Chapter 5

Retail Marketing Strategy

Elements in Retail Strategy

- Target Market
  Customer Needs
- Retail Format
  Method for Satisfying Needs
- Bases for Building Sustainable Competitive Advantage
  Defending Position Against Competitors

Methods for Segmenting Markets

- Buying Situations
- Benefits Sought
- Geographic
- Demographics
- Lifestyle, Psychographics
Can A Retailer Develop a Sustainable Competitive Advantage by:

- Dropping the Price of Your Merchandise?
- Building a Store at the Best Location?
- Deciding to Sell Some Hot Merchandise?
- Increasing Your Level of Advertising?
- Attracting Better Sales Associates by Paying Higher Wages?
- Providing Better Customer Service?

Internal and External Bases for Competitive Advantage

<table>
<thead>
<tr>
<th>Retail Firm</th>
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</thead>
<tbody>
<tr>
<td>• Low Cost</td>
</tr>
<tr>
<td>• Large Size</td>
</tr>
<tr>
<td>• Efficient Distribution, Operations</td>
</tr>
<tr>
<td>• Unique Knowledge</td>
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<tr>
<td>• Loyal Employees</td>
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</tbody>
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<table>
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<tr>
<th>Vendors, Suppliers</th>
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<tr>
<th>Sources of Capital</th>
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| Customers |

Creating Store Loyalty

Mental and Emotional Attachments

- Elements in a Strong Brand
  - Top of the Mind Awareness
  - Associations with Brand/Store Name
- Methods Used to Develop a Strong Brand
  - Massive Exposure
  - Symbols to Reinforce Image
  - Consistent Positioning
  - Creating Strong Associations
  - Limited Brand Extensions
Vendor Relationships

- Low Cost - Efficiency Through Coordination
  - Electronic Data Interchange (EDI)
  - Collaborative Planning and Forecasting to Reduce Inventory and Distribution Costs
- Exclusive Sale of Desirable Brands
- Special Treatment
  - Early Delivery of New Styles
  - Shipment of Scarce Merchandise

High Quality Customer Service

- Difficult to Achieve
  - People Are Not Machines -- Inconsistent
  - Retail Sales Associates At Bottom of Labor Pool
- Goes Beyond Hiring Good People at High Wages and Training Them -- Organizational Culture

Growth Opportunities

- Market Penetration
- Market Expansion
- Retail Format Development
- Diversification
  - Related vs. Unrelated
Steps in the Strategic Retail Planning Process

1. Define the business mission
2. Conduct a situation audit:
   - Market attractiveness analysis
   - Competitor analysis
   - Self-analysis
3. Identify strategic opportunities
4. Evaluate strategic alternatives
5. Establish specific objectives and allocate resources
6. Develop a retail mix to implement strategy
7. Evaluate performance and make adjustments

Elements in a Market Analysis

<table>
<thead>
<tr>
<th>MARKET FACTORS</th>
<th>COMPETITIVE FACTORS</th>
<th>ENVIRONMENTAL FACTORS</th>
<th>ANALYSIS OF STRENGTHS &amp; WEAKNESSES</th>
</tr>
</thead>
</table>

Questions for Analyzing the Environment

- New developments or changes -- technologies, regulations, social factors, economic conditions
- Likelihood changes will occur
- Key factors determining change
- Impact of change on retail market firm, competitors
**Porter's Five Forces**

- Barriers to Entry
- Bargaining Power of Vendors
- Competitive Rivalry
- Threat of Substitution
- Large Customers

**Steps in Using Market Attractiveness - Competitive Position Matrix**

- Define strategic opportunities
- Identify market attractiveness and competitive position factors
- Assign weight based on importance of factors
- Rate opportunities on market attractiveness and competitive position
- Calculate scores and evaluate opportunities

**Evaluation of Retail Market Opportunities in European Community**

<table>
<thead>
<tr>
<th>MARKETS</th>
<th>High</th>
<th>Low</th>
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<tbody>
<tr>
<td>United Kingdom</td>
<td>Spain</td>
<td>Italy</td>
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<tr>
<td>Belgium</td>
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<td>Germany</td>
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<tr>
<td>Ireland</td>
<td>Greece</td>
<td>Denmark</td>
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<tr>
<td>Growth</td>
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<td>Restricted</td>
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