



MK 322 Retail Management

Chapter 5: Retail Market Strategy Part I

By Ajarn Suwalya K.

What is Retail Strategy?



Retail Strategy

- A retail strategy is a statement identifying
 1. The retailer's target market
 2. The format and resources the retailer plans to use to satisfy the target market's needs
 3. The bases which the retailer plans to build a sustainable competitive advantage

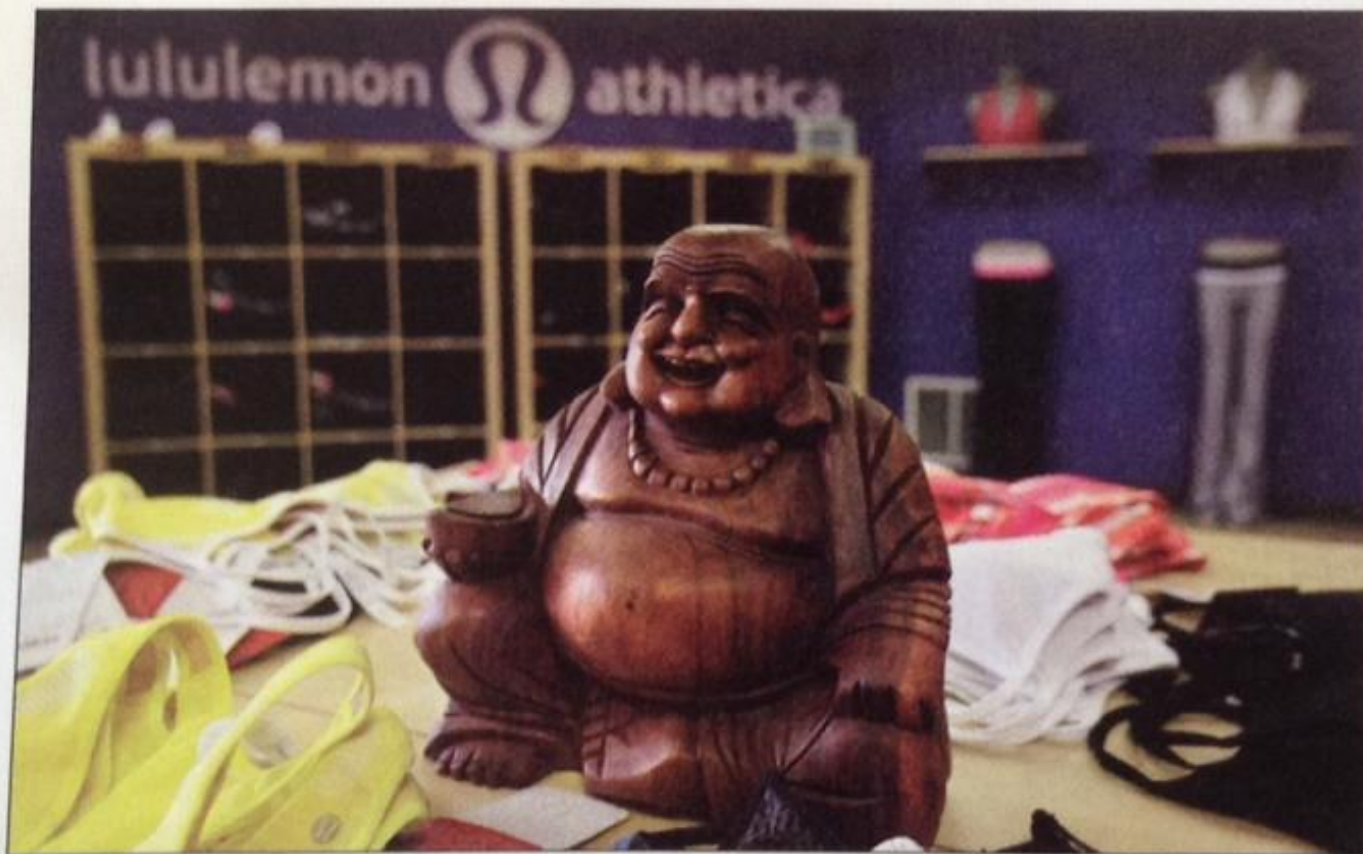
Retail Strategy

- The target market is the market segment(s) toward which the retailer plans to focus its resources and retail mix
- A retail format describes the nature of the retailer's operations-its retail mix(type of merchandise and services offered, pricing policy, advertising,and promotional programs, store design and visual merchandising, typical locations, and customer services) that it will use to satisfy the needs of its target market.

Retail Strategy

- A sustainable competitive advantage is an advantage the retailer has over its competition that is not easily copied by competitors and thus can be maintained over a long period of time.

Retail Strategy



Lululemon's retail strategy is selling merchandise that appeals to consumers seeking spiritual enrichment through yoga.

Central Concepts in a Retail Marketing Strategy



Target Market And Retail Format

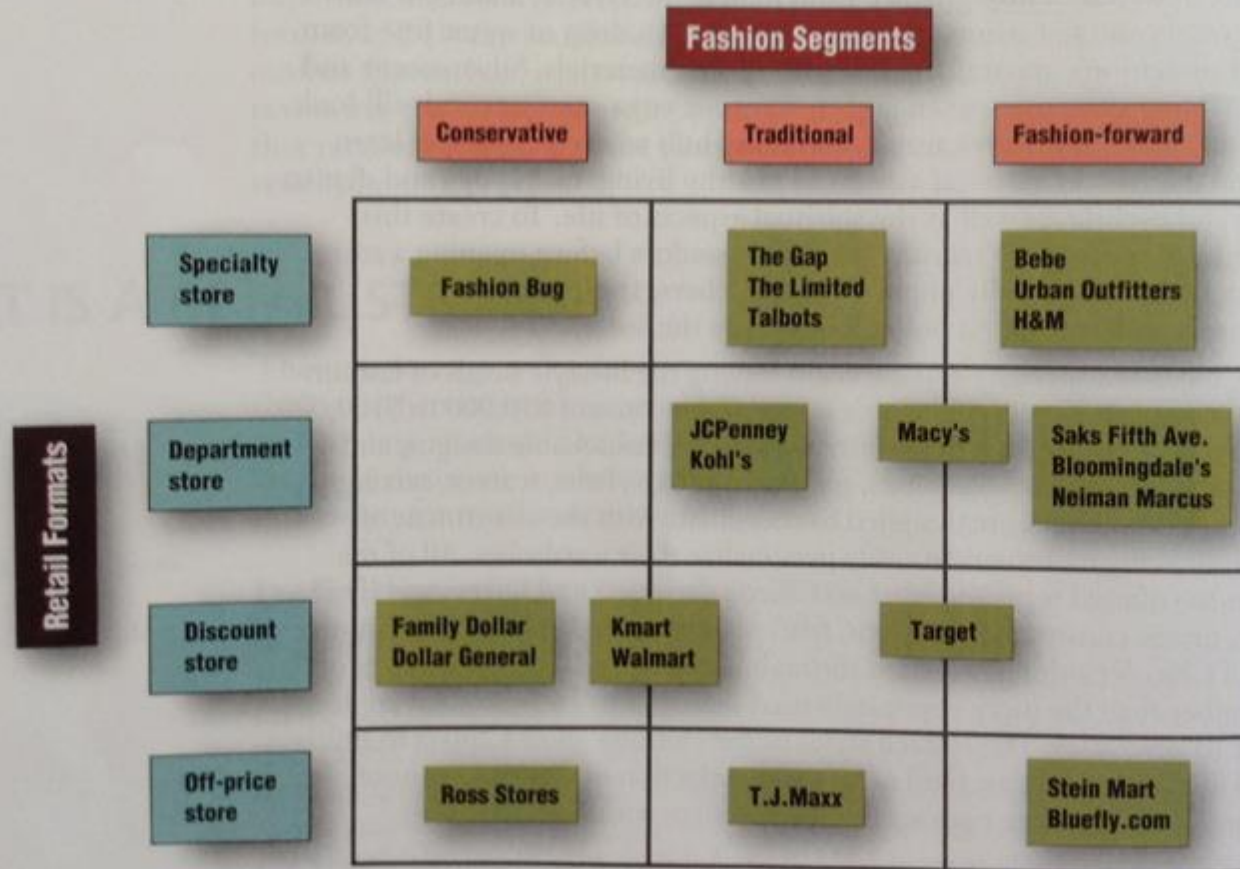
- A retail market is a group of consumers with similar needs and group of retailers that satisfy those needs using similar retail channels and formats.



Target Market And Retail Format

EXHIBIT 5-1

Retail Market Segments for Apparel



Building Sustainable Competitive Advantage (SCA)

- Three approaches are
 1. Building strong relationships with customers
 2. Building strong relationships with suppliers
 3. Achieving efficient internal operations

Each of these three approaches involves developing asset-loyal customers, strong vendor relationships, committed effective human resources, efficient systems, and attractive locations

Building Sustainable Competitive Advantage (SCA)

Sources of Advantage	SUSTAINABILITY OF ADVANTAGE	
	Less Sustainable	More Sustainable
Customer loyalty (Chapters 11 and 16)	Habitual repeat purchasing because of limited competition in the local area	Building a brand image with an emotional connection with customers; using databases to develop and utilize a deeper understanding of customers
Location (Chapters 7 and 8)		Convenient locations
Human resource management (Chapter 9)	More employees	Committed, knowledgeable employees
Distribution and information systems (Chapter 10)	Bigger warehouses; automated warehouses	Shared systems with vendors
Unique merchandise (Chapters 12 and 13)	More merchandise; greater assortment; lower price; higher advertising budgets; more sales promotions	Exclusive merchandise
Vendor relations (Chapter 13)	Repeat purchases from vendor due to limited alternatives	Coordination of procurement efforts; ability to get scarce merchandise
Customer service (Chapter 18)	Hours of operation	Knowledgeable and helpful salespeople

EXHIBIT 5-2
Approaches for Developing a Sustainable Competitive Advantage

Relationships with Customers-

Customer Loyalty

- Customer Loyalty means that customers are committed to buying merchandise and services from a particular retailer
- Loyalty is more than liking one retailer over another
- Loyalty means that customers will be reluctant to switch and patronize a competitive retailer

Brand Image

- Brand Image-think of McDonald's, think of fast food; hamburgers, french fries, fast service, consistent quality, clean restrooms



Relationships with Customers- Customer Loyalty

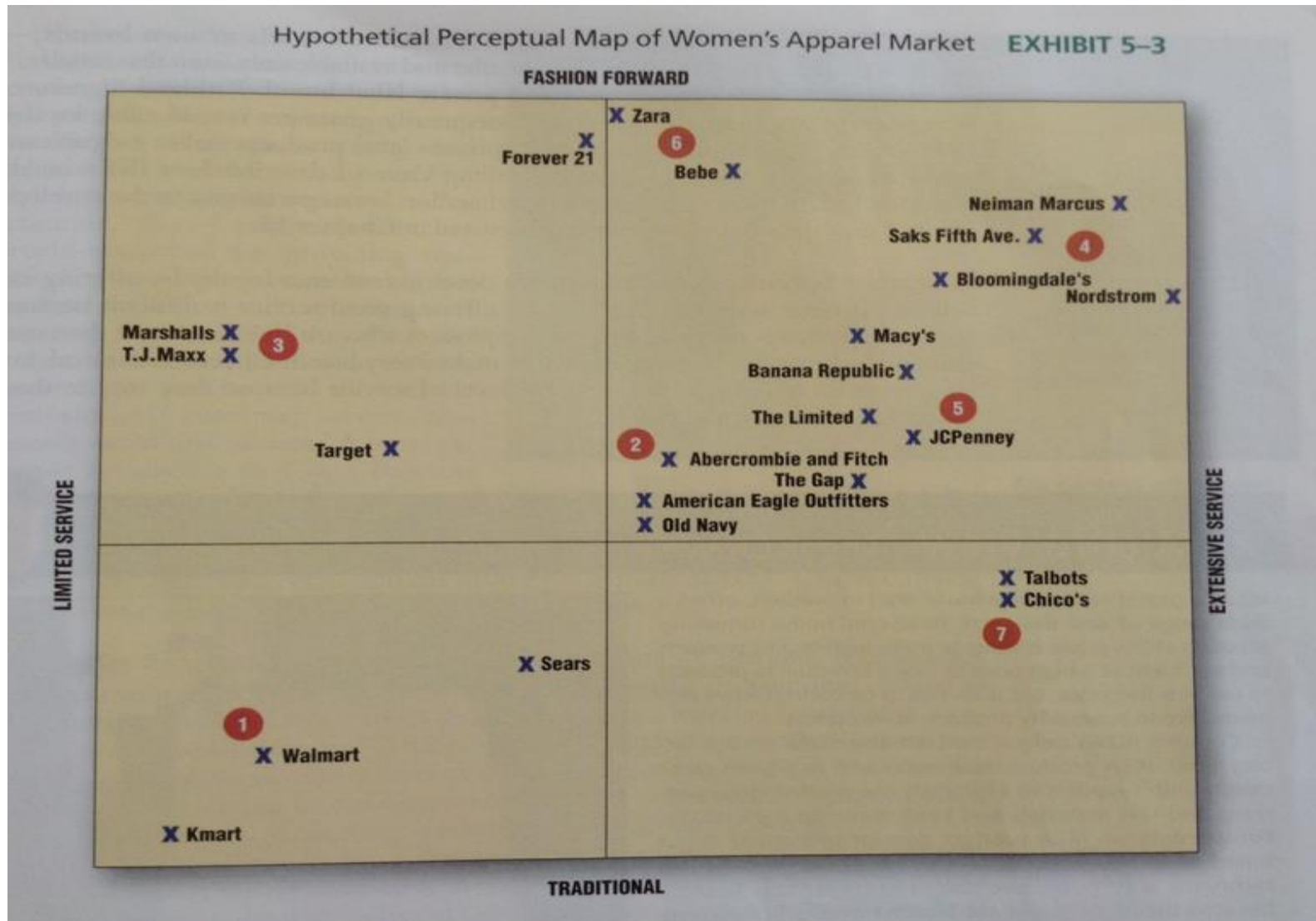


McDonald's has developed a competitive advantage by projecting an image of fast service, consistent quality, and clean restrooms

Positioning

- A retailer's brand image reflects its positioning strategy
- Positioning is the design and implementation of a retail mix to create an image of the retailer in the customer's mind relative to its competitors
- A perceptual map is frequently used to express the customer's image and preference for retailers

Positioning



Unique Merchandise

- Difficult for retailers to develop customer loyalty because most competitors can purchase and sell the same popular national brands
- Many retailers develop private label brands or called store brands or own brands



Customer Service

- Retailers can develop customer loyalty by offering excellent customer service

For example: Ritz-Carlton "WOW" stories



Customer Service



Ritz Carlton's outstanding service builds customer loyalty.

Customer Relationship Management Programs

- Customer Relationship Management Programs Or called CRM programs are also called loyalty or frequent shopper programs

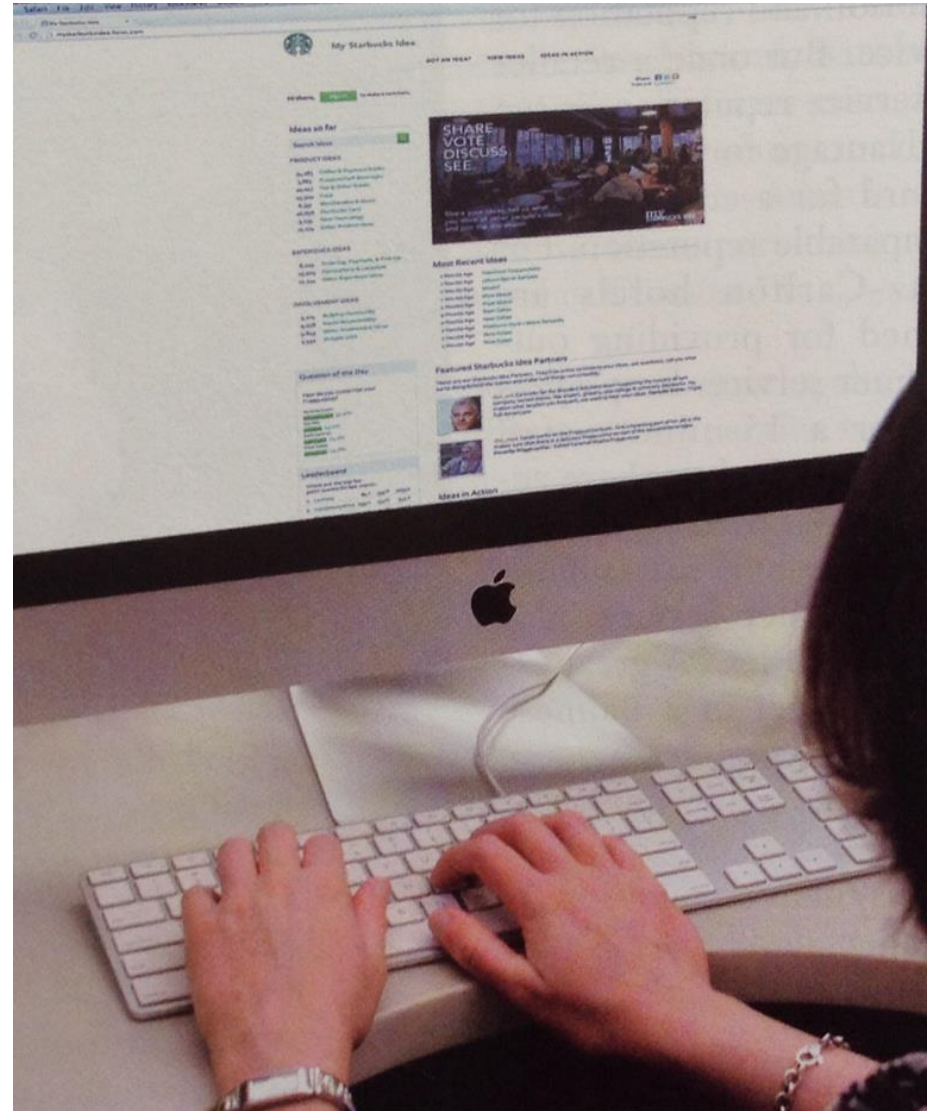


Building a Retail Community Using Social Media

- Retailers are beginning to use their websites and social media to develop retail communities
- A retail community is a group of consumers who have a shared information with respect to retailer's activities
- Increased involvement
- Fan of facebook page, Starbucks in 2008 launched My Starbucks Idea

Building a Retail Community Using Social Media

Starbucks builds customer loyalty by developing a community of customers who offer suggestions for improving Starbucks' offering



Relationship with Suppliers

- Most important relationship with Vendor ie. Walmart and P&G
- Developed over time and not be easily offset by competition



Efficiency of Internal Operations

- Efficiency of Internal Operations
- Human Resource Management: labor intensive business
- Distribution and Information systems

Location

- Location is a critical opportunity for developing competitive advantage for 2 reasons:
 1. Location is the most important factor determining which store a consumer patronizes.
 2. Location is a SCA because it is not easily duplicated

Location

Starbucks creates a competitive advantage by saturating an area with stores, which makes it difficult for competitors to find good locations.





That's All Folks