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Retail Management: A Strategic Approach

Thirteenth Edition, Global Edition



Retail Management

A Strategic Approach

THIRTEENTH EDITION

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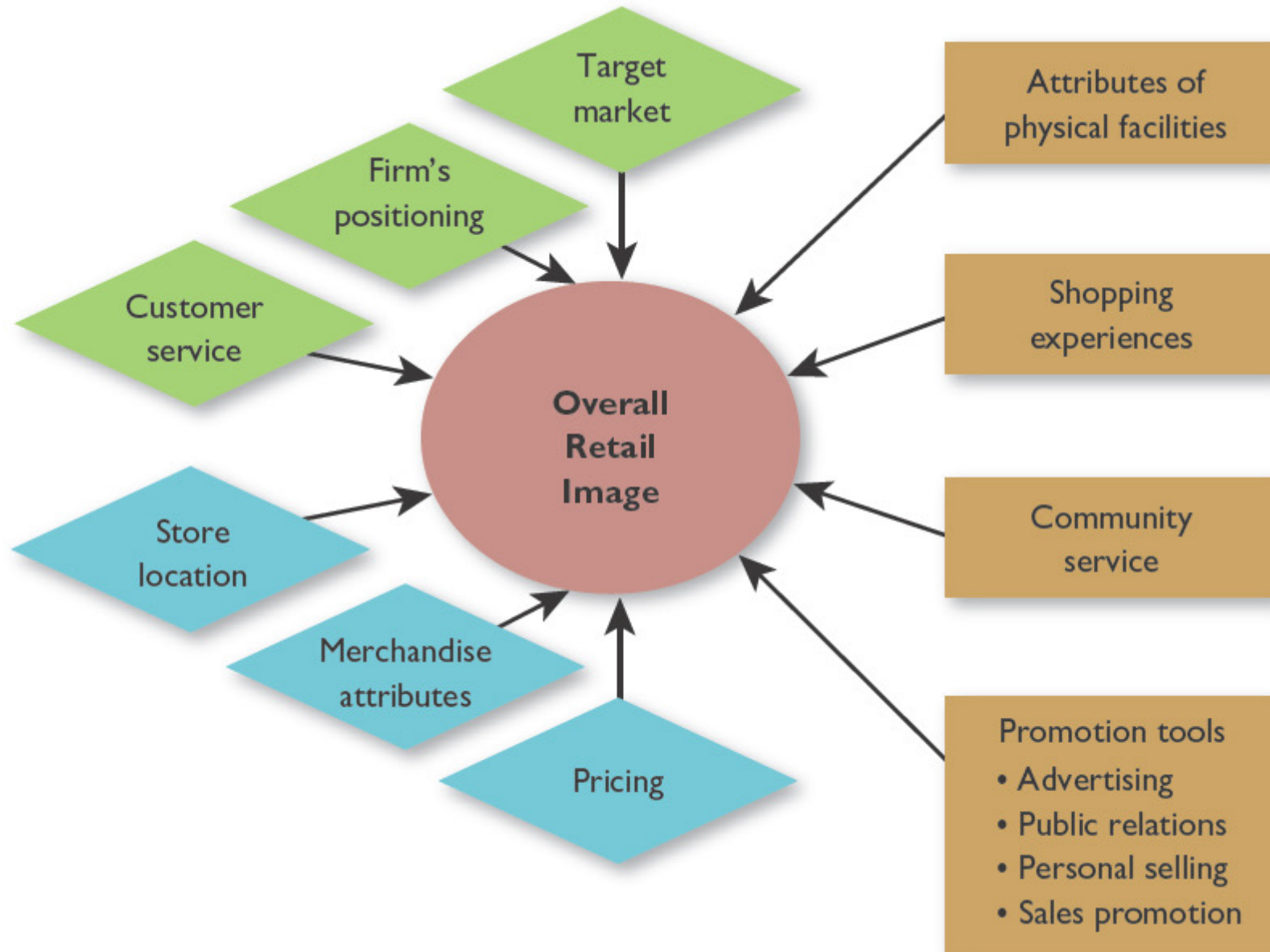
Chapter 18

Establishing and Maintaining a Retail Images

Retail Image and Positioning

- **Image** refers to how a retailer is perceived by customers and others.
- **Positioning** refers to how a firm devises its strategy to **project an image** relative to its retail category and its competitors.
- **A retailer must communicate a distinctive, clear, and consistent image.** Once its image is established, a retailer is placed in a niche relative to competitors. For global retailers, the challenge is to **convey a consistent image worldwide, given different consumers' backgrounds.**
- When customers have been attracted, the **retailer must strive to create an engaging shopping experience** for them.
 - physical and symbolic cues can be used to do this.

Elements of a Retail Image



What image needs to deliver

- A shopper should be able to determine a store's
 - **Name**
 - **Line of trade**
 - **Claim to fame**
 - **Price position**
 - **Personality**
- Think about the differences between H&M and Louis Vuitton, or the difference between Eurospin and Eataly

Different images

Retailers can be classified as occupying the following retail image positions based on their leadership on six dimensions (**price, location, store interior, product quality, selection, and service**):

- **Location leaders:** convenient locations; they make their merchandise and services available where customers need them most. **Do not offer liberal return policies or present innovative products or displays but that does not concern their customer base.** *e.g.: local grocery store*
- **Atmospherics leaders:** These retailers offer an **outstanding in-store experience**. The firms typically do not carry a wide range of product lines, and prices are higher, commensurate with their image. *e.g., Tiffany*
- **Product quality leaders:** These retailers offer **unique, high-quality merchandise and attractive, appealing displays**. *e.g., naturasi, Eataly*

Different images

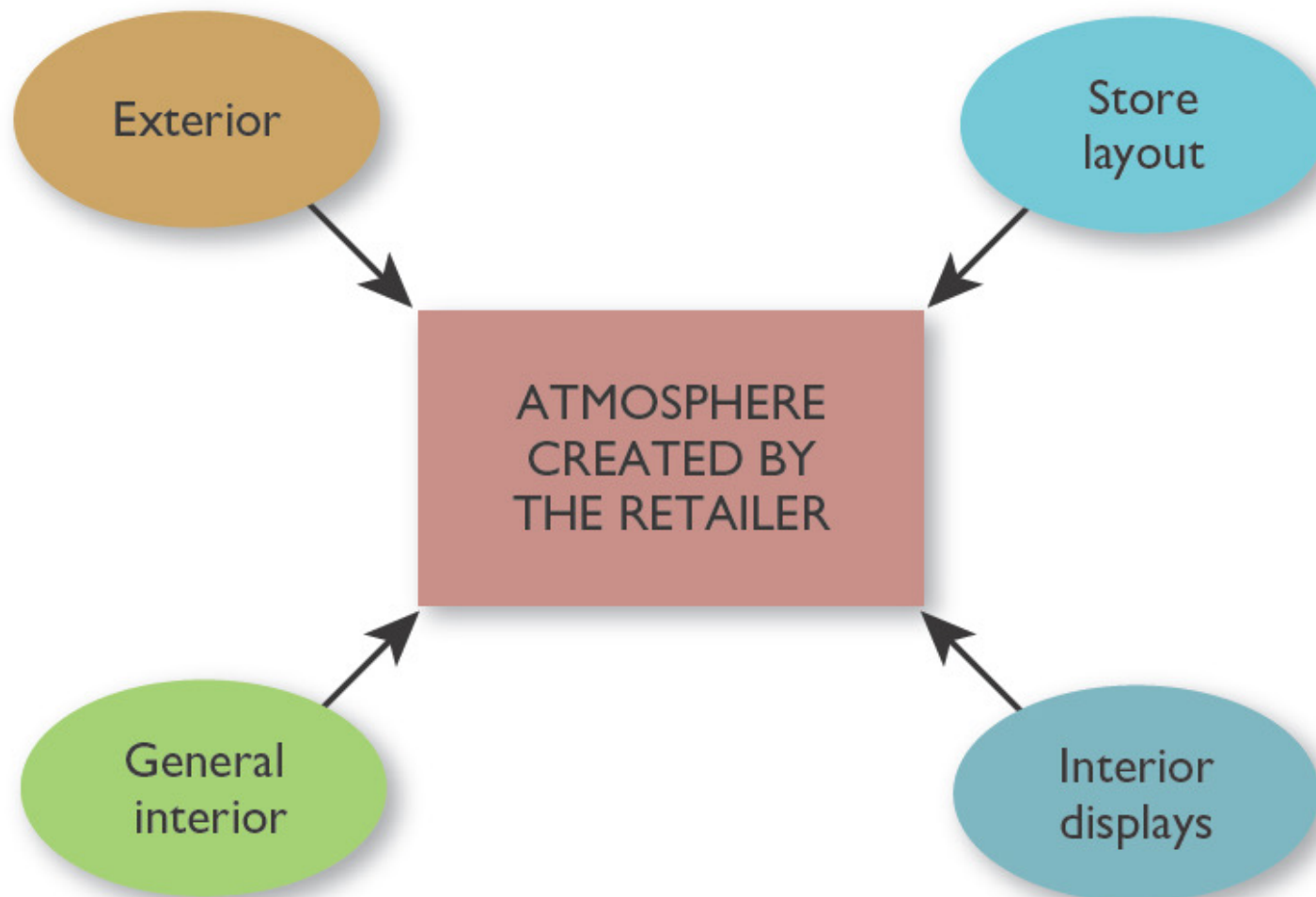
- **Selection leaders:** good value on the wide range of items they sell and are an interesting place to shop. **Not as exciting as atmosphere leaders.** They add new items on a regular basis and encourage shoppers to spend more time. They do a **good job in coordinating in-store and online shopping experiences.** *e.g., Happy Casa, Brico*
- **Service leaders:** conveniently located and offer shoppers good customer service. **The sales staff has from good to excellent knowledge of the product, but the store atmospherics may not be very exciting.** It is a good place to buy items that are planned in advance. *e.g. Ottica Demenego (excellent service and knowledge), Unieuro or similar (medium knowledge)*

Criteria for image leaders may be different according to the product, the target customer, competitors...

Atmospherics and Atmosphere

- **Atmospherics** (Kotler, 1973): covers three major art forms important to retail architecture: **exterior structure**, **interior design**, and the **design of window displays**.
- **Atmosphere**: The psychological feeling a customer gets when visiting a retailer (*i.e. from the atmospherics*)
 - **Store retailer**: Atmosphere refers to store's physical characteristics that project an image and draw customers
 - **Non store retailer**: Atmosphere refers to the physical characteristics of catalogs, vending machines, Web sites, etc.
- The atmosphere of a commercial space performs three functions: creating attention, messages (communication) and affect.
- It aims at **stimulate shopping behavior by creating a certain look** based on a proper display of the products.

A store-based retailing perspective: The Elements of Atmosphere



Exterior Planning

- **Storefront** - the total physical exterior of the store itself
- **Marquee** - sign that displays the store's name.
- **Store entrances**
 - **Number** of entrances
 - **Type** of entrance (revolving, automatic, lighting of the entrance)
 - **Walkaway** (wide, narrow, accessible for wheelchairs or strollers)
- **Display windows** have 2 purposes:
 - **identify the store and its offerings**
 - **induce people to enter**
- **Exterior building height** – possibly coherent with the image we want to give to the store, a department store could hardly be intimate
- **Surrounding stores and area** – reflects the demographics and type of traffic in the area, **must reflect target customer**
- **Parking facilities** – if the store is not easily reachable is vital!

Alternatives in Planning a Basic Storefront

- **Modular structure** - A one-piece rectangle or square that may attach several stores
- **Prefabricated structure** - A frame built in a factory and assembled at the site.
- **Prototype store** - Used by franchisors and chains to foster a consistent atmosphere
- **Recessed storefront** - Lures people by being recessed from the level of other stores. Customers must walk in a number of feet to examine the storefront
- **Unique building design** - A round or pyramid-shaped structure, for example

General Interior

What should be included?

General Interior

- Flooring
- Colors
- Lighting
- Scents
- Sounds
- Store fixtures
- Wall textures
- Temperature
- Aisle space
- Dressing facilities
- In-store transportation (elevator, escalator, stairs)
- Dead areas
- Personnel
- Merchandise
- Price levels
- Displays
- Technology
- Store cleanliness

Store Layout: Allocation of Floor Space

- **Selling space** - displays of merchandise, interactions between salespeople and customers, demonstrations...
- **Merchandise space** - stock non displayed items.
- **Personnel space** - set aside for employees to change clothes and to take breaks, and for rest rooms.
 - Because retail space is valuable, personnel space is strictly controlled. **Yet, a retailer should consider the effect on employee morale.**
- **Customer space** - contributes to the shopping mood.
 - It can include a lounge, benches and/or chairs, dressing rooms, rest rooms, a restaurant, a nursery, parking, and wide aisles. **Discounters are more apt to skimp on these areas.**

Classification of Store Offerings

A store's offerings are next classified into product groupings and plan layouts accordingly

- **Functional product groupings:** display merchandise by common end use.
 - A men's clothing store might group shirts, ties, cuff links, and tie pins; shoes, shoe trees, and shoe polish
- **Purchase motivation product groupings:** appeal to the consumer's urge to buy products and the amount of time for shopping.
 - A committed customer will visit a store's upper floors; a disinterested person with less time will look at displays on the first floor.

Classification of Store Offerings

- **Market segment product groupings:** place together various items that appeal to a given target market.
 - e.g., music stores separates products by genre
- **Storability product groupings:** may be used for products needing special handling.
 - e.g., refrigerated products in the supermarket

Determination of a Traffic-Flow Pattern

Once the atmospheric elements are settled and the various category of products are determined, the **traffic-flow pattern must be set.**

- **Straight (gridiron) traffic flow:** places **displays and aisles in a rectangular or gridiron pattern**, as shown
 - used by food retailers, discount stores, drugstores, hardware stores, and stationery stores.
- **Curving (free-flowing) traffic flow:** places **displays and aisles in a free-flowing pattern**
 - used by department stores, apparel stores, and other shopping-oriented stores.

Straight Traffic Pattern

Advantages

- An efficient atmosphere is created
- More floor space is devoted to product displays
- People can shop quickly
- Inventory control and security are simplified
- Self-service is easy, thereby reducing labor costs

Disadvantages

- Impersonal atmosphere
- More limited browsing by customers
- Rushed shopping behavior



Curving Traffic Pattern

Advantages

- A friendly atmosphere
- Shoppers do not feel rushed
- People are encouraged to walk through in any direction
- Impulse or unplanned purchases are increased

Disadvantages

- Possible customer confusion
- Wasted floor space
- Difficulties in inventory control
- Higher labor intensity
- Potential loitering
- Displays may cost more

Approaches for Determining Space Needs

The space for each product category is calculated, with both selling and non-selling space considered. Two different approaches:

Model Stock Approach

- Determines floor space necessary to carry and display a proper merchandise assortment

Sales-Productivity Ratio

- Assigns floor space based on sales or profit per square meter

Interior (Point-of-Purchase) Displays

Provides shoppers with information, adds to store atmosphere, and serves a substantial promotional role.

- **Persuasive:** located near checkout counters, displays can induce unplanned or impulse purchases
- **Proper placement for new products or promotions:** draw attention and educate consumers about availability and attributes. **No need to compete for shelf space.**
- **Flexibility in messaging and placement:** same message in multiple languages to varying audiences. Can be placed in different parts of the store throughout the life cycle of the product.
- **Displays enhance the overall shopping experience:** help shape a retail store's image, re-direct store traffic, and bolster merchandising plans

Types of POP Displays

- **Assortment display:** wide range of merchandise
 - **Open assortment** - customer is encouraged to feel, look at, and/or try on products, *e.g., greeting cards, books*
 - **Closed assortment** - customer is encouraged to look at merchandise but not touch it or try it on, *e.g., jewelry*
- **Theme-setting display:** thematic manner and sets a specific mood. Seasonal or special events, *e.g., Christmas, Valentine's Day*
- **Ensemble display:** complete product bundle. *e.g., mannequins dressed in a combinations of clothes*
- **Rack display:** neatly hang or present products, must be carefully maintained. *e.g., t-shirt*
- **Case display:** for bulkier, prepacked products like books, DVD-sets
- **Cut case:** uses original carton - **Dump bin:** "*cesto delle offerte*" – **both offer a poor atmosphere** (discount)

Online Store Considerations

Advantages

- Unlimited space to present assortments, displays, and information
- Can be customized to the individual customer
- Can be modified frequently
- Can promote cross-merchandising and impulse purchasing
- Enables a consumer to shop in quickly

Disadvantages

- Can be too complex
- Cannot adequately display three-dimensional aspects of products
- Requires constant updating
- More likely to be exited without purchase

Increasing Shopping Time In-Store

Increasing the amount of time a shopper spends in a store (excluding waiting in a line)

- **Experiential merchandising:** convert shopping from a passive activity into a more interactive one, by better engaging customers
- **Solutions selling:** presents “solutions” rather than “products, *e.g.*, “*gift ideas under 10, 15, 20€*”, “*What’s for dinner?*” section
- **Co-branding:** retailers situate under the same roof (or at one Web site) to share costs and stimulate consumers to visit.
- **Enhanced shopping experience:** retailer does everything possible to minimize annoyances and to make the shopping trip pleasant, *e.g.*, *customer assistance, self scanning tools in supermarkets*

Community-Oriented Actions

Action a retailer can take actions to enhance its image within its community

- Make stores barrier-free for disabled shoppers
- Show a concern for the environment
- Support charities
- Participate in social initiatives (depending on the community needs)
- Employ area residents
- Run sales for senior citizens and other groups
- Sponsor Little League and other youth activities
- Cooperate with neighborhood planning groups
- Donate money/equipment to schools
- Check IDs for purchases with age minimums