

RELiance BAKING SODA: OPTIMISING PROMOTIONAL SPENDING

Decision to be made

Anna Regnante, has been promoted to Domestic Brand Director's position for Reliance Baking Soda. Reganante has to develop a 2008 budget P&L that would result in a 105 increase in profit over 2007 estimates.

Stewart Corporation

Stewart Corporation had four divisions i.e. Household, Beauty, Foods and International. In 2006 the company generated \$150 million in net income and \$558 million in profit. Household division was responsible for \$400 sales and included baking soda, laundry detergents, window cleaners and disinfectant, wipes.

The income statement of RBS clearly shows that a lot of income was spent on promoting the product in 2006 as a result of which the product sales did not fall much in the second quarter, as compared to the first one in 2007.

Marketing Mix Considerations

Distribution

- High distribution penetration
- Maximum distribution by one lb box and varies by channel
- 150 person sales team to manage retail and wholesale accounts
- Sales-force incentivized by a quota system with quarterly volume quotas
- Most compensation to salesperson came from bonuses pricing
- Selling Prices of RBS increased 3 times in previous 5 years
- Price increase on all product sizes in 2006-2007
- Price increases were due to increase in raw material cost by 11 %

Advertising

- Focussed on new uses of product
- Move to put RBS in realm of pet care, baby care, pool care outdoor care
- Focused on non-toxic benefits of product
- In 2006 too much RBS product moved in the market, so need to deplete Inventory and increase sales

Consumer Promotion

More aggressive in promotion in last 3 years, since 2005 2006 consumer promotion had 4 parts---

- The first event was launched in January \$2 cash refund for purchase of RBS and 4 additional household brands. Advertisements were made in women's magazine, Sunday newspaper and company website.
- In April set of coupons for 5 household brands was included in 6 million boxes of Brilliance Laundry detergent.
- In June shrink-wrapped twin pack of 1 lb boxes and a \$1 cash refund inside the pack with proof of purchase of 2 1 lb boxes.
- 2 page advertising supplement launched in September in top 4 women's magazine.

Trade promotions

- Discount on invoices for cases ordered in promotion period.
- Free cases with a purchase of a minimum order.
- Performance discount incentives for providing verifiable merchandising and advertising support.
- Temporary discount used to promote sales
- Trade promotions lasted 3 to 6 weeks.
- Past data about trade promotions show that lot of discount given
- Promotions may increase hoarding and disrupt normal buy cycle
- Advertising trade support much lower than that of competitors

Additional Research

- Shows that Trade promotions have been fairly successful barring 2 occasions.
- Trade promotions produced attractive results.
- Re-allocation of Trade budget not suitable

Regnante's Decision

- 1) Effectiveness of prior trade promotion strategies
- 2) Bottom line effects of price increase.
- 3) Changes made to marketing expenditures, advertising, consumer promotion, trade promotion, i.e. budget that would increase profit by 10%