e., 25-26th September, 2010) supermarkets, esp. Norfa, started offering stacks of cemetery candles, way too early for 1st November, which is All Saints Day, and people in Lithuania as in most Catholic countries go to cemeteries to pay respect to their relatives who passed away.

In addition to coupons, companies place in newspapers, send by mail (or by mobile phone), or offer on a Web site, a marketer may offer a temporary price reduction at the store or offer a rebate (Solomon et al., 2010). “A rebate refunds part of the purchase price” (Solomon et al., 2010), but in Lithuania a person does not have to fill in any requested forms (unless in apparel shops) as most of Lithuanian supermarkets have introduced loyalty cards, where a percentage of the purchase amount is being accumulated over the time and a customer can use the accumulate sum up on the next purchase. Only recently (in September,
2010), the supermarket RIMI has introduced a loyalty card “Mano Rimi”, whereas other supermarkets have such rebate cards in Maxima, IKI and Norfa long ago.

Bonus packs deliver more of the same product without any extra cost for a customer. Usually hygiene and cosmetics products tend to adopt this strategy, e.g. 20% extra toothpaste in the packaging for the same price of 250ml toothpaste tube. But it also works very well with foods. It has been noticed that a lot of people in Lithuania has lost strong purchasing power due to loss of jobs or decreased pensions and other household income. Therefore, during the economic slowdown Lithuanians would shop for intensively for value and price discount promotions, searching for them over Internet, newspapers, leaflets from supermarkets, which flock post boxes with promotional booklets, leaflets and other printed versions of their sales promotions. It is interesting to note that Lithuanian supermarkets tend to choose a start day of the week for their price and value promotions, e.g., Maxima always starts its discount promotions on Tuesdays for the whole coming week and has special discounts on weekends.

Visibility-increasing promotion tools include, e.g., a premium, which is “a free item you receive if you purchase another item” (Solomon et al., 2010). Premiums are very popular in hygiene products market, e.g. a pack washing powder could be blocked together with a free fabric conditioner (small size of course); or a bottle of washing up liquid Fairy might have a free washing sponge attached to the bottle; or a bottle of shampoo with a free hair conditioner. This practice is extremely popular in Lithuanian supermarkets and guarantees nearly 100% customer loyalty in such cases and increase in sales.

“Contests and sweepstakes offer the opportunity to win an exciting prize” (Solomon et al., 2010), not actually connected to the place of shopping. “The difference between the two is that a contest is a test of skill, whereas a sweepstakes is simply based on luck” (Solomon et al., 2010). Sweepstakes might obtain various forms in Lithuania (though Solomon et al., 2010, emphasize that an entry form should be filled in). The most popular form is collecting a certain amount of items (e.g. bottle caps from Coca-cola or a national brand soda drink) and exchange then into a souvenir. Currently, a game took place in Maxima supermarket (ended 27th September, 2010), called “The Cosmic Balls”, when customer was given 3 pre-packed round plastic balls with every purchase of 30 Litas. It was aimed at children, as adults are not likely to be interested in collectables like that — therefore, some moral-ethical problems have occurred. Children got into the “hunting and exchanging” mania of cosmic balls to complete a certain set of balls, which could lead to winning a holiday to Warner Bros Company in the USA. Therefore, a gambling element is present here.

Volume-increasing promotion tools for customers could include sampling, which is “a popular (though expensive) promotional tool” (Solomon et al., 2010). “Food and beverage companies often provide free samples to consumers to give them a chance to try a new product for free” (Solomon et al., 2010). Lithuanian supermarkets adopt this sales promotion tool to a wide extent, especially foods, which have to be boiled, heated or grilled; as by entering the supermarket, a customer might immediately smell the food being cooked and offered on trial. Dairy products are No 2 of popularity in Lithuanian supermarkets to be sampled on regular basis, especially when dairy products of foreign competitors enter the market from Latvia, Poland or Estonia. Another food, winning the hearts and minds of Lithuanians, is salads, prepared by the supermarket’s chefs themselves; therefore, samples of a variety of salads could be for trial, especially when introducing the new ones on the market or promoting the most expensive ones in the range.

“Loyalty programs reward consumers for their frequent, continuing purchase of a product” (Solomon et al., 2010). As observed in Lithuanian supermarkets, they all issue loyalty cards for customers, though the loyalty programmes do differ amongst themselves. Usually a customer attains 1% of the total purchase value on to the loyalty card, this valid for the newly introduced RIMI loyalty card “Mano Rimi”, MAXIMA loyalty card “ACIU”. To
obtain a loyalty card a customer has to purchase it for 10 Litas (approx. 2.90 Euros), but in the case a new introduction (like RIMI recently has introduce its first loyalty card since September 2010), a card could be obtained for free for a certain period (in the case of RIMI – till the end of 2010); and in the case of IKI Premija card it is for free at any time.

In case of NORFA, the loyalty card works in a more motivated way, as the discounts are offered upon the amount spend in the supermarket (please, compare in Table 1).

Table 1. Types of discounts with a loyalty card at the supermarket RIMI in Lithuania, 2010

<table>
<thead>
<tr>
<th>Immediate discount per purchase</th>
<th>Amount spent on purchases (in Litas)</th>
<th>Discount for accumulative purchases in the past month</th>
<th>Amount spent on purchases (in Litas)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-2%</td>
<td>from 50 to 100</td>
<td>-1%</td>
<td>from 0 to 250</td>
</tr>
<tr>
<td>-3%</td>
<td>from 101 to 200</td>
<td>-2%</td>
<td>from 251 to 500</td>
</tr>
<tr>
<td>-4%</td>
<td>from 201 to 300</td>
<td>-3%</td>
<td>from 501 to 1000</td>
</tr>
<tr>
<td>-5%</td>
<td>from 301 to 400</td>
<td>-4%</td>
<td>from 1001 to 2000</td>
</tr>
<tr>
<td>-6%</td>
<td>from 401 to 500</td>
<td>-5%</td>
<td>from 2001 to 3000</td>
</tr>
<tr>
<td>-7%</td>
<td>from 501 to 1000</td>
<td>-6%</td>
<td>from 3001 to 4000</td>
</tr>
<tr>
<td>-8%</td>
<td>from 1001 onwards</td>
<td>-7%</td>
<td>from 4001 to 5000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-8%</td>
<td>from 5001 to 10000</td>
</tr>
</tbody>
</table>


IKI Premija card went one step further. This card also works as a debit card; a customer can transfer money on to it (usually 50 Litas deposit is requested when ordering a new loyalty card, which is later available for spending on the customer’s purchases), or money can be returned the supermarket IKI on special sales promotions, e.g. when a customer purchases a bottle of garlic source for 8.99 Litas, 3 Litas are returned for the customer directly onto IKI Premija card if a person has it available. Therefore, some of Lithuanian population (esp. Seniors), prefer this loyalty card, which guarantees rebate.

2.2 Sales promotion tools for traders

Trade promotions are aimed at retailers or wholesale distributors, sometimes at company’s employees as well, as they the intermediaries between the producer and the final customer. Trade promotions fall into two main categories: a) discount promotions and b) visibility-increasing promotions (Solomon et al., 2010) (Figure 5).

Even though sales promotion tools for traders are not the immediate focus of this research, for the purpose of the clarity and complexity of the research object, a short review is performed here using the method of primary data gathering – observation.
Figure 5. Trade promotion techniques
Source: adapted from Solomon et al., 2010.

“Discount promotions offer the trade partner a reduced cost on the product or help to defray the partner’s advertising expenses” (Solomon et al., 2010). Discount promotions further fall into two categories, namely: 1) merchandising allowances, and 2) case allowances.

“Merchandising allowances are price breaks the manufacturer offers to its channel partners when it reimburses the retailer for in-store support of a product, such as a special off-shelf or end-of-aisle display of the product” (Solomon et al., 2010). This tool is very popular in Lithuanian supermarkets and widely used to promote new editions of coffees, teas, chocolates, soda water, etc. Also seasonal products could be of the choice for merchandising allowances, e.g. when autumn is approaching, most Lithuanian supermarkets use POP (point-of-purchase) displays for local honey products, herbal and healthy-style teas as preventive measures for colds and flu.

“Case allowances are a discount the manufacturer offers to the channel partner based on the volume of products it buys during the deal period. The greater number of products the partner buys, the greater the discount” (Solomon et al., 2010). The same could be applied to customers, if they buy in bulk, e.g. a pack of 6 soda bottles (Maxima encourages customers to buy in bulk and discounts are quite obvious, e.g. a 1.5L bottle of Nestea Green Tea drink is priced at 4.29 Litas, but if purchased in no less than 6 bottles at a time, the price per bottle drops to 3.69 Litas). Therefore, this tool of sales promotion is seconded further to the final consumers as well.

Within the range of visibility-increasing promotions, 1) industry trade shows and 2) incentive programmes could be in the spotlight.

“Industry trade shows are events at which manufacturers showcase their products, often in elaborate, attention-getting booths or through giveaway samples and product information” (Solomon et al., 2010).

As Lithuania is popular with their trade-exhibitions, placed in the Lithuanian Exhibition and Convention Centre LitExpo in Vilnius, the capital city of the country, supermarket dealers might have a chance of inquiring on new arrivals and innovations in products (refer to Table 2 for the upcoming events at LitExpo in autumn 2010).
Table 2. Upcoming industry trade shows in the Lithuanian Exhibition and Convention Centre LitExpo, Autumn 2010

<table>
<thead>
<tr>
<th>No.</th>
<th>Upcoming industry trade show</th>
<th>Date</th>
<th>Short description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>CITY.REAL ESTATE 2010</td>
<td>2010 September</td>
<td>Sustainable Development, Investment Projects, Real Estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30/09 – 02/10</td>
<td>Sustainable Development, Investment Projects, Real Estate</td>
</tr>
<tr>
<td>2.</td>
<td>VILNIUS INVEST 2010</td>
<td>2010 October</td>
<td>Investment possibilities, personal finance, securities, pension funds, insurance, corporate finance, law and tax services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14/10 – 16/10</td>
<td>19th International Trade Fair for Textile and Apparel Materials, Goods and Innovations</td>
</tr>
<tr>
<td>3.</td>
<td>BALTIC TEXTILE AND LEATHER 2010</td>
<td>2010 October</td>
<td>Sustainable Development, Investment Projects, Real Estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14/10 – 16/10</td>
<td>Sustainable Development, Investment Projects, Real Estate</td>
</tr>
<tr>
<td>4.</td>
<td>BALTSHOP.BALTHOTEL.BALTGAS TRO 2010</td>
<td>2010 November</td>
<td>HoReCu Equipment and Gastronomy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>04/11 – 06/11</td>
<td>HoReCu Equipment and Gastronomy</td>
</tr>
<tr>
<td>5.</td>
<td>BAF 2010</td>
<td>2010 October</td>
<td>Baltic Food and Beverages Fair</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14/10 – 16/10</td>
<td>Baltic Food and Beverages Fair</td>
</tr>
<tr>
<td>6.</td>
<td>BABY LAND 2010</td>
<td>2010 November</td>
<td>Mothers’-to-be and Babies’ Care Goods, Toys, Games, Nursery, Children's and Youth's Furniture, Clothes and Footwear for Children and Youth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>04/11 – 06/11</td>
<td>Mothers’-to-be and Babies’ Care Goods, Toys, Games, Nursery, Children's and Youth's Furniture, Clothes and Footwear for Children and Youth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>19/11 – 21/11</td>
<td>Mothers’-to-be and Babies’ Care Goods, Toys, Games, Nursery, Children's and Youth's Furniture, Clothes and Footwear for Children and Youth</td>
</tr>
</tbody>
</table>


“Incentive programs, also known as push money, give salespeople or channel partners free trips, cash bonuses, or other gifts as a reward when they sell the manufacturer’s product” (Solomon et al., 2010). “For example, Revlon may give incentives to manicurists to recommend Revlon products to their clients” (Solomon et al., 2010). Such practice in Lithuania would be branded as corruption and illegal practice.

Conclusions

Considering tough economic conditions after the 2008 financial crisis, still focusing on globalisation and strategic decision-making on international level, and realising the decreasing purchasing power of consumers, retail business of supermarkets in Lithuania are experiencing not the best of their times. In order to lure consumers back to the shopping centres and supermarkets, their managers consider a series of sales promotion techniques even facing the necessity of increasing prices in several food sectors, such as dairy products, bread and meats.

Therefore, a theoretical overview of possible sales promotion tools was performed, considering two major perspectives: a) consumer’s level; b) trader’s level. It has been discovered by the means of primary (through observation) and secondary (through cabinet research) data gathering that major supermarkets in Lithuania (MAXIMA, IKI, RIMI and NORFA) apply identical set of sales promotional tools, though they vary in the content and conditions of application, as it was proved via the example of loyalty cards.

As it has been concluded that Lithuanians are mainly shopping for goods and services which are on sales or being promoted, therefore, the efforts of competing supermarkets are directly towards effective sales promotion planning, the scheme of which was presented in the paper.
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