

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Management**

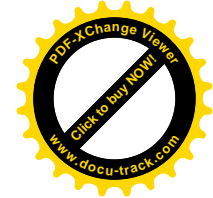
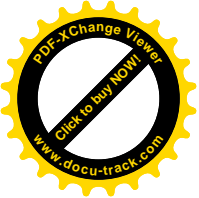


**Diploma Thesis**

**Evaluation of Marketing Communication**

**Elena Korshunova**

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# **DIPLOMA THESIS ASSIGNMENT**

Bc. Elena Korshunova

Economics and Management

Thesis title

**Evaluation of Marketing Communication**

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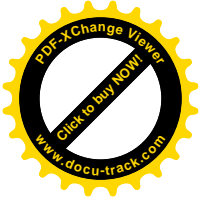
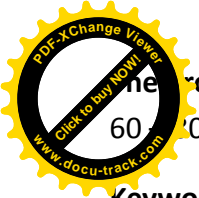
## **Objectives of thesis**

The aim of the diploma thesis is to assess external marketing communication of the French international retail group Auchan and on the basis of this assessment propose steps for improvement.

## **Methodology**

Theoretical part: critical review of current state of literature on marketing communication.

Practical part: Analysis and assessment of marketing communication mix, synthesis and design of possible improvement steps.



## Proposed extent of the thesis

60 0 pages

### Keywords

Marketing communication, internal communication, external communication, communication mix, public relations, direct marketing, advertising.

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### Recommended information sources

BELLMAN, S. – ROSSITER, J R. *Marketing communications : theory and applications*. Frenchs Forest: Pearson Education Australia, 2005. ISBN 1741032695.

BERGH, J V D. – GEUENS, M. – PELSMACKER, P D. *Marketing communications : a European perspective*. Harlow: Financial Times Prentice Hall, 2010. ISBN 978-0-273-72138-3.

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KOTLER, P. – KELLER, K L. *Marketing management*. Harlow: Pearson, 2015. ISBN 9781292092621.

RICHARD J. VAREY. *Marketing communication : principles and practice*. London: Routledge, 2002. ISBN 0415230403.

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### Expected date of thesis defence

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### Supervising department

Department of Management

Electronic approval: 21. 3. 2017

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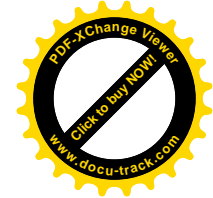
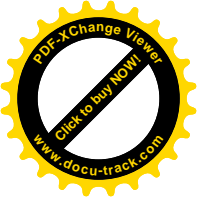
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Prague on 30. 03. 2017

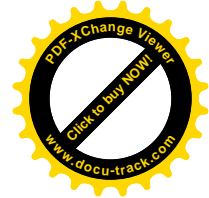
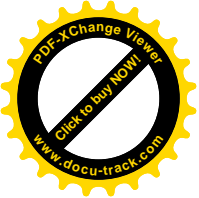


## **Declaration**

I declare that I have worked on my diploma thesis titled "Evaluation of Marketing Communication" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

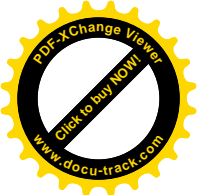
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### **Acknowledgement**

I would like to thank prof. Ing. Ivana Tichá, Ph.D., Ekaterina R. and Galina Korshunova for their advice and support during the work on this thesis.

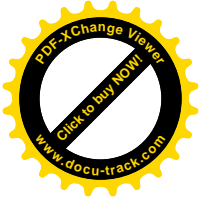
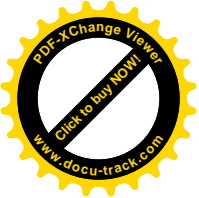


# Hodnocení marketingové komunikace

## Souhrn

Vzhledem k rostoucí konkurenci a nasycenosti mnoha trhů, nestačí mít jen kvalitní zboží. Novou výzvou pro podniky je, jak sdělit spotřebitelům výhody používání svých výrobků nebo služeb. Z tohoto důvodu je role marketingové komunikace součástí marketingové strategie a její význam se dramaticky zvyšuje v posledních letech. Účinnost marketingové komunikace, její nástroje, prvky a praktické aplikace jsou analyzovány v dané oblasti výzkumu. Teoretický přehled poskytuje komplexní posouzení systému propagace a každého prvku zvlášť, výsledky jsou později samostatně vyhodnoceny v souvislosti s jejich implementací do marketingové strategie jednotlivých poboček mezinárodního maloobchodu Auchan. Na základě výsledků výzkumu jsou demonstrovány hlavní nedostatky v marketingové komunikační strategii pro hypermarkety, což umožňuje autorovi této práce vytvořit řadu doporučení pro jejich zlepšení.

**Klíčová slova:** Marketingová komunikace, marketingový mix, integrovaný marketing, maloobchod, komunikační mix, public relations, přímý marketing, reklama, podpora prodeje, osobní prodej.

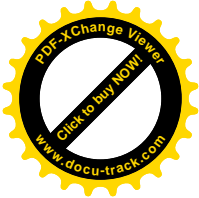
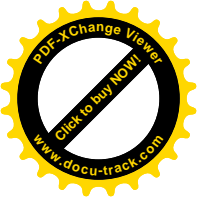


# Evaluation of Marketing Communication

## Summary

Due to increased competition and the saturation of many markets, it is not enough to only have high quality goods. The challenge that the enterprises face is how to convey to consumers the benefits of using their products or services. Therefore, the role of marketing communication, as a part of marketing strategy, has increased dramatically in recent years. The efficiency of marketing communication, its tools and elements and their practical application is analyzed in the given research. The theoretical overview gives a comprehensive assessment of the system of promotion mix and each of its elements, which later are separately evaluated in regards to their implementation as a part of the marketing strategy of single branch of the international retail Auchan. Based on the results of the research, the main weaknesses in marketing communication strategy of the hypermarket are identified, which allows the author to develop a number of recommendations for their improvement.

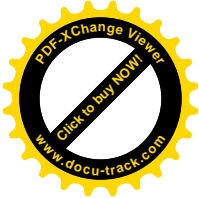
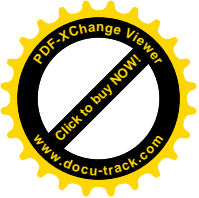
**Keywords:** Marketing communication, marketing mix, integrated marketing communication, promotion, retail, public relations, direct marketing, advertising, sales promotion, personal selling.



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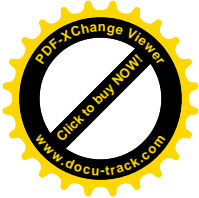
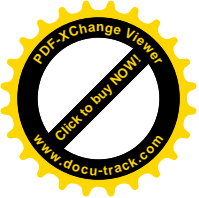
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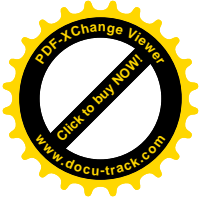
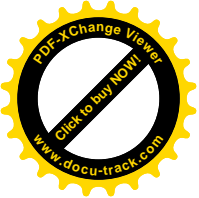


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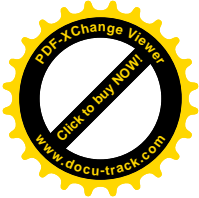
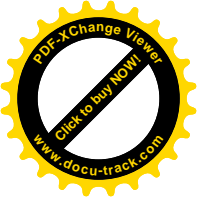


# 1 Introduction

The modern socio-economic and information space in which the consumer exists and makes decisions is transformed by changes in lifestyle, technology, growth of social and spatial mobility, raising the level of education and awareness, accelerating the penetration of innovative products to the market, expanding telecommunications opportunities, etc. The expectations of buyers are becoming more and more intricate and individualized, the requirements for the speed of response to requests are increasing, and the relations of trust are an important element of perceived value. In these conditions, marketing communication channels are required to grow and develop, while the interaction of the company with consumers tends to becoming multi-channel in nature.

Incidentally, the trade business is facing an especially fierce competition that forces retailers to concentrate on creating a competitive advantage of the store, its individuality. There is a need to carefully study all the levers of influence on the buyers in order to attract their attention.

Trying to create the right image of the store and attract customers, retailers are paying increasing attention to various types of marketing communication related to the impact on consumers inside and outside of the store. All marketing communication tools are focused mainly on creating awareness among consumers about the brand, and forming a positive image of the company. The correct combination and use of all components of communication complex, allows to make products and services of companies attractive to the audience. Therefore, without a doubt, it is essential for any enterprise to study, analyse and integrate all the elements of marketing communication into their marketing strategy and, later, assess their efficiency.



## 2 Objectives and Methodology

### Objectives

The aim of the work is to conduct a study of the concept of marketing communication, to determine its objectives, structure and importance in the workings of the company, to analyse various tools of communication mix and to evaluate external marketing communication of the French international retail group Auchan. Based on the purpose of the work, the author has set to:

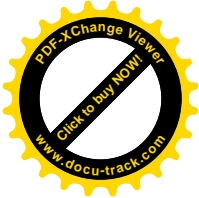
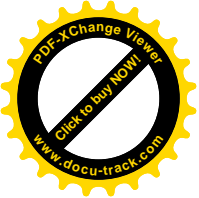
- ✓ Reveal the essence of the marketing communication and marketing mix;
- ✓ Analyse main types of marketing communication;
- ✓ Define the major methods of external marketing communication and their application as part of the marketing strategy of the Auchan hypermarket;
- ✓ Identify the main problematic areas in the external communication in the Auchan hypermarket, located in Barnaul, Russian Federation, and propose possible ways of their improvement.

The underlying hypothesis for this research is as follows: “All the tools of the Promotion Mix, implemented in Auchan hypermarket, located in Barnaul, Russian Federation, have a strong positive impact on consumer buying behaviour.” The purpose of the thesis is to investigate if this is the case, by means of analyses of the implemented promotion techniques in the given hypermarket and their influence on the consumer choice.

### Methodology

The set aims are achieved by analysing primary and secondary data. The empirical research was based on the works of various authors such as Kotler, Bellman, Fill, Sehgal, etc. The author has studied, systematized, analysed all the information and presented a compiled overview of the issue of marketing communication.

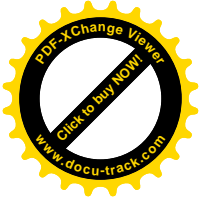
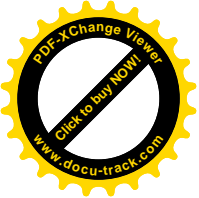
The first part of the work deals with theoretical overview of the problem and describes the main communication tools. The main methods used in the paper are descriptive methods which include compilation, interpretation and classification of information; comparative and qualitative methods; structural and functional analyses.



The second part shows the practical application of the communication tools in a specific company. For that purpose, the data picked from the internal documents of the company (Articles of Association, Report on Marketing Activities, Internal Employer`s Regulations, Employee Manual) and official web pages was analysed and evaluated. However, it needs to be underlined that the research was not based solely on the secondary data. Primary data was collected by questionnaire, usability test of the online shop and individual semi-structured interview with the company employee, and later processed both via quantitative and qualitative methods and via SWOT analysis.

The questionnaire consists of three parts: basic information about the respondent, evaluation of the company`s promotional activities and customers` attitudes towards them. The questionnaire contains 21 close-ended questions with suggested variants of answers and 2 open-ended questions. The sample was chosen from the customers of the given Auchan hypermarket aged 18+, all of whom have visited the hypermarket at least more than 3 times. The questionnaire was filled by 189 respondents totally, out of which the number of female respondents exceed those of male by 7%. All the results were later processed via qualitative as well as quantitative methods and analysed in Microsoft Excel 2013 sheet by filtering data and creation of charts. To evaluate the effectivity of the online shop, a usability test of the site was conducted, based on the focus group analysis. The web focus group consisted of 30 participants, 15 women and 15 men aged 25-40 years old with finished high school education, all of whom are regular internet users. The results of the test were further processed via Microsoft Excel spreadsheets.

Therefore, the received and analysed data allowed reaching a practical conclusion on the effectiveness of the implemented techniques of the Promotion Mix in the given hypermarket, as well as, preparing several practical recommendations on the possible ways of improving the communication between the company and its customers.



### 3 Literature Review

#### Marketing

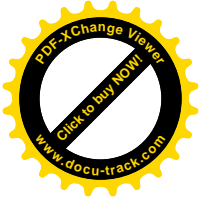
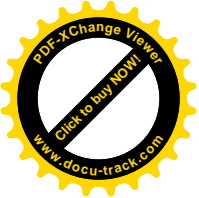
The term “Marketing” first appeared in economic literature at the turn of the XIX century, which was dictated by the need to improve the current system of managing market activity. It was precisely marketing as a business philosophy that was entrusted with the task of ensuring a higher level of management of the marketing activities of individual entrepreneurial structures.

The emergence of marketing as a science is associated with it becoming one of the independent courses in the early XX century in leading US universities. Initially, the main focus was on the organization of sales, trade and advertising. The limited nature of this interpretation became apparent after the USA crisis of 1929-1933. Successful introduction of marketing ideas into entrepreneurial activity was promoted by the creation of the American Marketing Society (AMS), and, later, the American Marketing Association in 1973. By the middle of the XX century, similar organizations were established in Western Europe and Japan, followed by several international organizations, such as The European Society for Opinion and Market Research, the European Marketing Academy, World Association of Opinion and Marketing Research Professionals.

The result of the practical implementation of the theory of marketing was the creation of market research departments in large firms and corporations, as well as commercial organizations, providing marketing services. The emergence of marketing as a single system of value-added activities started in the 50-ies of the twentieth century, although some of its elements appeared much earlier.

Marketing is one of the fundamental disciplines for professional marketers, such as retailers, advertisers, marketing researchers, managers, business owners, etc. To get substantial results and have a successfully developed enterprise, they need to understand how to describe the market and break it into segments; how to assess needs, requests and preferences of consumers within the target market; how to choose skilled intermediaries, so that the product is widely available and well represented.

Through the course of time, the definition of marketing was altered, expanded and specified, based on the development of the marketing theory. Thus, per the American Marketing Association: “Marketing is the activity, set of institutions, and processes for



creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”<sup>1</sup>

At the same time, the leading specialist on marketing Philip Kotler defines marketing as “the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services”.<sup>2</sup>

The goals of marketing are, therefore, the research of the customers’ needs and wants, formation and stimulation of demand, ensuring the validity of the management decisions and business strategy of the enterprise, as well as expanding sales, market share and profits. In other words, before producing, the firm must conduct a thorough study of the needs of specific consumers, i.e. a market research.

The analytical function of marketing (marketing research) is a function that connects consumers, competitors and the public with marketers through information that is used to recognize and identify opportunities and problems. The main goal of marketing research is to develop, optimize and evaluate marketing activities and determine the effectiveness of the marketing mix. Marketing research relates to making decisions on all aspects of marketing activities, it reduces the level of uncertainty and concerns all elements of the marketing mix, the external and internal environment of the enterprise.

## **Marketing Mix**

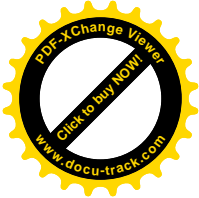
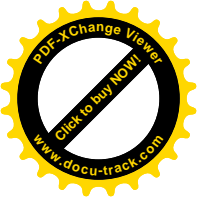
The term “marketing mix” was first introduced in 1953 by Neil Borden in the presidential address to the American Marketing Association. Borden used the work of James Culliton (1948) in which the marketing executive has been described as “a mixer of ingredients”, a man who combines in his work the different elements. Consequently, the term “marketing mix” means a number of marketing tools, various combinations of which can lead to setting different marketing objectives and creation of marketing strategies.<sup>3</sup>

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<sup>1</sup> American Marketing Association, July 2013

<sup>2</sup> FITZPATRICK, H.L., *Marketing Management for Non-Marketing Managers: Improving Returns on Marketing Investments*, p. 6

<sup>3</sup> BORDEN, N.H., *The Concept of marketing mix*, p.7



The initial concept of Borden's marketing mix consisted of a large number of "ingredients": pricing, branding, distribution, personal selling, advertising, promotional events, packaging, service, product development, etc. Later, a marketing expert, E. Jerome McCarthy proposed a classification called the 4Ps, combining the four basic elements – Product, Place, Price and Promotion.<sup>4</sup> The purpose of marketing mix, therefore, was to develop a strategy that would increase the perceived value of goods, and also help to maximize the long-term profit of the company in the market.

**PRODUCT** is goods and services that the companies offer to consumers. The success of the product on the market is most incessantly dependent on understanding and, subsequently, meeting the essential requirements of the target market. That can be done by means of analysis of the product's basic characteristics and the ways of their improvement. Thus, there are several product characteristics that should be reflected in the marketing strategy:

- The symbolism of the brand name, logo, corporate identity.
- Functionality of the product, all the necessary and unique features of the product or service.
- The required level of quality of the product, especially taking into consideration the point of view on the target market. The product quality, undoubtedly, should be based on the perception of consumers, such as relation of price to quality, smell, taste, consistency etc.
- Product appearance such as style, design, packaging.
- Variability or product assortment.
- Customer support and the level of provided services.

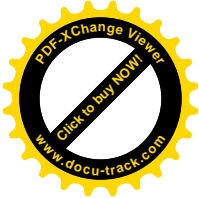
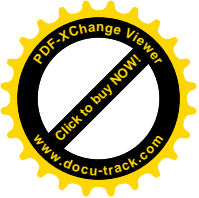
**PRICE** is an important element of the marketing mix, for it is the only component that brings revenues from the sale of goods. Price is based on the perceived value of the product by the consumer, the product costs, competitors' prices and the desired rate of return, therefore it is essential to set the price correctly. The marketing strategy concerning price might include:

- The price of market entry strategy (penetration, skimming, etc.).

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<sup>4</sup> MCCARTHY, E.J., *Basic marketing: a managerial approach*, p. 31



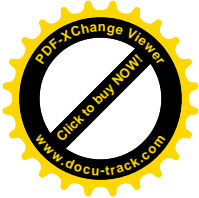
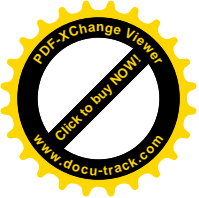


- Retail price. It is necessary to correlate the selling price of the product to the desired retail price, if the company is not the last link in the supply chain. (Selling price undergoes a series of discounts and allowances, before reaching the target consumer – the VAT, retail margin, etc.).
- Pricing for the various sales channels. It includes specific price levels for different parts of distribution chain (e.g., volume discounts, bonuses for large wholesalers, etc.).
- Seasonal discounts or special offers.
- Policies with respect to promotional events (the conditions for granting discounts, the maximum and minimum levels of discount, frequency of promotional events etc.).
- The possible price discrimination.

**PLACE** is, essentially, a point of sale that ensures product availability for the target market. Principally, it means that the product of the company is to be present on the market in the right place (where consumers can see and buy it) at the right time (when there is a need to buy it). In other words, the place of sale represents a model of distribution of goods. The aspects that should be paid attention to in the market strategy of this segment are as follows:

- Markets, in which it is planned to sell the goods (including geographic expansion strategy).
- Distribution channels, through which it is planned to sell the goods.
- Types of distribution (exclusive, intensive, selective distribution).
- Terms of product distribution (discounts and bonuses for dealers, product display requirements, penalties, etc.).
- Terms of goods display and the rules of goods layout (level of display shelves, the number of facings on the shelf, basic stock, etc.).
- Inventory management and logistics of goods (reserve stock, expiration dating requirements, etc.).

For physical goods the distribution channels may include hypermarkets, supermarkets, grocery convenience stores, markets, minimarkets; wholesalers or retailers; e-commerce; direct sales or network marketing; catalogue sale, etc.



**PROMOTION** - In the context of the marketing mix, promotion refers to all marketing communications, which allow the producer to draw consumer's attention to the product, to instigate interest about the products qualities and its key features, increase demand for goods and ensure further purchases. Promotion includes such types of marketing communications as advertising, sales promotion, search engine optimization, PR, direct marketing, and others. The aspect of the marketing strategy can include:

- Promotion strategy: pull or push.
- Required marketing budget and share of voice (SOV).
- Values of brand awareness, consumption and brand loyalty among target audiences.
- Participation in organized promotional events and shows.
- The channels of communication through which one plans to communicate with the consumer.
- Geography of communications.
- PR strategy and event-marketing.
- Brand media strategy.
- Promotional activities throughout the year.

The 4Ps theory was developed at a time where producers were more goods rather than services oriented and the role of customers in the choice and promotion of goods was not thoroughly explored. Nonetheless, over the time, a number of researches attempted to broaden the basic concept of marketing mix, by adding new elements.

In one of his book Phillip Kotler proposed to expand the theory by two additional elements – Political Power and Public Opinion factors as a significant driving force behind the marketing mix concept.<sup>5</sup> According to the researcher, as the product enters foreign market, the audience inevitably expands beyond one given target market, and falls under the influence of such driving forces as the government, trade associations, regulatory bodies and other interest groups, which can create various barriers for the goods. The same can be said about the importance of the formation of public opinion about goods and services, which the companies try to influence with the help of mass communications and goods promotion.

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<sup>5</sup> KOTLER, P., *Kotler on Marketing: How to Create, Win, and Dominate Markets*, p.119

However, with the further development of the market of services, a need for new elements of the marketing mix has arisen. Service marketing is based on relationships and value, since the buyer purchases an intangible good that cannot be returned in case of customer's dissatisfaction, and as services are mainly based on customers' trust and service providers' reputation. Therefore, in 1981, while developing the marketing theory in the sphere of services, Booms and Bitner proposed to extend the marketing mix by three new elements: People, Physical Evidence and Process, as illustrated in Figure 1.<sup>6</sup>

Figure 1. 7P's Marketing Mix

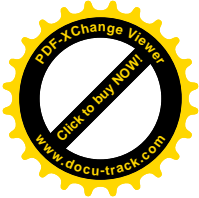
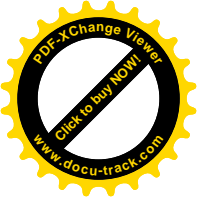


Source: Marketing Mix: Marketing 7P's | Rocket Manajemen | 4.5

**PEOPLE** - The term appeared in connection with the development of relationship marketing and service marketing and refers to all people directly or indirectly involved in the process of providing services, or people, who can have an impact on the perception of the product in the eyes of the target market, for example:

- employees representing a company and a product;
- sales staff that is in contact with the target consumer;
- consumers acting as “opinion leaders”;

<sup>6</sup> REYNOLDS, P., LANCASTER, G., *Management of Marketing*, p.41



- producers, who can have an impact on the cost and quality of goods;
- special consumer groups such as loyal customers and VIP-clients, generating a substantial volume of sales.

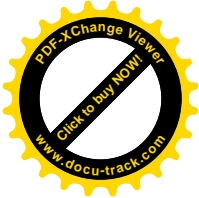
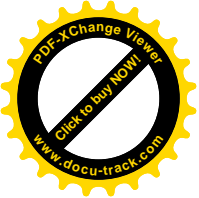
The importance of these people is caused by the fact that they can have a significant impact on the perception of the product in the eyes of the target consumer. Therefore, in this market strategy it is important to concentrate on:

- various programs aimed at the formation of motivation, development of the necessary skills and competencies of the staff of the company;
- methods of working with the “opinion leaders” and others in position to influence consumer opinion;
- loyal customers and VIP-clients;
- loyalty programs and educational programs for sales staff;
- Methods of collecting feedback.

**PROCESS** – The term refers to the B2B market and services market. It describes the interaction between the consumer and the company, the mechanisms of action sequences, ensuring the provision of services. In the marketing strategy, the special attention should be paid to improving service delivery to the target consumer, given that the final goal is to make the purchase and use of the service, as convenient to the consumer as possible.

**PHYSICAL EVIDENCE** – The term describes what surrounds the consumer at the time of acquisition of goods and services. The physical environment allows to create the right image of the company, highlight the distinctive characteristics of the product. The location of the service, the level of comfort and attractiveness of a service location can have a significant impact on the user experience.

Currently, the advanced marketing mix of 7P is gradually replacing the 4P concept, as it corresponds better to the peculiarities of the service sector, which has become the main focus of marketing activity. It should be noted that the three new elements relate primarily to the internal factors of the company, and not to its external characteristics, like the first 4Ps, therefore, the 7Ps theory recognizes that what is happening inside the company is directly related to marketing too.



Marketing mix is developed based on the results of market research, which provide the necessary information about the macro- and micro-environment, the market and the company's capabilities. One of the greatest advantages of the marketing mix is the controllability of its elements. Marketing specialists can control each element to have a desired effect on demand, and choose the most promising combinations of these elements. The success of the marketing mix is explained, in particular, by the fact that it brings together four types of marketing strategies.

The main objective of the development of the marketing mix is to provide the company with sustainable competitive advantages, in order for it to gain strong market positions. Its elements have been singled out, primarily because their use has a direct impact on demand and can encourage consumers to shop. Market research, analysis of the strengths and weaknesses of the company, segmentation and other marketing tools, also have a great influence on the increase of the demand for goods and services, however, the impact is indirect, since the demand, for instance, does not increase solely because the firm has conducted marketing and segmentation researches. The results of a successful marketing research, however, can be used to correct one or more elements of the marketing mix, which can be viewed as the only way to influence consumer demand.

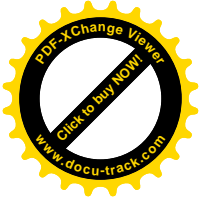
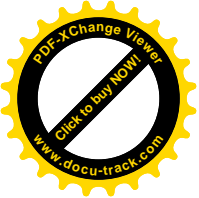
## **Communication**

According to the numerous psychologists, the need for communication is one of the basic needs of a human being. The importance of communication as a basic need is determined by the fact that it is a necessary condition for the normal development of a person as an individual and a member of society. Although human interaction has always been at the heart of people's social life, it became the object of scrupulous psychological and socio-psychological studies only in the XX century.

Communication can be defined as the process of transmitting information and common understanding from one person to another.<sup>7</sup> The word communication was derived from the Latin word, *communis*, which means common. The definition underlines the fact that for an interaction to be a success, there is a need for the communication message be received and understood by all the members of communication process.

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<sup>7</sup> KEYTON, J., *Communication and organizational culture: A key to understanding work experience*, p. 11



According to Krauss: “All communication systems, regardless of how simple or complicated they may be, operate on the same principle: signals transmit messages from a source to a destination. Communication occurs when signals carry information-bearing messages between a source (sender) and a destination (receiver). Thus any communicative exchange is implicitly a joint or collective activity in which meaning emerges from the participants' collaborative efforts.”<sup>8</sup>

In social psychology, the communication structure is identified with three different processes: communication (exchange of information), interaction (exchange of operations) and social perception (perception and understanding of the communication partner).<sup>9</sup> The communicative aspect of communication is the direct exchange of messages between communicating individuals. Interactive aspect describes an attempt to organize the interaction between communicating individuals, based not only on the exchange of information, knowledge and ideas, but also actions; while the perceptual aspect of communication deals with the awareness of all the members of communication of each other, their mutual understanding and desire to learn more.

Evidently, in reality, each of these aspects do not exist in isolation from the other two, but, on the contrary, they all are interconnected, and only singled out for the sole purpose of analysis and attempts to build a system of experimental studies. Considering the unity of the three aspects, communication may be viewed as a way of organizing joint activities and relationships of people included in it.

### **3.1.1 Process of Communication**

In a broader philosophical sense, communication is seen as a social process that is associated with either exchange of information, ideas, thoughts, etc. or the transfer of the meaning from one mind to another by means of various sign systems.<sup>10</sup> Therefore, the communication function can be defined as the transmission and adoption of information. This function plays an important role in interpersonal relationships, as information defines a significant part of human life. In the process of interaction, the roles of sender and receiver are repeatedly reversed, since the functions of transmission and reception of

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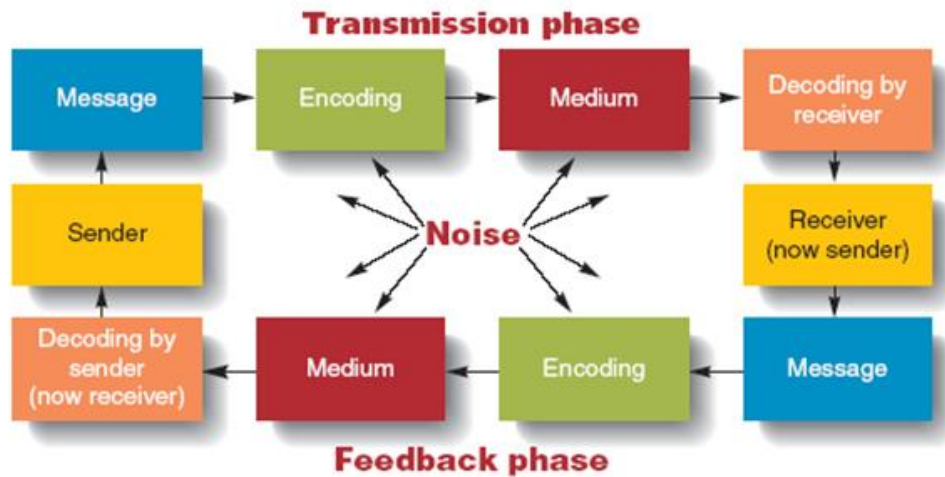
<sup>8</sup> KRAUSS, R., *The Psychology of Verbal Communication*, p. 2

<sup>9</sup> ANDREEVA, G., *Social Psychology*, p. 99

<sup>10</sup> STEINBERG, S., *An Introduction to Communication Studies*, p.46

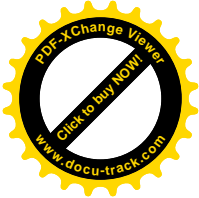
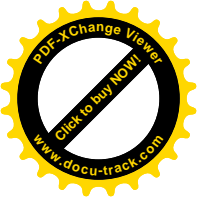
information are transferred from one participant of communication to another. Although the entire communication process is often completed in a few seconds, there are several stages of the process that can be identified:

*Figure 2. Process of Communication*



*Source: Communication McGraw-Hill/Irwin Contemporary Management*

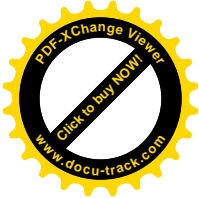
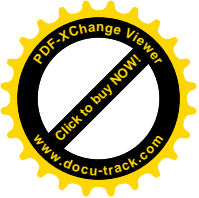
- 1) **Development of the idea.** The exchange of information begins with the formulation of an idea or selection of information. The sender decides which meaningful idea or message should serve as the subject of an exchange.
- 2) **Encoding.** Transferring the idea into the message that can be either oral, written, symbolic or nonverbal.
- 3) **Selecting a medium.** The sender must also choose a channel compatible with the type of symbols used for encoding. Among the most regularly used channels are: speech and writing as well as electronic communications, such as telephone, computer networks, email, video tapes, and video conferencing. If the channel is not a suitable physical embodiment of meaning, the transmission is not possible. Furthermore, if the channel is not very consistent with the idea that originated in the first stage, the exchange of information will be less effective. Choosing the means of communication should not be limited to a single channel. It is frequently more beneficial to use a combination of two or more communication means. Thus, simultaneous use of oral and written



channel is usually more effective than solely the exchange of written information.

- 4) **Transmission of message.** At this point, the sender uses the channel to deliver the message to the receiver.
- 5) **Decoding of the message by the receiver.** After receiving the message from the sender, the receiver decodes it. The message can be received in the form of hearing, seeing, feeling, etc. Decoding is the process of converting the sender's message into the receiver's thoughts. If the encoded message selected by the sender, have exactly the same meaning for the receiver, the later would have an exact understanding of the idea behind the message. If the communicated message does not require a response the communication process is terminated. The exchange of information is regarded as effective if the receiver has demonstrated an understanding of the idea, presenting the response that the sender was expecting.
- 6) **Feedback.** In the final stage of the communication process the sender and receiver are exchanging communicative roles. The original receiver becomes a sender and goes through all stages of the process of the information exchange to pass his response on the received message. Feedback can significantly improve the efficiency of the interaction. According to several studies, bilateral exchange of information (with received feedback) compared to a one-way message, although slower, nevertheless, is more precise and increases the chances for the correct interpretation of the message.
- 7) **Noise.** Feedback significantly increases the chances of effective exchange of information, allowing both sides to suppress noise. The term noise is referred to all the factors that can distort the meaning of the message. The sources of noise that can create barriers to information exchange vary from the chosen language





to the differences in perception of the meaning of the message. Fred Lunenburg distinguish several types of such barriers:<sup>11</sup>

- **Process Barriers** – the ones that occur in every step of the communication process.
- **Physical Barriers** – various distractions from the communication, e.g. telephone call, radio static, noise in the street.
- **Semantic Barriers** – differences in the interpretation of the meaning of words, e.g. terminology or jargon
- **Psychosocial Barriers** – difference in peoples' values, needs and expectations in the course of communication.

Certain noises are always present, so that every stage of the communication process undergoes some degree of the distortion of the meaning. However, the high level of noise, no doubt, leads to a significant loss of the essence of the idea and can even block an attempt to establish an information exchange completely.

Therefore, the communication process is the exchange of information between two or more people, the main objective of which is to transfer the message and ensure it accurate interpretation. While exchanging information, the sender and the receiver go through several interrelated stages of communication. The desired objective of this process is to create such a message and use such suitable medium for its transmission that both parties understand and perceive the original idea accurately.

### **3.1.2 Basic forms of Communication**

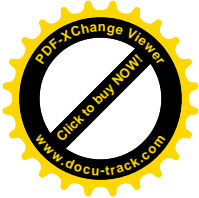
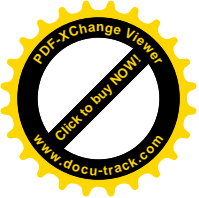
Communication can happen in a number of ways that ultimately depend on the type of message, intention and the chosen channel. Therefore, according to M.K. Sehgal all types of communication can be classified according to the communication channel, based on the purpose and style of communication and based on the number of the message recipients.<sup>12</sup>

#### **1) Types of communication based on the communication channel:**

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<sup>11</sup> LUNENBURG, F.C., *Communication: The Process, Barriers, And Improving Effectiveness*, p.4

<sup>12</sup> SEHGAL, M.K., KHETARPAL, V., *Business Communication*, p. 6



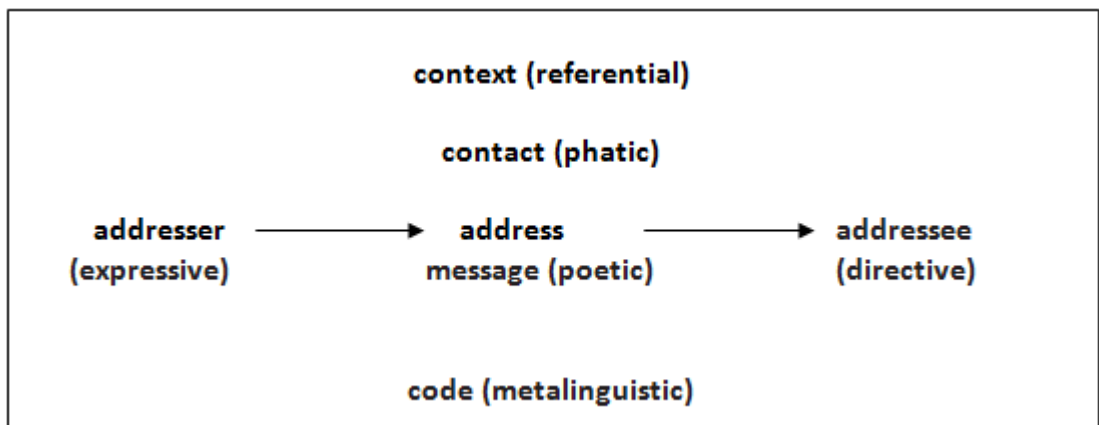
**Verbal communication** is the process of sending and receiving messages, using speech, i.e. a combination of phonetic signs. It is the most universal means of communication as the transmission of information through speech guarantees the minimal loss of the meaning of the message. However, this must be accompanied by a high degree of common understanding of the situation by all participants of the communicative process.

Verbal communication can be further divided into speaking, writing, listening, and reading.

Oral and written language are involved in the production of the text of the message (data transfer process), while listening and reading are the means of the message interpretation and extraction of information.

Speech is ultimately one of the main means of information exchange and is realized by means of language. In modern psychological science, language is understood as a system of signs, serving as a means of human communication, mental activity, transmission of cultural knowledge and a way of expressing self-identity.<sup>13</sup> In his work “Closing statements: Linguistics and Poetics” Roman Jakobson presents the Model of Communication that is based on the linear relationship between the factors of the act of communication, such as Addresser (sender), Addressee (receiver), Context, Message, Contact and Code, as is presented in Figure 3.<sup>14</sup>

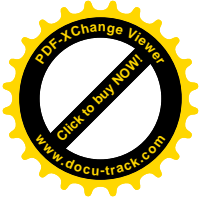
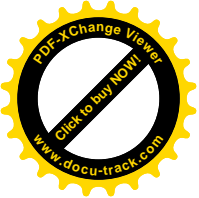
*Figure 3. Roman Jakobson's Schema of Language Functions*



**Source:** 45.305 *Language, Signs, and Symbols*, 2014, <https://sites.google.com/site/innisre/home/language-signs-and-symbols>

<sup>13</sup> KRAUSS, R.M., CHIU, Chi-Yue. *Language and Social Behavior*, p. 2

<sup>14</sup> SEBEOK, T.A. *Style in Language*, p. 353



According to the model, the Addresser sends the message to the Addressee, generated by means of the Code (language). The Context is associated with the message content, while the concept of contact reflects physical channels and psychological connection between the Addresser and the Addressee.

Whereas language is a system of signs and symbols, speech is the process of language use and presents a historically developed form of human communication. In psychological research, speech can be subdivided into two categories: inner and external.<sup>15</sup> External speech is, in turn, represented in verbal (dialogic and monologic) and written forms.

The crucial difference between monologic and dialogic communication is the interaction between the speaker and the listener. A characteristic feature of dialogic speech is direct communication, so that, the participants hear and often see each other. This fact allows the speaker to use the expressive means of language, namely, tone of voice, facial expressions, gestures.

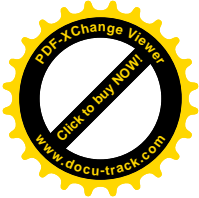
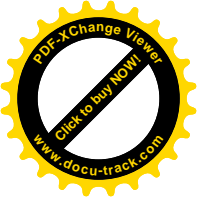
While dialogue is an active, two-way interchangeable interaction between participants of the communication process, monologues are long-term, consistent, coherent exposition of the system of thought, knowledge of one person. As opposed to dialogic, in monologue speech structure and context are of the utmost importance. Consequently, monologue structure does not tolerate misuse of poor construction of phrases, except those that serve to create a certain expressive effect. However, the speaker can observe audience's reaction to his speech, attention or inattention to the content, the level of understanding, agreement or disagreement, etc. These observations allow the speakers to adjust their speech patterns, use repetition, explanation, deploy various expressive language means.

Inner speech is characterized by covert articulation of sounds. Essentially, it is an activity involved in the processes of thinking and memory formation, but not for direct communication with other people.

In consequence, verbal communication is a mutual, intended communicative action between one or several participants aimed at the transfer and, subsequently, reception of various information. Speech is, therefore, an essential communicative mechanism, that is

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<sup>15</sup> JONES P.J., *From 'external speech' to 'inner speech' in Vygotsky: A critical appraisal and fresh perspectives*, p. 167



expressed by means of various linguistic systems and is divided into oral and written. The most important requirement for verbal communication is clarity of pronunciation, precise contents, cohesion and coherence.

**Nonverbal communication** is all communication that does not involve speech or words.<sup>16</sup> Feelings as well as the information can be transmitted by means of one or more non-verbal methods. It is that part of the communication, which one is not aware of, but which is central to any communication.

Nonverbal communication can either complement and enhance verbal communication, or it can hinder and weaken it. This type of communication is the most ancient and basic form of communication, therefore, despite it often being an unconscious process, it has been well-studied, so that, in order to achieve the desired effect, it can be successfully controlled. On the other side, the most distinctive feature of non-verbal language is that it is the manifestation of people's subconscious impulses, and the lack of opportunities to forge those impulses allows to trust this language more than the verbal communication channel.

The most important feature of non-verbal communication is that it is carried out with the help of all the senses: sight, hearing, touch, taste, smell, etc. All elements of non-verbal communication is closely related to each other, and can either complement each other or be in conflict.

There are, therefore, several types of nonverbal communication methods:

1) **Kinesics** is a set of gestures, facial expressions, body shape and postures, eye contact and appearance, used in communication as additional expressive means.

2) **Tacesics** studies touch in the communicative situations, such as shaking hands, kissing, touching, embracing, etc.

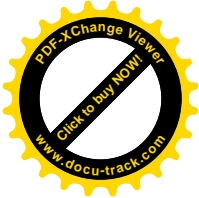
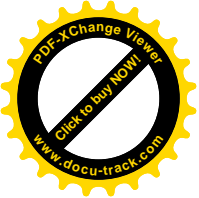
3) **Proxemics** explores the spatial conditions of communication, the position of the speakers at the time of their physical, visual or other contact.

4) **Chronemics** is the perception and use of time in nonverbal communication process.

5) **Olfactory communication** is based on the human sense of smell and reflects the pleasant and unpleasant odours of the environment, artificial and natural human odours.

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<sup>16</sup> SEHGAL, M.K., *Business Communication*, p. 62



6) **Paralanguage** is a system of vocalization, i.e. a way to highlight the meaning, or convey emotion, using either voice (pitch variation, prosody, intonation, volume), word stress or some extra-linguistic measures as the inclusion of pauses, coughing, crying, laughing, and, finally, the variation of speech speed.

A distinctive feature of non-verbal language is that it is the reflection of the impulses of the human subconsciousness. A person, who does not have control over the non-verbal means of expression, cannot fake these impulses, which, in turn, allows to trust this type of language more than the usual verbal communication channel.

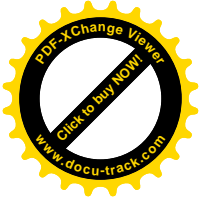
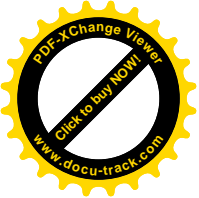
## 2) Types of communication based on Purpose and Style

a) **Formal Communication** – is the “skeleton” of the organization’s communication and is strictly defined by official documents and regulations. Formal communication serves as means of transfer of the official messages. These messages are often done in written form and submitted to the vertical channels. Accordingly, formal communication is the exchange of information through the channels provided by the organizational structure of the company. It, in turn, can be further subdivided into vertical, horizontal and diagonal.

**Vertical communication** is the information exchange between management and subordinates. This include giving recommendations, orders, instructions, etc. Issued orally or in written form, it helps the manager to effectively deliver information to the employees. Sequentially, subordinate is able to report that the message is received and is taken into consideration. Thus, communication can be either Upward or Downward.

**Downward communication** is the flow of information from a higher level inside an organization to a lower one and usually is issued in form of orders, regulations and guidelines, aimed to instruct the subordinates on the aims, objectives and policies of the organization. This kind of information sharing is a major part of the communication process and is crucial for clarification of objectives, priorities, expected results; discussion of the problems of efficiency of performance; achieving recognition and issuing rewards to motivate subordinates; gathering information about the imminent or actual existing problems; alert employees about upcoming changes; obtain information about the ideas, suggestions and improvements.

**Upward Communication** is the reverse process of the information traveling from the lower levels of the organization to the top. This type of feedback helps managers to understand how efficient are the issued orders, what is the impact of their implementation,



what is necessary to do in order to improve the work of the organization. The most common form of the upward communication is the current activity reports that are forwarded to the higher management levels at specified intervals of time (e.g. financial, accounting, performance reports). Employees use this form of communication to relate their requirements, ideas, and feelings to the top management.

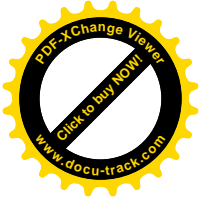
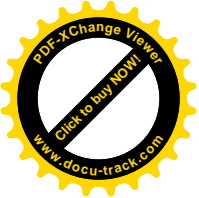
**Horizontal communication** occurs when the participants are at the same management level (working in the same or adjacent units). The exchange of views of various experts working on the same problem, allows to fully explore the problem at hand, helps to make an informed decision and to agree on the steps required for its solution. It also provides a person the necessary social support, since it is psychologically easier to seek support of those who are at the same level of the organizational hierarchy.

**Diagonal communication** is a type of horizontal communication that takes place between the various levels of management that are not in the direct subordination. It is especially common within the project-based organizations. It allows the employees of different levels to harmonize their actions and have a detailed discussion about the problem and possible ways to solve it, and also allows to reduce the distortion and misinterpretation of information.

**b) Informal Communication** – is the exchange of information outside the official channel of the organizational structure. It can be carried out spontaneously, e.g. the meeting of acquaintances with access to various sources of information, or it can be specifically provoked to ensure the reliability of official information, or to determine the reaction of subordinates to some planned events within the organization. In the latter case, the “authorized” information leakage can be advantageous to the top management, since it allows to observe how subordinates would react to future developments, and develop measures to overcome the resistance, if it is expected.

### **3) According to the number of participants of the communication.**

- a) **Intrapersonal** – deals with the psychological aspect of interaction and is focused on the person’s inner world, a conversation with oneself by means of inner speech.
- b) **Interpersonal** – is the exchange of messages and their interpretations by two or more individuals that come into contact with each other.



- c) **Group Communication** - is a more complex version of interpersonal communication, when the participants of interaction are more than two people, in other words, it is a form of any collective conversation.
- d) **Mass Communication** – is the transmission of message through some type of medium (print, radio, television, film, sound recording, video recording and other channels) to a large, anonymous, heterogeneous audience.

Overall, communication permeates all aspects of society, the lives of both social groups of people and individuals. Communication is, therefore, the basis of the formation of human identity not only with others, but also of self-identity, a certain way of self-representation.

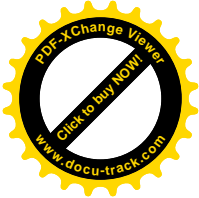
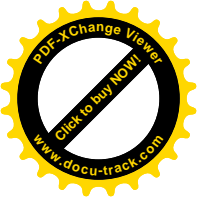
In a joint activity, people share different views, ideas, opinions, suggestions, knowledge and attitudes. All of this can be seen as a process of information exchange, that is, a communication process that has become an essential part of any administrative or business activity. The importance of communication in business sector at the present stage of its development is constantly increasing. This is due to the fact that companies, organizations, managers and employees need to receive and absorb ever-increasing flow of information to help address emerging issues.

### **Marketing Communication Process**

Communication is an integral part of the marketing mix, a link between elements within the business sector as well as outside of it. In recent years, along with an increase of the role of marketing, the role of marketing communication has also increased. In this day and age, it is not enough to have good products and services, to increase the volume of their sales and profits, but also to convey to the consumer the benefits of those products and services. Hence, marketing communications can be described as “the means by which firms attempt to inform, persuade, and remind consumers - directly or indirectly - about the products and brands that they sell.”<sup>17</sup> Marketing communications, therefore, allows to transfer various messages to consumers in order to make products and services of a particular company more appealing to the target audience.

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<sup>17</sup> KOTLER, P., KELLER, K.L., *Marketing management*, p.476



The system of marketing communications is a complex of actions, channels and techniques implemented in order to organize efficient communication, aimed at establishing and maintaining the relationship between organization and its clients. The enterprises are, thus, constantly promoting their activities, trying to inform prospective customers about their product, services, sales conditions; to convince the buyer to give preference to these products and brands and force the buyer to act, i.e. make a purchase.

To effectively reach these goals, the marketing researchers should, first of all, identify the target audience (potential buyers of the company products, users of goods or services). Target audience has a decisive influence on making the communication effective.

Consequently, marketing communication is a two-way process: on the one hand, it effects the target audience's decision-making, and, on the other, it provides the target audience's feedback about a good or service. Thus, the second stage of the development of effective communication is to determine the response to the offer of goods and services.

The desired response for any company is making a transaction or purchase. However, the purchase of goods is the result of a long process of decision-making. Hence, in the complex of marketing communication, a marketer needs not only to find the potential target audience and determine the needs and wished of the prospective customers, but also to prognose their future response and find a way to carter to these needs in a most profitable way.

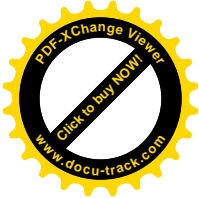
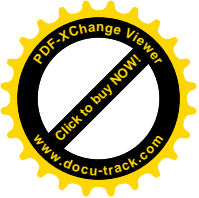
Accordingly, the next stage in developing the effective marketing communication is to determine the communication objectives. In order to do so, a marketer has to identify the stage of decision-making at which the prospective clients are and where they can end up with the help of the appropriately chosen communication tools. Philip Kotler has identified six types of state of purchasing willingness of the target audience, the so-called **buyer-readiness stages**<sup>18</sup>:

- 1) **Awareness** – marketing task in this stage is to establish the degree of awareness of the target audience of the product and the ways to increase it if there is a need;

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<sup>18</sup> KOTLER, P., ARMSTRONG, G., Principles of Marketing, p.433



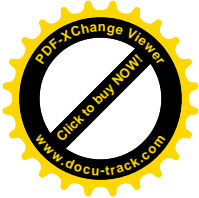
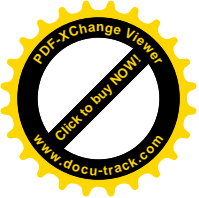


- 2) **Knowledge** - the target audience must not only be aware of the product, but should form the knowledge about the company and its product;
- 3) **Liking** – a marketer must identify the customer response to the product, whether it is negative, indifferent or positive as well as establish the cause behind it;
- 4) **Preference** – a marketer needs to change the customers’ interest in the product into desire to obtain it;
- 5) **Conviction** – the customer’s preference of a particular product should be changed into the conviction that the purchase is necessary;
- 6) **Purchase** – a marketer encourages the potential buyer to make a purchase using different means of conviction: offering goods or services at a lower price, giving out special bonuses or presents, providing an opportunity to test the goods during the trial period, etc.).

The third step in the development of effective communication is designing the message that will get the customers’ attention, evoke the desire to purchase the product and, finally, stimulate action – the purchase. To create an effective message, the special attention should be paid to the message content and its structure and format. The structure of the message is determined by: a source of message (either on behalf of the company or the buyer), the method of argument (the company presents the evidence itself or reinforces the message by the customers’ opinions), and producing effective arguments (at the beginning or at the end of the message).

The next step is the choice of media. Herein, the communication channels can be divided into personal and non-personal. Personal communication channels encompasses the direct interaction between people, either verbally (face-to-face communication, phone call, word-of-mouth, etc.) or via mail, e-mail, Internet. Non-personal communication channels transfer information without personal contact and feedback.

The fifth step is selecting the source of message. In both communication channels, the choice of the source is of crucial importance as it helps to influence the customers’ decision-making. The highly trustworthy source creates positive product or/and company image, as well as encourage people to make purchases. Thus, the promotion of goods and services is usually carried out with the help of credible sources, such as specialists in certain areas - doctors, fitness trainers, chemists, or celebrities – movies stars, singers,



athletes, etc. All in all, a suitable source should possess such characteristics as confidence, professionalism, charisma, integrity, appeal, etc.

The final step is feedback collection. After the message is sent, it is essential to ensure that the target audience has received, decoded and understood the message. The communicator, therefore, conducts a study on the effectiveness of communication, by means of carrying out surveys of the target audience. Feedback will also show the result of the communication, whether it was successful or not, and, later, correct or change the promotional activities to improve the outcome.

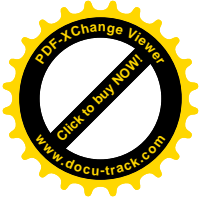
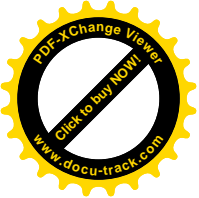
Thus, summarizing the above, it can be noted that marketing communications is a form of market differentiation, always competitive, striving to convince consumers that the particular product is the best option for them and so they have to make a choice in its favour. Marketing communications structure, depending on the ultimate objective of the communication impact, can be either concerning the development, creation, improvement of the product and its behaviour in the market; or connected to the product promotion, depending on the phase of its life cycle.

Promotion is an integrated method of attracting customers' attention, influencing their choices, involving them in the process of purchase. Promotion mechanism is employed with the help of various tools that together set up a complex, the so-called Promotion Mix.

### **3.1.3 Integrated Marketing Communication**

In the wake of the shift of interest from mass marketing to target marketing, as well as the rapid development of communication channels and tools of promotion, the marketers have faced new challenges. The present-day consumers' preferences are changing, being exposed to numerous and diverse information sources, through which they can learn about the product, brand and company. If information coming from a variety of advertising media is contradictory, it provokes distrust of the company and its products. In situations, where the company fails to properly co-ordinate the activities of its communication channels, consumers get confused and cannot navigate through the pile of messages.

Currently, more and more companies feel the need to transition to the integrated marketing communications (IMC), which incorporates various communication channels to



deliver a clear message about the company and its products that will affect consumer demand, increase the sales of goods and services, and positively change the attitude of potential customers towards the promoted products.

Philip Kotler identifies integrated marketing communications with the Promotion Mix and defines it as: “the specific blend of advertising, sales promotion, public relation, personal selling and direct marketing tools that the company uses to persuasively communicate customer value and build customer relationship.”<sup>19</sup>

Another definition of this concept is presented in the book “Great Answers to Tough Marketing Questions”, where Paul Smith describes integrated marketing communications as “a simple concept. It ensures that all forms of communications and messages are carefully linked together. At its most basic level, integrated marketing communications, or IMC as we’ll call it, means integrating all the promotional tools so that they work together in harmony.”<sup>20</sup>

IMC coordinates all business communications. The lack of control over communications at different levels of management leads to the ambiguously perceived image of the company. In other words, there should be a single line of responsibility for all the messages sent to the target market.

IMC focusses not only on the target market information, but also on receiving a feedback from the consumers. Therefore, using IMC allows to plan promotion campaigns for different target market segments, to achieve a better understanding of the preferences of certain groups of consumers. This is especially important for narrowly segmented markets, for example, in the field of financial services.

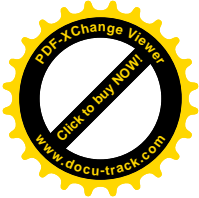
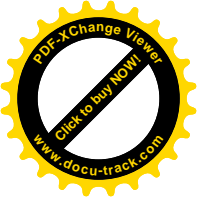
Consequently, the main purposes of integrated marketing communications can be described as follows:

- to stimulate sales;
- to offer consumers comprehensive information about products and company;
- to provide additional reasons in favour of acquiring the product;
- to stimulate the producers;
- to support large-scale promotion activities;

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<sup>19</sup> KOTLER, P., ARMSTRONG, G., *Principles of Marketing*, p.408

<sup>20</sup> SMITH, P.R., *Great Answers to Tough Marketing Questions*, p.226



- to introduce new goods and services into the market;
- to reinvigorate the customers' interest in the already existing products;

Thus, the application of IMC in business enterprises allows to harmoniously combine both, the interests of the company and those of the consumers'. The implementation of IMC has, without doubt, various benefits, such as:

- 1) IMC achieve greater efficiency at lower costs;
- 2) The use of technological advancements provide an opportunity for the personalized narrowcasting;
- 3) It ensures correct interpretation of market signals that helps to select correct promotional activities;
- 4) It guarantees the coordination between internal and external communications;
- 5) It helps to implement unified coordinated communication strategy.

Accordingly, the modern approach to the organization of effective commercial activity is to use an integrated communicative complex as the most optimized method of influencing the process of consumer decision-making.

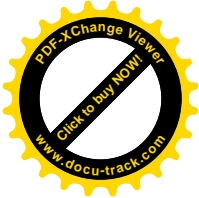
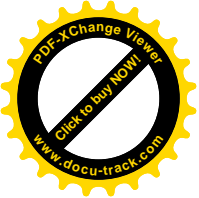
Speaking of the development of the IMC, the framework of integrated marketing communications was first introduced by Schultz and Kitchen and has a pyramid shape, consisting of four stages.<sup>21</sup> As far as such models go, this particular shape indicates that firms usually start at the bottom, a more practical stage, and slowly move upwards. However, only a small number of firms reach the final, fourth stage, whereas the majority of firms tend to stay in the first and the second stages. Overall, the four stages of IMC development are as follows:

#### **I. Tactical coordination of marketing communications.**

At this stage, the company is trying to coordinate and bring together all types of communications, starting with agreeing on the product logo, general message, overall advertisement campaign, etc. Still, at this stage all elements of communication mix are implemented independently and pursue different objectives.

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<sup>21</sup> SCHULTZ, D., IMC, *The Next Generation: Five Steps For Delivering Value and Measuring Financial Returns*, p.20



## **II. Redefining the scope of marketing communications.**

Whereas in the first stage the company only uses basic tools of communication and forms the general idea of the message and the overall look of the promotional campaign, the second stage takes a closer look at the target audience to define how to influence particular groups of customers. At this stage, the research of the target market is done to identify the needs of the customers for the company's brand, and marketers try to understand and analyse the ways, in which the customers perceive a certain brand. At this point, the company tries to stay in close touch with the customers by means of email or online feedback forms, competitive comparisons, after sales service contacts, word-of-mouth, etc.

## **III. Application of information technology.**

The research of customers now is done with the help of IT, which allows to create various databases of customers, to monitor their values, relationship with the brand, changes in popularity over time. It also helps to test new communication tools on certain smaller segments of the target audience, before implementing them on the larger scale.

## **IV. Financial and strategic integration.**

The final stage combines all the data and skills obtained in the previous stages. The overall marketing plan is being generated, out of which the marketing strategies are being defined and further implemented. At this stage, the company is more driven to understand the customer's needs and wants and anticipate their shifts in interests.

At this time and age, marketing requires much more than to create a product that meets the customer's needs, establish the right price and make it available to the target audience. Businesses need to communicate with their clients and get the feedback that will help them to improve. In this case, the content of communication should not be random; otherwise, the firm reduced its profits because of the high costs of unnecessary spendings as well as possible distortion of the company's image in the eyes of the customers.

The integrated marketing communications possess a variety of forms, media, tools and communication processes, and is implemented by means of promotion mix, which is a set of tools and methods of marketing, that ensure delivery of accurate information about a product, service or company and is aimed to, ultimately, compel the customers to make a purchase.

### 3.1.4 Promotion Mix

Marketing communications are aimed at creating a comprehensive and efficient system of communication tools that construct a clear, consistent and convincing presentation of the company and its products. The implementation of integrated marketing communications involves determining the target audience and developing a well-coordinated strategy of promotion to obtain the desired response reaction from the consumers.

In order to deliver a strong and compelling message, marketers resort to the help of the promotion mix, also identified as marketing communication mix that, essentially, is a blend of various communication tools that are at their disposal. As illustrated in Figure 4, the experts identify five major components in the system of the marketing communications mix: advertising, direct marketing, personal selling, public relations and sales promotion.

**Figure 4.** *The Marketing Communications Mix*



**Source:** *The Importance of Public Relations, Part 1, 2012 by Konstantin von Brocke*

The objectives of promotion, no matter what tool is used, is to occupy a particular niche for a given product or brand on the market and gradually ensure the long-term popularity of a good or service among the target audience. Thus, promotion for the purpose of long-term growth is designed to make a profit in the future due to the increase in the number of buyers. Promotion in order to obtain short-term profit is focused on immediate income. Choosing the ultimate goal of promotion, and a number of specific tools, accordingly, depends on the product's stage of the life cycle.

Among the factors, determining the structure of the promotion complex the central place belongs to market and product type. Efficiency of promoting goods and services depends on the type and size of the market. Therefore, for the limited market of luxurious or high-risk products personal selling is more effective, while for the wide market of consumer goods the preference is given to advertising and sales promotion.

At the same time, the type of product, offered on the market, also plays an important role in planning the promotional activities. Taking in consideration such features as product value, period of use, the consumers' attitude to the process of making a purchase, etc., it can be noted that in the market for consumer goods, as a rule, the most suitable tools of marketing communication mix are advertising and sales promotion, while in the market of industrial products, such as machinery, equipment, etc. the preferred tools are personal selling, since it allows customers to understand different features of the product and how it operates.

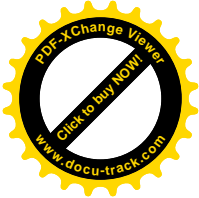
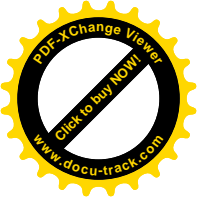
Marketing communications mix also depends on the company's promotional strategy. The two basic strategies that the marketers can choose from are Push and Pull Strategies. The main difference between the two is the role of the middlemen between the producer and consumers as is demonstrated in Figure 5.

**Figure 5. Push and Pull Promotion Strategy**



**Source:** Marketing 306 Portfolio by Madeline Bailey, <https://mbaileybus306.wordpress.com/76-2/>

Thus, in Push Strategy all elements of the marketing mix should be adjusted so that the emphasis was placed on the active role of the retailer. The aim of this strategy is to ensure the support of all intermediaries to increase market coverage, ensure brand promotion through joint action. The primary marketing activities here are personal selling and development of publicity by means of product placement, public relations, etc., built in



such a way as to reflect the important role of trade intermediaries and the need for their support. Push-strategies are usually accompanied by selective distribution.

In Pull Strategy, a producer assumes the primary responsibility for creating the demand for final consumers. The customers then will actively seeking out the company's products, so that retailers will be placing orders for stock due to the demand. A characteristic feature of pull-strategies is wide distribution. The main marketing activities involve advertising and sales promotion.

Many producers use both strategies to promote their products and services in order to successfully market the products to both final consumers and their trade partners. It is essential to fittingly combine all the tools of the promotion mix in regards to the chosen strategy. Each promotion tool has its distinctive features, goals and target audience.

#### 3.1.4.1 Advertising

According to Philip Kotler, advertising is “any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor.”<sup>22</sup> It is an essential tool for product promotion in the structure of marketing communications mix.

Advertising helps the consumers to generate some insight into the product's properties. The objectives of advertising can be an increase of commodity circulation, distribution or strengthening of the product's and company's image, acquaintance and re-acquaintance with the product, supply of information on the functions, utility and value of the product, increase of confidence in the product, etc.

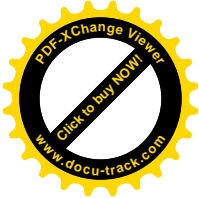
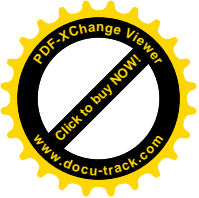
There are various advantages of using this promotion tool, such as the ability of advertising to: reach a mass audience; stimulate a wide-ranging demand; ensure brand recognition; expand knowledge about a particular brand; provide a customized promotional marketing message; serve as a reminder.

There are also some drawbacks of this particular tool too. Firstly, in many cases, advertising can be regarded as being intrusive, and, consequently, it can be shunned. Moreover, the ineffective advertising can contaminate the information

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<sup>22</sup> KOTLER, P., ARMSTRONG, G., *Principles of Marketing*, p.408





environment and, because of its mass orientation, it can lose a part of its intended influence on the certain groups of consumers.<sup>23</sup>

Advertising tries to create and change the attitude to the advertised object by means of providing information about it or appeal to the emotions, persuade consumers to act. Advertisers often use emotions such as pleasure, nostalgia or sadness to enhance the credibility of the message. One of the persuasive advertising techniques is the inordinate praise or exaggerated advertising, where the advertiser makes bold statements that amplify the benefit of the product to make it visually stand out and appeal to the consumers. Usually, such advertisements are built in a special way, with the help of hyperbole and such terms as “amazing”, “stunning”, “awesome”, etc.

In order for the advertisement to be effective, the advertisers need to implement three different stages:

**I. Strategy:**

- Determining advertising strategy;
- Defining the message;
- Identifying commercial prerequisites;

**II. Execution:**

- Development of creative concepts or main ideas;
- Preparation of advertising text and overall appearance;
- Adapting a creative approach to all areas involved in the creation process: print advertising, advertising on television and radio, outdoor advertising, advertising on transport, etc.

• Adapting a creative approach to situations involving different cultural environment and international marketing.

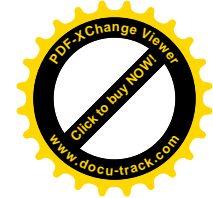
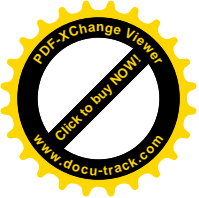
**III. Production stage** - involves collaboration with experts in the production of materials used in advertising.

The main types of media used in advertising include:

- 1) Printing;
- 2) Television and radio;

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<sup>23</sup> MORIARTY, S., BURNETT, J., *Introduction to Marketing Communications: An Integrated Approach*, p.361



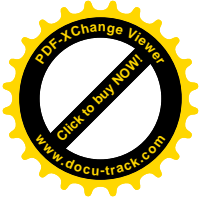
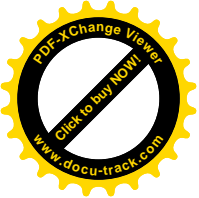
- 3) Internet;
- 4) Outdoor advertising;
- 5) Transport.

**Advertising in print media** includes various advertisements placed in the press. They can be divided into two main groups: advertisements and advertising publications (which include a variety of articles, reports, surveys, bearing direct or indirect advertising). The effectiveness of advertising in the press is a result of many factors, such as the circulation of printing edition, the volume of sales, the qualitative and quantitative characteristics of readership, distribution region, etc. Demand for all periodicals on advertising market is determined by the following main parameters:

- Specialization and thematic publications focus;
- The nature and characteristics of the readership of publications.
- Circulation, i.e. the total number of printed copies of the edition.
- The territory of distribution of publications.
- The frequency of publication issue.
- The sales volume of the edition (retail sales and subscriptions, as well as the number of copies distributed free of charge).

Specific technical factors that influence the effectiveness of advertising are typesetting technology and quality of printing, in addition to the design, context, features, placement of advertisements. Printed media are one of the most important advertising media due, primarily, to a substantial variety of printed editions, extremely high capabilities of target audience segmentation and relative cheapness of production. The main sources of advertisement in printed media are newspapers and magazines, posters, billboards, leaflets, catalogues, posters, etc.

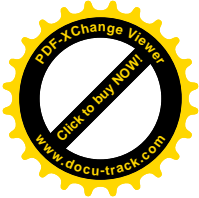
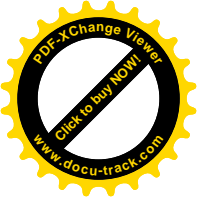
In reference to **radio advertising**, the main advantages of this media is a 24 - hour broadcast in many regions and a variety of programs. Radio is listened to everywhere: in residential and industrial premises, while driving or jogging, therefore, advertisements placed in the respective radio programs cover a significant percentage of a given target audience, regardless of where they are: at work, on vacation or on the road. Radio advertising is advantageous over other media channels on a number of levels, such as, it has the shortest period of preparation in comparison with other media. This allows advertisers to adapt to the peculiarities of the local market, current trends, intended target



market, and other variable factors. In this case, the advertiser can quickly respond to certain situations and bring in the text changes and additions. However, in some cases, radio advertising is extremely inefficient, due, primarily, to factors such as the inability to show the subject of the advertisement or the discrepancy between the presented product and the audience's perception. Within the framework of complex advertising campaigns, radio advertising is effective primarily as an aid, particularly in conjunction with TV advertising and advertising in press. Such a complex effect can significantly increase the performance efficiency of an advertising campaign in comparison with the impact of printed advertising only.

The effect of the presence brings **television communication** closer to the forms of interpersonal communication; therefore, it is a direct, immediate, two-way communication. Television is one of the most powerful and effective ways to deliver advertising messages to different types of audiences and, thus, provides the best possible coverage of the total audience. Due to these qualities, it has become a priority channel of distribution of information for large audience, producers of goods and services. Advertising on television is becoming more interesting, informative, yet complex and expensive to produce, especially if it is based on computer graphics. There are several of the most common forms of television advertising:

- ✓ **A place within an advertising block.** The advertiser buys a space in an advertising block, which is broadcasted in commercial breaks within a program or between programs. The commercial is demonstrated during the purchased time (10, 15, 20, 30 and up to 60 seconds).
- ✓ **Sponsorship of TV program production.** Programs, broadcasted by channel, may be wholly or partially subsidized by the sponsor, who receives a certain amount of prime time (in the beginning, middle, end of the program) for placement of the advertisement. In some cases, the sponsor gets a chance to advertise a product during the program by means of using the company's logo, certain studio design, advertising references to the name of the sponsor by anchor, mention in the credits, etc.
- ✓ **Participation in the television program.** Advertiser arranges a certain form of participation in the program, such as talk show or game show as a guest, allowing to advertise the company and its products.



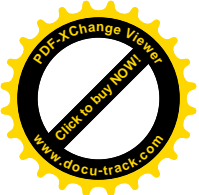
- ✓ **Spot television advertising.** The advertiser buys time for broadcast commercials (or the right to some special form of name or slogan) in one particular program (e.g. weather forecast) outside the advertising block.
- ✓ **News ticker and teleshopping.** Promotional information is read or showed by the anchor.

This type of advertising is highly effective due to simultaneous visual and sound effects, high degree of viewer involvement, a wide range of target audience and strong psychological impact associated with the personal nature of the appeal to viewers. There are, unfortunately, several drawbacks, for instance, the high cost of production of a television commercial, negative attitude on the part of viewers to the constant interruptions of TV programs for commercial breaks.

**Outdoor advertising** is text, graphics, or other visual information that is located in the open space, such as buildings, roads, billboards, etc. Outdoor advertising refers to the oldest form of advertising and currently remains one of the most common ways of promoting goods and services. In the recent years, the industry has been actively developing, offering advertisers an increasingly complex and technologically advanced solutions, such as innovative advertising, new interactive communication with the customer, improved planning models and so on.

The means of outdoor advertising are intended solely for the delivery of commercial advertising information, which cannot but affect consumers' perception that, in many cases, can become an irritating factor that significantly worsens the urban landscape. This kind of attitude is promoted to a considerable extent by the fact that outdoor advertising cannot be ignored or turned off unlike TV or radio commercials. Given such a reaction to the ubiquitous outdoor advertising, the developers of advertising concepts sometimes advise the companies to resort to special, non-standard creative strategies when conducting advertising campaigns.

The effectiveness of outdoor advertising depends on a large number of factors, hence, planning and conducting advertising campaigns requires an advertiser to know its specific features. The effectively chosen format of the outdoor advertising guarantees the attention of the target audience to its contents, and a significant variety of advertising media allows to form the program of advertising placement in such a way as to ensure the greatest number of contacts with the advertising message, and thus greater memorability.



At the same time, a large number of various advertising media leads to “advertising noise”, especially in large cities: the consumer can “get lost” in a huge advertising and information flows and not notice a specific message. Therefore, in order for outdoor advertising to be effective, an advertiser needs not only to use creative solutions that attract attention, but also carefully choose the appropriate means of advertising and its placement.

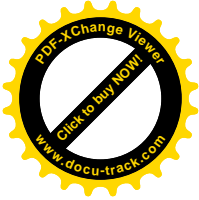
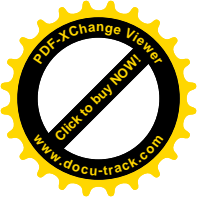
Outdoor advertising is used primarily as an auxiliary tool in the framework of complex advertising campaigns to reinforce and supplement advertising, placed in other media. Such a comprehensive impact allows to significantly improve performance of an advertising campaign. At the same time, its most effective use is to advertise those goods and services that can be represented using a concise image and a short text. In addition, outdoor advertising is often used to remind the audience about the advantages of goods and services already known and used.

**Internet advertising** includes various graphic and text advertising materials placed on the Internet. The Internet advertising market began to form in the mid-1990s, but until the early 2000s, the Internet was not seen by advertisers as a priority-advertising platform. Since the mid-2000s, the Internet has been considered one of the main channels of influence on consumers. This was primarily due to the constant and steady growth in the number of Internet users and the time spent online; the rapid development of wireless technologies, mobile devices and mobile Internet; the development of eCommerce, online shopping, technical platforms for the management of Internet advertising and analytical systems that allow to quickly and accurately measure the effectiveness of online advertising.

To date, there are three most common types of using the Internet as an advertising channel:

- Placement of advertising information on websites.
- Attracting visitors to the website of the advertiser.
- Search for consumers of goods and services among the Internet audience.

The choice of this or that type of Internet advertising, specific advertising media and their formats depends on the goals of the advertising campaign, technical capabilities of the advertiser, chosen advertising platforms and a number of other parameters. The effectiveness of advertising in the Internet is the result of a large number of factors, among which, above all, is the type of target audience of advertising and the extent of



advertisement coverage, design, context, placements, visual effects and content of advertisements.

Internet is one of the most important global markets for advertising media and attracts an increasing attention of advertisers. This is due, first of all, to a significant variety of Internet resources, extremely high opportunities for their targeted segmentation, an increase in the number of services offered and a huge audience. Knowledge and optimal use of opportunities in the online market allows to conduct advertising campaigns in a variety of directions, with various costs and scale, while achieving effective results.

Generally speaking, to effectively influence the consumers, advertising should use the experience of other branches of knowledge: psychology, marketing, journalism, linguistics, literature, etc. Modern advertising not only notifies potential customers about the prospect of buying a particular product, it helps to make more reasonable purchases, informing about quality, price, methods of application and other facts that buyers want to know before making a weighted decision. In addition, advertising enhances the living standards of people, stimulating their efforts to acquire better quality products. It also encourages manufacturing and trade enterprises to offer goods of the best quality.

#### 3.1.4.2 Personal Selling

Personal selling is the only type of promotion that involves a direct contact between a seller and a buyer, during which the characteristics of the good or service are presented orally and are aimed at a positive decision of a purchase. Unlike advertising, this means of communication is carried out in the form of a dialogue, not a monologue.

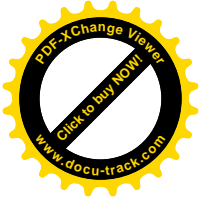
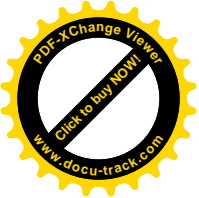
Personal selling is not only a means of forming planned interactions with the buyer, but also a form of marketing operations, a way of obtaining information about consumers, their attitudes to the purchasing a particular product.

The process of personal selling is a rather complex set of procedures, which includes 7 distinctive steps:<sup>24</sup>

- ✓ **Prospecting** – searching for market opportunities and customers' needs and wants through advertising, referrals, and canvassing.

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<sup>24</sup> LAMB, W.C., HAIR, J.F., MCDANIEL, C., *Essentials of Marketing*, p. 459

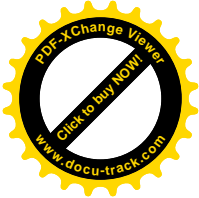
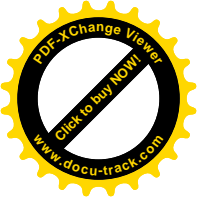


- ✓ **Pre-Approach** – identification of the prospective customers and development of strategy.
- ✓ **Approach** – actions aimed on capturing and stimulating the customer's attention;
- ✓ **Presentation** – presenting a good or service in such an effective way, so that to urge the customer to making a purchase.
- ✓ **Meeting objection** – in the course of the presentation the seller can come across the objections from the customer, which can be either psychological (apathy, reluctance to change the habits, mistrust) or logical (price, discounts, delivery). In the course of the sale, a seller should aim at turning the objectives into the positive incentive to buy.
- ✓ **Closing the sale** – the potential customer agrees with the terms of a sale and becomes a buyer.
- ✓ **Follow-up** – development of the relationship with the customer during the after-sales service.

Personal contact is a great advantage over other promotion tools, since it allows:

1. Direct presentation of the goods to a potential buyer which ensures personal contact;
2. Flexibility of relations. On the one hand, personal selling allows the seller to select various evocative communication tools almost instantly (such as speech, look, gestures, motivation strategy), and, on the other hand, personal selling can result in developing all types of relations between the parties from the superficial connection between a buyer and a seller to personal friendship.
3. Dialogue as a mode of communication. Personal sale is always carried out in the feedback mode. This allows the seller to change the strategy and tactics of negotiations in the process of communication with the client, analysing in real time the information coming from the potential buyer.

Despite those advantages, personal selling, like any other tool of communication mix, has some drawbacks, such as high cost and the complexity of sales techniques. It is the most expensive promotion tool, as the cost of one contact includes the costs of working hours, trips, wages of sales representatives, training of personnel. At the same time, the seller should be flexible in response to the behaviour of the potential buyer, while exhibiting the talent of a communicator, an experienced



psychologist, a presentation master. The fact is that the modern market is a market of active buyers, which involves active and professional sellers.

In general, in the current market, the critical attitude of the consumer to goods and companies plays a crucial part. It not only increases competition in the industry, but also attributes special importance to the organization's communications with the marketing environment. Therefore, in the sales policy of the organization, special emphasis should be placed on building trust and long-term relationships with customers and constantly taking into account their changing requests and desires.

A buyer-oriented sale is an advanced direction that requires the ability to accurately assess the situation, make independent decisions, build long-term relationships and create conditions for mutual satisfaction of the parties.

#### 3.1.4.3 Public Relations

Public Relations is aimed at the formation and maintenance of a favourable image of the firm, to convince the public of the necessity of the firm's activity and its beneficial influence on the life of the society. Work with the public, as well as advertising, is an instrument of the enterprise's communication policy and is based on the principles of mutual understanding, truthfulness, clarity, full awareness and cooperation.

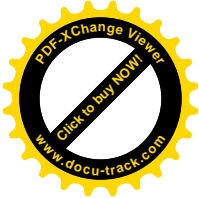
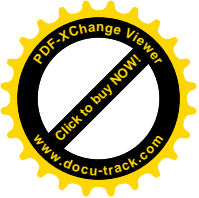
The main direction of the PR activity is management, manipulation of public consciousness, i.e. creation of external and internal social, economic, political, psychological environment, favourable for the success of the organization. According to Philip Kotler, PR is “building good relations with the company’s various publics by obtaining favourable publicity, building up a good corporate image, and handling or heading off unfavourable rumours, stories, and events”.<sup>25</sup> The solution of this strategic goal is impossible without ensuring the company's communication with its social environment: customers, authorities, media, employees of the firm. Therefore, PR influence public opinion in order to form, strengthen or change public opinion regarding the proposed product, organization or any phenomenon.

Public opinion is a state of mass consciousness that includes an attitude (latent or explicit) to public events, to the activities of various groups, organizations and individuals.

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<sup>25</sup> KOTLER, P., ARMSTRONG, G., *Principles of Marketing*, pg.409





This is, essentially, a set of judgments about reality. Public opinion in the commercial sphere is defined as the synthesis of private opinions about the product (goods or services), which are found out, as a rule, on the basis of market research, information on the market situation, market policies of competitors, etc. In the course of its activities, the firm is constantly confronted with business community, i.e., financial institutions, local, municipal and federal authorities, partners, shareholders, customers, etc.

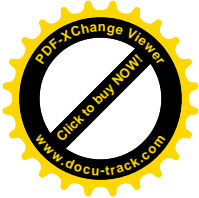
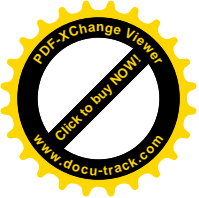
Rationally organized work of the PR helps to quickly reveal shortcomings in planning and organizing its business activities. Without PR knowledge, it is impossible to establish effective cooperation with the public.

PR specialists are, in fact, the intermediaries between an organization and the publicity. It is, therefore, believed that PR perform three main functions:

1. Purposeful formation of opinion and public behaviour in order to meet the needs and achieve the interests of the organization;
2. Responding to the public (monitoring events, problems, behaviour and developing a response program of actions, taking into account the information received);
3. Achieving mutually beneficial relations between the groups of public within the organization by ensuring their constructive interaction and contribution.

The means and methods of PR depend on the set goals, which are achieved through specific PR activities. Among the most important PR methods and activities are: relations with media, such as briefings, press conferences, press releases; printed materials (publication of indexes and reference books, reports); audio and TV aid; exhibitions and industrial or trade fairs; public events (open days, specifically organized holidays and celebrations); sponsorship and charity (support of science, research, education, art and sports, environmental protection activities, caring for children and pensioners).

If an advertising campaign conducted by an organization or direct convictions of sales managers can cause some scepticism among customers, the PR activities, on the contrary, can inspire trust, especially in the case, when independent information sources tell about the product; therefore, they are considered more trusting elements of the communication complex. Although the press is an independent media, the main efforts of Public Relations are aimed at creating attractive stories about the merits of the product and protecting it from negative image.



Even though, PR services are rather an expensive enterprise they definitely have several advantages over the other marketing communication tools, such as:

- They reach other contact audiences, not just consumers, but employees, public leaders, legislators and controlling bodies, the financial community and individual interest groups.
- They affect hard-to-reach audiences, such as opinion leaders with high positions.
- They promote the image of the company as an active member of the society.
- They are aimed to plan and anticipate any possible crisis situations before they arise;
- They add credibility to the company's activities and overall image.

Though PR is very effective at presenting the company in the positive limelight, sometimes the PR specialists find it difficult to measure the final result of the media exposure and can have inadequate control over what coverage the stories receive.

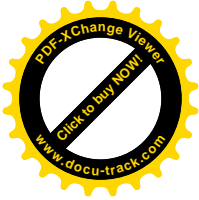
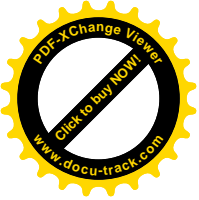
Rationally organized work of the PR helps to quickly reveal shortcomings in planning and organizing its business activities. Without PR knowledge, it is impossible to establish effective cooperation with the public.

The principal difference between PR and other tools of marketing communication mix is that the latter directly affect potential or actual buyers, where PR influence is indirect, through the developing relationships and the formed public opinion. Having common features, PR is also closely interwoven with other means of marketing communications, and, first of all, with advertising. In general terms, PR can be described as an enterprise advertising, contributing to the creation of its image.

#### 3.1.4.4 Sales Promotion

Sales promotion, as an element of the communication complex, is a system of incentive measures and techniques designed to strengthen the response of the target audience to various activities within the marketing strategy of the company as a whole and its communication strategy in particular.

Betsy-Ann Toffler gives the following definition to this concept: Sales Promotion is “1. Activities, materials, devices, and techniques used to supplement the advertising and



marketing efforts and help coordinate the advertising with the personal selling effort. 2. Casually, combined activities employed to sell a product or service.”<sup>26</sup>

Therefore, it is a form of promotion of goods and services to stimulate sales growth. It serves to support, inform and motivate all participants in the sales process (wholesale, retail, customers) in order to create a continuous flow of product sales. Stimulation of sales is a means of short-term exposure to the market. However, the effect of sales promotion activities is much faster than from using other elements of communications.

Sales promotion is used mainly to:

- revive the fallen demand;
- increase the awareness of customers about the products offered;
- create the necessary image of the product;
- encourage more frequent or more numerous purchases;
- introduce the new product on the market.

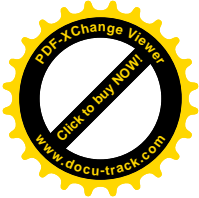
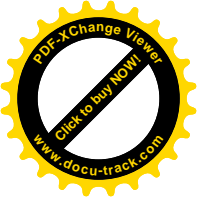
The objects of sales promotion can be either the producers, intermediaries or customers.

**Sales Promotion aimed at the producer** is related to the motivation of the staff and is aimed at increasing the sales volume by stimulating the company's internal and external services, encouraging the most active and productive employees, motivating the work of the managers of these services, intensifying the process of internal and external benchmarking between employees whose functions include promotion of goods. In order to stimulate the employees, the following can be used:

- Trainings;
- Opportunities for promotion;
- Cash bonuses, gifts;
- Additional holidays;
- Competitions of professional skill;
- Awards for the best employees;
- Provision of additional leave;
- Organization of leisure and tourist trips, teambuildings;

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<sup>26</sup> TOFFLER, B.A., IMBER, J., *Dictionary of Marketing Terms*, p.490



- Moral encouragement of employees, awarding of honorary titles, memorable gifts giving during the celebrations and personal holidays.

**When the sales promotion methods are applied to trading intermediaries,** the following main tasks are solved: promotion of the increase in sales volume; maximization of the orders of goods shipments; formulation of contracts; exchange of best practices in the sale of goods; decrease of temporary fluctuations in the receipt of orders from intermediaries, etc.

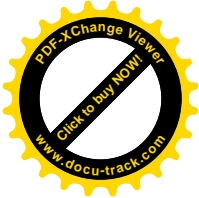
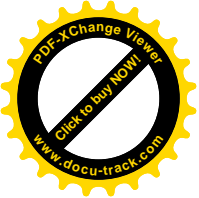
Among the most common methods of stimulating intermediaries are:

- Discounts for the agreed amount of goods;
- Provision of a specified number of units of goods for the intermediary free of charge provided that a certain quantity of goods is purchased;
- Bonuses for the dealers for the excess sale of goods in certain period of time;
- Participation of the company and intermediaries in a joint advertising campaign, with appropriate reimbursement of the expenses for advertising and providing retailers with various advertising media (posters, flyers, stickers, etc.).
- Organization of dealer contests;
- The producer of the goods and services can provide free upgrades of the product or trainings for the staff of intermediaries;
- Free trial of samples;
- Price discounts depending on volume, turnover and repeated purchases.

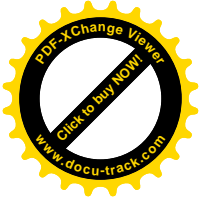
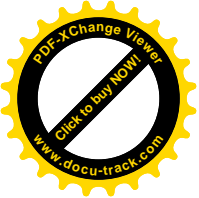
**Sales promotion activities aimed at the consumer** are most often aimed at introducing a new good or service; persuading the consumer to make a purchase; increase the number of items sold to one buyer; encouraging adherents of a specific brand and regular customers to purchase; the temporary fluctuations in sales (seasonal, day of the week, during the day), etc.

Numerous methods of sales promotions for consumers can be divided into several categories:

- 1) Discounts are one of the most numerous and often used techniques. They, in turn, are divided into:
  - Discounts provided with the condition of purchasing a specified number of goods.



- Bonus discounts granted to regular customers (usually within 5%). Reduction of temporary fluctuations is also facilitated by the provision of discounts on certain days of the week (for example, discounts on tickets to the museum on weekdays) and during the day (discounts on movie tickets for the morning sessions).
  - Seasonal sales.
  - Anniversary of the company, traditional holidays discounts.
  - Discounts for certain categories of consumers (children, military personnel, students, etc.).
  - Discounts for obsolete models of the goods when the company moves to mass production of the new ones.
  - Discounts when buying goods for cash.
  - Discounts when buying a new product on condition that the old model of the product is handed over.
- 2) In combination with the provision of discounts, the distribution of coupons is also rather effective method of Sales Promotion. Most coupons can be found inside the product package, printed in newspapers, magazines, placed in catalogues, sent by mail or e-mail.
  - 3) More often the bonuses in material form are widely used. It may be a T-shirt or bag with the product's logo, presented to customers free of charge; a free item for the purchase of a specific number of goods; two items for the price of one; free souvenir or a toy pre-inserted into the package. In some cases, the role of the bonus becomes so significant that it can become the incentive to buy (toys inside a chocolate egg).
  - 4) To introduce new products to the market, the firm can issue a free trial of goods and services for the potential buyers.
  - 5) Sometimes, sales promotion techniques take the form of a game: a firm can announce a contest, a lottery or a quiz. For example, the contest for the best name of a novelty product or a quiz on the history of a firm, the winner of which can be rewarded with a prize, in some cases very expensive (car, travel, etc.). This attracts attention of potential buyers to the contest and, therefore, to the product and to the company.



6) Presentation of the product includes demonstrations, free tasting, sampling, seminars in order to attract the attention of buyers and experts to the consumer characteristics of the goods.

Each of the considered methods and tools of sales promotion has its advantages and disadvantages, as well as sales promotion as a whole. There are a number of benefits of choosing this tool of promotion mix, for instance, it:

- ✓ gives an additional incentive to action;
- ✓ changes the price-value ratio;
- ✓ adds tangible value to the proposed product;
- ✓ provides an incentive for immediate purchase;
- ✓ stimulates purchases “for testing”;
- ✓ stimulates regular or repeated purchases;
- ✓ increases the frequency of purchases and / or their volume.

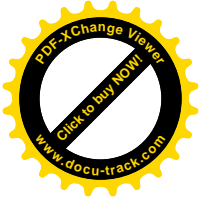
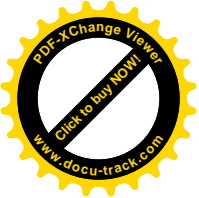
There are, without doubt, several drawback too, such as: it can set inaccurate retail prices; some consumers will not buy a product until there is a discount; it allows fraudulent use of coupons and theft of gifts; it some cases it can reduce the image of the brand, create insensitivity to brands.

Therefore, sales promotion is a means of marketing communications that uses a variety of incentive methods, especially advertising, for the consumer and can trigger specific measurable actions or reactions.

#### 3.1.4.5 Direct Marketing

Nowadays, companies are more and more choosing direct marketing as the dominant tool amid all communication strategies, which reflect the trend towards greater focus, individualization and interactivity.

With the spread of various IT technologies in the society, the rapid development of new electronic technologies and software, newer high-tech forms of direct marketing are becoming possible, which are simultaneously affordable and effective. Consequently, Internet presents the best conditions for the development of direct marketing. The forms of direct marketing are becoming more specific and depend on the type of communication, the specifics of the market, the category of the product, the aspect of its application, etc.



The various forms of direct marketing can be classified based of a number of characteristics.<sup>27</sup> Depending on the means of communication, direct marketing is divided into traditional and digital.

**Traditional means of classical direct marketing** are:

- **Direct mailing** – either personalised mail delivery (letters, catalogues, postcard), or bulk mail (flyer, leaflet).
- **Telemarketing** – promotion of goods and services via the phone. Telemarketing can be either active or passive. Passive telemarketing presupposes a lot of activity from potential customers and interested parties, e.g. hot lines, an order taking services, call centres and customer support. Among the active telemarketing methods are questionnaire surveys, polling, informing, selling goods and services by phone, etc.
- **Personal sales;**
- **Fax broadcasting** - involves the use of fax to deliver marketing messages in a business environment.

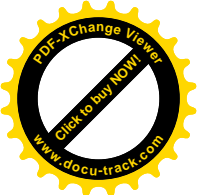
The development of modern digital technologies and software has led to the development of **digital direct marketing** and its various tools such as:

- **E-mail** – can be in form of the personalized letter, advertisement, video or audio content, etc.
- **Mobile Marketing** – use of SMS, WAP, MMS, Bluetooth, IVR, Push notifications, app-based and in-game mobile marketing and QR codes, which made it possible to automate the communication processes of direct marketing, make it even more interactive and, at the same time, cost-effective.
- **Internet site** – the ability to place advertising content at practically any site, e.g., display advertising, search marketing, social media marketing, etc.

Based on the level of market penetration, direct marketing can be individual, niche and massive. The first level actively use personal communications, while the second level utilises specialized means of dispersing the information among certain groups of consumers, which are formed on the basis of common interests. At the third level, mass

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<sup>27</sup> ANDREEVA, N., *Forms of modern direct marketing and their classification*, p.238



marketing channels are used, non-personal communication, covering a wide range of consumers.

By type of market, direct marketing is divided into b-2-b-direct marketing and b-2-c-direct marketing. Quite often, companies operating in the business sector resort to direct marketing programs. For these companies, direct marketing methods are necessary to increase sales and are more efficient than in the b-2-c sector.

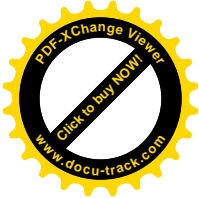
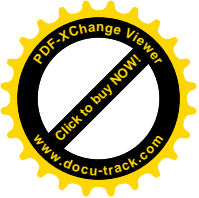
Direct marketing is a set of methods for establishing and maintaining personal communication with the target audience. The main goal pursued by direct marketing is to attract and retain the attention of potential clients, to form and maintain a long-term relationship with them. The task of direct marketing is to get feedback from the customers in form of a request for additional information, ordering a product or supplements, etc. The main distinguishing properties of direct marketing are selectivity, interactivity, personalization, the ability to receive feedback at any time.

Thus, direct marketing, unlike traditional promotional activities, reaches to specifically selected categories of consumers who can really be interested in ongoing cooperation. Direct marketing builds and develops relationships with customers without significant financial costs, without imposing anything on potential customers, while allowing the producers to constantly maintain the image of the company's products, monitor changes in the market situation and the preferences of the customers.

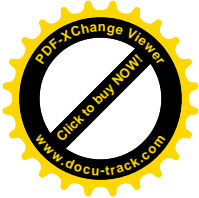
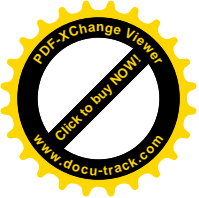
In summary, modern marketing requires much more than to create a product that meets customer needs, assign a suitable price to it and ensure its availability to target consumers. To be competitive and meet the needs and desires of the target audience, firms must communicate with their customers. At the same time, there should not be anything accidental in the content of communications, otherwise, the company will lose profit due to high costs of communication and damage to the image of the firm.

Nowadays communication becomes the main object of marketing research, as the results of entrepreneurial activity depend on the level of knowledge of communication processes. The system of marketing communications in the most general form can be defined as a single complex uniting the participants, channels and methods of communication of the organization aimed at establishing and maintaining the relationships between the company and its clients with the help of marketing mix. While all the aspects of marketing mix are, without doubt of paramount importance, it is the promotion that





creates a connection between the customer and the company. Within the framework of the general marketing strategy, an appropriate communication strategy is developed. It is realized through the use of separate elements, such as advertising, PR, personal selling, direct marketing and sales promotion. The correct combination and use of all four components of the complex, allows to make the products and services of companies attractive to the target audience. Therefore, without a doubt, effective communications with consumers have become key factors for the success of any organization.



## 4 Practical Part

This chapter is devoted to the analysis of the system of Marketing Communication, applied in the given organization. The purpose of the case study presented in the work is to understand all the specifics of the applied tools of the Promotion Mix, evaluate their effectiveness and practical consequences of their influence on the customers and determine which of the Marketing Communication techniques should be improved and developed, to allow consumers to form a positive impression of the brand and help make a choice in favour of the products of the given company. As the object of the study, a single branch of the international company Auchan Holding SA was chosen, namely a hypermarket located in Barnaul, Russia.

### Auchan Holding Profile

Auchan Holding SA is a French company that was established in 1961 in a form of the first opened supermarket in a small city of Rebox. Currently, it is the 11<sup>th</sup> largest food retailing group and the second largest French retailer in the world, represented internationally in the 16 countries and employs about 337,800 people. Today it is a group of prosperous and efficiently developing companies with a shared mission: “To improve the purchasing power and the quality of life of the greatest number of customers, with responsible, professional, committed and respected employees.”<sup>28</sup> This mission is inherently based on three fundamental values: trust, sharing and progress.

As of 2 December 2015, the consolidation scope of the company has been organised around three core businesses, illustrated in Figure 6:

- Auchan Retail that encircles all the retail activities: 962 hypermarkets, 918 supermarkets, which are consolidated fully; the Ukrainian network of Furshet supermarkets, which are 10% owned by the company. It also includes the eCommerce (mainly Auchandirect and Auchan.fr) and such drive outlets as Chronodrive and AuchanDrive;
- Immochan and its subsidiaries that manage commercial property: shopping centres, convenience stores, retail parks, etc.

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<sup>28</sup> GROUPE-AUCHAN OFFICIAL WEBSITE. *Presentation Auchan*. 2017

- Oney Bank responsible for the banking activity of the Holding, which specializes in electronic payments, consumer credit and insurance brokerage.

**Figure 6.** *Auchan-Holding company overview, 31/12/2015*

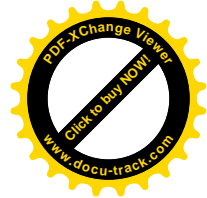
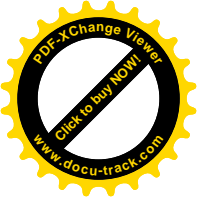


**Source:** Groupe-Auchan official website. Who is Auchan? <http://www.groupe-auchan.com/en/who-is-auchan/overview/>

The financial condition of the company in the first half of 2016 experienced an increase in consolidated revenue excluding taxes by 0.8% to €26,106 million in comparison to the second half of 2015 (See Appendix 1). This tendency can be explained mostly by the company's expansion and positive sales trends. Therefore, in almost all of the countries of operation the solid sales activity and the continued enlargement of the Auchan Retail (62 newly opened points of sales, mainly in China, Russia, France and Italy) resulted in the sales growth by 1.1%. However, during the first half of the year, the impact of petrol prices (-0.4%) and in particular the exchange rate effect (-3.8%, representing nearly one billion euros, mainly in Russia, Poland and China) had a negative impact on the percentage growth of revenue excluding taxes.

At the same time, the fall of operating profit by 30.3% to €228 million is attributed to the change in the law which gave rise to a alteration in the accounting method for calculation of the tax on business premises, under which Auchan Holding had to record a charge covering 1.5 years in the first half of 2016. Lastly, net profit from continuing operations came to €117 million.

The company's investment, though still strong has only reached €601 million during the first half of 2016, representing a decrease of -13.3% in relation to 30 June 2015, when current investment amounted to €693 million. Asia continues to be the priority area of investment by the Auchan Holding companies, accounting for 31.4% of the total investments.



Following the publication of the Financial Statement for the first half of 2016, Wilhelm Hubner, the chairman of the Management Board of Auchan Holding, commented on the results as follows: “2016 is a year of re-foundation for Auchan Holding and in this context the first-half results are encouraging...We have thus adopted a multi-channel strategy in all countries in which we operate, as part of which convenience stores have become a key attribute, with an acceleration of the digitisation of our retail activities and the promotion of a genuinely connected customer experience.”<sup>29</sup>

#### **4.1.1 History of Auchan**

Auchan is one of the world's top retail and distribution groups that was first established in Roubaix, France in 1961. Privately owned by the founding Mulliez family, it generates more than 54,2 billion EUR of consolidated revenue excluding taxes. The Mulliez family history dates back to the 17th century, and throughout time they were mainly engaged in textile manufacture. When the future founder of Auchan, Gérard Mulliez, studied in America in the 50's, he witnessed the opening of large department stores and instantly had an idea to create a similar enterprise back home, in France. The textile industry was facing a crisis at that time, so the family agreed to “donate” to him one of their factories on the outskirts of Roubaix, in the “Hauts Champs” district, from which the company takes its name. The area of the first store, opened in 1961, was 600 m<sup>2</sup> and it employed 30 people.

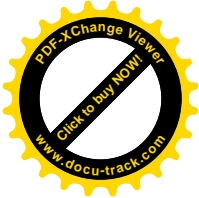
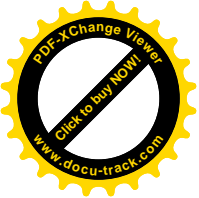
Already in 1967, Mulliez opened the first hypermarket, with an area of 6,000 m<sup>2</sup>, combining the assortment of products, found in supermarkets, with other range of various goods, starting from household appliances to musical records and spare car parts.

Auchan was an instant success, since it introduced a variety of new enterprise-owned brands with the main incentive of a significantly lower price than numerous national and international brands. A novice of self-service stores and an appeal of shopping for a variety of goods in one place also attracted consumers. Therefore, already by 1971, the company has grown considerably, spreading throughout France, introducing shopping centres with cafes and restaurants.

In another six years, Auchan became a joint stock company, where employees became the shareholders that owed 14% of the shares, while another 86% belonged to the

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<sup>29</sup> AUCHAN INTERNAL DOCUMENTS. *Auchan Holding financial report for the first half of 2016*, p. 3



Mulliez family. While the business blossomed, other family members were inspired to try their hand in retail. Thus, the company's acquisition of home improvement and home decoration chain, Leroy Merlin, in 1981, created the chain of more than 100 stores across Europe, Russia, Asia, South America and Africa. A family member, Michel Leclerc, also created another successful enterprise, Decathlon sport goods chain.

By 1980-s, the decision was made to expand Auchan brand internationally, so in 1981 the company opened its first supermarket under the local translated name Alcampo in Saragossa, Spain, building up the chain to nearly 40 hypermarkets and 90 supermarkets by the end of the 1990s.

Later, in 1983, the red colour of the letter A in the word Auchan becomes the symbol of the company. Around the same time, the company's slogan was firstly announced on the national radio channel: "La vie Auchan, vous avez le choix" (translated: Auchan life, you have a choice).

The further expansion in the 90-s has seen the creation of supermarkets and hypermarkets all over Italy, Poland, Portugal, Luxemburg and Hungary, which has the largest Auchan hypermarket in the world, with area of 22,600 m<sup>2</sup>.

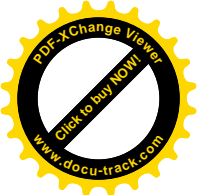
It was not until 2000, that Auchan has launched goods under its own brand that has become highly recognized and popular all over the world. The low price quality goods of various types of products became the trademark of Auchan and is nowadays the crucial part of its marketing strategy.

Finally, in 2002 the first hypermarket was opened in Mytishi, Russia. At that time, the concept of a hypermarket was still a novelty for the consumers; however, the discount approach and variety of goods ensured a continuous growing interest and loyalty. To date, a subsidiary company, Auchan Retail Russia manages 272 stores of different formats: hypermarkets, supermarkets, convenience stores, eCommerce. The company employs more than 43,000 people.

Auchan Retail Russia is one of the leaders of the Russian market. In October 2015, it was named the largest foreign company in Russia by the Forbes magazine.<sup>30</sup> A year later, in 2016, within the framework of the National Award "Golden Mercury" annually

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<sup>30</sup> THE AMERICAN CHAMBER OF COMMERCE IN RUSSIA. *Press release, 12 October 2016.*



organized by the Chamber of Commerce and Industry of the Russian Federation, Auchan was recognized as the “Best Foreign Company Operating on the Russian Market”.

Auchan has international quality certificates in the field of production and sale of food and non-food products, as well as a certificate of the Environmental Management System quality. Furthermore, the company has been recognized as the “Best Retail Employer” for four times and received the “Best Technology Innovation” award for the system of cash desks in the chain of Raduga hypermarkets. Finally, in 2012 and in 2014 Auchan was recognized as the “No.1 Brand” in Russia among the hypermarkets based on the results of the nationwide voting "People's Brand”.

Since opening the first hypermarket, Auchan Retail has generated several different formats. Thus, in 2009, a new chain of hypermarkets was introduced – Nasha Raduga (Our Rainbow). It implements the principles of high technical equipment, maximum automation of processes (a special payment system at the checkout. This type of supermarkets are relatively small, 5000 m<sup>2</sup>, with the team of only 165 employees. These hypermarkets are opened in Russian cities with a population of 300 - 700 thousand people.

On the whole, Auchan Retail Russia strives to meet its customers’ needs in a whole variety of sectors, for example through projects such as the Auchan Sad that specializes in gardening supplies, flowers and seeds, camping equipment and accessories for buyers who are fond of pets, garden and flowers.

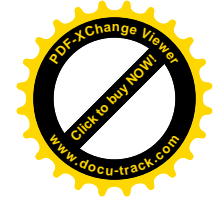
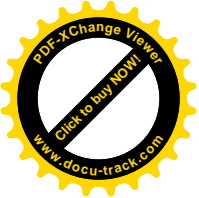
#### **4.1.2 Company Values & Vision**

Auchan Holding is a group of companies structured in a decentralized manner, so that the companies can act independently in their lines of business in different countries. In each of the 16 countries in Europe and Asia where Auchan Holding is present, the objectives and development policies are set in synergy, which ensures the direct exchange of beneficial practices, development of new skills and proximity to consumers.

The main objectives of Auchan Holding are:

- ✓ Anticipation of customer expectations;
- ✓ Excellent human relations;
- ✓ Opportunities for profitable and high-quality growth;

A considerable emphasis in the company is put to sustainable development, corporate social responsibility and organic growth. As a part of the social



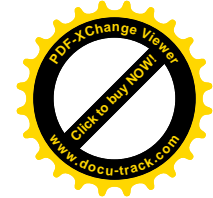
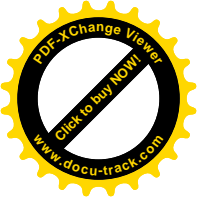
responsibility growth Auchan Holding has established a Youth Foundation, with representation in all the countries where the Holding is present. The Foundation aims to help young people living in unprivileged conditions and works closely with various non-profit organizations from local communities. Some of the social programs, on the contrary, are implemented only locally. Thus, in 2015, within the framework of the National Program “The Best Social Projects of Russia”, the program of the Cosy House Foundation was included in the TOP-30 projects in the nomination "Projects in Support of Socially-Unprotected Population".

The environment has also been a key focus of all company’s initiatives. The focus of numerous environmental policies within the company are aimed at: controlling energy consumption; sorting and recycling waste; protecting green areas; sustainable water management; increase in renewable energy share; rising the awareness of the environmental problems among the population.

Hence, the so-called “Green Days” are constantly held at all supermarkets and hypermarkets, often involving children from local schools that take part in tree planting and other activities aimed at minimizing the Greenhouse Effect and air pollution.

Organic growth is another vital part of Auchan strategy adhering the strict policy of controlled and progressive international growth. The company constantly evolves, implementing various innovative techniques and methods, such as drive-through, online shopping, etc.

The main distinguishing feature of the Auchan trademark is the endeavour to offer a range of health and environmentally friendly products to all types of consumers, promoting the adoption of health food consumption, human health and respect for the environment. Thus, several own-brand products are available for customers with particular dietary requirements, including salt-, gluten-, lactose- and sucrose-free goods. The company is focused on improving food safety and security, all the while delivering diverse, adaptable and accessible products. Therefore, Auchan chain uses the "low price/high quality" strategy, so that, at a fairly low price, almost any type of goods are offered, as the price reduction is covered by the usual amount of purchased goods. Auchan is firmly focused on the middle class consumers, people striving for a new culture of consumption, that value speed and quality of service, as well as the freedom to choose goods and services.



Likewise, Auchan pays great attention to the safety and quality of its own and suppliers' products. In consequence, the goods meet the requirements of customers and rise their confidence in the brand. The company has a two-level system for monitoring the safety and quality of products - the Quality Department of the Central Procurement Office and the Sanitary and Veterinary Security Service. It is a comprehensive system of measures aimed at ensuring safety and quality of products, starting with the entrance control, monitoring at the storage stages, during own produce manufacturing and while selling products in hypermarkets.

As a rule, Auchan works only with the largest supplier companies. Food products are supplied directly by the manufacturers, which simplifies the procurement procedure and ensures a constant freshness of goods. Supermarkets are also trying to position themselves as representatives of the trading culture of European supermarkets. Their goal is to become a popular place of shopping and a prestigious employer.

#### **4.1.3 Organizational Structure**

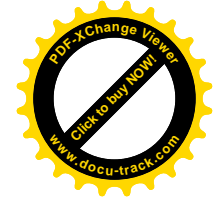
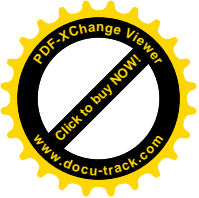
Ever since the formerly known Groupe Auchan has been renamed to Auchan Holding in 2015, the company has undergone several major changes. As a result of the reorganization, the autonomous companies emerged: Auchan Retail, Immochan and Oney Banque.

Following this reformation, the previous governance structure comprising of Board of Directors, a Chairman and CEO, was replaced by a new structure (See Appendix 2). As a result, the new governance of Auchan Holding consists of a Supervisory Board and Management Board. The Chairman of the Supervisory Board is Vianney Mulliez. The members of the Management Board include Wilhelm Hubner, General Manager of Auchan Retail and also the Chairman of the Management Board, Benoît Lheureux, General Manager of Immochan, Jean-Pierre Viboud, General Manager of Oney Banque Accord and Xavier de Mézerac, General Secretary of Auchan Holding.

Six support function directors in the following divisions provide the additional supervision:

- Finance Division (development and technical resources);
- Product Division (brand management, product offerings and purchasing);





- Performance Division (management control, indirect purchasing and risk management);
- Efficiency Division (streamlining, information systems and the supply chain);
- Human Resources Division (development of talent, communication and CSR);
- Innovation (digitisation and customer relations).

Auchan Retail is organised by country in order to ensure the best service, with orientation to the local demand and individual characteristics. Therefore, Auchan Retail Russia is a legal entity that has state registration and settlement accounts with the banks of Russia. It operates on the principles of full economic accounting, bearing full responsibility for the results of its activities and for fulfilling obligations to intermediaries, partners, the state budget and banks.

Auchan in Russia has a linear-functional management structure, which includes:

- administrative and management personnel (Director, Assistant Director, Director of Sales of Non-Food Products; Director of Sales of Food Products; Controller, Head of HR department, Head of Cash Department, Head of Emergency Prevention Department);
- Specialists and employees;
- Trade and operational personnel; support staff.

The provisions on structural subdivisions and official legal documents fix the main functions, tasks, rights and responsibilities of all the employees. The main advantage of such a structure is linear communications that ensure the unity of goals, and functional coordination of managerial activities, which allows solving complex multi-purpose tasks. Such linear structure guarantees effective operation under stable conditions, low management costs, relatively quick decision-making process.

The success of Auchan in Russia can be ascribed to the increase of the purchasing power of a growing number of customers by offering a wide range of quality products at prices 10 - 20% lower than the competition.

Opening shopping centres, supermarkets and hypermarkets in a number of Russian cities, and increasing inflow of additional funds in the form of tax revenues to the regional budget, Auchan is constantly undergoing enlargement, thus, creating jobs, develop a network of local manufacturers and suppliers of goods. The personnel policy of Auchan in

Russia enables the company's employees to acquire a unique experience of working under European standards of retail trade and opens up a broad perspective for career growth.

## 4.2. Auchan in Barnaul, Russia

29 June 2015 marked the opening of the first Auchan hypermarket in Barnaul, Altai Region, in the presence of the representatives of the Supervisory Board of Auchan Holding, Altai Territory administration, local producers and partners. The newly established hypermarket became the 57<sup>th</sup> in Russia.

The hypermarket is situated on the Vlasikhinskaya Street, in Volna new shopping centre, as shown in Figure 7. It occupies the selling space of 11,000 m<sup>2</sup>, and employs 320 people of trained staff that has finished training courses in the other Auchan stores. The hypermarket is equipped with a self-pay system, consisting of 38 scanning stations and 56 payment terminals. Such a system increases pass-through capability and saves the customers' time by 30%.

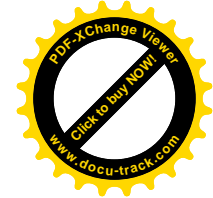
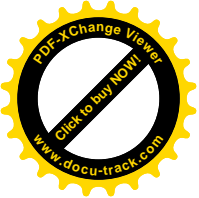
**Figure 7.** Auchan hypermarket in Barnaul, Russia



**Source:** Volna Shopping Centre, 2015, altapress.com

As the company's goal is to promote care for the customers and their needs, Auchan has installed water coolers and benches for the customers, free sanitizer at the deli department and disposable gloves at bread, fruit and vegetable departments.

Following the current economic situation in Russia and in the conditions of import substitution, the Director of the hypermarket, Natalia Ageeva, together with the CEO of Auchan Russia, Wilhelm Hubner turn to cooperation with the local suppliers, resulting in a



signed agreement with more than 30 producers of Altai Region. This type of produce is sold with a special logo that raises awareness of the brand among the consumers.

Focusing on characterising of the given hypermarket, several things are worth mentioning:

#### **1) Description of the product**

Auchan offers more than 38,000 items of goods, 30% of which is food and 70% are non-food items. The store has a wide selection of deli products, cosmetics, household appliances, goods for sports and recreation and clothes, footwear, etc. The hypermarket can serve more than 5 thousand people daily. Auchan has its own bakery and culinary department that provides fresh ready-made dishes of various cuisines, from salads to grilled products and smoked goods.

#### **2) Main competitors**

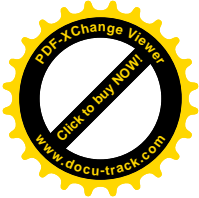
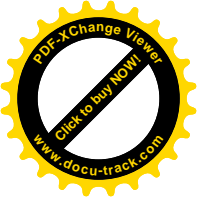
At the moment, the main competitors of the hypermarket in Barnaul are such companies as “Metro Cash & Carry”, another chain of hypermarkets, “Lenta”, as well as medium-sized and slightly differentiated product offerings and a variety of services of the “Maria Ra”, “Magnit”, and “Holliday Classic” chain stores. However, the later retailers offer a minimum of services at a regular price. The main advantage of such chains is close proximity to home or work. People focused on variety of products, comfort and quality of service certainly prefer to shop in large hypermarkets.

#### **3) Target market orientation**

Auchan offers services that conform to the European level and meet the requirements of even the most demanding customers. The corporate goals such as “think as a buyer thinks”, “offer the customers what they desire” promote the rapid development of the scale of activity. The variety and quality of offered goods, one-stop-shop policy, and exceptional service allows professional suppliers to find everything in one place instead of traveling around the city in search of necessary goods in various stores.

#### **4) Disadvantages of the hypermarket**

Despite the fact that Auchan has many cash counters, the main drawback is large queues, especially during holidays seasons and weekends. Another disadvantage is the working hours, from 7.30 until 22.00, which forces many people to make purchases in a rush. The location can also have a negative influence on the regular shopping patterns, as the hypermarket is located far from the city centre. However, this problem is being dealt



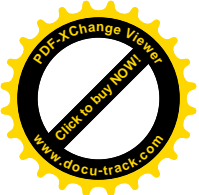
with, since Auchan has launched free bus routes to the hypermarket from two city districts that travel every 30 minutes from 9a.m. to 9 p.m.

To better understand the place of Auchan on the market, a SWOT analysis was carried out, establishing and dividing the factors of the internal and external environment of the organization, in order to focus on the further improvement of the company's performance (See Appendix 3). The analysis demonstrated that Auchan Retail Russia has all the prerequisites for further growth and development, taking a central place on the Barnaul market. An increase in market presence also contributes to strengthening of power over suppliers, as the company keeps the pricing policy lower than its competitors do, which, in principle, is very difficult in a highly competitive environment. This being said, the company's activities aimed at improving the management of marketing activities in recent years, has increased the average annual profit of the company. The further study targets the system of marketing tools and policies, implemented in the given company, paying closer attention to its promotional activities.

### **4.3. Communication Mix in Auchan**

Communicative strategy is the most important effective tool in promoting the brand to customers. At the heart of this strategy is the concept of positioning. For retailers correct positioning of the store plays a big role in the development of the company. It determines the target audience, direction of the company's future development, type of goods, sets prices and plans a system of marketing communication of the company.

Marketing communications refers to activities, a combination of funds and specific actions for the search, analysis, generation and dissemination of information relevant to subjects of marketing relationships. As an activity, it is primarily a communication policy, a special function of the producer, intermediary or consumer, determined by its motives, interests, attitudes, attitudes and specific goals (entering a new market, launching a new product, increasing or maintaining a market share, etc.). Its modern emphasis is on the formation, maintenance and development of long-term partnerships between the company and consumers based on mutual knowledge, respect for each other and a focus on mutual benefit. The plan of marketing communications is created based on the marketing plan. Its goals is to most effectively implement the functions of all elements of marketing



communication - advertising, public relations, sales promotion, direct marketing, personal sales.

Auchan is one of the most popular, best-selling stores not only in Barnaul, but also in Russia, due to an established and actively developing marketing policy.

#### **4.1.4 Advertising**

Advertising in the system of marketing communications has a very important role in the development and promotion of the enterprise. The main role of advertising activities is to promote the company in the market and ensure good contact with potential consumers. Practical implementation of these principles requires advertising to become a significant part of the company's marketing strategy.

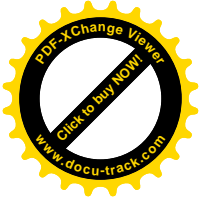
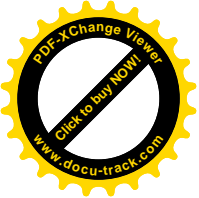
Auchan uses advertisement to inform potential customers about its goods and services, product prices, discounts and promotions, offers that can satisfy their specific needs and requirements, thereby creating a positive attitude towards the company. It is imperative that consumer have positive associations with the brand and products that, in turn, would push them to buy in a particular store and, therefore, stimulate steady demand. To do so, Auchan employs a number of various specialists such as marketers, designers, artists, scriptwriters, psychologists, etc.

Advertising strategy in Auchan can be divided into 3 parts:

1. Actions aimed directly at stimulating demand in the wide range of goods as well as individual products.
2. The range of activities that contribute to the creation of desired company's image.
3. Actions aimed at lobbying firm's interests in the government, public organizations, in other firms.

As a rule, all these measures are used, but depending on a number of several factors during certain periods, some of them prevail. These advertising appeals allows maintaining sales at a stable rate and to generate active demand, strengthen the company's market positions and develop a commitment to the brand. All this gives the prerequisites for creating a favourable opinion of a potential buyer about the quality of the products and services.

A special attention is given to advertising the produce of local market as well as the personal brands of the company. The hypermarket is equipped with special logos and



banners that promote Altai products. These banners are done in distinctive colour of the region's national flag and feature the national coat of arms as is shown in Figure 8.

**Figure 8.** Advertisement of regional products: “Buy made in Altai”



Source: Capitalist Journal, <http://kapitalist.tv/2015/06/29/v-barnaule-otkrylsya-pervyj-gipermarket-francuzskoj-seti-ashan/>

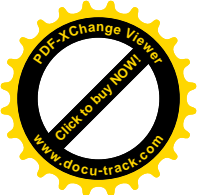
The main source of the advertising is the company's logo and slogan that has become a trademark all over the world. Even though local retails are free to choose their own marketing campaign and internal policies, the original logotype has stayed with the company ever since it was created in 1983, replacing the “A” in a circle by the “A-bird” (the “A” behind a robin). This bird symbolizes sympathy and closeness to people. The logo of the Russian branch of Auchan, done in the identical colour palette, changed the inscription into Cyrillic scribe to fit in the domestic market, as seen in Figure 9:

**Figure 9.** International vs. Russian Auchan Logotype, since 2015



Source: Business Lynch. Auchan logotype, 05.02.2015, <http://www.businesslynch.ru/2016/02/05022015.html>

Likewise, local branches are free to create their own slogans and mottos that would reflect their position on the market, geographical and national idiosyncrasies. Thus, the French slogan “La vie que j'aime” (translated: Life I love) is changed into Russian “Hit the



Prices!”, as presented in Figure 10, underlining the main policy of the hypermarkets, aiming at lower prices and high quality.

**Figure10.** *Auchan Retail Russia Official Slogan, 2017*

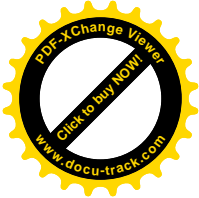
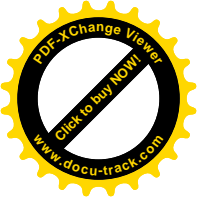


Source: Auchan official website, 18.03. 2017

The company thoroughly analyses its customers and consumer market, particularly such aspects as purpose of sales, level of competition, popularity of certain categories of products, current fashion trends, etc. The assumed motives of making a purchase are also taken into account, as well as the sales volumes desired by the enterprise. After the analysis is done, the company decides on the best course of action in promoting its products and services.

Auchan is heavily relying on the inside advertising of its products and services. All the advertising in the hypermarket are done in bright red and yellow colour that instantly catch the visitors' attention. The hypermarket features huge overheads (plastic decorations above trade rows with department names), banners, posters and leaflets that use big fonts, a lot of pointing arrows and exclamation marks. This type of aggressive advertising can provoke contradictory reactions: it instantly attracts customers' attention to special offers and discounts, but it can also confuse and distract people, who want to purchase a specific product (See Appendix 4).

A big part of the advertising campaign is devoted to promoting the company's private brands. In Barnaul hypermarket there are two lines of privately owned labels – “Kazhdyi Den”, (translated: Every day), economy brand, positioned as having the lowest (even compared to other Auchan brands) price while meeting all quality standards; and “Nasha sem'ja” (translated: Our Family) middle-class brand (See Appendix 5).



“Every Day” takes a large share of sales under its own brand, due to the fact that the goods are represented almost in all categories of products offered in Auchan. Such a success can be explained by the prices under which the goods are sold. On average, the price of these products is less than the regular prices by 40%. This brand has a special popularity in regions where the standard of living, and, consequently, wages, are lower than in the central regions.

In order to properly assess the awareness of consumers about products under the private brand, it is necessary to determine the target audience. There are several major characteristics of the segment of consumers of this specific brand:

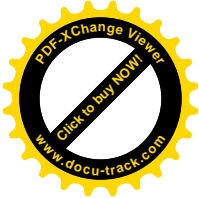
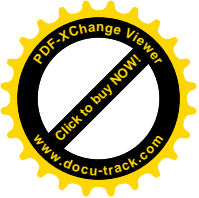
- young families with average or below average income;
- demanding, technically competent, open to novelties and economical people;
- those, who want to buy goods not at the minimum price, but at a price corresponding to good quality;
- people, looking for information about the goods, willingly discussing them in social networks.

Outside advertising of the hypermarket is presented by means of leaflets and advertising booklets that are handed to consumers personally, billboards on the streets and advertising on public transport. Less developed, but still present is the traditional means of advertising in printed media (magazines, newspapers, catalogues) and on radio and television (See Appendix 5).

To estimate the effectivity of all means of advertising implemented in Auchan a questionnaire was conducted. The questionnaire consists of three parts: basic information about the respondent, evaluation of the company’s promotional techniques and evaluation of the customers attitudes to them. The questionnaire contains 21 close-ended questions with suggested variants of answers and 2 open-ended questions. The respondents, 189 in total, were the customers of Auchan in Barnaul, all of whom have visited the hypermarket at least more than 3 times (See Appendix 6).

According to the results of the questionnaire, the majority of respondents (72%) prefer shopping in Auchan because of convenience and price. This can be attributed to the fact that Auchan offers a wide range of products and services, therefore allowing customers to buy all the needed products in one place. Another important criterion for shopping in Auchan is price policy, which was important to 52% of respondents.



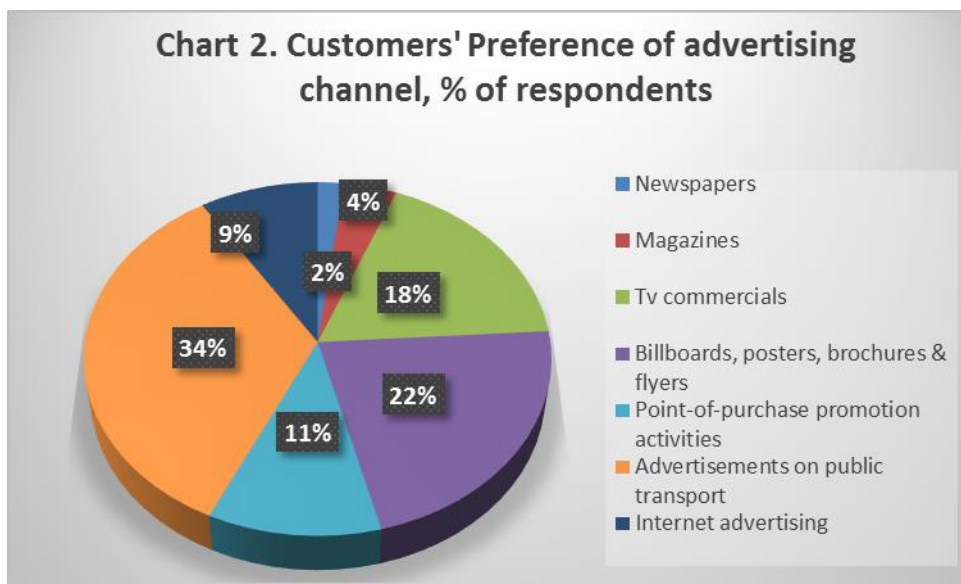


According to the survey, the most preferred advertising and marketing activities are win-win lotteries (54% of respondents), closely followed by discounts and sales and promotional activities with gifts (16% and 14% respectively) as seen in Chart 1. Advertising of new products was named least popular promotion activity.

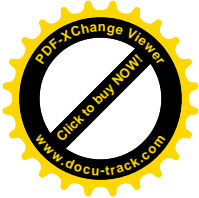
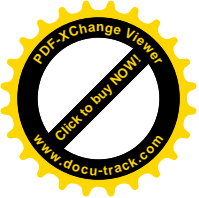


Source: Own research

Chart 2 shows the results of respondents' answers to the question "Which advertising channel do you prefer to use to obtain information about products, promotions in Auchan?"

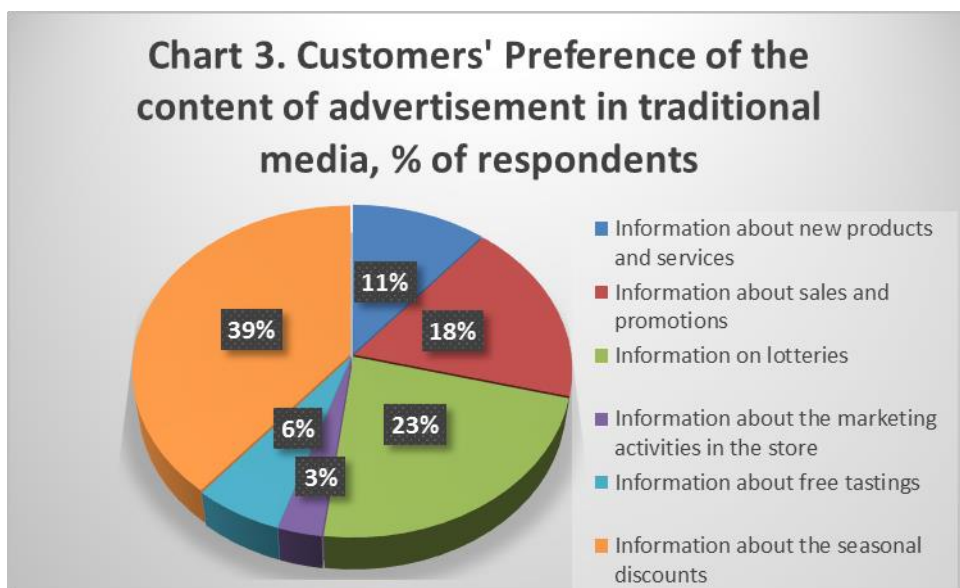


Source: Own research



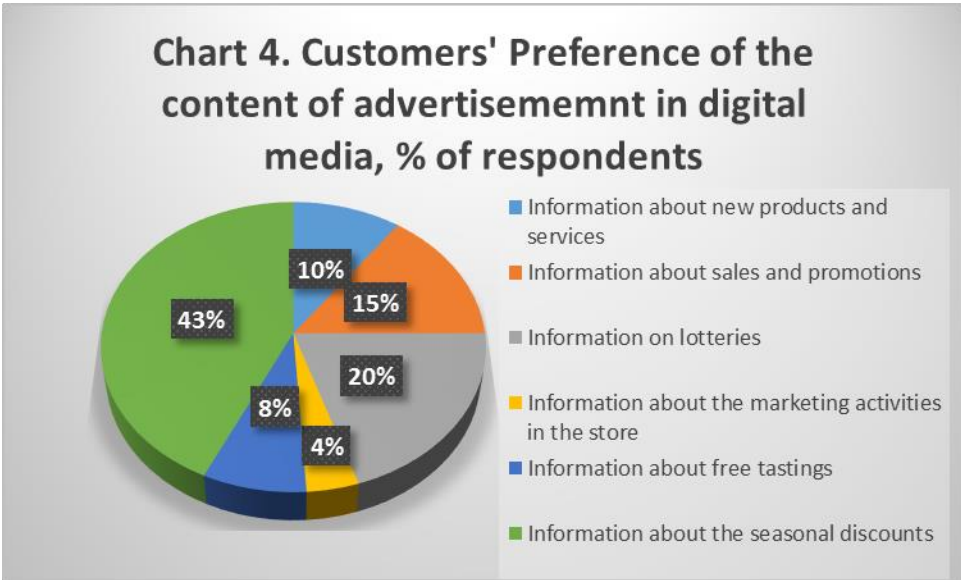
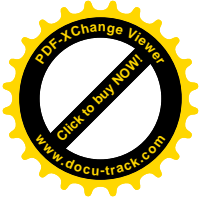
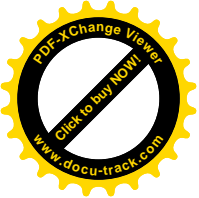
Thus, 34% of respondents prefer advertising on public transport, as it is considered the most unobtrusive means of influence the customers' perception. The traditional printed advertising in newspapers and magazines turned out to be the least popular. Since the respondents name the first thing that comes to mind, the chosen type of advertising is the most likely to attract their attention. From the results of the questionnaire, we see that such promotional materials are functional poster, billboards, point of purchase promotion. However, this total percentage is made up of the female audience of the respondents, while the majority of men mostly preferred TV commercials.

When asked about what elements of advertising and marketing activities in classical media (TV, radio, magazines, newspapers, etc.) have a major impact on the consumers, 39% of respondents would rather see information on seasonal discounts or lotteries (23%), than about marketing activities in the store that picked interest of only 3%. (See Chart 3).



Source: Own Research

When asked the same question in relations to digital media, as seen in Chart 4, the percentage of those who prefers advertising of seasonal discounts grew, while information about sales and promotions fell slightly by 2%.



Source: Own Research

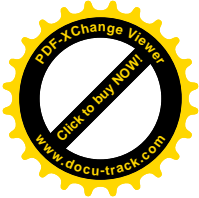
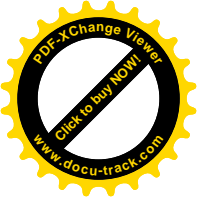
Overall, it can be concluded that the most preferred means of advertising is the advertisement on transport, since it: draws attention, is brief, comprehensive and easily readable on the go.

The least popular and, thus, most ineffective type is the advertising in traditional media, especially in newspaper and magazines. This trend can be partially explained by declining popularity of the printed press in the region, as it is steadily being replaced by digital sources, such as Internet and television.

Since Auchan in Barnaul implements advertising in both printed media and on radio and television, it can point to ineffective utilisation of the recourses. It, in turn, can be caused by poorly conducted marketing research of consumers' behaviour and their preferences on the local market.

#### 4.1.5 Direct Marketing

One of the most important trends in the practice of developing direct marketing is the systematic and integrated use of various tools in achieving marketing goals. This process has recently become so relevant that it allowed some specialists to talk about the formation of an integrated direct marketing system. Professionals of direct marketing in the field of marketing communications have already come to an unambiguous decision that it is necessary to pay special attention to priority areas to promote the company's products,



such as strategy, Internet marketing, innovative achievements in science and technology, and client-orientation.

Among the most popular means of direct marketing is a company newsletter, a system of automated and personalized mailing to all potential customers via e-mail, providing information about new products, discounts, sales and special offers. Another popular tool of direct marketing is mass text messaging.

Since Auchan is a well-known and established company, it does not feel the need to invest in expensive promotional strategies, allowing their pricing policy to be the one tool of promotion that would most effectively attract consumers' attention and ensure the high volume of sales.

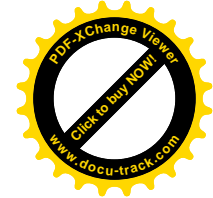
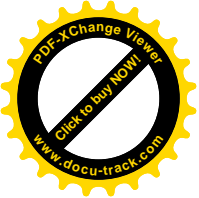
Therefore, the only tools of direct marketing implemented by Auchan Russia retail is their strong presence on social media and online shopping.

Auchan creates a system of communication with the customer by actively participation in social media exchange, namely, its presence can be seen on Twitter, Instagram, Facebook and most popular social network in Russia, VKontakte (See Appendix 7).

Each of the webpages on these social networks features:

- The company logo;
- Promotional posters announcing upcoming sales and discounts;
- Information about company's social activity, namely charitable actions (Auchan Generations Foundation), environmental campaigns (Earth's Day), meetings with famous athletes, celebrities, politicians, etc.;
- Data on newly opened supermarkets and hypermarkets and planned expansion;
- Information about new products and services;
- Photo accounts of all held promotional activities;
- News events on the international network of Auchan.

All the web pages are colourful, eye catching, easy to access and scroll through, informative and precise. Auchan inspires the potential clients' feedback, thus, encouraging not only to "Like" the page or messages on the news feed, but also share comments and their shopping experience, participate in surveys, contents and company celebrations.



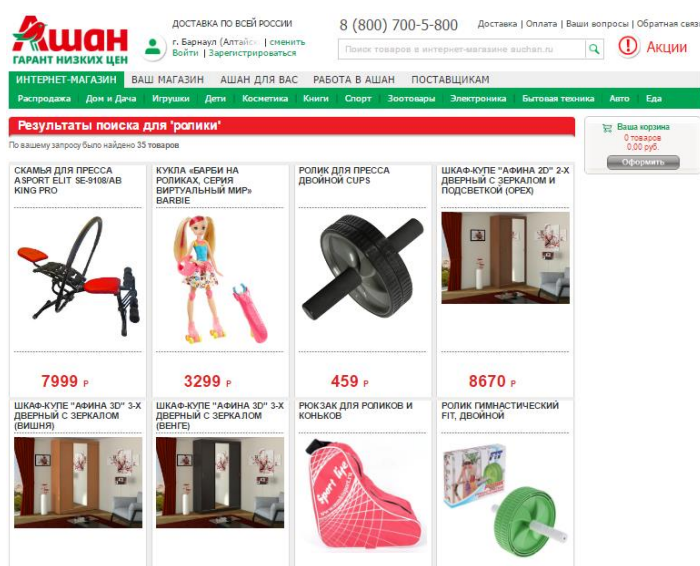
With reference to the pages popularity, Vkontakte page is the most frequently visited, with 34,155 subscribers. Second most popular Auchan page is on Facebook with 7,300 followers and 27,380 people liking the page. Instagram page attracts 2,040 subscribers, while Twitter shows the declining popularity with only 64 followers.

Despite the obvious popularity on Social Media, the real focus of Auchan promotional campaign lies with its online shop that offers the assortment of goods, easy shopping and delivery to any Russian city.

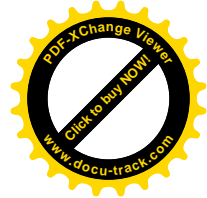
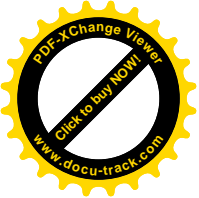
The advantages of this tool most often include the maximum possible conversion, low costs and the possibility of absolute measurable results. The online shop offers a wide range of goods from house furniture, sport equipment and electronics to clothes, pet supplies and food. In order to evaluate the efficiency of this type of direct marketing, a usability test of the site was conducted, based on the focus group analysis. The web focus group consisted of 30 participants, 15 women and 15 men aged 25-40 years old with finished high school education, all of whom are regular internet users. The task put before the users was to find a New Year gift for someone from their family or a friend, and to purchase it in an online store, noting the terms of payment and delivery to their home.

The research detected several marketing and technical errors and problems. Thus, the main problem the users faced when searching for the gift was the inaccurate work of the search engine. Despite the users' requests, the search algorithm displayed completely different products. Presented in Figure 11 are the search results for the roller skates.

*Figure 11. Auchan online shop search results for “roller skates”*



Source: Auchan online shop, www.auchan.ru



Amongst other problems with the site functionality, the users named:

- ✓ There are many malfunctions in the work of the site, often followed by the "The server is unavailable" message.
- ✓ Auto-detection of the visitor's city often works incorrectly, the wrong city is determined.
- ✓ Confirmation of an automatically determined city does not work right away, but only after the second confirmation attempt.
- ✓ The "Price" filter does not always work correctly.

Taking into consideration problems with submitting data, some of the participants of the test were confused why gifts to family, friends and colleagues are united into a single section "Family, friends, colleagues" since people choose different types of products, based on the value, price, relations, etc. Even more, the information on the goods was found to be rather general and, therefore, useless for the users.

Analysing delivery conditions, six users did not find a clear information on the means of delivery, whether it was done by courier service or by Post of Russia. Though the minimum delivery time was specified, the users could not find any information on the maximum period.

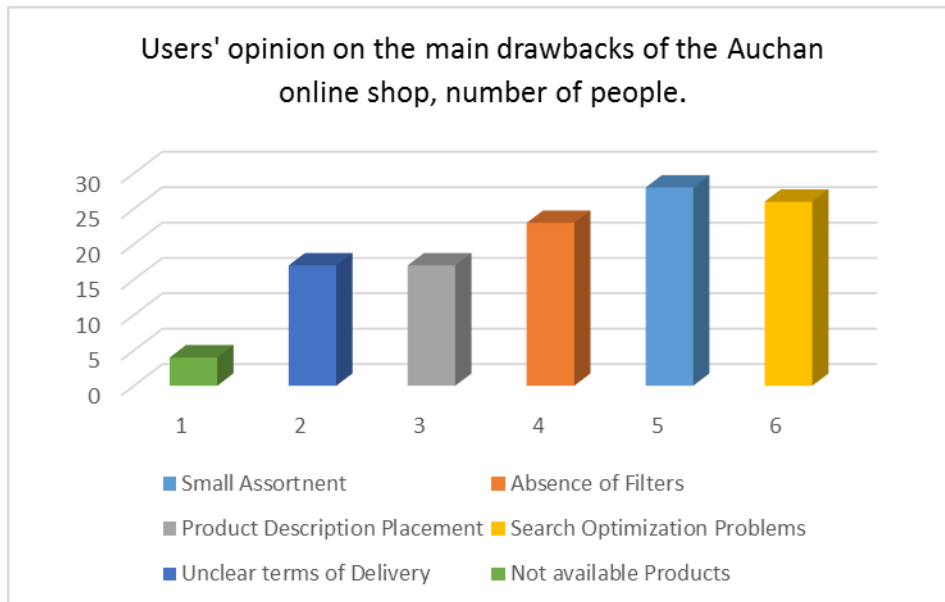
A number of commercial problems was also detected. Thus, the assortment of the "Family, Friends, Colleagues" section seemed very scarce for the testers to choose a suitable gift, whereas on the store's website there are a lot of goods in the main catalogue that could also be included into the section. The section "Furniture for the New Year" refers to a common section with ordinary objects, without any relation to the New Year, which does not meet the expectations of the users. Some testers were indignant about the fact that the customer pickup service of self-transportation must be paid for.

Practically all the users noted the usability problems of the site, especially the lack of quick navigation by sections, for example in the form of a drop-down menu with subsections from the "New Year" menu, forcing the user to each time return to the original page with a list of sections.

The basket icon is inactive and there is no "Go to the cart" button, there is only a "Checkout" button, which confused several testers. Another drawback that annoyed some of the users was catalogue display of unavailable products. The product information page was found inconvenient, with the product photo at the top and its description at the bottom

of the page below the display of similar goods. Thus, many users did not see it at all and considered the description of goods is completely absent.

In summary, the results of the usability test can be presented in Graph 1:



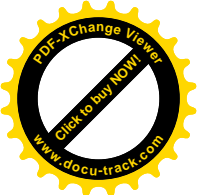
Source: Own Research

Sales through the Internet are becoming a necessary addition to traditional channels for traditional retailers. Russian retailers actively include online sales in the marketing strategy to increase the share of revenue from online sales. However, such a well-known brand as Auchan should pay closer attention to its website and online shop optimization to ensure maximum customers' satisfaction and make the process of online shopping easy and enjoyable.

#### 4.1.6 Public relations and Personal Selling

The most significant PR tools include the company's corporate identity, its recognisability. At the same time, brand attributes are not only the company logo, its corporate colours and slogan, but also the communication style that manifests itself in relations with consumers, partners and competitors. With a good positioning of the company on the market, this style is instantly recognized. Therefore, such a large and renowned brand as Auchan has been very thorough in the development of its corporate identity, and for years has put the best efforts to maintain it.

The basis for the successful functioning of the company in the market is its image positioning, competent representation, and construction of market promotion strategies. A



clear differentiation of communication messages for different auditor segments allows creating a strategically and tactically accurate and well-perceived image of the company. It should be emphasized that the image of Auchan should be considered at such levels of communication as:

- ✓ business community;
- ✓ governmental and administrative authorities (federal, regional, local);
- ✓ the media ;
- ✓ prospective and loyal customers;
- ✓ personnel.

The objectives of PR strategy is to implement various tools and activities to strengthen the image of Auchan, promote sales, support newly launched and already existing brands, proposing adequate advertising campaigns, etc.

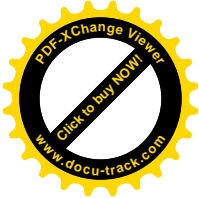
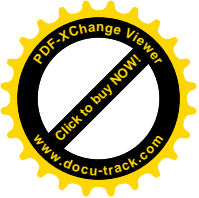
The main purpose of Auchan is to make a profit by meeting the needs and wants of consumers in products of the low prices and high standard of quality. Therefore, one of the fundamental goals is a systematic balanced growth in the formation of an individual image of the company as a retailer with its own well-developed brands, putting its customers at the heart of their business activity.

To further assess the promotional strategy of Auchan, a semi-structured interview with the company manager was organized. The interview consists of questions, related to all parts of Promotion Mix, and gives a clear and comprehensive understanding of the promotional strategy of the company (See Appendix 8).

Thus, according to the interview results, the main tasks facing the PR manager of Auchan are:

- 1) **Informing the target audience about the company.** The company constantly introduces new technologies, products and services, so it has to keep in touch with partners, customers and producers. Auchan actively develops, since new supermarkets and hypermarkets appear across Russia every year. Therefore, each hypermarket in any Russian city is responsible for creating a positive image of the company as a whole, creating customers demand for further expansion.
- 2) **Forming a formidable opinion about the company, products and services.** In connection with the tough competition with other huge retails, Auchan adheres its low price policy and tries to cater to the demand of the customers, by





providing high quality products by the manufacturing prices, economizing on packaging and cutting the edge with intermediaries.

3) **Retaining the reputation of the company.** Since the company is well known globally, the customers tend to trust it. Auchan has existed for a long time and it has already created its positive image.

4) **Ensuring customer satisfaction** - so that the consumers feel that they are buying the best products.

5) **Providing employee satisfaction.** Since employees are the main driving force behind the company image, it is important that they feel appreciated and taken care of.

6) **Being socially responsible.** The company takes a firm stand on being socially responsible, supporting various charitable causes and promoting environmental protection.

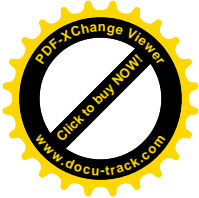
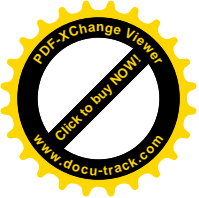
Corporate culture of the company is at a high level and at the same time constantly developing. Thus, the role of the personnel is held in the highest regard, since not only they help customers to make choice in product shopping, but they also actively participate and attract people's attention towards various charitable causes. In this regard, it can be mentioned that Personal Selling in the company is presented by means of well-trained professionals who are always ready and willing to help.

There exist a specific training system. Trainings are obligatory to all the employees; however, their number and composition depend on the position and rank of the employee. There is also an electronic course "Welcome to Auchan", followed by a full-time training aimed at interacting with the client, which all employees must pass.

Official documents such as Internal Employer's Regulations and Employee Manual determine the standards of conduct. The main requirements to the employees are courtesy, composure and attentiveness, all in the spirit of one of the company slogans: "Customer in the heart of Auchan".

PR department plays an important role in promoting the company values and vision, with the main areas of its activity being:

- ✓ organization, provision and control of interaction with mass media;
- ✓ development and implementation of external and internal policy of Auchan in the field of public relations;



✓ advertising activity.

The functions of a PR specialist can be divided into internal and external, depending on the target audience:

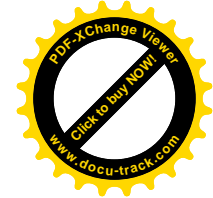
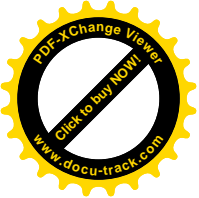
1. Internal PR is a complex of measures aimed at forming a plausible image of the Auchan among the employees. In this field, the main functions of the PR specialist are:

- Creating the desired atmosphere in the team, strengthening teamwork;
- Tracking and preparing materials for the bulletin board;
- Organizing of the stand with main events (birthdays, promotion, bonuses, holiday photos, greeting cards, open vacancies, etc.);
- Organizing corporate events and activities that promote the atmosphere of cooperation and trust within the team;
- Drafting of the annual budget for PR activities, financial reporting.
- Dealing with rumours and gossip and resolve organizational conflicts.

2. External PR are actions aimed at improving mutual understanding between the company and its external environment. In this regard, the main functions of PR specialist are:

- Formation (preservation or change) of the desired image of the company and its management;
- Establishing, maintaining and expanding contacts with the target audience;
- Preparation of various speeches, interactive materials for press conferences, press releases, etc.
- Activities aimed at expanding the scope of the company's influence by means adequate to the set goal and not contradicting social ethics;
- Work with the media, media planning;
- Coordination of activities for the collection and analysis of economic, socio-political and sociological data, monitor feedback and comments related to the activities of Auchan, if necessary, preparing reviews;
- Development and implementation of external anti-crisis policies.

In their activity, the PR specialists use the following forms and methods:



**1. Distribution of free advertising and information materials about the products of stores among potential customers.**

To form public opinion and attract customers Auchan distributes free catalogues, as well as brochures and leaflets. The catalogue contains the necessary information that is interesting to the buyer, such as the dates of planned sales and discounts on certain products, illustrations depicting goods in the most appealing light, information on the upcoming activities and events on the agenda of the company.

**2. Preparation of information materials about the company's activities.**

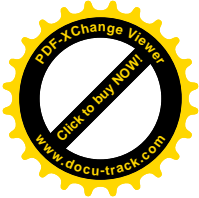
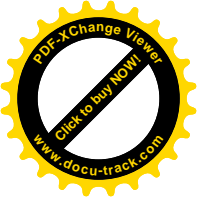
PR-specialist prepares final reports on the activities of the enterprise, together with other divisions, prepares a collection of materials for the yearly report, and compiles PR-notes in corporate and local media. The main method of communication with the public is, no doubt, preparation and distribution of press releases in media. Auchan actively uses internet platform for its PR activities, namely social media, eCommerce, online newspapers and magazines.

**4. Preparation and implementation of the internal communication within the hypermarket**, i.e. staff congratulations on high performance, personal holidays, company anniversaries, reports on behalf of the Director and her deputies. As a part of the communication between Auchan and its employees, the company implements a system of employee bonuses, such as company discounts, achievement awards, holiday lotteries, gifts for the Auchan birthday, New Year, 23 February and Women's day.

**5. Preparation and conduct of social and charitable events, promotional actions, etc.** PR-specialist together with other structural divisions conducts various social activities and special events such as contests, sports activities, company anniversary celebrations, organization of professional skills competitions, presentations, annual celebrations of young professionals.

Thus, on January 17, 2017 Auchan Retail announced the launch of the annual international educational project Auchan Executive Graduate Program. Thirty-five participants, including company employees and university graduates, have an opportunity to pass an internship and build a career in one of the countries where Auchan Retail is present.

Auchan Executive Graduate Program is a certified Auchan Retail program that provides internships for talented young professionals from the staff of Auchan Retail and



university graduates in one of the nine countries of the network presence: France, Spain, Portugal, Italy, Hungary, Poland, Russia, China or Taiwan. Its goal is to create an international pool of talented specialists with high potential, to develop and support future leaders.

First launched in Russia in 2016, by the deadline on 28 February 2017, Auchan Russia has received 275 applications, 26 of which came from Barnaul.

From February 24 to March 9, Auchan hosted an annual event dedicated to the International Women's Day. In a specially organized department of the hypermarket, customers were able to purchase chocolate, biscuits, tea, coffee, gift sets, alcohol, cosmetics, textiles, accessories and flowers, in all, about 1,000 items. The most popular product was flowers. In 2017, as compared to 2016, it was sold by 25% more.

On March 15, all shops of the Auchan trade network in Russia host festive events and events in support of high standards and quality of services. On this day, about 600 items of products, the producers of which received the highest score on the results of laboratory tests, tastings and audits hosted by Auchan Russia, were marked on the shelves by a special logo "Auchan Thanks for the Quality."

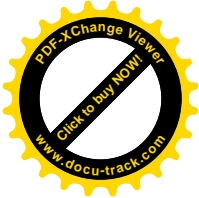
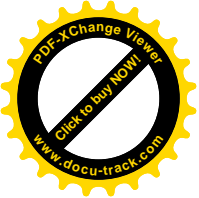
On 22 March 2017, Auchan started the "Hit the Prices!" sales activity. It was planned that within 10 days the customers would be able to buy the products with a maximum discount of 50%. Both food and non-food categories are involved in the action: food, textiles, home and school supplies, toys and electronics.

As a result, it can be concluded that the main areas of PR activities in Auchan are special events, charities, communication with potential clients.

#### **4.1.7 Sales Promotion**

Sales promotion is one of the elements of promotion mix that is aimed at stimulating purchases and increasing the attractiveness of the retailer in the eyes of its customers. The most popular methods of sales promotion are sales, club cards, contests, lotteries, coupons, loyalty programs, free samples, demonstrations and other special events that are limited in time and are not part of the normal and daily promotion program.

The basic principle of Auchan is that the retail should be instantly associated in the mind of the consumer with better prices. The policy of low prices at high quality is unshakable and not subject to any influences or changes. Low prices attract many



customers, which in turn provide a high turnover rate and large volumes of sale. While reducing price by reducing overheads and saving on intermediaries, Auchan keeps low prices and compensates the variety of products with its own private labels. It is, therefore, not surprising that price is the main tool of sales promotion, whereby, the company does not have to spend time and money on expensive advertising, loyalty cards and other intricate promotional activities. The main price policies of Auchan are:

- **Repression pricing** – having low prices excludes the appearance of competitors in the market.
- **Average market prices** – releasing new products at an average industry price.

Among the most popular means of sales promotion are the sales that took place almost all year round. The schedule for sales are carefully planned, in order to avoid “blank spaces”. Auchan uses several types of sales and discounts:

- ✓ Low prices due to seasonal sales, the elimination of past collections.
- ✓ Discounts on the company’s Birthday, combined with other promotional activities such as lotteries, contests, etc.
- ✓ Holiday sales, i.e. New Year, Christmas, Valentine’s Day, Women’s Day.
- ✓ Temporary discounts, valid in a certain short period (Black Friday).

Product Placement is one of the elements of merchandising that is used by Auchan to subtly influence the customers’ decision-making process. Its purpose is to position the goods in such a way that suits the company's marketing strategy best and instantly attracts the buyers’ attention. The Product placement strategy is carefully thought through starting with the layout of the trading floor, positioning of the shelves and stands and finishing with the placement of the specific categories of products according to the colour scheme and the type of product.

As seen in Figure 12, the trading floor of the hypermarket has a linear grid form.

Figure 12. The schema of the trading floor in Auchan, Barnaul



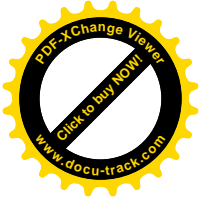
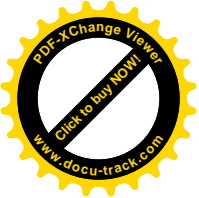
Source: Own Research

This particular layout allows to monitor flows of customers, creates better conditions for the grouping and placement of goods, provides a better view of the trading floor. Customers perceive the information about the goods more effectively. All the sections, stands, shelves and rows are divided according to the type of product and interconnected, urging the customers to visit all the departments.

Most buyers prefer to go in a counter-clockwise direction and around the edges. This leads to the formation of a so-called "cold zone" in the central part of the trading floor. Therefore, merchandising experts in Auchan attract buyers to this particular part of the trading floor with the help of various means, redistributing traffic routes and the attention of visitors. One solution to this problem is the placement of departments, which the buyer immediately sees and recognizes, such as alcohol, fruits, deli department that effectively attracts customers with the smell of freshly cooked meal.

Auchan keenly uses stoppers to attract the buyer's attention. A stopper is a convenient additional advertising banner with an image that is perpendicular to the buyer's movement between the shelves. It is difficult to pass by the shelf and not pay attention to such communication that instantly picks customers' interest.

Since Auchan offers more than 38,000 various items, there is a rich choice of quality food products, as well as goods needed in everyday life. The assortment of goods in the store is divided into groups and subgroups according to the type of demand. The layout

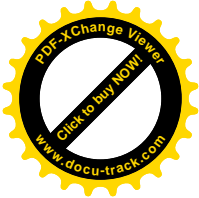
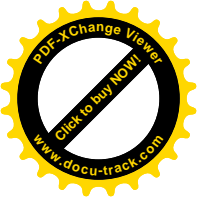


of products in the store is of paramount importance, since one of the main conditions for its existence is the availability of goods on the shelves and accessibility to the buyer. Auchan mainly uses the sale of goods with an open layout and free access of customers to goods. On the trading floor of the hypermarket, the following methods of placing goods are used: in bulk, stack, stacks arranged in a row (See Appendix 9). All products are neatly stocked, their labels visible and easily recognized, the colour schemes are carefully observed, creating an image of vast space with huge assortment that is able to satisfy any customer's satisfaction.

Auchan does not support the marketing policies of suppliers, if they run counter to their own policies. One of the strict rules of the hypermarket is not allowing the producers to place their products on the shelves. It is done by the hypermarket's personnel, only in accordance to the preapproved plan from the marketing department. Companies that try to challenge this are usually faced with a direct refusal. Thus, in the past a famous producer of dairy products, Wimm-Bill-Dann tried to press Auchan to place its goods in a specific manner. The result was instantaneous, since, in response, Auchan released identical dairy products under its own brand, placing it on the same shelf with the products of Wimm-Bill-Dann and with a price lower by 20%.

One of the success factors of Auchan is a great attention paid to promotional campaigns held within the hypermarket. The company is considered the most stringent in terms of holding promotions. The first and foremost rule is that only those companies can held promotional activities, whose brands are sold in the hypermarket. According to the results of the interview with the company employee, the application for any promotional campaign must be submitted in advance, several months prior, since Auchan carefully develops its marketing strategy plan for events and tries to balance their number, so they are evenly placed around the year. If a producer wants to hold a promo action on holidays or in the day of the company's Birthday, the application should be submitted almost half a year beforehand. Only producers and owners of the brands can apply for promotion, as Auchan does not negotiate with any advertising agencies.

Therefore, we can conclude that Auchan is very particular about its promotional strategies and uses mainly only those activities that would underline their low price policy. The company does not feel the need to spend money on any promotional activities, preferring its products, customer care and sociable responsibility policy to speak for itself.



## Results and Discussion

### Research Results

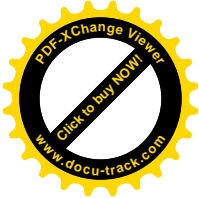
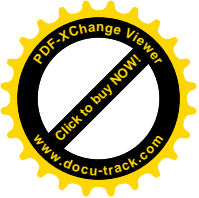
The aim of given research was to evaluate the system of marketing communication within the local branch of the well-known international retail Auchan. As a part of a long-standing corporate history and culture, Auchan is striving to deliver maximum satisfaction to its clients, all the while promoting universal human values such as social responsibility, solidarity and knowledge.

The analysis of the marketing activities of the company allows to observe both the traditional elements of already existing marketing strategies and newly emerging strategic directions implemented in order to ensure the successful operation of a commercial enterprise on the Russian market.

In the course of the research, a SWOT analysis of the local Auchan hypermarket was conducted. The results show that being a part of the international enterprise, the hypermarket in question possesses a well define strategy and corporate policy that allows it to stay competitive and prosperous. The competition among supermarkets and retail chains in Barnaul is rather high, so the affordable price policy is what makes Auchan attractive to the customers of various social backgrounds. Since, food products are supplied to Auchan directly by the producers it guarantees freshness and quality of goods, as well as, makes it possible to produce goods on sale at minimum prices. Auchan, therefore, holds its low price policy in the highest regard, allowing it to be a self-sufficient promotional tool.

Overall, all the elements of the promotion mix are present in the marketing strategy of Auchan. At the same time, not all of them are equally effective. Due to the variety of means of advertising available for the company, and without an appropriate marketing research, it is very difficult to choose ones that are really effective in attracting customers' attention. In these regard, local Auchan utilises numerous types of advertising, namely, print media, outdoor, TV and digital advertising, not taking into account the potential buyers' interests. Thus, according to the conducted questionnaire, advertising in printed media was recognized the least effective. The research of the preference of the contents of advertising is equally important, as the results show that the customers would prefer to get the information about lotteries and discounts rather than new products and promotional activities within the hypermarket.





The system of direct marketing activities, namely the company's online shop is also in need of improvement. As illustrated by the conducted usability test, with correctly done search optimization, constant site maintenance, assortment update and simplification of delivery terms, this type of promotion can become one of the most effective tools of the company's communication activity.

Auchan has a well-defined PR strategy that corresponds with the international objectives of the whole Auchan Holding. The company promotes social responsibility, environmental protection, sustainable development and social awareness. According to the interview with the company's employee, one of its the main assets are the people that work within the company and are the face behind the idea. Therefore, Auchan is particularly strict when it comes to employee conduct, implementing various complex systems of trainings.

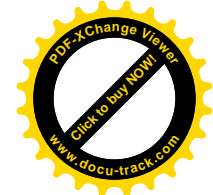
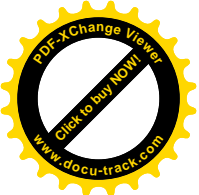
In conclusion, it can be noted that Auchan utilizes all the tools of the promotion mix within its marketing strategy with various degrees of efficiency, but, since, the company is in a constant process of development and is rather fast-paced, with the correctly conducted market research it can quickly become a leader on Barnaul market.

## **Recommendations**

The overall significance of the research is remarkable, as it allows exploring the efficiency of each tool of promotion mix in regards to its influence on the customer. It can also lead to understanding of how a number of recommendations can improve the company's image in the eyes of the costumers, encourage mutual trust and understanding.

In order to increase the success of the Auchan hypermarket, located in Barnaul, in particular, to improve its marketing policy and to increase the level of information support for marketing activities, it is necessary to make appropriate changes in the marketing research policy. Marketing research should be done on the constant basis by the hired professionals.

The system of the feedback collection should be further developed, so it is proposed to include it as a part in promotional activities, i.e. as obligatory condition of participation in a win-win lottery, create special stands, where customs can leave their feedback upon visiting the hypermarket.



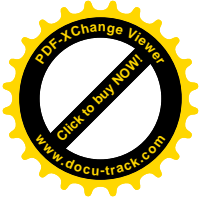
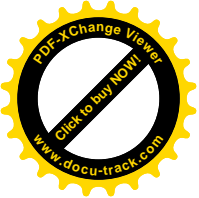
A special attention should be paid to planning advertising activities outside the hypermarket. The main emphasis should be put on promoting those types of advertising that are popular with the potential customers. Based on that suggestion, the author proposes to use such tools of advertising as billboard, transport advertising, posters, and leaflets.

Special attention should be paid to the functioning of Auchan online-shop. To make the site perform its functions as a marketing tool, that is, attract visitors and turn them into buyers, it must meet certain requirements, besides search engine optimization:

- The site should be user-friendly, functional and provide the visitor with all necessary information.
- The users should have the ability to leave feedback and be contacted by the company representatives in case of any questions.
- The online shop should have a carefully thought through system of discounts and bonuses for regular customers, gifts for active visitors, bonuses for purchasing online, etc.
- The site should monitor its advertisement content, as too much online advertising can be potentially distracting to the users and a source of irritation.

In conclusion, it should be noted that nowadays, the development of means and methods of communication between companies and consumers is growing. Digital media is gaining the lead, and, as a result, we can observe a tendency to redistribution of advertising budgets on the Internet, digital and mobile communications. Classical forms of marketing communication are constantly developing taking into account modern technologies, using the latest achievements of science and practice.

Companies, for whom it is important to timely and actively stay in contact with their target audience, are focusing on economically active part of the population, including Auchan, should not miss the opportunities provided by new ways of advertising.



## 5 Conclusion

Marketing plays a special role in the strategic management of the company, essentially going beyond the function of selling products and studying demand. In the implementation of the company's objectives, the role of marketing and the choice of strategy are fundamental. Marketing can be viewed as a set of activities and tasks aimed at segmenting the market and positioning goods in such a manner as to satisfy the customers' wants. The chosen strategy provides the company with the opportunity to meet the needs of consumers more effectively than competitors, to achieve sales and profit growth, create a strong competitive advantage.

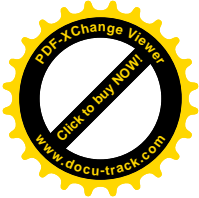
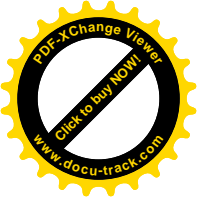
In recent years, along with the increasing role of marketing, the role of marketing communications has similarly increased. Undeniably, effective communications with consumers have become key factors for the success of any organization. Enterprises of various forms and sizes, from small retailers to large commodity producers, constantly promote their activities to consumers and clients, trying to realize several goals:

- 1) To inform prospective consumers about their product, services, sales conditions.
- 2) To convince the buyer to give preference to these goods and brands, to make purchases in certain stores, etc.
- 3) To force consumers to act without a delay.

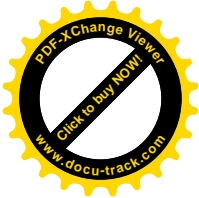
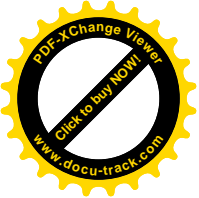
These goals are achieved through a number of techniques and tools that comprise the Promotion Mix. Each of five elements of the promotion mix: advertising, personal selling, sales promotion, PR and direct marketing plays an important role in creation a positive image of the company, form a sincere and prospective relationship with the customer, ensure the company's prosperity and longevity.

The approaches of the various enterprises to the formation of the promotion complex can vary greatly even within the same industry. Companies are constantly looking for ways and means to improve the effectiveness of their activities in the market. Besides, as the tools of promotion are interchangeable, it is possible to co-ordinate them based on their efficiency in regards to a certain product or service.

Consequently, a modern approach to the organization of effective commercial activity is to use an integrated marketing complex of communication as the most streamlined and augmented means of influencing the process of consumers' decision-making. Integration of all communications effectively reduces the load of information that

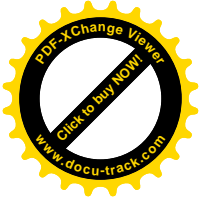
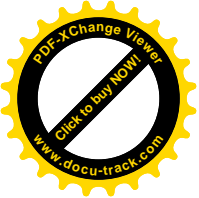


consumers face. In order to ensure the right perception of the product and enterprise, it creates favourable conditions for a competitive and accurate positioning of the company. The application of integrated marketing communications usually leads to a more effective communication with target audience for either the same or even lowers costs.



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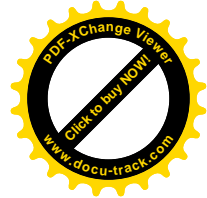
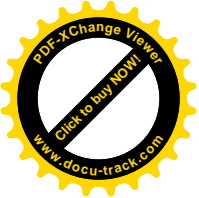
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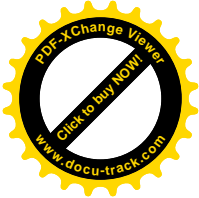
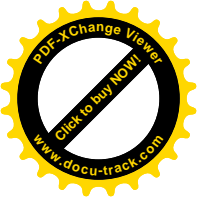
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## **7 Appendix**

Appendix 1. Auchan Holding key figures and Income Statement for the period from 1 January to 30 June 2016

Appendix 2. Organizational Structure of Auchan Holding, 2017

Appendix 3. Auchan SWOT Analysis

Appendix 4. Interior Advertising in Auchan, Barnaul

Appendix 5. Various Types of Auchan Advertising, Barnaul

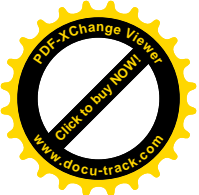
Appendix 6. Questionnaire

Appendix 7. Auchan in Social Media

Appendix 8. Interview Questions

Appendix 9. Product Placement in Auchan, Barnaul





## Appendix 1. Auchan Holding key figures and Income Statement for the period from 1 January to 30 June 2016, (€m = million euros)

### Key figures – H1 2016 (IAS/IFRS)

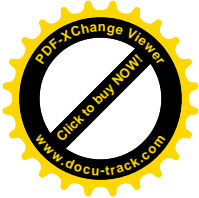
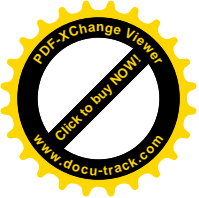
€ million	H1 2016	H1 2015	Change at constant exch. rates	Change at current exch. rates
Revenue	26,106	26,901	+0.8%	-3.0%
EBITDA	1,043	1,104	+0.1%	-5.5%
Operating profit from continuing operations before tax	296	376	-13.2%	-21.2 %
Other operating profit and expenses	(69)	(50)	-	-
Operating profit before tax	228	326	-22.4%	-30.3%
Net profit from continuing operations	117	157	-16.0%	-25.3%

€ million	H1 2016	H1 2015	Change (€m and %)	
Current investment	601	693	(92)	-13.3%
Net financial debt	3,607	3,556	51	+1.4%
Total equity	12,260	12,336	(76)	-0.6%

### Consolidated income statement – H1 2016 (changes at current exchange rate)

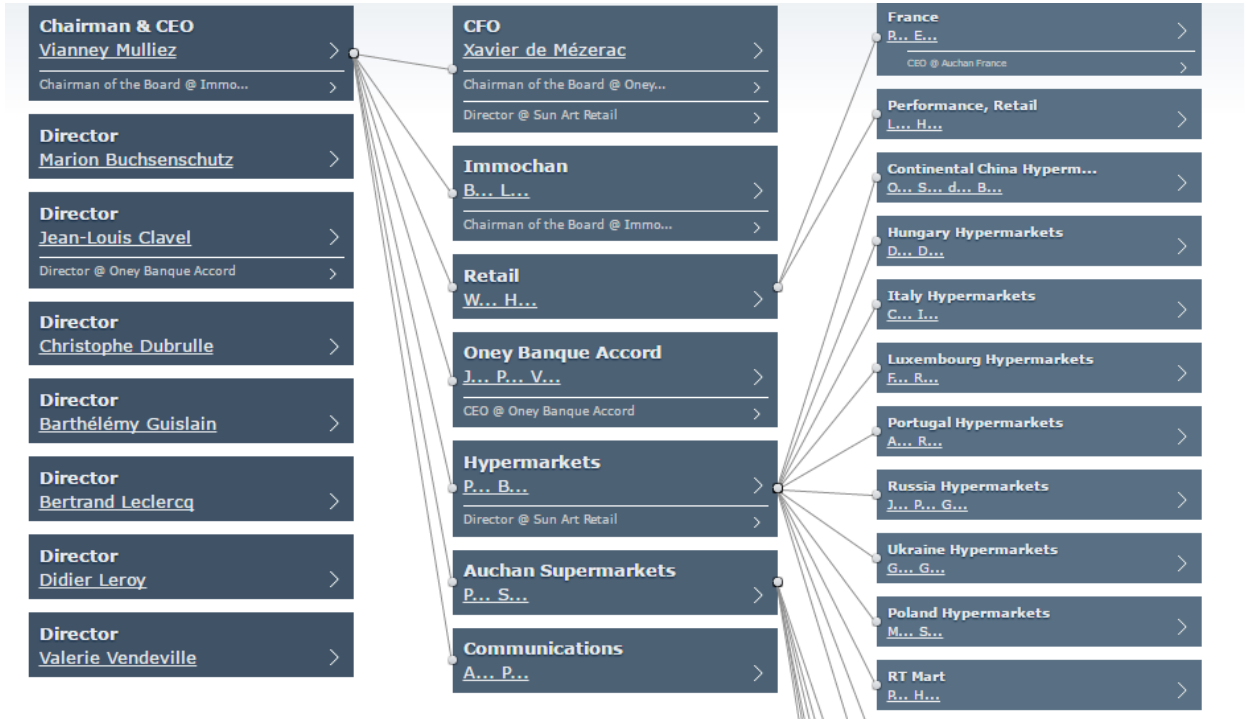
In € millions	S1 2016	S1 2015	y/y-1
Revenue	26 106	26 901	-3.0%
Cost of sales	(20 046)	(20 690)	-3.1%
Gross profit	6 060	6 211	-2.4%
Payroll expenses	(3 017)	(3 057)	-1.3%
External expenses	(1 932)	(1 990)	-2.9%
Depreciation, amortisation and impairment	(812)	(803)	+1.1%
Other recurring operating profit and expenses	(3)	15	n/a
Operating profit from continuing operations	296	376	-21.2%
Other operating profit and expenses	(69)	(50)	n/a
Operating profit	228	326	-30.3%
Income from cash and cash equivalents	25	33	-
Gross cost of financial debt	(43)	(47)	-
Net cost of financial debt	(18)	(14)	+29.8%
Other financial revenue and expenses	(35)	(35)	-
Profit before tax	174	277	-37.2%
Income tax expenses	(54)	(118)	-54.4%
Share of net profit (loss) of associates	(3)	(2)	+58.9%
Net profit from continuing operations	117	157	-25.3%
Net profit from assets held for sale and discontinued operations	0	0	-
Profit for the year	117	157	-25.3%
of which attributable to owners of the parent	4	31	-87.2%

Source: Auchan Holding Press release, Croix, 31 August 2016

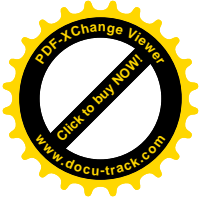
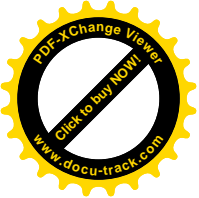


## Appendix 2. Organizational Structure of Auchan Holding, 2017

The Board of Directors and Executives of Auchan Holding



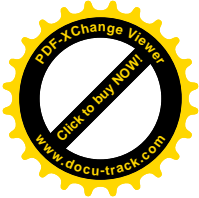
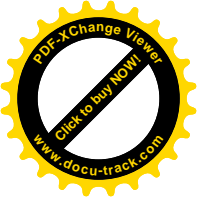
Source: TheOfficialBoard, 2017, <https://www.theofficialboard.com/org-chart/auchan-holding>



### Appendix 3. Auchan SWOT Analysis

Strengths	Weaknesses
<ol style="list-style-type: none"><li>1. Well-known and popular brand in Russia and on the international arena.</li><li>2. A wide assortment of 38000 varieties of goods.</li><li>3. Auchan can afford to set low prices, working closely with the largest regional suppliers.</li><li>4. Availability of its production. Hypermarket offers products of its own production, own label product brands.</li><li>5. A spacious free parking, shopping cart can be brought directly to the car.</li><li>6. Freshness of goods, constant quality control, "Freshness Guarantee" program.</li><li>7. Well-developed system of employee training.</li><li>8. System of discounts &amp; bonuses.</li></ol>	<ol style="list-style-type: none"><li>1. Shortage of promotional activities.</li><li>2. Large queues on weekends and during holidays.</li><li>3. Lack of customer awareness about own brands and mistrust to their quality.</li><li>4. Short opening hours.</li><li>5. Remote location, access mainly by car.</li></ol>
Opportunities	Threats
<ol style="list-style-type: none"><li>1. Further development of the trading network, own brands, expanding the range of services and client database.</li><li>2. Development of the public transport system, increase of the number and frequency of travel of free buses.</li><li>3. Implementing various promotional tools to increase the range and number of customers.</li><li>4. The possibility of attracting highly qualified personnel. Due to the prestige and size of the company, it can afford to hire highly qualified managers.</li><li>5. Promote social responsibility and sustainable development in the region.</li></ol>	<ol style="list-style-type: none"><li>1. Development and expansion of the competitor chains.</li><li>2. Shifting of the needs and desires of customers, since it can lead to loss of profits and the rejection of certain goods.</li><li>3. High susceptibility to the influence of changes in legislation and regulatory measures, bureaucracy.</li><li>4. Low level of revenue in the region.</li><li>5. The popularity of the small shops in the vicinity and walking distance.</li></ol>

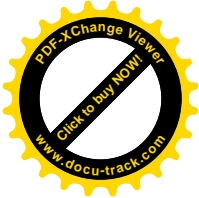
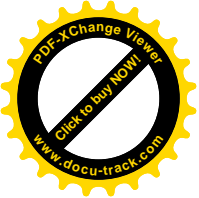
Source: Own Research



## Appendix 4. Interior Advertising in Auchan, Barnaul



Source: Own Research



## Appendix 5. Various Types of Auchan Advertising, Barnaul

### Poster: “Black Friday”



Source: Discounts & Sales, <http://barnaul.skidkimira.ru/discount/639816>

### Brand “Our Family” logo

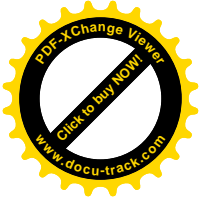
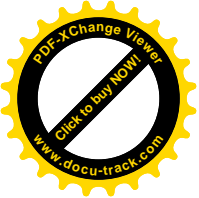


Source: Auchan Russia Official website, [https://www.auchan.ru/ru/our\\_marks](https://www.auchan.ru/ru/our_marks)

### Advertisement on Public Transport



Source: Transport branding, [http://www.autodeka.ru/brendirovanie\\_avto/marshrutki\\_auchan/](http://www.autodeka.ru/brendirovanie_avto/marshrutki_auchan/)



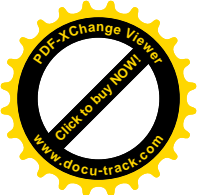
## Appendix 6. Questionnaire

### Part 1: Basic information about the respondent

- 1) Gender
  - Male
  - Female
- 2) How old are you?
  - 18 – 29
  - 30 – 39
  - 40 – 49
  - 50 and more
- 3) What is your occupation?
  - Student
  - Employee
  - Unemployed
  - Retired
- 4) How often do you visit Auchan?
  - Several times a week
  - Once a week
  - 2-3 times a month
  - A couple of times a year
- 5) What is the main reason that you choose to purchase in Auchan?
  - Convenience
  - Price
  - Guaranteed quality of the products
  - Specific products
  - A different reason, specify which \_\_\_\_\_
- 6) choose the most important criterion that when shopping in Auchan:
  - Price policy
  - Supermarket's image
  - Availability of discounts and special offers
  - A wide range of products and services
  - Fast customer service
  - Quality policy of goods and services
  - Convenience of the location

### Part 2 Auchan Promotion Policy

- 1) What is your preference in advertising and marketing activities?
  - free win-win lotteries
  - product tasting
  - discounts and sales
  - promotional activities with gifts
  - advertising of new products in media
  - advertising discounts and sales in media



2) Which advertising channel do you prefer to obtain information about upcoming actions in Auchan from?

- Newspapers
- Magazines
- TV commercials
- Billboards, posters, brochures & flyers
- Advertisements on public transport
- Internet advertising

3) Why do you prefer this particular channel? \_\_\_\_\_

4) What is your preference of the content of advertisement in traditional media?

- Information about new products and services
- Information about sales and promotions
- Information on lotteries
- Information about the marketing activities in the store
- Information about free tastings
- Information about the seasonal discounts

5) Have you ever visited the official site of the Auchan?

- Yes
- No

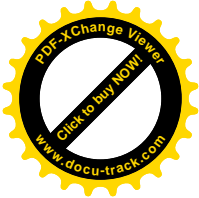
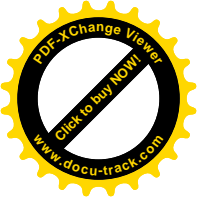
6) If yes, how you can describe your experience?

- The website is easy to use, the interface is rather pleasant
- The website is suitable to shop online on a regular basis
- The website isn't helpful
- The website is incomplete, the search engine didn't work properly

7) What is your preference of the content of advertisement in digital media?

- Information about new products and services
- Information about sales and promotions
- Information on lotteries
- Information about the marketing activities in the store
- Information about free tastings
- Information about the seasonal discounts

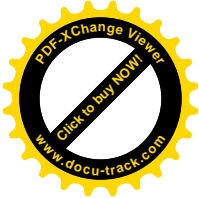
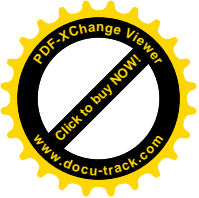
8) Do you have any recommendation on how to improve communication with the customers?



**Part 3. Attitude towards Auchan Promotion**

Questions	Choose the best suitable answer			
1) Do you think it is necessary to have seasonal discounts?	Yes, for sure;	It is a nice policy to have	It doesn't make much of a difference	No
2) Does the opportunity to get a loyalty club card influence your purchase pattern?	It strongly motivates to buy on a regular basis	It has a positive influence on the buying behaviour	I don't care for the club membership	It doesn't have any benefits I can use
3) What additional characteristics of the goods or services would attract your attention and stimulate shopping in Auchan?	Quality of goods and services	Membership benefits	Novelty of goods and services	Various promotional activities
4) Will you give preference to the Auchan goods, which do not differ significantly from competitive hypermarkets?	Yes	More likely	Not sure	No
5) Please, assess the quality of service of the personnel	The staff are always ready to help and nice	The staff are usually polite	The staff are sometimes unpleasant	The staff are unkind and blase
6) Evaluate the efficiency of customer service	High quality service	Moderate	It is the same as in other supermarkets	Low
7) In general, you are ... with the staff.	Fully satisfied	Rather satisfied	Rather dissatisfied	Absolutely dissatisfied
8) Evaluate the quality and level of the conducted promo actions and sales	High	Good	Satisfactory	Badly organized
9) Assess the quality and level of tastings and lotteries in Auchan	Completely satisfying	It was good	Moderate	Not enjoyable





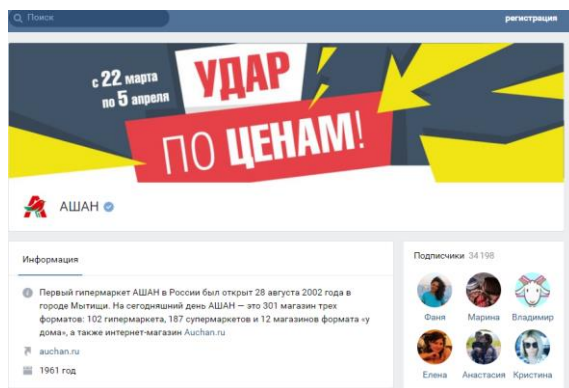
## Appendix 7. Auchan in Social Media



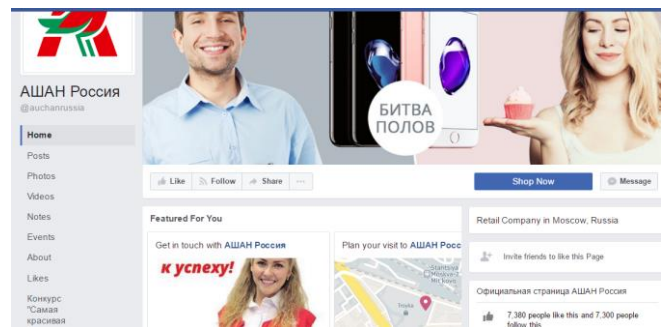
Source : <https://www.instagram.com/auchan.ru/>



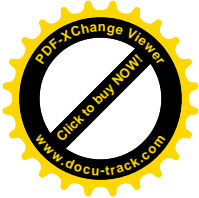
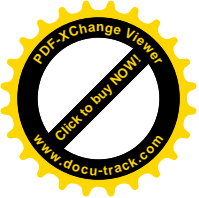
Source: [https://twitter.com/auchan\\_ru](https://twitter.com/auchan_ru)



Source : <https://vk.com/auchan>



Source: <https://www.facebook.com/auchanrussia/>



## Appendix 8. Interview Questions

- 1) What, in your opinion, is the most effective promotional tool to attract and hold customers' attention?
- 2) Are there any specific methods to reach the customers in Auchan and/or to ensure their loyalty to the brand?
- 3) What is the role of personnel in the hypermarket's promotional activities?
- 4) Is there any specific training the employees have to undergo to improve communication with the customers? If so, what does it entail?
- 5) What are the main functions and tasks of the PR manager of the company?
- 6) As a socially responsible company, does Auchan organize special social and charitable events? If so, what are they?
- 7) Are there any specific rules or regulations towards the product placement in the hypermarket?
- 8) Is it easy for the brands to organize any promotional activities in the hypermarket? What are the main conditions for the event to happen?
- 9) What segment of the Promotional mix needs to be worked on most in the hypermarket?
- 10) Do you have any recommendations on how to improve the communication between the customers and the company?

## Appendix 9. Product Placement in Auchan, Barnaul



Source: Own research