

N. P. Prischepa,

PhD (Economics),

A. V. Putintsev,

PhD (Economics),

Luhansk Taras Shevchenko National University

MARKETING PROGRAMS IMPROVEMENT AND SALES STIMULATION AT THE ENTERPRISE

The problem of the marketing programs improvement and sales stimulation at the enterprise is very serious, especially in unpredictable Ukrainian economy. Most industry players do not see clear prospects for their activities, and certainly do not work on sales promotion, maybe not because they do not want to, but because they do not have the knowledge and skills of the creation of incentive programs.

The efficiency of sales, overall development of the enterprise, and initially its success are determined by the correct management and marketing approaches to sales stimulation.

The structure of sales promotion approaches must be aimed at realization of company's strategies, such as gaining more customers, achieving new parts of market etc.

The marketing programs improvement is important for every organization. In conditions of market economy and growing competitiveness the issue of sales stimulation measures is greatly important.

In conditions of market economy enterprises and organizations must promptly react to the changes of the external environment and adapt their sales stimulation measures for these changes. Therefore this topic is developed in detail in special literature [1 – 9], where the general description of sales stimulation, its types is provided; much attention is paid to the new forms of sales stimulation and their possible future implementation.

The aim of the research is to analyze management approaches to sales stimulation at the enterprise and trace the internal development of the organization in order to improve its sales stimulation.

The article was written using the materials of the Small Enterprise "AVK" (Enterprise). Enterprise analysis that was conducted revealed some weaknesses in the sales promotion which negatively affect the company.

Therefore, based on practical material for Enterprise is it necessary to offer a program of measures for improvement marketing activities.

Talking about ways of sales promotion improvement at Enterprise, it is necessary to note that the fundamental techniques that can be offered should be:

- Firstly, adapted to the plastics processing industry. That is, offering to introduce sales promotion measures

which are rather effective, for example, in the food industry, would be wrong.

- Secondly, the issue of incentives should be considered by the fact that the financial resources of the enterprise, which can be spent on these activities, are rather limited, as it is small business.

- And, thirdly, it is necessary to offer a flexible and long-term program that would be linked to the strategic management of the company.

First of all, the head and management personnel of Enterprise should accept the clear and unambiguous necessity of sales promotion as a general phenomenon, and most importantly – its importance for Enterprise activities.

These measures should contribute to the overall understanding of problems in Enterprise on this issue and contribute to the theoretical understanding of sales promotion issues. Moreover, problems submission about enterprise stimulation this way can be quite correct, without making the head of the company think that his subordinates have questioned his deeds.

Introduction of staff is important for formulating correct attitude towards the use of sales promotion, i.e. prevention of wrong perception of leadership. However, the lectures should be held under certain conditions: making lectures for managing personnel is possible perhaps not more often than once in four months, and also with the consent of the head. For general staff lectures should be conducted only on a voluntary basis and at least once every six months; because, otherwise, instead of the desired positive effect, rejection and denial of management personnel to implement programs of stimulation can be obtained.

After the lectures, when the head in general understands the subject and the problem of Enterprise more thoroughly it is necessary to move on to the next, more practical activities and develop a concrete program of action.

The introduction of improvement methods should be carried after deciding two issues: necessary time and amount of budget incentives.

Binding to time will help to control the process of implementing measures of sales promotion improvement in the company and to check whether these improvements are done according to plan.

The tough question for the head of Enterprise is budget management, i.e. how much money should be allocated for the organization of sales stimulation activities.

In situation where it is impossible to say with confidence which budget should be spent on activities to incentives it is rather logical to use the following scheme: in the first phase certain average number is allocated, for example, seven or eight thousand UAH. This amount is the so-called “seed money” for sales improvement measures. In the second stage, after assessing the impact of improved sales promotion, it is possible to use a certain interest rate.

For example 2 – 3% of revenue from each sold product is allocated for sales promotion events.

This calculation method has several advantages: increase of sold products results in an increase in the budget for incentives, which in turn induces the manager to the new activity. In addition, the cost of incentives can be, to some extent, predicted and controlled in growth, reduced or compensated.

After the introduction of incentives it would be more appropriate to use budget methods of expenses calculation – when in the beginning of the promotion campaign, its goals, objectives and methods are discussed, and later the required amount of funds for the proposed program of sales promotion is set.

After deliberations on time and budget, it is advisable to create an internal document (order), which would clearly and unambiguously state basic principles of sales stimulation programs improvement.

Estimated document structure should consist of a statement whether sales promotion is needed or not – increase in sales and profits, and the general manager's activities in these issues.

Based on this document manager should write a plan that includes existing and used measures and ways of their improvement. Approximate plan of using the incentives is designed in the Table 1.

For Enterprise, which already has some system of incentives, destroying it and creating something new would not be quite correct. This system works and global changes would require considerable efforts and funds which is not very effective in current conditions.

Therefore, it would be logical to pursue improvement of sales promotion activities in two stages:

1. To optimize and improve existing incentive measures and evaluate their impact after optimization.
2. To introduce new measures of stimulation and evaluate the overall impact of all incentive improvements on the activities of Enterprise.

Let's consider the improvements that can be implemented for existing incentive measures.

Discounts proposition is rather balanced so it is particularly inappropriate to change them. Perhaps it

would be useful to introduce a more developed loyalty program for existing customers, which will be based on gradual accumulative decrease of price by a certain percentage. For example, if the client has a good reputation and cooperates with Enterprise more than three years, then for each subsequent year, he may receive an additional discount of 1% but not more than 3% overall. Limit to 3% is introduced in order to avoid very large discounts that can reduce the profitability of production. These discounts are classified as so-called loyalty programs to customers, purpose of which is encouraging the client to ongoing cooperation with the Enterprise.

Commodity loan can be modified if it is possible to reduce the number of days in it, but to introduce it to all consumers using the rule of “matrix sales promotion”; in other words to offer trade credit in a very rare occasion, or to reduce the period of the loan by offering greater percentage of discounts.

Further modifications of such incentive as test samples may be: the creation of electronic and paper presentations, promotional materials. Very effective measure “virtual” test samples would be opening a permanent Internet portal of the organization where it would be comfortable to post pictures or images of products that could be seen 24 hours a day from any point of the globe. Creating a Web portal would considerably speed up the products review by interested consumers and would facilitate the discussion process of orders, because both consumer and manager would have an opportunity to look at the object of discussion.

Free shipping for customer means additional spending for Enterprise because if the client is in Luhansk and region or in neighboring regions (Donetsk, Kharkiv), then a small amount of products would be more profitable to deliver by own transport. In addition, it would accelerate the delivery time. Therefore, purchasing transport for the company usage may be called a development of such incentive as free shipping.

Good evidence of Enterprise working on sales improvement is decision to purchase small class passenger van to transport small amounts of goods. This measure may improve satisfaction of existing local customers. This event was the first step in a program of sales promotion improvement measures.

The program of replacing defected products does not need any adjustments, but at the overall level of the industry it is necessary to continue monitoring the quality of products.

According to schedule these activities of sales promotion improvement should be done in five or six months.

Along with the improvement and upgrading of the existing system of sales promotion, the company is also

Plan of sales promotion improvement in Enterprise

Already in use	Ways of improvement	New	Directed on who
Discounts	- Encouraging more regular customers - Dynamic price propositions	-	Existing customers
Commodity loan	- Implementation to all consumers	-	All customers
Samples	- Creating electronic presentations and the Internet site of the company	-	Attracting new customers
Free shipping	- Purchase of own vehicles	-	Existing customers
Defect replacement	- Further improvement of the quality control of products	-	All customers
-	-	- Implementation of internal motivation system	All personnel
-	-	- Presents	All personnel
-	-	- Commissions from sales of products	Management personnel
-	-	- Participation in exhibitions	Attracting new customers
-	-	- Consecutive series of incentives	Existing and wholesale customers
-	-	- Extension of types and channels of promotion	All customers
-	-	- Overall optimization of all incentives	All customers/ management personnel / all personnel
-	-	- Creating additional business process	Environmental safety of consumers and government

recommended to introduce some more means of stimulation to strengthen competitive advantage.

First of all, after the improvement of existing incentives, company should pay attention on stimulating its own personnel.

This question is very important because, no matter how effective the overall stimulation of the entire distribution network is, without effective incentive of own personnel company will never work in full force.

It is desirable to start personnel stimulation by improving the reward system for commercial director

and sales manager. At the time of percentage payment, management personnel, who are responsible for sales, will be more interested to work with 100% efforts because their wage will depend on the way they work. Another way of sales promotion encouragement is paying extra money, which will include bonuses for increase in sales and additional bonuses for generating interesting incentive ideas or rapid preparation of documents, and so on. However, bonuses which may receive sales manager should not be too high, as this may result in a very active and aggressive business manner which the

client may not really like. Optimal bonus is 2 – 3% from the additional sales.

But no matter how effective manager and commercial director work, contribution to the increase in sales will be small without encouragement of all staff. Therefore, it is also advised to establish a general system of incentives for sales personnel by the areas of work:

- Additional bonuses for good quality of products, lead to decrease of percentage of defected products, and strengthen Enterprise relationships with consumers who will be satisfied with the quality of products;

- Presents in the end of year, which cost will depend on results of sales promotion activities. For example, if the production staff and management have increased profits by additional measures, compared with the same period of last year by 10 thousands UAH, it is possible to introduce a gift for all employees by 10% of the additional revenue that is 1000 UAH,

- Creation of personal incentive scheme for each individual worker, which would be based on the individual qualities of an employee. This system can be linked with gift incentives, so each employee will get a gift of similar cost based on his individual achievements.

All these measures should be aimed at making the personnel believe that the quality of work of each individual separately, firstly, leads to an increase in total welfare of the enterprise, and secondly, some of well-being of the company will be shared with him in the form of prize or gift.

Also for boosting sales of industrial goods it would be very helpful to take part in exhibitions and presentations of goods. These measures are aimed primarily at attracting new customers and improvement of awareness about the company, the opportunity to establish new business relationships and expand or strengthen old ones. In addition, exhibitions and seminars are a good reason for free samples and other promotional materials distribution to customers.

Also important issue for the improvement of sales promotion is an optimization and improvement of promotion process.

At the moment Enterprise consumer may make an order in several ways:

- In person – in other words, client comes to the office and discusses issues of lot size and delivery methods.

- The same questions can be discussed through the use of communications (phone).

- By fax – in other words, customer makes a written request, which is transmitted by facsimile. After receiving a request, manager communicates with the client and specifies all the details.

These methods are highly effective, but in order to implement a coherent and comprehensive system, it is recommended to supplement them by two more:

- Order by e-mail – in other words, client places an order using email at any convenient time.

- Order through the Internet site, which is recommended to create. This way of ordering is very convenient for the customer because it can be done in minutes without leaving the office. It is advisable to open the website of the online store or shop. This type of communication is most convenient for the customer because he can directly review the photos and technical descriptions of products, order test samples and delivery of chosen products in few minutes.

Implementation of all incentive programs with a right start and in correct sequence is important for the creation and improvement of sales promotion in the company.

It is necessary to keep track of time and content of all shares of sales promotion, especially when it comes to short stocks. They must be used in a strict sequence – one after another, because if the company has several shares, the consumer may have misunderstanding of terms and conditions for each, so the overall effect of simultaneous use of all actions will be decreased.

Implementation and improvement of incentives should be conducted thoroughly and consistently, since inconsistent activities can cause reduction of consumer reaction to the product which is stimulated.

Thus, we can say that the introduction of additional measures for stimulation will create a closed system of marketing of the company (Fig. 1).

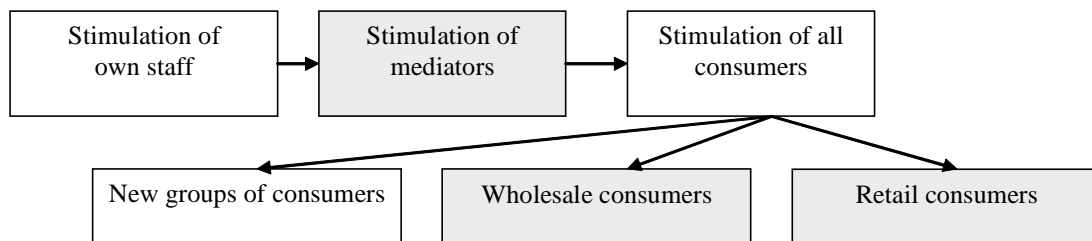


Fig. 1. Closed system of incentives at Enterprise

The picture indicated measures that are already being used; white labeled measures are recommended to use for creation of integrated system.

As we can see, after building such system of incentives, all categories of consumers can be encouraged to purchase products at by least two kinds of incentives for each. For example, new customers can be attracted by presentations on the company Web-site and by taking part in exhibitions.

An important advantage is also the integrity of the system:

- Firstly, apart from the existing measures of mainly short-term action, which are modified, long-term incentives and loyalty programs that will keep customers should be introduced;
- Secondly, this stimulation system involves all, from management to production units, in incentive measures.

For calculating the effectiveness of incentive measures there are few methodic and all of them are quite not perfect.

Typically, the effectiveness of implementation of sales promotion improvement is measured in monetary form and by terms of increasing profits.

Implementation of sales promotion improvement should double this number at least twice since the program provides a comprehensive approach. That is why predicted income growth rates from implementing sale promotion measures will reach to 120 – 150 thousand UAH per year.

If the implementation starts in 2013 then this year the cost of all the activities the company would wipe 25 – 26 thousand UAH. But since 2014, when the system will work at its full “power”, company may get up to 170 thousand UAH of additional revenue per year, not including the cost of the system. It should be noted that the cost of sales promotion functioning will be approximately 13 – 15 thousand UAH per year. So it is possible to say that the implementation of the system of sales promotion will bring company about 155 thousand net income per year.

Before starting implementation of sales promotion measures it is required to note necessity of following certain requirements:

- Improvement of the following sales promotion measures should be started in September 2013 and implemented during 2014. The delay in time or delay of implementation may modify the external environment that will bring all the efforts to minimal effect or it will not change anything at all;
- A program of sales promotion improvement, if its implementation will be started, should operate until 2018 – that is four years. After this period it is necessary

to adjust the program according to the market situation and general sales promotion situation for that period, taking into consideration the factual data about expenses and additional income from implementation of sales promotion improvement program;

- It is important to have integrated approach during implementation of incentive measures and control all stages of implementation.

General improvements in incentive programs should bring extra profits and attract new customers. These improvements were designed taking into consideration company’s specifics and its financial capabilities.

Implementation of such program will certainly increase the competitiveness of the enterprise and improve its profit.

However, if to try to create a coherent program of incentives and sales promotion it becomes necessary to introduce additional business process that can create a closed set of incentives and sales promotion. The point is to create a new unit that would be involved in the processing of plastics waste not only for their own use, but also for sale to external customers. Having examined ways of incentives improvement for Enterprise, it should be noted that the above measures are the so-called “minimum program”, and in practice company should adapt all the measures of improving sales activity with the realities of the market environment; because in case of straightforward implementation of these measures the effect may even be negative. Therefore, measures of sales promotion improvement should be implemented in such a way that they will not damage the current activity and reputation of the enterprise.

References

1. **A law** of Ukraine “On protecting from an unfair competition”, with changes and additions // List of Verkhovna Rada of Ukraine. – 1996. – № 27.
2. **Cooper C. L.**, Argyris C. Encyclopedia of management Maiden, Massachusetts: Blackwell Publishers, 1998.
3. **Bower, J. L.** 1970. Managing the resource allocation process: A study of corporate planning and investment. Boston: HBS Division of Research.
4. **Davenport, T. H.**, & Prusak, L. 2003. What’s the big idea? Creating and capitalizing on the best management thinking. Boston: Harvard Business School Press.
5. **Guille’n, M. F.** 1994. Models of management: Work, authority, and organization in a comparative perspective. Chicago: University of Chicago Press.
6. **Howell, J. M.**, & Higgins, C. A. 1990. Champions of technological innovation. Administrative Science Quarterly, 35: 317 – 341.
7. **Kosseck, E. E.** 1987. Human resources management innovation. Human Resource Management, 26: 71 – 91.
8. **Sternberg, T.**, & Philips, Å. 1993. Organizational innovations in a long-

term perspective: Legitimacy and souls-of-fire as critical factors of change and viability. *Human Relations*, 46: 1193-1219. 9. **Sturdy, A.** 2004. The adoption of management ideas and practices: Theoretical perspectives and possibilities. *Management Learning*, 35: 155 – 179.

Прищепа Н. П., Путинцев А. В. Удосконалення маркетингових програм і стимулювання збуту на підприємстві

Статтю присвячено одній з найбільш актуальних проблем управлінської практики – проблемі удосконалення маркетингових програм і стимулювання збуту на підприємстві. Особливу увагу приділено вирішенню теоретичних і практичних питань стимулювання збуту на підприємстві. Визначені управлінські підходи до стимулювання збуту на підприємстві. Розглядаються організаційні структури стимулювання збуту та методи стимулювання збуту, що використовуються на підприємстві. Надаються рекомендації, що стосуються управлінських підходів до стимулювання збуту на підприємстві.

Ключові слова: підприємство, бізнес, управлінські рішення, маркетингові програми, методи стимулювання збуту, стимулювання продажів.

Прищепа Н. П., Путинцев А. В. Совершенствование маркетинговых программ и стимулирование сбыта на предприятии

Статья посвящена одной из самых актуальных проблем практики управления – проблеме усовершенствования маркетинговых программ и стимулирования сбыта на предприятии. Особенное внимание уде-

лено решению теоретических и практических проблем стимулирования сбыта на предприятии. Определены управленческие подходы к стимулированию сбыта на предприятии. Рассмотрены организационные структуры стимулирования сбыта и методы стимулирования сбыта, использующиеся на предприятии. Даны рекомендации по управленческим подходам к стимулированию сбыта на предприятии.

Ключевые слова: предприятие, бизнес, управленческие решения, маркетинговые программы, методы стимулирования сбыта, стимулирование продаж.

Prischepa N. P., Putintsev A. V. Marketing Programs Improvement and Sales Stimulation at the Enterprise

The article deals with one of the most actual problem of management practice – the problem of marketing programs improvement and sales stimulation at the enterprise. The article is devoted to solving theoretical and practical issues of sales promotion at the enterprise. The management approaches to stimulate sales at the enterprise are determined. The organizational structures of sales promotion and sales stimulation methods used at the enterprise are considered. Recommendations concerning management approaches to stimulate sales at the enterprise are provided.

Key words: enterprise, business, management decisions, marketing programs, sales stimulation methods, sales promotion.

Received by the editors: 09.09.2013
and final form 04.12.2013