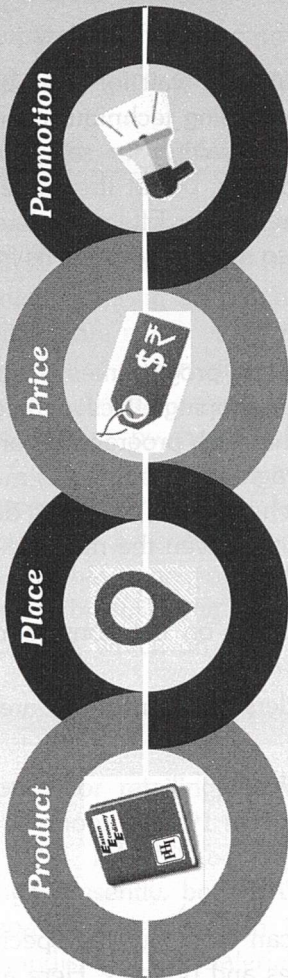


CASE

3

# RETAILING, ADVERTISING, MARKETING AND MERCHANDISING SERVICES

MARKETING



## BACKGROUND

Retailing has become the newest tool in the war of consumer goods manufacturers to win customers. As advertising costs soar, retail sales efforts deteriorate and customers become more choosy and discriminating, manufacturers are discovering the need to reach potential customers directly at the time and place at which the buying decision is made, i.e., the point of purchase (POP). Manufacturers are finding that tools such as well-designed displays, distinctive packaging, price and sample promotions and in store advertising can provide them with a competitive advantage. To make retailing programmes succeed, manufacturers must be able not only to devise attractive displays but also to tailor them to various kinds of retail outlets. Finally, manufacturers must effectively execute their programmes by clearly delineating their responsibilities vis-à-vis those of their retailers and by choosing the best means of servicing them.

## Improving Communications Productivity

Marketers are carefully examining alternatives and supplements to media ads, whose costs have been rising. Merchandising programmes cannot substitute

for media ads. They can, however, reinforce and remind customers about the ad, and messages they have seen before entering the store.

### **Advantages**

Generally, retailing and merchandising campaigns have four major advantages over media ads.

1. Low cost
2. Consumer focus
3. Precise target marketing
4. Easy in evaluation

### **Changing Consumer Expectations**

These days, consumers are inclined to seek special deals and wait for sales before they buy high value items. Retailers are interested in merchandising techniques and displays that can productively occupy consumers while they are waiting for sales help. Many consumers wish to do their shopping quickly and efficiently, yet at the same time, the longer they are in the retail store, the more likely they are to buy. Effective merchandising programmes not only make shopping entertaining but also remove some of its frustrations.

### **Implementation Steps**

Recognising the significance of retailing and merchandising programmes is not enough. Consumer goods marketers must pay more attention for developing effective merchandising programmes and, more important, they have to ensure that such programmes are properly implemented. Before developing a merchandising programme, managers must have a clear understanding of their marketing strategy, i.e., which products are being delivered to which markets, and through which channel of distribution. Given the marketing strategy, marketers should go on to answer such questions as:

1. What is the effect of a merchandising programme on the consumer purchase decision?
2. Which channel members—manufacturers, retailers and consumers are willing to perform a particular function?
3. Which members can perform them most effectively?
4. How should the functions be allocated?

### **Programme Development**

Once the above questions are considered, marketers can work out the specifics of the merchandising programmes, such as, objectives, vehicles and budgets. Here are the five principles that guide the process:

1. Integrate all elements of the merchandising and retailing communications mix.

2. Offer the retailers a coordinated merchandising programme for an entire product line rather than a collection of materials for a particular item.
3. Link merchandising assistance to trade performance.
4. Assume that various merchandising programmes would be needed for distributing channels.
5. Integrate communication with advertising communication.

## Challenges

The success of the merchandising campaign lies in its effective execution. However, there are a few challenges that need to be overcome to leverage the campaign to the fullest extent.

1. Cooperation of channel members including manufacturers, retailers and consumers.
2. Comprehension of the campaign by the consumers.

## WHY MERCHANDISING

Despite the rising intensity of brand wars, there is a lot of ignorance on what merchandising is and how it helps in brand building. Though no research has been done on the impact of merchandising on purchase decisions, it is believed that at least two thirds of buying decisions are made at the point of sale. In apparel and dress accessories, there is higher awareness of merchandising and its utility. Merchandising is the ability to visually demonstrate and display a product, show its features and properties and bring out some of its esoteric. Going by the recent trends, merchandising is gaining in importance each day. Pepsi, Coke, Bausch and Lomb and Hindustan Lever Limited (HLL) have used it fairly successfully. The heightened awareness of the role of merchandising in recent times is because of the entry of foreign brands into the country. However, in India, most retailers, do not have their own merchandising. This will probably happen sooner than later and would be following in the name of big overseas names such as Walmart and Marks & Spencer, which do their merchandising.

## RETAILING, ADVERTISING, MARKETING AND MERCHANDISING SERVICES (RAMMS)

RAMMS stands for retailing, advertising, marketing and merchandising services, and started its operations in 1991 as a subsidiary of the well-known MAA BOZZEL ad agency. In October 1994, RAMMS became a public limited company, thus gaining a separate entity. Though presently, both RAMMS and MAA BOZZEL have close association, yet they are separate enterprises in themselves. Initially, RAMMS service profile covered visual merchandising, POP materials and retailers' sales force training. In the early 2000s, RAMMS added exhibition management, store planning including design implementation, interactive POP displays, and sales promotional materials to its service offerings.

According to RAMMS, the area of retailing and merchandising is a huge virgin market waiting to be tapped. The total estimated market size in the next three years is going to be almost ₹350–500 crores, of which only about 10% will be tapped. Usually, the better known organisations keep aside upto 10% of their total advertising and promotional budget for retailing and merchandising.

Some of the key features of this enterprise are:

1. RAMMS makes it a point to involve the customers for post transaction communication by meeting the present customers, assessing the impact of an implemented merchandising strategy and other related activities.
2. RAMMS is a totally separate enterprise from MAA BOZZEL with an example that NOKIA is their client, whereas AT&T that of MAA BOZZEL. Regarding customer obtainability, these firms usually depend on word of mouth, direct sales and service demonstration.
3. According to RAMMS, there is at present, no competitor to it. Whatever little merchandising and retailing the advertising agencies do, is within the same agency, and not as an exclusive enterprise.
4. Shopper Marketing in India is different because of the multiplicity of channels in India. RAMMS has devised an India specific methodology (DICEM) to create new paradigms in Shopper Marketing across these multiple channels.

Their present clientele include ITC, Shaw Wallace, Hero Honda, Lakme, Coca Cola, UB, Reckit Coleman and Citibank. The major campaigns launched by their Bangalore (now Bengaluru) unit are:

1. POP displays for Lakme Orchids nail enamel.
2. Cariba-cola flavoured rum campaign.

It was decided to test the effectiveness of the campaign of Lakme Orchids. Necessary data from the sample of consumers was collected directly with a questionnaire. It was personally administered at the point of purchase. The data collected was then analysed and interpreted.

Simple random sampling method was used for the purpose. On RAMMS suggestion, two big departmental stores, namely, Spencer on MG Road and Topaz on Brigade Road in Bangalore (now Bengaluru) were chosen to carry out the survey as both places had invested money and space to create merchandising and other POP displays in cooperation with RAMMS. Also, the Lakme Orchids range was targeted at the upper and upper middle class ladies who would prefer to shop at upmarket places like Spencer's and Topaz.

To elicit free and frank responses, a structured questionnaire was supplied with 16 questions (see Appendix A). It was given to customers coming to the point of sale and willing to respond. Fifteen questionnaires were used at each of these places stated above, bringing the total sample size to 30. The data thus generated was interpreted and results elicited.

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### ISSUES FOR DISCUSSION

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1. With the data collected, what type of analysis could be adopted to measure the impact of Lakme Orchids campaign?
2. What type of conclusions can be drawn from such an analysis?
3. Is it possible to conclude that the effectiveness of merchandising is higher if coupled with ad campaigns?
4. What are the possible limitations?

## Appendix A

### Questionnaire

The primary data was collected from the sample of customers as already stated in the previous section. The questionnaire was:

1. What is your objective of coming to the store?
  - To purchase?
  - To do window-shopping?
  - To give company?
  - To check out new arrivals?
  - If any other reason, please specify.
2. Do you prefer shopping in big departmental stores like this?
  - Yes
  - No
3. If the answer to Q.2 is Yes, then why do you prefer shopping in these stores?
  - Convenience of all under one roof
  - Better quality
  - Courteous sales people
  - Status symbol
  - Abundant quantity
  - Good variety
  - Competitive pricing
  - If any other reason, please specify.
4. Are you normally pre-decided on what to purchase before you come to the store?
  - Yes
  - No
5. If the answer to Q.4 is No, then on what range of goods do you usually decide after coming to the store?
  - Cosmetics
  - Crockeries
  - Hard drinks
  - Household items
  - Hygiene items
  - If any other reason, please specify.
6. When you move toward the cosmetics section, what is it that strikes you the most?
  - Salesgirl
  - Colourful displays
  - Beautifully done shelves
  - Other purchasers
  - If any other reason, please specify

7. Have you seen or come across the newly-launched ads for Lakme Orchids range?
- Yes
  - No
8. If the answer to Q.7 is Yes, then in what media?
- Newspaper
  - Magazines
  - TV (DD)
  - TV (Satellite)
9. What is your opinion about the ads?
- Very good
  - Good
  - Fairly good
  - Nothing new
  - Bad
  - Very bad
10. When you came to the cosmetics section of this store, was the ad in the mind?
- Very clearly
  - Clearly
  - Could just recall
  - Could not recall at all
  - Could recall after seeing the displays
11. What did you like in the Lakme Orchids range of displays?
- Colour
  - Movement
  - Positioning
  - Try and buy concept
  - Nothing in particular
12. What is your opinion about the try and buy concept?
13. Would you have purchased Lakme Orchids range if there were no try and buy concept?
- Yes
  - No
14. What in your opinion was the decisive factor in making this purchase?
- Advertisement
  - Try and buy scheme
  - Ads and display
  - Store displays
  - Salespersons
15. If you have not purchased, then please give the reasons thereof
- Highly priced
  - Limited range of shades
  - Dissatisfied by previous usage
  - If any other reason, please specify.
16. On a scale of 1–10, please give your opinion of the following criteria regarding this store:
- |                         |   |   |   |   |   |   |   |   |   |    |
|-------------------------|---|---|---|---|---|---|---|---|---|----|
| • Overall convenience   | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| • Quality of products   | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| • Variety available     | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| • Salespeople           | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| • Price                 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| • Quantity              | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| • Spaciousness          | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| • Location of the store | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
- 1 : Atrocious
- 10 : Excellent

# Appendix B

## Monthly Ad Expenditure and Sales Turnover, 1994

Monthly Ad Expenditure and Sales Turnover, 1994

(₹, Lakhs)

Month	Ad expenses	Sales turnover
January	37.5	240
February	39.0	260
March	42.5	240
April	42.5	270
May	45.0	280
June	42.0	268
July	47.5	280
August	47.5	300
September	50.0	280
October	52.0	295
November	51.0	310
December	53.5	320

