Lesson No. 1

MEANING AND FUNDAMENTAL CONCEPT OF RELATIONSHIP MARKETING.

CUSTOMER ACQUISITION AND RETENTION STRATEGIES

STRUCTURE

1.0   OBJECTIVES

After reading this chapter, the student shall be able to:

- To know the concept of Relationship Marketing
- To describe how the good customer relationships leads to competitive advantage
- To know about the strategies adopted by a retailer how to find out the target customers and to retain them for a long period of time

1.1   INTRODUCTION

Making your store indispensable is a crucial key to retail success. It is a super path to enhance the store's value and position before your competitors. It adds value to the customers' values and benefits and helps to keep a loyal customer base. For all these things to be happen, a retailer must develop and sustain relationships with their customers. These continuous relationships provide long term loyal customers. The longer a customer stays with a firm, the more that customer is worth.

"Good Business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion." - Jack Welch

"Leadership is not magnetic personality that can just as well be a glib tongue. It is not making friends and influencing people, that is what called flattery. Leadership is lifting a person s vision to higher sights, the raising of a person's performance to a higher standard, the building of a personality beyondits normal limitations. - Peter F. Drucker

1.2   FUNDAMENTAL CONCEPT OF RELATIONSHIP MARKETING

Relationship marketing refers to all marketing activities directed towards establishing, developingand maintaining successful relations with the customers. Relationship marketing is implemented through various components such as rewards, customer services and involvement customers in planning and execution of retail strategy. Building competitive advantage is the overall plan or

framework of action that guides a retailer and outline the mission, vision, location, aspects of customer's loyalty, human resource management, customer service and control mechanism of the retailer. A retailer is better able to create competitive advantage if he has a good understanding of the consumer behaviour. Only those retailers that deliver genuine benefits, based on intimate knowledge about their customers, and create a "customer-first" mentality at all levels of their service reap the ultimate benefit: customer loyalty. Loyal customers usually buy more, consume less time and are less price-sensitive and share their retailing experience with others. Therefore, retailers have realized that for making customers loyal, they need to become loyal to the customer, as customers are the lifeline to the retail business in real sense.

1.3   RETAILER'S RELATIONSHIPS

Retailing is the final stage in a channel of distribution, which comprises of all the efforts and people involved in the movement and transfer of ownership of goods and services from manufacturer to the end customer. Retailer is a person who interacts with both the manufacturer and the customer. He is the link between the manufacturer, wholesaler and the end customer as shown in the figure below:

| Manufacturer | → | Wholesaler | → | Retailer | → | Customer |
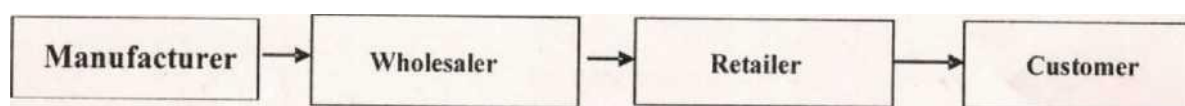
Retailer's Relationships

Therefore, the relationship between the retailer and other member of the distribution channel must be understood properly. Today, due to the competition, entry of the new players has realized retailers to engage in the relationship retailing, where they seek to develop and continue long-lasting relationships with the customers, as it is evident in retailing that it is not the product but the customer who gives the profit. Therefore, to sustain the retailing industry, a retailer must concentrate on developing and maintaining relationships with the customers.

Relationship Marketing is based on two points:

(i)   Retailing experience should have win-win situations for both the retailer and the customer. It means that both should realize the position of gain. For a retailer, gain will be appropriate price and sufficient profit, while for a customer; it is the satisfaction and service provided by the retailer. If it is not done then a retailer will loose a customer and the customer will loose his/ her money and precious time.

(ii)   To achieve fruits of relationship retailing, it is essential to have updated data base of the customers from their past shopping behaviour and their liking and disliking. This is based on the fact that in retailing, it is always difficult to attract new customers rather than making existing customers happy and satisfied.

Self-Check Exercise – I

1. A retailer is better able to create competitive advantage if he has a good understanding of the _____.

2. _____ refers to all marketing activities directed towards establishing, developing and maintaining successful relations with the customers.

1.4   ESSENTIALS OF RELATIONSHIP RETAILING

Today s customers are smart and know what they want. Retailers cannot befool them easily They are tough, critics and practical thinkers. Their purchasing power is good and at the same time, they are ready to spend rather than save. Therefore, before implementing relationship retailing, four essentials should be considered by a retailer. These are:

(i)   The Customer base (Target market)

(ii)   The Level of Customer Service

(iii)   Customer Satisfaction

(iv)   Customer Loyalty

(i)   The Customer base (Target Market)

As customer habits, liking disliking tend to change frequently with the passage of time, retailers must regularly analyze their customer base/ target market in terms of changing trends, attitude of the loyal customers towards the store.

In India, teenage population is more, death rate is declining due to efficient medical facilities, joint families are breaking into nuclear families, middle class is fast growing, people from rural areas are migrating to towns and cities and income of middle class is increasing year after year. People instead of buying from the local 'kirana stores' prefer visiting to a mall or super bazaar where they can get access to variety of goods under one roof in varied brands. Therefore, retailers besides attracting and concentrating on new customers must take care of the existing ones and loyal customers due to less acquisition cost.

(ii)   Customer Service

It is the sum total of all the retail activities those enhance the value; customers receive when they shop and buy merchandise. For relationship marketing to work, a retailer must build and maintain a distinctive image among consumers. This image is created and sustained by efficient customer service that strongly affects the total retail experience. Customer service is the level of service that customers expect to receive from any retailer against their payments. Therefore, a retailer should develop a comprehensive customer level strategy that answers what all services are expected and what all services are significant for him. The philosophy behind developing a customer level strategy is that the expected customer service is an essential part of a retail strategy and therefore, it must be provided without any question.

(iii)   Customer Satisfaction

Successful retailers believe that customer satisfaction should be the main motive of each retail business. Customer satisfaction persists when the value offered and customer service provided meets each other or exceeds expectations. Customers want proper value for their money and if their expectations are not met, by human nature, they share their unhappy experiences with everyone they could. Dissatisfied customer spoils three to five customers but hardly make any customer in case he is satisfied. Therefore, retailers should consider the following things in their mind:

* Customers' expectations continuously move upward with the passage of time.
* What 'Customer satisfaction' actually means for a retailer?
* Usually customers change their place of shopping in case they are dissatisfied rather than informing and complaining.
* Review of customer satisfaction programs are must for building long term relationships with them.
* Don't buy merchandise for your store what you like most, but put yourself I customers' shoes and look from their eyes.

(iv)   Customer Loyalty

The objective of customer loyalty program is to reward the best customers in terms of their

purchases, faith and in terms of existence. It is the base for developing long-term relationships with the customers. Customer loyalty programs not only reward loyal and best customers but also tend to find defection (the point of dissatisfaction). By studying and analyzing such defections, a retailer can have the best picture towards his strength and shortcomings of the loyalty programs.

1.5   RELATIONSHIP MARKETING STRATEGIES

Relationship marketing strategies refer to any effort that is actively made by the seller towards a buyer, and is intended to contribute to the buyers' customer value above and beyond the core product and/or service efforts received, and can only be perceived by the buyer after continued exchange with the seller. Hence, RM strategies attempt to provide benefits to the buyer above and beyond the core service performance.

For instance, many traditional Indian retailers treat their regular customers in a warm and personal way and also provide them with special benefits in terms of their home delivery, discounts etc.

So, the strategies adopted by different retailers are different according to the customers. In this regard "Value chain analysis" is done by various retailers. It provides a given level of value to the customers. It is the sum total of all the visible and invisible goods and services attributes offered to a customer. In other words, a typical retail value chain represents the sum total of benefits available to the customers through a channel of distribution. It commonly includes retailers' location, parking facility, space, range of merchandise assortment, the brands offered for sale, the level of service, pricing policy, mode of payment, ease of bill payment, retailer's image and goodwill, displays and so on. All these types of services are provided by the retailers to their customers to gain competitive advantage in the market. The retailers adopt various customer acquisition and retention strategies which are discussed as below:

1.5.1   CUSTOMER ACQUISITION STRATEGIES

These are the strategies which are adopted by every retailer to acquire or find out the customers from the large market segments. Today the competition in the market is very high and every retailer has to adopt various tricks to attract the customers towards his retail store instead of his competitors. Following customers' acquisition strategies are adopted by a retailer to attract the customers towards their store:

(i)   Knowing the Customers' Liking and Disliking:

It is the first step adopted by every retailer towards their acquisition. Today's customer is less price sensitive and want to purchase what they like at whatever price. So, the retailer should know about their likings and disliking in advance. This can be found out with the help of customer's database and their previous purchasing patterns and also the frequency of purchasing. One thing should be kept in mind that the customers like to purchase but hate to be sold. It means that the strategy adopted by the retailers is such that the customer should feel at home and he must be satisfied with the purchases.

(ii)   Identifying the Target Segments:

Today the market is very large and complex and a retailer cannot serve each and every customer. There are certain reasons behind it like lack of resources, financial capability of the firm, manpower and the like. Therefore, a retailer chooses a target segment out of the total market.

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The target segment represents that segment of the customers whichwants to serve. In India, the young generation is less price sensitive, trendy and Urgebuyers than the older people. So, the youth market tends to be more attractive to the retaileras the profits are high in this segment.

(iii) **Customer Relationship Management (CRM):**

It is a business strategy build around the concept of being customer-centric. The main purpose of CRM is to optimize store's revenue through improved customer satisfaction via improved interactions at each customer touch point. This can be accomplished by a better understanding of customers based on their purchasing patterns and demograph.es and better information empowerment at all customer touch points whether with employees or other media interfaces. Basically, it is used to help identify the former customers that may hold potential to become customers again. So, in this way, it can serve an integral role in helping to locate the potential customers.

(iv) **Developing Efficient Customer Network:**

It means to maintain such a network by which a retailer keeps in touch with its customers.It is very important strategy these days due to the increasing competition. Customers network can be maintained by keeping their contact numbers and by making a forum or community of customers whom the retailers think that they are loyal towards their retailstore.

(v) **Enhance Service Quality:**

It is the sum total of all the retail activities those enhances the value, customers receive when they shop and buy merchandise. The quality of the customer service should be excellent so that no customer should feel neglected while purchasing m the retail store. The importance of customer's service is increasing day by day due to the presence of increasing number of competitors in the market. If the customer feels that he/ she is treated well by the retailer he become loyal to that particular store which benefits the retailer inthe long run.

(vi) **Low Pricing Policy:**

The low pricing should be adopted by the retailers to attract the customers. For this purpose, discounts can be given on the occasions such as Diwali, Dussehra, Christmas, New Year and so on. These days the retailers have also started following everyday low pricing policy which is popularly known as EDLP.

(vii) **Wide Merchandise Assortments:**

The assortment should be very large in the retail stores to attract different types of customers. It means the variety of different goods and their brands. So that the customers feel ease in purchasing different brands of merchandise under one roof to save their precious tune.

(viii) **Prefer to Customer not to Profits:**

The customer will become loyal only if they have the feeling that they are getting the right merchandise out of their hard-earned money. This can be done by giving them preference in every respect so that they should feel at home and satisfied with the service of the retailer.

(ix) **Sell what the customers want:**

The retailer should purchase the merchandise not of his choice but keeping in mind what is liked and demanded by the customers. So, the market trend should be followed while purchasing the merchandise because today's customers are trendy and they want to purchase what they like.

(x) **Customer Loyalty:**

This strategy is adopted by the retailers to acquire their customers. The objective of customer loyalty is to reward the best consumers in terms of their purchases, faith and existence. It is the base of developing long-term relationships with the customers. These programs not only reward the loyal and best customers but also tend to find the points of customers dissatisfaction so that these can be overcome in the future.

1.5.2 CUSTOMER RETENTION STRATEGIES

Following are the strategies which are adopted by a retailer to retain the customers.

(i) **Delivering High Quality Goods:**

The first strategy adopted by a retailer to retain customers is providing good and hygienic goods because today s customers rely upon quality rather than quantity.

(ii) **Excellent Customer Service:** The customer service should be very excellent to retain them to a particular retail store. They should feel at home and should be satisfied with their purchasing.

(iii) **Reward the loyal customers:** The loyal customer should be rewarded for their loyalty with a particular store. They can be given gifts or other types of rewards;thisis done to motivate them for further purchasing so that they remain the regular customers.

(iv) **Frequent change of displayed goods:** The display of goods should be such that customer should not feel bared by seeing same goods again and again. The display should be very attractive and it should be changed regularly to remove monotonous and boredom among the employees.

(v) **Understanding the concept: Customer first, profit next:** The retailer should adopt the concept of serving the customer first and after that looking for the profits for the retail store. If this strategy is adopted then the customers would feel that they have come to the right place and they would become the loyal customers.

(vi) **Know the importance of Two-way communication:** The retailer should understand the importance of two- way communication with the customers. This is done by taking feedback from the customers about the goods and services of the store so that if there is any deficiency it would be overcome by the retailer in future and appropriate changes made.

(vi) **Trust, Fairness and Reliability in relations:** The relations between the retailer and the customer should be so trustful that the customers feel that they are getting the right product out of their hard-earnedmoney. This trust and fairness arerequired to create long term sustainable relationships with the customers in future.

Self-Check exercise – I

3. The business strategy build around the concept of being customer-centric.

4._____ communication is very important with the customers.

1.6   SUMMARY

The concept of Relationship Marketing has become very important these days due to the increasing competition. Every retailer has to maintain good relations with the customers to survive in the retail sector. For this purpose, various customer acquisition and retention strategies have been made by the experts and these are successfully adopted by the retailers. So, the all-marketing activities directed towards establishing, developing and maintaining successful relations with the customers come under the concept of relationship marketing.

1.7   KEYWORDS

Relationship Marketing, Customer Acquisition, Customer Retention, Marketing strategies, Retailers' relationship

1.8   EXERCISES

1.8.1   SHORT QUESTIONS

1.   Explain the retailers' relationship.
2.   What are relationship marketing strategies?
3.   Explain the concept of low pricing policy.

1.8.2   LONG QUESTIONS

1.   Explain the concept of Relationship Marketing. What are main essentials of Relationship Marketing?
2.   Which guidelines should be followed by a retailer to maintain good relations with their customers?
3.   Discuss the various Customer Acquisition and Retention Strategies adopted by a retailer.

1.9   ANSWERS TO SELF-CHECK EXERCISES

1. Consumer Behaviour; 2. Relationship Marketing; 3. Customer Relationship Management; 4. Two-Way

1.10   GLOSSARY

Relationship Marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relations with the customers.

1.11   SUGGESTED READINGS

- •   Loudon, D. and Bitta, D., Consumer Behaviour, Tata Me Graw Hill.
- •   Levy Weitz, Retailing Management, Tata McGraw Hill, New Delhi.
- •   Barry Berman & Joel R Evans, Retail Management, PHI, New Delhi.
- •   Dr Harjit Singh, Retail Management, S. Chand Publishers.

Lesson No. 2   **AUTHOR: KAWAL NAIN SINGH**

MEANING, SCOPE AND METHODS OF CUSTOMER LOYALTY, ANALYSIS OF PROFITABILITY OF CUSTOMER

STRUCTURE

2.0   Objectives
2.1   Introduction
2.2   Scope of Customer Loyalty
2.3   Customer Loyalty programme for Retailers
        Self-Check Exercise - I
2.4   Building Customer Loyalty
        2.4.1 Methods for building customer loyalty
2.5   Analysis of Profitability of customer
        2.5.1   Customer Value Management Cycle
        2.5.2   Customer and Product Profitability (CPP) Analysis
        Self-Check Exercise - II
2.6   Summary
2.7   Keywords
2.8   Exercises
        2.8.1 Short Questions
        2.8.2 Long Questions
2.9   Answers to Self-Check Exercises
2.10   Glossary
2.11   Suggested Readings

2.0   OBJECTIVES

After reading this chapter, the student should be able to:

1.   To know the meaning of Customer Loyalty,
2.   To study the Customer Loyalty programme for retailers.
3.   To know about the methods for building customer loyalty.
4.   To know about the Customer and Product Profitability (CPP) Analysis.

2.1   INTRODUCTION

Customer loyalty describes the tendency of a customer to choose one business or product over another for a particular need. In the packaged goods industry, customers may be described as being "brand loyal" because they tend to choose a certain brand of soap more often than others. Note the use of the word "choose" though customer loyalty becomes evident when choices are made and actions taken by customers. Customers may express high satisfaction levels with a company in a survey, but satisfaction does not equal loyalty. Loyalty is demonstrated by the actions of the customer; customers can be very satisfied and still not be loyal. Customer loyalty can be achieved in some cases by offering a quality product with a firm guarantee. It is a process, a program, or a group of programs geared toward keeping a client happy so he or she will provide more business.

2.2 SCOPE OF CUSTOMER LOYALTY

1.   Excellent customer service is a key pigment in gaining customer loyalty, If a client has a problem, the company should do whatever it takes to make things right, If a preset is faulty, it should be replaced or the customer's money should be refunded, This should be standard procedure for any reputable business, but those who wish to develop customer loyalty on a large-scale basis may also go above and beyond the standard, They may offer even more by way of free gifts or discounts to the customer,

2. Customer loyalty is the result of well-managed customer retention programs customers who are targeted by a retention program demonstrate higher loyalty to a business. All customer retention programs rely on communicating with customers, giving them encouragement to remain active and choosing to do business with a company.

3. Customer loyalty is also achieved through free offers, coupons, low interest rates on financing, or an ongoing group of programs to entice consumers. Buy-one-get-one-free programs are very popular, as are purchases that come with rebates or free gifts. Another good incentive for achieving customer loyalty is offering a risk-free trial period for a product or service. Also known as brand name loyalty, these types of incentives are meant to ensure that customers will return, not only to buy the same product again and again, but also to try other products or services offered by the company.

4. Customer Loyalty has become a catch-all term for the end result of many marketing approaches where customer data is used. You can say Relationship Marketing or Database Marketing or Permission Marketing or CRM, and what you are really talking about is trying to increase customer loyalty - getting customers to choose to buy or visit more. Increased customer loyalty is the end result, the desired benefit of these programs. All of the above approaches have two elements in common they increase both customer retention and the Life Time Value of customers.

5. Every enterprise wants the customers to visit their website, make a purchase, sign up for a newsletter. And once they do it for the first time, it wants them to continue doing business especially if they had paid big money to get them to do business with you the first time. You don't want to pay big money the second time. You want to create a "loyal" customer who engages in profitable behavior.

2.3 CUSTOMER LOYALTY PROGRAMME FOR RETAILERS

Customer loyalty to a retailer can be defined as existing when a customer chooses to shop in only one store or retail chain for a specific product or group of products. The best way to coordinate marketing objective across channels is to build a knowledge base of customer behaviours and preferences. A well-conceived and executed loyalty programme can be the key to turning invisible shoppers into profitable customers. Good customers loyalty programme needs to possess the following characteristics.

1. **Visibility:** A loyalty programme must be highly visible regardless of the channel. The retailer's website can show special offers for programme members, a catalogue can feature the programme prominently and shoppers in the store should be asked if they'd like to join. Cross-promotional materials should be present and easily obtainable.

2. **Simplicity:** To succeed, a loyalty programme must be easy to use in all channels. Minimize the fine print; the more the customers have to figure out, the less they like the programme.

3. **Value:** The balance of reward and recognition must establish value in the customer's mind and motivate incremental purchases. Programme rewards should be credited regardless of where the customers prefer to shop.

4. **Trust:** Keep the promises made by the loyally programme. If the promise is for a personalized, highly valued service, don't bombard programme participants with meaningless offers that obviously are available to everyone.

SELF-CHECK EXERCISE – I

1. The tendency of a customer to choose one business or product over another for a particular need is known as _____.

2. Provide any characteristic of a good customer loyalty programme.

2.4   BUILDING CUSTOMER LOYALTY

The key to a successful business is a steady customer base. After all, successful businesses typically see 80 percent of their business come from 20 percent of their customers. Too many businesses neglect this loyal customer base in pursuit of new customers. However, since the cost to attract new customers is significantly more than to maintain your relationship with existing ones, your efforts toward building customer loyalty will certainly payoff.

2.4.1   METHODS FOR BUILDING CUSTOMER LOYALTY

1.   **Communicate:** Whether it is an email newsletter, monthly review, a reminder card for a tune up, or a holiday greeting card, reach out to your Communicate: Whether it is an email, newsletter, monthly review, a steady customer.

2.   **Customer Service:** Go the extra distance and meet customer needs. Train the staff to do the same. Customers remember being treated well and after sales services.

3.   **Employee Loyalty:** Loyalty works from the top down. If you are loyal to your employees, they will feel positively about their jobs and pass that loyalty along to your customers.

4.   **Employee Training:** Train employees in the manner that you want them to interact with customers. Empower employees to make decisions that benefit the customer.

5.   **Customer Incentives:** Give customers a reason to return to your business. For instance, because children outgrow shoes quickly, the owner of a children's shoe store might offer a card that makes the tenth pair of shoes half price. Likewise, a dentist may give a free cleaning to anyone who has seen him regularly for five years.

6.   **Product Awareness:** Know what your steady patrons purchase and keep these items in stock. Add other products and/or services that accompany or compliment the products that your regular customers buy regularly. And make sure that your staff understands everything they can about your products.

7.   **Reliability:** If you say a purchase will arrive on Wednesday, deliver it on Wednesday. Be reliable. If something goes wrong, let customers know immediately and compensate them for their inconvenience.

8.   **Be Flexible:** Try to solve customer problems or complaints to the best of your ability. Excuses such as "That's our policy" will lose more customers than setting the store on fire.

9.   **People over Technology:** The harder it is for a customer to speak to a human being when he or she has a problem, the less likely it is that you will see that customer again.

10.   **Know Their Names:** Remember the names of regular customers or at least recognize their faces.

2.5   ANALYSIS OF PROFITABILITY OF CUSTOMER

A major challenge for the management is to win, attract and keep their most valuable customers. This is a simple concept if they know who most valuable customers are. But many companies take a simplistic view of measuring customer value. To really understand what your customers are worth, you need to think broadly about the ways in which customers add value to your company. And you need to create more sophisticated approaches to quantifying the value of customer relationships. Knowing the true value of your customers will lead to better decisions about how you deploy your technology resources in different sales channels.

The most common way to measure the value of a customer is the Customer Lifetime Value. Customer Lifetime Value is defined as the net present value of the revenue stream from a customer relationship. It measures how much business the customer is expected to do with your company during the lifetime of your relationship. But few large companies know how much business they do with a customer today, let alone how much they expect to do in the future. Customers may buy several different products from different business.

2.5.1 CUSTOMER VALUE MANAGEMENT CYCLE

The customer value management cycle presents a comprehensive model for measuring and managing customer value it has five recurring steps:

Step 1: Manage Customer Segmentation: Customer segmentation refers to the process of dividing customers into groups for decision-making purposes. Segments should correlate to behaviors that drive customer profitability.

Step 2: Measure Customer Segment Margins: At a minimum, companies should measure revenue and gross profit by each customer segment. Allocating sales, marketing and customer service costs brings this analysis to the next level.

Step 3: Measure Customer Lifetime Value: The lifetime value of the customer reflects the present value of all expected future flows associated with the customer.

Step 4: Measure Customer Impact: Two critical sources of hidden customer value are customer influence and customer knowledge. Customer influence refers to the influence the customer has, either through intentional action or passive behavior, on other customers, on employees, or on other stakeholders of the firm. Customer knowledge refers to the actionable knowledge that can be gained by the company, either through analysis of customer behavior or through direct customer input.

Step 5: Manage Customer Profitability: All of the information derived from the measurement of customer value should be analyzed, and actionable titbits should be derived. This goes far beyond simple reporting of which segments have been more or less profitable. Innovative segmentation and interpretation of the results can uncover areas where small improvements can yield big improvements in value.

2.5.2 CUSTOMER AND PRODUCT PROFITABILITY ANALYSIS

Customer and product profitability analysis (CPP) is an important and powerful tool. It allows companies to calculate and understand profitability at the individual customer and product level and to analyse underlying revenue and cost drivers. CPP analysis links profitability targets, cost management and sales management. This encourages internal cooperation and helps to establish a 'language' for cross-functional performance dialogue and a common understanding of what really drives the company's performance. The combined knowledge of process costs, process utilization and customer needs can be used to discuss process optimization or product and service improvements across finance, sales and marketing and supply chain and in many cases with active involvement of the customer.

CPP analyses how key revenue and cost drivers are impacting the profitability of customers and products across the organization as a whole:

a)   Research and product development

b)   Resources and procurement

c)   Production, Logistics and Distribution process
d)   Sales, Marketing & Customer Relationship Management Initiatives
e)   Sales channels and Sales forces
f)   After-Sales Services
g)   Pricing & Contracts
h)   Rebates, Royalties and Discounts

SELF-CHECK EXERCISE – II

3.   Provide any method for building customer loyalty.

4.   What analysis links profitability targets, cost management and sales management?

2.6   SUMMARY

A major challenge for the management is to win, attract and keep their most valuable customers. This is a simple concept if they know who are most valuable customers. But many companies take a simplistic view of measuring customer value. To really understand what your customers are worth, you need to think broadly about the ways in which customers add value to your company. And you need to create more sophisticated approaches to quantifying the value of customer relationships.

2.7   KEYWORDS

Customer Loyalty, Profitability of Customer, Loyalty Programme, Product Awareness, Product Profitability Analysis.

2.8   EXERCISES
2.8.1 SHORT QUESTIONS
1.   What do you understand by customer loyalty?
2.   Elaborate the customer loyalty programme for retailers.
3.   How to build customer loyalty?
4.   Explain the customer value management cycle.
2.8.2 LONG QUESTIONS
1.   Explain the scope of customer loyalty.
2.   What do you understand by CPP analysis?
3.   What are the various methods for building customer loyalty?

2.9   GLOSSARY

Customer and Product Profitability Analysis (CPP): CPP analysis links profitability targets, cost management and sales management.

2.10   ANSWERS TO SELF-CHECK EXERCISES

1. Customer Loyalty; 2. Visibility; 3. Be Flexible; 4. Customer and Product Profitability Analysis

2.11   SUGGESTED READINGS
1.   Loudon, D, and Bitta, D, Consumer Behaviour, Tata Me Graw Hill.
2.   Levy Weitz, Retailing Management, Tata McGraw Hill, New Delhi.
3.   Barry Berman & Joel R Evans, Retail Management, PHI, New Delhi.
4.   Schiffman, L.G, and Kanuk, L.L., Consumer Behavior, Prentice Hall of India,

Lesson No. 3   **AUTHOR: GAGAN DEEP MARKEN**

OVERVIEW CRM? HOW WEB BASED TECHNOLOGIES HELPING IN RETAILING?

STRUCTURE

3.0   OBJECTIVES

- To study the concepts of CRM
- To study about web-based technology
- To study about the working of web-based technologies

- To study the working of this technology for Customer
- To study the working of this technology for Retailer

3.1   INTRODUCTION AND DEFINITION

CRM (customer relationship management) is "an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized way". It is a process or methodology used to learn more about customers' needs and behaviors in order to develop stronger relationships with them. For example, an enterprise might build a database about its customers that described relationships in sufficient detail so that management, salespeople, people providing service, and perhaps the customer directly could access information, match customer needs with product plans and offerings, remind customers of service requirements, know what other products a customer had purchased, and so on.

According to industry view, CRM consists of:

- Helping an enterprise to enable its marketing departments to identify and target their best customers, manage marketing campaignsand generate quality leads for the sales team.
- Assisting the organization to improve tele sales, account, and sales management by optimizing information shared by multiple employees, and streamlining existing processes (for example, taking orders using mobile devices)
- Allowing the formation of individualized relationships with customers, with the aim of improving customer satisfaction and maximizing profits; identifying the most profitable customers and providing them the highest level of service.
- Providing employees with the information and processes necessary to know their customers, understand and identify customer needs and effectively build relationships between the company, its customer base, and distribution partners.

3.2   Types of CRM

There are **several** different approaches to CRM, with different software packages focusing on different aspects.

3.2.1 Operational CRM

Operational CRM provides support to "front office" business processes, e.g. to sales, marketing and service staff. Interactions with customers are generally stored in customers' contact histories, and staff can retrieve customer information as necessary.

Operational CRM processes customer data for a variety of purposes:

- Managing Campaigns
- Enterprise Marketing Automation
- Sales Force Automation
- Sales Management System

3.2.2 Analytical CRM

Analytical CRM analyzes customer data for a variety of purposes:

- Designing and executing targeted marketing campaigns
- Designing and executing campaigns, e.g. customer acquisition, cross-selling, up-selling,
- ad on selling

- Analyzing customer behavior in order to make decisions relating to products and services (e.g. pricing, product development)

3.2.3 Sales Intelligence CRM

Sales Intelligence CRM is similar to Analytical CRM, but is intended as a more direct sales tool. Features include alerts sent to sales staff regarding:

- Cross-selling/Up-selling/Switch-selling opportunities
- Customer drift
- Sales performance
- Customer trends
- Customer margins
- Customer alignment

3.2.4 Campaign Management

Campaign management combines elements of Operational and Analytical CRM. Campaign management functions include:

- Target groups formed from the client base according to selected criteria
- Sending campaign-related material (e.g. on special offers) to selected recipients using various channels (e.g. e-mail, telephone, SMS, post)
- Tracking, storing, and analyzing campaign statistics, including tracking responses and analyzing trends

3.2.5 Collaborative CRM

Collaborative CRM covers aspects of a company's dealings with customers that are handled by various departments within a company, such as sales, technical support and marketing. Staff members from different departments can share information collected when interacting with customers. For example, feedback received by customer support agents can provide other staff members with information on the services and features requested by customers. Collaborative CRM's ultimate goal is to use information collected by all departments to improve the quality of services provided by the company. CRM also plays a role of data distributor within customers, producers and partners. Producers can use CRM information to develop products or find new market. CRM facilitates communication between customers, suppliers and partner by using new information system such email, link and data bank.

3.2.6 Consumer Relationship CRM

Consumer Relationship System (CRS) covers aspects of a company's dealing with customers handled by the Consumer Affairs and Customer Relations contact centers within a company. Representatives handle in-bound contact from anonymous consumers and customers. Early warnings can be issued regarding product issues (e.g. item recalls).

3.2.7 Social CRM

Beginning in 2007, the rapid growth in social media and social networking forced CRM product companies to integrate "social" features into their traditional CRM systems. Some of the first features added are social network monitoring feeds (i.e. Twitter timeline), typically built into the system dashboard. Other emerging capabilities include messaging, sentiment analysis, and other analytics. Many industry experts contend that Social CRM is the way of the future, but there are still many skeptics.

is the way of the future, but there are still many skeptics. Top CRM minds agree that online social communities and conversations carry heavy consequences for companies. They must be monitored for real-time marketplace feedback and trends.

3.3   RETAILING WITH THE HELP OF WEB BASED TECHNOLOGY

3.3.1 RETAILING!

Retailing includes all activities involved in selling goods or services to the final consumers for their personal, non-business use- Kotler "The set of activities that markets products or services to final consumers for their own personal or household use. It does this by organizing their availability on a relatively large scale and supplying them to consumers on a relatively small scale"

3.3.2 NATURE OF RETAILING

- It is that part of marketing which creates time, place and possession utility
- A legal activity, social activity and economic activity
- A system and goal-oriented activity
- It includes services also
- Buy products from distant places
- Sell to many different consumers

3.3.3 SCOPE OF RETAILING

- All activities involved in the sale of goods or services to final consumer
- Predominantly food stores (non-specialized and specialized)
- Predominantly non-food stores(non-specialized non-food stores, textiles and leather, household items, some other etc.)
- Other types(mail order, door-to-door, vending machine, repairing, multi-levelmarketing)

3.3.4 SOCIAL DEVELOPMENTS & ITS EFFECT

- Two important developments of the 18th Century-: the provision of Railroads &Telegraphs
- Wholesale business developed
- In 1852 the first departmental store: Bon Marche was set up in Paris with Money back guarantee on purchases.
- Montgomery ward launched the world's first mail order catalogues.
- The Industrial Revolution.
- Self-Service Retail stores started in 1916.
- The development of Super-Markets & Convenience Markets.
- Specialty Stores, Malls & other formats.
- The rise of the Web Based Technology

3.3.5 RETAILER

Retailer is a person who specializes in selling certain types of goods and/or services to consumers for their personal use

- Connecting link between wholesalers and consumers
- A merchant middleman

- Sells directly to consumers
- Deals in small quantity
- Deals in variety of goods

3.3.6 FUNCTIONS OF RETAILER

- Collection and assembling of variety of goods
- Undertakes risk
- Give credit facility to customers
- Collect market information
- Undertake promotion
- Attracts consumers
- Gives guidance to consumers
- Buyers need not hold stock
- Convenience
- Creates time, place and possession utility

3.3.7 SERVICES TO CONSUMERS:

- The retailer stocks different varieties of goods.
- The retailer sells goods in small quantities to the consumers as & when they require.
- Consumers can choose from a variety of goods displayed in his shop.
- He supplies information to the consumer about the arrival of new products.
- The retailer is an expert & specialist in the distribution of consumer goods.
- The retailer sells goods to regular customers on credit.
- The retailer renders after sales- services & arranges for home-delivery.
- He generally establishes his shop near the customers.

SELF-CHECK EXERCISE – I

1.   Name any type of Customer Relationship Management approach.
2.   All activities involved in selling goods or services to the final consumers for their personal, non-business use is known as _____.

3.4   USE OF INFORMATION TECHNOLOGY IN RETAILING SECTOR

3.4.1 INFORMATION TECHNOLOGY

Information technology, as defined by the Information Technology Association of America (ITAA), is "the study, design, development, implementation, support or management of computer-based information systems, particularly software applications and computer hardware." Encompassing the computer and information systems industries, information technology is the capability to electronically input, process, store, output, transmit, and receive data and information, including text, graphics, sound, and video, as well as the ability to control machines of all kinds electronically.

Information technology is the backbone of modern retailing. The traditional retailing was easier to manage because of its size, scope and uncompetitive nature; and usually the shops were managed by the owner-manager. But the modern retail formats, which are superstores and large chains owned by large organizations, are difficult to manage without an efficient and reliable IT system in place.

Technology proves beneficial in creating and maintaining customer relationships. Analysis of data collected at the retail point of sales helps understand preferences, buying habits, spending budgets, family needs of an individual customer. Relationships are maintained by utilizing IT for periodical e-mailing, SMS, greetings, promotional letters and personal calling.

3.4.2 USE OF WEB BASED TECHNOLOGY

We can define use of web-based technology with the help of Internet and mobile phone technology. In general term it is called as Electronic Business.

The internet revolution paved the way of doing core business process of buying and selling goods and services. A wide variety of commerce is conducted in this way, spurring and drawing on innovations in electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Nowadays people associate the word e-commerce with the ability of purchasing various goods through the internet using secure protocol and electronic payment service. Private sector has started to exploit the opportunities of e-commerce for providing quality products and services to their customers. The impact of web and web-based technology in Retail industry is far reaching

E-business or electronic business is the extensive use of computers, communication technology, networking technology and computerized data to perform business processes. In other words, E-business is any system of suppliers, distributors, or customers that use the Internet as the basis for their operations. It can range from using e-mail to communicate with customers and/or conduct business to a web page promoting a company, from a full e-commerce retail site to the integration of procedures and processes using Internet based technology

3.4.3 ADVANTAGES & DISADVANTAGES OF WEB BASED TECHNOLOGIES FOR RETAILING

3.4.3.1 Positives:
- Ease of Entry.
- Low overhead
- Geographic Flexibility
- You can be almost anywhere in the world as long as you have an internet connection.
- Your business is open 24 hours a day and seven days a week.
- You do not have to deal with co. workers
- you have more, flexibility in your schedule.
- You do not have to deal with employees.

3.4.3.2 Negatives:
- Can leave the businessman feeling isolated.
- Hard to convince the people.
- There is so much information on the world wide web now, it's sometimes hard to tell the difference between crap and quality
- Information Overload.
- E-business has the potential to help you improve your business processes through accelerating and enhancing customer service; increasing sales by providing alternative sales and marketing channels; promoting product, service, and company information; and, by reflecting a modern approach.

3.5 WORKING & INFRASTRUCTURE NEED FOR WEB BASED TECHNOLOGY

3.5.1 INFRASTRUCTURE NEED FOR E-BUSINESS.

An information infrastructure consists of the physical facilities, services, and management that support all shared computing resources in an organization. There are five major components of the infrastructure: (1) computer hardware, (2) software, (3) networks and communication facilities

(including the Internet and intranets), (4) databases, and (5) information management personnel. Infrastructures include these resources as well as their integration, operation, documentation, maintenance, and management.

3.5.2 HOW DOES IT WORK?

When a company wants to do the online retailing business, they need to maintain a shopping web portal. A customer can connect with that portal through a computer. That enables them to access company's database through an online computer service. Using the PC, a consumer can access all of the items in a shopping store. Customers can request a list of items by category, by item, by brand, or even by what is on sale in the store on a given day. Within categories, they can choose to have the items arranged alphabetically by brand or sorted by lowest cost per ounce, package size, unit price, or nutritional value. Customers can also create repeated-use shopping lists. Once consumers have made a selection, they can give specific shopping instructions, such as "substitute with same calories," or "red grapes only." They can click on the "Comment" button and type in any extra information they would like the Peapod shopper to know. At any time during the order, a consumer can subtotal the amount purchased, or access the "Help" screen for immediate assistance.

Online ordering is simple. User can create their user accounts and can use accounts by entering their user IDs and passwords. On verification, users get access to a whole grocery store and drug store of items. Before the actual purchase of an item, users can view images of it and may have an idea about that. The system allows users to sort items by various criteria like price, price/ unit, total calories, fat, protein, carbohydrates, and cholesterol. With these features. A "Find Item" option at the top of the screen lets users search either by brand name or product type. When users have finished shopping, they click on "Done" and the order is electronically processed. During the transaction closing process, users select the delivery mode and payment mode. Most of the companies insist on the spot payment through credit cards. Pinpoint delivery can be selected for a small additional charge. Online shoppers commonly use credit card to make payments, however some systems enable users to create accounts and pay by alternative means, such as:

- Debit card Debit Card
- Various types of electronic money
- Cash on delivery (C.O.D., offered by very few online stores)
- Cheque
- Wire transfer/delivery on payment
- Postal money order
- PayPal
- Google Checkout
- Money bookers
- Reverse SMS billing to mobile phones
- Gift cards
- Direct debit in some countries

Some sites will not allow international credit cards and billing address and shipping address have to be in the same country in which site does its business. Other sites allow customers from anywhere to send gifts anywhere. While credit cards are currently the most popular means of paying for online goods and services, alternative online payments will account for 26% of e- commerce volume by 2009 according to Celent.

The stores get a printout with the order, the delivery address, and instructions for getting there. Each order is being processed by company workers or they can outsource this work to some other agency. If a customer has a problem, he or she can call Membership Services, and a service representative will try to solve the matter. Smart companies take each call as an opportunity to learn (and remember) each customer's preferences and to figure out what the company can do to improve services as a whole.

3.5.3 MOBILE COMPUTING

Mobile computing has facilitated employees in tracking the inventory and provided customers an innovative shopping experience through integration of PDAs in individual shopping carts that would provide information on the products. This use has optimized inefficiencies in inventory and supply chain sections and lead to cost minimization. A similar WAP (Wireless Application Protocol)-enabled mobile phones are catching attention today in Retailing sectors.

3.6　WEB BASED TECHNOLOGY CONCEPTS FOR RETAILERS

3.6.1　ONLINE RETAIL STORES CAN PROCURE THEIR GOODS WITH THE HELP OF WEB ALSO. THERE ARE SIX MAIN TYPES OF E-PROCUREMENT:

- Web-based ERP (Electronic Resource Planning): Creating and approving purchasing requisitions, placing purchase orders and receiving goods and services by using a software system based on Internet technology.
- E-MRO (Maintenance, Repair and Operating): The same as web-based ERP except that the goods and services ordered are non-product related MRO supplies.
- E-sourcing: Identifying new suppliers for a specific category of purchasing requirements using Internet technology.
- E-tendering: Sending requests for information and prices to suppliers and receiving the responses of suppliers using Internet technology.
- E-reverse auctioning: Using Internet technology to buy goods and services from a number of known or unknown suppliers.
- E-informing: Gathering and distributing purchasing information both from and to internal and external parties using Internet technology.

The e-procurement value chain consists of Indent Management, E-Tendering, auctioning, Vendor Management, Catalogue Management, and Contract Management. Indent Management is the workflow involved in the preparation of tenders. This part of the value chain is optional, with individual procuring departments defining their indenting process. In works procurement, administrative approval and technical sanction are obtained in electronic format. In goods procurement, indent generation activity is done online. The end result of the stage is taken as inputs for issuing the NIT.

3.6.2　SOME OF THE POPULAR COMMUNITY-BASED INDIAN SHOPPING PORTALS FOR YOUR REFERENCE INCLUDE:

Ebay India:

The global retail giant's Indian venture has a shoppers' community dedicated to registered users willing to chat, discuss, ask questions, leave messages and even leave feedback for the portal.

Retailsdirect:

This site is arguable India's first interactive store ever. If you have anything to share, discuss,

ask or answer on any issue/subject Including shopping, this site has it. It also has video conferencing, (or Video-Voice Text-Chat facility, as they term it) and is based on Web 2.0 technology,

Hindustanlink:

A site where you can do a lot more than shopping, including activities like Forum discussions, Blogging and Questions-Answers section as well.

All in all, Indian shopping portals need to take a leaf out of their international counterparts' online strategies. After the emergence and expansion of global shopping portals like eBay, Kaboodle, Zebo etc., there many e-stores of Indian origin like rediff.com, Indiatimes.com etc. which need to incorporate the concept of social networking to add that 'zing' lacking in them. Until then, the aforesaid e-stores are there to bring in your friends and favorite brands while you choose to laze around at home.

<div align="center">

SELF-CHECK EXERCISE – II

</div>

3. _____ is the extensive use of computers, communication technology, networking technology and computerized data to perform business processes.

4. _____ refers to the set of IT technologies, products, services and operational strategies and procedures that enable end users to access computation, information and related resources and capabilities while mobile.

3.7   SUMMARY

This result demonstrates the significant role of information technology in today's business world and in retail management. It indicates that a sound Web based system is imperative to success in large format retail. IT system can be leveraged to increase efficiencies in supply chain and vendor management as well as centralize their control.

With an efficient IT system, a retailer can observe sales and consumer behavior more efficiently and accurately and thus plan its sourcing and customer promotions more effectively. This result also led to the conclusion that use of new technologies in retailing helps to increase customer loyalty and customer satisfaction. An IT system is also beneficial for various retailing related operations.

Retailers need to understand that technology is not a sunk cost but rather an investment to reduce heavy long-term costs. It is an investment to maintain competitive advantage for long-term growth.

3.8   KEYWORDS

Customer Relationship Management, Retailing, Information Technology, E-Business, Mobile Computing.

3.9   EXERCISES

3.9.1 SHORT QUESTIONS

1. Explain the campaign management.
2. What do you mean by retailing with the help of web-based technology?
3. Give some positives of Information Technology in Retailing sector.
4. Give some negatives of Information Technology in Retailing sector.

3.9.2 LONG QUESTIONS

1. What do you mean by CRM? Explain different types of CRM.
2. What is web-based technology. Describe the working of Web based technology for the Retailing?
3. How a customer can make payment to company? What are the different payment options.

3.10   GLOSSARY

Web based technologies are making a big contribution in retailing business. Companies are applying their CRM concepts with the help of web-based tools like internet, through mobile phones etc. These tools provide a platform where customers and retailer meet together and do business.

3.11   ANSWERS TO SELF-CHECK EXERCISES

1. Operational CRM; 2. Retailing; 3. E-business; 4. Mobile Computing.

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INTEGRATED RELATIONSHIP MARKETING STRATEGIES

STRUCTURE

4.0   OBJECTIVES

After reading this chapter, the student should be able to:

- To understand the concept of relationship marketing and how does it apply to retail sector
- To understand the various types of relationship marketing efforts
- To analyse the nature of customer service as part of relationship marketing efforts
- To appreciate the role of employees in building and maintaining customer relationships

4.1   INTRODUCTION

Relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges. The theories and concepts of relationship marketing draw upon a number of distinct areas including service quality, services marketing, customer retention economies, and issues related to interpersonal and social interaction. However, the practice of relationship marketing is as old as marketing and selling. Relationship marketing is implemented through various components such as rewards, customer services and involvement of customers in planning and execution of retail strategy. Retail stores that enact a system of rewards but neglect to have a focus on customer service fail. Only those retailers that deliver genuine benefits, based on intimate knowledge about their customers, and create a "customer-first" mentality at all levels of their service reap the ultimate benefit: customer loyalty.

4.2   RELATIONSHIP MARKETING STRATEGIES IN RETAILING

Relationship marketing strategies refer to any effort that is actively made by the seller

towards a buyer, and is intended to contribute to the buyer's customer value above and beyond the core product and/or service efforts received, and can only be perceived by the buyer after continued exchange with the seller. Hence, RM strategies attempt to provide benefits to the buyer above and beyond the core service performance

For instance, many traditional Indian retailers treat their regular customers in a warm and personal way and also provide them with special benefits in terms of their home delivery, discounts etc. these benefits are an attempt to provide above and beyond the core service performance.

Relationship marketing strategies could be a combination of one or all of the following benefits:

- Personalization benefits
- Special treatment benefits
- Communication benefits
- Rewards

4.3   COMPONENTS OF RELATIONSHIP MARKETING STRATEGY

Personalization Benefits

The term personalization describes the social content of the interaction between service employees and their customers. Personalization refers to the way in which employees relate to customers as people- cold and impersonal at one end, and warm and personal at the other. Consequently, personalization can be regarded as the means of showing recognition and respect to the other party. Examples of social relationship benefits includes- feeling of familiarity, personal recognition, friendship, and social support. One of the suggested ways of valuing the buyer's uniqueness as an individual is to address him by his name as the people feel good when someone remembers their name at the later point in time. Sales practitioners often stress the importance of remembering and using customers' names. Other indicators of personalization efforts are employees' attempts to get to know a customer as a person, their efforts are employees' attempts to get to know a person, their efforts to engage in friendly conversations, and their exhibition of personal warmth. This corresponds to the feeling of 'being included in the communication process' and 'being liked and treated with respect.'

Personalization leads to a positive impact in terms of increasing trust in the seller/ store, customer satisfaction with relationship and repeat purchase

Special Treatment Benefits

Customer focus and selectivity, i.e., all consumers do not need to be served in the same way, is a key aspect of relationship marketing. If a consumer receives personalized, customized service from retailer A but not from retailer B-and if this service is valued- then the consumer will be less likely to leave retailer A and B. Customers, generally perceive such customization efforts as preferential treatment not normally provided to the outlet customers.

The retailers can distinguish between at least two identifiable customer segments: loyal customers and non-loyal customers. Differentiating between loyal and non-loyal buyers enables a seller to address a person's basic human need to feel important. Most retailers use core service upgradation and service augmentation as ways to provide special treatment benefits to customers in return for their loyalty.

Differentiation refers to the fact that loyal customers are provided with extra recognition in terms of better service and additional efforts that are not being made to other, non-loyal\customers by not differentiating between loyal and non-loyal customers, retailers waste resources in over satisfying less profitable customers, while under-satisfying more valuable, loyal customers.

Communication Benefits

Communication is often considered as a necessary condition for the existence of a relationship. A seller's communication with a buyer conveys his interest in the buyer and serves to strengthen the seller's relationship with him

Efforts to 'stay in touch' with the customers have been identified as the key determinants of relationship enhancement in retailer-customer relationship. It is generally recognized that buyer-seller relationships become stronger when the ease and volume of exchange between the buyers and sellers increase.

The intense level of buyer seller communication (1) increases the probability of discovering behaviors that generate rewards, (2) enhances the prediction of behavior of the other party and clarifies each other's role, (3) leads to easier discovering of similarities between parties, and (4) encourages feeling of trust, special status, and closeness

Generally, communication strategies as part of relationship marketing efforts refer to directed communication to the customers as against mass-media communication, which does not afford selectivity. However, it does not include face-to-face interaction, which forms part of personalization efforts by the retailer. Many retailers adopt direct mail, e-mail, telephone, and SMS as means to interact with their loyal customers or members of loyalty programmes.

Rewards

Providing customers with tangible rewards is often referred as to 'level one relationship marketing'. This level of relationship marketing relies primarily on pricing incentives and money savings to secure customers' loyalty. It implies that clients earn extra based on purchasing performance.

Psychologists have been interested in the role of rewards in behavioral learning and modification. According to Skinnerian exchange theory, any behaviour that is rewarded will tend to be repeated, whereas behaviour that is punished is likely to be curbed. Since various types of customers rewarding programmes imply reinforcements that are promised and provided, customers can be persistently conditioned for long periods of time as a result of receiving rewarding relationship efforts.

Frequent flyer programmes, customer loyalty bonuses, free gifts, personalized discount coupons, and other point-for-benefit 'clubs' are examples of these efforts. Trying to earn points on such things as hotel stays, movie tickets, and car maintenance would help customers to remain loyal, regardless of service enhancements or price promotions of competitors.

However, it is important to remember that rewarding efforts generally do not lead to sustained competitive advantages given the reality that price is the most easily imitated element of the marketing mix, that some customers may react opportunistically, and that already loyal customers may be 'unnecessarily' rewarded. Nevertheless, rewarding strategies can lead to sustainable competitive advantages if such strategies are not short-term promotional give-always, but planned and implemented parts of a larger loyalty management strategy.

4.4   RELATIONSHIP MARKETING IN ORGANIZED Vs UNORGANIZED RETAIL

Broadly the organized retail sector can be divided into two segments: in-store retailers, who operate in fixed point of sale locations, located and designed to attract a high volume of walk-in-customers, and non-store retailers, who reach out to the customers at their homes or offices.

The organized retailers provide various standardized services to their customers. Large retail formats with high quality ambience and courteous and well-trained sales staff are the distinguishing features of these retailers. In most of the cases, they have a wide range of merchandise stocked with them so that the customers can have their pick.

Also, in most cases, customers are required to choose from the available items themselves and forward all the merchandise to a cashier. These retailers have a wide reach and cater to customers of a very large geographical area. People visit these stores not only for shopping but also for having a nice time outside their homes.

The unorganized retailers, especially in India, comprise the *kirana* or small independent stores located in neighbourhood centres and central business districts of a city. These stores have a limited reach in the sense that people living in a particular locality visit stores in their own colony. The USP of these stores in the locational convenience they provide to their customers and also to the extent of procuring merchandise and delivering them to their customers on order.

In the context of Indian traditional retail formats, one can comfortably establish the significance of relationship marketing in the success of the retail store, particularly the relationship between retailers and customers. The existence of sound relationship between these entities (retailers and customers) comprehensively suggests the importance of the present unorganized retail network in India in the entire value chain.

The role of the retailers is not surely defined in terms of delivering the core goods and services their customers are looking for; they also have to build their image and the role in accordance with the needs and purchasing, and usage behavior of their customers segments. For example: most of the general stores located in the neighbourhood centres or locality lanes not only extend locational convenience to the customers but also establish a comfortable relationship between shoppers and service providers.

Relationship marketing efforts in terms of Personalization benefits, Special treatment benefits, Communication benefits and Rewards find expression in the form of specific retailer focus on customer service or loyalty programmes. Hence, retailers' efforts for personalization, communication, and special treatment benefits are implemented through customer service strategies of retailers.

Similarly, communication, special treatment benefits, and rewards are implemented through loyalty programmes-quite popular in the organized retail sector.

<div align="center">SELF-CHECK EXERCISE – I</div>

1. _____ refers to any effort that is actively made by the seller towards a buyer, and is intended to contribute to the buyer's customer value above and beyond the core product and/or service efforts received, and can only be perceived by the buyer after continued exchange with the seller.

2. Give one benefit of relationship marketing strategies.

4.5   CUSTOMER SERVICE IN RETAILING

Marketing is concerned with exchange relationships that exist between a retailer and its customers. Quality and customer service are the key elements in this relationship. Today's competitive environment requires a retailer to understand and properly apply the concept of relationship from the perspective of the customer and other channel members. This will ensure that:

- customers strongly believe that the retailer offers good value for money; and
- all the channel members (including the customers) would like to do business with that retailer

The challenge for a retail unit is to bring three critical areas, namely marketing, customer service, and quality, into closer alignment. Relationship marketing attempts at bringing these three areas together.

Different retailers have different views on the nature and package of customer services offered to the customers. It is essential to have a distinct store ambience and an attractive atmosphere to attract high-income customers to a specialty store, whereas store ambience will not be a major issue for retail stores in neighbourhood centres catering to the middle-income class customers.

Quality of the product or services is a must as customers will not accept an inferior quality product. Even though a retail store may be very good in developing relationship with customers, with customers, with poor quality core products or associated services it cannot exercise relationship marketing. On the contrary, a strong customer service will enhance relationship marketing between a retailer and a customer.

The provision of quality customer service involves an understanding of what a customer wants and eventually buys, and determining how additional value can be added to the products or services being offered. However, the implementation of customer service varies considerably from one retail unit to another.

4.6 CUSTOMER SERVICE: MANAGING GAPS BETWEEN EXPECTATION AND PERFORMANCE

When customers' expectations are greater than their perceptions of the delivered product or service, customers are dissatisfied and feel that the quality of the retailer's service is poor. Thus, retailers need to reduce the service gap (the difference between customers' expectations and perceptions of customer service) to improve the customers satisfaction with their service. There are four important dimensions that customers employ to judge the effectiveness of customer services by retailers, which are:

1. Knowledge: The difference between customer expectation and the retailer's perception of customer expectations.
2. Standards: the difference between the retailer's perceptions of customers' expectations and the customer service standards it sets.
3. Delivery (Actual performance): the difference between the retailers' service standards and the actual service provided to customers,
4. Communication: the difference between the actual service provided to customers and the service communicated in the retailer's promotion programme

These four dimensions determine the quality of customer service extended by the retailers or marketers. The retailer's objective is to enhance the performance on account of the aforesaid dimensions by reducing differences in each of the four components of customer service satisfaction.

Thus, the key to improving service quality is to:

(1) Understand the level of service customers expect.
(2) Set standards for providing customer service
(3) Implement programmes for delivering service that meets the standards, and
(4) Undertake communication programmes to inform customers about the services offered by retailer.

4.7   LOYALTY PROGRAMMES

Corporate expenditure n loyalty initiatives are booming, the top 16 retailers in Europe, for example, collectively spent more than $1 billion in 2000.

4.7.1   Basis of Loyalty Programmes

Retailers focus on loyalty programmes since it is believed that:

- Loyal customers are cheaper to serve, therefore more profitable
- They are willing to pay more for a given bundle of goods
- They act as effective marketers for the store's offerings

4.7.2   Requirements to be met by loyalty programmes

A set of criteria that should be observed when drafting a loyalty programme;

- Enrolments must be voluntary
- Rights and obligations must be stated clearly and in writing on conclusion of an agreement
- Information registered must be administered in an ethically proper manner
- There should be proportional and undifferentiated earnings of bonus
- No rules should be established concerning expiry limits.

Programmes are typically delivered in one of the three following ways:

- Frequent shoppers' card without credit linkage
- Store credit card with tiered membership benefits
- Co-branded credit cards (eg., Visa, mastercard) with accrued rewards and other benefits based on spending

4.7.3   Classification of loyalty programmes

On the basis of ownership and management, loyalty programmes may be classified as multi-sector loyalty programmes, single-operator, multi-partner programmes, and true coalition programmes
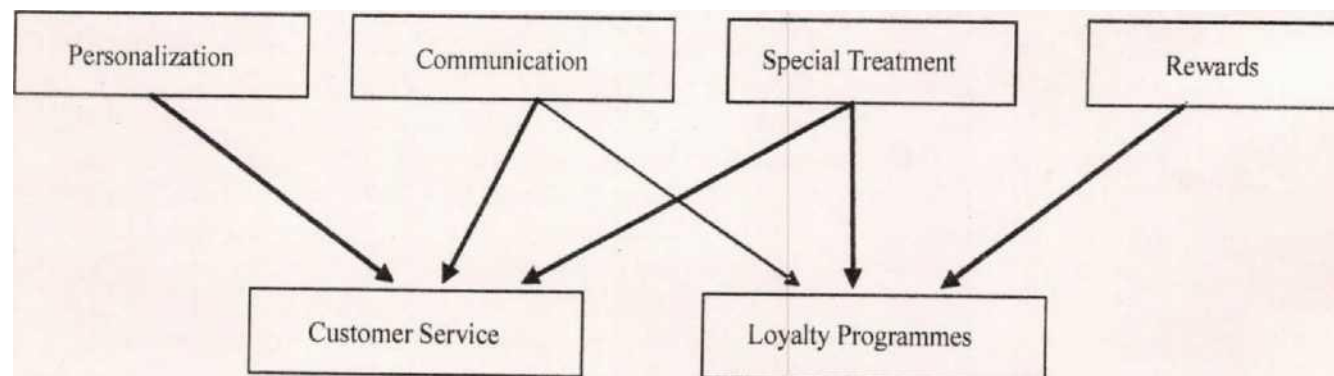
Multi-Sector Loyalty Programmes

There are un-partnered loyalty programmes and partnered programmes (called 'coalitions'). Within the partnered category of programme, there are two main types of multi-partner programmes that have proved their vale time and again: true coalition programmes and single operator programmes that include other partners.

Single-Operator, Multi-Partner Programmes

Tesco's Club card is an example of a single operator programme that involves other partners. The programme is owned and run by Tesco. However, clubcard holders can collect points when buying from various partners in the programme, such as Aldfers, Beefeater, Marriott, and National Tyres. Vidal Sassoon is an example of redemption partner.

True Coalition Programmes

For example, Air Miles and Nectar are true coalition programmes. The programme management is independent of any of the partners. The partners have contracts with the operators of the programme to issue and redeem the currency of the programme, and only have access to data harvested by the programme through its operator

4.7.4 AFFINITY LOYALTY PROGRAMMES

The important objectives of affinity loyalty programme are:
- Rapid and wide market penetration
- Delivery of attractive and an optimal combination of incentives
- Building multiple communication channels

The critical factors of success of partnered loyalty programmes are:
- Interest in the programme
- Limited number of cards to carry
- Provision for members to earn points quickly
- Greater variety of incentives
- Economical on account of time and cost involved in development
- Collaborative marketing campaigns
- Wide penetration
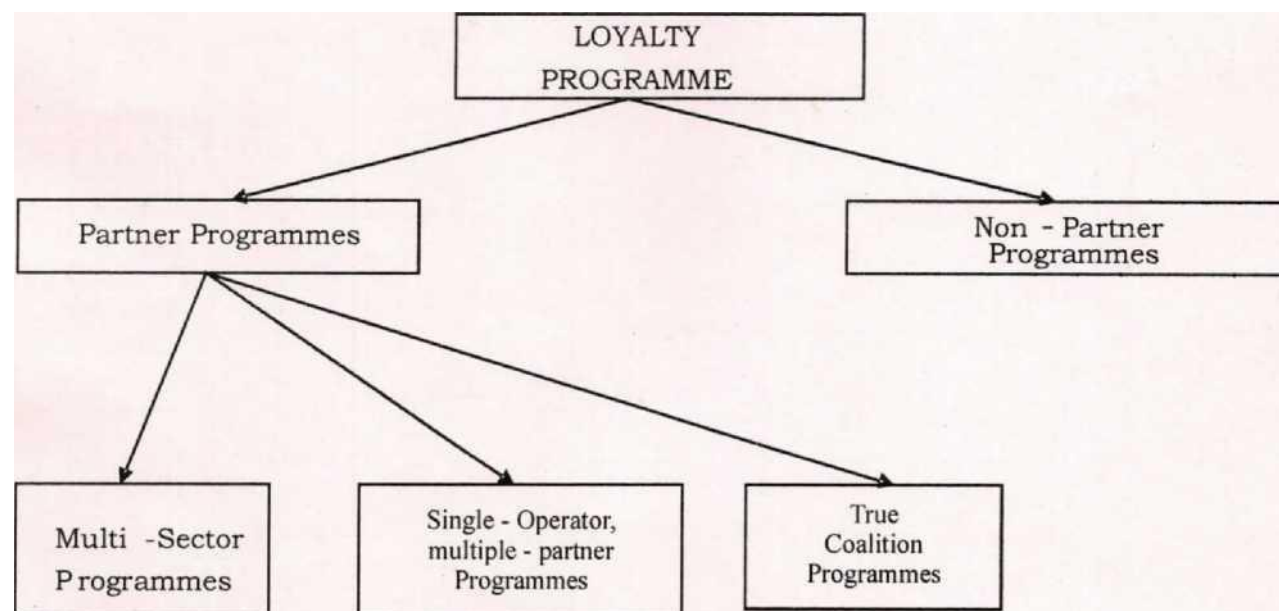
SELF-CHECK EXERCISE – II

3. What is one of the key elements of customer relationship strategies?

4. Loyal customers are _____ to serve, therefore more profitable.

4.8   SUMMARY

Relationship marketing strategies in the organized retail sector have become extremely important lately with the spate of loyalty programmes and focus on customer service. Relationship marketing efforts aim to provide four types of benefits to the customers- personalization, communication, special treatment benefits, and rewards. The term personalization has been used to describe the social content of interaction between service employees and their customers.

4.9   KEYWORDS

Retailing, Relationship Marketing, Unorganized Retail, Customer Service, Loyalty Programmes.

4.10   EXERCISES

4.10.1 SHORT QUESTIONS

1.   Explain the relationship marketing strategies.
2.   What is the role of relationship marketing in organized retail?
3.   What do you mean by loyalty programs?
4.   How to manage the gap between the expectations and performance?

4.10.2 LONG QUESTIONS

1.   Discuss the concept of relationship marketing. How it relates to transactions marketing.
2.   Discuss the various types of relationship marketing efforts and how they translate into relationship marketing strategy

4.11   GLOSSARY

Relationship marketing strategies refer to any effort that is actively made by a seller towards a buyer, and is intended to contribute to the buyer's customer value above and beyond the core product or service efforts received, and can only be perceived by the buyer after continued exchange with the seller.

4.12   ANSWERS TO SELF-CHECK EXERCISES

1. Relationship Marketing Strategies; 2. Rewards; 3. Customer Service; 4. Cheaper.

4.13   SUGGESTED READINGS

Swapna Pradhan, Retail Management Text and Cases, Tata Me Graw Hill

Piyush Kumar Sinha, Dwarika Prasad Uniyal, Managing Retaining, Oxford University Press.

MEANING, RETAIL COMMUNICATION, ROLE OF COMMUNICATION IN RETAILING, METHODS OF COMMUNICATION, RETAIL COMMUNICATION PROCESS

STRUCTURE

5.0   OBJECTIVES

After reading this chapter, the student should be able to:
- To know how a retailer can build brand equity of his store and its underlying products
- To study the role of Communication in Retailing
- To know about the Methods and the process of Retail Communication
- To find out the procedures for implementing and evaluating retail communication programs

5.1   INTRODUCTION

Communication is very important for every business activity. It is very important for a retailer to know how to inform the customers about the products they want to sell. The communication program initiates the customers about the presence of a store and its merchandise uniqueness. The communication program invites the customers, attract them and lure them to visit the store.

"Communication is the foundation of all the business relationships. To effectively communicate, we must realize that we are all different in the way we perceive the world and use this understanding as a guide to our communication with others." - Anthony Robbins

Over a period of time, due to change in lifestyle, status of rapidly increasing middle class and scarcity of time to shop has made customers more demanding. Now in India, most of the families have more than one earning hand and have several commitments to attend. Further, increasing distance and traveling hours between workplace and residence compel the customers to visit the store that provide most of the daily used items under one roof. If gave birth to Mart, Shopping Plaza, Super Bazaar, Hyper markets and recently grown Mall culture. Now, the situation especially in metros is that within one kilometer of area, one may find more than one mall, resulting in tough competition and decreased profit margins. Hence, the significance of continuous communication has been felt amidst retailers backed by heavy expense on sales promotion.

5.3   ROLE OF COMMUNICATION IN RETAILING

It takes years to build a brand. Once a retailer has established himself as a brand, it will provide value to both the retailers and the customers. Brand is a name, symbol or logo that indicates the items of merchandise offered by the retailer with the objective of differentiating those items from its competitors. Brand not only conveys the name of the retailer but about the retailer's mix and the shopping experience at a particular store. But under retailing, retailer itself is a brand that indicates a particular set of merchandise offered by a retailer. Brand also affects the customer's confidence in making buying decisions. It increases the profit margin of the retailers. Further for brands it becomes easy to launch a new product due to brand loyalty and established image.

SELF-CHECK EXERCISE – I

1. _____ is the foundation of all the business relationships.

2. What is defined as a name, symbol or logo that indicates the items of merchandise offered by the retailer with the objective of differentiating those items from its competitors?

5.4   BUILDING BRAND VALUE

Building brand value is a must in recent years especially in retail sector. As in India, new and new brands are entering into competition; they are also making the competition for the existing brands, who are not only facing the competition from the traditional 'kiranastores' but also from the well-established global brands.

Following are the tasks that a retailer performs to build its brand for the store.

1. **Increasing brand awareness:**Brand awareness is the expansion of a brand to the customers. It is a measure of target customers that remembers a brand name or recognize your brand as yours.

2. **Associations:** Brand awareness is the very first step to build brand value but this task can be accomplished by associations that customer develop with a brand. Association is anything that brings customers close to the brand or linked to the customer's memory. The usual practice to develop associations as adopted by Indian brands (retailers) are:

    (i)   Merchandise Uniqueness
    (ii)   Pricing Policy
    (iii)   Unique Lifestyle
    (iv)   Unique Properties

3. **Continuous Recall:** A powerful brand defines how a firm is unique and set it apart from others. Today a customer is aware about your brand but tomorrow will he be, is difficult to say. Therefore, being consistent with your branding is essential to firm's recognition. For communicating effectively with the customers, a retailer has several options in its integrated marketing communication (IMC) programme. IMC is a program that is composed of all the elements of communication to deliver a precise and consistent message. It is a combination of various communication tools, such as:

- Advertising
- Sales Promotion
- Publicity
- Direct Marketing
- Public Relations and
- Personal Selling

5.5 METHODS OF COMMUNICATION

The methods of communication are divided into two broad categories:

(i) Paid (ii) Unpaid

Under each category, there is a division with regard to personal and impersonal communications as shown in following figure:

Impersonal	Personal	
• Sales Promotion	• Personal selling	**Paid**
• Advertising	• E-Mail	
• Store Atmosphere		
• Websites		
Publicity	Word of Mouth	**Unpaid**

5.5.1 PAID IMPERSONAL COMMUNICATIONS

Following methods come under paid impersonal communications:

(i) **Sales Promotion:** Retail sales promotion is a scheme undertaken by a business to encourage an increase in the store's sales. In this process, a store persuades the customer to buy a particular product through normal personal selling. For this purpose, Sales promotion techniques are used in retailing business to stimulate trial purchases. This is generally done when a store wants to catch the attention of new customers. It involves various communication tricks that are used to provide added value or incentive to customers, retailers and wholesalers to excite instant sales.

(ii) **Advertising:** An advertising campaign has a lot of significance to a retail firm. It not only promotes the organizations sales but also may change the fate of a retail firm. A careful consideration of various factors like the nature of competition, consumer's attitude, product's features, availability of funds, reach of advertising media etc are must.

(iii) **Store Atmosphere:** It is the key aspect for communicating the retailer's image to the customers. It is the ambience created within a store to communicate information about the store's offerings that gives an idea about the store's pricing policy, varieties and fashion ability of its offerings

(iv) **Visual Merchandising (VM):** It is the art of creating visual displays and arranging merchandise assortments within a store to improve the layout and presentation and to increase traffic and sales which puts the merchandise in spotlight. VM informs the visitors, creates desire and finally augments the selling process.

(v)   Websites: It is the most recently developed way of communication with the customers. Retailers have been increasingly using websites to build their brand image and to communicate with the customers about the following:

> Information about the company
> Lines of businesses Store's
> offerings Special offers Prices
> Store's location Ways to place
> order Special discounts (if any)
> Store's position in the industry
> How to contact

5.5.2   PAID IMPERSONAL COMMUNICATIONS

Following methods come under paid impersonal communications:

(i)   **Personal Selling:** It is the sort of communication in which the sales staff assist the customers directly (face to face) and satisfy their needs and wants through exchange of communication. Personal attention is the integral part for the success of personal selling. Personal Selling can be at store level or at customer's residence or at their place of work also.

(ii)   **E-Mail:** These days' retailers are using this method because of technological advancement, its credibility and speed. It basically involves sending messages over the internet. Following information is usually given by the retailers through this method:

- About the company
- Line of businesses
- About new launch
- About new sales promotion programmes
- Franchisee information etc.

5.5.3   UNPAID IMPERSONAL COMMUNICATIONS

Publicity:

Publicity is one component of promotion which gives some sort of positive or negative image on the basis of activities done by the store. For e.g. If a retail store gives huge donation for soma noble cause, it attracts media's attention and then leads to media coverage. It has been experienced that publicity is more effective in tone for promotion than advertising. It is a non-personal communication, which is typically in the form of a news story that is transmitted through the mass media. The purpose of publicity is to draw favorable attention to a company and its products without having to pay the media for it.

5.5.4   UNPAID PERSONAL COMMUNICATIONS

Word of Mouth Communication:

This type of communication belongs to unpaid personal communication. It is basically the reference to pass the message verbally by face to face spoken communication or some sort of telephonic conversation. It includes a variety of sub-categories like blog, viral, buzz, cause, grass

root, influencer and social media marketing. It is firmly believed that message transferred in this way travels very fast and has an added layer of confidence.

5.6   RETAIL COMMUNICATION PROCESS

Following are the steps to be followed in the retail communication process.

1.   Planning the Retail Communication Programme

This is the first step in developing a retail communication programme. Each retailer knows that it is not only the matter of gaining profits but also to survive for a long time. Therefore, he decides about the communication objective initially aimed for a large traffic flow so that the store should get maximum branding and there on, a retailer tries to satisfy the consumer's demand category-wise. Communication objectives are planned for both long and short term.

(i)   Long-Term Communication Objectives: These objectives belong to long period, say over one to three years or even more than that. The retailer do not wish to change these in the short run as it takes years to achieve these goals but once the underlined objectives are achieved, these cannot be overcome by the competitors in the short run. Examples are:

- To create a strong brand image for the store
- To create a strong brand loyalty towards retailer.

(ii)   Short- Term Communication Objectives: These objectives keep on changing as per the market trend. For instance, during the festive season, a retailer wants to attract footfall so he designs his communication strategy that lures the customer to visit the store during particular period of time say before Diwali or Christmas, Companies offer lucrative offers for the customers.

2.   To Device the Communication Strategy:

Once the communication objectives are set, a retailer studies the market situation and designs the communication strategy comprising of various constituents like advertising sales, event management, sales promotion, e-mail promotion, personal selling and so on. On the basis of situational analysis, a blue-print of what to do and how to do is prepared, so as to achieve the communication objective, A retailer knows that one communication vehicle will not be suitable to interact with various target segments.

For e.g. A retail store is located in small but densely populated area where people would like to have a value for their money, a retailer would like to communicate his store's products as fair price, everyday low pricing (EDLP), cheap and affordable range,

Similarly, if store is located in a posh area, then a retailer would like to plan a strategy of maintaining an up-market image and delivering merchandise at pricing that justifies that sort of image.

3.   Preparing the Communication Budget:

All the objectives and strategies of a retailer are achieved through funds only. Without funds, no strategy can take shape and will simply go flat, Therefore, it becomes imperative for a retailer to allocate budget considering the firm's turnover and the affordability. While planning a budget a retailer should consider not only the short term and long-termobjectives but the implications of investment also. For example, if a retailer spends more money on displays, ambience, interiors and exteriors, he would have shortage of funds to meet its day-to-day requirements (working capital)

4.   Implementation of Communication Program:

Implementing the communication program is one of the critical stages of retail communication process. A retailer must understand that retail market is the fast-changing market and the most dynamic place in today's era. Therefore, even after having view of the current market trends and designing the strategy, if need arises, minor changes should be made at the implementation stage itself. An ideal communication program always should be flexible to amend as and when need arises. Making sincere assumptions in this regard can play vital role towards the success of communication programme.

5.   Evaluating the Communication Programme:

After implementing the plan of action, a retailer must look into the result of the communication program, once implemented; program starts giving results within a realistic period of time. Now a retailer should plan for the success of such communication program. If the customers are persuaded and excited, it will result in increased customer traffic as well as enhanced sales. However, in case customers are not persuaded, they can completely reject the move taken by the retailer by not visiting the store. The reason may be competitor's communication program which came because of your move. Sometimes, the competitor's campaigns are so successful which don't only minimize the impact of your move but may completely neglect your outcome. Therefore, considering a retailer must have a contingency program in place so that if one outcome becomes unsuccessful, second program should replace the earlier one.

SELF-CHECK EXERCISE – II

3. What are the broad categories of methods of communication?

4. _____ is the art of creating visual displays and arranging merchandise assortments within a store to improve the layout and presentation.

5.7   SUMMARY

It may be said that Retail Communication is one of the most valuable and effective promotion strategies adopted by the retailers. It refers to communication strategies for immediate increase in retail sales and maximize the profits and to provide added value or incentives to the customers, wholesalers, retailers or other corporate clients to excite instant sales.

5.8   KEYWORDS

Retail Communication, Brand Value, Brand Awareness, Public Relations, Personal Selling.

5.9   EXERCISES

5.9.1   SHORT QUESTIONS

1.   Explain the concept of retail communication.

2.   What is the role of communication in retailing?

3.   What are the tasks performed by the retailer to build its brand value?

4.   What are the paid impersonal communications?

5.9.2   LONG QUESTIONS

1.   Critically analyze the various communication methods used by today's retailers to communicate with its customers?

2.   Illustrate a retail communication process by considering an example of a retail firm of your choice and describe the issues, steps and measures taken by a retailer while implementing the communication process.

5.10   GLOSSARY

Retail Marketing Communication: is a technique/method adopted by the retailers to attract the customers towards their products and services.

5.11   ANSWERS TO SELF-CHECK EXERCISES

1. Communication; 2. Brand; 3. Paid and Unpaid; 4. Visual Merchandising.

5.12   SUGGESTED READINGS

Chetan Bajaj, Rajnish Tuli, Retail Management, Oxford University Press.
Swapna Pradhan, Retail Management Text and Cases, Tata Me Graw Hill
Piyush Kumar Sinha, Dwarika Prasad Uniyal, Managing Retaining, Oxford University Press.

MBA-DE(Second Year)
Semester-IV

CRER (438)
CUSTOMER RELATIONSHIP
ESSENTIALS IN RETAILING

Lesson No. 6   AUTHOR: KAWAL NAIN SINGH

ROLE OF RETAIL PROMOTION PROGRAMME- METHODS FOR COMMUNICATING WITH THE CUSTOMERS, SALES PROMOTION, PUBLIC RELATION, PERSONNEL SELLING

STRUCTURE

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6.1   Introduction
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6.3   Role of Retail promotion program
6.4   Methods for Communicating with customers
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6.0   OBJECTIVES

After reading this chapter, the student should be able to:
1.   To know the meaning of retail promotion program.
2.   To study the functions of retail promotion.
3.   To know about the methods of communication with customers.

6.1   INTRODUCTION

Retail promotions are designed to promote the goods and services offered in the business district and to directly generate retail sales. Retail promotions should be used as part of a broader promotional strategy, which also can include special events and image-building promotions. Retail promotions can either be discount-oriented sales events or targeted non-sale promotional events. Generally, sales promotion activities are intended to meet short term objectives, like increasing the customer traffic in the store during weekends. Though promotional tools like publicity campaigns and word of mouth provide the most reliable information to the target customers, these two are very hard to control. Retail events can promote general services, convenience and special attractions, rather than using reduced prices to draw shoppers.

6.2   COMPONENTS OF RETAIL PROMOTION PROGRAM

• Manufacturer product or service campaigns

- Work procedures and internal manuals
- Loyalty programs
- Catalogue offers
- Vouchers
- Seasonal campaigns
- Events
- New lines
- New store
- Sales discounts
- Special displays

6.3　ROLE OF RETAIL PROMOTION PROGRAM

a) Empowered consumer: Consumer lifestyles and demographics are changing rapidly. Spending power is increasing and technology is aiding consumers to make sound shopping decisions. Given the increased amount of choice in term of products and formats, consumers now demand more quality, service, convenience and consistency for less money, time and effort.

b) Technology Enabled Efficiencies: Technology has enabled businesses and consumers to build efficiencies on the basis of ability to receive and transmit data at a fast speed. This information has today become critical for achieving growth in all aspects of retailing.

c) Promotional Campaign: This will involve identifying who the target market is going to be and this, in turn, may be related to the market segment/s that the business is focusing on. A market segment is a group of people with similar characteristics that may influence spending on the business's products. A market segment might be related to gender, age grouping, occupation, leisure pursuit, lifestyle, house type and so on. This will help to ensure that the campaign gets to the people who are most likely to benefit from it and buy the product/service concerned

6.4　METHODS FOR COMMUNICATING WITH CUSTOMERS

There are many ways to communicate with your customers and potential customers three of the most common are advertising, direct marketing and writing direct mail.

6.4.1　Advertising

Advertising is an integral part of the communication process and for promoting sales. Printed advertisements can appear in many shapes and sizes, and an organization can advertise in a range of places and publications. Posters pasted on notice boards in local shops, village halls, shopping malls and supermarkets are very effective source of advertising. The advertisement should be effective and should focus on various areas as follows:

a) **Target audience** - The advertisement should speak directly and clearly to the people you want to reach.

b) **Branding** - Effective advertisement is different and distinct from your competitors while retaining the brand identity of the product.

c) **Layout** - The layout must be clean, logical and easy to read.

d) **Reproduction** -The advertisement should reproduce well, or translate well on to the screen.

    e)   **Impact -** Advertisement should not be tempted to create large number of words and artwork into every square inch of space, one small word in the middle of a large white space will have far greater impact than an over-full, retail-style ad with every square inch covered.

    f)   **'Call to action'** - It should encourage the customers to call, register or visit for which correct information related to contact details and toll-free numbers should be provided for better results.

6.4.2 Direct Marketing

Whether an enterprise is launching a new business venture or simply maintaining strong relationships with its customer base, direct marketing is a great way to make a more personal approach to potential and existing customers. Another approach is to build your own database of customers, ex-customers and prospects. Maintaining an up-to-date database will enable you to use personalized mailings to let the customers know about new members of staff, new equipment, special offers and other updates. You could also target 'lapsed' or infrequent customers, to encourage them to return. If a database is created to sort the information needed to be known over time. It will probably be a simple list of details such as customers' names, addresses, telephone numbers, e-mail addresses, children's ages, type of care required, and willingness to be contacted by the organization from time to time.

6.4.3 Writing Direct Mail

Writing direct mail is also an important method of communication with the customers and the potential customers. Following points must be taken into consideration

    a)   **Name and Address** - These must be written with accuracy.

    b)   **Headline** - Use the headline to grab the recipient's attention and to encourage them to read on.

    c)   **Content** -Focus should remain on one key message.

    d)   **Envelope** - If we want the customers to call, print the number clearly, in bold perhaps, with times when the phone is manned. If you want them to return a coupon or reply slip, enclose a pre-paid envelope if it is viable so that customer should respond.

<div align="center">

SELF-CHECK EXERCISE – I

</div>

1. Name one of the methods for communicating with customers.

2. _____ is the practice of managing the communication between an organization and public.

6.5   SALES PROMOTION

Sales promotion can be defined as a paid non-personal form of communication that encourages customers to visit a store or purchase merchandise during a specific period of time. Sales promotion helps a retailer by way of attracting customer traffic and enables quick results to be achieved. Depending on the type of promotion carried out, it can help increase impulse buying, generate excitement and can motivate other channel members.

6.5.1 Reasons for Sales Promotion

A retailer may create a sales promotion aimed at the customers due to various reasons listed below:

    1.   To stimulate trial purchases.

6.5.2 Commonly used methods of Sales Promotion

1) **Coupons:** A coupon allows the buyer a reduction in price on specific products, when the coupon is redeemed. Coupons may be delivered through newspapers, magazines, post or in products. An example of this is Domino pizza, which regularly sends coupons to customers through newspapers. These coupons offer a certain amount of discount on placing an order during a specified time frame.

2) **Contests:** A contest needs consumer to compete and the prizes are based on skill, though in the case of sweepstakes, the customer only needs to enter in his name and the winner is determined by chance. Many retailers allow customers to enter into competitions based on the amount for which purchases have been made.

3) **Demonstrations:** Demonstrations are used to show the customers the performance capabilities of the products. Videos may also be used to aid the Demonstration and show the use of the products. Company executives Demonstrating the use of home appliances in supermarket in a good example of such promotions.

4) **Product/Brand promotion and schemes:** This is a straightforward scheme in which the consumer either gets a monetary discount on the purchase of a particular product or gets two products of the same type for the price of one-the "buy one get one free" scheme is the example of the same,

5) **Samples:** Getting consumers to simply try a brand can have an effect on decision- making. Sampling provides the consumer an opportunity to use the product at no cost. Various techniques may be adopted for sampling and this may take the form of in-store sampling- where the in-store staff hands out the samples. Sampling may be door -to-door, thought mail or with newspapers or magazines.

6) **Frequent shopper programmes:** Most retailers have the frequent shopper programmes, where a member accumulates points for every purchase. Members often get invitations to events sponsored by the retailer or associates.

6.6 PUBLIC RELATIONS

Public Relations (PR) is the practice of managing the communication between an organization and public. It consists of methods and activities employed to establish and promote a favourable relationship with the public. Public relations describe the various methods a company uses to disseminate messages about its products, services, or overall image to its customers, employees, stockholders, suppliers, or other interested members of the community. Publicity releases, employee-training seminars, and house organs are examples of instruments used in public relations. The point of public relations is to make the public think favorably about the company and its offerings. Public relations use publicity that does not necessitate payment in a wide variety of media and is often placed as news or items of public interest.

6.6.1 GOALS OF PUBLIC RELATIONS

a)   Some of the main goals of public relations are to create, maintain, and protect the organization's reputation, enhance its prestige, and present a favorable image. Studies have shown that consumers often base their purchase decisions on a company's reputation, so public relations can have a definite impact on sales and revenue. Public relations can be an effective part of a company's overall marketing

strategy. In the case of a profit company, public relations and marketing should be coordinated to be sure they are working to achieve the same objectives.

b)   Another major public relations goal is to create good will for the organization. This involves such functions as employee relations, stockholder and investor relations, media relations, and community relations. Public relations may function to educate certain audiences about many things relevant to the organization, including the business in general, new legislation, and how to use a particular product, as well as to overcome misconceptions. For example, a nonprofit organization may attempt to educate the public regarding a certain point of view, while trade associations may undertake educational programs regarding particular industries and their products and practices.

6.6.2 PUBLIC RELATIONS TECHNIQUES

There are many techniques available to influence public opinion, some of which are more

appropriate in certain circumstances than others:

Consumer communication

- Customer press releases
- Trade press releases
- Promotional videos
- Consumer exhibitions
- Competitions and prizes
- Product launch events
- Celebrity endorsements
0   Web sites

Business communication

- Corporate identity design
- Company and product videos
- Direct mailings
- Web site
- Trade exhibitions

Internal / Employee communication

- In-house newsletters and magazines
- Intranet
- Notice boards
- Employee conferences
- Email

External corporate communication

- Company literature (brochures, videos etc.)
- Community involvement programmes
- Trade, local, national and international media relations

Financial communication

- Financial media relations

- Annual report and accounts

- Meetings with stock market analysts, fund managers etc.
- Shareholder meetings

6.7   PERSONAL SELLING

Personal selling is one of the oldest forms of promotion. It is oral communication with potential buyers of the product with intention of making a sale. Personal selling is a face-to-face activity; customers therefore obtain a relatively high degree of personal attention. It is a good way of getting across large amounts of technical or other complex product information. The personal selling may focus initially on developing relationship with the potential buyer, but will always end with an attempt to "close the sale". Personal selling involves the use of a sales force to support a push strategy (encouraging intermediaries to sell the product) or a pull strategy (when various discounts and offers are given)

6.7.1   A FIVE STAGE PERSONAL SELLING PROCESS

Stage One - Prospecting

Prospecting is all about finding prospects, or potential new customers. Prospects should be 'qualified,' which means that they need to be assessed to see if there is business potential, otherwise you could be wasting your time. Plan a sales approach focused upon the needs of the customer. Determine which products or services best meet their needs. Inorder to save time, rank the prospects and leave out those that are least likely to buy.

Stage Two - Making First Contact

This is the preparation that a salesperson goes through before they meet with the client, for example via e-mail, telephone or letter. Preparation will make a call more focused. Following are certain points taken into consideration before meeting:

- Make sure that you are on time.
- Before meeting with the client, set some objectives for the sales call. What is the purpose of the call? What outcome is desirable before you leave?
- Make sure that you've done some homework before meeting your prospect. This will show that you are committed in the eyes of your customer.
- To save time, send some information before you visit. This will wet the prospect's appetite.
- Keep a set of samples at hand, and make sure that they are in verygood condition.
- Within the first minute or two, state the purpose of your call so that time with the client is maximized, and also to demonstrate to the client that you are not wasting his or her time.

Stage Three - The Sales Call (or Sales Presentation)

It is best to be enthusiastic about your product or service. If you are not excited about it, don't expect your prospect to be excited. Focus must be on the real benefits of the product or service to the specific needs of your client, rather than listing endless lists of features. Sales person should try to be relaxed during the call, and put the client at ease. Use open questions and never be too afraid to ask for the business straight off.

Stage Four - Objection Handling

Objection handling is the way in which salespeople tackle obstacles put in their way by

clients. Some objections may prove too difficult to handle, and sometimes the client may just take a dislike to you (ask the hidden objection). Firstly, try to anticipate them before they arise. "Yes but' technique allows you to accept the objection and then to divert it. For example, a client may say that they do not like a particular colour, to which the salesperson counters *Yes but X is also available in many other colours. Ask why' the client feels the way that they do. The sales person could also tactfully and respectfully contradict the client.

Stage Five - Closing the Sale

This is a very important stage. Often salespeople will leave without ever successfully closing a deal. Therefore, it is vital to learn the skills of closing:

- Look for buying signals (i.e. body language or comments made by the client that they want to place an order). For example, asking about availability, asking for details such as discounts, or asking for you to go over something again to clarify.
- Just ask for the business! - 'Please may I take an order?' This really works well.
- The 'summary close' allows the salesperson to summarize everything that the client needs, based upon the discussions during the call.
- The 'alternative close' does not give the client the opportunity to say no, but forces them towards a yes.

<div align="center">SELF-CHECK EXERCISE – II</div>

3. _____ is an oral communication with potential buyers of the product with intention of making a sale.

4. What is the second stage of the personal selling process?

6.8   SUMMARY

Retailers spend the largest portion of their promotional budget on developing advertisements and on sales promotion activities. The retailer has a wide choice of media for advertising itself, its products and its services. While every medium has its own merits and demerits, advertising through newspapers is effective for announcing 'sales' and reaching a larger population, and advertising through TV facilitates the building up of a retailer's image. Determining the promotional budget is a significant task of the retailer.

6.9   KEYWORDS

Retail Promotion, Advertising, Direct Marketing, Public relations, Sales promotion.

6.10   EXERCISES

6.10.1 SHORT QUESTIONS

1. What is the role of retail promotion program?

2. What are the major areas to be focused while advertising?

3. What are the factors to be considered while writing direct mail?

4. What can be reasons for opting sales promotion?

6.10.2 LONG QUESTIONS

1. What are the Components of Retail promotion?
2. What are the various methods for communication with customers?
3. What do you understand by Public Relations?

6.11 GLOSSARY

Retail promotion: It is designed to promote the goods and services offered in the business district and to directly generate retail sales.

6.12 ANSWERS TO SELF-CHECK EXERCISES

1. Advertising; 2. Public Relations; 3. Personal Selling; 4. Making First Contact

6.13 SUGGESTED READINGS

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2.   Barry Berman & Joel R Evans, Retail Management, PHI, New Delhi.
3.   Rahul V Altekar, Supply Chain Management concepts and case, PHI, NewDelhi.
4.   Robert B Handfield and Ernest L Nichols, Supply Chain Management PHI,New Delhi.

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MEANING OF RETAIL COMMUNICATION, PLANNING RETAIL PROMOTION PROGRAM, ESTABLISHING OBJECTIVES, DETERMINING PROMOTION BUDGET, OBJECTIVES AND TASKS METHOD, THUMB RULE METHOD

STRUCTURE

7.0   OBJECTIVES

After reading this chapter, the student shall be able:
- To know the concept of Retail Promotion
- To find out the objectives of Retail Promotion
- To know how to prepare the Promotional Budget
- To find out the techniques of Retail Promotion

7.1   INTRODUCTION

In the Retail Industry, with the dawn of large players like big bazaar, Spencer, Shoppers' Stop, Reliance Fresh, Subhiksha Big Apple and Globus more recently, the battle has been to hold the customer base. Be it loyalty program or providing 'ease of payment facility' to customers, are introduced to retain the existing customer base. The result is that our traditional 'Kirana Stores' are facing problems to survive their entities. In the race of moving ahead and increase their client base, stores are offering lucrative offers to the customers.

"The manufacturer who finds himself up the creek is a short-sighted opportunist who siphons off all his advertising dollars for short-term promotions." - David Ogilvy

7.2   MEANING OF RETAIL PROMOTION

Retail Sales Promotion is a scheme undertaken by a business to encourage an increase in store's sales, practice or trial of a product or service. In this process, a store persuades the customer to buy a particular product through normally personal selling. Retail Sales Promotion is one of the important aspects of sales promotion mix. A sales promotion can be defined as a paid, non-personal

form of communication that offers incentives to the potential customers for visiting a store or purchase a product during a specific period of time. These promotional efforts are intended to have an instant impact on the retail sales.

Retail Sales Promotion techniques are used in the retailing business to stimulate trial purchases. This is generally done when a store wants to catch the attention of new customers. It involves various communication tricks that effort to provide added value to customers, retailers, wholesalers and others to excite instant sales. Some of the commonly conducted retail promotion devices are coupons, demonstrations, contests, premiums, point-of-purchase (POP) displays, rebates and prizes.

7.3   OBJECTIVES OF RETAIL PROMOTION PROGRAMS

The main objective of any sales program is to increase the store's sales. But today sales promotion has various dimensions. These are explained as follows:

1.   To create awareness about the product- It has been found that most of the retail sales promotions techniques are highly effective in exposing customers to products for the first time and can serve as key promotional components in the early stages of new product introduction. Additionally, as part of the effort to build product awareness, several sales promotion techniques possess the added advantage of capturing customer information at the time of exposure to the promotion. In this way, sales promotion can act as an effective customer information gathering tool, which can then be used as part of follow up marketing efforts

2.   To create interest among customers- Researches have shown that sales promotions are very successful in creating interest in a product. In actual, creating interest is often considered the most important use of sales promotion. In the retail industry, an appealing sales promotion can significantly increase customer traffic to retail outlets, Internet marketers can use similar approaches to bolster the number of website visitors. Another important thing to create interest is to move customers to experience a product. Several sales promotion techniques offer the opportunity for customers to try products for free or at low cost. This exercise can convert visitors into customers.

3.   Source of Information - Usually sales promotion techniques are planned to move customers to some action and are rarely simply informational in nature. However, some sales promotions do offer customers access to product information. For instance, a promotion may allow customers to try a fee-based online service for free for several days. This free access may include receiving product information via email.

4.   To stimulate customers' demand- After informing the initial basic knowledge, the most important use of sales promotion is to build demand by convincing customers to make a purchase. Special promotions, especially those that lower the cost c f ownership to the customer (i.e. offering heavy discount), can be employed to stimulate sale s for a small period.

5.   Brand Building- Building brand value is one of the main objective of retail sales promotion.A sales promotion may be done to attract attention towards a new product/ brand or some services that has been launched by the retailer and to induce trial purchase. It has been practiced by some retail companies like Pantaloon reward good or 'privileged' customers with exclusive promotions schemes, such as email "exceptional deals" and price cut while cash payment.

7.4   PLANNING RETAIL SALES PROMOTION

It is very important to evolve a well-designed promotion plan to be able to obtain its key benefits. For this purpose, the following steps can be employed by a retailer:

1. **Set Goals:** This should be determined on the basis of the long-term goals of the retail organization which might be to attract audiences from a particular socio-economic group, increase first-time customers, and so on. It should also be determined by the particular needs of a specific promotion scheme and contextual factors like time of the year- Diwali, Christmas, Wedding Season, Valentine's Day etc. The specific promotion policies of the retail organization and the concerned manufacturer should also be kept in mind.

2. **Analyze Benefits:** In identifying possible sales promotions, it is important to ensure that everyone involved including the customer should benefits. The benefit might be in the form of:

   - Access to customer information due to the creation of database of the users of the promotion activity

   - Reinforcement of the retailer's image

   - Provision of rewards to the customers

   - Stimulation to trial Increased Sales

   - Value addition, special offers, cheaper prices, learning opportunities, etc. are offered to the customers, especially the loyal customers.

3. **Design the Offer:** The promotion offer can be designed around one or a combination of the following:

   - **Experience:** Providing a unique experience can involve offers like dinner with a celebrity, free tickets to some sports event or movies etc.
   - **Premium or value adding:** This can be achieved through a mixture of packaging or add-on offers and might include best seats at a movie theaters, dinner or hotel accommodation at one of the well-known resorts etc.
   - **Discount involves price reduction:** It is important to be creative in both the offer and the delivery. Make sure that the offer is easily understood and that it appears to be genuine. However, incentives such as magazine subscriptions have been found to be very effective in generating loyalty.

4. **Identify Sources of the Sales Promotion:** Identify Sources of the Sales Promotion involves evaluating the media to distribute and display the message. Some of the most popular sales promotion tools used by a retailer are:

(a) **Flyer Distribution:**
   - Postcards or business cards folded into the bill
   - Beer mats or up-market coasters for wine bars
   - Bookmarks- bookstore chains and libraries might slip them into books being sold or borrowed
   - Hotels might also consider attaching a flier to the front of newspapers that are delivered to the room

(b) **Window Displays:** It is the most critical sale promotion tool for the retailers. Many discount or special offers and the products to which they relate find a place on the window display.

(c)   **Inserts:** Brochures could be inserted into almost anything like newspapers, magazines, telephone, paper deliveries and shopping bags with purchase of books or CDs.

(d)   **Events:** An event can also be a form of sales promotion in case it is used to attract the new customers or to increase the sales.

5.   **Designing the Response and Follow-up:** Sometimes promotions tools do not realize their full potential because the response mechanism is too complicated or unclear. It should be easy to respond by ticking a box, picking up the phone and so on. There is a risk in giving people too many choices, as it can take too long to work out what to do. On the other hand, customers like offers to be as flexible as possible.

So,when a retailer designs a response for sales promotion the prime consideration is: Is it easy for the customer? Other key things to remember are:

- •   How will the target customer for the offer be identified?
- •   Would it be possible to keep the customer's name and address for the future?
- •   Is the sales promotion method foolproof and will it reflect well on the retail organization?
- •   Can the logistics of the programme be easily managed?

SELF-CHECK EXERCISE – I

1. In _____, a store persuades the customer to buy a particular product through normally personal selling.

2. Provide one of the objectives of retail promotion programs.

7.5   DETERMINING THE PROMOTIONAL BUDGET

Budget generally refers to a list of all planned expenses and revenues. It is a plan for saving and spending. In the same way, Promotional Budget means the sum allocated in a particular accounting period for expenditure on promotion. Determining the promotional budget is a significant task of the retailer. Retailers should use the marginal analysis method for determining the promotional budget, as it is the most appropriate method for determining this budget, which can accomplish the objectives of the retailer. The marginal analysis method helps to find out the level of promotional expenditure that maximizes the profits generated by the promotional mix. The retailers should adopt the average ratio for promotional expenses to sales for the industry or main competitor; or the same absolute amount as a competitor.

7.5.1   APPROACHES FOR PROMOTIONAL BUDGET

Method I: Fixed percentage of sales

In markets with a stable, predictable sales pattern, some companies set their advertising spend consistently at a fixed percentage of sales. This policy has the advantage of avoiding an "advertising war" which could be bad news for profits. However, there are some disadvantages with this approach. This approach assumes that sales are directly related to advertising. Clearly this will not entirely be the case, since other elements of the promotional mix will also affect sales. If the rule is applied when sales are declining, the result will be a reduction in advertising just when greater sales promotion is required!

Method II: Same level as competitors

This approach has widespread use when products are well-established with predictable sales patterns. It is based on the assumption that there is an "industry average" spend that works well for all major players in a market. A major problem with this approach (in addition to the disadvantages set out for the example above) is that it encourages businesses to ignore the effectiveness of their advertising spend - it makes them "lazy". It could also prevent a business with competitive advantages from increasing market share by spending more than average.

The residual approach, which is perhaps the worst of all, is to base the advertising budget on what the business can afford - after all other expenditure. There is no attempt to associate marketing objectives with levels of advertising. In a good year large amount of money could be wasted, in a bad year, the low advertising budget could guarantee a further low year for sales.

7.5.2 ALLOCATION OF 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. The retailer follows the High-assay principle under which he allocates the budget to areas that will yield the greatest return

7.6   OBJECTIVE AND TASK METHOD

Objective and Task Method is a budgeting method in which the amount to be spent on sales promotion, advertising, personal selling, etc is determined by the desired result of the activity and the nature of the tasks necessary to achieve it. This method is primarily based upon:

- The Results to be achieved
- Strategies and tactics required to achieve those objectives
- Cost associated with them

7.7   MEANING OF RULE OF THUMB

A rule of thumb is an easily learned and easily applied procedure for approximately calculating or recalling some value, or for making some determination. It is a rough and useful principle or method, based on experience rather than precisely accurate measures. It has wide application but not intended to be strictly accurate or reliable in every situation. It refers to shortcuts to solutions to new problems that resemble problems previously solved by experienced workers. Retail Promotion plans are usually based upon the Thumb Rule method.

7.7.1 METHODS OF RULE OF THUMB

1. **Affordable Budgeting Method** - This 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.

2. **Percentage of Sales Method** - This 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.

3. **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.

SELF-CHECK EXERCISE – II

3. _____ is used to base the advertising budget on what the business can afford - after all other expenditure.

4. It is a budgeting method in which the amount to be spent on sales promotion, advertising, personal selling etc. is determined by the desired result of the activity and the nature of the tasks necessary to achieve it. What is this called?

7.8   SUMMARY

Sales promotion is one of the most valuable and effective promotional strategies adopted by retailers. It refers to the communication strategies that are designed to act as a direct inducement, a value addition or some rebate to the customers. It is basically designed for immediate increase in the retail sales.

7.9   EXERCISES

7.9.1   SHORT QUESTIONS

1. What do you mean by retail promotion?
2. What are the objectives of retail promotion programs?
3. How to plan retail sales promotion?
4. What are the methods of rule of thumb?

7.9.2   LONG QUESTIONS

1. How the Promotion programmes are plannedin the organizations?

2. Describe the meaning and approaches to formulate the promotional budget.

7.10   GLOSSARY

Retail Promotion is a technique undertaken by a retailer to encourage an increase in store's sales, practice or trial of a product or service.

7.11   ANSWERS TO SELF-CHECK EXERCISES

1. Retail promotion; 2. Source of Information; 3. The Residual Approach; 4. Objective and Task Method

7.12   SUGGESTED READINGS

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MBA-DE(Second Year)CRER (438)
Semester-IVCUSTOMER RELATIONSHIP
ESSENTIALS IN RETAILING
Lesson No. 8 _____ **AUTHOR:SATINDER KUMAR**

RETAILING AND PROMOTIONAL BUDGET

Structure

8.0   INTRODUCTION

Retailing consists of the sale of goods or merchandise from a fixed location, such as adepartment store, boutique or kiosk, or by mail, in small or individual lots for direct consumption by the purchaser Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. In commerce, a "retailer" buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores. Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy.

In today's CRM landscape the old analogy comparing the rifle and shotgun approaches to message and / or offer delivery is perhaps more appropriate than ever, as more retail organizations struggle to achieve one-to-one marketing-communications with customers and prospects.

Targeting allows a retail enterprise to channel its marketing budget where there is the greatest (and fastest) possibility of Return on Investment (ROI).

In terms of overall business strategy, your ability to identify and understand consumers helps you make accurate estimates about the potential for your products and services in a given market, as well as support and direct merchandise development strategies to both new and existing customers.

Whether your target is current customers or new prospects, in markets known or unknown, an effective targeting model reduces the risk of any new venture.

A budget is a plan that outlines an organization's financial or operational goal. It is an action plan. It helps a business allocate resources, evaluate performance, and formulate plans. Budget generally refers to a list of all planned expenses and revenues. An estimate of the incomeand expenditures for a future period of time, usually one year. A plan that estimates income and expenses in order to achieve financial goals.

A Budget is a plan that outlines an organization's financial and operational goals. So, a budget may be thought of as an action plan; planning a budget helps a business allocate resources, evaluate performance, and formulate plans. While planning a budget can occur at any time, for many businesses, planning a budget is an annual task, where the past year's budget is reviewed and budget projections are made for the next three or even five years.

A budget is a comprehensive, formal plan that estimates the probable expenditures and income for an organization over a specific period. Budgeting describes the overall process of preparing and using a budget. Since budgets are such valuable tools for planning and control of finances, budgeting affects nearly every type of organization—from governments and large corporations to small businesses—as well as families and individuals. A small business generally engages in budgeting to determine the most efficient and effective strategies for making money and expanding its asset base. Budgeting can help a company use its limited financial and human resources in a manner which best exploits existing business opportunities.

- A quantitative expression of a plan of action prepared in advance of the period to which it relates.
- A means of translating the overall objectives of the organization into detailed plans of action.

An itemized forecast of an individual's or company's income and expenses expected for some period in the future. With a budget, an individual is able to carefully look at how much money they are taking in during a given period, and figure out the best way to divide it among a variety of categories. When making a personal budget, an individual will typically designate the appropriate amount of money to fixed expenses such as rent, car payments, or utility bills, and then make an educated estimation for how much money they will spend in other categories, such as groceries, clothing, or entertainment. By keeping track of where one's money goes, one may be less likely to overspend, and more likely to meet their financial goals.

Creating a set budget for a company should not be intimidating. It should, however, be planned in depth in order to achieve the maximum financial outcome. Whether you are starting a company budget or planning an existing company budget, the same rule applies develop a strategic plan for a set budget as well as forecasting. To make a company budget plan, it is important to consider both the operation and financial aspects of the business. In other words, planning and controlling the budget is necessary in order to effectively manage the company budget plan; here's how. Businesses often use special types of budgets to assess specific areas of operation. A **cash flow budget,** for instance, projects our business s cash inflows and outflows over a certain period of time. Its main use is to predict our business's ability to take in more cash than it pays out. And if we are planning on starting a business, planning a budget plays an important role in determining our start up and operating costs.

- A budget for which expenditures are equal to income. Sometimes a budget for which expenditures are less than income is also considered **balanced budget.**
- The amount by which a company, or individual's spending exceeds its income over a particular period of time, called **deficit budget** or deficit spending, opposite of budget surplus

- Amount by which planned expenses exceed actual expenses called **Surplus budget**Opposite of budget deficit

A budget is a document that translates plans into money - money that will need to be spent to get your planned activities done (expenditure) and money that will need to be generated to cover the costs of getting the work done (income). It is an estimate, or informed guess, about what you will need in monetary terms to do your work.

Retail marketing managers can implement the following projects to understand their customer, market and store locations better; achieving a very strong ROI for their retail marketing efforts in the process.

Customer and Market Potential Estimates
- Estimate the revenue potential of your customers to determine their current, potential and life-time value
- Estimate your market potential for more effective acquisition initiatives
- Quantify and qualify your market opportunities

Customer and Market Profiles
- Develop more effective communication strategies through a better understanding of who your customers are
- Learn more about your customers (their age, income, family structure, media usage, life-styles, and more) and use this information in your branding, advertising and direct marketing strategies
- Identify your market potential through a better understanding of your targets

Customer and Market Segmentation
- Develop more effective communication strategies through a better understanding of different customer groups and your market segments
- Customize your product offers by different customer and market segments
- Identify your target segments and optimize your marketing spend

Product and Service Potential
- Identify products/services that best suit your customers' needs and market your offerings more effectively
- Be relevant and improve your up-sell and cross-sell initiatives
- Manage your products and services through a better understanding of market needs

Trade Area Analysis
- Use the information on the store performance and the socio-demographic characteristics of the trading area to estimate market potential by individual stores
- Use trade area characteristics to customize your product offerings, store displays, store size, etc. to be more relevant to your customers and to better penetrate your market
- Evaluate performance of your stores based on their trade area characteristics

Store Network Optimization
- Determine the optimum number of stores to support market needs
- Customize and optimize your stores to attract more customers

By building the value of products and brands, the advertising budget represents a long-term investment in a company's future. Every dollar invested in marketing communication is a seed planted for future growth. Although lengthy, this article, which may be the most thorough on this topic available online, will help you achieve the optimal return on your investment.

Advertising budgets are usually determined in one of four ways:

1. **By matching the competition.** The rationale goes something like this: "We know what *Consolidated* is spending so we'd better not do any less (lest we lose market share) or more important (lest we eat into profits)."

2. **By decree.** The president of the company (or its financial management) evaluates available resources, past advertising budgets, very frequently other spending priorities, etc. then allocates an "appropriate" amount.

3. **The Percentage of Sales Method,** which relates the advertising budget to some arbitrary

    percentage of revenue.

4.   **By the Preferred Outcome Method.** This approach considers known data and reasonable assumptions tempered by judgment and common sense to reach a realistic budget thatwill achieve the desired marketing results.

8.1   SOME SPECIAL CONSIDERATIONS FOR RETAILERS

The distinction between product advertising and promotional advertising is particularly important for retail advertisers. The percentage figure cited for many retail categories is very low. That's because the budget figure that results from the calculation is intended to fund *only the portion of advertising that builds the store's brand image.* It might be used for advertising that is purely image building or it might pay for the portion of a "price and product ad that contributes to store image.

"Aha!" you say. "Some retail categories spend vast amounts on advertising and it's *all* price and product." You are absolutely correct. Most supermarket advertising is price-oriented. Aside from the fact that a substantial amount of that advertising is paid by vendor money, most national supermarket chains have built their brand image around "low, low prices." If you're a discounter, by all means focus your branding message on prices. However, if you sell luxury products to the carriage trade, you'd be better served by spending your branding budget to create a more refined image.

By understanding that percentage formulas are intended to develop a brand-building budget, the importance of vendor "co-op" becomes clearer. Co-op lets the retailer enjoy a much larger presence because his small budget is applied only to the portion of the ad that promotes the store - for example, the 10-second dealer tag at the end of a vendor's 30-second TV commercial.

It is also easier to see why co-op money generally should be allocated to a separate advertising account. If you budget using a formula based on the percentages typical in your retail category then consider co-op to be part of it, you will drastically under-fund the portion of your advertising intended to differentiate your store from its competitors.

Before we leave the specialized area of retail advertising, I would be remiss if I didn't point out that some percentage budgeting formulas for retail stores relate the percentage to the store's profit. Then they subtract the cost of rent, which may represent an important part of the store

image. The remainder is the advertising budget. For example, if your jewelry store is located on Rodeo Drive in Beverly Hills, the high rent might result in an advertising budget of zero. This, however, would be appropriate because in this case location is everything!

8.2   HOW DOES ADVERTISING FIT INTO THE OVERALL MARKETING BUDGET?

Let's consider the difference between the *advertising* (marketing *communication)* budget and the *marketing budget,* of which it is a component. Most companies divide the marketing budget into three categories. The best way to decide which expenses belong in each is to have a clear understanding of their roles.

- **The Advertising Budget** - Advertising or marketing communication sets the stage for sales by making us feel that we want or need the product. It sometimes offers an incentive to buy now." However; *its primary mission is to create strong, positive feelings about the product.* The next section contains an in-depth discussion about what is usually included in this budget.

- **The Direct Sales Budget** - This includes all the costs associated with placing a team of company salespeople or independent representatives in front of prospects. In business-to-business marketing, the prospect is often an end-user. In many consumer categories, the sales department's prospect is a proxy for the end-user, such as a retail buyer. Items in the direct sales budget typically consist of compensation for the sales force, travel, sales manuals, sales conferences, and incentives as well as other direct and indirect selling expense.

- **The Sales Promotion Budget** - Sales promotion is, in effect, a bridge between advertising and direct sales. The sales promotion budget funds all the initiatives that move a prospect who is predisposed to want the product down the road toward an actual sale (or repeat sale). Some offer inducements. Others "just keep our name out there." Items that belong in the sales promotion budget are many and diverse: in-store displays, sweepstakes, premiums ("two box tops and a quarter get you a decoder ring), imprinted merchandise or apparel, trade-show giveaways, etc. All *items that are not primarily aimed at improving attitudes about the product itself* go into the sales promotion budget.

8.3   WHAT SHOULD BE INCLUDED IN THE ADVERTISING BUDGET?

Unless we clearly define which expenses to charge to advertising or marketing communication, the entire budgeting process becomes an academic exercise. The "marcom" budget is a frequent dumping ground for all kinds of unrelated (or supposedly related) expense. Like weeds in a garden, these expenses choke the life out of the marketing communication process.

Here's a common example. Stationery often is included in the advertising budget. After all, it's a printed material and the marcom department buys most of the printing. Stationery should be considered an office expense. Only the portion used for purposes such as direct mail marketing should be charged to the marketing communication budget.

As a rule of thumb, legitimate expenses deal with brand and product building. Sales expenses should not be charged to marketing communication. Here is a list of expenses that *should* typically be included - along with cautionary notes:

- **All paid media advertising** - Magazine, TV, radio, newspaper, etc. that contributes to the marketing function. As an example, Help Wanted advertising would not be included.
- **Production expense** - Art, photography, talent fees, ad preparation charges, agency fees and miscellaneous expenses related to preparing the paid advertising.
- **Collateral material** - Brochures, mailing pieces, catalogs, etc. intended to associate positive feelings with the company's products, brands or services.
- **Internet expense** - Website design, maintenance and hosting expense are included to the extent that they are incurred for marketing communication. Add in Internet marketing expense (banner ads, etc.) and e-mail marketing, too.

The mission of online marketing communication is to bring eager customers to the website where they can learn more about your products or purchase them. As the Internet continues to evolve, marketing communication represents a single aspect of a much larger presence on many company websites. The cost of modules like customer relation management (CRM) and inventory management should typically be charged to the appropriate departments.

E-commerce presents further issues. An e-store replaces or supplements the company's conventional "bricks and mortar" outlets. Perhaps the associated expense should be placed in an account similar to *rent & utilities!*

- **Public relations** - that advances the marketing process is included. Preparation of an investor relations newsletter, for example, should not be. '
- **Trade show display and booth expense** - Although many displays perform more of a sales promotion function, a well-designed exhibit enhances the product story. To the extent that this is so, the cost to create a display and the cost of booth rental are reasonably charged to the marketing communication budget. The sales staffs travel and entertainment expense, however, should be charged to the sales department. Charging these items to the marketing communication budget creates a huge aberration, *particularly for a company with a, small advertising budget.* I will expand on this in the next section.

8.4   WHY IS IT IMPORTANT FOR AN ORGANISATION, PROJECT OR DEPARTMENT TOHAVE A BUDGET?

The budget is an essential management tool. Without a budget, you are like a pilot navigating in the dark without instruments.

- The budget tells you how much money you need to carry out your activities.
- The budget forces you to be rigorous in thinking through the implications of your activity planning. There are times when the realities of the budgeting process force you to rethink your action plans.
- Used properly, the budget tells you when you will need certain amounts of money to carry out your activities.
- The budget enables you to monitor your income and expenditure and identify any problems.
- The budget is a basis for financial accountability and transparency. When everyone can see how much should have been spent and received, they can ask informed questions about discrepancies.
- You cannot raise money from donors unless you have a budget. Donors use the budget as a basis for deciding whether what you are asking for is reasonable and well-planned.

8.5   PLANNING CYCLE MAY LOOK SOMETHING LIKE THIS:
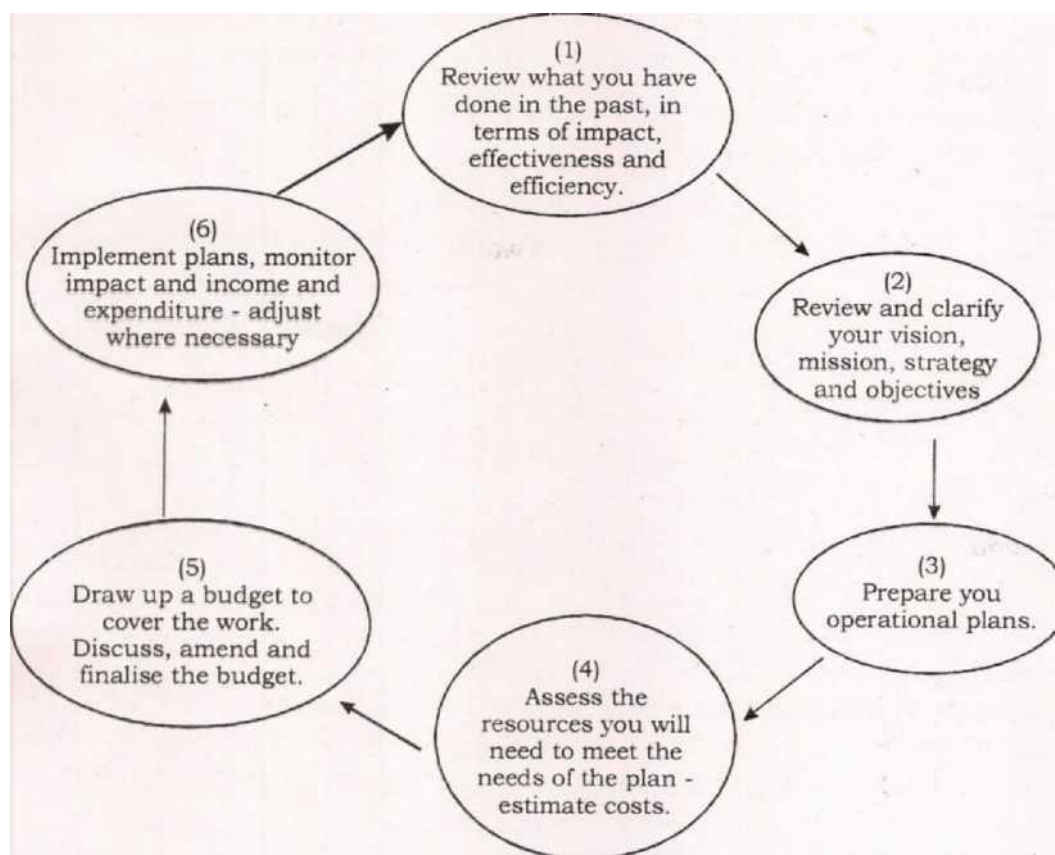
SELF-CHECK EXERCISE – I

1. _____ consists of the sale of goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by mail, in small or individual lots for direct consumption by the purchaser Retailing may include subordinated services, such as delivery.

2. The amount by which a company, or individual's spending exceeds its income over a particular period of time is called as _____.

8.6   DIFFERENT KINDS OF BUDGETS:

In addition to our main working budget - what we realistically expect to generate or raise, and how this will be spent - we can also have some "what if" budget options. "What if budgets allow us to prepare for the unexpected - whether it is good or bad. our "what if budgets could include:

- A survival budgets. This is the minimum required in order for the organization or project to survive and do useful work.
- A guaranteed budget. This is based on the income guaranteed at the time the budget is planned. Usually the "guarantees" are in the form of promises from donors. However, unexpected situations, such as a donor grant coming through very late, may make it necessary to switch to your survival budget.
- An optimal budget. This covers what you would like to do if you can raise additional money. Once extra money comes in or is promised, it becomes part of your working budget.

CLASSIFICATIONS AND TYPES OF BUDGETS:

materials, interest payments, taxes, and insurance. Additional types of budgets are concerned with investing funds for capital expenditures such as plant and equipment; and some budgets predict the amounts of funds a company will have at the end of a period.

A company cannot use only one type of budget to accommodate all its operations. Therefore, it chooses from among the following budget types.

The *fixed budget,* often called a *static* budget, is not subject to change or alteration during the budget period. A company "fixes" budgets in at least two circumstances.

1. The cost of a budgeted activity shows little or no change when the volume of production fluctuates within an expected range of values. For example, a 10 percent increase in production has little or no impact on administrative expenses.

2. The volume of production remains steady or follows a tight, pre-set schedule during the budget period. A company may fix its production volume in response to an all-inclusive contract; or, it may produce stock goods.

The *variable* **or** *flexible budget* is called a *dynamic* budget. It is an effective evaluative tool for a company that frequently experiences variations in sales volume which strongly affect the level of production. In these circumstances a company initially constructs a series of budgets for a range of production volumes which it can reasonably and profitably meet.

After careful analysis of each element of the production process, managers are able to determine over-head costs that will not change (fixed) within the anticipated range, overhead costs that will change (variable) as volume changes, and those overhead costs which vary to some extent, but not proportionately (semi-variable) within the predicted range.

The *combination budget* recognizes that most production activities combine both fixed and variable budgets within its master budget for example, an increase in the volume of sales may have no impact on sales expenses while it will increase production costs.

The *continuous budget* adds a new period (month) to the budget as the current period comes to a close. Under the fiscal year approach, the budget year becomes shorter as the year progresses. However, the continuous method forces managers to review and assess the budget estimates for a never-ending 12-month cycle.

The *operating budget* gathers the projected results of the operating decisions made by a company to exploit available business opportunities. In the final analysis, the operating budget presents a projected (pro forma) income statement which displays how much money the company expects to make. This net income demonstrates the degree to which management is able to respond to the market in supplying the right product at an attractive price, with a profit to the company.

The operating budget consists of a number of parts which detail the company s plans on how to capture revenues, provide adequate supply, control costs, and organize the labor force. These parts are: sales budget, production budget, direct materials budget, direct labor budget, factory overhead budget, selling and administrative expense budget, and pro forma income statement.

The operating budget and the *financial budget* are the two main components of a company's *master budget.* The financial budget consists of the capital expenditure budget, the cash budget, and the budgeted balance sheet. Much of the information in the financial budget is drawn from the operating budget, and then all of the information is consolidated into the master budget.

8.7   FINANCIAL FORECASTS AND BUDGETS:

A financial forecast projects where the company wants to be in three, five, or ten years. It quantifies future sales, expenses, and earnings according to certain assumptions adopted by the company. The company then considers how changes in the business climate would affect the outcomes projected. It presents this analysis in the pro forma statement, which displays, over a time continuum, a comparison of the financial plan to "best case" and "worst case" scenarios. The pro forma statement acts as a guide for meeting goals and objectives, as well as an evaluative tool for assessing progress and profitability.

Through forecasting a company attempts to determine whether and to what degree its long-range plans are feasible. This discipline incorporates two interrelated functions: long-term planning based on realistic goals and objectives and a prognosis of the various conditions that possibly will affect these goals and objectives; and short-term planning and budgeting, which provide details about the distribution of income and expenses and a control mechanism for evaluating performance. Forecasting is a process for maximizing the profitable use of business assets in relation to: the analyses of all the latest relevant information by tested and logically sound statistical and econometric techniques; the interpretation and application of these analyses into future scenarios; and the calculation of reasonable probabilities based on sound business judgment.

Future projections for extended periods, although necessary and prudent, suffer from a multitude of unknowns: inflation, supply fluctuations, demand variations, credit shortages, employee qualifications, regulatory changes, management turnover, and the like. To increase control over operations, a company narrows its focus to forecasting attainable results over the short-term. These short-term forecasts, called budgets, are formal, comprehensive plans that quantify the expected operations of the organization over a specific future period. While a company may make few modifications to its forecast, for instance, in the first three years, the company constructs individual budgets for each year.

A budget describes the expected month-to-month route a company will take in achieving its goals. It summarizes the expected outcomes of production and marketing efforts, and provides management benchmarks against which to compare actual outcomes. A budget acts as a control mechanism by pointing out soft spots in the planning process and/or in the execution of the plans. Consequently, a budget, used as an evaluative tool, augments a company's ability to more quickly react and make necessary alterations.

8.8   PRINCIPLES AND PROCEDURES FOR SUCCESSFUL BUDGETING

To be successful, budgets should be prepared in accordance with the following principles:

1.   **REALISTIC AND QUANTIFIABLE:** In a world of limited resources, a company must ration its own resources by setting goals and objectives which are reasonably attainable. Realism engenders loyalty and commitment among employees, motivating them to their highest performance. In addition, wide discrepancies, caused by unrealistic projections, have a negative effect on the credit worthiness of a company and may dissuade lenders. A company evaluates each potential activity to determine those that will result in the most appropriate resource allocation. A company accomplishes this through the quantification of the costs and benefits of the activities.

2. **HISTORICAL:** The budget reflects a clear understanding of past results and a keen sense of expected future changes. While past results cannot be a perfect predictor, they flag important events and benchmarks.

3. **PERIOD SPECIFIC:** The budget period must be of reasonable length. The shorter the period, the greater the need for detail and control mechanisms. The length of the budget period dictates the time limitations for introducing effective modifications. Although plans and projects differ in length and scope, a company formulates each of its budgets on a 12-month basis.

4. **STANDARDIZED:** To facilitate the budget process, managers should use standardized forms, formulas, and research techniques. This increases the efficiency and consistency of the input and the quality of the planning. Computer-aided accounting, analyzing, and reporting not only furnish managers with comprehensive, current, "real time" results, but also afford them the flexibility to test new models, and to include relevant and high-powered charts and tables with relatively little effort.

5. **INCLUSIVE:** Efficient companies decentralize the budget process down to the smallest logical level of responsibility. Those responsible for the results take part in the development of their budgets and learn how their activities are interrelated with the other segments of the company. Each has a hand in creating a budget and setting its goals. Participants from the various organizational segments meet to exchange ideas and objectives, to discover new ideas, and to minimize redundancies and counterproductive programs. In this way, those accountable buy into the process, cooperate more, work harder, and therefore have more potential for success.

6. **SUCCESSIVELY REVIEWED:** Decentralization does not exclude the thorough review of budget proposals at successive management levels. Management review assures a proper fit within the overall "master budget."

7. **FORMALY ADOPTED AND DISSEMINATED:** Top management formally adopts the budgets and communicates their decisions to the responsible personnel. When top management has assembled the master budget and formally accepted it as the operating plan for the company, it distributes it in a timely manner.

8. **FREQUENTLY EVALUATED:** Responsible parties use the master budget and their own department budgets for information and guidance. On a regular basis, according to a schedule and in a standardized manner, they compare actual results with their budgets. For an annual budget, managers usually report monthly, quarterly, and semi-annually. Since considerable detail is needed, the accountant plays a vital role in the reporting function. A company uses a well-designed budget program as an effective mechanism for fore-casting realizable results over a specific period, planning and coordinating its various operations, and controlling the implementation of the budget plans.

8.9   THE BASIC STEPS IN A STANDARD BUDGET PREPARATION SYSTEM COMPRISE THE FOLLOWING

1. The first step in budget preparation should be the determination of a macroeconomic framework for the budget year (and ideally at least the next two years). The macroeconomic projections, prepared by a macroeconomic unit in the ministiy of finance or elsewhere, should be agreed with the minister of finance. This allows the budget department within

the ministry of finance to determine the global level of expenditure that can be afforded without adverse macroeconomic implications, given expected revenues and the level of deficit that can be safely financed. In a few countries, there are fiscal rules in place that may limit total spending or recurrent spending (e.g., the "golden rule").

2.   The second step should be the allocation of this global total among line ministries, leaving room for reserves (a separate planning and a contingency reserve as explained below) to be managed by the ministry of finance.

3.   The next step should be for the budget department to prepare a budget circular to give instructions to line ministries, with the indicative aggregate spending ceiling for each ministry, on how to prepare their estimates in a way that will be consistent with macro-objectives. This circular will include information on the economic assumptions to be adopted on wage levels, the exchange rate and price levels (and preferably differentiated price levels for different economic categories of goods and services).

4.   Step four is the submission of bids by line ministries to the budget department. Once received there needs to be an effective "challenge" capacity within the budget department to test the costing of existing and any new policy proposals.

5.   The next step comprises the negotiations, usually at official and then bilateral or collective ministerial level, leading finally to agreement.

6.   Finally, step six is Cabinet endorsement of the proposals for inclusion in the budget that will go to parliament.

SELF-CHECK EXERCISE – II

3. What kind of budget is required which only helps in survival of the project and do useful work for the organization?

4. _____ budget recognizes that most production activities combine both fixed and variable budgets within its master budget.

8.10   SUMMARY:

As we have seen, the procedure for creating a realistic advertising budget from scratch is complex. The budgeter begins by determining a reasonable approximation based on assumptions about spending norms within the industry. Next, he determines the level of communication activity that will be necessary to achieve success in influencing the marketplace. Then a list of marketing communication options is created and compared. Finally, as financial resources allow, the options are assembled into a plan from which the budget flows. In addition to creating an objective-oriented, real world advertising budget, the Preferred Outcome Method also helps management obtain a much clearer picture of what really is possible given available resources.

8.11   KEYWORDS

Retailers, Marketing Budget, Advertising Budget, Planning cycle, Financial Forecasts

8.12   EXERCISES

8.12.1 SHORT QUESTIONS

1.   What do you mean by cash flow budget?

2.   How advertising budgets are determined?

3.   Why is it important to have a budget?

4.   What do you mean by planning cycle?

8.12.2 LONG QUESTIONS

1.   How does advertising fit into the overall budget? What all should be included in it?

2.   What are principles and procedures for a successful budgeting?

8.13   GLOSSARY

The budget is an essential management tool. Without a budget, you are like a pilot navigating in the dark without instruments.

8.14   ANSWERS TO SELF-CHECK EXERCISES

1. Retailing; 2. Deficit budget; 3. Survival budget; 4. Combination budget

8.15   SUGGESTED READINGS

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ADVERTISING PROGRAMS

STRUCTURE

9.0   Objectives
9.1   Introduction
9.2   The Way to Effective Communication
        Self-Check Exercise - I
9.3   Choosing Media
9.4   Implementing Advertising Programs
        Self-Check Exercise - II
9.5   Summary
9.6   Keywords
9.7   Exercises
        9.7.1 Short Questions
        9.7.2 Long Questions
9.8   Answers to Self-Check Exercises
9.9   Suggested Readings

9.0   OBJECTIVES

After the completion of this Lesson, you should be able to understand the following:
- The Way to Effective Communication is Advertising
- Implementing Advertising Programs
- Media Selection
- Message Structure
- Evaluating Advertising

9.1   INTRODUCTION

Advertising, sales promotions, store atmosphere, public relations, personal selling and the word of mouth are the tools used by retailers to communicate with their target customers. All these components of the promotion mix must be combined properly to develop an integrated marketing communication system, for customers to have a clear and distinct image of the retailer.

Retailers develop a promotional mix in order to accomplish several objectives, such as positioning of the retailer, increasing the customer traffic, increasing the sales, announcing special events and providing information about the store location and the merchandise offered.

Determining the promotional budget is a significant task of the retailer. Retailers should use the marginal analysis method for determining the promotional budget, as it is the most appropriate method for determining this budget, which can accomplish the objectives of the retailer. The marginal analysis method helps to find out the level of promotional expenditure that maximizes the profits generated by the promotional mix.

Retailers spend the largest portion of their promotional budget on developing advertisements and on sales promotion activities. The retailer has a wide choice of media for advertising itself, its products and its services. While every medium has its own merits and demerits, advertising through newspapers is effective for announcing 'sales' and reaching a larger population, and advertising through TV facilitates the building up of a retailer's image. Generally, sales promotion activities are intended to meet short term objectives, like increasing the customer traffic in the store during weekends. Though promotional tools like publicity campaigns and word of mouth provide the most reliable information to the target customers, these two are very hard to control.

9.2   THE WAY TO EFFECTIVE COMMUNICATION

We now examine the steps in developing an effective integrated communications and advertising program. The marketing communicator must do the following: Identify the target audience, determine the objectives; design a message; choose the media through which to send the message; select the message source; and collect feedback.

IDENTIFYING THE TARGET AUDIENCE

A marketing communicator starts with a clear target audience in mind. The audience may be potential buyers or current users, those who make the buying decision or those who influence it. The audience may be individuals, groups, special publics, or the general public. The target audience will heavily affect the communicator's decisions on what will be said, how it will be said, when it will be said, where it will be said, and who will say it.

DETERMINING THE OBJECTIVES

Once the target audience has been defined, the marketing communicator must decide what response is sought. Of course, in many cases, the final response is purchase. But purchase is the result of a long process of consumer decision making. The marketing communicator needs to know where the target audience now stands and to what stage it needs to be moved. The target audience may be in any of six buyer-readiness stages, the stages consumers normally pass through on their way to making a purchase. These stages include awareness, knowledge, liking, preference,

conviction, and purchase.

DESIGNING A MESSAGE

Having defined the desired audience response, the communicator turns to developing an effective message. Ideally, the message should get Attention, hold Interest, arouse Desire, and obtain Action (a framework known as the AIDA model). In practice, few messages take the consumer all the way from awareness to purchase, but the AIDA framework suggests the desirable qualities of a good message. In putting the message together, the marketing communicator must decide what to say (message content) and how to say it (message structure and format).

MESSAGE CONTENT

The communicator has to figure out an appeal or theme that will produce the desired response. There are three types of appeals: rational, emotional, and moral. Rational appeals relate to the audience's self-interest. They show that the product will produce the desired benefits.

Emotional appeals attempt to stir up either negative or positive emotions that can motivate purchase. Communicators may use positive emotional appeals such as love, pride, joy, and humor. For example, advocates for humorous messages claim that they attract more attention and create more liking and belief in the sponsor

Communicators can also use negative emotional appeals, such as fear, guilt, and shame that get people to do things they should (brush their teeth, buy new tires) or to stop doing things they shouldn't (smoke, drink too much, eat fatty foods).

MESSAGE STRUCTURE

The communicator must also decide how to handle three message structure issues. The first is whether to draw a conclusion or leave it to the audience. The second message structure issue is whether to present a one-sided argument (mentioning only the product s strengths) or a two-sided argument (touting the product's strengths while also admitting its shortcomings). The third message structure issue is whether to present the strongest arguments first or last. Presenting them first gets strong attention but may lead to an anticlimactic ending.

MESSAGE FORMAT

The marketing communicator also needs a strong format for the message. In a print ad, the

communicator has to decide on the headline, copy, illustration, and color. To attract attention, advertisers can use novelty and contrast; eye-catching pictures and headlines; distinctive formats; message size *and* position; and color, shape, and movement. If the message is to be carried over the radio, the communicator has to choose words, sounds, and voices. The "sound" of an announcer promoting banking services should be different from one promoting quality furniture.

SELF-CHECK EXERCISE – I

1. The marketing communicator must _____ the target audience first to communicate effectively.

2. The design of message should be based on the _____ framework.

9.3   CHOOSING MEDIA

The communicator now must select channels of communication. There are two broad types of communication channels—personal and nonpersonal.

1.   Personal Channels

In personal communication channels, two or more people communicate directly with each other. They might communicate face to face, over the telephone, through the mail, or even through an Internet "chat." Personal communication channels are effective because they allow for personal addressing and feedback.

Personal influence carries great weight for products that are expensive, risky, or highly visible. For example, buyers of automobiles and major appliances often go beyond mass-media sources to seek the opinions of knowledgeable people.

2.   Nonpersonal Channels

Nonpersonal communication channels are media that carry messages without personal contact or feedback. They include major media, atmospheres, and events. Major media include print media (newspapers, magazines, direct mail), broadcast media (radio, television), display media (billboards, signs, posters), and online media (online services, Web sites). Atmospheres are designed environments that create or reinforce the buyer's leanings toward buying a product. Thus, lawyers' offices and banks are designed to communicate confidence and other qualities that might be valued by their clients. Events are staged occurrences that communicate messages to target audiences. For example, public relations departments arrange press conferences, grand openings, shows and exhibits, public tours, and other events.

SELECTING THE MESSAGE SOURCE

In either personal or nonpersonal communication, the message's impact on the target audience is also affected by how the audience views the communicator. Messages delivered by highly credible sources are more persuasive. Thus, marketers hire celebrity endorsers—well-known athletes, actors, and even cartoon characters—to deliver their messages. Many food companies promote to doctors, dentists, and other health care providers to motivate these professionals to recommend their products to patients.

FEEDBACK

After sending the message, the communicator must research its effect on the target audience. This involves asking the target audience members whether they remember the message, how many times they saw it, what points they recall, how they felt about the message, and their past and present attitudes toward the product and company. The communicator would also like to measure behavior resulting from the message—how many people bought a product, talked to others about it,

9.4   IMPLEMENTING ADVERTISING PROGRAMS

Companies must do more than make good products—they must inform consumers about product benefits and carefully position products in consumers' minds. To do this, they must skillfully use the mass-promotion tools of advertising, sales promotion, and public relations. Let us take a closer look at each of these tools.

Marketing management must make four important decisions when developing an advertising program: setting advertising objectives, setting advertising budgets, developing advertising strategy (message decisions and media decisions), and evaluating advertising campaigns.

1.   Advertising Objectives

The first step is to set advertising objectives. These objectives should be based on past decisions about the target market, positioning, and marketing mix, which define the job that advertising must do in the total marketing program.

An advertising objective is a specific communication task to be accomplished with a specific target audience during a specific period of time. Advertising objectives can be classified by primary purpose—whether the aim is to inform, persuade, or remind.

2.   Advertising Budget

After determining its advertising objectives, the company next sets its advertising budget for each product. Here we discuss some specific factors that should be considered when setting the advertising budget.

A brand's advertising budget often depends on its stage in the product life cycle. For example, new products typically need large advertising budgets to build awareness and to gain consumer trial. In contrast, mature brands usually require lower budgets as a ratio to sales. Market share also impacts the amount advertising needed: Because building the market or taking share from competitors requires larger advertising spending than does simply maintaining current share, high-share brands usually need more advertising spending as a percentage of sales.

3.   Advertising Strategy

Advertising strategy consists of two major elements: creating advertising messages and selecting advertising media.

4.   Advertising Message

No matter how big the budget, advertising can succeed only if commercials gain attention and communicate well. Good advertising messages are especially important in today's costly and cluttered advertising environment. Thus, just to gain and hold attention, today's advertising messages must be better planned, more imaginative, more entertaining, and more rewarding to consumers. "Today we have to entertain and not just sell, because if you try to sell directly and come off as boring or obnoxious, people are going to press the remote on you," points out one advertising executive.

5.   Message Strategy

The first step in creating effective advertising messages is to decide what general message will be communicated to consumers—to plan a message strategy. The purpose of advertising is to

get consumers to think about or react to the product or company in a certain way. People will react only if they believe that they will benefit from doing so. Thus, developing an effective message strategy begins with identifying customer benefits that can be used as advertising appeals. Ideally, advertising message strategy will follow directly from the company's broader positioning strategy.

Message strategy statements tend to be plain, straightforward outlines of benefits and positioning points that the advertiser wants to stress. The advertiser must next develop a compelling creative concept—or "big idea"—that will bring the message strategy to life in a distinctive and memorable way. At this stage, simple message ideas become great ad campaigns. Usually, a copywriter and art director will team up to generate many creative concepts, hoping that one of these concepts will turn out to be the big idea. The creative concept may emerge as a visualization, a phrase, or a combination of the two.

6.   Deciding on Media Timing

The advertiser must also decide how to schedule the advertising over the course of a year. Suppose sales of a product peak in December and drop in March. The firm can vary its advertising to follow the seasonal pattern, to oppose the seasonal pattern, or to be the same all year. Most firms do some seasonal advertising. Some do only seasonal advertising: For example, Hallmark advertises its greeting cards only before major holidays.

7.   Evaluating Advertising

The advertising program should evaluate both the communication effects and the sales effects of advertising regularly. Measuring the communication effects of an ad—copy testing— tells whether the ad is communicating well. Copy testing can be done before or after an ad is printed or broadcast. Before the ad is placed, the advertiser can show it to consumers, ask how they like it, and measure recall or attitude changes resulting from it.

After the ad is run, the advertiser can measure how the ad affected consumer recall or product awareness, knowledge, and preference. But what sales are caused by an ad that increases brand awareness by 20 percent and brand preference by 10 percent? The sales effects of advertising are often harder to measure than the communication effects.

Sales are affected by many factors besides advertising—such as product features, price, and availability.

One way to measure the sales effect of advertising is to compare past sales with past advertising expenditures. Another way is through experiments.

SELF-CHECK EXERCISE – II

3. What are the two broad types of communication channels?

4. Provide one of the major elements of advertising strategy.

9.5   SUMMARY

Advertising, sales promotions, store atmosphere, public relations, personal selling and the word of mouth are the tools used by retailers to communicate with their target customers. All these components of the promotion mix must be combined properly to develop an integrated marketing communication system, for customers to have a clear and distinct image of the retailer. Marketing management must make four important decisions when developing an advertising program:setting advertising objectives, setting advertising budgets, developing advertising strategy (message decisions and media decisions), and evaluating advertising campaigns. Companies must inform consumers about product benefits and carefully position products in consumers' minds. To do this, they must skillfully use the mass-promotion tools of advertising, sales promotion, and public relations. No matter how big the budget, advertising can succeed only if commercials gain

attention and communicate well. Good advertising messages are especially important in today's costly and cluttered advertising environment. Thus, just to gain and hold attention, today's advertising messages must be better planned, more imaginative, more entertaining, and more rewarding to consumers.

9.6　KEYWORDS

Effective communication, Media, Advertising programs, Message structure, Target Audience

9.7　EXERCISES

9.7.1　SHORT QUESTIONS

1. Discuss how Advertising is an effective way of communication with consumer.
2. Discuss in detail how an Advertising Program can be implemented.
3. What is Media Selection? Elaborate.

9.7.2　LONG QUESTIONS

4. Discuss how a Message is structured in advertising for retail outlet.
5. Why we need to evaluate Advertisement? Discuss.

9.8　ANSWERS TO SELF-CHECK EXERCISES

1. Identify; 2. AIDA; 3. Personal and Non-Personal Channels; 4. Creating advertising messages

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MBA-DE(Second Year)
Semester-IV

CRER (438)
CUSTOMER RELATIONSHIP
ESSENTIALS IN RETAILING

Lesson No. 10

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EFFECTIVENESS OF ADVERTISING

Structure:

10.1   INTRODUCTION

Retailing consists of the sale of goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by mail, in small or individual lots for direct consumption by the purchaser. Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. In commerce, a "retailer" buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores. Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy.

In today's competitive era one is constantly bombarded with advertisements. Empirical studies show that advertisements have an influence on the purchase behaviour of consumers. Consumers purchase decision is also influenced by the "value" they feel they would derive from purchasing that particular product or service. Consumers expect a return on investment (price vis a vis value). In other words, consumers expect value for each penny they spend. At the other end of the spectrum the marketers expect a return on the investment they make (on advertising). This is natural given the fact that promotion activities do cost the firms a lot. The return may be in the form of increased profitability and an increase in the firm value. We find every year companies investing millions of rupees or dollars in marketing communication. A bulk of this obviously goes into advertising expenditure. Naturally, marketers expect a return on investment (ROI) on this. Their expectation stems from the likely impact, marketing investments have on the market performance and thus the profitability of the firm. The main goals of most advertising are to capture the attention of a potential buyer and promote brand awareness. If company pay for advertising, then it is probably important for it see some results. But if company waste money on inefficient advertising, it is missing better opportunities and the results may not come at all.

How do you measure the effectiveness of your advertising? Do you look only at whether or not you have had an increase in sales or enquires subsequent to the publication of an advertisement, or do you include product or brand awareness in your evaluations?

The most suitable criteria for evaluating the effectiveness of advertising, depends on a number variables, such as the advertising goals, the type of media used, the cost of evaluation, the value that the business or advertising agency places on evaluation measures, the level of precision

and reliability required, who the evaluation is for and the budget. It is difficult to accurately measure the effectiveness of a particular advertisement, because it is affected by such things as the amount and type of prior advertising, consumer brand awareness, the availability of cost-effective evaluation measures, the placement of the advertising and a range of things about the product itself, such as price and even the ability of the target audience to remember.

10.2   EVALUATING YOUR ADVERTISING RESULTS

Because your budget is limited you must see that your advertising does the job you want it to. Measuring your advertising results on a continuing basis can help you see that your ads keep your business's name before the public and contribute to increasing sales.

Planning is important. Before you can evaluate results, you must decide what purpose your ads should accomplish. This Guide gives pointers on planning ads and discusses several ways you can compare advertising and sales.

Advertising is necessary today. Whether you have a small business or a large one, you must tell people who you are, what you sell, and where you are located. You must tell them when they wish to hear or read about such things. So you must place ads in newspapers, on radio, TV, and outdoor posters, or send out direct mail pieces.

As a business owner-manager, you know the money that you spend on advertising must return enough sales and profits in added business to justify the cost of the advertising. In most firms, neither time nor money is sufficient to engage in complicated ad measurement methods. Even so, you can use certain rule-of-thumb devices to get a good idea about the results of your advertising.

10.3   WHAT ADVERTISING RESULTS DO YOU EXPECT?

Essentially, measuring results means comparing sales with advertising. In order to do it you have to start early in the process - before you even make up the advertisement. The question to the answer is: What do you expect the advertising to do for your firm?

Immediate response advertising results

Is designed to cause the potential customer to buy a particular product from you within a short time - today, tomorrow, or the next week. An example of such decision-triggering ads is one that promotes regular price merchandise with immediate appeal. Other examples are ads which use price appeals in combination with clearance sales, special purchases, seasonal items, (for example, white sales, Easter sales, etc.), and "family of items" purchases.

Such advertising should be checked for results daily or at the end of 1 week from appearance. Because all advertising has some carry-over effect, it is a good idea to check also at the end of 2 weeks from advertising runs, 3 weeks from runs, and so on to ensure that no opportunity for using profit-making messages is lost.

Attitude Advertising results

Is the type you use to keep your store's name and merchandise before the public. Some people think of this type as "image-building" advertising. With it, you remind people week after week about your regular merchandise or services or tell them about new or special services or policies. Such advertising should create in the minds of your customers the attitude you want them to have about your store, its merchandise, its services, and its policies.

To some degree, all advertising should be attitude advertising. It is your reputation builder.

Attitude (or image-building) advertising is harder to measure than immediate response advertising because you cannot always attribute a specific sale to it. Its sales are usually created long after the ad has appeared. However, you should keep in mind that there is a lead time relationship in such advertising. For example, an ad or a series of ads that announces you have the exclusive franchise for a particular brand starts to pay off when you begin to get customers who want that brand only and ask no questions about competing brands.

In short, attitude advertising messages linger in the minds of those who have some contact with the ad. These messages sooner or later are acted upon by people when they decide that they will make a certain purchase.

Because the purpose of attitude advertising is spread out over an extended period of time, the measurement of results can be more leisurely. Some attitude advertising - such as a series of ads can be measured at the end of 1 month from the appearance of the ads or at the end of a campaign.

10.4   PLANNING FOR ADVERTISING RESULTS

Whether you are trying to measure immediate response or attitude advertising, your success will depend on how well the ads have been planned. The trick is to work out points against which you can check after customers have seen or heard the advertisement.

Certain things are basic to planning advertisements whose results can be measured. First of all, advertise products or services that have merit in themselves.

Unless a product or service is good, few customers will make repeat purchases no matter how much advertising you do.

Many people will not make an initial purchase of a shoddy item because of doubt or unfavorable word-of-mouth publicity. The ad that successfully sells inferior merchandise usually loses customers in the long run.

Marketers, as a rule, should treat their messages seriously. Humor is risky as well as difficult to write. Be on the safe side and tell people the facts about your merchandise and services.

Another basic element in planning advertisements is to know exactly what you wish a particular ad to accomplish. In an immediate response ad, you want customers to come in and buy a certain item, or items in the next several days. In attitude advertising, you decide what attitude you are trying to create and plan each individual ad to that end.

Plan the ad around one idea: Each ad should have a single message. If the message needs reinforcing with other ideas, keep them in the background. If you have several important things to say, use a different ad for each one and run the ads on succeeding days or weeks.

The pointers which follow are designed to help you plan ads so they will make your store stand out consistently when people read or hear about it:

Identify your business fully and clearly: Make sure your radio and television ads identify your sponsorship as fully and frequently as possible without interfering with the message. Logotypes and signatures in visual ads should be clean-lined, uncluttered, and prominently displayed. Give your address and telephone number. It's possible to use a musical or sound effect signature identified with your store to create a "logo" on radio, too.

Pick illustrations which are similar in character: Graphics - that is, drawings, photos, borders, and layouts - that are similar in character help people to recognize your advertising immediately.

Pick the audio format or type face and stick to it: Using the same type face or the audio format for radio or television helps people to recognize your ads quickly. Using the same format or kind of type and illustrations also allows you to concentrate on the message when checking ad response changes.

Make copy easy to understand: Printed messages should be broken up with white space to allow the reader to see the lines quickly.

Broadcast messages should be written conversationally. Remember, these messages are human beings talking to human beings.   .

Tell your listeners how what you're advertising will help them. Consumers buy benefits, not products.

Get the main message in the first sentence, if you can. Sentences should be short. Be direct. Go straight to the point. Get the audiences' attention in the first five seconds of the radio or TV commercial.

Try out your script on somebody else or read it into a tape recorder. When you play the tape back, you'll easily spot phrases that are hard to understand (or believe!). Your ears are better than your eyes for judging broadcasts ads.

SELF-CHECK EXERCISE – I

1. _____ consists of the sale of goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by mail, in small or individual lots for direct consumption by the purchaser.

2. What do you mean by measuring results in advertising?

10.5   IMPORTANCE OF MEASURING THE EFFECTIVNESS OF ADVERTISING

- *It acts as a Safety measure:*Testing effectiveness of advertising helps in finding out ineffective advertisement and advertising campaigns. It facilitates timely adjustments in advertising to make advertising consumer oriented and result oriented. Thus, waste of money in faulty advertising can be avoided.

- *Provides feedback for remedial measures:*Testing effectiveness of advertising provides useful information to the advertisers to take remedial steps against ineffective advertisements.

- *Avoids possible failure:*Advertisers are not sure of results of advertising from a particular advertising campaign. Evaluating advertising effectives helps in estimating the results in order to avoid complete loss.

- To *justify the Investment in Advertising:*The expenditure on advertisement is considered to be an investment. The investment in advertising is a marketing investment and its objectives should be spelt out clearly indicating the results expected from the campaign. The rate and size of return should be determined in advance. If the expected rate of return is achieved in terms of additional profits, the advertisement can be considered as effective one.

- To *know the communication Effect:*The effectiveness of the advertisement can be measured in terms of their communication effects on the target consumers or audience. The main purpose of advertising is communicated to the general public, and existing and prospective consumers, various information about the product and the company. It is therefore desirable to seek post measurements of advertising in order to determine whether advertisement have been seen or heard or in other words whether they have communicated the theme, message or appeal of the advertising.

- *Compare two markets:*Under this procedure, advertising is published in test markets and results are contrasted with other. Markets - so called control markets
- which have had the regular advertising programme. The measurements made to determine results may be measurements of change in sales, change in consumer attitudes, changes in dealer display and so on depending upon the objectives sought by the advertiser.

10.6   METHODS OF MEASURING ADVERTISING EFFECTIVENESS

Advertising is aimed at improving the sales volume of a concern so its effectiveness can be evaluated by its impact on sales. Most of the managers believe that the advertisement directly affects the sales volume and hence they evaluate the effectiveness of the advertising campaign by the increase in the sales volume.

There may be two types of measures **(I)** Direct measures: and **(II)** Indirect measures: -

10.6.1 Direct Measures of Advertising Effectiveness:

Under direct measures, a relationship between advertising and sales is established. A comparison of sales of two periods or two periods or two markets may be done and the corresponding changes may be noted. The following are some of the methods that are generally used in measuring that advertising effects.

(a)   *Historical* **Sales** *Method:*Some insights into the effectiveness of past advertising may be obtained by measuring the relationship between the advertising expenditure and the total sales of the product. A multiple regression analysis of advertising expenditure and sales over several time periods may be calculated. It would show how the changes in advertising expenditure have corresponding changes in sales volume. This technique estimates the contribution that advertising has made to explaining in a co relational manner rather than a casual sale, the variation in sales over the time periods covered in the study.

(b)   *Experimental Control:*The other measure of advertising effectiveness is the method of experimental control where a causal relationship between advertising and sales is established. This method is quite expensive when related to other advertising effectiveness measures yet it is possible to isolate advertising contribution to sales. Moreover, this can be done as a pre-test to aid advertising in choosing between alternative creative designs. Media schedules expenditure levels or some combination of these advertising decision areas. One experimental approach to measuring the sales effectiveness of advertising is test marketing.

*(i) Before-after with Control Group Design:*This classic design uses several test and control cities, for example in this design two types of cities are selected. Cities in which advertising campaigns are affected may be named as test cities and other cities may be called central cities. First of all, the normal sales level is calculated for both type of cities prior to advertising campaign, and then the advertising campaign is presented to the test cities and not the central cities. The effect of advertising campaign, can then, be measured by subtracting the amount of post campaign figure of sale from the pre campaign sale figures in test cities.

A Before-after with Control Group Design for Measuring the Effectiveness of Advertising Campaigns

	Test cities	Control cities
Pre-campaign measure of Sales	Yes	Yes

The difference of post and pre campaign sales in cities is the result of advertising and all other factors that affect the sales.

(ii)   Multivariable Experimental Designs: While the experimental design discussed above yields a reasonably accurate estimate of the effects of the advertising on sales, it is not successful in explaining the success or failure of the campaign itself. Multivariable designs Produce these explanations and are, therefore used by some very large firm because of their diagnostic value.

The power of this multivariable factorial design is explained by G.H.Brown, former Fords Director of Marketing Research. For any single medium, eight possible geographic areas have been exposed and eight have not been exposed. Thus, in this experimental model it is possible to evaluate how each individual medium behaves alone and in all possible to evaluate how each individual medium behaves alone and in all possible combinations with other media.

10.6.2 Indirect Measures:

As it is very difficult to measure the direct effect of advertising on company's profits or sales, most firms rely heavily on indirect measures. These measures do not evaluate the effects of advertisements directing on sales or profits but all other factors such as customer awareness or attitude or customer recall of advertising message affect the sales or profits or goals of the business indirectly. Despite the uncertainties about the relationship between the intermediate effects of advertising and the ultimate results, there is no other alternative but to use indirect measures. The most commonly used measures are -

(a)   *Exposure to Advertisement* In order to be effective, the advertisement must gain exposure. The management is concerned about the number of target audiences who see or hear the organization message set in the advertisement. Without exposure, advertisement is bound to failure.

Marketers or advertisers may obtain an idea of exposure generated by the medium by examining its circulation or audience data which reveal the number of copies of the magazine, newspaper or journal sold the number of persons passing the billboards or riding in transit facilities, or the number of persons living in the televiewing or radio listening area, and the number of persons switching on their T.V. and radio sets at various points of time. This number can be estimated by interviewing the numbers of the audience for different media.

(b)   *Attention or Recall of Advertising Message Content.* This is one of the widely used measures of advertising results. Under this measure, a recall of the message content among a specified group or groups or prospective customers is measured within 24 hours of the exposure of the advertisement.

Attention value is the chief quality of the advertising copy the advertisements cannot be said to be effective unless they attract the attention of the target consumers. There are two methods for evaluating the attention getting value of the advertisements. One is pre-test and the other is post-test.

In a pre-test evaluation, the consumers are asked to indicate the extent to which they recognize or recall the advertisement, they have already seen. This test is conducted in the laboratory setting. Here consumers read, hear or listen to the advertisement and then researchers ask question regarding the advertisement just to test the recall and then evaluate it.

In post-test method, the consumers are asked questions about the indication of recognition or recall after the advertisement has been run. These measures assume that customers can recall or recognize what they have viewed or listened to. Various mechanical devices are being used in the western countries which provide indices of attention such as eye-camera etc.

(c) *Brand Awareness:* The marketers who rely heavily on advertising often appraise its effectiveness by measuring the customer's awareness about the particular product or brand. The assumption of this type of measure is that there is a direct relationship between the advertisements and the awareness. This type of measure is also subject to the same criticisms as is applicable to direct measures of effectiveness (sales measures because awareness is also not the direct result of the advertisements. It is also affected by many other factors. But, for new products, changes in awareness can often be attributed to the influence of advertising.

(d) *Comprehension:* Consumers generally use advertisements as a means of obtaining information about the product, brand or the manufacturer. They cannot be informed unless they comprehend the message (grasp the message mentally and understand it fully). Various tests for valuating comprehension are available - One is recalling tests an indicator of comprehension because it is evident that consumers recall what they comprehend. Another measure of the variable is to ask questions about subjects how much they have comprehended a message they have recently heard or seen. One may employ somewhat imprecise test of the comprehension of a newspaper and radio advertisement. One may ask typical target consumers from time to time such questions like *what did you think of our new commercial?' and 'Did it get the message across? The answers of these questions will provide sufficient insight into advertising decision making.

(e) *Attitude Change:* Since advertising is considered to be one way of influencing the state of the mind of the audience towards a product, service or organization, the results are very often measured in terms of attitudes among groups exposed to advertising communication. Several measures are used ranging from asking the questions about willingness to buy the likelihood of buying to the measurement of the extent to which specific attributes (such as modern or new) are associated with a product,

(f) *Action:* One objective of advertisement may be assumed to be to stimulate action or behaviour. The action or intention to take an action may be measured on the intention to buy measuring instrument. Under this type of measure, consumers are asked to respond why they are interested in purchasing the product or brand. One type of action that advertisers attempt to induce is buying behaviour. The assumption is that if an increase in sales follows a decrease in advertising expenditure, the change in sales levels are good indicators of the effectiveness of advertising. Logic suggests that measurement of sales is preferable to other measurements.

Thus, these above measures (direct or indirect) are used to evaluate the effectiveness of advertisements. It seems from the analysis of the above methods of measuring effectiveness that directly or indirectly changes in sales or profits are taken as the measuring rod of the effectiveness of the advertising.

In order to measure the effectiveness of advertising copy, two types of tests-pretests and posttests- can be undertaken. Pretests are generally conducted in the beginning of the creation process or at the end of creation process or production stage. There are several pre and posttests techniques to measure the effectiveness of the advertising copy.

10.7   COPY TESTING

Copy testing is a tool involving a procedure where the effectiveness of an advertisement is measured before it appears in its final form, during and after its exposure to the audience to determine whether and to what extent, it has accomplished its assigned task.

Almost every firm spends thousands of rupees on advertising every year; it is very much pertinent to know the effectiveness of the advertisement copy. The main purpose of every advertising is to arouse the interests of the people in the firm's product can everyone be perused by the same advertisement? Or will the same advertisement satisfy all types of people? The simple answer is in negative because people differ so greatly in their wants, in the economic and other motives which actuate them, and in the various ways by which their interest is aroused. It is why some advertisements are more effective than others. The amount is spent on advertising not only because the advertisement does not get to the right people but because it carries an appeal which does not interest those to whom it goes. An often-quoted remark about advertisement is that half the money spent on advertising is wasted; but no one knows which half. For this purpose, advertising copy research is done to see how will an advertisement succeeds in attracting the attention and stimulating the desire and action of the people for whom it is made and how will it deliver the intended message about a product or an idea. Advertisement copy is done to be sure of its effectiveness.

In this way, the copy testing is a method used to control the effectiveness of future advertising. It addresses the following questions

(a)   Will a proposed copy theme be effective at achieving advertising objectives?

(b)   Does the set of advertisings that makes up an advertising campaign create the desired interest level and image? And

(c)   Will an individual advertisement attract the attention of the audience?

Types of Tests

The various methods of testing advertising copy are

1.   Pre-test methods

2.   Post-test methods

3.   Concurrent methods

10.7.1 Pre-Test Methods:

Pre-test method refers to testing the potentiality of a message or copy before printing or broadcasting. It is useful because the concepts in advertising may appear to be simple and effective to the advertiser or advertising to be simple and effective to the advertiser or advertising agency. It may be difficult from the layman's point of view. All the elements in the advertising copy requires

careful pre-testing to see that the matter it intends to be conveyed has been really conveyed, 'prevention is better than care'. Pre testing methods are adopted on this basis. The following are some of the pre-testing methods.

- **(a)** Check list method
- **(b)** Consumer Jury method
- **(c)** Sales Area Test
- **(d)** Questionnaire
- **(e)** Recall test
- **(1)** Reaction test
- **(g)** Readability test
- **(h)** Eye-movement test

a. **Check list Method:** The copywriters use checklist method to test the effectiveness of advertising copy. The purpose of this method is to ensure that all elements of the advertising copy are included with due importance in the advertisement. As it is a pretest method omission can be included in the copy before release of the advertisement. A checklist is a list of good qualities to be possessed by an effective advertisement. The researcher has to compare the advertisement with the checklist and tick the items present in the advertisement copy. Accordingly, a copywriter can draw specific conclusions and make suitable changes in the advertising copy.

b. **Consumer Jury method:** This method essentially involves the exposure of alternative advertisements to a sample of jury; of prospects and the securing of their opinion and reactions to the advertisements. This test is designed to learn from a typical group of prospective customers gathered in one place or a sample of prospects that are independently, visited by interviewers or contacted by mail their preference for one advertisement over the other or for several advertisements out of a group. Advertisements which are unpublished are mocked up on a separate sheet and these are presented before the consumer jury either in personal interviews or group interviews.

c. **Sales Area Test:** Under this method advertising campaign is run in the markets selected for testing purposes. The impact of the campaign is evaluated by actual sales in the selected markets. The market with high sales is considered the best market for effective sales campaign. In other markets suitable changes are made in the advertising campaign.

d. **Questionnaire Method:** It is a list of questions related to an experiment. It contains questions and provides space for answers. The draft of an advertisement along with some relevant questions is to be sent to a group of target consumers or advertising experts. Their opinions are collected and analyzed to find out whether the proposed advertisement is satisfactory or not.

e. **Recall test Method:** Under this method, advertising copies are shown to a group of prospects. After few minutes they are asked to recall and reproduce them. This method is used to find out how far the advertisements are impressive.

f. **Reaction test:** The potential effect of an advertisement is judged with the help of certain instruments, which measure heartbeats, blood pressure, pupil dilution etc. Their reactions reveal the psychological or nervous effects of advertising.

g. **Readability test:** All the listeners of advertisements cannot read it equally. So, respondents are drawn from different socio economic and geographical backgrounds. This method is used to find out the level of effectiveness when and advertisement is read.

h. **Eye movement test:** The movements of eyes of the respondents are recorded by using eye observation camera when advertisements are shown to them in a screen. This helps to find out the attention value of advertisement.

10.7.2 Post-Test Techniques:

The following are the post-test techniques for measuring the effectiveness of the advertisements.

a. **Recognition Test** - It determines the readership of the advertisement in the newspapers and journals. This test is conducted by personal interviews with readers, and magazines or newspapers. The interviewers locate the readers of the particular issue of the magazine in question. They, then, go through the magazine page by page with the respondent indicating those advertising elements which he or she recognize as having read.

The data collected by this test indicate the proportion of qualified readership of a publication who claims to have 'seen','read some' or 'read most of the elements of the individual advertisement. These measurements may also seek to obtain quantitative data regarding the parts of an advertisement which were seen or heard.

b. **Recall or Impact Test** - The recognition test measurers the stopping power of the advertising but goes not tell us what the readers understood or retained of the advertisement. The recall test is designed to measure the impression of readers or viewers of the advertisement. If a reader has a favorable impression of the advertisement, he will certainly retain something of the advertisement. The measures of interest would be obtained by interviewing the readers or viewers or listeners, days after the advertisement or commercial is appeared in the newspaper, or on T.V. Interviewer asks the questions from the readers / viewers and in response to the question asked, the reader reveals the accuracy and depth of his impression by his answers.

c. **Psychological Analysis** - The whole process of advertising is psychological in character. It is therefore, natural to apply some psychological tests to measure the effectiveness of the advertising. Three psychological testing techniques are most commonly used -
(I)   Tests of readability and comprehension;
(II)   Tests of Believability
(III)   Attitude tests; and

(I) **Tests of Readability and Comprehension:** It this technique, by means of a series of penetrating questions and by other techniques developed by psychologists, the ease of readability and comprehension is determined, in advance of publication. It is determined by the interviewer under this method whether and to what extent the readers have gone through the advertisement.

(II) **Tests of Believability:** Advertisement message effectiveness can be measured by the degree of credibility the readers have in the product. A scale technique is generally employed to measure the credibility by putting several statements or product claims before, the consumers and are created by them. The statement or product Claims gets the highest priority votes may be taken as the most effective statement or claim.

(III) **Attitude Tests:** A number of attitude tests are developed by the psychologists who can be applied to copy testing. Typical consumers are exposed to sample advertising messages, either printed or oral. The interviewer then asks series of penetrating questions, to determine the attitude produced by these various messages. Psychological reactions such as age, involvement, the eye of person who would use the product and the personality of the product

reflected by the advertisement being tested, are obtained. The researcher looks especially for elements in the advertising which arouse psychological hostility.

10.7.3 Concurrent Methods;

Under this method, tests are conducted while the consumers are exposed to different types of media. For instance, a magazine reader may be observed while reading the magazine. Which carries an advertisement? The concurrent methods are

(a)   Consumer diaries

(b)   Co-incidental surveys and

(c)   Electronic devices.

a.   **Consumer diaries:** Under this method, diaries are supplied to a few selected customers. They are also informed to record the details of advertisements they listen or read. The diaries are collected periodically. The result obtained from such a survey reveals the effectiveness of advertisement.

b.   **Co-incidental surveys:** This method is also called as co-incidental telephone method. Under this method, samples of customers are selected and calls are made at the time of broadcast of the advertisement programme. The data obtained and analysed will give a picture about the effectiveness of an advertisement.

c.   **Electronic devices:** Now day's electronic devices are widely used to measure the effectiveness of an advertisement. They are mainly used in broadcast media. These are auto meters, track electronic units etc.

The following methods are also used to measure the impact of advertisement on the sales volume.

I.   Historical method and

II.   Experimental method

I.   **Historical method:** Under this method, recorded facts related to sales before and after advertisements are compared. If an advertisement is followed with more sales, advertisement is considered to be more effective.

II.   **Experimental method:** Under this method, the entire sales territory is divided into three or four sub- areas. The advertiser spent different amount for advertising in different areas. Then collects facts regarding sales from these sub-areas the result is used to measure the effectiveness of advertisement in boosting sales. Following the result obtained, the advertiser prepares his advertising budget for future action. An advertiser has to adopt some follow up measures to increase the effectiveness of advertisement. For this, consumer may be contacted through direct mail after the advertisement is placed.

SELF-CHECK EXERCISE – II

3. What are the two major methods of measuring advertising effectiveness?

4. _____ is a technique where a causal relationship between advertising and sales is established.

10.8   SUMMARY

Advertising is aimed at improving the sales volume of a concern so its effectiveness can be evaluated by its impact on sales. The most suitable criteria for evaluating the effectiveness of advertising, depends on a number variables, such as the advertising goals, the type of media used, the cost of evaluation, the value that the business or advertising agency places on evaluation measures, the level of precision and reliability required, who the evaluation is for and the budget.

10.9   KEYWORDS

Retailing, Advertising results, Copy testing, Historical sales, Experimental control

10.10   EXERCISES

10.10.1   SHORT QUESTIONS

1.   What do you mean by retailing?

2.   How to evaluate the advertising results?

3.   How to plan for the advertising results?

4.   How historical sales method is different from experimental control method?

10.10.2　　LONG QUESTIONS

1. Why is it important to measure the effectiveness of advertisement?
2. How can advertisement effectiveness be measured? Discuss various methods.

10.11 ANSWERS TO SELF-CHECK EXERCISES

1. Retailing; 2. Comparing sales with advertising; 3. Direct and Indirect measures; 4. Experimental control.

GLOSSARY

It is difficult to accurately measure the effectiveness of a particular advertisement, because it is affected by such things as the amount and type of prior advertising, consumer brand awareness, the availability of cost-effective evaluation measures, the placement of the advertising and a range of things about the product itself, such as price and even the ability of the target audience to remember.

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MBA-DE(Second Year)
Semester-IV

CRER (438)
CUSTOMER RELATIONSHIP
ESSENTIALS IN RETAILING

Lesson No. 11

AUTHOR: MANJARI TEJPAL

SALES PROMOTION PROGRAMS

STRUCTURE

11.1   OBJECTIVES

After the, completion of this Lesson, you should be able to understand the following:

- Sales promotion
- Nature and Scope of Sales Promotion Programs
- Sales Promotion Methods
- Need For Proper Management

11.2   INTRODUCTION TO SALES PROMOTION

Short-term incentives to encourage the purchase or sale of a product or service. Advertising and personal selling often work closely with another promotion tool, sales promotion. Sales promotion consists of short-term incentives to encourage the purchase or sale of a product or service. Whereas advertising and personal selling offer reasons to buy a product or service, sales promotion offers reasons to buy now.

Examples of sales promotions are found everywhere. A freestanding insert in the Sunday newspaper contains a coupon offering 50 cents off Folgers coffee. An e-mail from CD now offers $5.00 off your next CD purchase over $9.99. A hardware store chain receives a 10 percent discount on selected Black & Decker portable power tools if it agrees to advertise them in local newspapers. Sales promotion includes a wide variety of promotion tools designed to stimulate earlier or stronger market response.

11.3   GROWTH OF SALES PROMOTION

Sales promotion tools are used by most organizations, including manufacturers, distributors, retailers, trade associations, and nonprofit institutions. They are targeted toward final buyers (consumer promotions), business customers (business promotions), retailers and wholesalers (trade promotions), and members of the sales force (sales force promotions). Today, in the average consumer packaged-goods company, sales promotion accounts for 74 percent of all marketing expenditures.

11.4   NEED OF SALES PROMOTION PROGRAMS

Sales promotion objectives vary widely. Sellers may use consumer promotions to increase

short-term sales or to help build long-term market share. Objectives for trade promotions include getting retailers to carry new items and more inventory, getting them to advertise the product and give it more shelf space, and getting them to buy ahead. For the sales force, objectives include getting more sales force support for current or new products or getting salespeople to sign up new accounts. Sales promotions are usually used together with advertising or personal selling. Consumer promotions must usually be advertised and can add excitement and pulling power to ads. Trade and sales force promotions support the firm's personal selling process.

In general, sales promotions should be consumer relationship building. Rather than creating only short-term sales or temporary brand switching, they should help to reinforce the product's position and build long-term relationships with consumers. If properly designed, every sales promotion tool has the potential to build consumer relationships.

Public Relations

Another major mass-promotion tool is public relations—building good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events.

Public relations departments may perform any or all of the following functions:
- Press relations or press agentry: Creating and placing newsworthy information in the news media to attract attention to a person, product, or service.
- Product publicity: Publicizing specific products.
- Public affairs: Building and maintaining national or local community relations.
- Lobbying: Building and maintaining relations with legislators and government officials to influence legislation and regulation.
- Investor relations: Maintaining relationships with shareholders and others in the financial community.
- Development: Public relations with donors or members of nonprofit organizations to gain financial or volunteer support.
- Public relations are used to promote products, people, places, ideas, activities, organizations, and even nations. Trade associations have used public relations to rebuild interest in declining commodities such as eggs, apples, milk, and potatoes.
- Public relations can have a strong impact on public awareness at a much lower cost than advertising. The company does not pay for the space or time in the media. Rather, it pays for a staff to develop and circulate information and to manage events.

Thus, some companies are setting up special units called marketing public relations to support corporate and product promotion and image making directly. Many companies hire marketing public relations firms to handle their PR programs or to assist the company public relations team.

The primary elements of marketing mix are product, price, place and promotion. Among these, the promotion mix has four components. The most visible among them are paid mass media communication - or advertising and sales promotion which deals with components that are used for creating direct inducement for customers, channel members and sales force. Personal selling is more direct face to face interaction between the seller and the buyer. The fourth element of the promotion mix, public relations is more passive and indirect persuasion of consumers. Both consumer goods and durable product manufacturers use promotion tools for inducing consumers

for increasing their sales. Use of these tools in the urban markets is quite common, however, while developing promotion mechanisms for the retail markets. It is necessary to incorporate the peculiarities and distinguishing characteristics of the target market in the planning and implementation. This lesson focusses specifically on sales promotion.

Carrying out promotion programmes in retail areas is no mean task. As a number of infrastructure facilities are like roads, power supply etc. are not in place, the knowledge base of the managers assumes utmost importance in the decision making. In this lesson we will be discussing various issues related to developing and implementing promotion mechanisms in the retail markets. A number of real-life examples from the field and published materials are used for developing an appreciation of opportunities and problems associated with sales promotion in retail markets.

SELF-CHECK EXERCISE – I

1. Name one of the users of sales promotion tool.

2. Sales promotion tool helps to build _____ relationship with customers.

11.5   NATURE AND SCOPE OF SALES PROMOTION PROGRAMS

Of all the methods of promotion that constitute the promotion mix, sales promotion is the only method that makes use of incentives to complete the 'push-pull' promotional process of motivating the sales force, the dealer and the consumer in transacting a sale. There is no single universally accepted definition of sales promotion. One can, however, gather its essence by perusing a few definitions.

Let us look at some of the popular definitions of sales promotion. **According to American Marketing Association,** sales promotion refers to those activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as display shows and exhibitions, demonstrations, and various other non-recurrent selling efforts not in ordinary routine. This definition suggests that sales promotion is a catch-all for all those promotion activities which do not fall clearly into advertising, personal selling or publicity.

Roger A. Strang offers a simpler definition: Sales promotions are short term incentives to encourage purchase or sale of a product or service.

Yet another definition that seems fairly exhaustive, and hence, will be used is the one given by Stanley M. Ulanoff in his Handbook on Sales Promotion. Stanley defines sales promotion as:

All the marketing and promotion activities, other than advertising, personal selling, and publicity, that motivate and encourage the consumer to purchase by means of such inducements as premiums, advertising specialties, samples, discount coupons, sweepstakes, contests, games, trading stamps, refunds, rebates, exhibits, displays, and demonstrations. It is employed as well, to motivate retailers, wholesalers; the manufacturer's sales force to sell through the use of such incentives as awards or prizes (merchandise, cash and travel), direct payments and allowances, cooperative advertising, and trade shows.

It offers a direct inducement to act by providing extra worth over and above what is built into the product as its normal price. These temporary inducements are offered usually at the time and place where buying decision is made.

Summing up, Sales promotion deals with promotion of sales by the offer of incentives which are essentially non-recurring in nature. It is also known by the names of Extra-Purchase-Value (EPV) and Below-the-line selling. Like in other market economies, the use of sales promotion is catching on in India. In terms of volume the number of sales promotion schemes offered to the

consumers alone grew by over seven times in the first three years of the eighties as against the average in the seventies. The schemes offered at the dealer level also nearly doubled during the period 1978-79 and 1982-83. In terms of the expenditure incurred, the large size companies are stated to be spending between 40 and 50 per cent of their advertising and sales promotion budget on this activity.

Product group-wise, the major users of sales promotion are: tea, coffee and beverages, soaps, toiletries, detergents and washing soaps; toothpaste; textiles; food products and baby foods; household remedies; and consumer durables like fans, refrigerators, sound systems, television and household appliances. Among the various types of sales promotion schemes used price offs, quantity discounts, contests at the consumer, deter and sales force levels have made a significant headway.

If you look around yourself, or scan through any form of mass media, you would find umpteen instances of sales promotion messages being offered for all kinds of products and services. Sale and discount advertisement abound with special loyalty schemes vying for consumer attention, in every paper or prime time programme. Have you ever wondered at the rapid growth and upsurge of sales promotion? There are several reasons why this tool has enjoyed a rapid growth.

A perusal of the list of the product -groups which emerged as the major users of sales promotion, and the market feel, make it clear that a transformation from the seller's to the buyers' market is taking place and marketing has become more competitive in these product markets. In addition to increasing competition, other reasons for rapid growth of sales promotion in India, as pointed out by ninety-five large sized cooperating companies in a survey are summarized below:

- sales promotion makes an immediate effect on sales
- Measurement of the effectiveness of sales promotion is easier as against the other promotional methods.
- Channels of distribution are emerging as powerful entities and demand greater use of incentives to get desired results
- Products are becoming standardized and similar, and so need increased support of non-price factors of which sales promotion is an important one
- Impulse buying is on the increase, and so is the rise in the number of marginal customers. With virtually no brand loyalty, offer of attractive schemes help manufacturers to induce such customers to choose their product.

11.6   SALES PROMOTION OBJECTIVES

As a powerful method of promotion with a capability to complement and supplement the advertising function of marketing, sales promotion helps marketers realize a variety of objectives. These objectives could relate to the promotion of sales in general, or to a specific activity at a particular level i.e., consumer dealer or salesforce. Some of the commonly attempted objectives are to:

- Increase sales (in general, and focusing on new uses, increased usage, upgrading unit of purchase, winning sales of fading brands etc.)

- Make the sale of slow-moving products faster
- Stabilize a fluctuating sales pattern Identify and attract new customers.
- Launch a new product quickly
- Educate customers regarding product improvements.

- Reduce the perception of risk associated with the purchase of a product.
- Motivate dealers to stock and sell more (including complete product line)
- Attract dealers to participate in manufacturer's dealer display and sales contests.
- Obtain more and better shelf space and displays.
- Bring more customers to stores.
- Make goods move faster through dealers
- Improve manufacturer-dealer relationship.
- Motivate salesforce to take the sales achievement higher than targets.
- Attract salesforce to give desired emphasis on new accounts, latent accounts, new products, and difficult territories.
- Reward salesforce for active market surveillance and for rendering superior customer service.
- Put power into the sales-presentation.
- Counter competitors' sales-promotion and marketing efforts.
- Provide punch to the company's advertising efforts
- Build goodwill.

Companies may use any one or a combination of the above objectives in varying form to suit the market needs of their product. What is of significance is that the sales promotion objectives set to be accomplished must be integrated with the promotion and marketing objectives pursued by the company.

11.7   SALES PROMOTION METHODS

Many methods of sales promotion are used by marketers. Depending upon the creativity level of their sponsors, their variety seems very large. We refer here to some of the most commonly used methods of sales promotion in both retail and urban settings.

As noted above, the accomplishments of the desired promotion and marketing objectives ultimately depend on the extent of the desired response received from

(1)   Consumers,

(2)   Dealers and

(3)   Members of the sales force.

Hence, various sales promotion methods are built around these three target groups. Further, in terms of the impact desired, the variety of sales promotion schemes offered are grouped into two **i.** e. immediate impact schemes and those carrying on the impact over a period of time. Immediate impact schemes are those schemes where the consumer, dealer or sales person gets the incentive on first contact, purchase or on performing a one-time act.

On the other hand, under the delayed impact schemes, the consumer, a dealer or sales force is called upon to comply with the scheme over a period of time before receiving the full benefit of the scheme. Price discounts, free samples or large quantity packs are the popular examples of immediate impact schemes, whereas coupons, trading stamps, and contests are examples of delayed impact category of sales promotion schemes.

Though ideal for consumer goods, sales promotions are also used for promoting industrial goods. The difference in the use lies in the types of schemes offered, and in the frequency of their offer. Sales promotion schemes offered to industrial customers, besides the usual gifts, price-off coupons and contests, include product demonstration, training to customer staff, offer of interest-

free installment payment plan, ready and regular availability of repairs and spares, and posting of trained staff to assist/supervise in the working of the equipment in the client's premises, at the manufacturer's cost. The sales promotion schemes offered at the level of industrial distributors are: provisions of extended credit, and provision of specialized sales/technical staff at the manufacturer's cost, besides the usual cooperative advertising and sales promotion, gifts, and organization of distributors' contests. The sales promotion schemes popularly used to motivate industrial sales force are prizes and awards on special achievements, sales contests, new accounts contests and prompt service awards.

11.8   NEED FOR PROPER MANAGEMENT

In spite of the growth in the Sales promotion activity, one of the surveys of the company practices revealed that the managerial efforts put in to manage this function were unsatisfactory. Use of ad hoc approaches, neglect of sales promotion research, and lack of formal systems and procedures were found to be more prevalent in the case of 95 companies surveyed. Consequently, larger number of companies experienced less than expected success of their schemes. When asked specifically about forty percent of the companies surveyed, it was admitted that one or more of 'their sales promotion schemes misfired during the last three years due to causes which could be categorized as:

- Faulty administration
- Failure to match the scheme to the objective
- Lack of proper planning
- Poor dealer relations
- Lack of creativity

This clearly points to lack of adequate planning as well as insufficient in depth understanding of the retail markets. Marketers should be careful not to blindly extend a scheme that succeeded with a primarily urban market without making suitable adaptation.

SELF-CHECK EXERCISE – II

3. _____ refers to those activities that stimulate consumer purchasing and dealer effectiveness, such as display shows and exhibitions, demonstrations, and various other non-recurrent selling efforts not in ordinary routine.

4. Who has given this definition, "Sales promotions are short term incentives to encourage purchase or sale of a product or service."

11.9   SUMMARY

Sales promotion is consumer relationship building. Rather than creating only short-term sales or temporary brand switching, they should help to reinforce the product's position and build long-term relationships with consumers. If properly designed, every sales promotion tool has the potential to build consumer relationships. Carrying out promotion programmes in retail areas is no mean task. As a number of infrastructure facilities are like roads, power supply etc. are not in place, the knowledge base of the managers assumes utmost importance in the decision making. In this lesson we have discussed various issues related to developing and implementing promotion mechanisms in the retail markets. A number of real-lifeexamples from the field and published materials are used for developing an appreciation of opportunities and problems associated with sales promotion in retail markets. Of all the methods of promotion that constitute the promotion mix, sales promotion is the only method that makes use of incentives to complete the 'push-pull' promotional process of motivating the sales force, the dealer and the consumer in transacting a sale.

11.10 KEYWORDS

Sales promotion, Public relations, Sales promotion programmes, Manufacturers, Consumers

11.11 EXERCISES

11.11.1 SHORT QUESTIONS

1.   Elaborate the growth of sales promotion in the current scenario.
2.   What is the need of sales promotion programmes?
3.   What is the difference between public relations and sales promotion?
4.   What are the objectives of sales promotion?

11.11.2 LONG QUESTIONS

1.   Discuss the role of Sales promotion in retailing.
2.   Discuss the Nature and Scope of Sales Promotion.
3.   Discuss the major sales promotion methods.
4.   Discuss why sales promotion needs proper management.

11.12 ANSWERS TO SELF-CHECK EXERCISES

1. Manufacturers; 2. Long-term; 3. Sales promotion; 4. Roger A. Strang

11.13 SUGGESTED READINGS

•   Bond Ronald L, "Retail in Detail": How to start and manage a small Retail Business, 2nd ed. PSI Research / The Oasis press2001.
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MBA-DE(Second Year)
Semester-IV

CRER
(438)CUSTOMER
RELATIONSHIP
~~ESSENTIALS IN RETAILING~~

Lesson No. 12

AUTHOR: MANJARI TEJPAL

CUSTOMER RELATIONSHIP ESSENTIALS IN RETAILING IMPLEMENTING SALES PROMOTION PROGRAM

STRUCTURE

12.0   Objectives
12.1   Introduction
12.2   Implementing Sales Promotion Program
12.3   Tools for Implementing Sales Promotion Programs
         Self-Check Exercise
12.4   Summary
12.5   Keywords
12.6   Exercises
         12.6.1 Short Questions
         12.6.2 Long Questions
12.7   Answers to Self-Check Exercises
12.8   Suggested Readings

12.0   OBJECTIVES

After the completion of this Lesson, you should be able to understand the following.
*   Usage of sales promotion activities
*   Implementing Sales Promotion Programs
*   Tools For Implementing Sales Promotion Programs

12.1   INTRODUCTION

Usage of sales promotion activities has a direct impact on behaviour as it motivates a consumer to buy now rather than in future, enhances value of an offer temporarily till the promotion period, encourages switching, reinforce or reward loyalty etc.

Broadly, objectives set for these activities are;
i)   to generate store traffic,   ,
ii)   to move excess inventory,
iii)   to enhance store image and
iv)   to create a price image (high or low).

Traffic building is achieved by special event promotions like Diwali, Raksha Bandhan promotions; inventory reduction through end of season sale; creation and building store image through feature advertising and displays and joint promotions and price image by highlighting the discounts. It helps consumer reduce not only financial risk but also psychological and social risk by making consumer confident of his/her purchase, conformation to group norms by shopping at famous stores/brands and possibility of acquiring well known branded apparel during promotions.

Promotions may induce non buyers to walk in to the store and loyalty programmes may encourage to buy more, more often or upgrade to better quality. Exciting promotions also have tendency to generate positive word of mouth and help consumer feel a smart shopper. Thus, not only utilitarian benefits like, saving of money, time or quality upgradation but hedonic benefits like feeling confident, feeling of excitement and entertainment etc.

12.2   IMPLEMENTING SALES PROMOTION PROGRAM

With growing competition at the marketplace and the need to realize full benefits of this unique method of promotion, it is required that the perfunctory approach used in its management is stopped forthwith and the sales promotion function is managed professionally. Systematic planning of this function should initiate the managerial process. The following steps are suggested for effective planning and management of the sales promotion function.

The first step is to assess and analyse the present situation of the brand in terms of market share, major competitors, and brand performance of brand users, non-users and lapsed users. The benchmark should then be related to the market size and the potential estimated. It will now pave the way for determining the role of sales promotion in effecting the desired change in the market share of the brand. The outcome of this exercise will be the availability of desired information to set measurable and attainable goals.

After the goals for sales promotion of the brand are set, the second step deals with the identification of the alternative schemes, and the selection of the most appropriate sales promotion scheme(s), capable of accomplishing the goal set, within the available budget. The third step relates to incorporating creativity into the scheme to be offered. This is making the scheme novel, attractive, and challenging from the viewpoint of its target group i.e., consumer, trade or sales force. The fourth step relates to legal validity of the sales promotion scheme to be offered. For example, before a consumer contest can be offered permission from the licensing authority of a State, usually, the Collector of the District is required under the Prize Competition Act, 1955.

Similarly, with the amendment of MRPT Act and incorporation of Unfair Trade Practices therein, the sponsor must ensure that their schemes do not attract the provisions of the Act. The recent judgments of the AARITTV against the Sales Promotion Schemes offered (by a leading footwear company of India relating to children footwear; and of a popular fan company relating to announcement of special off-season reduction in price) point to the strong determination of the commission to protect consumers from unfair trade practices. The fifth step covers primary decisions relating to timing and duration of -the schemes to be offered, location-wise selection of dealers, and conviction of the trade and sales force about the appropriateness of the scheme. It will be useful to quote here the findings of a recent study of Kenneth G, Hardy on key success factors for manufacturer's sales promotions.

Other important decisions relate to scheduling for procurement of scheme related premiums, production of the brand, advertising, P.O.P. materials and other logistics related aspects. The Sixth step covers the development of the evaluation criteria in relation to the sales promotion goals set. The decision areas include what to measure, when to measure, how to measure and for how long to measure. Effectiveness of Sales promotions is usually measured in references to sales achieved, cost effectiveness, redemption rate of coupons and trading stamps, turnover of special packs or special liquidators, number of entries received to the contest, etc.

To do a good job special focus must be laid on measuring the incremental sales arising out of sales promotions. Before proceeding, let us take note of the select findings from the literature survey relating to the effectiveness of sales promotion. These are: Incremental sales are harder to get for high market share brands. A coupon with a sample can be almost twice as effective as a coupon alone High redemption rates can be very costly. The earliest redemptions are the incremental sales short purchase cycles mean shorter term effects. As the sales promotion offer commences, the seventh step relates to monitoring the offer and collecting the relevant data and experience for future use as well as mid-period corrections. The eighth and last step relates to evaluating the effectiveness of sales promotions in the context of their goals. Efforts must also be put in to perfect the measurement methodologies, and in conducting research on aspects like deal prone consumer, incentive scheme and gift selection factors, attitudes of trade and consumers towards the use of sales promotion schemes. Documentation of corporate experiences on sales promotions, the pitfalls in the existing systems and procedures, and the mishaps that occurred,

etc. ultimately help in improving the state of the art of managing the sales promotion function professionally.

12.3   TOOLS FOR IMPLEMENTING SALES PROMOTION PROGRAMS

Price Discounts:

In the Indian retail markets number of companies are experimenting with various sales promotion options. For increasing the penetration levels of table fans and ceiling fans, Usha International has designed a equipment that can function under severe conditions of voltage fluctuations. The price of these models are thirty percent less than the original models developed for the urban markets. FMCG giant Hindustan Lever wanted to extend the products to retail markets from its successful urban market brands. Direct price discounts to retail markets might undermine the brands, and the consumers also attach less importance if there is a price cut. HLL bundled four different products from its portfolio like tooth paste, talcum powder, shampoo, and vanishing cream by putting all of them in a single pack, with a name 'Bharat pack' and the prices were discounted by twenty percent.

Free Gifts and Distribution of Samples:

Free gifts and sampling are used effectively in inducing new product or new brand trials and increase awareness. Sampling persuades the consumer to use the product in their normal usage context. JK tyre, in coordination with Vikrant tyre, unveiled a retail consumer education programme. The primary objective was to educate the farmers about its farm tyre brands - Sona and Vikrant. At selected 25 villages in Punjab and UR JK organized retail events with number of activities like workshops, demonstrations, and quizzes. The campaign was implemented by Retail Communication Agency. The programme was titled 'DholBajne Laga, Sona Lagne Laga'. Colgate Palmolive has supply vans which offer free samples and screen video films on oral care in the retail areas to promote the concept of oral hygiene and simultaneously promote its products. Dabur, manufacturer of various consumer products and drugs, added freebies like, distribution of 'Hanuman Chalisa' and 'Ramcharitmanas' or calendars with religious themes with their ayurvedic products for promoting their presence in retail areas.

Demonstration:

Hindustan Lever's Brooke Bond had set up stalls in local fairs and melas for creating an opportunity to interact with the users directly. Brooke Bond distributes cups of tea to consumers for free and elicits response from them. On the other hand, HLL advertises detergents by focusing on the benefits, for convincing the customers and inducing trials it uses demonstrations by sales people actually washing the villagers' clothes free. Some of the villagers are requested by the salesmen to give their dirty and soiled clothes on the spot and laundered in front of them. These demonstrations are not only used for brand awareness and promoting product, HLL also uses it as an opportunity to educate the retail consumers about the usage and ultimately help in converting them to detergents from ordinary washing soaps.

Free Trials:

In the villages of Maharashtra, Asian paints distributed trail tins of paints for promoting their brands in retail markets. Asian paints Organized bullock- cart races and distributed prize

for the winners, thispromotion has been well entrenched in the culture of retail consumers. Thenormal practices in villages are to give a nice bath to the bullocks and paints horns with bright colours. A leading sewing machine manufacturer, Usha International ran sewing classes for women in villages to induce the need for sewing machines. The promotion not only aimed at creating awareness but simultaneously building a strong relationship. Customers who start using Usha sewing machines during the training got accustomed to the equipment and they are more likely to buy the same brand.

Consumer Contests:

Consumer contests are effectively used to increase the involvement of consumers. Consumer awareness and trials are induced effectively. GTC had designed and implemented a contest for retail youth for promoting cigarettes. Consumers were requested to smoke four to five cigarettes without revealing the brand names. Then they were requested to identify the GTC brand. The blind test helped them in understating the brand personality and develop better communication strategy. Number of innovative contests like, building towers with cigarette packs, small treasure hunt exercises including the GTC brands in it were successfully used for inducing trials.

Sales promotion through Personal Selling:

Opposite to advertising, this involves one-to-one relationship with a customer. It is "the oral presentation of a tangible and intangible product by a seller to a prospect for the purpose of completing an exchange". The sales person can vary his message according to the reactions of his customers, or make sure that the villager really understood him. This mode is not suited to mass-distributed consumer products of FMCG. Some companies may deploy demonstrators to show the right way of using goods. E.g., Tea bags. Colgate Palmolive started its retail market sales promotion by sending bicycle vendors in to hamlets that beyond the reach of vans. The village haatand shandies provide opportunity for personal contact and number of companies send their salesmen to setup small booths for selling, promotion and demonstration.

Free Items and Discount Coupons:

A coupon is defined as a "direct inducement" which offers an extra value and incentive for the product to the sales force, distributorsor the consumers. It stimulates a quick and immediate response from people. Coupons, cassettes, free products, are some examples. Price- off is the latest method, so also 10% to 50% extra at same cost or "Buy one get one free", For example, "Buy one Emami talcum powder get another free." Similar examples could be Buy Horlicks biscuit at same cost with 50 gms free in a big pack 30% more coffee powder in Nescafe Sunrise at same cost. Free items like plastic clips, bindis, earnings with shampoo sachets, e.g.,Sunsilk, Arogya milk packets.

Point of Purchase Promotion:

Innovative point of purchase promotions is also used by some players. Lonestar Communications has a network of audio - visuals in retail markets serving the retail distribution outlets. The audio - visual unit includes a colour television, and video cassette player. This equipmentis used for showing entertainment content and advertising materials in the retail outlet or to focus a particular sales promotion offer.

Packaging:

It is an important promotional tool. New packaging technology has the concept, for example polypack and tetra pack. Packaging not only protects and retains the product;italso promotes the product.

In the retail context, the illiterate villagers are more likely to ask for the dish wash bar with a green colour pack for Vim. The very name Tiger biscuits comes in an unmistakable red colour pack. Smaller packs or sachets can prove product quality and easy usage leading to subsequent purchases. There are instances of ladies asking for "the Ladkiwali cream'' after seeing an advertisement with a young girl being portrayed on the pack. Hence packaging makes a great impact on purchases, whether retail or urban. FMCG used by retail consumersare classified into 4 groups.

1. Necessity products: tea, toilet soap, washing materials.
2. Popular Products: Not an immediate necessity. They may have substitutes. E.g.,toothpaste, shampoo.
3. Premium Products: Not used widely as highly priced. E.g.: skin cream, hair oil, talcum powder.
4. Super Premium Products: luxury items, e.g., antiseptic cream, shaving cream, mosquito repellents, insecticide, etc. Packaging criteria need to be carefully applied looking at the essential nature of the product and their perception vis a vis the retail consumer.

SELF-CHECK EXERCISE

1. An augmented benefit that most FMCG companies provide?

2. What do we call a technique where a person demonstrates the usage of a product?

3. When a product is new in the market and it's based on usage and the company wants the customer to use it.

4. When the company uses audio-visual means at a kiosk particularly to promote and sell it at same place, this technique is called?

12.4 SUMMARY

In this lesson we have tried to develop a perspective on the use of promotion tools m the retail markets. Tools used by the marketer to induce customers, channel members and sales force by other than advertising were discussed. The objectives and the scope of various promotion mechanisms were also presented for subsequent decision making. Number of real-life examples from the field and literature were shared. These would provide you with an understanding of the usage of promotion mechanisms in the retail markets. With growing competition at the marketplace and the need to realize full benefits of sales promotion, it is required that the perfunctory approach used in its management is stopped forthwith and the sales promotion function is managed professionally. Systematic planning of this function should initiate the managerial process. In the Indian retail markets number of companies are experimenting with various sales promotion options. For increasing the penetration levels of table fans and ceiling fans, Usha International has designed a equipment that can function under severe conditions of voltage fluctuations. The price of these models are thirty percent less than the original models developed for the urban markets. FMCG giant Hindustan Lever wanted to extend the products to retail markets from its successful urban market brands. Direct price discounts to retail markets might undermine the brands, and the consumers also attach less importance if there is a price cut. HLL bundled four different products from its portfolio like tooth paste, talcum powder, shampoo, and vanishing cream by putting all of them in a single pack, with a name 'Bharat pack' and the prices were discounted by twentypercent.

12.5   KEYWORDS

Sales Promotion, Price Discounts, Free gifts, Sample distribution, Consumer contests.

12.6   EXERCISES

12.6.1   SHORT QUESTIONS

1.   Explain the concept of personal selling.
2.   What do you mean by discount coupons?
3.   How free items are different from distribution of samples?

12.6.2   LONG QUESTIONS

1.   Discuss the need of sales promotion activities for a retail company.
2.   Discuss how to implement a Sales Promotion Program.
3.   What are the tools for implementing Sales Promotion Programs

12.7   ANSWERS TO SELF-CHECK EXERCISE

1. Price discounts; 2. Demonstration; 3. Free trials; 4. Point of Purchase Promotion

12.6   SUGGESTED READINGS

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CUSTOMER RELATIONSHIP
ESSENTIALS IN RETAILING

Lesson No. 13   **AUTHOR: MANJARI TEJPAL**

IMPLEMENTING PUBLICITY PROGRAMS

STRUCTURE

13.0   OBJECTIVES

After the completion of this Lesson, you should be able to understand the following:
- Need for Publicity
- Adverting versus Publicity
- Tools of Publicity

13.1   INTRODUCTION

Retailing is the combination of activities involved in selling or renting consumer goods and services directly to ultimate consumers for their personal or household use. In addition to selling, retailing includes such diverse activities as, buying, advertising, data processing and maintaining inventory. While sales people regularly call on institutional customers, to initiate and conclude transactions, most end users or final customers, patronize stores. This makes store location, product assortment, timings, store fixtures, sales personnel, delivery and other factors, very critical in drawing customers to the store. Final customers make many unplanned purchases.

In contrast those who buy for resale or use in manufacturing are more systematic in their purchasing. Therefore, retailers need to place impulse items in high traffic locations, organize, store layout, trains sales people in suggestion, and place related items next to each other, to stimulate purchase. Consumers benefit from retailing in that, retailers perform marketing functions that makes it possible for customers to have access to a broad variety of products and services. Retailing also helps to create place, time and possession utilities. A retailer's service also helps to enhance a product's image.

The strategy for the right promotional mix as we all may concur should help in fulfillment of objectives pertaining to increasing store traffic, increasing the share of-wallet, driving category specific sales thereby helping in development of the store brand. The choice of the various communication vehicles: advertising, sales promotions, public relations campaigns and personal selling depends on the type of product retailing and services retailing offered.

The key focus of promotions we need to appreciate is centered around control, flexibility, credibility and cost of managing it. We, thus go about looking into the detailing of each of the

Advertising

- Persuasive advertising (health and wellness clubs, hospitality, industry).
- Corporate advertising (financial service providers sponsoring a particular magazine or an advertorial circulated to specific corporates about the services rendered by the financial service provider).
- Informative advertising (a practice of consumer durables firms informing prospective consumers of the features and related benefits of the product).
- Financial advertising (ads released by mutual funds, banking entities, insurance firms informing investors of product features, inherent risks and benefits).
- Classified advertising (in book catalogues offering sale of products, services etc.)

Sales Promotion

Sales promotion is typically the peak season/ off-season activity where there may be a discount on the product or freebies given on purchase. It may also be clubbed with a complementary product or service. The tools of sales promotions are used for new product introduction and to drive down the prospect of significant inventory cost as sales promotions cost eventually less than working capital likely to be locked for excess inventory management. A note of caution is that sales promotion has to be used prudently as repeated use particularly in mid-premium and premium brands/niche-categories can adversely affect the brand equity or salience.

Public Relations Programs

The use of this marketing/promotional tool is used for enhancing the corporate brand image in a competitive market/category to differentiate the retailer from his contemporaries. Public relations exercises are targeted towards the key stakeholders namely customers (vendors), consumers, investors, influencers, employees etc. seeking to build a holistic image of the firm's soft and hard competencies in the long-run.

Personal Selling

Personal selling though some may argue does not happen in the organized retailing, the success of well-known retailers has clearly established the fact that the "personalized selling" experience is what helps maintain consumer interest in the long term and helps the retail brand maintain an above industry growth rate even during economic downturns.

13.2   NEED FOR PUBLICITY

The image a store develops through its public dealings like interaction with the customers, enthusiasm amongst the store employees and customer's grievance handling mechanism constitutes publicity. The concept of integrated marketing communication (IMC) as it is popularly known simply states that all the tools of marketing communication mentioned above should be used in tandem to achieve the organizational goals.

Further, you should appreciate that all these tools have their own unique characteristics to communicate the specific message in a distinct manner. You should understand that all these tools when applied together or in short intervals should never deliver a different message or image of the store. For example, if a particular retail store hires top notch models to inaugurate the store backed up with a jaz2y advertising campaign, it definitely carves out an image in the minds of the customer. However, if the customers perceive through word-of-mouth communication that the store does not offer such premium products as was expected in line with the image formed, it may result in a sharp decline in footfalls in the store.

Similarly, after such an advertising campaign if the publicity generated by the activities of the store is unable to match the image, even then it will lead to a fiasco for the store. The bottom line there is all the tools of marketing communication have to perform in a coordinated manner as instruments in an orchestra.

We can put the retail store at the core of this mix at the time of need arousal, the customer has several questions. These questions can be:

- Which product to buy that satisfies the present need?
- Which brand of the product buy?
- Which store to purchase from?
- Whether to purchase from a single store or compare the offerings at various stores?

Many communication variables influence the decision to do shopping at a particular retail outlet. Given the fact that there that multiple retailers and multiple products trying to convince the customers with the messages, the role of marketing communication becomes very critical.

13.3   ADVERTISING VERSUS PUBLICITY

Advertising is often confused with Publicity. Though good deal of overlapping of one another in each field people think that these terms are same and connote same meaning. However, there is difference. This difference can be reduced to at least three points: 1. Use of media 2. Exercise of control 3. The extent of perceived credibility.

Role of Publicity can be described in terms of following points.

1,   It helps in launching new products,
2.   It lends the helping hand in repositioning a product,
3.   It builds interest in new product category,
4.   It influences specific target groups,
5.   It defends the public opposition to world company and its production
6,   It builds corporate image.

13.4   TOOLS FOR IMPLEMENTING PUBLICITY PROGRAM

Department of PR or PR consultancy house has a wide variety of tools of publicity. These tools can be grouped into three broad classes as controlled media where the company controls the use and placement, uncontrolled media where the media controls the use and placement. Still another category is controlled and controlled media-covering electronic communications.

The following are the media not taking into account as to whether it is controlled or not or by whom if at all controlled.

1,   House Advertisements:

A house ad is prepared by the organization for use as its own publication or a publication over which it has some control. Resultantly no money changes hands, even though a particular organization may use some sort of billing mechanism. For example, an ad can be given in own or public print publication about what the company is going to do for the local community for the winter season. It may run a house ad in local TV network the same.

2.   Public Service Announcements:

Public Service Announcements (PSAs) are the ads designed by charitable and civic organizations for broadcast on radio or telecast on 'IV or to be placed in print media-may be

newspapers and magazines free of charge. For instance, help age India, CRY, NCPEDP, CSI, Indian Heart Association, Advertising Council of India rely on public service announcements. These ads are prepared on the same lines as commercial and in many cases ad agencies help free of cost in designing these. It is unfortunate that electronic media and press media hesitate to publish or air or telecast these ads because they have turned so commercial; at the same time, these PSAs have also increased beyond limits. So, there is no guarantee that all PSAs will reach the audience.

3. Corporate/Institutional Advertising:

Corporate ad messages are designed to sell the specialties of the company and not the products, services and ideas-that help in building the image of the company. These ads come from PR department than advertising department. A type of institutional advertising is "corporate identity advertising" which is employed to enhance or maintain their reputation among specific group or audiences or to establish a level of awareness of the company's name and the nature of business. Thus, Nissan Company used this kind of ad to bring the changed name whose earlier name was Datsun. Some companies use another type of such advertising called as "advocacy advertising" used to signal corporate personality or image. It is an attempt to brand intangibles along with image building. One Marketing Communication Expert is of the opinion: "If we build our brand around the concept of caring we could not only obtain a highly coveted position in the market place, but also earn trust and loyalty of our customers and our employees".

4. In-house Publications:

Business units have countless in-house f publications designed exclusively for their employees and other publics. These are in the form of a pamphlet, booklet, annual reports, books, bulletins news-letters, inserts and enclosures, position papers and information racks. As each business is unique in many respects, these in house publications also differ. These in-house ads are conveyed to the publics by the media carriers owned by unit itself. An in-house publication is free booklet speaking about a product say concerning fiber-glass insulation 'dos' and 'don'ts'. An annual report is a document or a report to be given to the investing and non-investing class so that present investors increase their investments and non-investors are turned maiden investors. The publication department may print training materials and sales-kits for sales-promotion division.

5. Speakers, Photographs and Films:

Audio-Visuals play an important role in PR making it more effective. It is because sound and movement elements have special drainalisation effect. 'Speakers' means not mega phones or loud speakers. They are the bureau of Speakers who are well-known in particular field of knowledge which benefits a group or groups of audience or publics. The community may invite experts in different discipline from schools of management who have rich fund of knowledge which is research based and is tried and tested. Visualization or visual effects can be made possible by photographs of peoples, products, places, processes, events and so on. They are authentic and get with the permission of other persons and organizations as they appear as part of ads. Similarly, films- particularly video tapes are very popular where presentation is audio visual having impact of light, colours, sound and movements.

6. Displays, Exhibits and Staged Events:

These displays, exhibits and staged events are both PR and sales-promotion tools. If a company gets a model of a factory or a picture representing the company (replica) presents company

products or product line, at a fair-may be local, state or national level it is the case of display. On the other hand, exhibits are bigger in size making a scene with light, sound, colour, movement effects or a video tape is shown on Larger Screen, it is an exhibit. These are mostly used in trade shows and fairs. Staged events are of variety; however, sport events are very popular of cricket. Baseball, football, hockey, again tours may be conducted at state level or national level for large number of willing participants free of cost to popularize product and build the image. Amway-Japan Life- makers of health care products and magnetic beds were big events.

7. **The News Release:**

The news-release or paper-release is the primary medium used in PR messages to the various media editors and reporters. Though the company releases the news, it is controlled by media owners as to its extent and coverage. It is editor's prerogative or judgement of its news value. To make news releases effective, news-release should be written differently for different media properly accommodating space and time limits. News release reflects the best writing and convincing skills of a PR writer. Video news releases (VNRs) contain video footage or an amount of measurable size that can be used during a TV telecast. They are more useful because they permit target audiences to view the message from two angles namely as an ad and as a component of news release.

8. **The Press Conference:**

A press conference is inviting media representatives to make statement. News conferences have been useful in introducing the new products. Most companies feel that these press conferences are the riskiest PR activities because media reps may not see company's announcement of as being real news. Companies are very much worried about various issues while planning a press conference. It is because the press people may ask good many questions where company is not willing to answer. One way of doing away with this type of situation is to design an effective press kit. A press kit is a folder that provides all the significant background information to members of the press either before or when they arrive at the press conference. This kit ranks the people to deunit only to the extent of information provided.

9. **A Media Tour:**

Media tour is nothing but a press conference on wheels. A person from PR department of a company as put on a speaking tour which involves meeting with local media representatives in different markets scheduled for the tour. They make announcements and speeches, hold press conferences to explain a promotional effort, and are available for interviews.

10. **On-Line Communications:**

The technology has made big inroads in communication landscape that it is breath taking. E-mail, Internet system that connect people within an organization, extra- nets that connect people m one business with its other business partners. Internet advertising and Websites open up new avenues or PR activities. WWW is the first PR mass medium as it allows communications directly between organization and audiences without the gatekeeping function of other mass-media. W.W.W. is better than any other electronic media. E-mail is a great way for peoples in separate sites to communicate. It is quick in case the people on the other hand are checking their mail regularly. It is, inexpensive too. However, it has a limited reach as people of any country is covered by it is limited. Intranets involve use of personal computers and other tele-communications

technology to allow co-workers to send e-mail and documents easily to other people in theorganization. Intranets are internal networks that allow electronicemployees The on-line PR attempts have problems too. Internet makes it possible to present company's image and story without going through the editing of a gate-keeper.It equally harder to control as to what is said about the company. On the internet: Gossip and rumorsspread round the world within no time. It becomes weapon for disgruntled customers and angry employees to take undue advantage of this.

SELF-CHECK EXERCISE

1. Give the name any one of the types of advertising.

2. Publicity can differ from advertising on the basis of _____.

3. _____ are the ads designed by charitable and civic organizations for broadcast on radio or telecast on TV.

4. The publicity which is based on reports, books, journals and magazines within the organization is known as _____.

13.5 SUMMARY

PR is the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organization and its publics. Adverting is often confused with Publicity Though good deal of overlapping of one another in each field people think that these terms same and connote same meaning. However, there is difference. This difference can be reducedto at least three points: 1. Use of media 2. Exercise of control 3. The extents of perceived credibility. Role of PR can be described in terms of following points. 1. It helps in launching new products, 2. It lends the helping hand in repositioning a product, 3. It builds interest in new product category, 4. It influences specific target groups, 5. It defends the public opposition to World Company and its production 6. It builds corporate image. Public relations exercises are targeted towards the key stakeholders namely customers, vendors, investors, influences, employees etc. seeking to build a holistic image of the firm's soft and hard competencies in the long-run.

13.6   KEYWORDS

Advertising, Publicity, Publicity programme, Public relations programme, Personal selling.

13.7   EXERCISES

13.7.1 SHORT QUESTIONS

1.   What is Publicity? Discuss.

2.   What is public relations programme?

3.   Write a short note on corporate advertising.

13.7.2 LONG QUESTIONS

1.   Discuss the Need and importance of Publicity programs.

2.   Differentiate Adverting from Publicity.

3.   What are the various tools of implementing a Publicity program? Discuss.

13.8   ANSWERS TO SELF CHECK EXERCISE

1. Corporate advertising; 2. Use of media; 3. Public Service Announcements; 4. In-House publications.

13.9   SUGGESTED READINGS

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