



# RETAILING in the TWENTY-FIRST CENTURY

second edition

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\*On May 15, 2007, Steve Jobs announced the opening of Apple's first retail store during a press conference. Jobs said that Apple hoped to eventually open twenty-five retail stores in the United States and that the first two stores would open that weekend.

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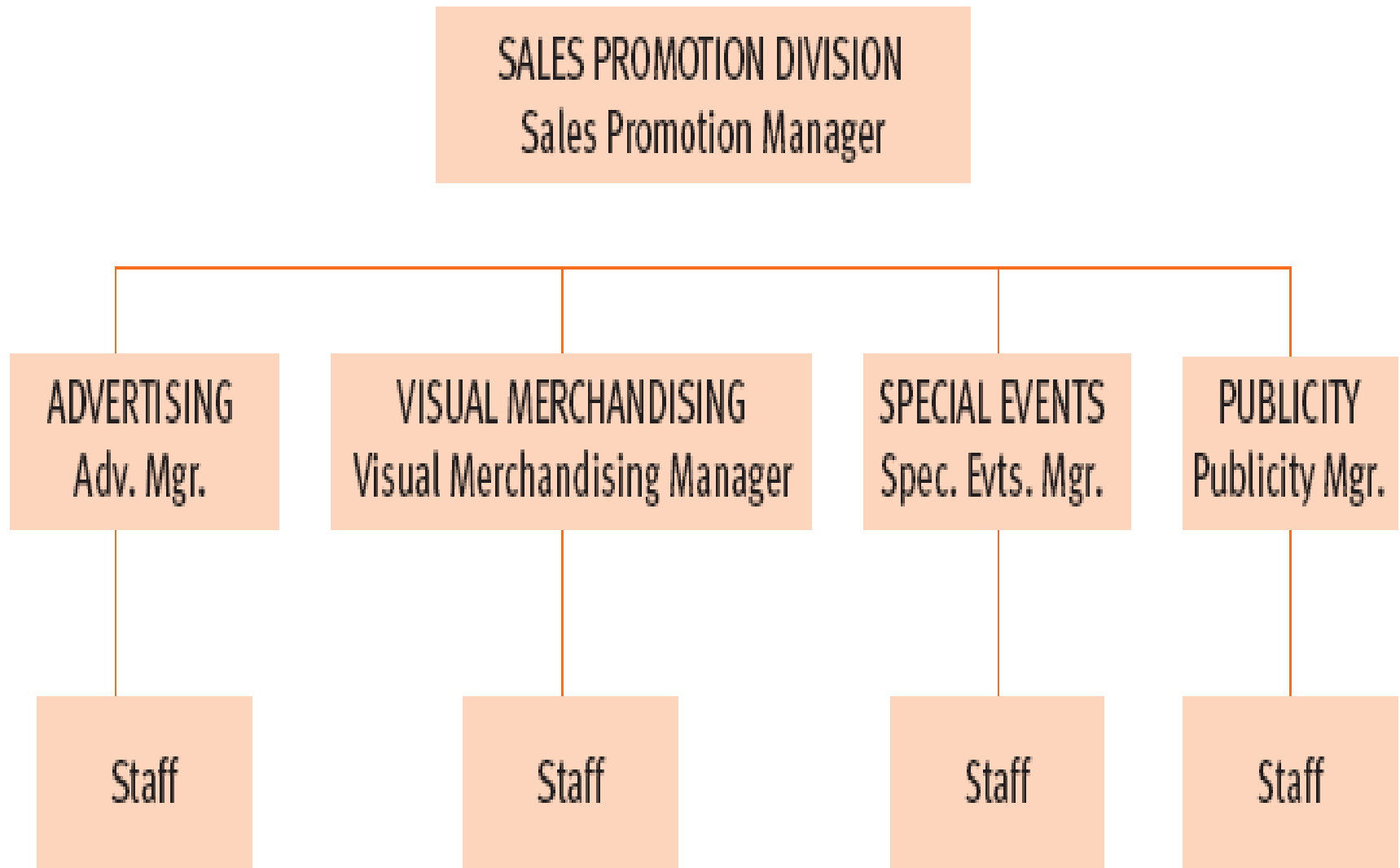
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# **Part Five**

## **Promotion and Customer Service**

# **Chapter 17**

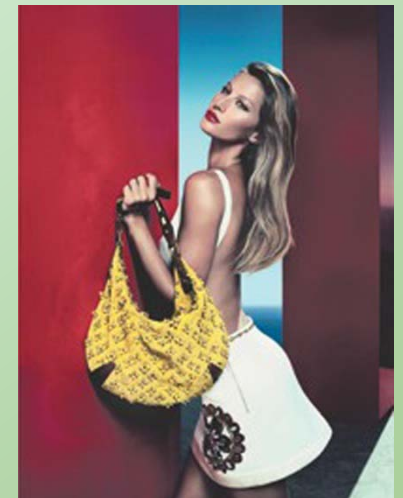
## **Advertising and Promotion**



A typical organization chart for the sales promotion division of a department store.

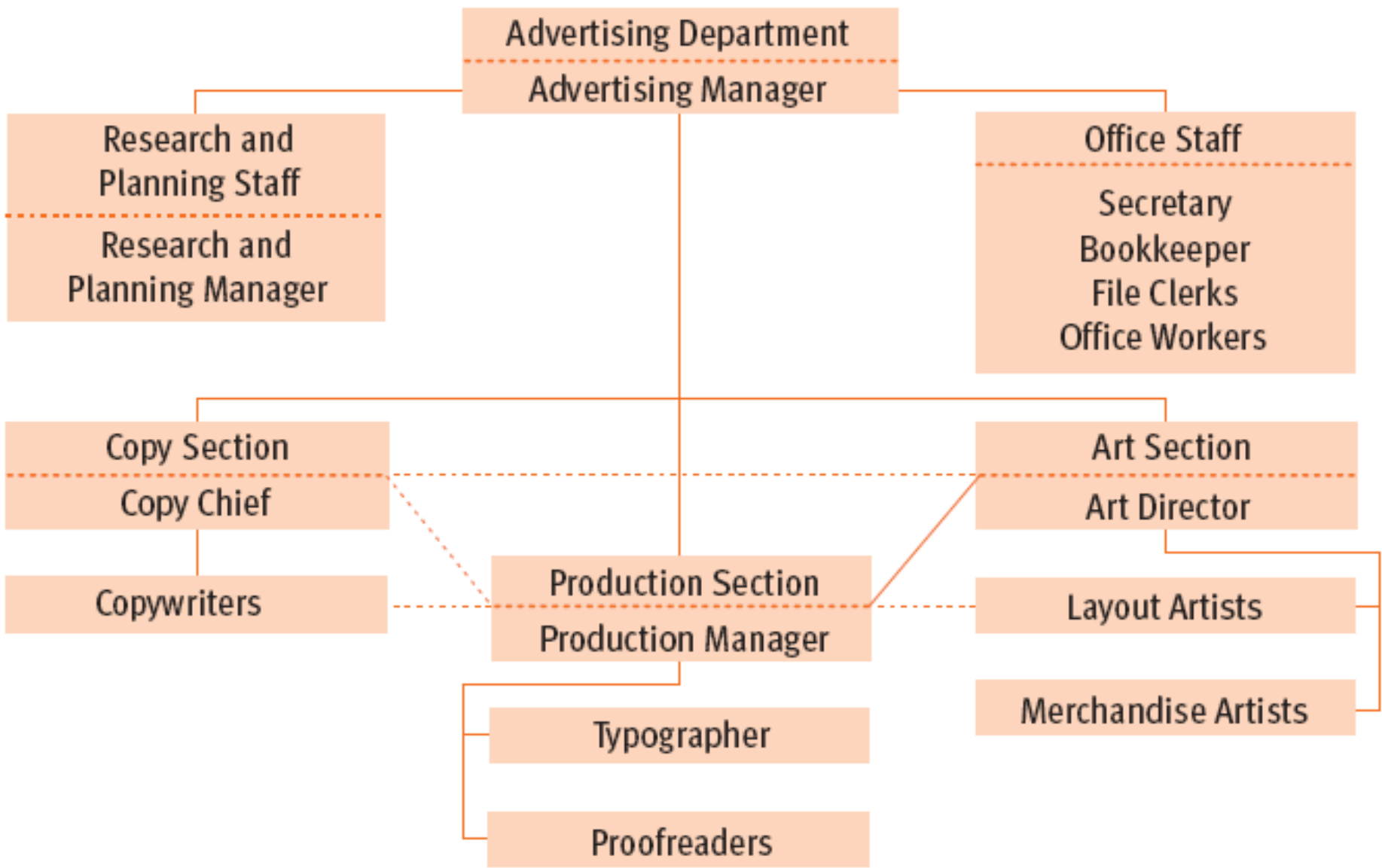
# Advertising

- Any paid for form of non-personal presentation about goods, services, or ideas to a group
- Advertising is the lifeblood of retailing
- Artwork and copy are used to communicate the message



# *Advertising*

- Preparing advertisements include several components
  - Writing copy
    - The written portion of the advertisement
  - Illustrations or photographs
    - The visual elements
  - Developing the layout
    - The art and copy arrangements used to achieve eye appeal



Areas of a typical in-house advertising department.

# External Sources of Advertising Assistance

- Advertising agencies
  - Create single ads, complete campaigns, or anything promotional in nature for large and small retailers
- Vendors
  - Provide sample advertisements
  - Retailers add their name and any additional information they wish to use

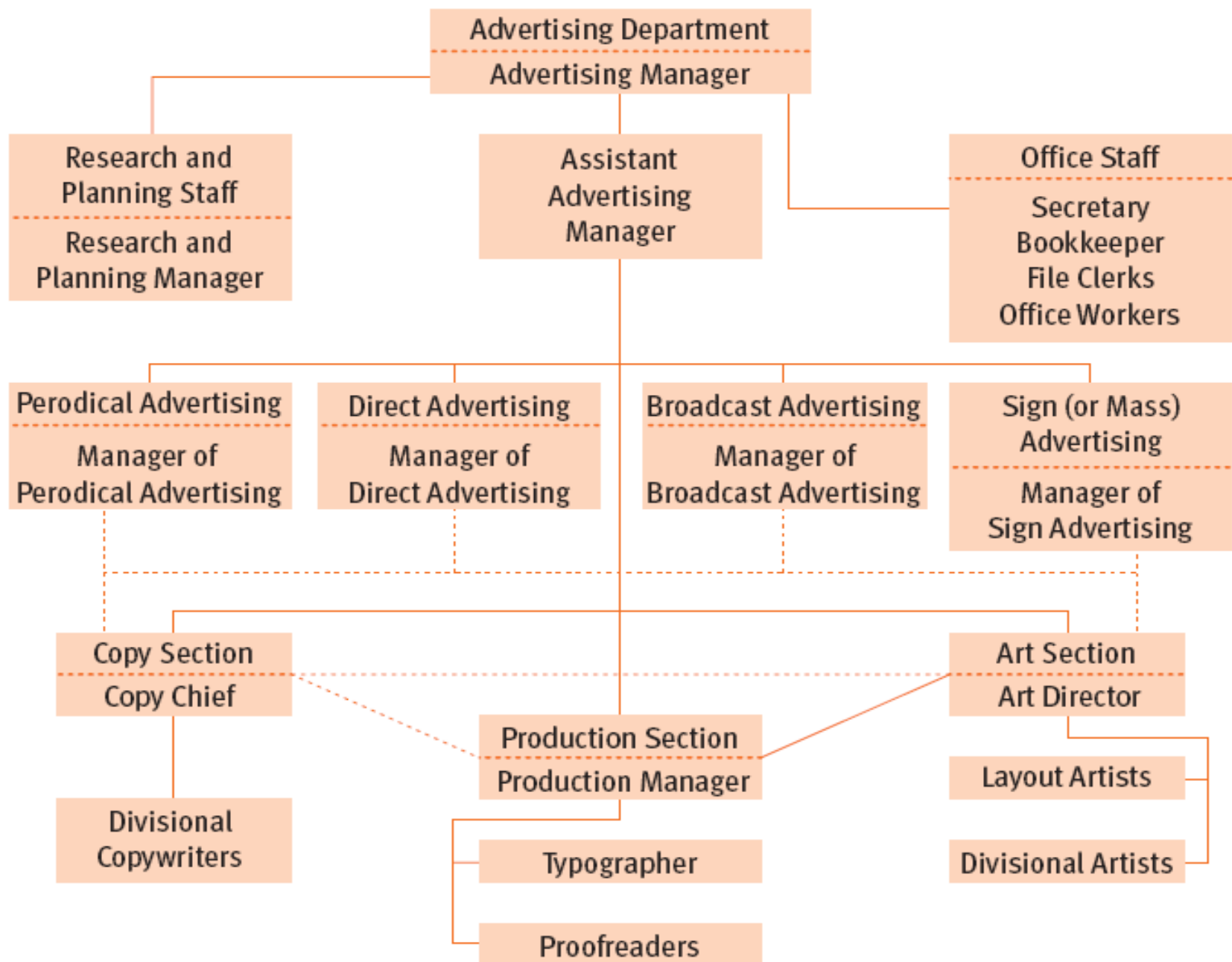
# *External Sources of Advertising Assistance*

## ■ Freelancers

- Individuals who create advertising for retailers
- Freelancers specialize in one medium or use a variety of media

## ■ Media services

- Offered at print and broadcast companies
- Services are generally free



Many retailing giants organize their advertising department following this structure.

# Advertising Classifications

- Promotional advertising
  - For a special product in the retailer's inventory
  - Meant to tempt the shopper to make the purchase



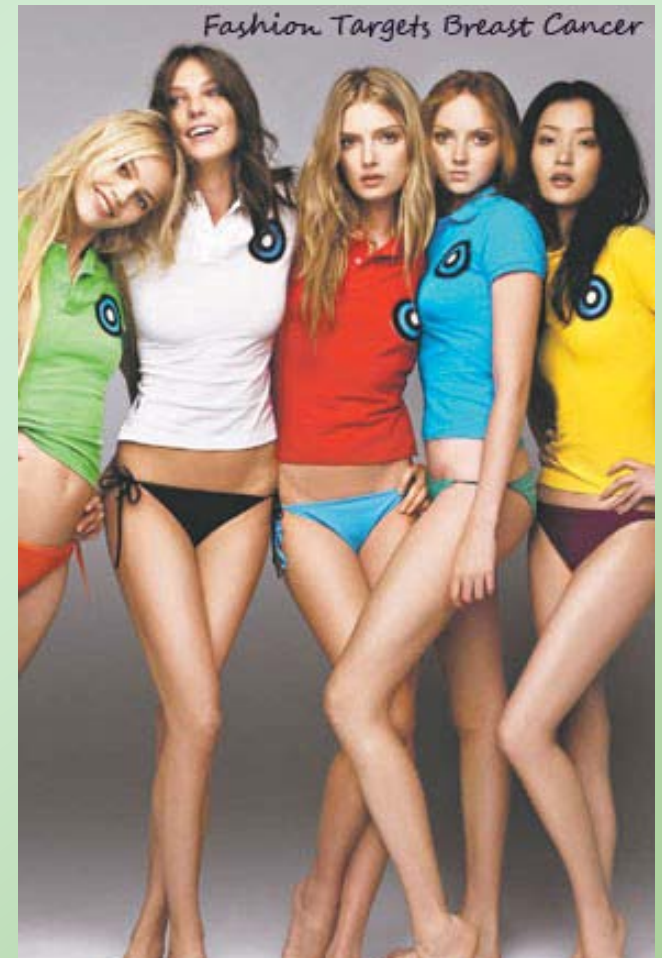
# *Advertising Classifications*

- Institutional advertising
  - Events and charities are promoted to highlight humanitarian efforts on behalf of the retailer
  - The intention is to promote the retailer's image



# *Advertising Classifications*

- Combination advertising
  - Combines promotional and institutional advertising
  - Fashion merchants use this format often



# Advertising Campaigns

- A central theme or concept is used to promote the company's name, product line, or image
- Multimedia campaigns utilizing a combination of newspapers, magazines, direct-mail, and television have the greatest impact

# Cooperative Advertising

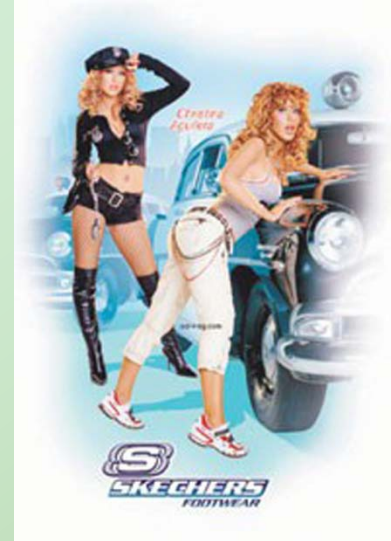
- An arrangement where the vendor and the retailer share the expense of advertising
- A formula is developed that provides promotional funds to be earmarked for advertising purposes, typically totaling 10% of the purchase
- Generally the vendor and retailer each pay 50% of the ad cost

# Crossover Advertising

- Merchants use print and broadcast media to advertise the company's brick-and-mortar and Web sites within the same ad
- These ads are used to remind shoppers the Web site exists

# Advertising Media

- The selection of media is determined by the nature of the retail operation
- Department stores
  - Use a combination of newspaper, magazine, direct-mail, television, and Internet
- Small retailers
  - Subscribe to direct-mail advertising



# Newspapers

## ■ Advantages

- Diversified offerings provide interest for every family member
- Cost per customer is lower than any other media
- Life of the newspaper is long
- Subscriptions guarantee regular readership
- Newspapers can be read at any time

# *Newspapers*

- Disadvantages
  - Poor reproduction quality
  - A decrease newspaper readership
  - Competition with the Internet for an audience

# Magazines

- A limited number of retailers advertise in magazines because of its
  - High ad costs
  - Trading areas are smaller than the reach of the magazine
- National retailers such as Sears and JCPenney advertise in magazines
- Regional editions of the publication are a popular choice for small retailers

# Television

- Realistic and stylized commercials are very effective
- A combination of sight and sound create exciting advertisements to reach customers
- The expense of television ads limits the amount of national television advertising used in the retail industry
- Regional advertising cuts costs

# Radio

- The majority of listeners include motorists, who are part of the captive audience
- Teenagers and young adults are regular listeners
- Relatively affordable in comparison to magazine and television advertisings
- Little lead time is necessary

# Direct Mail

- Catalogs, brochures, and pamphlets are forms of direct-mail advertising
- It is essential in achieving multichannel retailing
- Mailing lists from retailers and marketing research companies are used
  - Lists can target demographics and psychographic information

# Web Sites

- Some Web sites advertise brick-and-mortar or catalog operations enticing potential customer to visit stores or obtain catalogs
- Others offer products for Web-only retailers
- Interactive Web sites have become extremely popular

# Outdoor Advertisements

- A relatively inexpensive means of advertising
- Billboards
  - Located along interstates and major thoroughfares to provide motorists with information



# Outdoor Advertisements

- Posters
  - Smaller versions of billboards
  - Located on the sides and back of buses
- Backlit transparencies
  - Illuminated posters that provide coverage any hour of the day



# Advertising Cost Analysis

- Retailers must consider the expenses involved in advertising
- Return on investments are used to analyze effectiveness
- Communication outlets such as Standard Rate & Data Service (SRDS) assist in analysis

# Evaluation of the Advertising

- Determines whether the advertising was effective
  - Small stores gain feedback from customers
  - Large companies rely on the research department to provide feedback
  - Stores measure increases in store traffic and sales after an ad has run to evaluate its success

# Promotion

- Promotions are used to augment advertisements and bring greater attention to retailers and their merchandise

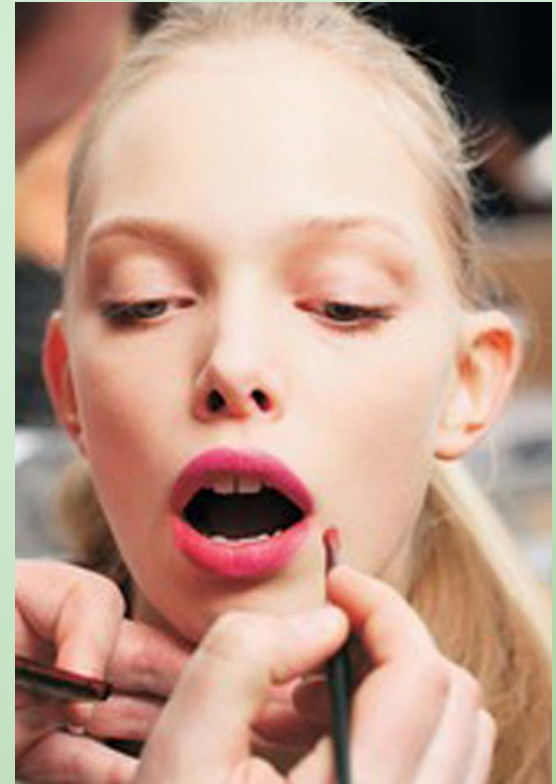
# Types of Special Event Promotions

- Fashion shows
  - Especially popular, using a runway or informal format
- Celebrity appearances
  - Designers, entertainers, and sports figures to attract attention to the retailers



# *Types of Special Event Promotions*

- Trunk shows
  - Bring entire collections to stores at the beginning of a selling season
- Demonstrations
  - Makeup application for customers are extremely popular in the cosmetic industry



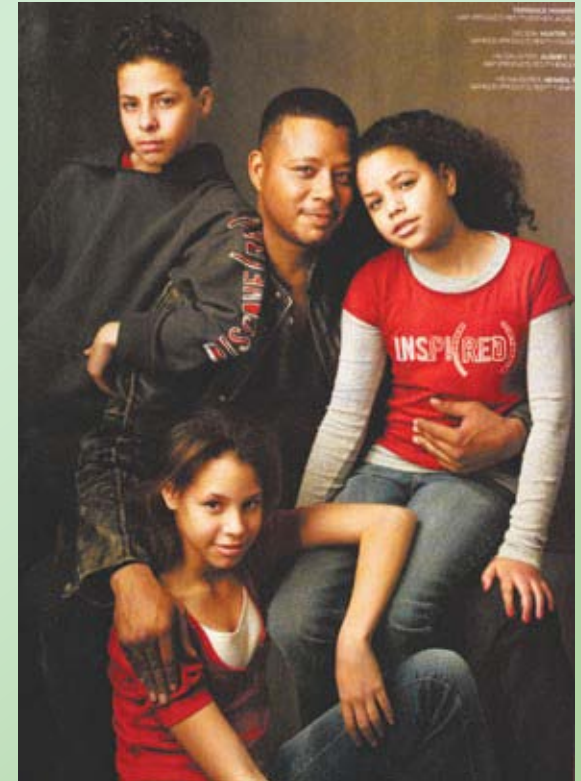
# *Types of Special Event Promotions*

- “How to” clinics
  - Retailers such as Home Depot offer instructions to customers
- Sampling of food
  - Popular at warehouse operations such as Costco or Sam’s Club



# *Types of Special Event Promotions*

- Charitable functions and the sponsorship of community events
  - Help build the retailer's image and provide a wealth of potential customers
- Holiday parades
  - Macy's Thanksgiving Day Parade



# Publicity

- Entails spreading awareness about the company to the consumer
- In-house publicists are responsible for presenting the company in its best light to attract shoppers
- Press releases and press kits are used for communication purposes

# Multimedia Campaigns

- More and more merchants are utilizing multimedia campaigns that incorporate a variety media
- In 2007, Sears created a major multimedia holiday shopping ad campaign utilizing:
  - TV ads, radio spots, magazine inserts, direct mail, circulars, catalogues, its web site, social networking sites, widgets, and text messaging