L3: Strategic Marketing Planning for Retailing

**Wheel of Retailing** - A hypothesis that describes how retailers approach to capture market share and create brand value as they gradually work their way up.

**Principles of the wheel:**

1. There are many price-sensitive shoppers who will trade customer services, wide selection and convenient location for lower price.
2. Price-sensitive shoppers are not loyal.
3. New institutions are frequently able to have lower operating costs than existing institutions.
4. As, retailers move up the wheel, they typically do so to increase sales, broaden the target market, and improve their image.

**Retail Marketing Plan**

**Objectives**

- **Sales** - Related to the volume of goods and services a retailer sells.
- **Profit** - Retailers seek at least a minimum profit level during a designated period.
- **Satisfaction of Publics** - Satisfy publics such as stockholders, consumers, suppliers, employees.
- **Image (Positioning)** - How a given retailer is perceived by consumers and others.

**Target Market Selection** - 3 techniques

- **Mass marketing** – selling goods and services to a broad spectrum of consumers
- **Concentrated marketing** – zeroing in on one specific group
- **Differentiated marketing** – two or more target markets, with different strategies for each target

**Controllable & Uncontrollable Strategy**
What Makes Shoppers Tick

1. Demographics - consumer data that is objective, quantifiable, measurable and easily identifiable.

EG: age, gender, income, occupation, race, education, household size.

2. Lifestyles – ways in which consumers and families live and spend time/money.

3. Consumer Needs & Desires

Needs - person’s basic shopping requirements consistent with his present demographics & lifestyle.

Desires - discretionary shopping goals that have an impact on attitudes and behaviours.

3 Market Segments

In Home Shopping: Value Convenience, self-confident, unable to touch, feel or handle products, they are concerned about service.

Online Shoppers: Well educated, above average incomes. They do more than just purchase online, they survey prices, compare & get info online.

Outshoppers: Out-of-Hometown shopping. They enjoy foods, music & taste from around the world.

4. Shopping Attitudes & Behaviour

- Level of shopping enjoyment
- Shopping time
- Shifting feelings about retailing
- Why people buy or not on a shopping trip
- Attitudes by market segment
- Attitudes toward private brands

Reasons for Leaving Apparel Store W/Out Buying
- Cannot find an appealing style
- Nothing fits
- No sales help is available
- Cannot get in and out of the store easily
- In-store experience is stressful
- Cannot find a good value

Consumer Decision Process
Pricing Options for Retailers

G & S must be priced in a way that both achieves profitability for retailer & satisfies customers.

A pricing strategy must be consistent with a retailer’s overall image.

- **Discount Orientation**: Using low prices as the major competitive advantage. McD.
- **At-the-market**: Retailer has average prices. It offers solid service & nice atmosphere to middle-class shoppers. Subway.
- **Upscale**: A prestigious image is the retailer’s major competitive advantage. Starbucks.

Key to successful retailing is offering a good value in customer’s mind for price orientation chosen.

Factors Affecting Price

Consumer & Retail Pricing

Price elasticity \(\Rightarrow\) elastic / inelastic demand.

Market Segments by Price Sensitivity

- **Economic** consumers – Perceive competing retailers as similar and shop around for the lowest possible prices.
- **Status-oriented** – More interested in upscale retailers with prestige brands and strong customer service than price.
- **Assortment-oriented** – They seek retailers with a strong selection in the product categories being considered.
- **Personalizing** – They shop where they are known & feel a bond with employees & the firm itself.
- **Convenience-oriented** – They shop because they must, want nearby stores with long hours and may use catalogues or the Web.

Gov & Retail Pricing

- **Horizontal Price Fixing**
- **Vertical Pricing Fixing**
- **Price Discrimination (Robinson-Patman Act)**
  - Products are physically different.
  - The retailers paying different prices are not competitors.
  - Competition is not injured.
  - Price differences are due to differences in supplier costs.
  - Market conditions change – costs rise / fall & competing suppliers shift prices.
- **Minimum Price Laws**
- **Unit Pricing**
- **Item Price Removal**
- **Price Advertising**

Manufacturers, Wholesalers & Other Suppliers – And The Retail Pricing

Conflicts arise between manufacturer & retailer in setting final prices; each would like some control.

Retailers use market control by being a vital customer, threatening to stop carrying suppliers’ lines, stoking private brands, or selling grey market goods.

Competition & Retail Pricing

Market pricing – Retailers often price similarly to each other and have less control over price because consumers can easily shop around.

Administered pricing – Firms seek to attract consumers on basis of distinctive retailing mixes.

Steps in Developing a Retail Price Strategy