

Changing Consumer Perceptions of Bud Riley's

The Wife's Dilemma:

Dana had gotten home early from work and was planning to make a start on a summer tan by stretching out on the patio when Nick burst through the door, yelling "Hey Hon, let's go to the store and look at DVDs." Joe, (Sam's work partner) had gotten a DVD and, since then, that was all that Dana had heard. "I really want to lie in the sun – it's such a great spring afternoon. And besides, I have a million other things to do," Dana said while thinking, "I can't stand going shopping for electronics with Nick. He looks and looks and he and the sales guys are busy yakking about tracking systems, megabytes, or whatever. It's so boring."

"But there are sales on everywhere, so now's the time to look for a new system. We've had that VCR for six years; the pictures are faded; we can get digital sound *and* you'll be able to see Brad Pitt more clearly... What'cha say?... It won't take long." Thinking fast, Nick added, "We could eat out."

"I hate, hate, hate this. He'll go on for hours, if we don't go. Boys and their toys is right!" Dana thought. "We will have to replace the VCR, but does it have to be today? I hate going to those stores... I wish ..."

How is Dana going to finish that thought?

The Advertising Problem:

Elsewhere, Chris Carlson, account executive at Trone Advertising, had just left a tumultuous meeting with the marketing research and advertising team for the Riley's account – a regional chain of electronics stores. They had spent several hours discussing the results of Riley's marketing research. Although Chris had worked with Riley's for only a year, the account had provided many challenges.

At present, Skip Bowen, owner of Riley's, wanted to improve the chain's image through re-positioning. To do that, he had agreed to a marketing research project to determine possible new positioning strategies and was quite anxious to see what ideas Chris and his team had come up with based on the research. However, the team couldn't agree and Chris was running out of time.

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"We've got to come up with a slam-dunk idea soon," he thought. "I've got a client who wants exciting, new image advertising and we can't agree on how to position the firm." Highly frustrated, Chris decided to call it quits for the day and to spend some time in one of the stores observing customers.

On his way to the store, he began to review the advertising that he had already done for Riley's, hoping it would inspire him with a winning idea for re-positioning the firm – an idea that he could use as the theme of the next major advertising campaign. Chris was sure that the key to improving the chain's profit picture was changing consumer perceptions of the stores. That meant re-positioning the store. "We have got to make changes and get customers in the store – and soon," he thought as he pulled into the parking lot.

The Advertiser: Riley's Inc.

Riley's actually began life as Bud Riley's. The first store opened in the late 1940s, offering appliances to consumers who desperately needed to update their pre-World War II appliances. Sales received another big boost in the 1950s and 1960s thanks to a new invention – television. Times were good and Bud Riley's expanded to over twenty in-state locations, thereby greatly increasing sales and profitability. One factor enabling Bud Riley's to expand was the lack of competition. Of course, there was Sears, but it was not really pushing electronics at that time.

In the '70s, the competitive picture changed. Circuit City, a large specialty retailer of appliances and electronics products, opened stores in several cities in the state. It had two major advantages over Bud Riley's: lower prices due to greater buying power and volume, and a wider selection made possible by larger stores. Circuit City is called a category killer because it carries all the popular models of major electronics and appliances products. Whatever most consumers want can be found in one of their stores.

The nature of the consumer market changed along with competitive changes. The sales surge of the late 1940s based on pent-up demand was a matter of replacing old appliances. But by the 50s, households were upgrading by acquiring "new" appliances such as dryers, televisions, and frost-free refrigerators for the first time. Effective selling meant educating consumers about the features of these new products. Consumers needed to know about options, benefits and financing. Banks helped by pushing low interest loans that enabled Americans to trade up to more expensive brands.

By the 1960s, appliances had reached the maturity stage of the product life cycle. Hence, to push product, retailers used heavy promotional efforts and price competition became standard in the industry. Because lots of merchandise had to be moved through each retail location, stores got larger and larger enabling consumers to comparison shop for hours. To cut costs, the role of the salesperson was reduced, which fit in with a strategy of offering only popular products that had already reached the latter part of the product life cycle growth stage. By that time, consumers were familiar with the product and didn't require as many sales people. Thus, category killer operations did not introduce new products such as home computers until the market was familiar with them; instead specialty stores performed that function. This gave small chains like Bud Riley's a chance for survival. They could introduce new products that sold at wider margins because they had the needed sales help. They kept the appliances because it was expected of them and helped to build sales volumes and revenues. Thus Bud Riley's used a combination strategy of low margins/high volume (appliances) and high margin/low volume (computers) because it used their sales staff to build competitive advantage.

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The decade of the '80s brought even more competition from discounters such as Wal-Mart and Sam's. While these two retailers did not have the selection advantage that Circuit City did, they were formidable competitors on pricing – as both were fond of saying "Always the lowest price." By now, televisions and appliances were commodity items traded on the basis of price so that retailers such as Wal-Mart and Sam's could successfully sell these items on a self service basis. Because Sam's and Wal-Mart sold mostly basic washers and appliances, customers had to seek out stores such as Circuit City, Sears or a specialty store such as Bud Riley's for products that had more features or for in-store sales help in customizing their stereo systems.

In spite of reliance on the combination strategy, Bud Riley's began losing money in the late 1980s – a trend that continued into the nineties. The strategy of boosting sales with new products did not seem to be working so well. And then, two new products appeared on the horizon – DVDs and High Definition TV (HDTV).

Industry observers expected that the widespread availability of HDTV would start a new product life cycle in which households would spend thousands upgrading not only their television, but also their stereo systems. The result would be theater quality entertainment available in the consumer's own living room. With the addition of interactive cable television systems, the consumers could access the Internet to watch major movies with digital sound at any time, create their own concerts, shop, and do a myriad of other activities. The profits to be made with these systems could be tremendous and offer specialty chains like Riley's an opportunity to regain its profitability – at least until HDTV reached the maturity stage of the product life cycle.

To take advantage of the opportunity that HDTV offered, Skip Bowen hired a new, more sophisticated management team, Dave Lattimore and Sam Osborne. Both of them had significant retailing experience and realized right away that the current advertising strategy had to change. Past management had held the line on advertising costs by using the lowest cost media to promote sales. To completely turn the advertising around, they decided to start over with a new ad agency – Trone Advertising of High Point, North Carolina.

In line with a fresh advertising start, Dave and Sam made a number of changes to improve consumers' image of the chain. First, they changed the name from Bud Riley's to Riley's and commissioned a new logo. Second, they began renovating stores to make them more modern, less crowded-looking and more attractive. Third, they hired sales trainers to work with the sales people to teach them techniques other than the high-pressure ones that they had used in the past. In line with the renovation of the stores, they gave the sales people polo shirts with the new logo. By eliminating the traditional suits and ties, they hoped to create a more relaxed atmosphere and distance themselves from Circuit City's salesmen in suits.

The Agency: Trone Advertising

Trone Advertising was founded on April Fool's Day in 1982 when Lee Trone, Bob Donohoe and Jim Johnson left their previous employer. It was a true start-up operation with no clients, no billings and no income. Five years later, Donohoe and Johnson had departed – in part because they were not as driven as Lee Trone – but the firm lacked a major client. Then, representatives from R. J. Reynolds approached Trone to design a campaign to celebrate the 75th anniversary of Camel cigarettes. The result was the birth of Joe Camel – probably the best known and possibly one of the most controversial of advertising cartoon creations. Trone's success with the Reynolds account brought them other clients. By the late 1990s, Trone Advertising employed

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more than 100 people and had billings of over \$70 million which placed them nineteenth among southeastern advertising agencies, according to Adweek magazine.

Trone is known for its hip – sometimes sassy – advertising. It can be a little irreverent and attention-getting or it can create highly polished sophisticated ads. Besides Joe Camel, they have given us such snazzy slogans as "When America parties, it Cooks" for Cook's champagne. For a local brand, Stanback Headache Powders, it created television commercials in which fast-talking characters use such cliches as "zip," "hot-footin'," "scoot," "scram," and "skedaddle" to describe how quickly Stanback cures a headache. The agency also has created sophisticated advertising for clients such as Jefferson Pilot Insurance. For all clients, Trone delivers a quality, up-to-date product backed by careful market research and highly creative advertising efforts.

Chris Carlson, who was a relative newcomer to Trone as he had been there only 4 years, led the Riley's account. When assigned to the account, Chris' original reaction can be summed up in one word: Panic! He realized that the workload on this account would be heavy because retailers run so many ads. His team would be constantly trying to think of different ways to say "sale." To add to Chris' frustration, he had very little experience with retail advertising.

The First Newspaper Campaign: Death to Zorro and a Restoration of Taste

The first request that Dave and Sam made to Chris was for new newspaper ads – to run within a week! When Chris looked at recent advertising for Bud Riley's, he was appalled. The ads featured dozens of items that completely filled the page, producing a very cluttered, busy look. Because there was little white space, they were hard to read. Worse yet, some of them used movie characters of the past such as Godzilla who crushed prices and Zorro who slashed prices. These ads left consumer's with the impression that there was a barrel-bellied, cigar smokin', good ole' boy named Bud Riley who owned the stores which was definitely not the image that Dave and Sam wanted. By eliminating the name, Bud, from the chain's name, they hoped to overcome that image.

To support a more sophisticated image, the creative team immediately developed ads that featured fewer items, had more white space, eliminated Godzilla and Zorro, and in general had a more tasteful appearance. Because Trone management believes in on-going research, they asked local store managers to fax them evaluations of these ads and their impact in local markets. Besides gathering opinions of the new advertising, the faxed comments enabled Chris to determine which products to advertise, the best days to run ads and the amount of store traffic generated by the ads. In general, the comments were positive and enthusiastic – the new look sold well with managers and customers.

But Chris and his team realized that much more research and work would be necessary to turn around the old Bud Riley's image. With the help of Doug Barton, Trone's director of marketing research, they conducted two focus groups in order to understand the market better. Specifically they wanted to know:

- the shopping habits of customers, i.e. where they shop and their reasons for purchase
- how consumers thought of the shopping experience, i.e. was it enjoyable or painful?
- their images of electronics stores (Bud Riley's, Circuit City and Sears)
- what attributes an ideal store would have
- the consumers' exposure to and experience with home theater.

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The focus groups met on a Sunday afternoon in a renovated Riley's store in one of the state's major cities. Participants were screened to meet the following criteria: they had to be 25-49 years old, to have minimum incomes of \$25,000 for singles and \$30,000 for couples, to be the primary or equal decision maker in an electronics purchase, and to have purchased an electronic product (TV, VCR/DVD, Stereo Equipment or Camcorder) in the last twelve months *or* to be planning to buy such a product in the next six months. In every group, there should be at least four individuals with an income of \$45,000 or more. By including some higher income individuals, the focus groups more closely resembled the local market. The researchers decided that one group should be female and the other male because each gender has different buying motivations.

The results of the focus groups are summarized in Exhibit 1. Although this research provided a large amount of information, the results did not pinpoint specific problem areas that Riley's should remedy. To investigate the chain's problems in greater depth, Doug and Chris recommended that the company conduct more quantitative marketing research through a customer survey.

The First Television Advertising: The Strategy Is a Dog!

Before the quantitative research could be conducted, however, Chris and his team needed to run a new series of ads that would begin changing Riley's image. Based on past experience, Chris and his team chose television because they thought it was better for creating images. Other media are used for other purposes – radio for reinforcing images and newspaper for providing price, sales and retail store location information. At his team's urging, Chris began a campaign to sell Dave and Sam on the value of quality – meaning more expensive – television advertising.

"That was a hard sell," Chris commented as he reflected on those sessions. "They were losing money and it was really difficult to convince them to spend more to produce more polished advertising spots. They had never spent more than a few thousand dollars on a TV commercial and we wanted to spend \$35,000. Also, bear in mind that we were cutting costs to the bone at \$35,000."

Besides the issue of more television advertising, Chris and his team had to develop a creative strategy for the television ads. After re-reading and discussing the focus group reports numerous times, the team finally zeroed in on the theme of trust. Their research indicated that consumers were distrustful of exaggerated claims, bait 'n' switch and trade-up tactics. Obviously, consumers would like a store where they could trust the sales person and the store's level of after-sale service.

But how could they create trust through advertising? "We knew that simply saying 'Hey consumer, you can trust Riley's' wouldn't work," explained Chris. "All consumers have heard that before. We had to find some symbol of trust that everyone understands and can relate to. Finally, we hit upon the idea of a dog – after all, they're man's best friend. People are familiar with seeing-eye dogs and watch dogs. They understand that dogs can be trained to help us. So, we reasoned 'why not a consumer watchdog?' It plays off the watchdog concept that we are all familiar with so it involves no real effort for consumers to understand. In addition, the dog is a fun concept signifying that Riley's is trustworthy – approved by the watchdog. Besides, the dog could be used in other promotions...we took the dog to local baseball games, store openings and put paw prints on

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newspaper ads to tie our different ads together. We had a really great billboard that was actually in a Circuit City parking lot. It read 'We lift our leg on the competition' – you better believe that got attention and made the Circuit City people mad."

"We had a lot of fun with that dog, but there was one *big* problem with the dog. Because we wanted a really lovable dog, we used a golden retriever. They're one of America's favorite dogs, you know. But the only well trained dog that we could get was a female. So, Ed (the advertising name of the watch dog) was really an "Edith" – a secret that we had to guard closely."

The Quantitative Marketing Research: Listening to the Market

Even as Chris and his team were producing the Watchdog ads, Doug Barton was hard at work using the focus group results to put together a marketing research survey. The finished questionnaire was six pages long and asked for the following information:

- demographic profiles of electronic product stores
- advertising awareness levels for these
- sources of advertising used by consumers
- reasons for purchasing products
- shopping behaviors for electronic products across stores
- consumer awareness of and purchase interest in the "Home Theater" concept
- demographic questions about gender, education, income and race or ethnic group membership.

Respondents were screened on the basis of age and purchase of an electronic product in the past twelve months. In all, 343 consumers completed the questionnaire. Of these, 173 had purchased at Bud Riley's/Riley's, 100 at Circuit City and 211 at other stores.

The MARC Group, Marketing Areas Research and Consulting, Inc. of Dallas, Texas, handled the data collection. Doug used MARC because he had worked with them on research for R. J. Reynolds. As a matter of fact, MARC had done so much research for Reynolds that they had opened an office close to the Trone headquarters. This proximity sped up communication and data collection.

MARC is known for conducting telephone surveys. Their trained interviewers use computer-aided dialing and data collection techniques to generate telephone numbers, to dial and to direct the call to an interviewer when the telephone is answered. The interviewer actually records the data in the computer as the respondent answers questions. Thus, analysis can take place at any point in the data collection period to produce preliminary results.

After the data had been collected and analyzed, Doug Barton, Chris and the advertising team had just spent hours discussing the results shown in Exhibits 2 - 7.

Chris thought about all of this as he walked into the store. "Maybe actually observing some customers will give me some new ideas," he thought.

Meeting to Discuss the Campaign Theme: Prices, Sales People, Warm and Friendly?

The next day, Chris and his team were closeted in the conference room to decide on a new campaign theme. They had thoroughly reviewed the data and were quickly discovering that they did not agree on an advertising strategy – again!

"Well Chris, I said it yesterday and I'll say it again today. It's obvious what electronics customers want – low prices, wide selection and knowledgeable, caring sales staff and, in our research, Circuit City's sales staff is too pushy. People don't like that. That's where Riley's has an advantage. Leverage off that. In your television advertising – convince people that Riley's has a high quality, well trained staff that is courteous, willing to listen to them (the customer) and that they'll get great service at Kelly's," commented one of the researchers.

"Yeah," exclaimed another of the researchers. "You could show *real* sales people in the ads like Wal-Mart does. Maybe we could create a tagline about Riley's – the caring store, or the best place to shop. Give customers that real homey feeling. This is a store where they are greeted promptly and treated royally. By showing that kind of attitude, it's a cinch to convince people that they'll get good after sales service."

"I don't agree" one of the copywriters piped in. "From looking at Exhibit 7, it looks to me like Circuit City's got the selection and Riley's has the sales/service depth *and* convenient locations. We could accent good location – where you can easily find us – *and* friendly staff. How about 'the good folks *nearby*'?"

"Wait a minute," interjected the first researcher. "What people want is low prices and wide selection – the survey shows that! If we don't mention that, we aren't even in the ballpark. We have to talk about that. The data shows that while people like friendly, non-pushy sales people, they don't buy on that basis. When all is said and done, they buy the brand they want at a low price."

Another copywriter disagreed. "If we continue to beat the price and selection drum, how credible are we? We don't have a selection as great as Circuit City's and our prices are not as low as theirs – except on sale. Besides when we mention price and selection, aren't we playing to Circuit City's strength?"

"Guys, let's cool down a bit," Chris commented. "You are all making good points, but yesterday I spent time thinking about what we've done with this account. We started talking about price and product in our newspaper ads, but when we got to television, we developed a theme of trust. We got away from product-based positioning. Then, I went to a couple of stores and watched consumers. That was really, really interesting."

"This couple came in and the husband was all wound up about buying a DVD, but you could tell that the wife wasn't interested. When her husband started talking to a sales man and they were trying out new DVDs, you could see her attention wander and she looked miserable. Remember those first focus groups where we found out that men like shopping for electronics, but women don't. I wonder if we could use that as a new theme. We could try to convince consumers that shopping for electronics and appliances is fun – that it's not a chore. It would make it easier for men to get their wives and girlfriends in the stores *and* it would be in line with building an image that isn't based on product – sort of a next phase in image positioning. Maybe as long as we beat the product, price, selection drum, we aren't really differentiating ourselves from the competition. Maybe we should ..."

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Before Chris could finish, the researchers looked at him very skeptically. One said "Uh Chris, what are you going to tell them? That this is a party? Stick to low prices and friendly sales people. You gotta' meet the competition on the price issue and beat them with the sales people issue. Circuit City's pushing wide selection and low prices. Sears is pushing discounts and membership stores are beating the low price drum. We've got to be in the ballpark that's defined by the competition. Put low prices and good sales staff together and you've got a winning combination."

"Well, maybe..." Chris mused as he picked up the creative strategy form used by Trone. (See Exhibit 8) "So far, we have decided on the support elements and the media to use. As far as positioning is concerned, maybe it's personality that we need to be building for Riley's. And if so, what should the personality of the store be – warm, caring, convenient, attractive, fun to shop? It has to build on the recent actions taken by Dave and Sam. They've streamlined the company name, modernized and renovated stores to make them more attractive, and asked sales people to dress casually (polo shirts and slacks) rather than wearing suits and ties – just to physically differentiate themselves from the sales folks at Circuit City in the bad suits and ties. How do these actions change customer perceptions of the store? How can advertising reinforce those changes and communicate a whole new personality for the stores? Let's begin the positioning statement with:

'Riley's is the source to be trusted for home entertainment and appliances that offers ... no, wait a minute... let's strike the word trust to become Riley's is the source for ... When we do that, we're going to have to change some of these other elements like Consumer Proposition...'"

How can Chris and his team finish the positioning statement and elements of the Creative Focus in order to attract both Dana and her husband to the store? How could they implement that positioning? Will changing advertising be sufficient or will they have to change other aspects of the store?

Other Questions for Discussion:

1. Explain how changing the newspaper ads began to change consumers' perceptions of Riley's.
2. Explain how the Watchdog campaign further changed consumers' perceptions of Riley's.
3. How is Trone using source credibility and attractiveness to change attitudes toward Riley's.
4. Describe the information search process used by electronics shoppers as shown in the Riley's research.
5. Contrast the purchase situation in a Riley's store before Dave and Sam and after Dave and Sam. How could that affect consumer purchase probability?
6. Is the sales person a social influence on the shopper? If so, how?
7. Help Chris out. What should the new re-positioning for Riley's be? Complete the creative strategy document. How would you change advertising to express the new creative strategy?