

Scratch II

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The Sports Barn By-The-Bay is running a promotion offering 10% to 50% off any purchase worth up to \$1,000 in value, excluding taxes, during a two-day time period. The mailed-out promotional cards have an area on the card to be scratched to reveal the discount. On the card, it indicates that for every 1,000 cards, 875 cards show a discount of 10%, 100 cards show a discount of 15%, 20 cards show a discount of 20%, 4 cards show a discount of 25%, and 1 card shows a discount of 50%. The card does not indicate how many cards were distributed. The card also indicates that the prize area is to be scratched by a cashier and that any card scratched otherwise or showing signs of tampering is considered to be invalid. A mathematical skill-testing question is included on the card (e.g., $20 \times 2 \div 4 - 3 + 5 = ?$). The card also indicates that the card is subject to all applicable federal, provincial, and municipal laws. Other conditions apply.

Questions:

1. Why is this situation considered being a form of sales promotion?
2. What is the difference between a sweepstake and a contest? How would this situation be classified? Explain. What is the nature of the legislation in your country that deals with sweepstakes and contests?
3. What are the odds of winning any prize in this promotion? How many “losers” (i.e., non-winners) are possible in this promotion? Explain.
4. What is the marketing goal and what is the marketing objective of this promotion?
5. Why does the store want a cashier to scratch the prize area? If the customer scratched the prize area before arriving at the checkout area (i.e., early), what should the cashier do? Explain. What would the customer expect to happen?
6. If all of the cards are turned in for the identified discounts, what is the average discount on retail value would the store be offering?
7. If a customer selects an item worth \$400 and sales taxes are 13%, how much would the customer be charged in total? Is the discount to be applied before or after any sales taxes are applied? Explain. What if a manufacturer’s coupon were involved, instead? Explain.
8. What happens if a customer gives a wrong answer to the skill-testing question? Explain.