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BUS346: Advertising and Sales Promotion

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## **Module 6 assignment**

### **1. Define a data warehouse and some of the types of data stored in it.**

Successful database marketing requires a quality data warehouse to hold customer data. The IT department and marketing team distinguish between an operational database and the marketing database when building a data warehouse. An operational database carries the individual's transactions with the firm and follows accounting principles. The marketing department manages the marketing database, which contains information about current customers, former customers, and prospects. Examples of data and analyses found in a marketing data warehouse include:

- Customer names and addresses
- Email addresses and digital records of visits to the company's website
- History of every purchase transaction
- History of customer interactions such as inquiries, complaints, and returns
- Results of any customer surveys
- Preferences and profiles supplied by the customer
- Marketing promotions and response history from marketing campaigns
- Appended demographic and psychographic data from sources such as Knowledge Base Marketing or Claritas
- Database coding such as lifetime value and customer segment clusters

### **2. Define lifetime value analysis and why it is important.**

The lifetime value figure for a customer or market segment estimates the present value of future profits the individual or segment will generate over a lifetime relationship with a brand or firm. Many marketing experts believe a market segment value provides more accurate information, because it sums costs across multiple customers. Individual lifetime value calculations normally only contain costs for single customers. The figures needed to calculate the lifetime value of a consumer or set of consumers are revenues, costs, and retention rates. Revenue and costs are normally easy to obtain, because many companies record these numbers for accounting purposes. Retention rates require an accurate marketing database system. A key figure to be used in a lifetime analysis is the cost of acquiring new customers. It is calculated by dividing the total marketing and advertising expenditures in dollars by the number of new customers obtained. The lifetime value figure will be the end product for either individual customers or a customer segment. A lifetime value analysis informs the company's customer contact and service personnel regarding a customer's potential worth to the company.

**3. How can database-driven marketing communications programs help to personalize interactions with the customer, create sales, and build bonds?**

A database-driven marketing program starts with assigning individual customers IDs and passwords that allow them to access website components that are not available to those who visit the site without logging on. An effective database-driven communication program relies on customer profiles and any other information about their preferences to help individualize messages. Database-driven marketing programs take many forms. They are developed in conjunction with other marketing activities. The more common programs include permission marketing, frequency programs, and customer relationship management efforts.

**4. Define a customer relationship management program and what makes one effective.**

Customer relationship management (CRM) programs provide a method to employ databases that customize products and communications with customers, with the goals of higher sales and profits. Successful CRM programs build long-term loyalty and bonds with customers through a personal touch, facilitated by technology. Effective customer relationship management programs go beyond the development of a database and traditional selling tactics to the mass customization of both communications and products. Two primary CRM metrics include the lifetime value of the customer and share of customer. As noted, it measures the potential level of purchases to be made by an individual or market segment.

**5. Define direct response marketing and list three types.**

One program closely tied to database marketing, direct response marketing (or direct marketing), involves targeting products to customers without the use of other channel members. Three types of direct response marketing are direct mail, catalogs, and internet and email. Direct mail remains the most common form of direct response marketing. Direct mail reaches both consumers and business-to-business customers. The quality of the mailing list normally determines the program's success. Catalogs have a longer-term impact because consumers keep and share them. Catalogs feature a low-pressure direct response marketing tactic that gives consumers time to consider goods and prices. The internet offers a valuable form of direct marketing. Consumers respond directly to ads placed on a website, and direct response advertisements can be placed on search engines and used in emails.

**6. Chapter 12 discusses various types of consumer promotions - coupons, premiums, contests & sweepstakes, refunds & rebates, sampling programs, bonus packs, price-offs, and overlays & tie-ins. Please describe any two of these (your choice).**

Two types of consumer promotions are bonus packs and price-offs. batteries in a package that normally holds nine batteries. Different objectives of bonus packs are increasing usage of the product, match or preempt competitive actions, stockpile the product,

develop customer loyalty, attract new users, and encourage brand switching. Bonus packs reward customer loyalty by presenting, in effect, free merchandise. Bonus packs encourage brand switching when the consumer has used the item previously. Bonus packs are popular with manufacturers, retailers, and customers. A price-off is a temporary reduction in the price of a product to the consumer. A price-off can be physically marked on the product, such as when a bottle of aspirin shows the regular retail price marked out and replaced by a special retail price. Price-offs stimulate sales of existing products. They entice customers to try new products, because the lower price reduces the financial risk of making the purchase. They encourage customers to switch in brand parity situations or when no strong brand loyalty exists. In cases where consumers do have a preference, a price-off on a favorite brand encourages stockpiling of the product and possibly increased consumption of the item.

**7. Define trade promotions and provide an example.**

Trade promotions are incentives designed by members of the market channel to entice another member to purchase goods for eventual resale. Marketers aim trade promotions at retailers, distributors, wholesalers, brokers, or agents. A manufacturer offers trade promotions to convince another member of the trade channel to carry its goods. Wholesalers, distributors, brokers, and agents use trade promotions to persuade retailers to purchase products for eventual resale. Trade promotions contribute to successful IMC programs. Unfortunately, in other companies, the individual responsible for trade promotions may not be involved in the IMC planning process. Leaders in these firms often view trade promotions as merely a method for placing products onto retail shelves or to satisfy a channel member's request. As a result, little consideration will be given to matching the IMC program when developing trade promotions programs. Many trade promotions tools are available. Company leaders select trade promotion techniques based on several factors. These include the nature of the business (manufacturer versus distributor), the type of customer to be influenced (for example, retailer versus wholesaler), company preferences, and the objectives of the IMC plan.