

MK 322 Retail Management

Chapter 5: Retail Market Strategy

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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**



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.

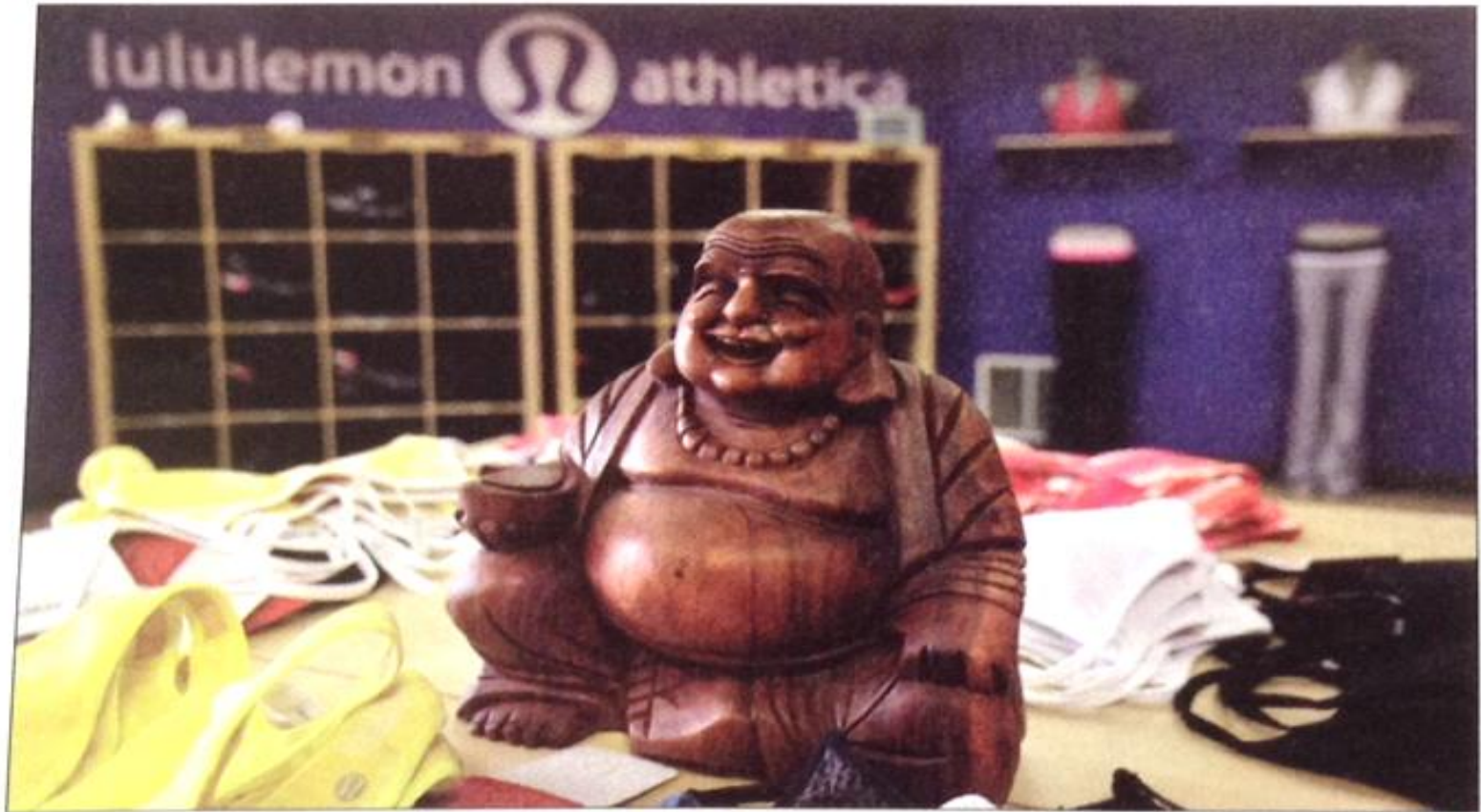


FIGURE | 13.1
Retailer Marketing Strategy



As with other types of marketers, the name of the game for retailers is to find the customer-driven marketing strategy and mix that will let them create value for customers and capture value in return. Remember Trader Joe's "cheap gourmet" value proposition? And Olive Garden's "When you're here, you're family"?

Retail Strategy



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




SAY NO TO CAMEL TOE.


All of our pants use 4-way stretch gusset construction for greater range of movement and will never ride up.



YOGA. LOVE. RUN. PEACE.



GYM YOGA RAT.



YOGA. LOVE. RUN. PEACE.





Lululemon: Rise of the Yoga Company



Curious Capitalism · 224 views · 1 year ago



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.

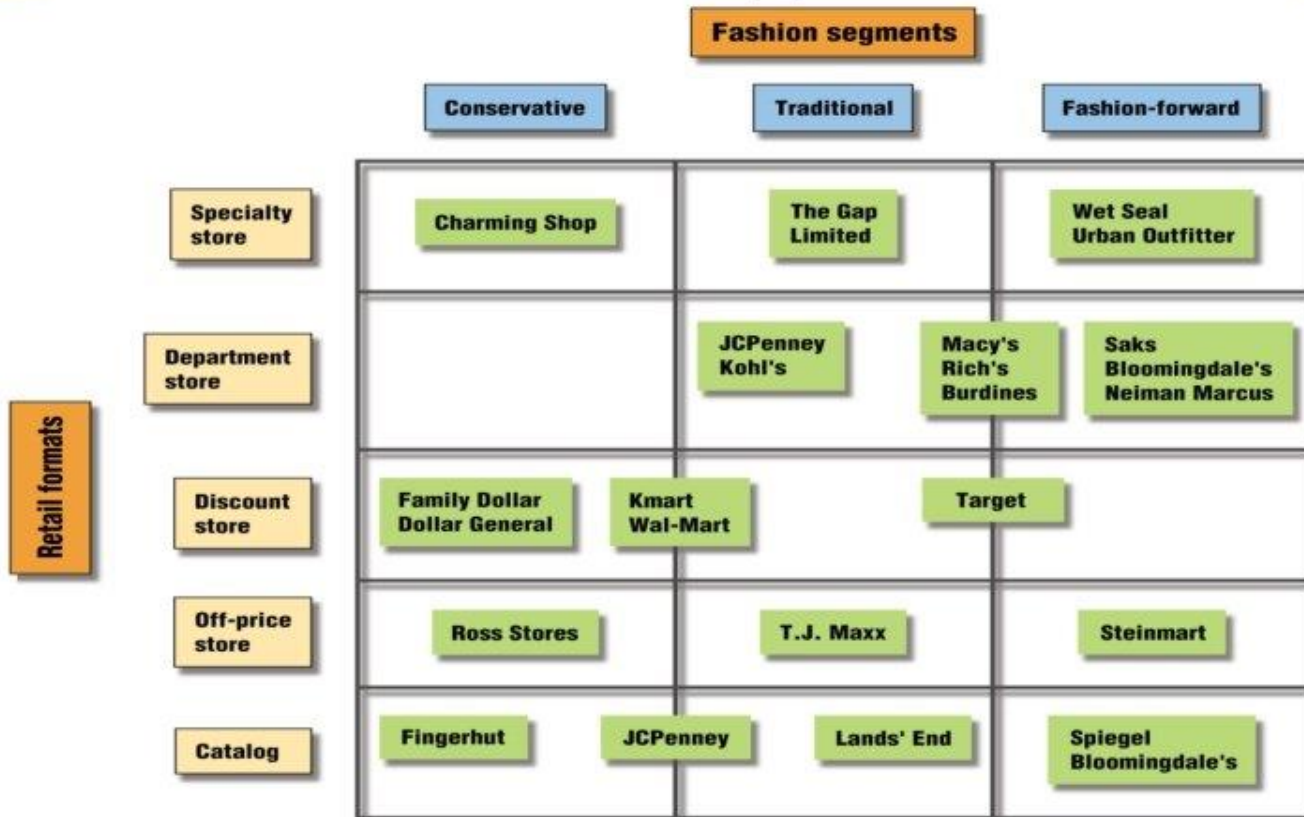




Target Market and Retail Format

Retail Market Opportunities for Women's Apparel

11



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-



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



10 Reasons Why McDonald's Has Been So SUCCESSFUL For So Long!



BabbleTop · 23K views · 4 months ago



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 Exhibit 5-3

Hypothetical Perceptual Map of Women's Apparel Market in Washington, D.C. **EXHIB**



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.



HOW THE

RITZ-CARLTON

Delivers Exceptional Customer Service

A central image of a hotel employee in a dark uniform holding a silver bell. The image is framed by dark red vertical bars on the left and right. The entire scene is reflected in a light gray area at the bottom. Two horizontal gold lines are positioned above and below the text.

J.D. POWER 2020 NORTH AMERICA HOTEL GUEST SATISFACTION INDEX TOP PERFORMERS

OVERALL SCORES BASED ON A 1,000-POINT SCALE

Luxury (average: 870)	Upper Upscale (average: 856)	Upscale (average: 849)	Upper Midscale (average: 844)	Midscale (average: 816)	Economy (average: 769)
The Luxury Collection (896)	Wyndham Grand Hotels (882)	Hyatt House (872)	Drury Hotels (868)	Tru by Hilton (868)	SureStay Hotel by Best Western (824)
The Ritz-Carlton (888)	Hard Rock Hotels (875)	AC Hotels by Marriott (866)	TownePlace Suites by Marriott (861)	Wingate by Wyndham (843)	Americas Best Value Inn (804)
Waldorf Astoria (881)	Hotel Indigo (869)	Hilton Garden Inn (864)	Home2 Suites by Hilton (857)	Candlewood Suites (841)	Microtel Inn & Suites by Wyndham (798)

[Source: Guest Satisfaction with Hotel Cleanliness Reaches Record High in 2020 J.D. Power Survey | Business Travel News](#)



WORLD'S BEST 5-STAR HOTEL (Record Breaking \$1 Billion Budget)! :

LivingBobby · 3.7M views · 10 months ago



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



Starbucks

34,483,748 likes · 541,019 talking about this · 7,588,924 were here

Like Message [dropdown icon]

Food/Beverages

We are the premier roaster and retailer of specialty coffee in the world since 1971.

About - Suggest an Edit



Photos



International



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Videos

4 [dropdown arrow]



GumboFit | Bridging Communities Through Sport | Nike

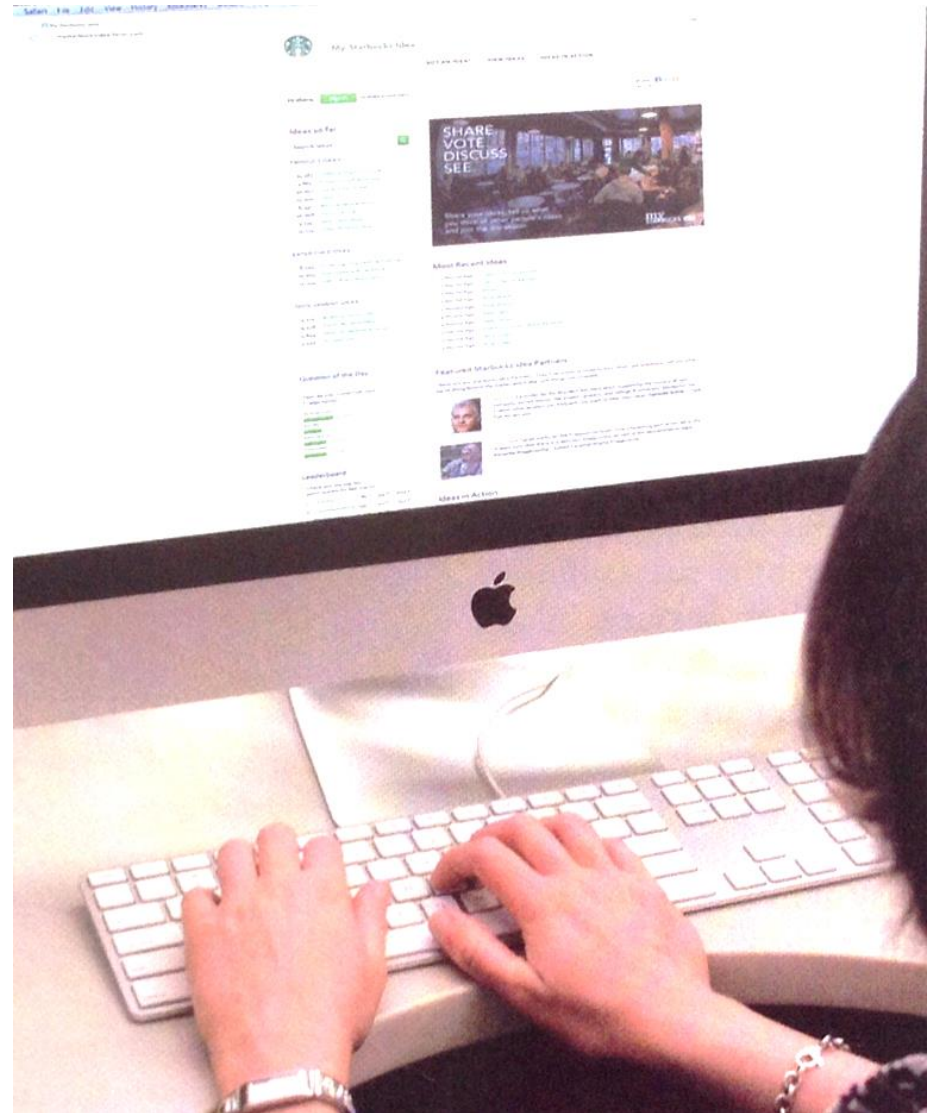


Nike · 508K views · 1 year ago



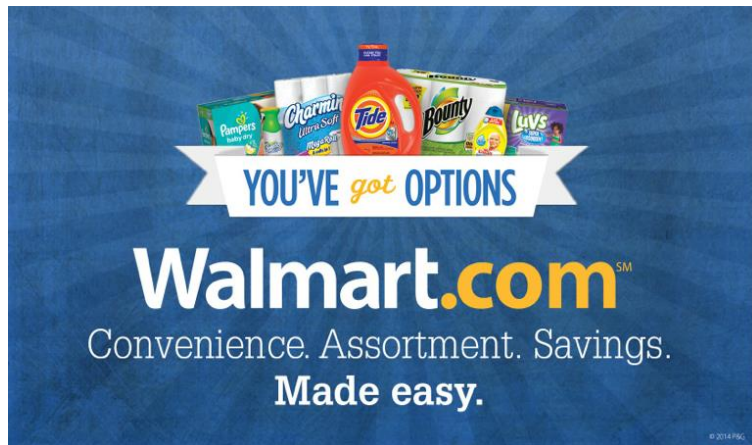
Building a Retail Community Using Social Media

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



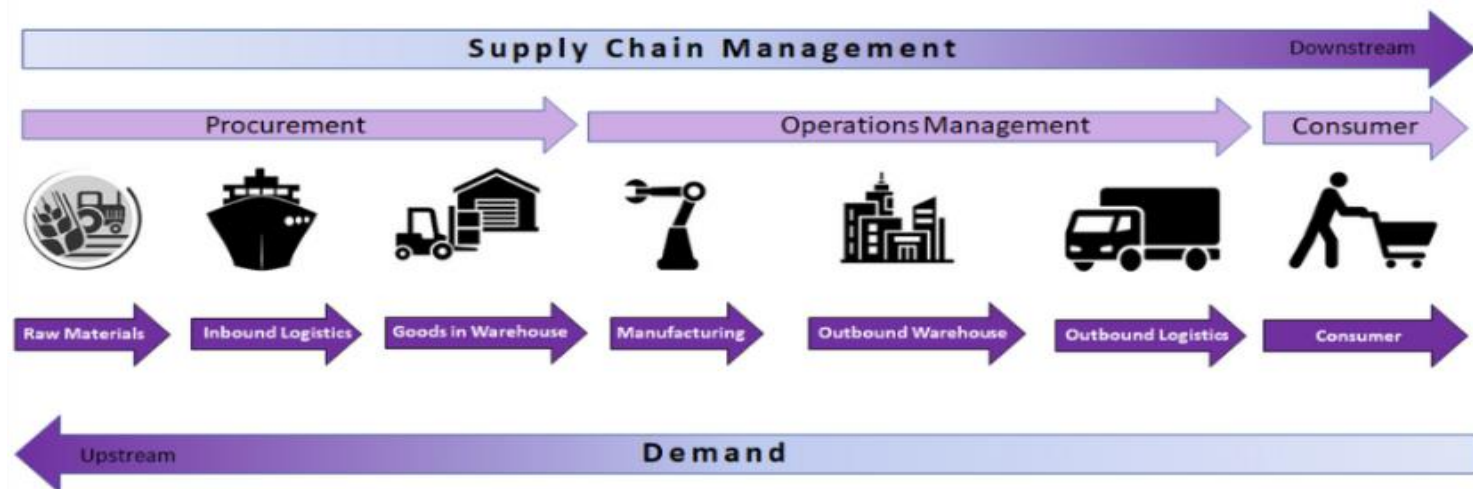
Relationship with Suppliers

- 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**



(SOURCE: CIPS, 2020)

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.





The 9 Most Beautiful STARBUCKS In The World !!

DOWN TIME · 8.2K views · 11 months ago



Multiple Source Advantage

- To build SCA for long periods of time, cannot rely on single approach, **but multiple approach** instead
- **McDonald's** long term success is based on providing consumers with – **good value** that meets their expectations, having efficient customer service, possessing a strong brand name, and offering convenient locations.

Multiple Source Advantage

- **IKEA** has a large group of loyal customers due to its strong brand image and the stimulating shopping experience it provides to its customers
- **Walmart** complements its size advantage with strong vendor relationships with its clear positioning of retailer that offers superior products
- **Starbucks** combines its location advantage with unique products, committed employees, a strong brand name, and strong relationships with coffee growers to build overall advantage difficult for competitors to erode

Multiple Source Advantage



The Container Store has multiple sources of competitive advantage, including unique merchandise, excellent customer service, strong vendor relationships, and committed employees



SHOP WITH ME | THE CONTAINER STORE



iamDonareen · 8.5K views · 7 months ago





Introducing the Exclusive Marie Kondo Collection



The Container Store · 5.6K views · 1 month ago



Growth Strategies

Retail Growth Strategies



Growth Strategies

Four types of growth opportunities that retailers may pursue.



Opportunities

Market Penetration

- Market Penetration growth opportunity is a growth opportunity directed toward existing customers using the retailer's present retailing format
- Involves attracting **new customers from retailer's current target market**



Market Penetration

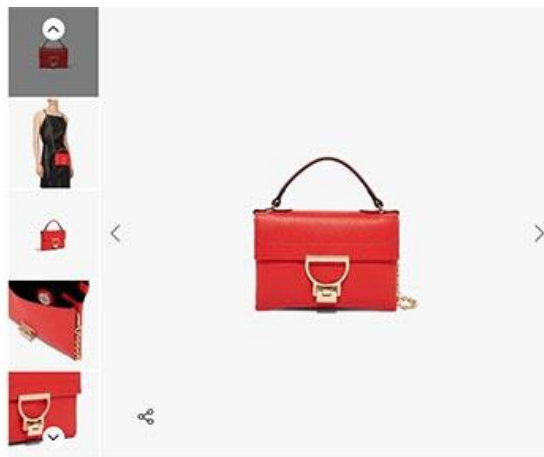
- **Examples:**
 - opening more stores in the target market,
 - and/or keeping existing stores open for longer hours,
 - displaying merchandise to increase impulse purchase,
 - training sales employees to cross-sell



Market Penetration

- Cross-selling means that sales associates in one department attempt to sell complementary merchandise from other departments to their customers





Arlettis Mignon
£215

Polish Red



One size

Add to bag

Add to Wishlist

You may also like



Alphabet Lovers
Plexy and Metal Charm
£43- £25,80 -40%



Quick Shop

Alphabet Lovers
Plexy and Metal Charm
£43- £25,80 -40%



Adeline
Lambskin Gloves
£120- £60 -50%

+ COLORS



Marvin
Handbag in Tumbled Leather
£345

+ COLORS



Market Expansion

- Market Expansion growth opportunity involves using the retailer's existing format in new market segments.
- For example Dunkin' Donuts has been operating new stores outside its traditional target market





McDonald's Thailand's first restaurant was opened at Amarin Plaza in 1985 as the 35th country in the world serving the great taste of hamburger. McDonald's Thailand currently has **245** restaurants nationwide (As of June 2019) offering a range of convenience services to match with customers lifestyles.

Retail Format Development

- A retail format development growth opportunity is an opportunity in which a retailer develops a new retail format – a format with a different retail mix-for the same target markets.
- For example, Tesco operating different formats including Tesco Express which is 15,000 sq.feet,
- Tesco Superstore 50,000 sq.feet, and Tesco Extra 60.000 sq.feet

Diversification

- A diversification growth opportunity is one in which a retailer introduces a new retail format directed toward a market segment that is not currently served by retailer
- Related vs Unrelated Diversification
- Vertical Integration describes diversification by retailing into wholesaling or manufacturing

Examples – CP?

TESCO
Lotus

Lotus's



Related Diversification

VS

Unrelated Diversification

Estée Lauder was a pioneer in the cosmetics industry. Estée Lauder summarized her zest for business by noting, "I have never worked a day in my life without selling. If I believe in something, I sell it, and I sell it hard." The company that bears her name has used related diversification and other growth strategies to create over two dozen brands of cosmetics, perfume, skin care, and hair care products. Below we illustrate some of the products that make up the Lauder empire.



Prescriptives offers customizable cosmetics that provide an exact match to the customer's skin tone.



The Lauder empire includes a number of license agreements such as with Donna Karan's **DKNY** Be Delicious perfume.



Smashbox, acquired in 2010, is the cosmetics line of a premier photo studio founded by the great-grandsons of Hollywood cosmetics legend Max Factor.



Estée Lauder's **Sensuous** is one of the perfumes marketed under the Lauder name.



Bumble and bumble provides salon-quality shampoo, conditioner, and other hair care products.



Clinique was the first high-end allergy-tested, dermatologist-created cosmetics brand.



Bobbi Brown (namesake of the celebrated makeup artist) focuses on teaching women to be their own makeup artists.



M·A·C (Makeup Art Cosmetics) products were originally designed for professional makeup artists but are now available to consumers worldwide.



Aveda's line of high-end botanical spa products was acquired in 1997.



Joe Malone is a British lifestyle brand known for its unique fragrance portfolio.

"Don't put all your eggs in one basket" is often a good motto for individual investors. By building a portfolio of stocks, an investor can minimize the chances of suffering a huge loss. Some executives take a similar approach. Rather than trying to develop synergy across businesses, they seek greater financial stability for their firms by owning an array of companies. Warren Buffett's Berkshire Hathaway has long enjoyed strong performance by purchasing companies and improving how they are run. Below we illustrate some of the different groups in their very diversified portfolio of firms.



Berkshire's insurance group includes firms such as General Re and GEICO. They maintain capital strength at exceptionally high levels, which gives them an advantage even a cave man could understand.



Berkshire's financial health is also fueled by utilities and energy companies that are part of the MidAmerican Energy Holdings Company.



Their apparel businesses include well-known names such as Fruit of the Loom and Justin Brands.



Building companies include Acme Building Brands, makes of the famous brick, as well as paint company Benjamin Moore & Co.



FlightSafety International Inc. is a Berkshire firm that engages in high-tech training to aircraft and ship operators.



Retail holdings include a number of furniture businesses such as R.C. Willey Home Furnishings, Star Furniture Company, and Jordan's Furniture, Inc.



Hungry for more businesses to manage, Berkshire acquired The Pampered Chef, Ltd.—the largest direct kitchen tools seller—in 2002.



Buffett had a sweet tooth for See's Candies, who he purchased from the See's family in 1972.



Shareholders were all on board for the purchase of the Burlington Northern Santa Fe Corporation in 2009.

JASPAL

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CPS
CHAPS

The Unlimited Lifestyle
J A S P A L
home collection

CC-CC
CC DOUBLE O

Staple Posturepedic
Support you love. Comfort you'll love.

FOOTWORK



SANTAS[®]
HOME FASHION

SISLEY

USA STEVENS[®]



Related
Diversification

VS

Unrelated
Diversification

Bershka ZARA
Stradivarius
ZARA HOME

INDITEX

Massimo Dutti
UTERQÜE
OYSHO lefties
PULL&BEAR

MONK L
COS ARKET
WEEKDAY

H&M

& other Stories

H&M AFOUND
CHEAP MONDAY

UNIQLO Theory
COMPTOIR DES COTONNIERS

FAST RETAILING

PRINCESSE tam•tam PARIS
P L S T GU
J BRAND

GAP INTERMIX
ATHLETA
HILL CITY/

Gap Inc.

BANANA REPUBLIC
OLD NAVY
JANIE AND JACK



Hershey's Chocolatetown: Opening at Hersheypark Summer 2020



Hersheypark · 108K views · 1 year ago





Growth Strategies

Four types of growth opportunities that retailers may pursue.



Opportunities

EXHIBIT 5-7
Stages in the Strategic
Retail Planning Process





That's All Folks