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# Chapter 16: Retailing

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# Fit 4 Ps

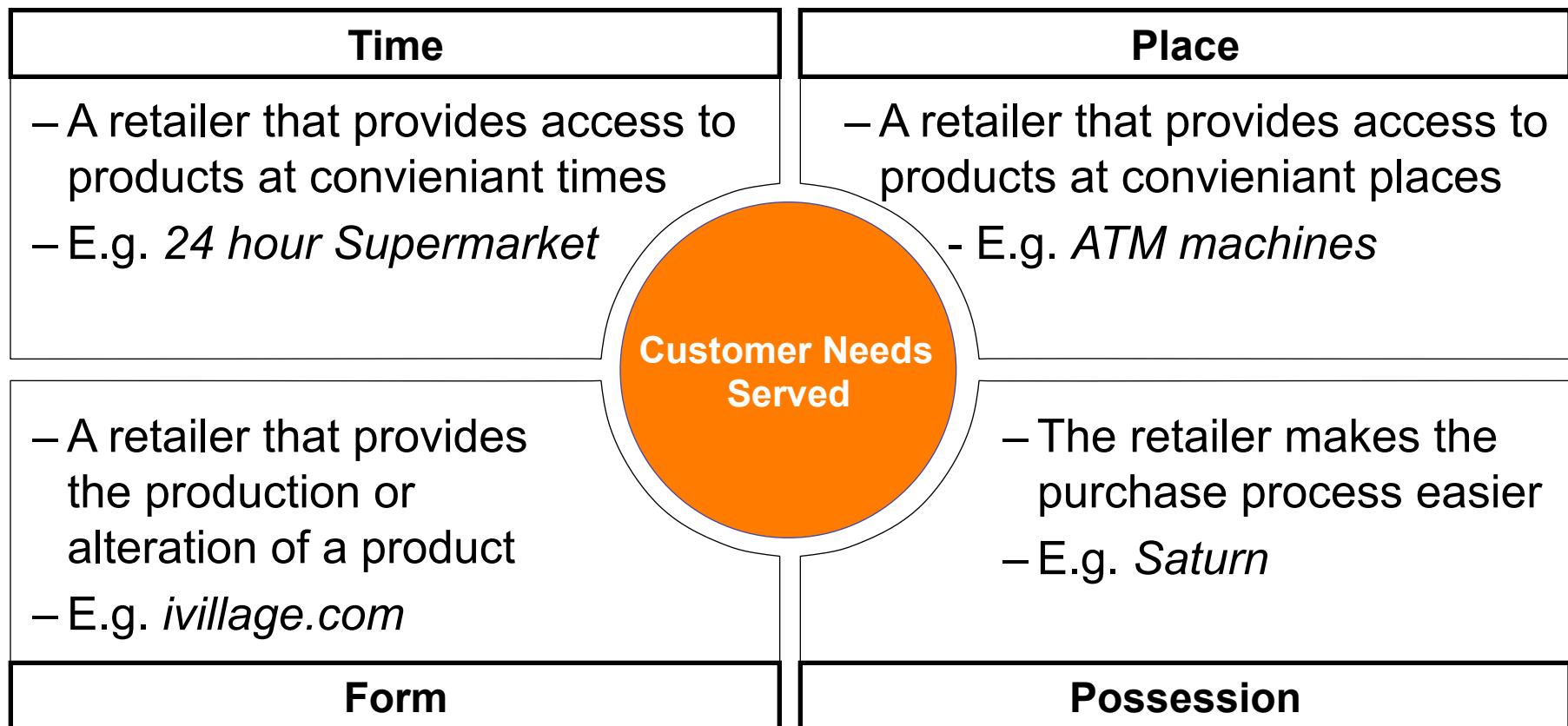
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## **Define:** Retail

- All the activities associated with selling, renting and providing goods and services to ultimate consumers for personal, family or household use.

# Consumer Utilities

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# Retailers Classified Based on...

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# Form of Ownership

## Independent Retailer

- Independent business owned by an individual



## Corporate Chain

- Multiple outlets under common ownership



VICTORIA'S  
SECRET

## Contractual Systems

- Independently owned store that band together and act like a chain



# Level of Service Provided

## Self Service

- Customer provides many functions and little is provided by the outlet



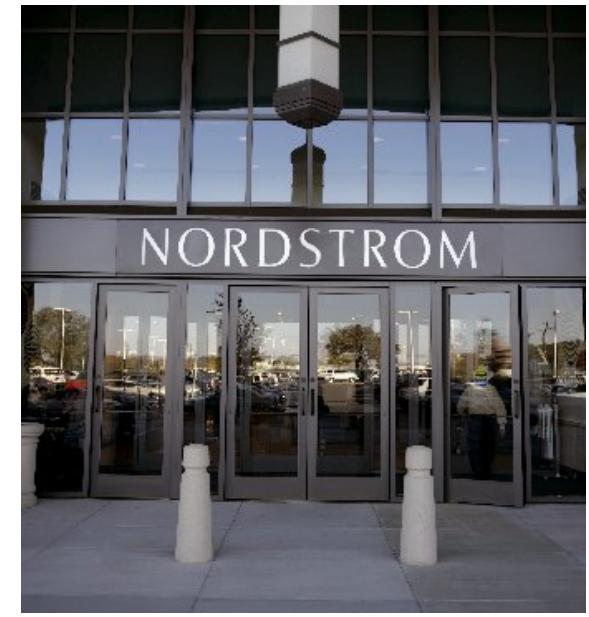
## Limited Service

- The retailer provides some services but not others



## Full Service

- Provide many services to the customers



# Types of Merchandise Offered

## Depth of Line

- Stores that carry a considerable assortments of a related line of items  
→ *specialty stores*

SEPHORA



## Breadth of Line

- Stores carry a broad product line, with limited depth  
→ *general merchandise stores*



# Distribution Channels

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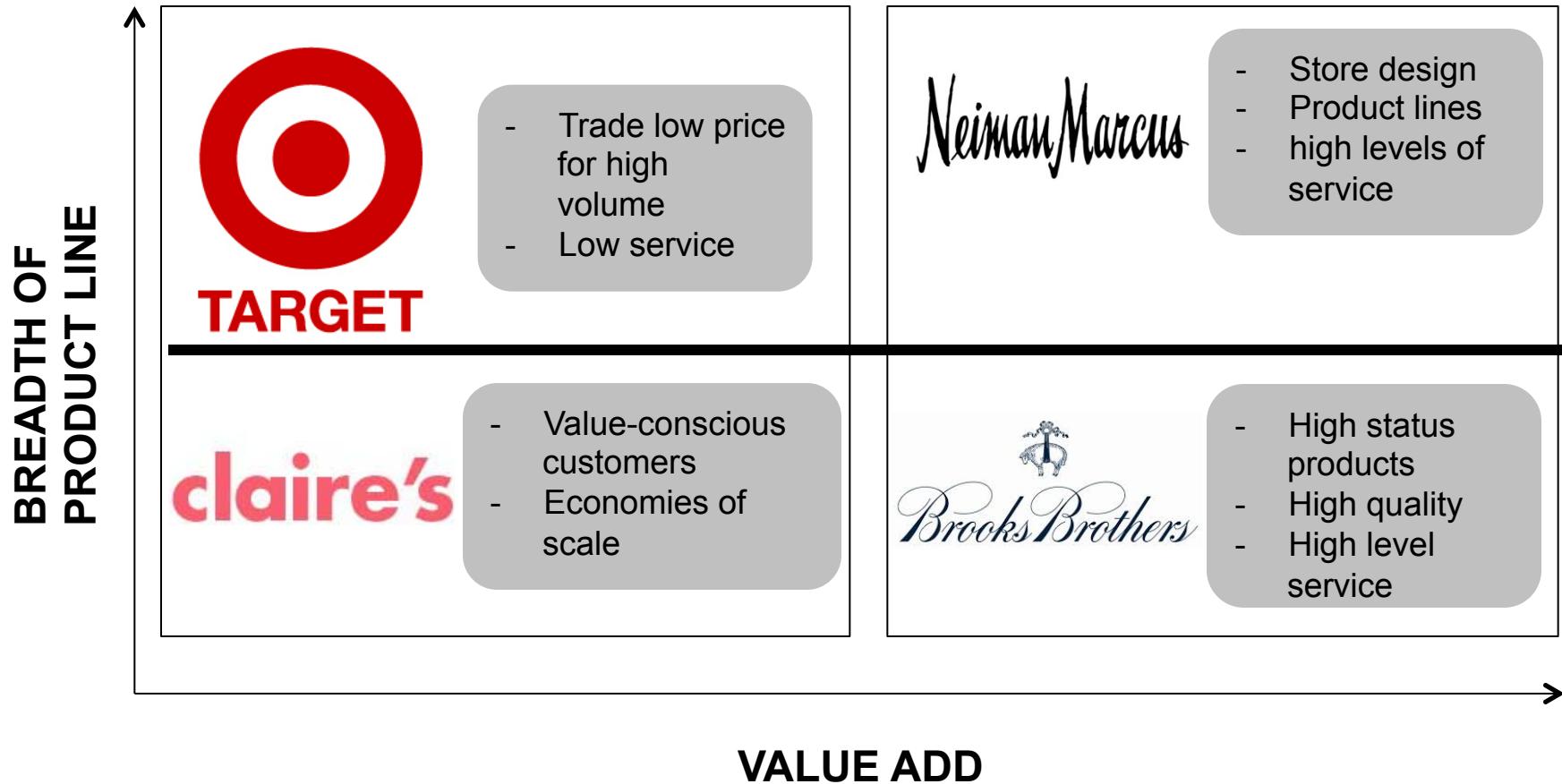
- Nonstore retailing - *retailing activities are not limited to sales in a store*
- Six forms of nonstore retailing:
  - Automatic vending
  - Direct mail and Catalogs
  - Television home shopping
  - Online retailing
  - Telemarketing
  - Direct Selling

# Retail Positioning

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- Positions retail outlets on two dimensions
  - Breadth of product line
    - range of products sold through each outlet
    - (narrow → broad)
  - Value added
    - Value added (e.g. location, product reliability, prestige)
- Keys to Positioning
  - For successful positioning, must have advantages over competition and recognizable to consumers

# Retail Positioning Matrix



# Retailing Mix

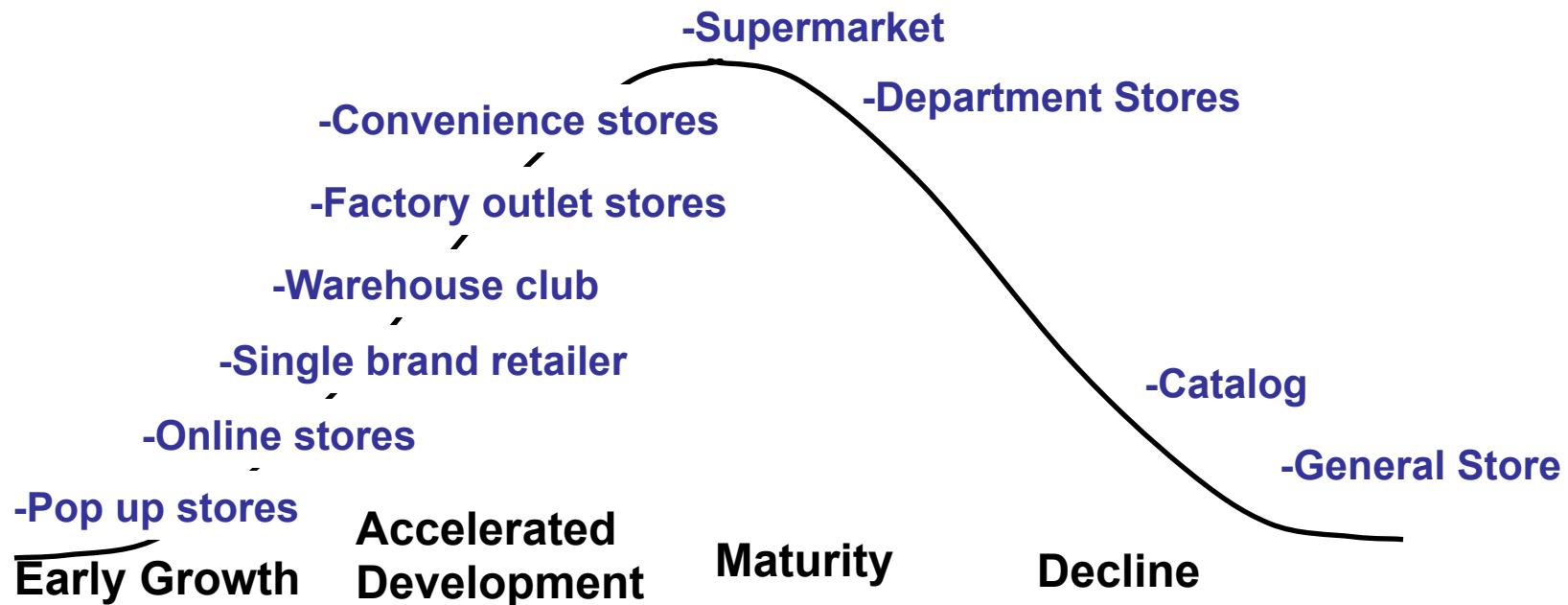
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- Retailing Mix
  - Includes activities related to managing the store and the merchandise in the store
    - Retail pricing
    - Store location
    - Retail communication
    - Merchandise

# Retail Life Cycle

- The process of growth and decline that retail outlets experience

Where would you put each of these retailers?



# Chapter 17: Integrated Marketing Communications

# Promotional Mix

- Combination of one or more of the following communication tools:
  - Advertising
  - Personal selling
  - Sales promotion
  - Public relations
  - Direct marketing
- Goals:
  - (1) Inform
  - (2) Persuade
  - (3) Remind

# Integrated Marketing Communications

- Designing marketing communications programs that coordinate all promotional activities to provide a consistent message across all audiences.

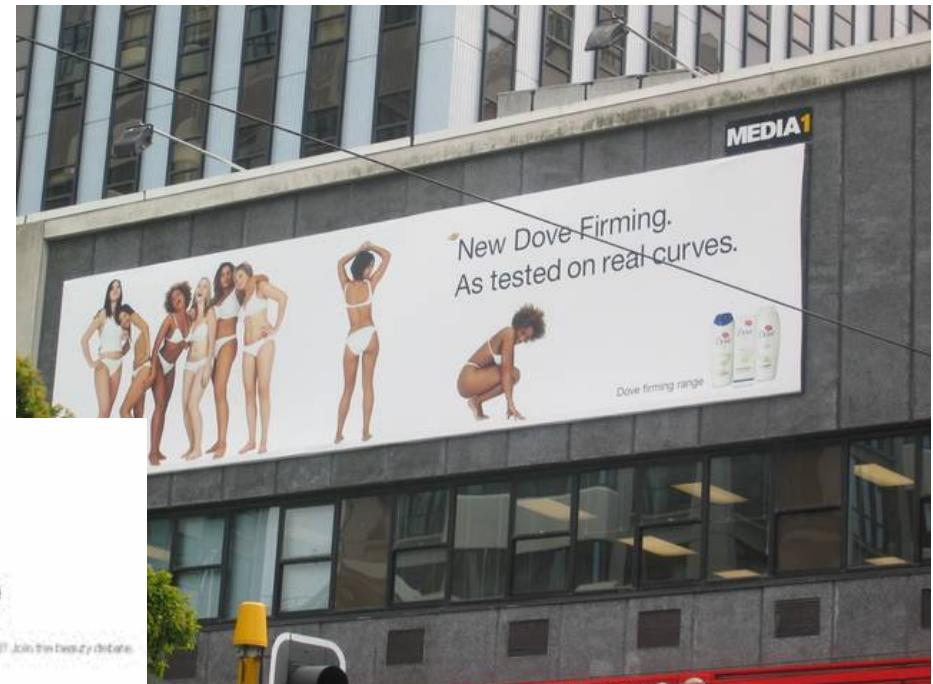
## Dove - Real Beauty



- wrinkled?
- wonderful?

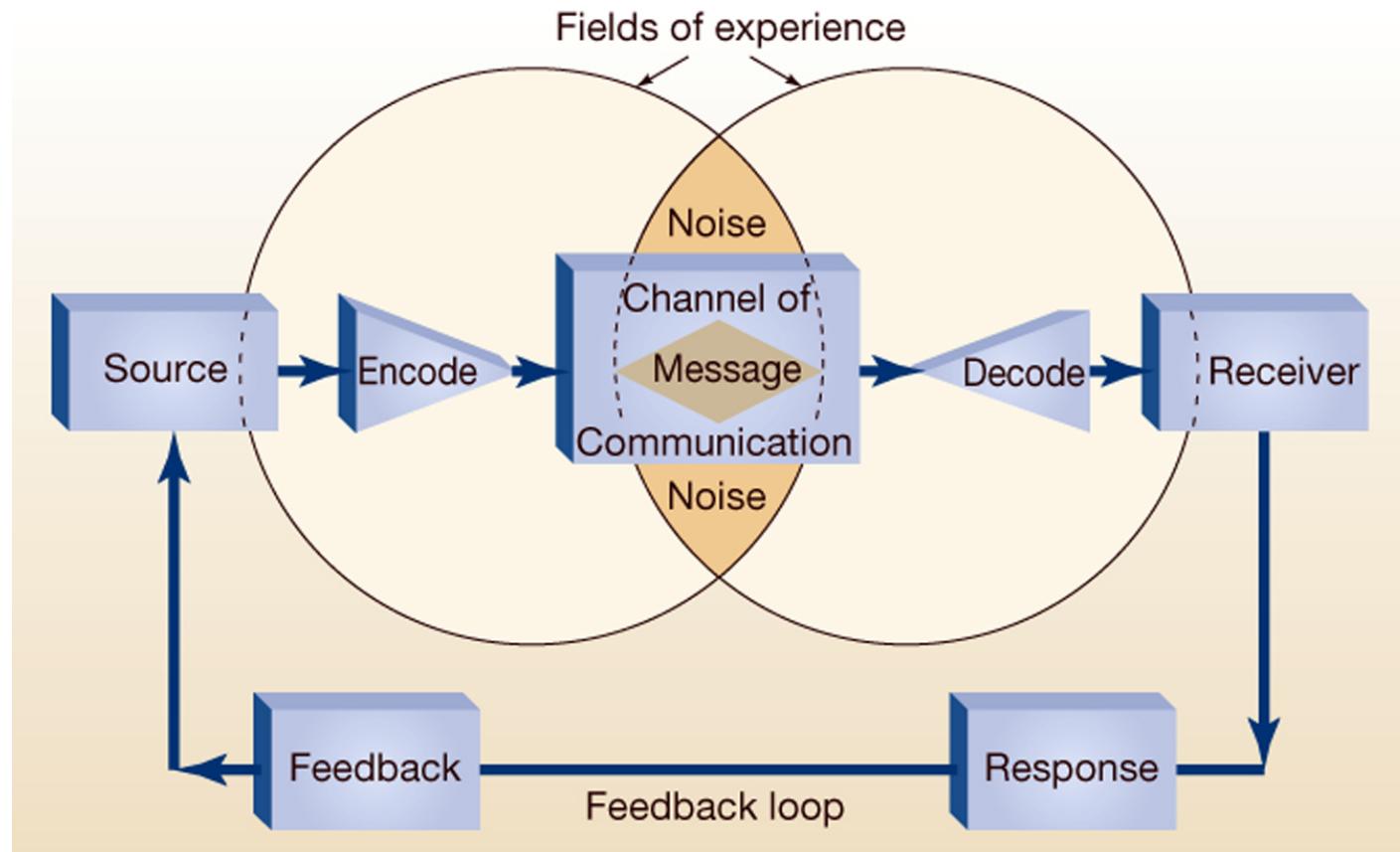
Will society ever accept 'old' can be beautiful? Join the beauty debate.

[campaignforrealbeauty.co.uk](http://campaignforrealbeauty.co.uk) | Dove



# Communication Process

Communication is the process of conveying a message to others  
(requires 6 elements).



# Promotional Elements

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# Promotional Elements: Advertising

- Any paid form of non-personal communication

Trefle



THERE IS A RULE THAT SAYS YOU CAN'T MIX BUSINESS WITH PLEASURE.  
NOT ANYMORE.

CONTINENTAL FLYING SPUR. Head lines. Unbeatable style. Formidable presence. A world that  
measures you with the finest hand-picked leather seats and wood veneer. A place where phenomenal  
precision and craftsmanship come together to create a legend of over 100 years. Driving pleasure that  
is as much of the moment. Coming from the 100% Supreme motor enough for the owner for life.  
Something like everyday driving has never been considered.

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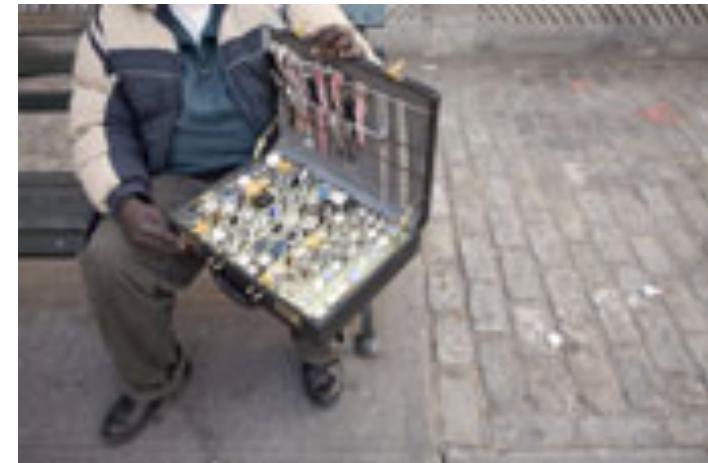
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# Promotional Elements: *Personal Selling*

- Two-way flow of communication between a buyer and seller



# Promotional Elements: *Public Relations*

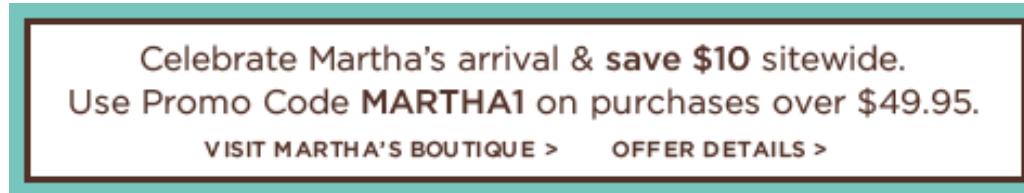
- Communication management that seeks to influence feelings, opinions, or beliefs held by stakeholders
  - Publicity: nonpersonal, indirectly paid presentation of an organizational product

# Promotional Elements: *Sales Promotion*

- Short-term inducement of value offered to arouse interest in buying a product



A horizontal promotional banner for American Express. It features a photo of a smiling woman on the left, followed by two small decorative icons (a green dot and an orange circle). To the right of these icons is the text "Save 10% when you open a REDcard™ credit account." Below this text is a red button with the words "Apply now >". To the right of the button are two small, repeating patterned squares.



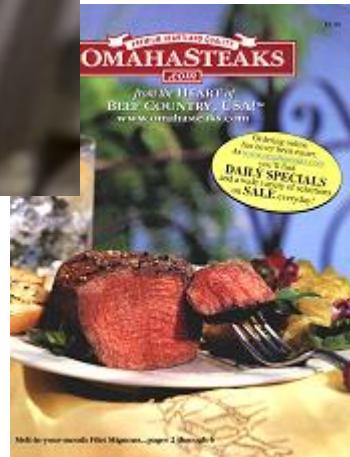
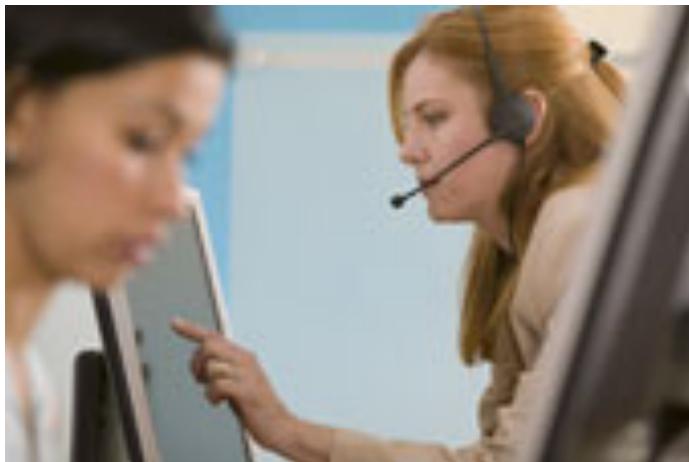
A promotional offer from Martha Stewart Living. It features a teal header bar with white text. Inside the bar, the text reads: "Celebrate Martha's arrival & save \$10 sitewide. Use Promo Code MARTHAI on purchases over \$49.95." Below this, there are two links: "VISIT MARTHA'S BOUTIQUE >" and "OFFER DETAILS >".



A vertical promotional graphic for Neiman Marcus. At the top, it says "Neiman Marcus" in a script font. Below that, in large red capital letters, is "2 DAYS ONLY". Underneath that, in large white capital letters, is "LAST CALL®". At the bottom, in smaller white capital letters, is "ONLINE CLEARANCE".

# Promotional Elements: *Direct Marketing*

- Direct communication to generate a response in the form of an order, request for further information, or a visit to a retail outlet



# Direct Marketing

- Growth
  - Has outpaced total economic growth
    - Email is most common form
- Value
  - Direct orders
  - Lead generation
  - Traffic generation

# Forming the promotional mix

- Issue one: The balance of the elements must be determined– this is impacted by:
  - Target audience
  - Stage of the product life cycle
  - Product characteristics
    - Complexity, risk, ancillary services
  - Stages of the buying decision
    - Pre-purchase, purchase, and post-purchase stages
  - Channel strategies
    - Push versus pull

# Question

- If you wanted to get WIDE coverage or awareness of a product (i.e. 50% coverage) over consumers aged 31 – 55, which element of the promotional mix would you use?

# Forming the promotional mix

- Issue two: Planning process needs to ensure promotional elements across different departments result in a *consistent* promotional effort.

# An IMC Program

- Three step promotion decision process:
  - 1) Developing
  - 2) Executing
  - 3) Evaluating

# Developing

- Focuses on the 4 W's:
  - Who is the target audience?
  - What are the (1) promotion objectives, (2) budgeted monies, (3) kinds of promotion to use?
  - Where should the promotion be run?
  - When should the promotion be run?



# Developing

- 1) Identifying the target audience:
  - Same as the firm's product
  - Based on marketing research and segmentation
- 2) Specifying Promotion Objectives
  - Hierarchy of effects (new brand or category):
    - \* Awareness      \* Interest
    - \* Evaluation      \* Trial
    - \* Adoption
  - Promotion often focuses on one effect.
  - Objective should have: well defined target audience, measurability, & a specific time period



# Developing

## 3) Setting the promotion budget

- Percentage of sales
  - Funds are allocated as a % of past or anticipated sales
- Competitive parity
  - Matching competitor absolute level of spending
- All-you-can-afford
  - Money is allocated when all other expenses are covered
- Objective and task
  - Determines objectives, how to reach them, determines cost

# Developing

- 4) Selecting the right promotional tools
  - Choose which of the 5 tools (e.g. advertising, personal selling, sales promotion, pr and direct marketing) should be used
- 5) Designing the promotion
- 6) Scheduling the promotion



# Steps in the promotion process

## Executing the Promotion

- Pretest the promotion
- Carry out the promotion

## Evaluating the Promotion

- Posttest the promotion
- Make needed changes

# Chapter 18: Advertising, Sales Promotion, and Public Relations

# Advertising

- Any paid form of non-personal communication about an organization, a good, a service or an idea by an identified sponsor

# Product advertisements

- 3 forms
  - Pioneering (or informational)
    - Used in introductory stages of product life cycle
  - Competitive (or persuasive)
    - Promotes the specific brand's features or benefits
  - Reminder
    - Used to reinforce previous knowledge of a product

# Institutional Advertisements

- Advocacy advertisements
  - state position of a company on an issue
- Pioneer
  - announcements about what a company is, what it can do or where it was located
- Competitive institutional
  - promotes the advantages of one product class over another –
    - used in marketplaces where different product classes compete for same buyers
- Reminder Institutional
  - brings company's name to the attention of a target market

# Developing Advert Program

1. Identify the target audience
2. Specify Advertising Objectives
  - this guides other decisions (e.g. media decisions, evaluating success of plan)
3. Setting the Advertising budget
4. Designing the Advertising
  - focus on key benefits of product
5. Message Content
  - has persuasive and informational elements

# Message Content

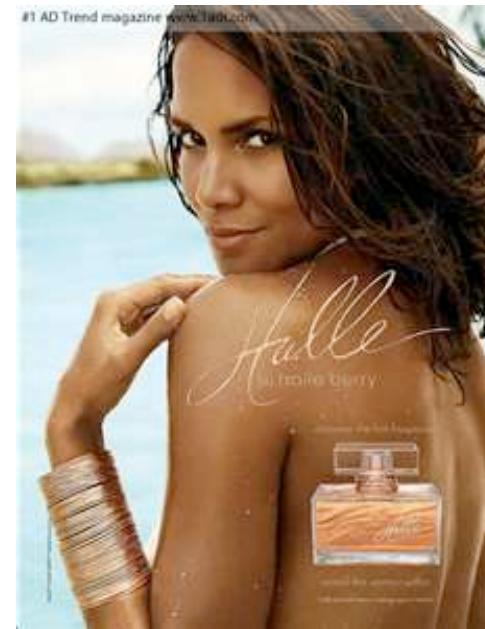
- Fear Appeals
  - Suggest that consumer can avoid negative experience by some change of behavior
- Sex Appeals
  - Suggest the company will increase the attractiveness of the user
- Humor Appeals
  - Product is more fun or exciting than competitors'

# Creating Message

- Use of well known “personalities” Scarlett J.
- Selecting the right media
  - T.V., radio, newspaper, internet
- Choosing medium and vehicle within that medium
  - Goals: maximizing exposure vs. minimizing costs

Insights from a creative

# Authenticity and Celebrity Connection



# Risks as well...



# Basic Terms of Media Buy

- Reach
  - Number of different people that are exposed to message
- Rating
  - % of households that are turned to a particular TV show or radio station
- Frequency
  - Average # of times a person in the target audience is exposed to an ad
- Gross Rating points
  - Reach x Frequency
- Cost per thousand (CPM)
  - Cost of reaching 1,000 individuals with an advertising message in a given medium

# Media Alternatives

## Television:

- Pros

- Communicates with sight, sound & motion
- Wide reach

- Cons

- Cost
- Wasted coverage – people outside the target market will see the advertisement

- Infomercials

- Program-length adverts that educate potential customer on product

# Radio, Magazine & Outdoor

- Radio:
  - Pros
    - Segmented medium
  - Cons
    - Limited use b/c most products must be seen
- Magazine:
  - Pros
    - Segmented medium (e.g. Runner's World, Economist, Teen Vogue)
  - Cons
    - Costs, infrequency of publication
- Outdoor: (e.g. billboards, transit advertising)
  - Pros
    - Good reach and frequency, low cost
  - Cons
    - At heavy travel times it's hard to read, easy to ignore, relatively non-segmented

# Newspaper, Yellow Pages & Internet

## o Newspaper:

- Pros
  - Good reach, frequency of publication –adverts remain current; ability to target
- Cons
  - Lack of creative options, fewer and few readers

## o Yellow Pages:

- Pros
  - High use, wide reach, available 24/7, long lifespan
- Cons
  - Outdated; consuming audience is MUCH older and less savvy

## o Internet and Interactive media:

- Pros
  - Can have audio & video, segmented medium; easy to measure response; easy to target specific targets
- Cons
  - Consumers tune out or avoid messaging; fragmented audience

# Scheduling the Advertising

- Continuous
  - Advertising is run at continuous or steady schedule
- Flighting
  - Periods of advertising are scheduled between periods of no advertising
- Pulse
  - Flighting schedule combined with a continuous schedule b/c of increases in demand, heavy period of promotion or intro of new product

# Steps of Advert Program

- Pretesting the Advertising
  - Conducted prior to placing adverts
- Evaluating the Advertising Program
  - Posttesting – determine if adverts accomplished purpose
    - Aided recall – ask if they recall specific adverts
    - Unaided recall – “what ads do you remember seeing?”
    - Attitude Tests – respondents are asked attitude Qs about product
    - Inquiry Tests – measure how many inquiries are generated by ad
    - Sales Tests – controlled experiments (TV vs. radio) – manipulate advertising and see what increases sales
- Change based on Testing

# Trade-Oriented Sales Promo

- Sales tools used to support a company's advertising and personal selling directed to wholesalers
  - Allowances and discounts –
    - method of encouraging increased purchases by intermediaries – incentives to the retailer to feature the product, carry the product or mitigate the risk of selling it
  - Cooperative advertising
    - Manufacturer pays part of retailer's advertising budget
  - Training of distributor's workforce
    - Manufacturer trains retailer's workers to better sell product

# Public Relations

- A form of communication management that seeks to influence the image of an organization and its products and services
- Publicity Tools
  - News release
    - An announcement regarding changes in the company or the product line
  - News conference
    - Representatives from media are all invited to an info meeting

# Chapter 21: Interactive and Multichannel Marketing

# Anytime. Anywhere. Anyway.

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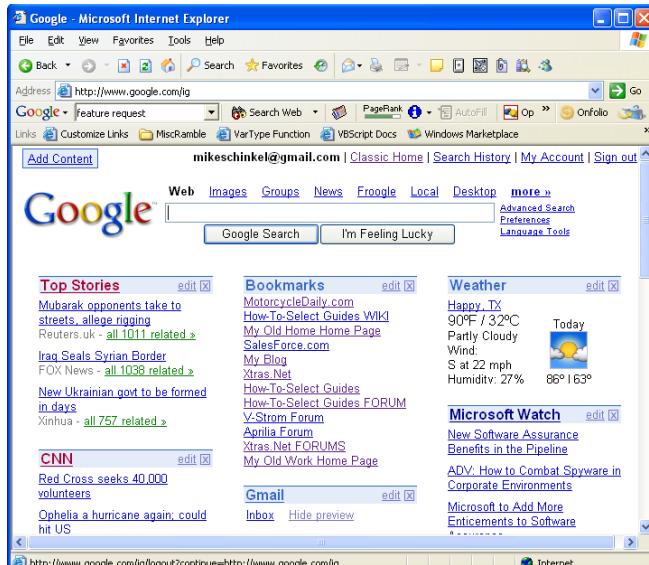
In *marketspace* (vs. *marketplace*) direct, on-demand information is possible from marketers anywhere to customers anywhere at any time.

# Internet marketing

- Marketplace vs. Marketspace
  - Marketers believe value creation is great in the digital marketplace
- Marketspace expands utility to consumers
  - Time      } Operating hours and geographical constraints do not exist online
  - Place     }
  - Possession getting the product to the consumer is accelerated
  - Form      consumers can voice requirements and products can be customized to their needs

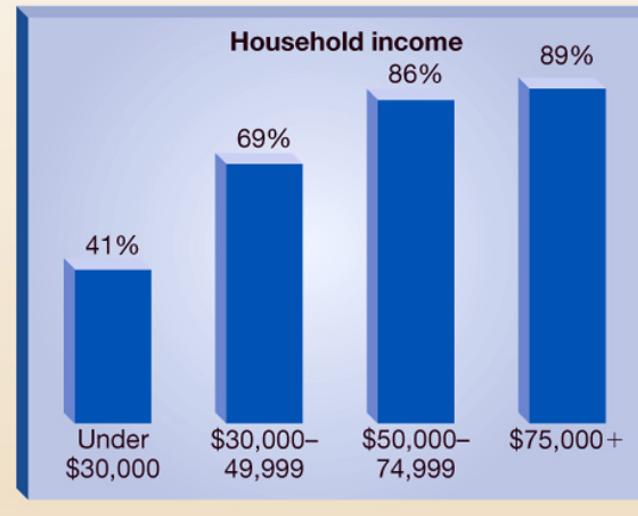
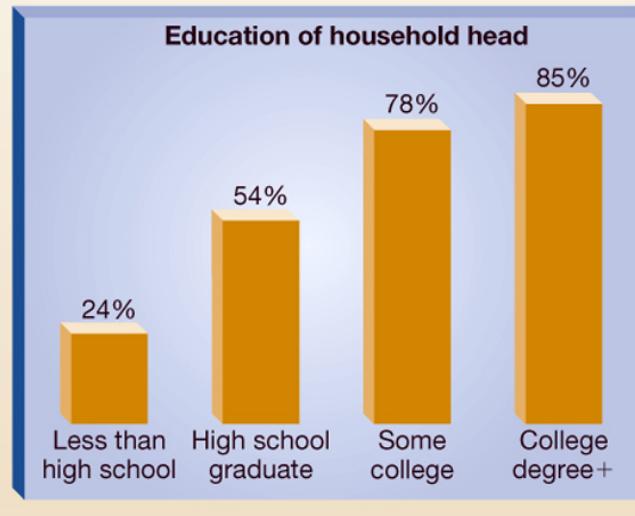
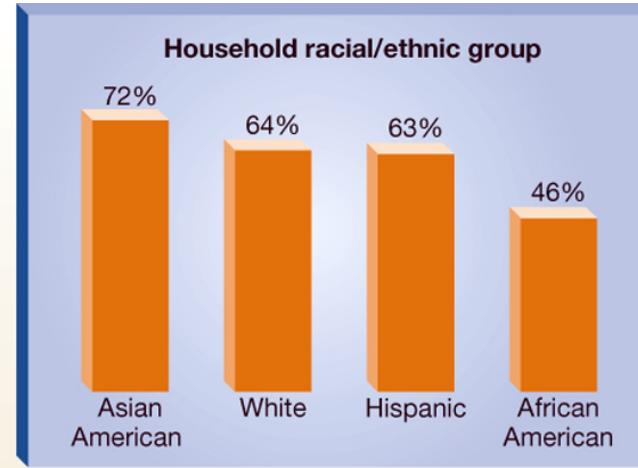
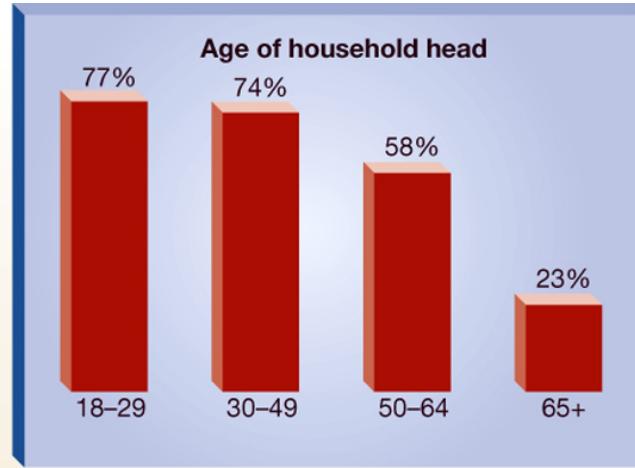
# Internet Technology Enables

- Interactivity and Individuality
  - Customer and firm interact – customers are treated like individuals and have a part in the product creation and delivery process
    - Choiceboards
      - Customers choose options
    - Personalization
      - Creating content on marketers website



The top half of the image shows a 'Build a Custom Cake' interface. It features a rectangular cake decorated with white frosting, yellow piping, and pink roses, with a 'Happy Birthday' message. A pink speech bubble says 'Yum!'. To the right, text reads 'Build a Custom Cake Choose your flavor, filling, message and more' with a 'Start Now' button. The bottom half shows a McLaren sports car configuration tool. The car is white with black accents. Options visible include 'PAINT STANDARD / WHITE', 'INTERIOR options', 'WHEELS &amp; BRAKES', and 'ADDITIONAL WHEELS WITH SPECIALIST TYRES'. Buttons for 'More options' are shown on both sides. Navigation links at the bottom include 'McLAREN.COM', 'MEDIA CENTRE', 'TERMS &amp; CONDITIONS', 'SUPPLIER PORTAL', and 'CAREERS'.

# Not all Internet Users are the same: Who surfs online?



# Lifestyle segments

- Click and mortar (23%)
  - Women who browse online but buy in store
- Hunter gatherers (20%)
  - Married couples who gather info and compare prices
- Brand loyalists (19%)
  - Regularly visit their favorite sites – spend the most \$\$ online
- Time sensitive materialists (17%)
  - Use the internet as a convenience to buy search goods
- Hooked, online and single (16%)
  - Young, affluent use internet to bank, play – spend the most time online
- Ebivalent newbies (5%)
  - Relatively new users who don't spend money but seek info

# What do consumers buy online?

- Travel (33%)



- Apparel (12%)



- Housewares and household goods (12%)



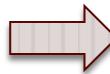
- Automobile and accessories (10%)



- Computer hardware etc. (8%)



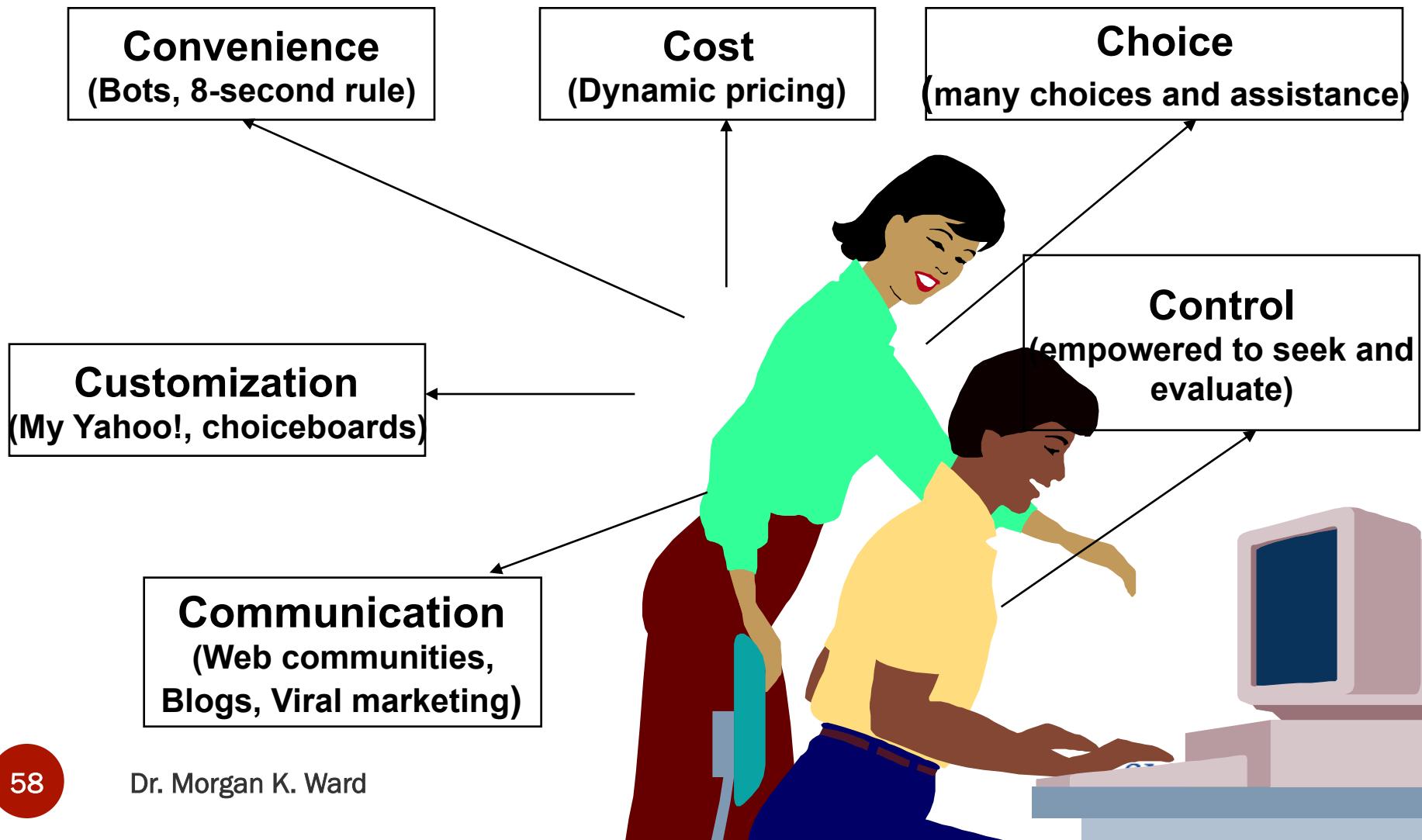
- Media (8%)



# Interactive Marketers Must Create an Online Customer Experience

- Online execution of programs must capitalize on customer value-creation capabilities
  - mono face
  - <http://espn.go.com/> vs. <http://sports.yahoo.com/>

# Why consumers buy online



# Cross-Channel Shopper

- An online shopper who researches online and purchases at store
- Important that retailer/brand has presence across multiple channels that are mutually reinforcing

# Other Topics to Study

# Chapter 1 & 2

- Understand the terminology, concepts and activities of marketing within the organization and in today's society.

# Chapter 9

- Segmentation – what it is?
- Factors used to segment and target consumer markets
- Positioning

# Chapter 11

- Identify ways by which marketers manage a product's life cycle
- recognize the importance of branding and alternative branding strategies
  - Product life cycle;
  - brand equity;
  - brand strategies

# Chapter 13 & 14

- Recognize the major factors considered in setting a price for a product or service
- Be able to describe how various combinations of price, fixed cost and variable cost affect a firm's breakeven point.
  - breakeven analysis;
  - price elasticity;
  - profit margin;
  - pricing strategies

# Chapter 15

- Describe the factors and considerations that affect a company's choice and management of a marketing channel.
  - Multichannel
  - Direct vs. Indirect
    - \*In a direct channel, the manufacturer does all the channel functions, in an indirect channel, the functions are outsourced to intermediaries
  - channel choice
  - channel conflict management (vertical vs. horizontal conflict)