

Retail Communication Mix

CHAPTER 15



Questions

- What is an integrated marketing communication program?
- What are the traditional types of media? What are the advantages and disadvantages of each?
- What are sales promotions? Explain the various types of sales promotions and why retailers engage in these activities?
- Describe new media elements. How are these media changing the way retailers interact with customers?
- What are brands? Why is brand image so valuable to retailers?
- What are different ways that retailers can budget for communication efforts?

Integrated Marketing Communications

- Integrate a variety of communication elements to deliver a comprehensive, consistent message to all customers over time, across all elements of a retail mix and across all delivery channels.
- Providing a consistent image can be challenging for multichannel retailers – Need to consider the needs of all channels early in the planning of its communication program



Integrated Marketing Communication

EXHIBIT 15-1

Elements of an Integrated Marketing Communication Strategy

Media/Characteristics	Personalization	Interactivity	Message Control	Information	Cost per Exposure
Traditional Media					
• Mass advertising	None	None	High	Low	Very low
• Sales promotions	Depends	Depends	High	Low	Low
• In-store marketing/ design elements	Depends	Depends	High	Depends	Low
• Personal selling	High	High	Medium	High	Very high
• Public relations	None	None	Depends	Medium	Low
New Media					
• Online	Depends	Depends	High	High	Depends
• Social media	High	High	Depends	Depends	Low

Methods of Communicating with Customers

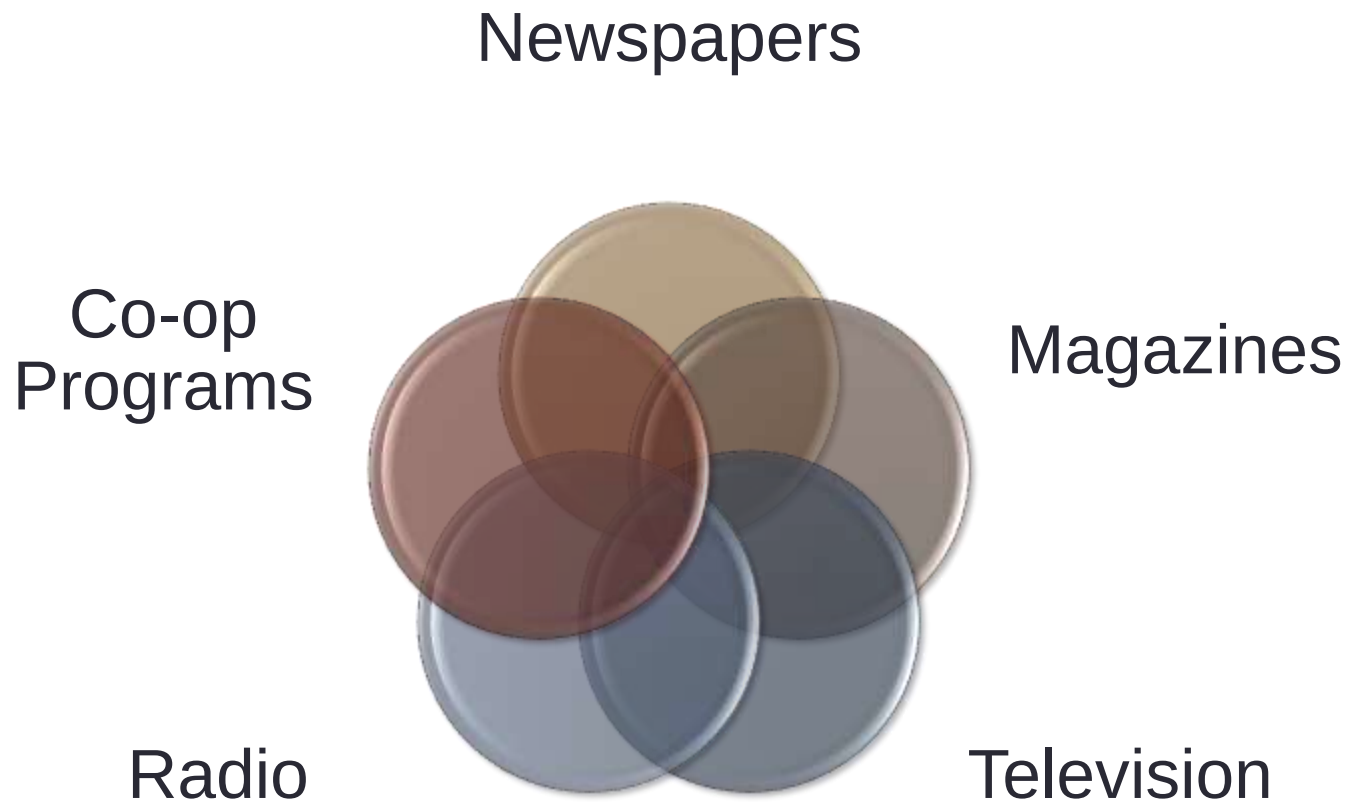


SOURCE: Dhruv Grewal and Michael Levy, *Marketing*, 3rd ed. (New York: McGraw-Hill/Irwin, 2012).

Advertising

- Entails the placement of announcements and persuasive messages purchased by retailers and other organizations that seek to inform and/or persuade members of a particular target market or audience about their products, services, organizations, or ideas.

Advertising



Sales Promotions

Advantages	Disadvantages	Promotion
Coupons	Stimulate demand Allow for direct tracing of sales	Have low redemption rates Have high cost
Rebates	Stimulate demand Increase value perception	Are easily copied by competitors May just advance future sales
Premiums (prize or award)	Build goodwill Increase perception of value	Consumers buy for premium, not product Have to be carefully managed
Samples	Encourage trial Offer direct involvement	Have high cost to the firm
POP displays	Provide high visibility Encourage brand trial.	Can be difficult to get a good location in the store Can be costly to the firm
Special events	Generate excitement and traffic	Can be costly Can distract customers from purchasing during the event
Pop-up stores	Generate customer interest Open up new markets and market segments	Have high cost Must hire store personnel May take sales away from other company-owned stores

Sales Promotion Opportunity

- Many sales promotion opportunities undertaken by retailers are initiated by vendors
- To evaluate a trade promotion, the retailer considers:
 - Realized margin from the promotion
 - Cost of the additional inventory carried
 - Potential increase in sales
 - Potential loss
 - Additional sales

Personal Selling

- A communication process in which sales associates help customers satisfy their needs through face-to-face exchanges of information.



Public Relations (PR)

- Managing communications and relationships to achieve various objectives
 - Building and maintaining a positive image of the retailer
 - Handling or heading off unfavorable stories or events
 - Maintaining positive relationships with the media
- In many cases, public relations activities support other promotional efforts by generating “free” media attention and general goodwill.

Online Marketing



Web Sites

Blogs

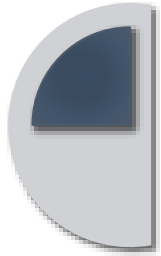
Mobile
Communication

Direct Marketing

- **Mobile marketing** is marketing through wireless handheld devices, such as cellular telephones, and **m-commerce** or **mobile commerce** involves completing a transaction via the cell phone.

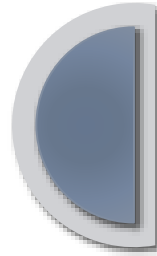


Direct Marketing



Direct mail

Any brochure, catalog, advertisement, or other printed marketing material delivered directly to the consumer through the mail or a private delivery company.



E-mail

Can be personalized to the specific consumer and thus is similar to communications delivered by salespeople.

Social Media



Brands

Distinguishing name, term, or symbol, such as a logo, that identifies the products or services offered by a seller and differentiates those products and services from those offered by competitors.



The McGraw-Hill Companies, Inc./John Flournoy, photographer



The McGraw-Hill Companies, Inc./Bob Coyle, photographer

Value of Brand Image

Brands



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graph TD; Brands --> Retailers[Value to Retailers (Brand Equity)]; Brands --> Customers[Value to Customers];
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Value to Retailers (Brand Equity)

- Attract customers
 - Build loyalty
 - Higher prices leading to higher gross margin
 - Reduced promotional expenses
 - Facilitates entry into new markets
- Gap → GapKids

Value to Customers

- Promises consistent quality
- Simplifies buying process
- Reduces time and effort searching for information about a product/retailer

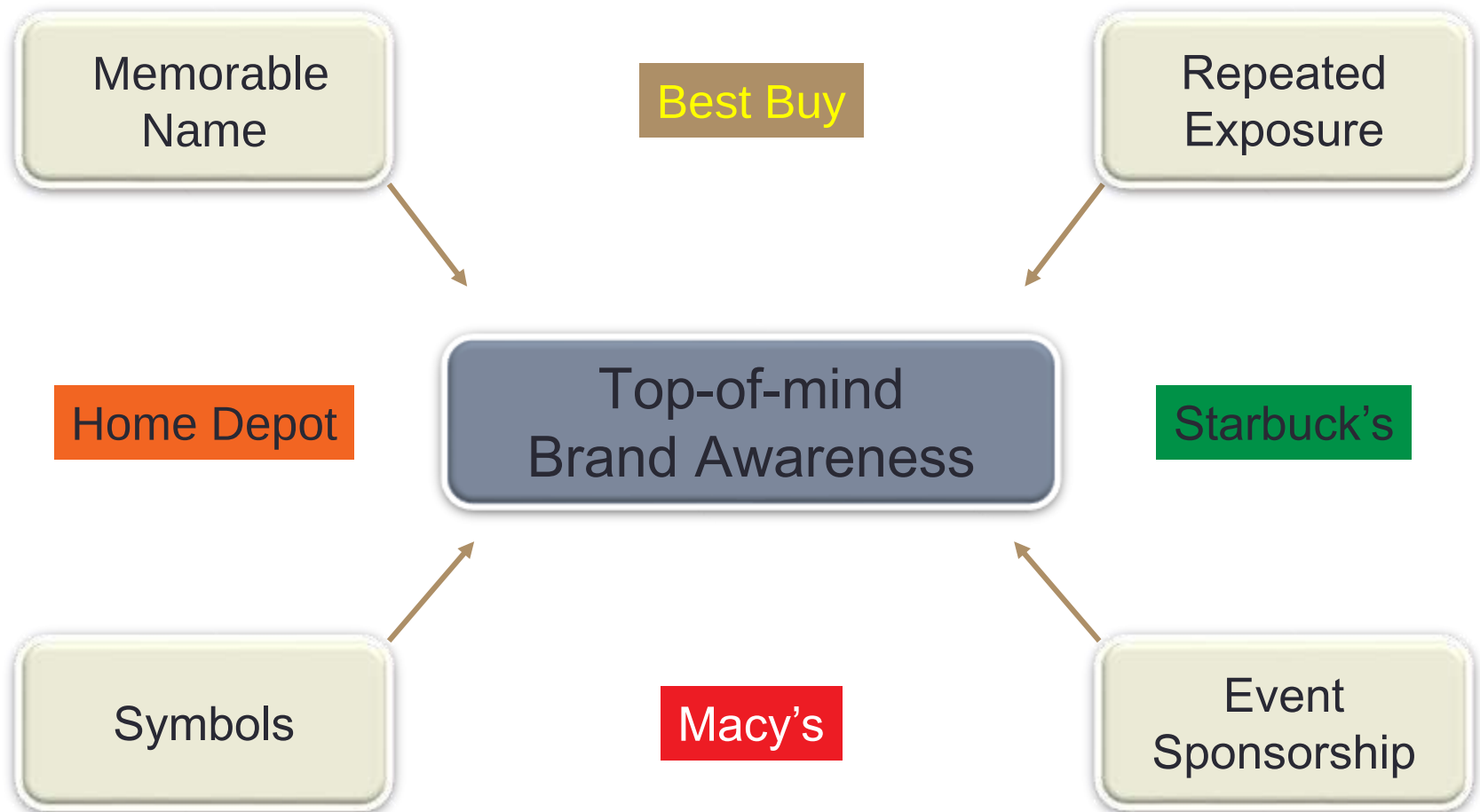
Building Brand Equity



Benefits of High Brand Awareness



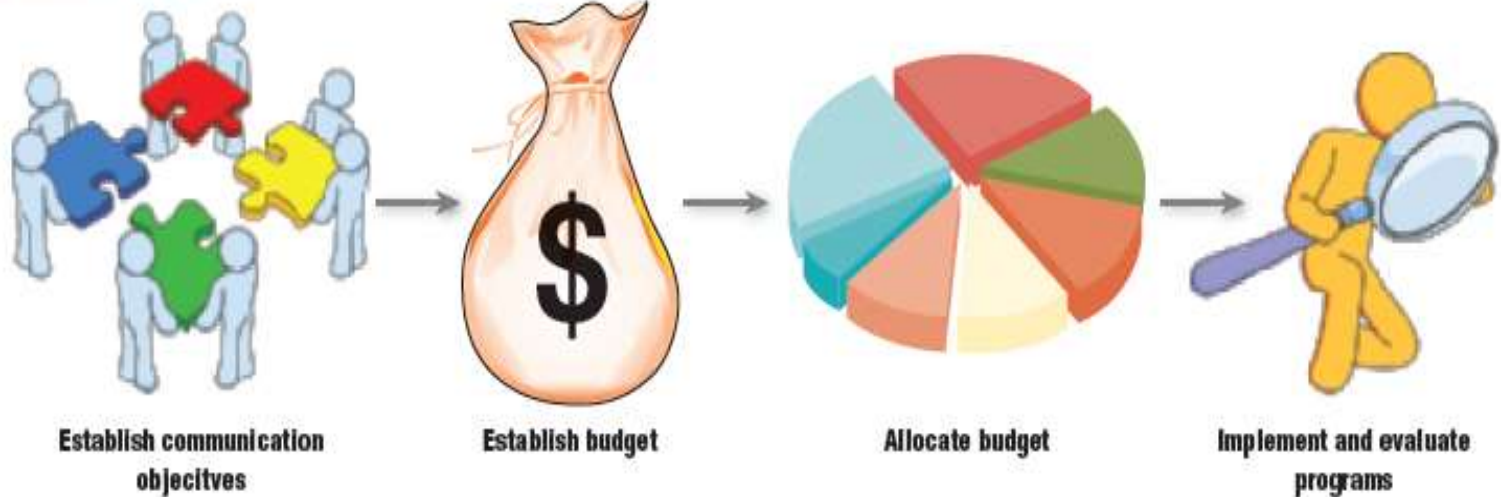
Creating Brand Awareness



Planning the Retail Communication Program

EXHIBIT 15-2

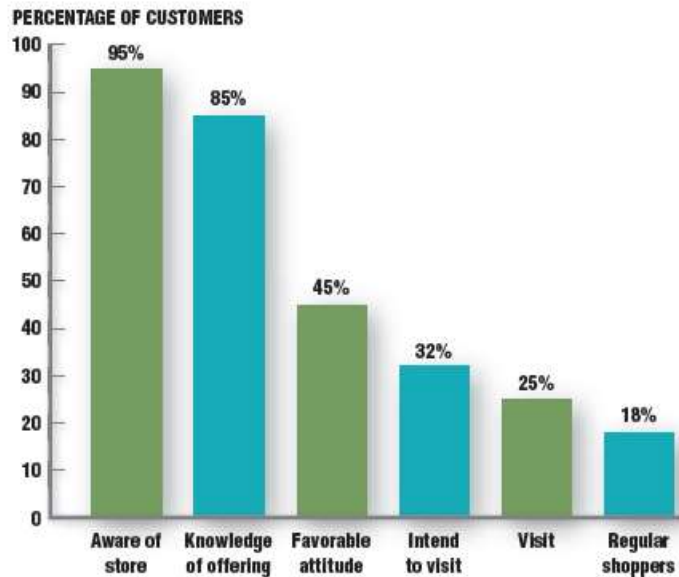
Steps in Developing a Retail Communication Program



Establish Objectives

- Communication objectives:
 - Specific goals related to the retail communication mix's effect on the customer's decision-making process
 - Long-term: ex. creating or altering a retailer's brand image
 - Short-term: ex. increasing store traffic

EXHIBIT 15-3
Communication
Objectives and Stages
in Consumer's
Decision-Making
Process



Determine the Communication Budget

- Marginal Analysis Method
 - Based on the economic principle that firms should increase communication expenditures as long as each additional dollar spent generates more than a dollar of additional contribution.
 - Very hard to use because managers don't know the relationship between communication expenses and sales.

Marginal Analysis for Setting Diane West's Communication Budget

Level	Communication Expenses (1)	Sales (2)	Gross Margin Realized (3)	Rental Expense (4)	Personnel Expense (5)	Contribution before Communication Expenses (6) = (3) - (4) - (5)	Profit after Communication Expenses (7) = (6) - (1)	
1	\$ 0	\$240,000	\$ 96,000	\$44,000	\$52,200	\$ (200)	\$ (200)	
2	5,000	280,000	112,000	48,000	53,400	10,600	5,600	
3	10,000	330,000	132,000	53,000	54,900	24,100	14,100	
4	15,000	380,000	152,000	58,000	56,400	37,600	22,600	
5	20,000	420,000	168,000	62,000	57,600	48,400	28,400	
6	25,000	460,000	184,000	66,000	58,800	59,200	34,200	
7	30,000	500,000	200,000	70,000	60,000	70,000	40,000	Last year
8	35,000	540,000	216,000	74,000	61,200	80,800	45,800	
9	40,000	570,000	228,000	77,000	62,100	88,900	48,900	
10	45,000	600,000	240,000	80,000	63,000	97,000	52,000	
11	50,000	625,000	250,000	82,500	63,750	103,750	53,750	
12	55,000	650,000	260,000	85,000	64,500	110,500	55,500	Chosen budget
13	60,000	670,000	268,000	87,000	65,100	115,900	55,900	
14	65,000	690,000	276,000	89,000	65,700	121,300	56,300	Best profit
15	70,000	705,000	282,000	90,500	66,150	125,350	55,350	
16	75,000	715,000	286,000	91,500	66,450	128,050	53,050	
17	80,000	725,000	290,000	92,500	66,750	130,750	50,750	
18	85,000	735,000	294,000	93,500	67,050	133,450	48,450	
19	90,000	745,000	298,000	94,500	67,350	136,150	46,150	
20	95,000	750,000	300,000	95,000	67,500	137,500	42,500	
21	100,000	750,000	300,000	95,000	67,500	137,500	37,500	

Objective-and-Task Method

- Determines the budget required to undertake specific tasks to accomplish communication objectives

Objective: Increase the percentage of target market (working women) who know of our store's location and that purchase business attire from 25 percent to 50 percent over the next 12 months.

Task: 480, 30-second radio spots during peak commuting hours \$12,000

Task: Sign with store name near entrance to mall 4,500

Task: Display ad in the Yellow Pages 500

Objective: Increase the percentage of target market who indicate that our store is their preferred store for buying their business wardrobe from 5 percent to 15 percent in 12 months.

Task: Develop TV campaign to improve image and run 50, 30-second commercials \$24,000

Task: Hold four "Dress for Success" seminars followed by a wine-and-cheese party 8,000

Objective: Sell merchandise remaining at end of season.

Task: Special event \$6,000

Total budget \$55,000

Financial Implications of Increasing the Communication Budget

	Last Year	Next Year
Sales	\$500,000	\$650,000
Gross margin (realized)	200,000	260,000
Rental, maintenance, etc.	−70,000	−85,000
Personnel	−60,000	−64,500
Communications	−30,000	−55,000
Profit	\$ 40,000	\$55,500

Rule of Thumb Methods

- Affordable Budgeting Method – sets communication budget by determining what money is available after operating costs and profits are budgeted.
- Drawback: The affordable method assumes that the communication expenses don't stimulate sales and profits.

Rule of Thumb Methods

- Percentage of Sales Method – communication budget is set as a fixed percentage of forecasted sales.
- Drawback: This method assumes the same percentage used in the past, or by competitors, is still appropriate for the retailer.

Rule of Thumb Methods

- Competitive Parity Method – this communication budget is set so that the retailer's share of communication expenses equals its share of the market.
- Drawback: This method (like the others) does not allow the retailer to exploit the unique opportunities or problems they confront in a market.

Allocate the Promotional Budget

- The retailer decides how much of its budget to allocate to specific communication elements, merchandise categories, geographic regions, or long- and short-term objectives
- Budget allocation decision is more important budget amount decision

High-assay principle: The retailer allocates the budget to areas that will yield the greatest return.