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Retail Marketing and Advertising Guide

*By: Dave Clark
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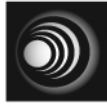


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This guide has been developed and copyrighted exclusively for Generation Brands. It will provide lighting retailers with some of the fundamental knowledge and tools to quickly evaluate various media and create more effective ad campaigns, and includes discussion on:

- 1. The variety of media options**
- 2. How to create a productive and sustainable advertising plan**
- 3. Building your brand image**
- 4. Effective ads and the elements that make them work**



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I. MEDIA “RULES OF THE ROAD”

In order to make decisions about which media is right for your purposes, it is important to have an understanding about the characteristics of each media. Every good media sales person believes that their media is the best for you and they will do their best to persuade you to buy. The media that you will ultimately choose to communicate with will depend upon the way that you have decided to position your showroom in the marketplace, your target market, and the most productive use of your marketing dollars.

Newspaper

Newspaper has long been the strength of any retail ad campaign. And although newspaper readership is aging somewhat, it continues to be one of the most effective ways to advertise. The key to success for the lighting showroom is to create a strong call to action. “Call to action” advertising offers something special. These ads will offer the consumer a limited time frame to buy the products of their choice. Calls to action create urgency. Successful calls to action include: “Buy One - Get One ½ Off,” “Early Savings,” “Instant Cash Rebates,” and “Inventory Clearance.” Or try giving an odd percentage off to catch the consumer off guard.

The minimum effective size for a newspaper ad is 24 column inches. At first glance, this size ad might seem very expensive. However, there are often “off rate card” deals available. The key is to know how much you are willing to spend on an annual basis and negotiate a better deal from a position of making a larger commitment. The newspapers have high overhead costs and the one thing they can afford to give away is space. Ask for special deals on half page and full page ads. Many newspapers are also willing to provide full color ads for a small extra charge if you are a committed advertiser. For your lighting showroom, ask to have your ad in the Main News or Style Section. Also, stay on the look out for “Home” oriented sections of the newspaper or seasonal Home & Garden sections. These will include content that will attract your customers. Upscale customers look for strong editorial content, so make sure the sections offer information as well as ads.

As an alternative to traditional ads, most newspapers offer insertion programs that include printing. The pricing for these programs varies, depending upon whether the newspaper has in-house printing capabilities. We have found in many cases that even a single page insert can be cost-effective in driving customers to your business.

Radio

When evaluating any radio station proposal for your lighting showroom, it is important to define your target audience. For example, ask to see the station’s ratings for Females aged 35-54. This key target audience for lighting showrooms. If you are evaluating for Electricians and Builders ask to see station rankings for Males 18 to 49. Many stations will show you other target audiences such as Adults 18-49 or Females 25-54 in order to enhance their ratings. This is the root of most confusion when weeding through radio station proposals.



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It is important to consistently ask for and compare data for your target audience. The data you are interested in is “reach” and “frequency.” Reach is a theoretical percentage of the target audience who will hear your message. Frequency is the number of times they will hear the message. Note that these variables should also be considered in any form of advertising, including television and other forms of print media.

Radio is best used as a promotional support to newspaper advertising. The promotional message should be broadcast frequently (at least 3 times per person reached in your target audience) and should be written with a strong call to action consistent with the newspaper.

On most stations the hours between 6 AM and 9 AM (the morning “drive time”) and 4 PM to 7 PM (the afternoon “drive time”) is the most effective time. This is a time when many adults are captive listeners in their cars on their way to and from work. Other stations specialize in strong listening during office hours. Radio can also be used throughout the day between the hours of 6 AM and 11 PM to help increase reach and frequency. We also find that ten second news, traffic and weather sponsorships are a good addition to any radio schedule. Beware of schedules that include wide rotators where your spot might run any time between 6 AM and 6 AM the following day. Any radio spot running between midnight and 6 AM should be “no charge.”

Radio can also be used to create “top-of-mind awareness” if you can afford it. These image-based commercials focus on the benefits of shopping at your store, such as great selection, great style, family-owned, locally-operated, or a knowledgeable sales staff. This kind of branding can get very expensive, however.

The goal of any radio campaign should be to “reach” 30% to 40% of your target audience and achieve a frequency of at least 3 times per person reached.

Magazines

Magazines are the ultimate media for image-based ads. Image advertising builds on your broader value proposition and positioning to attract the customer. These ads talk about the largest selection, expert advice, and other special services such as in store and even in-home lighting layout services, installation referrals, payment plans, and easy return policies.

Imagine the mind set of the 35 to 54 year old professional woman who sits down to relax with her favorite magazine after a long stressful day. She is gathering information, making mental notes about style, getting ideas for where to shop, how to dress and how to make her home more beautiful and functional. She may not come into your showroom right away – but if she sees your ad on a regular basis and your message is compelling, she will remember to come into your store or go to your web site.



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Television

National and local network television can be a very powerful, although costly, media. It combines words, pictures and music and creates a clear impression about your operation and products. We have found network TV drives traffic using both image-based and promotion-based messages. However, we feel that to create a response in your sales, it is important to include a call to action in all TV commercials.

While cable TV offers specific home design programming channels such as HGTV, small market areas and a multitude of channels tend to result in dramatically reduced reach and frequency. While this creates an affordable alternative to network TV, it is wise to remember the adage “you get what you pay for.” In most markets, cable delivers less than 1 percent of the target audience per spot aired, while network TV can easily deliver 5% of the market overall for each commercial viewed.

Direct Mail

Direct mail has long been one of the most effective response generators in advertising. But with regular increases in the cost of postage, direct mail has become more and more expensive. The keys to success in direct mail advertising are 1) having a great list and 2) having a compelling offer.

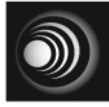
The best list is an actual customer list. These lists can be gleaned from sales records on your computer data base, or they can be generated via enter-to-win contests in store. If you don't have a mailing list, the American Lighting Association has customer response lists available by zip code at no charge to members. These lists can be “profiled” by local mailing houses to provide additional names and addresses that are similar to the ALA list.

A good response rate in direct mail is three-fourths of a percent. The better your offer and list, the better the response you can expect. The most effective direct mail offer we have used is the “4 Hour Private Sale” or “Preferred Customer Sale”. This promotion makes customers feel like your store remembers them and they prioritize attending a limited time event.

Outdoor Advertising and Billboards

For the sheer number of impressions, billboard advertising is by far the most powerful medium available. Billboards are typically used to create top-of-mind awareness, announce a new showroom or product category, and/or provide directions to the showroom.

Typically a billboard on a major highway in a moderate-sized metropolitan area will be seen by 50,000 adults (18 or older) per day. Multiply that by 30 days and you get 1.5 million impressions per month. Multiply that by 3 boards and your message gets nearly 5 million impressions per month.



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But the costs add up as well. A typical billboard can easily cost \$3500 per month plus the cost of printing the vinyl (a one-time charge of \$1000 - \$1200). In larger metropolitan areas, billboards can cost \$6000 to \$9000 per month.

If your marketing budget is tight, chances are you will not be using billboards. But if you have available dollars in your budget, billboards are a great way to get your showroom name in front of the home owner day in day out.

Business Listings

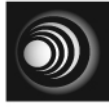
Informational advertising seeks only to present the logo, contact information, phone number, tag line and web address. This type of advertising is used for Yellow Pages, on-line listings, and other publications. Yellow Pages have long been an essential part of any advertising budget, but recently, consumer shopping patterns have shifted dramatically—especially among a younger population.

More and more consumers are using search engines like Google, Yahoo, and AOL to find what they are looking for. As a result, many retailers have been reducing their advertising in the Yellow Pages. Most Yellow Page companies also have online editions that you can advertise in for an additional charge, but many of them do not have good market penetration. Be sure to ask to see data on how many people go to the sections you are considering advertising in. You may be surprised at how small the number is.

Internet

The foundation of an effective internet presence is to have an effective web site. A good web site covers the basics of location, history, services, and contact information, but also includes substantial product photos and informational “how-to” articles. We have also found that “Inspiration Gallery” photos attract over 40% of the visitors to the web sites we manage. Consumers are going to your web site looking for ideas as well as particular information to guide them in their lighting purchases. When your site provides that information, the local customer is more apt to come into your store to buy rather than shop online.

One key aspect of your web site should be to establish your business and staff as “experts” who can help make the right lighting decisions. Another equally important opportunity is to compile an “opt-in” list from your visitors. This means enticing your visitors to give you their names, email addresses and (if you are running a sweepstakes or contest) phone numbers. This information should be gathered in the store as well as online. As more and more “core customers” sign up to receive future email promotions and new product information, you will have the opportunity to send email messages for little or no money to this critical group that coincide with promotional events.



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Once you have established a solid web site, you may want to investigate “pay per click” advertising programs on major search engines. These pay per click programs are relatively simple to set up, can be served to a specific geographic area, and allow you to bid to have your ad ranked in a higher position. Google has by far the most advanced pay per click service, but other search engines are becoming more competitive.

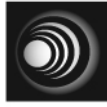
When developing your web site, it is important to remember that the more content you generate the more traffic you will attract. And the more traffic you attract, the more business will come to you store. Good content has the side effect of increasing search engine rankings.

Non-Traditional Media

Non-traditional forms of media are quickly emerging. These include cell phones, podcasting and digital signage. Before cell phones, consumers who happened upon an interesting event could only wish that they could tell their friends. Now, it’s as easy as flipping open their phone and telling them to come to your event. Keep an eye open for opportunities in these non-traditional media. We are more connected than ever before and it’s just a matter of time until local advertisers get in the act.

A Final Word on Media

If you are not confident about which media you should use and how much budget you should allocate, contact a professional media buyer. Professional media buyers typically recommend budgets, negotiate schedules with multiple media, issue traffic orders, review invoices and authorize payment of these invoices. The cost of this type of service is usually 10% of the gross amount, depending upon the volume to be placed of the advertising budget. However, all TV and radio media offer net rates (15% less) to recognized media buyers and ad agencies to offset this cost to you.



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II. DEVELOPING AN ANNUAL ADVERTISING PLAN

It is easy to get overzealous about the web as the “be all and end all” for any advertising campaign. The web is mentioned as the referring media that instigated consumer visits by about 30% of customers entering lighting showrooms. While that is a large number, the majority of consumers are still getting your message through traditional media.

Here’s a breakdown of media responses provided by a major lighting showroom in Florida. The sample used is statistically significant (194 responders) and it shows a real-world picture of how people are getting media information and why it is important to use multiple Medias in promoting your store.

What brought you into our showroom?

Internet	9	5%
TV ad	10	5%
Magazine ad	4	2%
Referral	54	28%
Radio ad	3	2%
Newspaper ad	11	6%
Contractor	18	9%
Other	55	28%
Other(drive by)	29	15%

What were your needs?

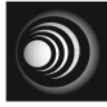
New Construction	22	11%
Remodeling	87	44%
Lamps & Accessories	91	46%

Have you visited our Website?

Yes	53	27%
No	143	73%

Would you like to be on our mail & e-mail list to receive future promotions?

Yes	118	61%
No	76	39%



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Measuring the Effectiveness of Advertising

Someone once said “I know that 50% of my advertising is wasted, I just don’t know which half.” By adding simple components to your advertising program such as coupons and web promotions, it is easier to know what works and what doesn’t. For instance, if you are running a sale using radio and newspaper media, add a coupon in the newspaper and on your web site. You can promote the sale as your main message, and on the radio tell the listener to go the web site for “Additional Savings”. The newspaper can also have a “Mystery Coupon” good for additional savings. At the end of the sale check three statistics.

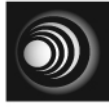
1. Compare your store sales to the same time period as the previous two years – make notes about the weather, promotion, etc.
2. Count the number of coupons that are redeemed from the newspaper and from the web.
3. Check the daily statistics on your web site. You should see a jump in web traffic as well as the number of coupon downloads.

Creating an Ad Budget

If you want to sell directly to consumers, the success of your ad program will depend on having your message seen by as many people as often as possible. At any given time, only a small percentage of the entire marketplace is actively engaged in activities that require a purchase for the home. The most successful campaigns are those that have their advertising message in front of consumers at least half of the year in one form or another. To achieve this level of exposure, it is critical to reinvest 4% to 5% of your sales to the advertising budget. This amount does not include Yellow Page advertising, or “charity ads” that are primarily in support of the local sports teams or non-profit organizations. Typically, these forms of advertising take up another 1% of sales.

Other Tips

- 1) The best radio or TV commercial ever created can be a drag on your business if it costs too much to produce. When working with advertising people, set clear budgets that are no more than 20% of your total ad budget for that campaign.
- 2) When creating an ad – remember who you are talking to. Your customer is primarily a female 35 to 54 with a high level of education and disposable income. With your advertising mix, try to reach 40% of this audience with a message that they hear 3 or 4 times. A professional media buyer can help you negotiate the buy and put this information together for your review.
- 3) Follow the crowd – If there are a lot of advertisers going into the newspaper and radio during President’s Week, go with them. More advertisers create the sense that something important is happening and gets consumers in the mood to shop.



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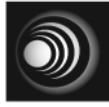
III. BUILDING YOUR BRAND IDENTITY

Investing in advertising provides you with a real opportunity to carve a memorable niche for your store in your local market. Whether your ad looks great or just so-so, the advertising still costs the same. Our advice is to spend a little time with your designer or ad agency up front and evaluate the look of the advertising. In order to build brand recognition, your ads should be unique to your marketplace and include consistent graphic elements. Consistently applied, these elements allow consumers to identify that the ad is from your business before they even read it. Create a checklist to make sure that the ads always contain certain information. When you settle on a look, ask that a design standard be written down (complete with type standards and PMS colors) and provided to you for future reference.

Once you have a set of graphic elements, you should use them in a consistent way on everything you produce. Creating store identity is nothing more than applying graphic elements and message consistently. Imagine you are walking across the parking lot to your store. Your sign is the first element. Is the type treatment the same as your logo? As you enter the door, there may be a sign letting consumers know about a store special or an event. Does it use standard colors and type face? How about your bags? Do they have your logo? When your truck and driver make a delivery to a house site is the logo and message on the truck consistent with the advertising message? Is the driver wearing a uniform consistent with your image?

Needless to say, your in-store image and graphics should be consistent with the unique look-and-feel and message of your advertising. If your graphics are inconsistent, the full potential impact of your advertising investment is not being fully realized. If your store identity is in a shambles, don't lose heart. Once you have design standards, start applying them as projects come along. You'll be pleasantly surprised as your store identity starts to come into focus.

Your customers will notice, too. As the look of your store becomes more upscale and consistent, customers will be willing to spend more and your gross margins should increase.



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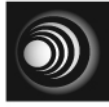
IV. WHAT MAKES AN EFFECTIVE AD

An effective ad is one that informs, entertains, and creates an urgent call to action. Most importantly, an effective ad must communicate to the audience it is targeted to reach. For instance, you would not make a joke about women if you are trying to appeal to them. A better way to reach a female audience is to talk about how to make the home more beautiful, functional or secure.

Think about what type of audience will be viewing your advertising and imagine that you are at a party talking with them. Use the same type of language and logic that you would use in conversation. With lighting showrooms the primary target audience is females 35-54 with high household income. So when you are writing these ads, think about what they talk about, what are their concerns and how your experts can help them choose properly designed lighting, ceiling fans, and home accents to fit their needs and budgets.

The 35-54 year old female with high household income is a highly-educated professional who has the ability to absorb a lot of information to make a decision. She loves selection, service and expert advice. She has definite opinions about design and needs to feel that you understand her unique situation. She is primarily concerned with home and family. Ads should position the lighting showroom as having “lighting experts” on staff who can answer any questions and provide a greater level of information than anywhere else, and “great values” throughout the store that will make the home more, beautiful, functional, and secure. Other elements of a successful ad are to tout the largest selection and to show hard-to-find styles and finishes. Don’t bash the Big Box Stores. It just reminds them of the competition.

If you are running a sale promotion in the newspaper and radio or television (and emailing your opt-in list, we hope), you will need a good call to action. Calls to action that we have discovered include odd discounts such as 12% Off the Everyday Low Price, Enter-To-Win Contests, Mystery Savings, Instant Cash Rebates, Internet Coupons, Free Bulbs, Private Sales, Dog Day Sales, Tent Sales, and One Day Sales. Along with these sale concepts you should always present the major points of “expert sales staff that can help you with your lighting plans, largest selection and great values throughout the store”.



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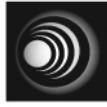
Here are the basic elements that should be included in any successful newspaper and magazine advertisement.

1. The Headline should engage the reader immediately
2. The Subhead should offer a call to action and compelling reason to come in to the store.
3. A Photo or Graphic –
 - a) Product Photo – Pick best sellers or a product that will attract attention
 - b) Unrelated Photo or Art – This will attract the curiosity of the reader and engage the mind. This is a great way to create humor. But be careful to make sure that the consumer knows that this is a lighting ad.
 - c) Graphic – Unique graphic elements can go a long way toward creating an identity for your store.
4. Logo, address, web site, directions.
5. Logo of manufacturer if you are planning to submit the ad for co-op
6. Expiration date if it is a limited time offer.

Developing Creative Advertising Concepts

When you sit down to create advertising or when you are evaluating your ad agency's creative ideas it is important to focus on three things.

1. Does the creative appeal to the target audience. Check with your customers. Ask a couple of women in your office what they think. Check with a few of your electricians and builders.
2. Ask yourself these questions: Is there a call to action? Is the ad obviously a lighting ad? Is the ad compelling? Is the sale concept believable? If you can answer "Yes" you're on your way to a good sale.



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CONCLUSION

The face of advertising is far more complex than it was just ten years ago. Traditional media such as radio, newspaper, TV, and direct mail are still relevant but now share the stage with advertising messages served on web sites, emails, digital in-store signs, and cell phones. There are many more options available to the consumer for news, weather and entertainment. Network TV is being eroded by UTube, network radio by Sirius commercial free radio and physical newspapers are competing against online news. In an effort to catch up, local radio and TV are streaming their programming online in addition to traditional broadcasting. Direct mail is being replaced by email blasts to carefully cultivated “opt-in” lists – providing retailers a zero cost alternative to traditional direct mail.

Survival for most retailers depends on how well they understand the marketing opportunities and adapt to this shifting media landscape. Rather than be paralyzed by the multitudes of options, retailers must be able to make informed decisions about which types of advertising are best for to reach their core target groups and to develop sustainable ad budgets that keep the message in front of their audience. Because there are more media options, advertising has multiple layers and has become more complex than ever before. Seeking the help and support of a professional advertising and marketing firm would be recommended for most showrooms.