
UNIT 11 IN-STORE PROMOTIONS, STRATEGIES, BUDGETS AND EVALUATION

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11.0 OBJECTIVES

After studying this unit, you will be able to:

- Explain the strategy formulation basis for an in-store promotions;
- Describe the marketing budget creation;
- List-out pricing strategies;
- Identify product characteristics;
- Describe strategies for In-store promotions;
- List-out customer Retention Schemes;
- Explain footfall to increase management and conversation strategies.

11.1 INTRODUCTION

This chapter gives an insight on the marketing promotion activities based on small time budgets and constantly evaluated results, once we prepare a strategy to address a particular consumer segment and develop an in-store promotion activity, then we can implement those techniques and make each and every sales person in shop aware about the sales mechanism, so that they can make the best effort out of it, hence it is of utmost importance to understand the role of a sales person in implementing a sales strategy, keeping in mind the allotted budget and promotional strategies. Let's now explore the various strategies on which we can build a healthy budgetary plan for instant results.

11.2 STRATEGY FORMULATION BASIS AND BUDGET CREATION

The strategy for any retail is based upon the consumer or the customer segment which visits that particular retail. For example, let's look at store retailing of computers and Peripherals promoting PC's and Laptops. The general trend in this market segment is promoting products with help of bundled offers, if the margin on a particular High end PC sale is Rs. 4000, a Printer with an MRP of Rs 2500 (Cost to company is Rs 1250) could be offered to customer at MRP @ Rs 1000. Then customers will not object to paying that difference and enhancing the utility value. The net reduction in margin would be only Rs250, however the result of the bundled offer will enhance sales from 2 PCs a day to maybe 5 PCs thereby increasing the customer network who will return to the retailer to buy the Ink cartridges, this type of promotional scheme is called **adjustable costing scheme and budgeting**.

On the contrary, let's say a company has a budget of marketing of Rs 5000 per outlet for a month, now for 50 outlets it becomes Rs 2.5 Lakh and company gives a half page advertisement in newspaper with contact numbers of these outlets area wise, this advertisement may then be squeezed to quarter page for Rs1.5 Lakh, thereby saving Rs 1Lakh or Rs 2000/- Per shop, now the retailer can offer one pen drive free along with the above offer as a company's retail seasonal scheme in addition to above scheme or allow retailer to bundle any exiting gift along with above scheme to attract customer, this kind of budget creation and scheme designing is called **principal supportive scheme and Budgeting**.

Another alternative scheme designing can be done, wherein, the retailer has some additional margins coming in due to schemes provided by principal organization, for example if there is a purchase for Rs 25k by retailer from the manufacturer and is sold at Rs 26k in market, on picking up a large quantity of stock the retailer gets a volume discount means that if he sells 10 machines in a month, his purchase price is Rs 25k and if he purchases 11-15 it is Rs24.5k and if 16 and above Rs 24 k, then the moment retailer is selling 11th product he knows that he has Rs 0.5k * 10 amount backing him up as per scheme and then he can use it for a promotional scheme to improve sales to a number above 15, thereby making money on the next slab, this kind of budget generation and best utilization of money for designing a strategy to sell by promotional methodologies studied in 9" chapter is called **incremental budgeting and promotion schemes**.

There can be another scenario, where the company supports the retailer, or the retailer has to create some additional effort for the stock clearance. This can happen where Competitor Company has launched a product with added features at a lesser price now. The retailer will find it difficult to clear his existing stock therefore a support by the manufacturer to drop prices and clear existing model stocks, such a sales promotion is called **stock clearance budgeting and promotional schemes**.

Hence like that a retailer can use different ways of generating push sales from his counter to get the maximum revenues.

Promotions are planned for the following objectives

- Launching new product line
- Pushing existing products sales
- Liquidation of stuck-up stocks
- Special planned promotions to boost sales through special set of customers
- Enhancing overall retail image of the store
- Launch of new store
- Relaunch of existing stores
- Festivals
- Managing competition promos with own promos scheduling

11.3 CREATION OF MARKETING BUDGET

Resource allocation is a critical part of any marketing plan. To simplify budget preparation, it is recommended that investments in labour, material and services be broken down into the five Ps of marketing:

Product - The item or service you have to sell. It includes new products to be bought or old stuck ageing stocks to be sold for clearance of inventory.

Price - The amount of money you ask your customer to pay for your product for old stocks and new stocks special pricing to woo the customers to show including freebees offers

Place - Where a product is now and how it is transported to your customer. This includes store stocks shifting to other stores and stock shifting from warehouse to different stores also new deliveries from vendors to warehouse to different stores.

Promotion - The advertising and publicity necessary to complete a transaction. Identification of offers, margin understandings, ROI's understanding and Media planning are key elements in promotion planning.

Persuasion - Personal selling of your business. Each of the five Ps represents an investment in money, materials and services. We can represent this as a system of pipes connected to a tank of money, which represents the total marketing budget, a main pipe through which the rupee flows and five valves that control the flow of money to each of the five Ps. The concepts of market planning, segmentation and positioning are shown as filters. Budgeting is the process of setting the valves and filters to meet the needs of each marketing task for each segment and then monitoring the results over time to make sure you remain on target. As your market segments change, you will have to reset the valves. The important thing is to have in place an effective marketing research system that gives you the confidence to move in the right direction for the right reason.

Once product, price, place, promotion and persuasion process are identified. The objectives are created of the promotions then ROI's of the promo's are established to kick start the promo of a retailer.

11.4 PROMOTIONS PLANNING PROCESS FLOW

When consumers think about using a product or service, they consider its advantages and disadvantages. In other words, they ask, What's in it for me? Therefore, it is not enough to define your product and its features; other questions must be answered. Think first of your perception of your product or service and then find out how your customers see it. Ask yourself questions such as:

- What is a description of our product or service?
- What image does it have in the market?
- What are its features and benefits?
- In the eyes of the consumer, is there a way for us to provide our product or service more effectively?
- Where does our product or service fit in a product life cycle?

Introduction (maximum investment in development).

Growth (investment in marketing).

Maturity (maximize profits).

Decline.

Marketing Decision - At some point during this declining stage, you must decide whether to invest more money in the product (i.e., create a new and improved model requiring additional investment and generating a new life cycle) or to discontinue it.

11.5 OVERALL PRICE STRATEGIES

There are a number of pricing strategies you can use to achieve your growth goal. Each has the potential of producing a profit, and most are tied to the critical relationship of price-to-sales volume and stock turnover. Some strategies you may want to consider are

Price Skimming

This refers to the practice of charging high prices for the purpose of maximizing profit in the short run. It works best when:

- The product is unique and people are willing to pay extra just to have it. There are trendsetters in society who are always looking for something new and are willing to pay the price. A larger number are followers, and they will buy your product if it is accepted by the leaders. The followers, however, will not pay the higher price.
- The cost of development is high and there is a chance of early obsolescence or imitation by competitors.

- You have a strong patent position, or your product would be difficult to copy.

The real disadvantage of skimming is that it attracts competition. Your competitors will soon figure out what you are up to, and the high profit potential will encourage them to copy you. They may produce cheaper versions of your product or style, referred to as knockoffs in the market. Once you have meaningful competition on price, your skimming days are over and you run the risk of ending up with a warehouse full of products that cannot be sold at any price.

Penetration Pricing

The opposite of skimming is to introduce your product at such a low price that you will quickly gain a large share of the market. The purpose is to discourage competition. However, eventually you will have to raise your prices to start making some profit and, when you do; you will learn much about customer loyalty.

Buying a Market Position

A variation of penetration pricing is to buy your way into the market with free samples or heavy coupons, for example, 20 Rupees off on a 69 Rupees purchase and above. This tactic is usually used by big companies because it takes considerable financial backing and it may be six months or more before it starts to pay off. Small marketers can use it to the degree they know what they are doing and can control the process. Frequent follow-up is important to ensure samples are not going to professional collectors but are reaching potentially strong customers. In food products this is widely prevalent to avoid the product going into expiry date of consumption. Specifically soft drinks milk products, biscuits etc.

Loss Leader

This refers to promoting a few items at a sizable reduction to attract customers. The idea is that the increased traffic will result in greater sales of your regular-priced merchandise. The reductions have to be on recognized brands and items purchased frequently enough so customers know the prices and can recognize the savings. You must keep switching leader items -people are not going to buy catchups four weeks in a row regardless of its price. The danger is that you may develop a following of cherry pickers who will breeze into your store, scoop up the specials and buy nothing else.

Multiple Unit Pricing

You can increase the size of your individual sales by offering a meaningful discount for larger purchases. A liquor store usually will offer a discount or throw in a free bottle of wine when you buy a case. The same idea applies to the "baker's dozen," a discount on a "set" of tires or selling beer and soft drinks by the pitcher. This is a good technique for building customer goodwill, but you will not see your customers as often. The trade-off, of course, is that you save time and money on containers and packaging, save time by writing up fewer sales and, perhaps, can make your delivery service

more efficient by selling by the truckload. Variations are "two-for's," "six-packs," "cheaper by the carton" and "bulk price."

Suggested Retail Pricing

This is the practice of selling at prices set by your suppliers. It is convenient because many product lines are available pre-packed and pre-priced. However, you lose flexibility and must live with a set percentage markup. (To combat this disadvantage, some suppliers offer "two-for-three" options using the retail price). Because suggested-retail or retail-price-maintenance plans are illegal in some states, the practice usually is a loser. Using a slightly different strategy, Panasonic published a "minimum retail" price list showing a higher "average retail"; some stores use such gimmicks as "compare at" or "nationally advertised at" to imply that the "official" price is at a certain point.

Discount Pricing

The discount store usually offers lower prices as a trade-off for Spartan interiors, lack of sales help and in stores like Wal-Mart they also have self-checkouts. These stores typically work on lower margin but higher turnover as a store. Since discount stores depend on the efficiency of greater volume to cover operating costs, they must maintain, or at least promote, good prices to attract continuous customer flow.

Full-Cost Pricing

This pricing is calculated by adding the costs of the product or service plus a flat fee or percentage as the margin of profit. During inflation, you must keep track of your costs to make sure that you are charging enough. In many business lines, owners have come to realize that when they replace their stock, the wholesale price has often risen above their retail price. If they do not raise prices rapidly enough, they are faced with diminishing inventories at a constant dollar investment or with having to invest more money to restock their shelves at the constant level.

Keystone Pricing

This refers to the practice of setting the retail price at double the cost figure, or a 100 percent markup. It is most common with jewellery items and in specialty shops, high-ticket fashion stores and up market department stores. Typically, the merchandise is subject to drastic clearance markdowns on items that are slow sellers or held past the season.

Price Lining

This is the technique used by most retail stores of stocking merchandise in several different price ranges. A hardware store, for example, may carry hammers in good, better, and best categories at \$6.49, \$12.49 and \$19.98, respectively, and a professional model at \$27.95. The theory is that people buy products with different uses in mind and with different expectations for quality and length of useful life. If you do not carry a range of prices, you may lose the customers who cannot find the product at the right price. Price lining simplifies buying and inventory control because you buy only for the

price levels that you know your customers will accept and eliminate those goods that fall outside the levels you want to carry.

Competitive Advantage

Here is where you copy or follow the prices set by your competition. Based on your service image, you can set your prices equal to, above or below those of your competition. This strategy requires constant vigilance by reading the ads and shopping at your competition. It is a more passive technique because you're always following your competitors. Chances are, your more aggressive competitor can make better purchases than you. A variation of this is the we-won't-be-undersold routine, where you offer to meet or beat the prices of all your competitors.

Pre-season Pricing

Many manufacturers offer price discounts or dated billing as incentives to buy early. This is important to manufacturers because of production planning and the lead time necessary for ordering raw materials. For the retailer, the same principles apply; also, off-season specials may be a way to profit in business on a year-round basis. When you sell at a lower price to get the early sales, you may be borrowing from later full price sales. On the other hand, anyone who has tried to buy snow tires during the year's first snowstorm knows the extent of delivery problems. In this case, early sales at a lower price would have allowed the merchant to serve the customers better and to capture sales that may be lost due to limited-service facilities.

Price Is No Object

This refers to certain marketing situations in which the quality of the product or service is far more important than the price. If you need a kidney transplant, for example, you are not going to shop around and haggle over price. And even if you do press the doctor, he probably will quote you a range with a \$5,000 spread rather than giving a specific number. The same is often true with high ticket fashions and jewellery. Using the same psychology, expensive automobiles and boats are not sold on price. They may use a starting at or base price to get people interested, but the prices of the options are usually in very small print. The extreme of this attitude is that if you have to ask the price you probably cannot afford the item anyway.

11.6 PRODUCT CHARACTERISTICS

Perishability - Refrigeration or frozen storage requirements can severely restrict place options and raise operating expenses.

Bulk - A product requiring large display space, or one that is heavy, may restrict transportation options as well as display opportunities.

Display Ability - Package design that prevents stacking on store shelves can severely restrict customer exposure. (Log Cabin syrup was originally packaged in slanted-roof metal containers. As supermarkets placed increased value on shelf space for customer selection, the inability to stack the log cabins forced a change in package design.)

Buying Requirements - If the item must be tried on to determine fit or if it must be demonstrated before the sale can be made, the place element is more restrictive than for a product that requires no package opening at the time of purchase.

Customer Characteristics

Impulse Versus Planned Purchase - Items displayed in a high-traffic area can increase unplanned purchases.

Frequency of Purchase - Items purchased once a week usually require more outlets than those purchased once a year. Grocery stores, for example, always outnumber retail furniture outlets.

Distance -How far is the customer willing to travel to purchase your goods or services?

Use Characteristics

How the customer uses the product after purchase also can determine place characteristics.

- Do you need to train the customer to use your product, or supply instructions or a repair parts list?
- Can you make more sales for service contracts, accessory items, consumable supplies, repair parts or companion items?

Location

For most small businesses, especially those involved in retail, finding the best location at the lowest price becomes an important consideration. You can draw customers to a poor location but the cost of advertising is often prohibitive. You should learn how much money you have to pay for the better location and see how that compares to the cost of drawing the same number of customers to the poorer location. Do not overlook parking, public transportation, quality of the neighbourhood, sign restrictions, lighting, traffic flow and other factors that determine your store's convenience and safety.

Promotion

Perhaps the most versatile of the five marketing Ps is promotion. It covers all phases of communication between the seller and the potential customer. It is versatile because a change in budget, media or target audience can be made quickly. Promotions also can be effectively changed for specific market segment efforts.

Persuasion

Your business's success will depend on your ability to persuade others to take actions that will help them while also helping you. This is referred to as a win-win situation. Both parties in the transaction must receive a benefit in value or in satisfaction. There are many buying motives that may bring a customer to your business:

- Gain -Utility Conformity
- Time saved -Productivity Saved effort
- Health Convenience -Money saved
- Comfort -Happiness Need
- Protection Pride (vanity) Want
- Pleasure Fear Economy
- Amusement Love -Luxury
- Security -Profit Safety

The key to successful selling is to determine which motives brought the customer to you and then develop a sales presentation that will convince the customer that you and your product can meet those needs. This process can be broken down into a series of steps:

Prospecting - This is the activity of identifying potential customers or running ads to entice people into your store.

Pre-Approach- This includes planning what you will say to customers and what evidence or displays you will need to enhance your presentation.

Approach - This may include a greeting, statement of objective or series of questions to determine exactly what the customer wants. Learn as much as possible about the customer and his or her buying motive before you begin your presentation.

Presentation - This is the opportunity to tell customers everything they need to know to make an intelligent buying decision.

Dramatization - Show enthusiasm for your product or service.

Proof - Words may not be enough. You may need to show facts and figures, endorsements, testimonials or other means of backing up your claims.

Visualization - Help your customers visualize the satisfaction they will derive from buying now.

Demonstration – If possible, let the customer experience the product. Many items are difficult to sell without a test drive.

Trial-Lose - This is a statement or question designed to let you know how close the customer is to making a buying decision.

Uncover Objections - Find out why the customer is not ready to buy.

Meet Objections - Go back over your presentation to clear up misunderstandings or doubts the customer may have.

Final lose -Ask a question that causes the customer to make a buying decision in your favour.

Follow-Up - This includes all the steps you take to write up the sale, ai-range delivery, receive payment and ensure customer satisfaction.

The above process may be inefficient in many selling situations. The genius and creativity of advertising is its flexibility in preconditioning the customer and answering some objections. Certainly, your reputation, attitude and the atmosphere of the selling situation can do much to alleviate fears or concerns in the mind of the customer. Your best prospect often is a satisfied customer or the friend or relative of a satisfied customer.

For many products or services, direct mail and telephone selling can be used to complete the sale or to qualify prospects for a personal follow-up.

Motivation is an essential ingredient in persuasion. You and your employees must maintain a positive mental attitude. You must learn to sell yourself, your company and your product. And your attitude must be one of serving the customer first, with the realization that your success depends completely on your ability to serve the customer.

Budget Vs ROI.

There needs to be a very thin line of demarcation between budgeting and its implementation in the form of schemes so that it can be tracked that the schemes which have been designed in the previous incepts are implemented by the sales people in all emphatic manner and its timeline is kept in mind. There is also a close relation to be maintained between, the schemes implemented and the sales conversions made. If there is a genuine increase in the overall sales and the average profitability even after margins shrinking goes up due to volume factor, then it may be clearly defined that the budget Vs ROI is worth implementing the scheme and hence there has been a successful use of promotional scheme based on crucial budgeting and effective implementation generating good sales results.

11.7 STRATEGIES FOR IN-STORE PROMOTIONS

There are a lot of different strategies which are undertaken by retailers to increase their sales. These all strategies revolve around the kind of consumer or customer segment they are catering to and hence using the budgetary ways discussed above, they design broadly 2 ways of workings, one revolves around in store product positioning and general merchandise marketing and visible attraction to the customer, which can make a customer attracted toward moving inside the shop and be able to locate latest schemes and product of his choice or latest entrant with ease. the same have been covered in previous chapters, the other way of doing it is through marketing schemes which increase the footfall in a showroom or keep a customer attached to retailer with the help of Retention schemes, some of the retention schemes and marketing schemes used widely in industry for boosting retail sales are discussed below for your knowledge: -

In-store promotional methodologies have already been covered in chapter 9.

Please read them for details.

11.8 CUSTOMER RETENTION SCHEMES

Club Membership: These are loyalty memberships which are given to customers who are frequent shoppers, these customers will enjoy the benefits of some special discounts and also some credit buying limits or easy instalment schemes or even 0% loan facilities which can enable the customer to make easy buying and hence earn the loyalty of the customer for lifetime giving him continued benefits.

Privilege Points: These are again point schemes offered to regular visitors, 'wherein on the basis of making purchase on a value of products they get some points, on collection of all these points customer can redeem points into money or get an equal amount product free from retailer, thereby creating a value chain between the buyer and retailer and hence facilitating both for an ongoing relationship, giving repeat business to the retailer.

Service Camps: These are also a type of activity wherein a retailer can offer free service camp or discounted service camp of his sold products and gets opportunity to bring customers back to his shop, thereby luring him to buy latest products or accessories and also gives retailers chance to get some revenues from servicing. It gives a big boost to customers also and adds value for retailers, making room for repeat purchases from the same shop.

Feedback Mechanisms: Taking feedback after keeping a database of customers earns appreciation and can win customers back and also his referees.

Referral Bonus: This is a scheme offering incentive to existing customers to refer a new customer to earn referral points and again can redeem them for goodies or gifts.

11.9 FOOTFALL INCREASE MANAGEMENT & CONVERSION TO SALES STRATEGIES

Product Upselling: This is a very important tool wherein you need to push one product with another. For example if you have sold a PC to someone then also try to sell accessories like pen drives or printers to the same customer, at times check for upgrades required to your customer and thus enhance revenue.

Strategic Diversification: A very important and prominent strategy these days in retail space, can be explained as a shoe shop having a photocopy machine and giving that service also thereby ensuring footfall of customers in his shop, or a dress material store with in house tailoring service, or a traditional sweets shop having a snack corner for chats & savouries etc, to increase and sell more due to increased footfall.

TV in shops during the world cup may also attract footfall to a store.

Volume Purchase Discount and Lottery Gifts:

Game Zone: Another way of attracting customers is offering him lottery coupons on the product value purchased, for example for purchase above the

value of Rs 1000/- customer will become eligible to play a game and may win a TV or a small consolation prize for sure. The seasonal value purchase highest lottery gift may be a car as well, hence there is increased footfall for buying in the outlet.

Seasonal Promotions:

University forms availability at retail counters and Holiday package offer for a volume purchase can be some of the very interesting schemes that can help a retailer to increase footfall and sales for the showroom in that season.

Discount King Offers:

Loot Offer: product offerings for a short duration on no margin or dearth margin pricing to attract footfall or make people aware about your presence in the market, can be a good introductory strategy.

Buy One Get One Free/Discounts Up to 50%: Is another very important scheme, which neutralizes the purchase of a customer and excites him to come to you, sometime a 50% + 20% sale scheme, giving an effective 60% value can also be attractive offers for people to visit your retail outlet.

0% Scheme and Loans: This can turn up as a very important strategy for facilitating the buyer who is not cash rich thereby giving you edge on fast counter movement. This offer is very popular among white goods retailers. Recently an up-market car manufacturer offered a car under 0% scheme for 36 months.

Niche Products and Lifestyle Segment Strategy: A little bit different strategy like creating a separate scheme for this segment may be taken care off and thus an ambience of the same sort, facilitating home demo's, special welcome strategies, privilege customer discounting on rich club activities may facilitate this segment buyer and normal discounting and small offer strategies revolving around cost benefit may not interest them, hence when it comes to strategy designing for niche product segment, the strategy does not revolve around pricing benefits, but they revolve around service benefits.

11.10 LET US SUM UP

Hence we can conclude our chapter by learning a very important factor that we need to revolve our strategy based on the customer segment we are addressing to and then, accordingly look for budgetary options, need to make things clear to sales staff and support them with schemes at various levels and constantly evaluate in equal time intervals, about the success ratio of the scheme successfulness, hence then only we can run a retail in a proper shape applying right strategies with correct budgets and evaluation strategies. Keeping in mind all the above we should take care of all important points while designing a strategy, budget for retail promotion and get proper /good evaluation results, turning up profitable in business.

11.11 TERMINAL QUESTIONS

- 1 What is the basic factor to keep in mind before designing any promotional strategy?
- 2 Explain a few strategies to be used for budget sourcing?
- 3 Explain the factors of budget designing?
- 4 Explain a few strategies used for promotional efforts made for the Retail industry?
- 5 Explain the relevance and importance of Evaluation strategy for business?
- 6 Explain the interconnection of Budget, in-store promotion and evaluations?



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