

Trade Promotions Examples

Examples of Introductory Promotions

NAME OF PROMOTION & DEFINITION	AMOUNT*	TIME PERIOD	METHOD OF PAYMENT
1. Basic Introductory Allowance- a specific amount (in goods, dollars or percent) that is subtracted from your regular price during a specific time period.	Percentage, dollar amount, free goods, eg: 10%, \$5 per case, or 1X case free with 5, etc.	For the first order, or for specific dates such as June 1 to August 3, or for all orders for the first 90 days, etc.	Usually reflected on the face of the invoice (i.e. subtracted from or taken "off invoice). You can pay in cash, credit, or free goods
2. Free Goods (Also Called Free Fill or Set-Up) – a specific number of cases of product that you give to the purchaser to secure listing and/or shelf stocking.	Free goods, 1 case for stores, or 500 cases total, or 3 free with 10 purchased.	Open, or 90 days from offer, Or June 1 to September 30, etc.	Free Goods are shipped at no charge.
3. Slotting Allowance (Also Called Stocking Allowance) - a specific dollar amount that is paid "up front" to obtain a warehouse "slot" and/or placement on store shelves.	\$5,000 to \$25,000, or cash equal to 500 cases, or cash equal to 2 cases per store.	Usually account specific	Check (Free goods are usually not accepted.)
4. Buy-Out Allowance (Also Called Set-Up Allowance)—This is an agreement to pay for the removal of goods to clear shelf space for your product. A buy-out allowance is usually tied to an introductory deal in your goods.	Usually the retail value of the goods removed.	Usually account specific	Check
5. Trial Size Allowance —This promotion is a small or trial-size package that is usually arrayed in a shipper display and pre-priced to give the retailer a very good margin.	Usually a 50% gross margin. Sometimes a trial-size allowance includes an extra handling or display allowance.	For all purchases of the specialty marked trial goods..	All discounts are usually reflected on the face of the invoice.

**All numbers used are figments of the author's imagination and should be interpreted as examples.*

Examples of Regular/Scheduled/Repeat Promotions

NAME OF PROMOTION & DEFINITION	AMOUNT*	TIME PERIOD	METHOD OF PAYMENT
1. Basic Purchasing Allowance This is a specific amount (in goods, dollars or percent) that is subtracted from your regular price on goods that are purchased during a specific time period.	10%, or \$4 per case, or 1 free with 9, etc.	Shipments between April 1 and June 15, final order June 8, or any Consecutive 49 days between January 1 and June 30, or on orders received by August 30 for shipment between September 1 and September 30.	"Off" invoice or bill-back
2. Movement Allowance (also known as Consumption, Count and Re-Count or Depletion Allowance) In this promotion a specific amount (in goods, dollars, or percent) is paid for goods "sold" by your customer during a specific time period.	10%, or \$4 per case, or 1 free with 8	Specific from to dates.	The "amount" multiplied by cases "moved" ("consumed" or "depleted") usually paid by check.
3. Shipper Allowance In this promotion a retailer purchases goods in a multi-case display shipper container. The goods are purchased at a discounted price.	Variable, should report in a higher retail margin at the promoted retail price	While the product is available. Sometimes available amounts are limited and/or allocated.	Usually invoiced at discounted price
4. Performance Allowance (also known as Advertising, Display, Reduced Price, Bill-back, Co-operative, or Theme Allowances) In this promotion the customer performs a specific activity (such as feature, display, etc.) requested by the supplier. In return, the supplier pays a specific amount for cases purchased or sold. <ul style="list-style-type: none"> • In Ad Coupon In this Performance Allowance strategy, a retailer runs a "cents off" coupon in a newspaper ad, mailer, or circular for the supplier's product. For example, a supplier will pay a retailer the face value of the coupons plus a handling allowance for all properly redeemed coupons. • Reduced Price In this Performance Allowance strategy a supplier will discount customer purchases for a specific amount per case over a specific time period to cover promotion costs. 	Variable. Retailers expect to cover their costs to perform the activity required, and earn extra margin on goods sold	Usually defined within specific dates.	The customer bills ("bills back") the supplier, attaching "proof of performance" such as advertising copy, etc.
5. Sampling Allowance In this promotion a supplier offers an allowance on the condition that the retailer open and give sample product to consumers.	1 free jar in 12, separate free units of goods for sampling (usually in not-for-resale packages).	Variable	Usually goods are shipped at no charge.

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Examples of Specific Activity Promotions

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2. Free Goods (Also Called Free Fill or Set-Up) – a specific number of cases of product that you give to the purchaser to secure listing and/or shelf stocking.	Free goods, 1 case for stores, or 500 cases total, or 3 free with 10 purchased.	Open, or 90 days from offer, Or June 1 to September 30, etc.	Free Goods are shipped at no charge.
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5. Trial Size Allowance —This promotion is a small or trial-size package that is usually arrayed in a shipper display and pre-priced to give the retailer a very good margin.	Usually a 50% gross margin. Sometimes a trial-size allowance includes an extra handling or display allowance.	For all purchases of the specialty marked trial goods.	All discounts are usually reflected on the face of the invoice.

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Low-Budget Promotions that Work

DETAILS OF HOW THE PROMOTION WORKS:

"Shelf talker" or point-of-sale material	<p>"Product-in-use" photo on the shelf talker should be done with class and style. It shouldn't scream your name or look too much like your package. Instead of duplicating your package, show how the product will look at home when the consumer uses it. For example, show a bowl of soup, the pasta, and your sauce on the table.</p> <ul style="list-style-type: none"> Put the material in each case and distribute it as you ship your product, with a note to the retailer that explains how it will work. <p>If you have alluring, point-of sale material some stores (especially specialty food markets) will let you put it up. Larger markets may not let you do this. Your best chance of getting shelf talkers displayed next to your product is with independents who are interested in selling your product. You may want to discuss use of point-of-sale materials with retailers and make agreements as to their use.</p>
"In-pack" messages/Cross Selling	<p>The essence of this promotion is packing something inside your product that promotes your entire product line. This makes sense because if you have more than one product, your consumers may want to try other items.</p> <p>Consider packing:</p> <ul style="list-style-type: none"> Certificates to be redeemed via mail for a coupon, catalog, book offer, mailing list, invitation, etc. In-packs work best in chains. Hang tags work best in specialty food markets.
Classified (or small space) ads in local newspapers in the store's marketplace	<p>The classified ad will announce that you're so proud that you and Joe's Gourmet Market, for example, are now working together. There should be a minimum order that goes along with this. A similar strategy is to place an ad within the retailer's ad.</p>
Publicity / Press Releases	<p>Ask a store if they mind if you send a press release to the local food editor announcing that your product is now available locally.</p> <ul style="list-style-type: none"> Use editorial space to support / promote retail outlets on the local level. Send the food editor a sample of your product along with your press release. This doubles or triples the chances that the item will get written about. Include the retail price, a list of local stores that stock it, including the one that's just taken it on.
Newsletters	<p>The week before one of your products is going to be on special or demo-ed, ask the retailer if they'll put a newsletter that you provide in every bag that goes out of the store. The bag stuffer says: "New, to Beta Market, Sally's Lemonade. Demo next week." This is an inexpensive way to build traffic for the retailer, and create some excitement around your product. If your product has a story for the consumer, it helps enhance the retailers' image as supporting other high quality companies.</p>
Consumer Premium Offer	<p>Reward loyal consumers with appealing "self-liquidator" item that features your logo. For example, "Send in 10 box tops and \$2 and I'll send you my soup mug."</p>
Charity Follow-up	<p>Insist that in exchange for free supplies of your product you get:</p> <ul style="list-style-type: none"> List of attendees with addresses Recognition in the charity event's program; mention in their newsletter Permission to send follow-up "thank-you" letter to attendees Permission to also distribute coupon for future purchase and list of local stores that carry your product
Give Away Your Product	<p>Hand out samples or small sizes of your product to potential prospects and/ or boosters (hotel desk clerks, flight attendants, chefs, suppliers, retail store personnel, etc.) Leave your card with the sample.</p>

Using Promotions to Achieve Typical Objectives

Possible Promotion:

1. I want to get a retailer who stocks some of my items to stock additional items.	Offer a customer specific (offered only to that customer) introduction allowance (e.g., 10% off, one case free with each case purchased on the new items, up to 4 cases per store). This works to your advantage because the money only goes out if the action actually happens. You can customize this promotion for the individual retailer that you're trying to reach.
2. I want to get orders earlier and ship earlier to relieve my October/November production and shipping backlog.	Offer a purchasing allowance of 10% off invoice on orders submitted by August 1 for shipment between August 15th and September 30th. Advantages of this promotion include: <ul style="list-style-type: none"> • You get an early jump on the marketplace and your products are out there before your competition. Say to the retailer, "If you're a smart buyer, I hope you're going to anticipate some of your October & November needs."
3. The retail trade never works quickly enough in the Northeast. I want a promotion that will eliminate perennial out-of-stock on my soup items when the first cold snap hits. Retailers never catch up with my out-of-stock problem until January. This costs me and them lots of sales and profits.	Design and offer a multi-case shipper display promotion off invoice. Instead of 12 units, it holds 72 units. Give the trade an off-invoice deal plus handling allowance on orders placed by September 30th for shipment through October 30th. The shipper display sits out on the sales floor, providing the store with some back up stock for the onset of cold weather. In addition, consumers buy more because they see my product in two locations in the store. An additional advantage is that your plant can run during the summer, usually a slow period. When cold weather hits, you won't be as far behind because you've already sold goods to the people who've participated in this promotion. Once the cold snap hits, you will be ready to sell goods to the people who didn't participate in the promotion.
4. I want to create greater consumer awareness of my product and get consumers to try my product. The consumer doesn't know anything about my product, so there's no use in trying to sell it for less. I'd like the retailer to help me communicate with the consumer about my product.	Offer a retailer in-ad coupon with copy about your product. The coupon will offer 10 or 20 cents off on your product. Your coupon and ad is within the retailer's ad. A slick picture of your product is required for the coupon. Every consumer that sees the ad knows your product exists. They may not cut out the coupon and go and buy it, but you will have gotten more consumer awareness. Perhaps during the time that the ad runs you can give the retailer a fixed amount (specific allowance) with off-invoice allowance equal to 1/10th of coupon value. The ad copy can tell the consumer key points about your product.
5. I want to reduce retail price from \$2.49 to \$1.99 for two weeks. I believe new consumers will try my product at that price and stay with it later at regular price.	Offer 25 cents per unit performance allowance for purchases during any consecutive four weeks including the two required price reduction weeks. Payment will be via bill-back with documentation showing evidence of price reduction.