

# Sales Promotion Tools in Financial Institutions

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## ABSTRACT

The article analyzes sales promotion measures in financial institutions, provides a definition of sales promotion, sales promotion measures, advantages and disadvantages of sales promotion. The article emphasizes that the success of a financial company depends on the promotion and increase of sales. Maximum attention should be paid to marketing. It covers many different factors and nuances, one of which is sales promotion tools. Sales promotion is one of the key things you need to have high sales. Sales promotion measures are measures that facilitate the purchase of goods or services by the consumer. Moreover, some specific promotions are implemented in the commercial bank sector.

**KEYWORDS:** sales promotion, commercial banks, sales promotions tools, sales promotion advantages and disadvantages

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## INTRODUCTION

In the 21st century, financial institutions are looking to increase their sales. Various sales promotion programs, such as the Franklin Covey training program, provide the sales team with practical advice and tools on how to find and select the most promising sales opportunities, anticipate customer potential, and prepare for the first call applying the knowledge gained during the course to form excellent sales skills. Helping customers achieve more is the essence of sales. The main goal of every business is to sell and make a profit. When a product is good, its added value is clear, but the sales process is weak, professional skills are needed to drive sales. The chosen product influences the sales process: in one way a completely new, innovative invention will be sold, in another way - a product familiar to the market, falling into a strong competitive space. It takes a lot of time and money to sell a new, innovative product that the market has not yet seen and is not familiar with, because the market must first be introduced to that product. When selling a familiar product, everything is very simple - you just need to be a better sales manager. In order to sell a product, the most important thing is to understand what the customer wants, to know the customer's needs and expectations. Banks in Lithuania also try to understand their customers, train sales managers in all the subtleties of sales [15].

Financial institutions, taking into account their business model, the specifics of services and, of course, the segments of potential buyers and their behavioral motives, refine sales

promotion strategies that allow existing and future customers to create the best experience, reveal the company's competitive advantage and increase sales. Financial institutions help refine a concrete action plan to promote sales at all points of contact with the customer: e-mail, post office, soc. networks, websites, presentations, commercial offers, media.

### 1. Sales promotion definition

Sales promotions are all measures aimed at customers to increase their sales by facilitating the purchase of goods. In order to achieve sales growth, not only end users but also sellers can be encouraged. Sales promotion can have three directions:

- End-user promotion.
- Promoting traders (if your goods or services are traded by other companies).
- Promoting sales staff.

End-user promotion is carried out by the manufacturer or seller in order to speed up the purchasing process. It is also possible for the two to cooperate, i. cost-sharing to encourage the sale of the manufacturer's goods at the seller's outlets.

Promotion of traders. The manufacturer may promote the wholesaler and the retailer, the wholesaler may promote the retailer.

Promoting sales staff takes place in-house. This could be a bonus for maximum turnover, a contest for the best seller of the month, and so on. Companies need to encourage their staff, give bonuses and bonuses for the turnover achieved. Promoted staff starts selling more and increase turnover.

Sales promotion is a tool which increases sales in a short time. Sales promotion tools are coupons, discount, price decrease, product sample. Sales promotion definition is presented in Table 1. Pilelienė, L., Liesionis, V. (2009) stated that consumers can be motivated by various sales promotion benefits: savings, quality, convenience, value, research /cognitive, entertaining. Pranulis V., Pajuodis A., Urbonavičius S., Virvilaitė, R. (2000) stated that sales

promotion is a set of customer-oriented incentives nature of the actions and information flows that facilitate the acquisition of the goods. Belch, G., E., Belch, M., A. (2008) say that sales promotion is direct incentives that offer added value and to encourage immediate purchase. Pilelienė, L. (2008) stated that sales promotion increases the basic value of the product for and directly encourages consumer purchases, increases sales efficiency or sales staff efforts. Siti Hajar Salwa Ahmad Musadik, Ilhaamie Abdul Ghani Azmi (2020) stated that sales promotion is an incentive for consumers to pay for products and services that typically fall into the realm of marketing and communications the function and plan of the organization.

**Table 1 Sales promotion definition**

Author	Definition	Highlight
Pranulis V., Pajuodis A., Urbonavičius S., Virvilaitė, R. (2000)	Sales promotion can be defined as a set of customer-oriented incentives and the nature of the actions and information flows that facilitate the acquisition of the goods.	a set of customer-oriented incentives nature of the actions and information flows that facilitate the acquisition of the goods
Belch, G., E., Belch, M., A. (2008)	Sales promotion defines as direct incentives that offer added value and to encourage immediate purchase.	direct incentives that offer added value and to encourage immediate purchase
Pilelienė, L. (2008)	Effective sales promotion through a limited period of time increases the basic value of the product for and directly encourages consumer purchases, increases sales efficiency or sales staff efforts. It can be used to inform, persuade or remind target consumers about the brand (product / service /shop).	increases the basic value of the product for and directly encourages consumer purchases, increases sales efficiency or sales staff efforts
Pilelienė, L., Vanagienė, V. (2009)	Sales promotion can be used to inform, persuade or remind target consumers about the brand (product / service /shop).	can be used to inform, persuade or remind target consumers about the brand (product / service /shop)
Stone, M., A., Desmond., J. (2007)	Sales promotion is a short-term measure that stimulates interest, willingness to try or buy product and applies not only to end-users but also to other participants in the channel.	a short-term measure that stimulates interest, willingness to try or buy product and applies not only to end-users but also to other participants in the channel.
Siti Hajar Salwa Ahmad Musadik, Ilhaamie Abdul Ghani Azmi (2020)	Sales promotion as an incentive for consumers to pay products and services that typically fall into the realm of marketing and communications the function and plan of the organization.	an incentive for consumers to pay products and services that typically fall into the realm of marketing and communications the function and plan of the organization

**2. Sales promotion advantages and disadvantages**

Sales promotion measures and their selection criteria have a significant impact on the company's performance. Sponsorship differs from other elements of the marketing complex in the degree of involvement in the communication process. The communication process between the seller and the buyer is developed and managed using integrated marketing communication tools: sales promotion, personal sales, advertising, public relations. Each support measure is used at its own moment. For example, sales promotion goes hand in hand with advertising because the customer learns about discounts, promotions, and other promotions in the company through advertising. Sales promotion as a means of promotion has its advantages and disadvantages. Sales promotion advantages and disadvantages presented in Table 2.

**Table 2 Sales promotion advantages and disadvantages (created by [4,12, 14])**

Sales promotion advantages	Sales promotion disadvantages
<ol style="list-style-type: none"> <li>1. Helps raise awareness of new products. Sales promotion is a very effective way to introduce new products to customers and business partners and encourage customers to take action. Strengthens customer engagement and loyalty.</li> <li>2. Sales promotion can be a key mechanism used by organizations to communicate with their customers and ultimately build stronger relationships (e.g., offer customer rewards).</li> <li>3. Attracts customers. The main advantage of sales promotion is that they drive customer traffic and sales by offering a lower price and a better value proposition.</li> <li>4. Clear excess inventory. Companies also use sales promotions to eliminate excess inventory at the end of the season. Even when you're not making a profit, by earning cash with unsold items, you can meet short-term spending commitments and buy inventory for next season. At the very least, you will clean up the storage space in your store or warehouse, which can cost you money.</li> <li>5. Sales promotion is used to entice customers to buy a product / service. This draws their attention to the products / services offered. In fact, it aims to give them reasons to buy.</li> <li>6. Sales promotion is a short-term tactic. As offered for a limited time, sales promotion creates a sense of urgency. Customers feel they need to act to reap the benefits of sales promotion by the end of the term.</li> </ol>	<ol style="list-style-type: none"> <li>1. It can lead to customers waiting for the promotion. Reusing a sales promotion can lead customers to wait for the product to be available before purchasing another buyer, which will prevent the marketer from paying the revenue potential of the product (i.e. the customer will not pay the full price).</li> <li>2. Whether brand awareness may decline. Excessive use of some sales promotions may lead customers to believe that a lower price is a normal price, which may lead them to believe that product quality is comparable to that of similar competitors who offer less or no price reduction.</li> <li>3. Changes customer price perception.</li> <li>4. Limit your income.</li> <li>5. Sales promotion should not be done too regularly. This makes customers price sensitive. Some customers may choose to wait for promotions to be offered instead of buying products / services at normal retail prices.</li> <li>6. Sales promotion can negatively affect customer perception. Some customers may begin to believe that the relevant products / services may not be successful in the market; hence sales promotion. Similarly, they may also suspect product quality.</li> <li>7. As a short-term tactic, sales promotion usually has a short-term effect and can actually have a negative impact on providers in the long run. It is also extremely difficult (if not impossible) for a company to achieve a sustainable competitive advantage over competitors by promoting sales.</li> </ol>

**3. Sales promotion tools**

Sales promotion is an activity that involves suppliers and targets end users. Such activities add value to the product over an appropriate period of time and encourage the consumer to buy (coupons, lotteries), stimulate sellers to offer a product or service (tastings) and so on. Sales promotions are based on a system of discounts. Sales promotion includes actions and decisions that determine the use of specific, short-term purchase promotion measures.

As stated Mockaitis, E. (2010) the main sales promotion objectives can be identified, according to which appropriate incentives can be selected:

- Increase purchases in the short or long term;
- Increase benefits (number of buyers, profit of the institution);
- To introduce a new product to the market;
- Introduce the consumer to the brand (create recognition);
- Encourage loyalty to the institution concerned, its brand and its goods and / or services.

The following sales promotions can be distinguished: e-coupons, samples, additional bonuses, discounts, contests, betting and programs.

The following sales promotion measures are presented in the scientific literature:

1. Free samples of goods - offers of free goods or services.
2. Coupons are means that entitle the consumer to a discount on the price of a specific product. Coupons can

be added to other products, newspapers and magazines. The effectiveness of coupons varies depending on the method of distribution.

3. Discounts - price discounts realized after the purchase of the product.
4. Discounting. The package distributes offers to buy the product cheaper. These may be the offers to buy a product at a lower price due to special packaging (for example: two products for the price of one) or due to a set of related goods.
5. Bonuses - goods are offered at a relatively low price, offered to consumers free of charge, in order to encourage them to buy another purchase.
6. Contests, lotteries, games. The purchase gives you a chance to win a cash prize, a trip or another item.
7. Free trials - invitations from prospective customers to a free trial of a product with a high probability of buying it.
8. Warranty - a written or linguistic assurance of the seller that the product will be suitable for use for a certain period of time and that if this condition is violated, the seller will restore the quality of the product or return the money.

**4. Sales promotion in commercial banks**

Promotional issues are becoming more complex as the internationalization of financial services continues to grow. In recent years, Lithuania has become an attractive market for many Western countries and several banks have started operations there. The purpose of this publication is to better understand the strategies for promoting international banks in Lithuania and, in some cases, in the Baltic States. To

achieve our goal, we conducted a study on the strategy of promoting a retail bank in Lithuania. This paper shows that the most important financial services promotion tools are personal selling and advertising to raise brand awareness and build personal relationships. External factors influencing the choice of promotion strategy are the technological orientation of the industry, cultural aspects, market competitiveness and economic factors. The adaptation of the promotion strategy is carried out to a large extent taking into account the different preferences and expectations of customers, as well as the local conditions of the host country. However, banks are trying to standardize their promotion as much as possible in order to reduce costs and achieve economies of scale.

Promotion is the direct way when an organization tries to reach its consumers. This is done through the five elements of the promotion mix: advertising, sales promotion, personal selling, public relations, and direct marketing (Czinkota, 2013). With the growing importance of the financial sector, the pressure for more effective marketing increases on the financial service management. Despite the recent downturn, the financial services sector continues to grow in terms of turnover and profits and thus has a huge impact on other areas of the economy. Consequently, there is a growing interest in the application of marketing methods and tools in the financial services industry.

Commercial banks typically use direct marketing for price changes, new product launches and special offers. This is mainly done through mailing lists, as well as through telemarketing companies contacting existing and potential customers. The bank maintains a customer database that supports Brassington's (Brassington, 2000) theory of the importance of collecting extensive customer information in a database. However, the lack of private email addresses sometimes prevents the bank from using the internet to communicate with customers. According to some scientists (Lee, 2002) there is a discussion how advances in technology have changed the interactions between financial institutions and their customers. According to the author, the financial sector has expanded its "personal" sales to direct marketing of products and services in the form of telephone, mail and computer transactions.

According to the aforementioned authors (Brassington, 2000), direct marketing is an interactive marketing system that uses one or more means of advertising to achieve a measurable response anywhere, providing a basis for building and further developing ongoing direct relationships between an organization and its customers. To build and maintain quality relationships with sometimes hundreds or even thousands of individual customers, an organization needs to have as much information about each of them as possible and be able to access, manage, and analyze that information. Thus, the database is very important in the relationship building process that builds ongoing direct relationships between the organization and its customers. In order to establish and maintain quality relationships with sometimes hundreds or even thousands of individual customers, an organization must have as much information about each of them as possible and be able to access, manipulate, and analyze that information. So the database is very important in the relationship building process. Some authors (Lee, 2002) argue that the rapid development of

technology in recent years has changed consumers' current communication with their financial institutions. The financial sector has expanded its "personal" sales of products and services and direct marketing by telephone, mail or computer.

Moreover, financial companies use sales promotion products in conjunction with other elements of the promotional package (advertising, personal selling, etc.) to increase the sales of their products. In the case of such consumer goods, advertising is aimed at developing and sustaining sales by increasing brand loyalty over the long term, while promotions are usually short-lived.

In addition, managers wishing to campaign in Lithuania should focus on personal selling, as this is the most important incentive for building relationships with individual customers. We believe that it is very important to provide specific training for the sales staff, as they interact with customers and thereby influence their perception of the bank. It should also be emphasized that advertising can reach a wider audience and stimulate awareness and interest of potential customers. The other three advertising tools also exist and should be used as a complement to personal selling and advertising.

The factors that have the greatest influence on the choice of advertising strategy, and therefore must be taken into account, are cultural aspects, the technological intensity of the industry, the competitive environment in the market and related economic factors. Culture can influence all management decisions, so it is important for managers to consider the needs, attitudes and preferences of the receiving market in order to promote effectively. As the importance of modern technology in a country increases, managers must also make efforts to develop and expand the use of technology. This is necessary for the development of the bank's activities and helps to reduce costs. In addition, growing competition in Lithuania is forcing managers to adapt and strengthen their promotion strategies in order to keep pace with competing banks.

Managers should strive to standardize their promotions as much as possible to reduce costs and achieve economies of scale. However, due to the different wishes and expectations of customers and the prevailing local conditions in Lithuania, many promotions need to be adapted.

## Conclusions

Sales promotions are usually short-term incentives designed to encourage consumers to buy as quickly or as quickly as possible. This is done through measures such as discounts or value-added accessories. Financial companies that want to encourage their consumers to buy can procure modest business gifts, event paraphernalia, company products and donate it to their existing and potential customers. Banks do not use either a pure adaptation strategy or a pure standardization strategy, and it is therefore concluded that the promotion strategy follows a contingency approach. The most important reason for adjustment seems to be the different wishes and expectations of the Lithuanian market. Empirical evidence suggests that television and radio advertisements need to be tailored to the preference for spoken advertisements and local area photos. The fact that Lithuanians prefer television advertising to other forms of

advertising forces banks to adapt their media choice. In addition, the case study shows that the language barrier needs to be taken into account. Therefore, all promotional material must be translated. When a brand is at different stages of its life cycle in different markets, the amount and type of advertising needs to be adapted. Banks are also forced to adapt their media choices. In addition, fierce competition forces banks to adjust the intensity of advertising. Finally, advertising for private customers requires a higher level of customization than for business customers.

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