

Retail Communication Mix

CHAPTER 15

Questions

- How can retailers use communication programs to develop brand image and build customer loyalty?
- How do retailers communicate with their customers?
- What steps are involved in developing a communication program?

Brands

Distinguishing name 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



Value of Brand Image

Brands

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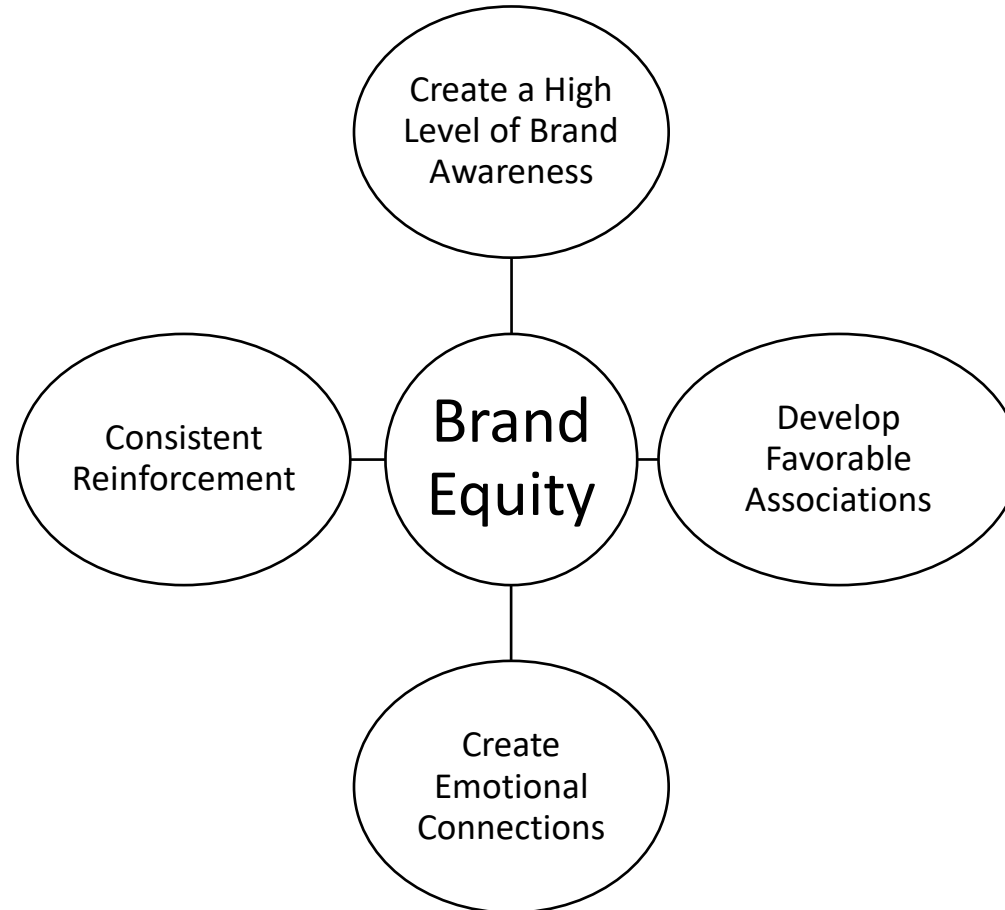
Value to Retailers (Brand Equity)

- 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 Merchandise/Retailer

Building Brand Equity



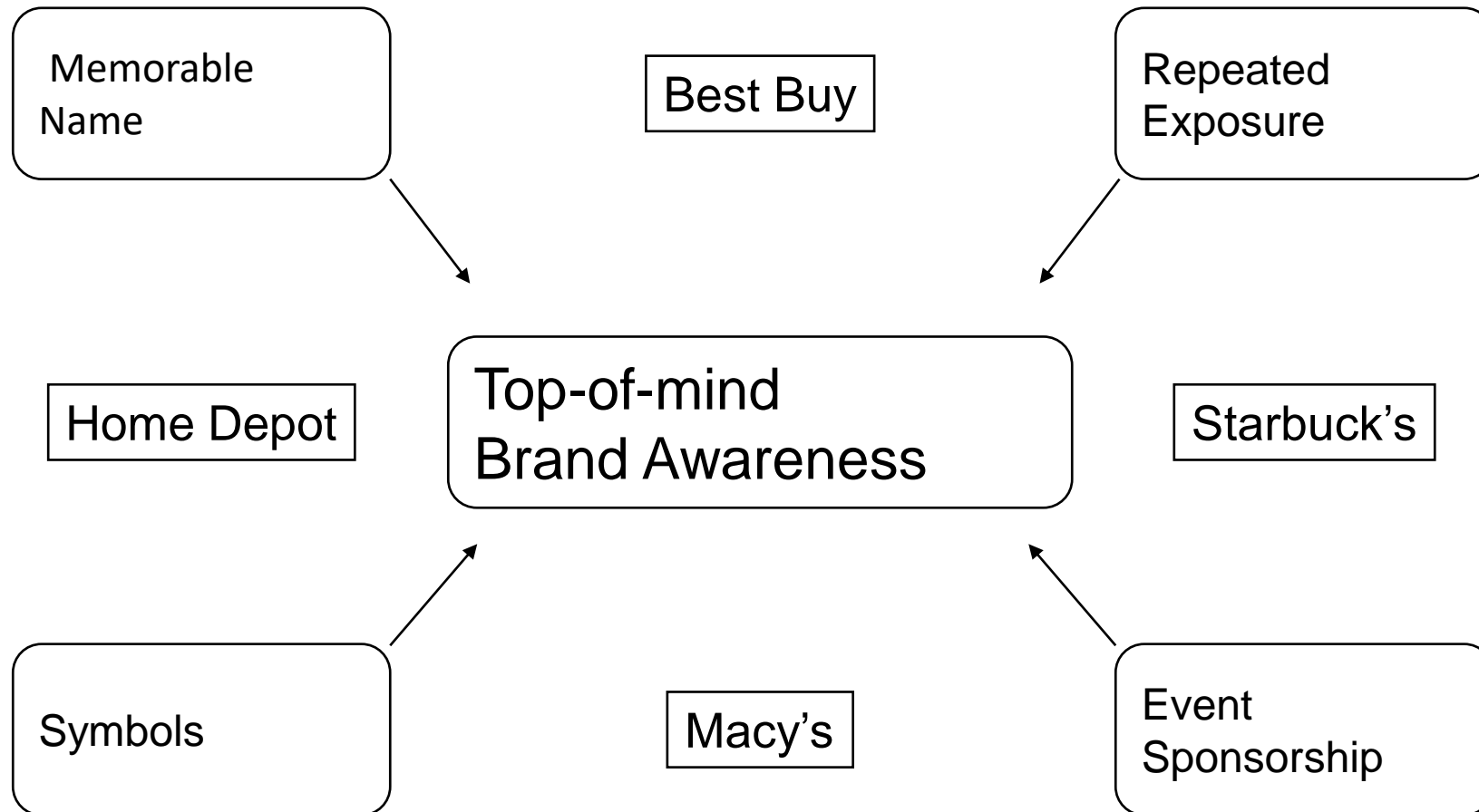
Benefits of High Brand Awareness



Aided Recall Top
Mind Awareness

Stimulates Visits
to Retailer

Creating Brand Awareness



Consistent Reinforcement through Integrated Marketing Communication Program

Integrated Marketing Communication Program

- A program that integrates all of the communication elements to deliver a comprehensive, consistent message
- 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 Communications

- Present a Consistent Brand Image through all Communications with Customers



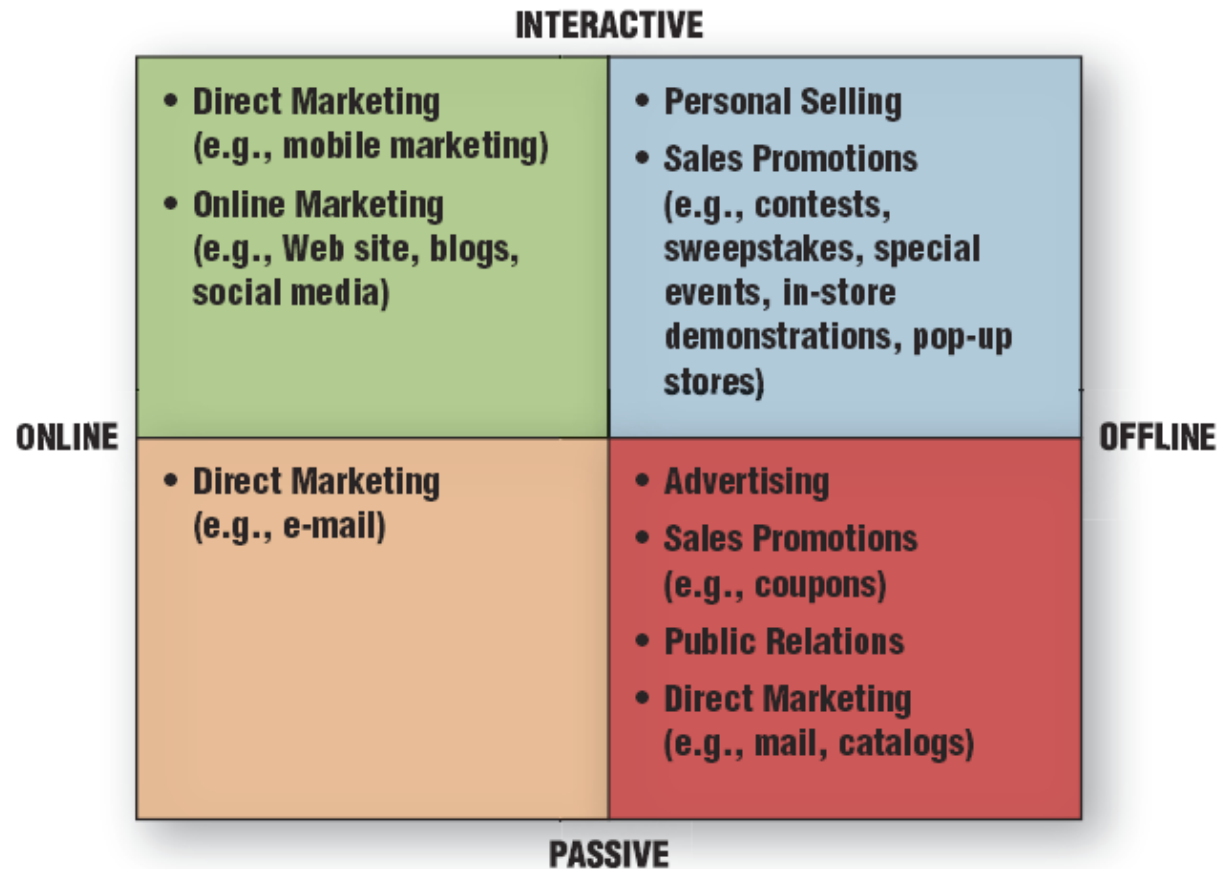
- Store Design
- Advertising
- Web Site
- Magalog

Brand Extensions

- Gap → GapKids and Old Navy
- Abercrombie & Fitch → Hollister and Gilly Hicks
- Sears → Sears Auto Centers and the Great Indoors
- Pottery Barn → Pottery Barn Kids

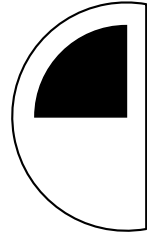


Methods of Communicating with Customers



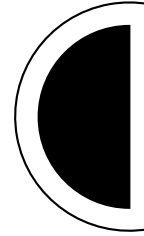
SOURCE: Dhruv Grewal and Michael Levy, *Marketing*, 3rd ed. (New York: McGraw-Hill/Irwin, 2012).

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.

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.



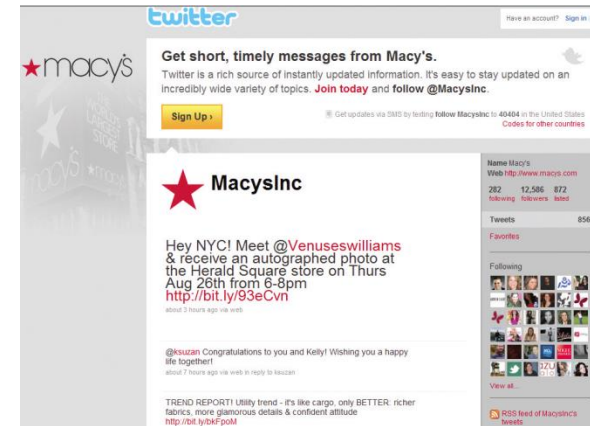
Online Marketing



Web Sites

Blogs

Social Media



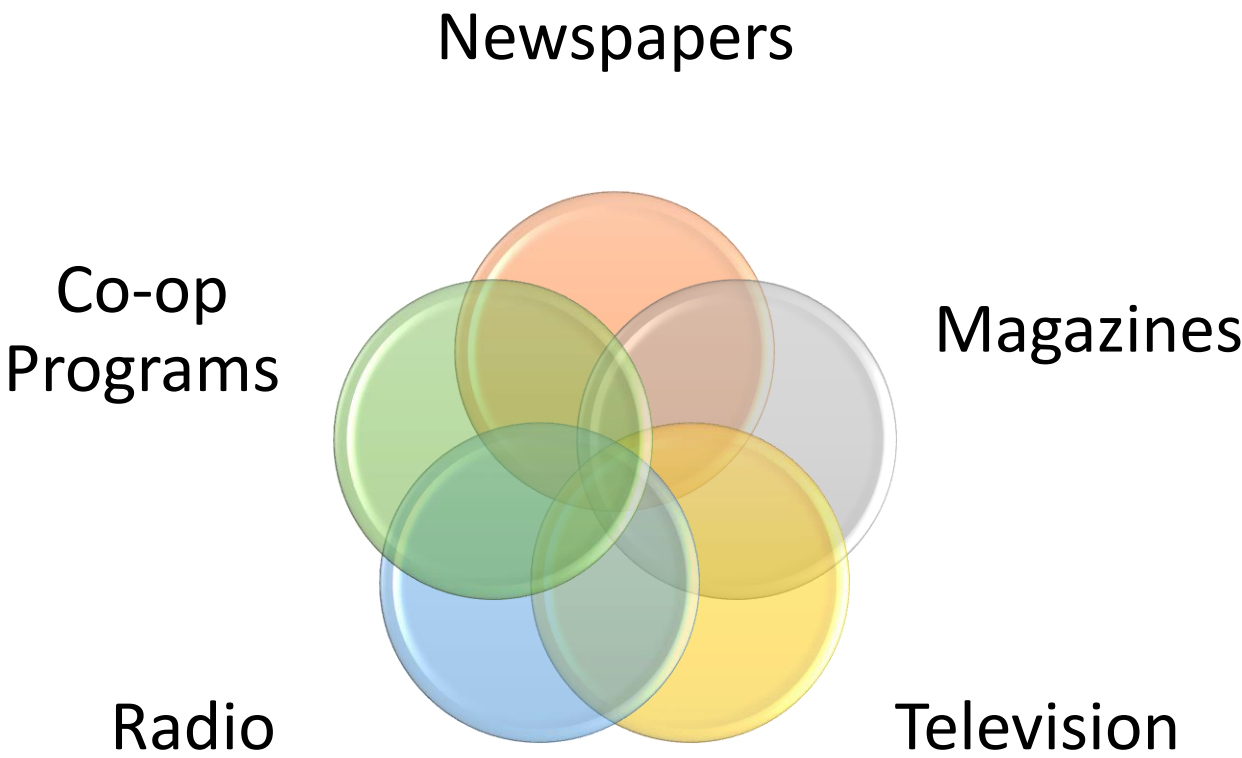
Sales Promotions

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

Personal Selling

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

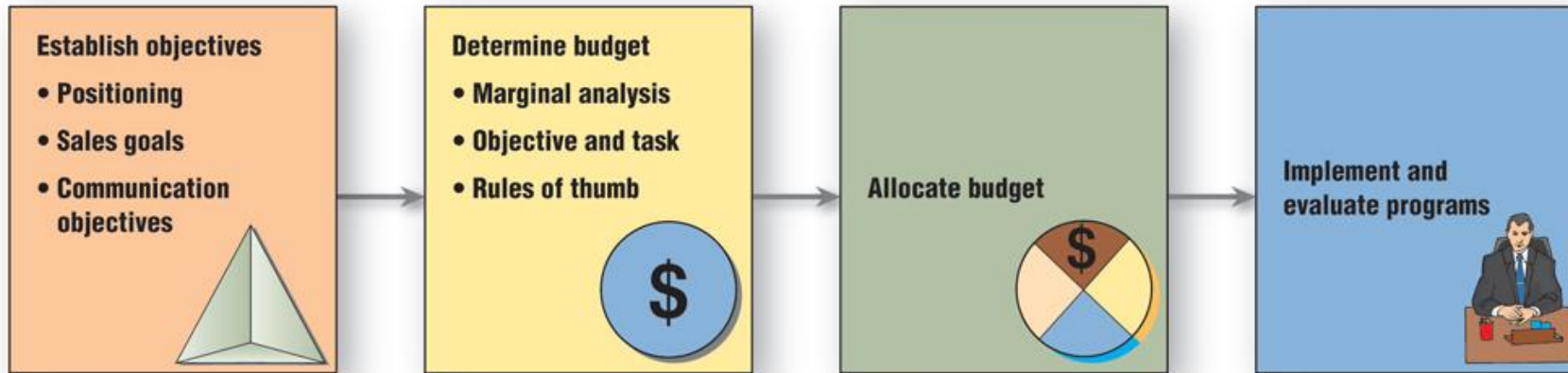
Advertising



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.

Planning the 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

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

Objective-and-Task Method

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

Illustration of Objective and Task Method for Setting a Communication Budget

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

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 allocate the budget to areas that will yield the greatest return

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

Keywords

- **objective-and-task method** A method for setting a promotion budget in which the retailer first establishes a set of communication objectives and then determines the necessary tasks and their costs.

REFERENCES

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