

Important Reading for ALL Marketers

MOST PURCHASE DECISIONS ARE MADE AT POINT OF SALE

By Professor Derrick Dickens

Some startling results were obtained by research commissioned by the Point of Purchase Advertising Institute (POPAI) which should force marketers to re-evaluate their strategic thinking and re-allocate their promotional budgets quite drastically.

The studies on consumer shopping behaviour showed that a high proportion of all purchases in supermarkets, chemist shops and other retail outlets are totally unplanned. In a general sense, this means that many product - and brand decisions are made in-store at point of purchase rather than as pre-planned purchases beforehand. Which has major implications in your consideration of point of purchase materials, packaging and promotions. It is patently clear from these studies that these play a role - perhaps the major role - in influencing unplanned purchasing and increasing sales.

The 1995 POPAI consumer habits study, compared shoppers planned purchases obtained during entry interviews and actual purchases during exit interviews and it was possible to classify every brand purchase into one of four types of consumer behaviours:

1. Those specifically planned, where the customer had indicated an intention to buy. 30% in supermarkets and 26% in mass merchandise stores
2. Generally planned where there was intent to buy a specific product but with no brand in mind. - 6% in supermarkets and 18% in mass merchandise stores
3. Substitute purchases where the product or brand indicated was not purchased (pure brand switching) - 4% supermarkets 3% mass merchandising stores
4. Unplanned purchases where there was no prior purchase intent - 60% in super markets and 53% in mass merchandising stores

The results show a 70% in-store decision rate in supermarkets and 74% in mass merchandising stores. Which means your advertising investment in building brand awareness and brand equity is only responsible for filling 30% of a consumers shopping trolley the rest is being usurped by in-store promotions, which appear to be a major component in brand switching.

The majority of marketing budgets allocate no more than fifty percent to below the line, out of which couponing usually only has an insignificant proportion . If you are spending three to four times more on advertising than you are on in-store promotions, (and their effect on sales is 70%), then there is something radically wrong with your marketing budget.

You also need to reassess your allocations to the various promotional activities and there is no doubt that the use of coupons is far more effective and in most cases, more cost effective than other forms of promotion such as premiums, sampling, discounting, competitions and sweepstakes especially when launching new products.

There is less hassle in producing coupons. You merely have to print them. The Coupon Clearing Bureau takes care of all your coupon administration, acts as a watch dog in cases of fraud and refunds the retailer promptly, often acting as a banker for you.

There are numerous ways of distributing and presenting coupons from neck labels to on-pack, in-pack, peel off coupons, to in-store dispensers and machine delivered coupons, to the use of free standing inserts and run off paper advertisements. In each case systems and organisations are in place to ensure a smooth and efficient operation. All you have got to do is brief them.

Bearing in mind that the majority of purchase decisions are taken at point of purchase you need to have a constant presence with coupons closing the loop from advertising to promotions. The essential truth is : Advertising moves the consumer towards the product. It tells them about the benefits, its uses, its price, and where to find it. Sales promotion on the other hand is all those activities that move the product towards the customer. You can't do one without the other, you need to close the loop. Coupons offer you the best, most efficient and cost effective way of getting your product into the consumers hands.

Seriously consider using coupons when launching a new product, or revamping a brand, you can not do better. If you are looking for increased market share from your competition, coupons are the way to go. Remember. research shows that coupons are responsible for brand switching at point of purchase. Their effect is as high as 50%. POPAI (Point of purchase institute) research shows that the average American housewife only walks out of a supermarket with 30% of her basket containing planned purchases, the remaining 70% of purchases are the effect of point of sale promotions and brand switching.

What better way of promoting your product than by having a coupon on pack, or a coupon in a shelf dispenser right next to your pack, in strong contention with your competitors on the same shelf, especially if they are offering no additional benefit. It is a wonderful way of pulling light or non-users into choosing your product above their regular brands. Coupons, although on the surface appear to be an expensive promotional tool, are in fact highly cost efficient and economical, especially if you consider the important role they play in brand switching and affecting ensuring repurchases. They present the least logistical complications of all sales promotion techniques

Coupons work, they are one of the most important weapons in a marketers armaterium. Coupons are essentially vouchers that offer a tangible reward against the purchase of a specific product or brand. Coupons enhance sales, build brand equity and maintain market share by rewarding loyal customers.

Remember never to loose sight of that fateful statistic:

70% of all in-store purchases are not preplanned they are promotionally driven.