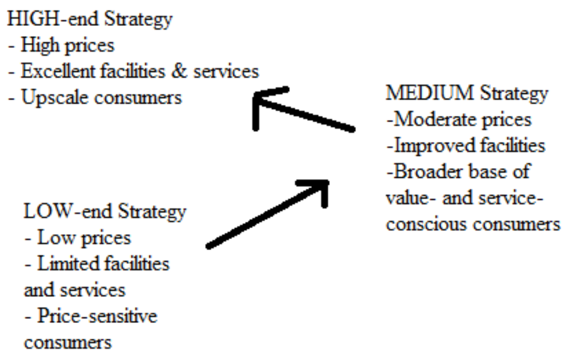
L3: Strategic Marketing Planning for Retailing

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.

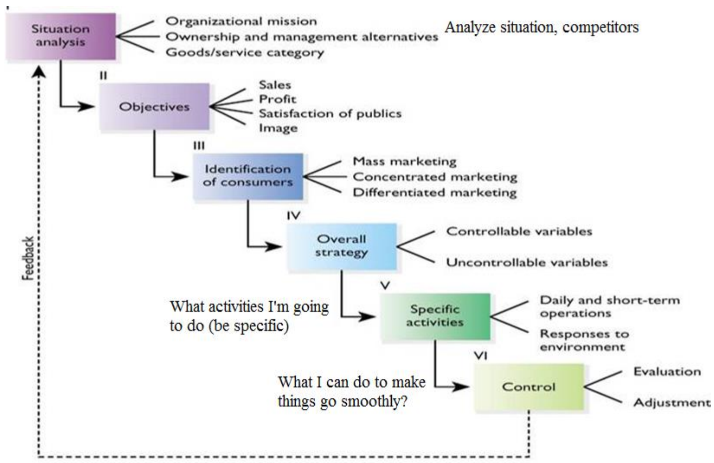


Principles of the wheel:

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.

Low-End Strategy	High-End Strategy
Low rental location, side street	High rent shopping center or central business district location
No services or services charged at additional fee (or services may be limited to credit and returns)	Elaborate services available included in price, such as: credit, delivery, alterations, decorating, gift wrapping, layaway
Spartan fixtures and displays	Elaborate fixtures and displays
Simple retail personnel organization	Elaborate retail personnel organization
Price emphasis in promotion	No price emphasis in promotion
Self-service or high sales per store personnel ratio	Product demonstrations, low sales per store personnel ratio
Crowded store interior	Spacious store interior
Most merchandise visible	Most merchandise in back room

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.

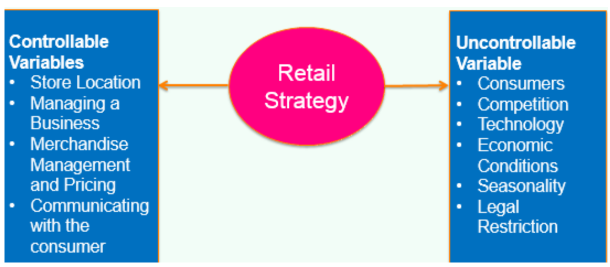
Satisfaction of Publics - Satisfy publics such as stockholders, consumers, suppliers, employees.

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



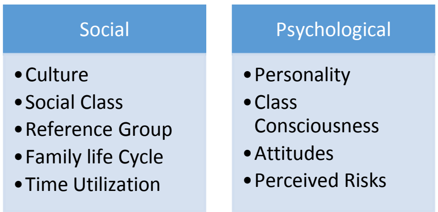
L4: Customer & Retail Business

What Makes Shoppers Tick

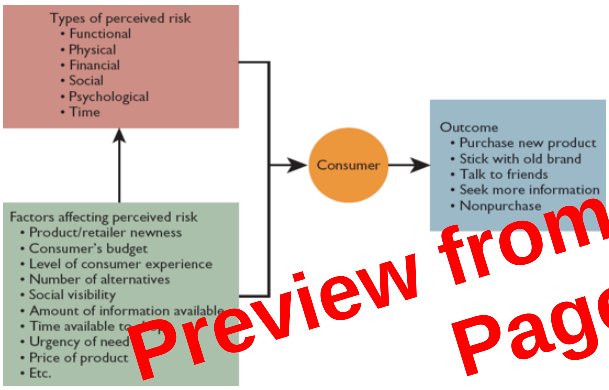
1. **Demographics** - consumer data that is objective, quantifiable, measureable and easily identifiable.

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

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



Perceived Risk



How Demographics & Lifestyle Affect Retailers

Changing Gender Roles: More women are going out to work and men are becoming house husbands

Customer Sophistication and Confidence: Many shoppers are more knowledgeable, & are more aware of trends in taste, styles, & goods and services. Confident Shoppers explore more.

Poverty of Time: The demand for personal fulfilment, the need for second jobs contribute to people feeling time pressured.

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.

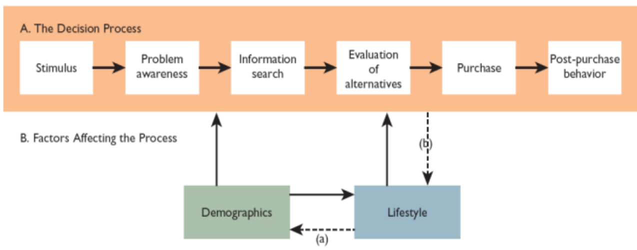
4. **Shopping Attitudes & Behaviour**

- 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



L8: Retail Pricing

Pricing Options for Retailers

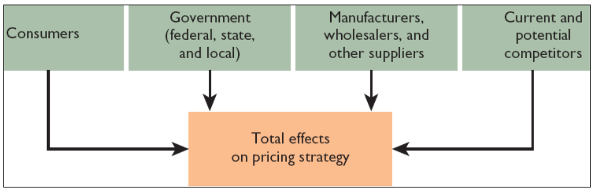
G & S must be prices in a way that both achieves profitability for retailer & satisfies customers.

A pricing strategy must be consistent with a retailers' 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.

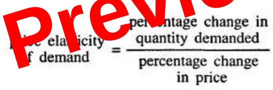
Key to successful retailing is offering a good value in customer's mind-for price orientation chosen.

Factors Affecting Price



Consumer & Retail Pricing

Price elasticity → 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 arises between manufacturer & retailer in setting final prices; each would like some control.

Retailers usually gain 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