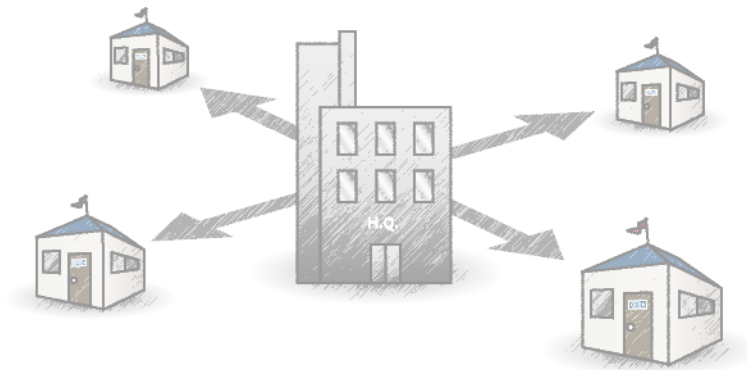


## How to *Successfully* Manage Retail Merchandising and In-Store Advertising Campaigns



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## I EXECUTIVE SUMMARY

This white paper explains new methods of retail marketing using *Uplink*<sup>™</sup> and *Upsell*<sup>™</sup>, network marketing information management programs by the Savonix Corporation, and how they improve upon existing strategies and tactics. It was written for executives in the retail marketing profession who manage 25 or more locations, and explains, step-by-step, the processes involved. It also contains illustrations of example components that are used throughout the process.

There is a review and analysis of the benefits to finance, human resources, and marketing departments, such as cost savings and increased revenues through reduced waste and increased sales.

## 2 PURPOSE: OPTIMIZE RETAIL STORE PERFORMANCE AND PROFITABILITY

### Attention Retail Marketing Executives and Merchandising Managers : Personalize your merchandising!

We recommend updating your merchandising and in-store advertising strategy to focus on customers' personal needs, rather than products and services availability. To do so, your merchandising and in-store advertisements will need to evolve and stay fresh to keep up with your customers attention span. In addition, you will need to customize each store presentation for local customer needs and buying habits. Lastly, to maintain your brand integrity and consistency, all this will need to be done at the same time across your entire retail network.

### Aren't my merchandising systems successful enough?

First of all, is there a "successful enough", to begin with? Since you're still reading, you likely agree that there is always room for improvement, and by the end of this paper we intend to show that there is so much room for improvement, a call to action is justified.

Imagine the following aspects to successful merchandising tactics:

- Promoting timely products and services to new and existing customers
- Basing your promotions specifically upon customers' personal needs
- Doing so at a time when they are thoughtful of related issues and insulated from competitors messages, i.e. when they are inside your stores
- Unifying the process across all your stores at the same time

Experience has proven that merchandising works. So much so that companies spend tens of thousands of dollars to set up and furnish complex systems for their customers to interact with, learn from, inquire about, and even purchase from.

For every business, an important factor of profitability is the optimized use of assets. In retail, the biggest assets are almost always the retail storefronts, including merchandising fixtures. These valuable resources are often grossly under-utilized, and represent an attractive opportunity for increasing profit margins. For a relatively small investment, these assets can be effectively leveraged to enhance customer experience and sales revenue.

### Why didn't I think of this before?

Due to logistical challenges, this process of advanced retail marketing has previously been too complicated and expensive. The fact that retail outlets are spread out over great distances prevents the practice of synchronized, high-frequency, continuous, and customized updates of merchandising and point-of-sale materials.

Simply put, it has been too expensive to continuously change the posters, inserts, displays and brochures at every store, all the while customizing the presentation for local customer demographics.

### Miracle of modern science

This document will show you how to successfully accomplish this feat on a budget. If you would like to get started today, please contact Savonix Corporation at support@savonix.com, or 617-481-1925 to discuss the next steps.

The proposed new method of successfully managing your retail merchandising and in-store advertising campaigns can solve many of your challenges by:

- Accelerating the campaign launch cycle and reducing the amount of repetitive steps involved to getting your promotions out in front of customers
- Counting on the local store to execute campaigns exactly as specified through in-depth and easy-to-use instructions
- Monitoring and reporting of campaign launch results
- Decreasing amounts of wasted materials and precious employee time
- Providing detailed floor plan and graphical representations of the entire store network
- Promoting a standardized and unified brand
- Customizing the presentation to fit local needs and buying habits
- Ending the need for executive travel out to remote branches to check on merchandising setups

### What are *Uplink*<sup>™</sup> and *Upsell*<sup>™</sup>?

*Uplink* and *Upsell* are proprietary software services from Savonix Corporation, designed to successfully manage retail merchandising and in-store advertising campaigns.

The *Uplink* system is a network application that contains site survey and contact information for all of your business locations. Simply click on each address to take a virtual tour, including photographs, interactive floor plans, furniture and advertising material inventory, personnel names and contact information, and even hours of operation. Your management team has the power to easily edit this information at any time.

*Upsell*, our advertising and campaign management tool, makes it easy to launch turnkey promotions while saving you time and money. Simply enter the various aspects of your campaign strategy, including: the locations and regions you wish to target, your ad schedule, and the advertising collateral you wish to use. Once these elements are entered, *Upsell* will generate valuable reports, so you know exactly how many ad units to produce and ship to each location. Once you are satisfied with the setup, the resulting model will position the new advertisements within each location based upon the following predefined categories: customer segment, line of business, campaign priority, and visibility rating. Voila! The new campaign messages are updated and marketing managers have the ability to target their customer segments on a location-by-location basis.

## 3 EIGHT STEPS TO SUCCESSFUL RETAIL MERCHANDISING AND IN-STORE ADVERTISING

### 3.1 Define Marketing Goals & Objectives

Before you get started, think about your current and future customers, and what you currently sell or plan to sell them. This thought probably conjures up a panoply of opportunities. List your objectives in order of priority. As we progress through the procedures, refer back to your list to periodically to make sure you are keeping in line with your goals.

### 3.2 Target Audience

#### What are your market segments?

Your market segments are usually three to six identifiable groups of customers. If you feel like you only have one group of customers you are marketing, you have more work to do. If you feel you have more than ten, you might want to simplify.

#### How do you know which customers belong to each segment?

With 25 or more retail outlets, you have numerous customers, and access to even more potential customers, so it might seem too difficult to classify them. However, it is safe to assume that customers shop in the neighborhood where they live. By examining your store locations, you can deduce the profiles of the customers and potential customers you have access to at each location. Chances are, the profiles of each location are not distinct, but varying mixtures of the different segments you already defined. Make a pie chart for each location describing the customer segment mix.

If you can't make a judgment on a neighborhood or location, talk with the store manager, as they will be familiar with who is shopping and living or working in the surrounding area. When in doubt, just look at the cars parked at the store; you can learn a lot about your customers by the cars they drive. For example, in the banking industry, luxury car driving customers would likely be interested in retirement and insurance products. Pickup truck and van driving customers would likely be interested in small business solutions, and economy car driving customers may be interested in available credit.

### **3.3 Separate Business Lines**

This has probably already been done for you. For banks, business lines are usually divided into personal, business, and wealth management; for fast food: value, convenience, and price; for wearing apparel: men's, women's, kids. You get the idea.

If this isn't already accomplished, try to find logical divisions among your product and services lines. Talk to your product managers and ask if they are aware of different business lines.

### **3.4 Rollout Merchandising Fixtures**

This step is optional, as you may already have an existing merchandising system. However, if you have recently merged, are adding new locations, or your merchandising system is a number of years old, it may make sense to start fresh. A merchandising system can unify your brand and improve the customer experience. This document includes the extensive rationale for merchandising systems.

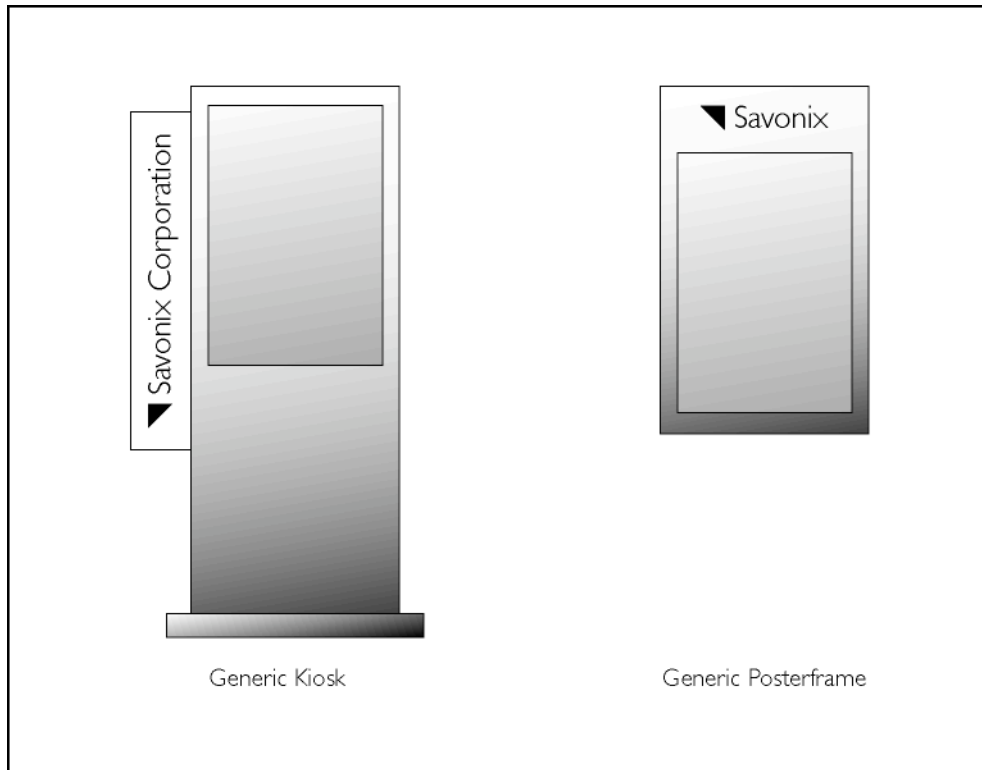


Figure 1 – Example Merchandising Fixtures



### 3.6 Design Advertising Collateral

This step is often outsourced to an advertising agency, but it can also be done in-house if you have the resources.

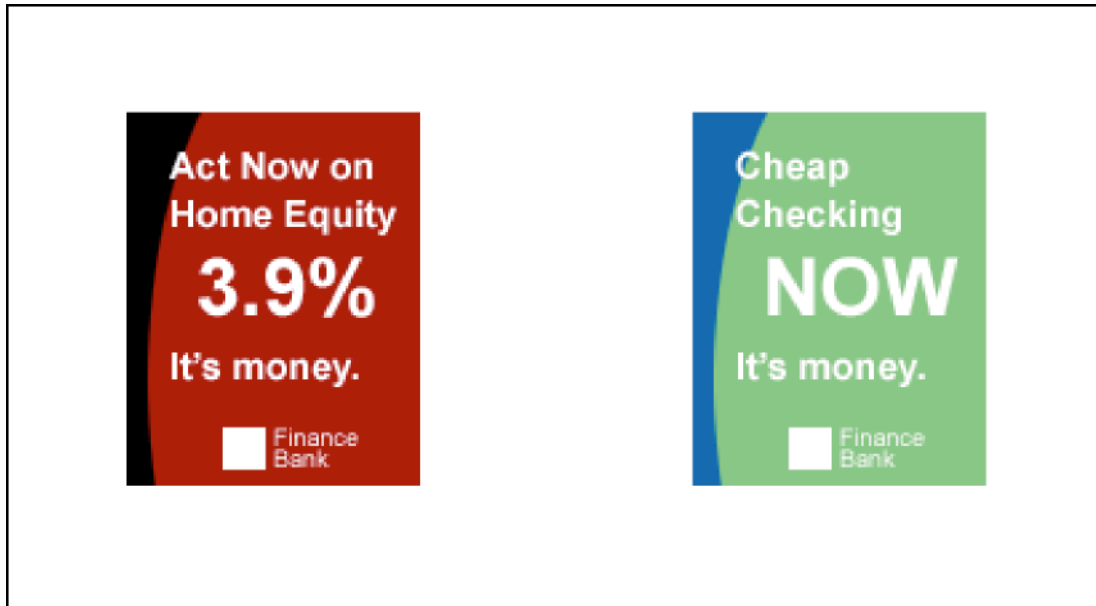


Figure 3 – Example advertising collateral for a retail bank

### 3.7 Create Campaign

#### 3.7.1 *Select Stores*

Choose the stores you would like to include in your current campaign. This can be all of them, certain regions, or only a few specific stores.

#### 3.7.2 *Select Collateral*

From your library of collateral pieces, choose the products, services, and/or brand emotions that match your customers' needs during this campaign.

#### 3.7.3 *Schedule Promotions*

Campaign schedules are completely up to you. Some retailers have obvious schedules to abide by, like Christmas for department stores and toy stores, and the tax season for financial institutions. Your schedules will vary by industry and corporate objectives. Once the campaigns are scheduled, the system will inform your printer of the quantities you need and how many to ship to each location.

#### 3.7.4 *Instruct Employees*

While the campaign materials are being produced and shipped, the local store employees will receive instructions (these can be mailed, emailed, faxed, or accessed online) for the upcoming campaign. The instructions will include the campaign schedule, as well as detailed diagrams of the location they work in, specifying where everything will be installed. Lastly, they will be told to report back to management when they have completed their tasks.

### 3.7.5 *Launch Campaign*

At this point, your work on your in-store marketing campaigns is finished, freeing up your time to attend to other pressing business matters. When the launch date arrives, you can observe in real time, how the stores comply with your instructions. If all the stores are not in compliance after the launch, you can send out reminder emails, or follow up with phone calls to identify and resolve any issues.

### 3.7.6 *Track Response*

Once a campaign has successfully launched, you can measure its effectiveness in many ways. For example: how many brochures have been picked up, products bought, and services rendered? Then compare this data with your strategy and gain insight into the effectiveness of your campaigns.

## 3.8 **Refine Strategy**

Marketing is a continual process, and your strategy must be continuously refined. Fortunately, with this framework and process, you don't have to re-invent the wheel each time you improve your strategy and launch another campaign. You will repeat procedure 3.7 and the five steps it contains to fit your ongoing campaign objectives. Additionally, you can adjust the settings in procedure 3.5 from time to time as your marketplace changes and evolves.

## 4 REVIEW & ANALYSIS

In the following sections, we examine how the use of *Uplink* and *Upsell* to execute new retail marketing methodologies will benefit your business departments.

### 4.1 **Marketing**

#### Incremental brand benefits

By being more consistent, accurate, and synchronized, your corporate brand will continuously gain incremental benefits as your customers and the public are influenced by your professional dedication to serving their particular needs. Malcolm Gladwell wrote in his bestselling book, "The Tipping Point: How Little Things Can Make a Big Difference," pg. 259 – "We are actually powerfully influenced by our surroundings, our immediate context, and the personalities of those around us."

#### Synchronizing all marketing channels

With accountable accuracy in your merchandising and in-store advertising campaigns, you are thus empowered to synchronize them with your other marketing channels, such as radio, television, internet, billboards, and other mass media.

Personalized, repetitive, consistent, and contextual messaging has an impact of several magnitudes greater than the alternatives. On the other hand, disorganized, inconsistent, and random messaging can even have the negative effect of confusing the public and curbing their interest.

### 4.2 **Human Resources**

Your local store employees will benefit from improved merchandising support, as it will also raise their awareness of the products and services specifically designed for the types of customers that shop at their location. They will also receive valuable training in the merchandising discipline through the instructions they receive.

### 4.3 Financial

#### What are the costs involved with retail merchandising and in-store advertisements?

Consider the following components in the cost analysis of a merchandising campaign:

1. Product development
2. Marketing strategy
3. Marketing tactics
  - a. Real estate lease or ownership
  - b. Facilities maintenance
  - c. Store employee time
  - d. Merchandising fixture design, manufacturing, and installation
  - e. Advertisement design
  - f. Printing
  - g. Delivery
  - h. Installation
4. Analysis

From this perspective, the cost of a poster being in front of one customer for one day is much more than it would seem as simply a piece of paper with ink on it. These factors must be included to accurately calculate the return on investment of implementing *Uplink* and *Upsell*. However, if the installation of the materials is not executed as planned, all the other investments are wasted, and become worthless.

This crucial step is handled effectively by *Uplink*, by delivering stores specific and easy-to-use instructions on how to install the new materials. The stores must also use *Uplink* to report back to management when they have successfully installed the new materials, or what the problem is if they are unable to do so.

#### How will this save money?

First of all, this organized process and database will allow you to know exactly how many posters to produce for each campaign, and how many to send to each location. This will reduce your production costs, and shorten the amount of time required to execute a campaign.

Second, you will also save precious employee time, as they will be able to install the materials faster, with fewer mistakes.

Third, by having your materials “up” in-front of customers the *entire* time you have allocated, 100% of your costs are utilized. Without *Uplink*, your campaign might only be 80% of the time, resulting in a loss of 20% - of all the expenses that go into each campaign.

#### How will this make money?

By communicating with your customers and the public in a more personalized manner, you will show more people that you can offer what they need. This will help you sell more. As an example for retail banks, increased income can come in the following forms:

*Interest Income*                      Interest income in the form of deposits and loans will increase with improved merchandising.

*Fee Income*                              Fee income from the sale of securities and insurance will increase with improved merchandising management.

## 5 BACKGROUND

### 5.1 Recent Developments in Retail Marketing

For years, retail marketing executives have used the in-store customer experience as a channel for raising public awareness of their companies' products and services. These practices included the use of take-one displays, posters, product displays, window dressings, and even interactive kiosks. These fixtures also get updated with new content – merchandise, posters, brochures, pamphlets, etc. on a regular basis. They discovered that these practices produced real results – such significant results that branch, chain and franchise operations began to invest tens of thousands of dollars into their merchandising systems – for each one of their stores!

Along came the internet with e-commerce and its world wide network access, promising to save these companies from the cost of the brick and mortar buildings, let alone the expensive, yet effective, merchandising systems they contained. Shortly thereafter, online merchandising solutions began to appear on the marketplace, further promising to raise public awareness of products and services, as well as upsell and cross-sell customers, just as their traditional wood, metal, and plastic counterparts were already successfully accomplishing.

During the bubble expansion and after the burst, businesses realized that while e-commerce was a truly viable business model, in-store retail was truly and increasingly too valuable and rich a channel to leave behind.

Today, more and more companies are using lessons learned from the internet bubble era to enhance their online and in-store strategies, like uniting their brand throughout their store network, as well as customizing their messages, based upon local needs and buying habits. However, the following list of challenges further complicates these already daunting tasks:

- Labor intensive campaigns
- High degrees of merchandising discretion at the stores
- No merchandising accountability at the stores
- No awareness of merchandising presentation at the stores
- No governance over store merchandising
- The use of outdated and “home made” merchandising
- The need to promote different products and services from multiple business units

We at Savonix Corporation help companies reap more rewards from their customers' in-store experience by successfully managing merchandising and in-store advertising.

### 5.2 *Uplink*<sup>™</sup> and *Upsell*<sup>™</sup>

These two software services are specifically designed to improve retail marketing management results. After several years of experience in the retail bank merchandising and internet software businesses, the need for a new strategy and approach to retail marketing emerged.

The combination of user-friendly, secure, and inexpensive technology with effective, comprehensive marketing tactics has resulted in *Uplink* for space management and *Upsell* for merchandising campaign management. These two software services provide a timely solution for successfully managing retail merchandising and in-store advertising.

## 6 CONCLUSION

### 6.1 Let's Review One Last Time

The bottom line is that retail merchandising and in-store advertising performs, but its performance can be multiplied by several orders of magnitude. We have explained the process and analyzed the benefits, most importantly, the costs savings and revenue generating aspects of *Uplink* and *Upsell*. These include:

- Reduce production costs by eliminating over-runs
- Reduce waste by using your campaign materials 100% of their lifetime
- Increase employee productivity
- Increase sales
- Increase the value of your brand
- Increase cross-sell and upsell ratios

By using *Uplink* and *Upsell* to successfully manage your retail merchandising and in-store advertisements, your company can achieve a substantial return on investment.

### 6.2 Next Steps

The next steps to achieving successful merchandising and in-store advertising management practices include the following:

1. Contact Savonix or one of our authorized distributors
2. Calculate return on investment
3. Setup *Uplink* for your stores and *Upsell* for your marketing executives
4. Begin executing more sophisticated marketing strategies

## 7 APPENDICES

### 7.1 *Uplink and Upsell* Features and Benefits

<b>Feature</b>	<b>Benefit</b>
Online floor plans	Accurate knowledge of store setup, without expensive travel to each location
Campaign manager	Multi-campaign planning, with production and distribution reports to reduce costs
Virtual tours	Bring customers and management closer together
Store status indicator	Instant knowledge of store compliance with merchandising and in-store advertising directives
Asset tracking	Improve management and utilization of assets, resulting in a higher profit ratio
Store specific customization	Improved communications, customer experience and sales
User friendly store instructions	Improves store accuracy, lowers store level advertising discretion, easier promotions and uniformity throughout store network
Campaign results accountability	Holds local store employees accountable for executing the campaign, assuring timely, precise store updates