

Role of Promotion

Retail marketers are well aware of the power and effectiveness of promotional products, relying on them to increase brand awareness, generate more sales and attract a loyal and lucrative clientele.

Definition of Promotion: To communicate with individuals, groups or organizations to directly or indirectly facilitate exchanges by informing and persuading one or more audiences to accept an organization's products.

There are 4 more major functions of promotions:

- *Encoding*--putting thought into symbolic form. Advertising Agencies creating radio commercials, TV commercials, prepare direct mail pieces, sales pitch etc
- *Decoding*--consumer interprets message. Understanding the target market's perception process is critical.
- *Response*--reaction of the receiver buy or not to buy, take next step down AIETA, go to the showroom etc.
- *Feedback*--response communicated back to the sender 1-800 #s, increase in sales. Number of customers in show room etc. Better for Personal Selling, not advertising

Perception

What do you see?? Perception is the process of selecting, organizing and interpreting information inputs to produce meaning. That is, we chose what info we pay attention to, organize it and interpret it. Information inputs are the sensations received through sight, taste, hearing, smell and touch.

Selective Exposure-select inputs to be exposed to our awareness. More likely if it is linked to an event, satisfies current needs, intensity of input changes (sharp price drop).

Selective Distortion-Changing/twisting current received information, inconsistent with beliefs.

Advertisers that use comparative advertisements (pitching one product against another), have to be very careful that consumers do not distort the facts and perceive that the advertisement was for the competitor. A current example...MCI and AT&T...do you ever get confused?

Selective Retention-Remember inputs that support beliefs, forgets those that don't.

Average supermarket shopper is exposed to 17,000 products in a shopping visit lasting 30 minutes-60% of purchases are unplanned.

Exposed to 1,500 advertisement per day. Can't be expected to be aware of all these inputs, and certainly will not retain many.

Interpreting information is based on what is already familiar, on knowledge that is stored in the memory.

Buyers' Product Adoption Process

1. *Awareness*- Buyers become aware of the product
2. *Interest*- Buyers seek information and is receptive to learning about product
3. *Evaluation*- Buyers consider product benefits and determines whether to try it
4. *Trial*- Buyers examine, test or try the product to determine usefulness relative to needs
5. *Adoption*- Buyers purchase the product and can be expected to use it when the need for the general type of product arises.

Rate of adoption depends on consumer traits as well as the product and the firm's marketing efforts.

Promotional Mix

Organizations combine specific ingredients of the promotional mix to promote a particular product.

All promotional tools (promotional mix):

- Advertising
- Sales Promotion
- Publicity

must blend harmoniously into an effective communication strategy, to meet the promotional objectives.

Advertising:

Definition:

Paid form of non personal communication about an organization or its products that is transmitted to a target audience through a mass/broadcast medium.

Pros

- Flexibility allows you to focus on a small, precisely defined segment (School newspapers) or a mass market (cricket = Males, 15-50).
- Cost efficient-reach a large number at a low cost per person, allows the message to be repeated, and can improve public image.

- Allows for repeating the message-lets the buyer receive and compare the messages of various competitors.
- Very expressive, allows for dramatization.
- Also used to build a long term image of a product.
- Trigger quick sales, Sears advertising a weekend sale.

Cons

- Absolute Rs outlay very high
- Rarely provides quick feedback, or necessarily any feedback
- Less persuasive than personal selling
- Audience does not have to pay attention
- Indirect feedback (without interactivity)

Personal Selling:

Occurs through personal communication in an exchange situation.

- More specific communication aimed at one or more persons.
- Effective at building buyers preferences, convictions and actions.
- Cost per person is high, most expensive promotional tool.
- Greater impact on consumers
- Provides immediate feedback
- Allows marketers to adjust message quickly to improve communication.
- Buyer feels a great need to listen and respond.
- Long term commitment is needed to develop a sales force.

Public Relations/Publicity:

News story form about an organization or its products or both, through mass medium at no charge.

Sponsor does not pay (generally), may be expected/required to run advertisements in the media. Can be positive and negative. Pepsi Syringe. Believable

Selecting Promotional Tools

A marketer must do the following while planning and sending communications to a target audience:

1. Identify the Audience
 - Individuals, groups, special publics or the general public.
 - Intermediaries vs Consumer
2. Identify the Stage of Product Life Cycle
 - Introductory *Inform* Publicity/Advertising/Sales force (interm.)/Sales promotion (free samples)
 - Growth *Persuade* Differentiate from competitors offering

- Maturity *Remind* Reminder advertising, Sales promotion (coupons)
- Decline Cut budget
- 3. Product Characteristics
 - *Complexity* How much information must be communicated. The more complex the message, the greater the need to use personal selling.
 - *Risk* Greater risk, greater need for personal selling
- 4. Stages of Buying Decision

In many cases the final response sought is purchase, but purchase is the result of a long process of consumer decision making. Need to know where the target audience now stands (in the process), and what state they need to be moved to.

Adoption Process

- *Not Aware*--Advertising/Publicity
- *Aware*--no knowledge Advertising/Publicity
- *Interest*--how do they feel? Personal Selling/SalesPromotion/Advertising
- *Evaluation*--should they try? sales promotion/personal selling
- *Trial*--test drive/sales promotion
- *Adoption*--do they purchase? Reminder/reinforce--advertising

Communication programs goal must lead consumers to take the final step.

- 5. Channel Strategies
 - Push Vs Pull Policy
 - *Push*-promotes product only to the next institutions down the marketing channel. Stresses personal selling, can use sales promotions and advertising used in conjunction.
 - *Pull*-promotes directly to consumers, intention is to create a strong consumer demand, primarily advertising and sales promotion. Since consumers are persuaded to seek products in retail stores, retailers will in turn go to wholesalers etc (use channels overhead)

6. Nature of Sales Promotion

Encompasses all promotional activities and materials other than personal selling, advertising and publicity. Grown dramatically in the last ten years due to short term focus on profits. Funds are usually earmarked for advertising are transferred to sales promotion. Often used in conjunction with other promotional efforts.

1. Sales Promotion Methods

Consumer Sales Promotion Techniques

-encourage/stimulate customers to patronize a specific retail store or to try a product

- **Coupons:**

Usually reduce the purchase price or offered as cash. Need to state the offer clearly and make it easy to recognize.

- **Demonstrations**

- **Frequent User Incentives**

- **Point of Purchase Display:**

Outside signs, window displays, counter pieces, display racks.
90% of retailers believe that point of purchase materials sell products.

Essential for product introductions. Also with 2/3 of purchasing decisions made in the store, they are important.

- **Free Samples**

- **Money Refunds/Rebates**

- **Premium Items**

- **Consumer Contests**

Defining Your Target Audience

Small business owners know how important it is to be familiar with customer needs and preferences. But having a general idea of what customers want from your business is not enough to create truly effective advertising and marketing campaigns. Entrepreneurs must take that knowledge to the next level and define target audiences to connect with the customers they want to reach.

Target audiences are distinct groups or segments of customers, and clearly defining your business' target audiences will help you promote the aspects of your business that are most relevant to each group.

Most businesses cater to a variety of clients and customers. Some marketing strategies will be relevant to all those segments, but knowing each target audience well will help you deliver your marketing messages in a way customers will respond to best.

Segment your existing customers

To start defining your target audiences for marketing purposes, take a look at the customers you have now.

- Who are your best or most profitable clients?
- Which group of customers makes up the bulk of your business?
- What do all these customers have in common?

Defining what your customers have in common can help you craft a marketing strategy to draw in more of the same people.

For example, a small diner may find that while customers come in a steady stream throughout the day, the biggest rush comes at breakfast, when profit margins are highest. Who are these customers? If the bulk of the morning rush is made up of commuters, the diner may consider offering a special for anyone carrying a train pass. Or if most of the customers are employees of a nearby company, the diner can offer a discount to anyone with an ID badge from that company.

On a wider scale, you can segment your customers using demographics and psychographics. Demographic information categorizes people in categories like age, location, occupation, sex and income.

Psychographic factors, on the other hand, define people based on their interests, like people who collect comic books or people who breed cats. Questions to ask yourself about your customers can include:

- What is the age range and median age?

- Is the group primarily male or female?
- Are they urban dwellers or suburbanites?
- Are they highly educated?
- What are their special interests or hobbies?
- What is their income range?

Knowing your customers can help you combine these factors to define your target audiences – again, your business likely will have more than one – as specifically as possible:

- Upper-income women with school-age children
- Teen-agers living within one mile of store
- Men over 55 who are interested in digital photography

Learn more about your target audiences

Regardless of how you segment your customers, your primary target audiences should be those customers who make up the bulk of your business or are most profitable. Once you define your target audiences, you must learn about their preferences and habits both as they relate to your business and in context of their own lives.

For example, if your target audience is teen-agers living within one mile of your store, where else are they hanging out and spending their money? Why do they come to your store and not another one down the street?

The only way to develop effective consumer communications is to become knowledgeable about your core target. Some ways to get to know your target markets include:

- **Asking people in your target audience more about themselves.** Chat with your customers about what they like, or design a short survey or questionnaire and give it to current customers and people who might be interested in your product or service. Be sure to explain why you want the information and what you plan to use it for. Offering discounts or a prize drawing for those that complete the survey can help you boost your response rate.
- **Listen to what people are saying.** When customers come to visit your store, or when you are paying a visit to a client, pay attention to what customers say to others. Take note if some themes tend to come up frequently. Perhaps many of the mothers who visit your store have children on the same Little League team, or perhaps the teens coming in are all communicating with their friends through their cell phones. Simply paying attention to your customers is a great way to get insights on what they are thinking.

- **Visit the places your target audience does.** Stop by some of the places your target customers might visit to get even more insight on their outside lives. If your target customer is the 55-year-old male interested in digital photography, where else is he spending his time? Are there digital photography seminars being held in your neighborhood? Go to them and find out what people are saying.

Tailor your marketing objectives to your target audiences

As you learn more about your target audiences, write descriptions of them, making them as specific as possible. Then decide what your primary objectives are with each.

- Do you want your most profitable customers to refer you to other similar customers?
- Do you want your most frequent customers to spend more on each visit?
- Be sure to link your marketing objectives to specific business objectives.

Using the information you've gathered about your target audiences, you then can decide whether you can best achieve your objectives by creating one marketing program to accommodate various audiences, including everyone in a single program or running separate programs for each audience.

For example, it may be that most of your customers, regardless of demographics or psychographics, come to your store simply because it provides the lowest price on a certain set of items. In this case, one marketing program for all customers would be the best use of your marketing dollars.

It may be that the bulk of your customers in the morning are business commuters, while your highest-spending customers during the day are mothers with school-age children. In this case, you may advertise a "morning special" good during commuting hours to drive more traffic, while also developing a separate loyalty program offering special benefits mothers may find attractive.

The more clearly you define your target audiences, the better you can reach them and encourage them to support your business. As you track the effectiveness of programs targeting different audiences, be sure to periodically refresh and refocus your research on your target markets.

Customer preferences and business climates are always shifting, and the most successful business owners are those who adapt their businesses to those constant changes.

Frequent Shopper Loyalty Programs

Once upon a time, retailers knew all their customers personally. They knew their preferences and what was happening in their lives. Armed with this knowledge, retailers were able to react quickly and market to each customer individually. They were able to build friendships interacting with their customers. Along the way of growing chains and building malls and promoting self-service, many retailers lost touch with their customers. Recognizing the value in customer loyalty, retailers are now seeking to reclaim personal relationships with their customers.

The **loyalty business model** is a business model used in strategic management in which company resources are employed so as to increase the loyalty of customers and other stakeholders in the expectation that corporate objectives will be met or surpassed. A typical example of this type of model is: quality of product or service leads to customer satisfaction, which leads to customer loyalty, which leads to profitability.

Loyalty Marketing is a school of thought used in marketing and strategic management in which a company focuses on growing and retaining existing customers through incentives. In recent years, a new marketing discipline called "customer advocacy marketing" has been combined with or replaced "customer loyalty marketing." To the general public, many airline miles programs, hotel frequent guest programs and credit card incentive programs are the most visible customer loyalty marketing programs

When many retailers think about customer loyalty, they still think about the granddaddy of all loyalty programs, the airline mileage programs. But Granddad isn't the leader of the pack anymore. In fact, the airline reward model may be entirely inappropriate for most retailers. Such programs, may have serious pitfalls for the unwary:

- Many reward programs treat all customers alike regardless of their potential for incremental business.
- Those programs that do differentiate among customers with elite status based on frequency find that frequency doesn't necessarily correlate with profitability, and may not support the segmentation of customer needs.
- They can be too expensive to be supported by some retailers' margins.
- Consumers have a decreasing attention span and declining bandwidth; they already carry too many mileage cards, hotel cards, supermarket club cards and punch cards from their carwash or dry cleaner.
- And the most serious drawback is that many structured reward programs fail to motivate incremental business, while rewarding purchases that would have been made anyway.

But many loyalty practitioners still recommend their clients use earning-and-reward programs built on the old airline model. However it's important to

consider a wide range of options before launching a program. These options include:

- Earning points toward rewards or free or discounted merchandise.
- Using third-party partner currencies, such as airline miles for retail purchases.
- Offering rebates or discounts for using a store-branded credit card.
- Providing information that is relevant, valuable and exclusive.
- Allowing members access to products, services and experience otherwise unavailable to the public.
- Recognizing best customers with "elite status."
- Inviting customer involvement in opportunities such as beta testing, first access to new products, participating in an "advisory board," creating and submitting advertising ideas, even inviting best customers to parties and special events.

It is important to remember that the "right" program for retail, will most likely blend a number of these approaches. Some "programs" may best be delivered transparently, as an integral part of the way the business is done, rather than as a visible program. Think of it as "programmatically loyalty initiatives" instead of a loyalty program. Finally, any program should always be designed to generate incremental sales while reinforcing your company's brand message and personality; a program should be a logical, comfortable extension of your core business, rather than a random appendage any marketer could offer.

The best programs are seldom off-the-shelf points-and-rewards schemes. Such programs may be the easiest and cheapest for the marketer to develop; but in the long run, they are often expensive, inflexible and worst of all, ineffective at reaching what should be the goal of any well-designed customer relationship program: increasing your return on your marketing investment and maximizing lifetime customer value.

Some common programs are-

Punch Cards: These are the most simple. The customer presents the card at time of purchase and receives a punch or stamp. When the card is full, it can be redeemed for a free item or a discount.

Savings Cards: These are most often used by grocers. The card provides discounts on merchandise at the time of purchase in exchange for tracking your buying habits.

Rebate Cards: These cards track how much the customer spends on each visit and offer a rebate, usually in the form of an store gift certificate, after a specified amount of "points" have been accumulated, based on how much was spent. Example - Westside

Online Profiles: This is customer data kept on file by online retailers. They range from simple log-in information to storage of credit card data.