

Checklist: sales promotions

What is a sales promotion?

- A sales promotion is a marketing device (for example, a competition or prize draw) designed to encourage the purchase of a product or service.
- There are laws and voluntary codes that govern most sales promotions, so you should take legal advice before holding any type of sales promotion. Failure to comply could result in your business having to withdraw the campaign, being fined, adverse publicity and possible criminal prosecution.

Competitions

Success in a competition must depend to a substantial degree on the exercise of skill. Participation can be made dependent on the payment of a contribution. The competition should not merely consist of guessing the outcome of a race, competition or other event, or guessing whether or not something will happen or is true, as these types of promotions can create legal problems.

Prize draws

- A prize draw is a scheme in which prizes are allocated by chance but there is no entry charge. In Great Britain, your business would be allowed to require a purchase as a condition of entry, but the price of the product cannot be inflated to cover the cost of the promotion, otherwise the draw will be deemed a lottery. The rules are different for draws carried out in Northern Ireland.
- With a few exceptions (for example, the National Lottery), running a lottery requires numerous licences and compliance with various laws.
- Your business can restrict entry to individuals who accept certain conditions (for example, giving personal information).
- If the draw is open to all, the chances of success must be the same for everyone regardless of how they entered and the prize allocation must be by chance.
- Participants in an “instant win” draw should be able to get their prize immediately or know they have won and how to claim their prize without delay, cost or hassle.
- Your business should not offer a prize promotion without awarding the prizes described or a reasonable equivalent.
- Do not create a false impression that a consumer has already won a prize if there is no prize or the customer has to incur a cost to claim the prize, as this is a criminal offence.

Price and value promotions

- A price promotion could be money off or free extra volume or value.
- The promotion must be a genuine price reduction or increase in volume that is applied for a particular period of time. Your business must say when the offer ends or that it is “subject to availability”. You should ensure that you estimate demand for the offer as accurately as possible.

- The promotion must always be clear and not misleading. The comparison with the regular price or amount must be clearly marked and should not be ambiguous. For example, is the consumer getting 10% more volume or the same volume for 10% less cost?
- The goods must be the same quality and size as normally priced goods.

Price reductions and sales

- If your business is comparing the price to your previous or usual price (including for volume promotions), then the previous price should have been the most recent price available for 28 consecutive days or more and comparisons should not be made with prices that were last offered more than six months ago. Your business can then reduce the sale price further if you wish, as long as you mention the interim price.
- Your business should not suggest the sale is for a shorter period of time than you intend. However, you can extend the sale period if you clearly announce it is an extension.
- Notices saying, for example, “up to 50% off” can only be used if the maximum reduction quoted applies to at least 10% of the range of products on offer.

Introductory offer price

The offer must be limited in time and the product under promotion must be available after the promotion has ended at the same outlet but at the higher price. Remember that claiming an offer is limited when it is not is a criminal offence.

Free products (for example, “buy one get one free”) and coupons

- “Free” products must be that: free. The offer is not free if your business has increased the price of any product the consumer must also buy or added other charges (beyond unavoidable cost, such as the true cost of freight).
- If you are issuing coupons to be redeemed against a particular product, ensure that retailers only accept the coupons against that product.
- Never describe a gift (that is, something offered to all or most participants) as a prize.

Sponsorships

Always ensure that you have a sponsorship agreement in place, however small the sponsorship deal.

Trade promotions

Any promotion or incentive offered to your employees must not conflict with the interests of your business or compromise the employee’s ability to give honest advice to the consumer.

More information

If you have any questions about the content of this checklist, please contact David Lee david@n-v.co.uk