Chapter 11
Advertising and Promotion

The Retail Promotion Mix

Promotion
is a means that retailers use to bring traffic into their stores, and it includes advertising, sales promotion, publicity, and personal selling.

Promotion in the Channel

Major differences in the way retailers and manufacturers use promotion:
1. Product image versus availability
2. Specific product benefits versus price
3. Focused image versus cluttered ads

Promotional Mix Elements

- Personal Selling

Steps in the Selling Process

- Approach the Customer
- Collect Information
- Present/demonstrate product & overcome reservations
- Make (Close) the Sale
- Build Relationships for Future Sales

Steps in the Buying Process

- Problem Recognition
- Information Search
- Alternative Evaluation
- Alternative Choice
- Postpurchase Evaluation

Customer Reservations

Timing: I haven’t made up my mind
Store: I don’t know about the return policy
Merchandise: I don’t think this is made well
Location: I can’t find it
Salesperson: I don’t like him
Price: This is too expensive
Nonverbal Signals that a Customer is Ready to Buy
- Resisting a salesperson’s attempt to move the product out of the way
- Intently studying or reexamining the merchandise from various angles
- Smiling or appearing excited when looking at the item
- Handling or using the product for a second or third time
- Moving to a more work-oriented space

Verbal Signals that a Customer is Ready to Buy
- “I guess the blue paint goes better with my wallpaper than the gray paint.”
- “Can you alter the pants?”
- “Did you say this has a one year guarantee?”
- “Do you have this desk in a darker wood?”
- “I’ve always wanted a food processor.”

Building Relationships for Future Sales
- Reaffirming the Customer’s Judgment
- Ensuring Proper Use of the Merchandise
- Handling Customer Complaints
- Remembering the Customer between Visits
- Providing Above-and-Beyond Service
- Building Special Relationships

Promotional Mix Elements
- Personal Selling
- Advertising

Advertising Expenditures as a Percentage of Sales for Some Retailers

<table>
<thead>
<tr>
<th>Line of Trade</th>
<th>Ad Dollars</th>
<th>As Percentage of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building materials &amp; hardware</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home Depot, Inc.</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Lowe’s</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td>Payless Cashways</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>Department Stores</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dillards</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>May Department Store</td>
<td>3.8</td>
<td></td>
</tr>
<tr>
<td>JCPenney Co.</td>
<td>3.3</td>
<td></td>
</tr>
<tr>
<td>Sears Roebuck &amp; Co.</td>
<td>4.4</td>
<td></td>
</tr>
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<tr>
<th>Line of Trade</th>
<th>Ad Dollars</th>
<th>As Percentage of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family clothing stores</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abercrombie &amp; Fitch</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>American Eagle Outfitters, Inc</td>
<td>3.1</td>
<td></td>
</tr>
<tr>
<td>Grocery stores</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Albertsons</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>Great Atlantic &amp; Pacific Tea Co</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Kroger Co</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Pathmark Stores Inc</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Publix Super Markets Inc</td>
<td>1.1</td>
<td></td>
</tr>
</tbody>
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<tbody>
<tr>
<td>Grocery stores</td>
<td></td>
</tr>
<tr>
<td>Safeway Inc</td>
<td>1.4</td>
</tr>
<tr>
<td>Winn-Dixie Stores Inc</td>
<td>1.2</td>
</tr>
<tr>
<td>Variety stores</td>
<td></td>
</tr>
<tr>
<td>Dollar General</td>
<td>5.3</td>
</tr>
<tr>
<td>Dollar Tree Stores Inc</td>
<td>10.1</td>
</tr>
<tr>
<td>Family Dollar Stores</td>
<td>8.4</td>
</tr>
<tr>
<td>Kmart Corp</td>
<td>1.5</td>
</tr>
<tr>
<td>Target Corp</td>
<td>2.3</td>
</tr>
<tr>
<td>Wal-Mart Stores</td>
<td>0.5</td>
</tr>
</tbody>
</table>

### Factors in Allocating Advertising Dollars

**HIGH ADVERTISING ALLOCATION**
- High Gross Margin Percentage
- High Advertising Elasticity of Demand
- Dominant or Potentially Dominant Market Share in Department or Merchandise Line
- Good Backup Resources (Space, Inventory, Accounts Receivable, People)
- Willingness to Allocate Enough to Achieve “Critical Mass”

**LOW ADVERTISING ALLOCATION**
- Low Gross Margin Percentage
- Low Advertising Elasticity of Demand
- Low Market Share and Limited Potential for Being Dominant Market Share in Department or Line
- Poor Backup Resources (Space, Inventory, Accounts Receivable, People)
- Unwillingness to Allocate Enough to Achieve “Critical Mass”

### Possible Promotion Objectives in Retailing

- Improve Long-Run Performance
- Improve Short-Run Performance
- Store Image and Positioning
- Public Service
- Attract New Customers
- Increase Patronage of Existing Customers
- From Existing Trade Area
- Expand Trade Area

### Advertising Objectives Used by Retailers

**Make consumers in your trading area aware that you offer the lowest prices...**

**Wal-Mart’s “Always Low Prices”**

**Make customers aware of your large stock selection...**

**Nordstrom promising the shopper a free shirt if they are “out of stock” on the basic sizes.**
Advertising Objectives Used by Retailers

*Increase traffic during slow sales periods...*

**Subway Sandwiches Shop’s “Two-for-One Tuesdays”**

*Move old merchandise at the end of a selling season...*

**The “after-Christmas clearance sales” that all retailers use.**

*Strengthen your store’s image or reputation...*

**Neiman-Marcus’s famous Christmas catalog that generates news stories around the world when the catalog is mailed to customers.**

*Identify your store with the nationally advertised brands that it sells...*

**Dillard’s featuring Tommy Hilfiger clothing in their ads**

*Reposition the image of your store in the minds of consumers...*

**“Softer side of Sears”**

*Cultivate new customers...*

**Any of the one-day discounts that a customer gets for opening a charge account with the retailer.**
Advertising Objectives Used by Retailers

Make consumers think of you first when a need for your products occurs, especially if they are not commonly purchased...

1-800-FLOWERS
or
“For a hole in your roof or a whole new roof - Frederick Roofing”

Advertising Objectives Used by Retailers

Retain your present customers...

7-Eleven’s
“Frequent Fill-Up”
gasoline program

Biggest Retail Advertisers

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Ad Spending in 2001 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>McDonald’s</td>
<td>1,500</td>
</tr>
<tr>
<td>Sears, Roebuck &amp; Co.</td>
<td>1,200</td>
</tr>
<tr>
<td>Federated</td>
<td>1,100</td>
</tr>
<tr>
<td>Home Depot</td>
<td>1,000</td>
</tr>
<tr>
<td>Kmart</td>
<td>900</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>800</td>
</tr>
<tr>
<td>Target</td>
<td>700</td>
</tr>
<tr>
<td>JCPenney</td>
<td>600</td>
</tr>
<tr>
<td>Best Buy</td>
<td>500</td>
</tr>
<tr>
<td>Circuit City</td>
<td>400</td>
</tr>
<tr>
<td>Lowe’s</td>
<td>300</td>
</tr>
<tr>
<td>Dillard’s</td>
<td>200</td>
</tr>
<tr>
<td>7-Eleven</td>
<td>100</td>
</tr>
</tbody>
</table>

Promotional Mix Elements

- Personal Selling
- Advertising
- Publicity

Publicity Tools

- Press Releases
- Press Conferences
- Feature Articles
- By-Lined Articles
- Speeches
- Movies and Video Placements
- Letters to the Editor

- Publicity is often used to communicate with audiences beyond the target market.
- Favorable publicity can build employee morale and help improve employee performance. Just like customers, employees place more credibility on information provided by news media than on information generated by the retailer.
Promotional Mix Elements

- Personal Selling
- Advertising
- Publicity
- Sales Promotion

Types of Sales Promotions

- Sole Sponsored
  - Premiums
  - Contest and Sweepstakes
  - Frequent Buys Programs
- Joint Sponsored
  - Coupons
  - In-Store Displays
  - Demonstrations and Sampling

Eight Most Popular Types of Joint-Sponsored Sales Promotions

- Coupons in retailer ads: 90%
- Cents-off: 90%
- In-store coupons: 88%
- Refunds: 85%
- Electronic, in-store displays: 83%
- Samples of established products: 78%
- Premiums: 75%
- Sweepstakes: 70%

Percentage of Rebates Redeemed by Dollar Value

<table>
<thead>
<tr>
<th>Value</th>
<th>Redeemed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than $50</td>
<td>84%</td>
</tr>
<tr>
<td>$25.00 - 49.99</td>
<td>51%</td>
</tr>
<tr>
<td>$15.00 - 24.99</td>
<td>18%</td>
</tr>
<tr>
<td>$5.00 - 14.99</td>
<td>10%</td>
</tr>
<tr>
<td>$2.00 - 4.99</td>
<td>6%</td>
</tr>
<tr>
<td>Less than $2.00</td>
<td>2%</td>
</tr>
</tbody>
</table>
SALES SHOPPING BEHAVIOR

- CONSUMER ELECTRONICS 79%
- ASSEMBLED FURNITURE 77%
- WOMEN'S CLOTHING 74%
- MEN'S CLOTHING 69%
- BOY'S & GIRL'S CLOTHING 58%
- INFANT'S & TODDLER'S CLOTHING 57%