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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 3 Strategic Planning In Retailing

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Retail Strategy

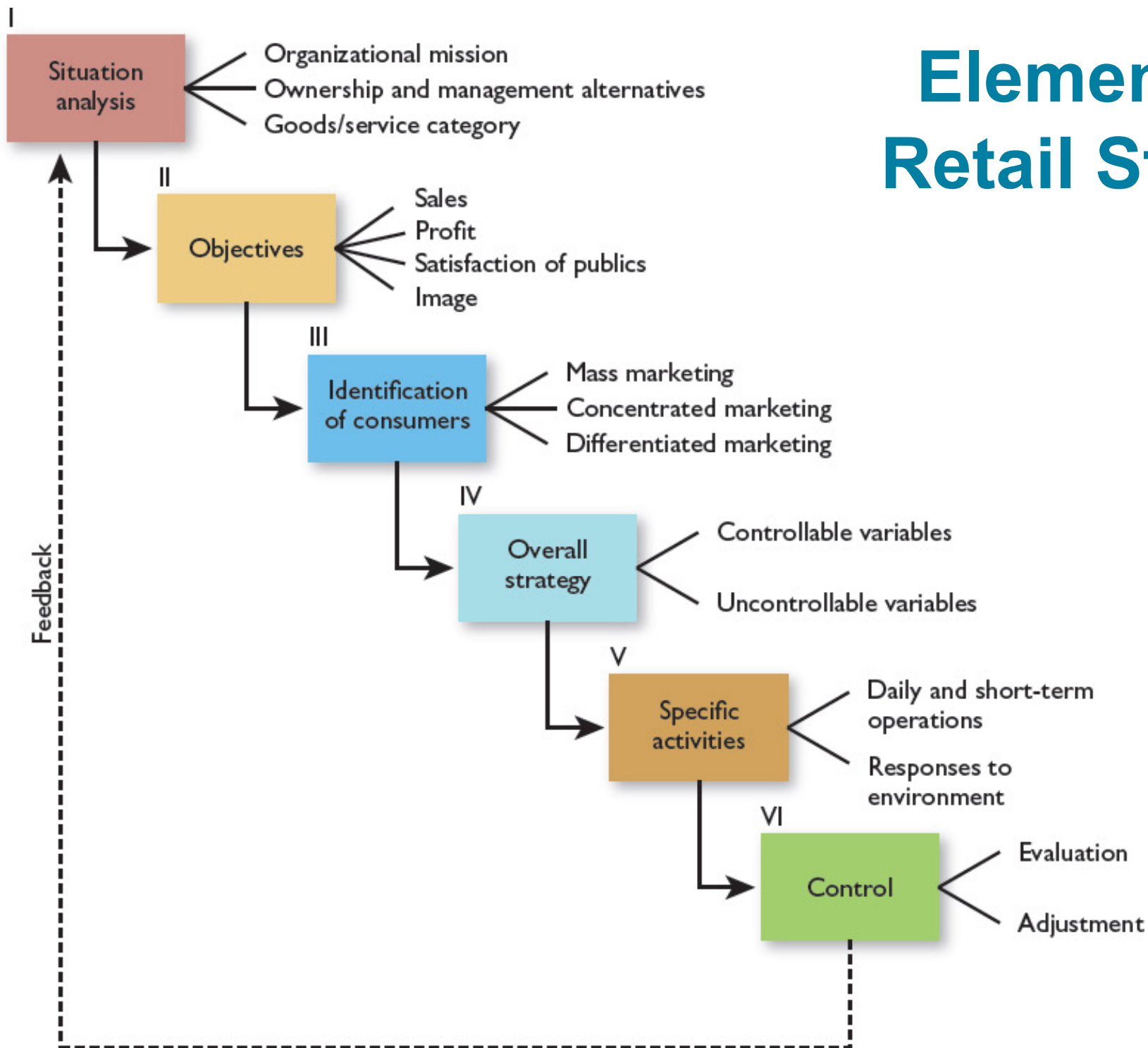
- **The overall plan or framework of action that guides a retailer**
 - One year in duration
 - Outlines **mission, goals, consumer market**, overall and specific **activities**, and **control** mechanisms

Why is it important?

Benefits of Strategic Retail Planning

- Provides thorough analysis of the **requirements for doing business** for different types of retailers
- Outlines retailer **goals**
- Allows retailer to determine **how to differentiate itself from competitors**
- Allows retailer to develop an **offering that appeals to a group of customers**
- Offers an **analysis of the legal, economic, and competitive environment**
- Provides for the **coordination** of firm's total efforts
- Encourages anticipation and **avoidance of crises**

Elements of a Retail Strategy



I - Situation analysis

An in depth look on the **firm's** current status including its **mission**, its **ownership and management options** and **goods/services categories** to be sold.

It allows the firm to understand where it is and in which direction it is heading to.

- It is the initial plot on which the strategy will be built on.
- It defines the general (sometimes even philosophical) target of the company, the foundations of the retail strategy.

I - Situation analysis

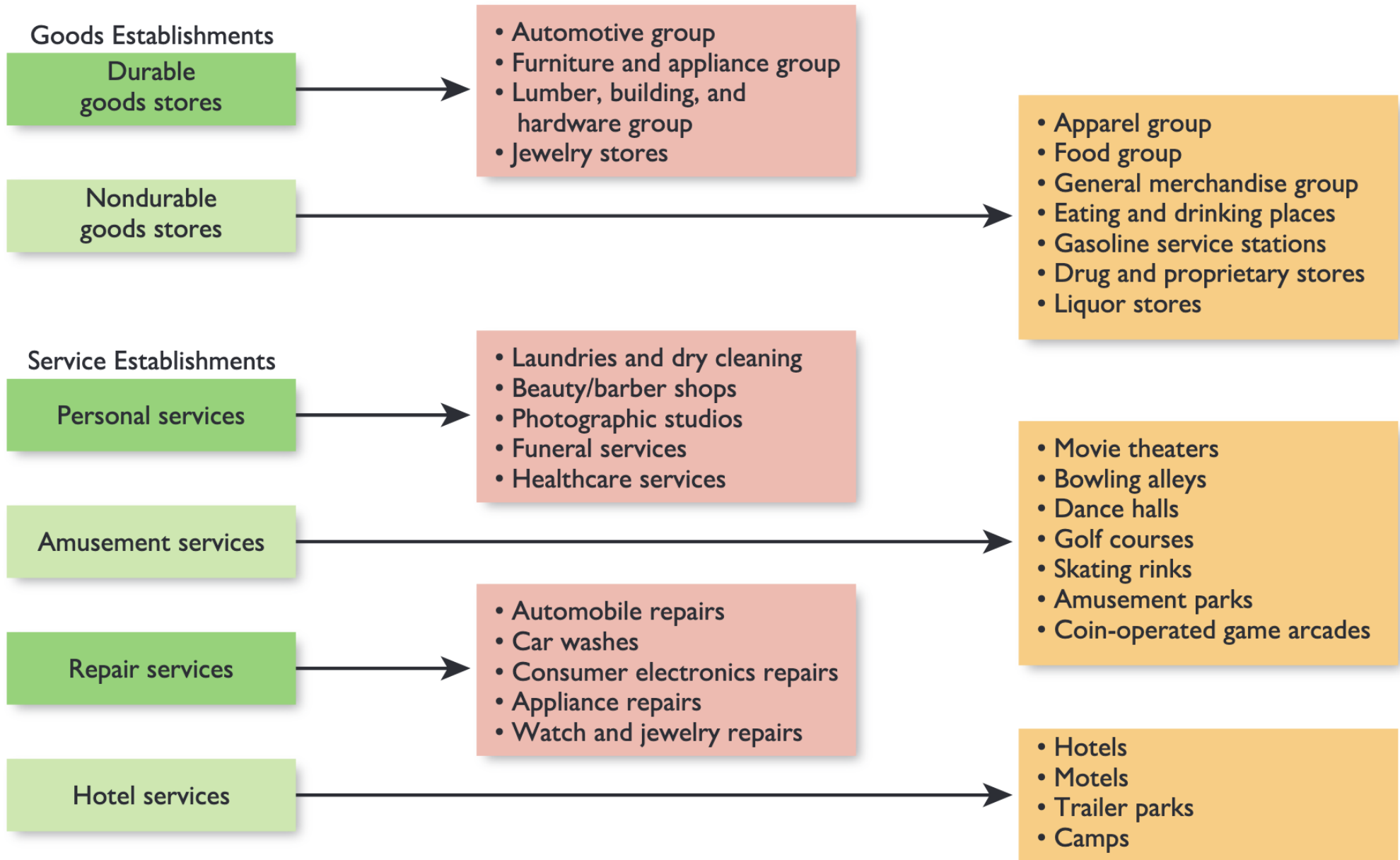
Organizational Mission:

Retailer's **commitment to a type of business** and to a distinctive role in the marketplace.

Ownership and Management Alternatives:

- **Sole proprietorship** is an unincorporated retail firm owned by one person
- A **partnership** is an unincorporated retail firm owned by two or more persons, each with a financial interest
- A **corporation** is a retail firm that is formally incorporated under state law; it is a legal entity apart from its officers

Situation analysis: Retail Goods and Service Establishments



II - Objectives

After situation analysis, a retailer sets objectives, the long-run and short-run performance targets it hopes to attain.

- **Sales** objectives are related to the volume of goods and services a retailer sells. Growth, stability, and market share are the sales goals most often sought.
- **Profit:** retailers seek at least a minimum profit level during a designated period, usually a year.
- **Satisfaction of Public:** Retailers typically strive to satisfy their publics; that is, their stockholders, customers, suppliers, employees, and government.

Objective: Image and Positioning

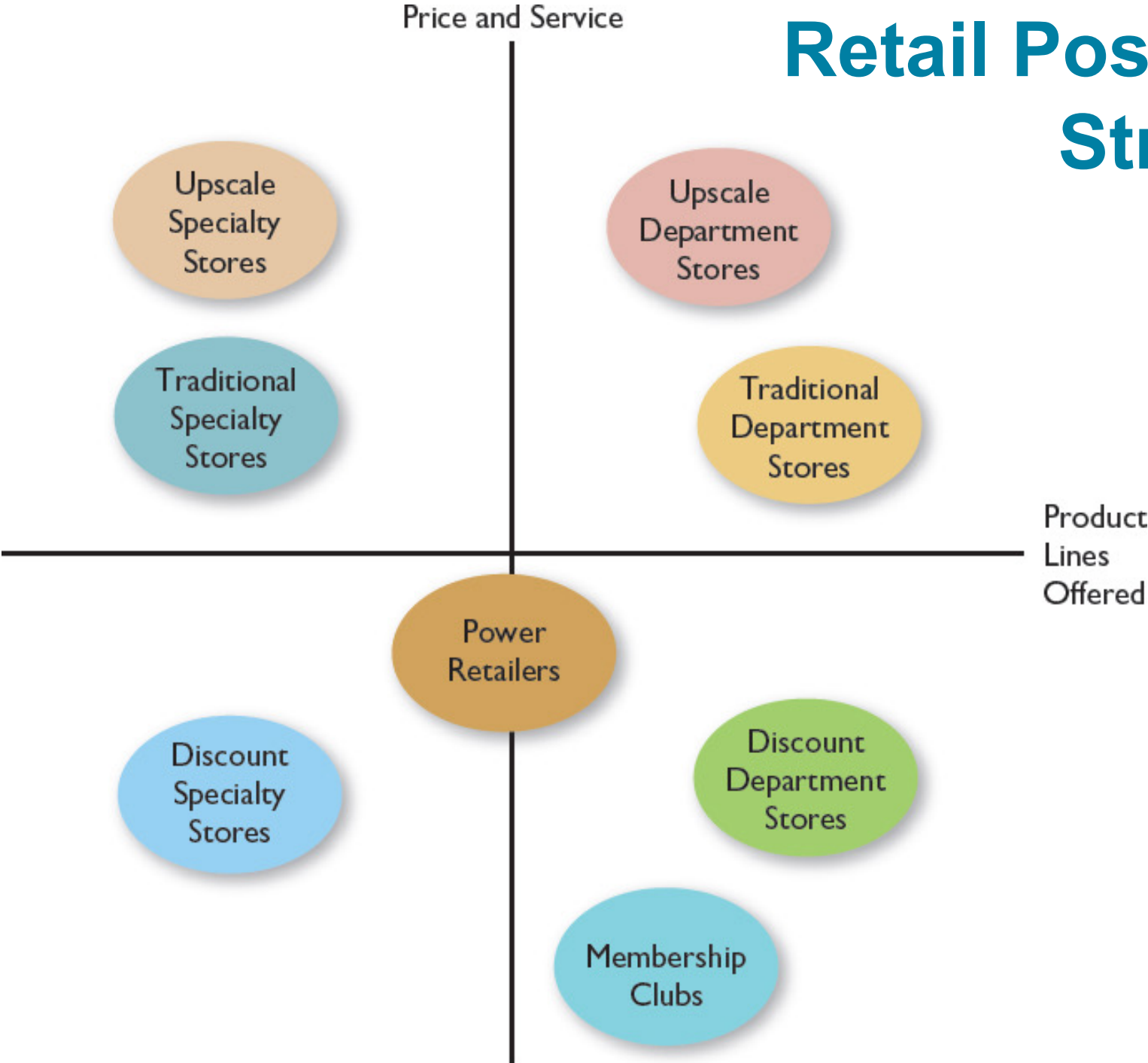
An **image** represents how a given retailer is perceived by consumers and others (e.g., innovative/conservative, discount-oriented/upscale).

The key to a successful image is that consumers view the retailer in the manner the firm intends.

Positioning Approaches

- **Mass merchandising** is a positioning approach whereby retailers offer a discount or value-oriented image, a wide or deep merchandise selection, and large store facilities.
- **Niche retailing** occurs when retailers identify specific customer segments and deploy unique strategies to address the desires of those segments rather than the mass market.

Retail Positioning Strategies



III - Identification of consumers

The customer group sought by a retailer is called the target market. In selecting its target market a firm may use one of three techniques:

- **Mass marketing:** selling goods and services to a broad spectrum of consumers
- **Concentrated marketing:** focused on a specific group
- **Differentiated marketing:** target different groups with different retailing approaches

Target Marketing Techniques and Their Strategic Implications

Strategic Implications	Mass Marketing	Concentrated Marketing	Differentiated Marketing
Retailer's location	Near a large population base	Near a small or medium population base	Near a large population base
Goods and service mix	Wide selection of medium-quality items	Selection geared to market segment—high- or low-quality items	Distinct goods/services aimed at each market segment
Promotion efforts	Mass advertising subscription	Direct mail, E-mail, and segmented social media	Different for each segment
Price orientation	Popular prices	High or low	High, medium, and low—depending on market segment
Strategy	One general strategy for a large homogeneous (similar) group of consumers	One specific strategy directed at a specific, limited group of customers	Multiple specific strategies, each directed at different (heterogeneous) groups of consumers

IV - Developing an Overall Retail Strategy

Controllable Variables:

Uncontrollable Variables:

ANY GUESSES?

Developing an Overall Retail Strategy

Controllable Variables:

- Store location
- Managing business
- Merchandise management and pricing
- Communicating with customer

Uncontrollable Variables:

- Consumers
- Competition
- Technology
- Economic conditions
- Seasonality
- Legal restrictions

V – Specific Activities

Short-run decisions are made and enacted for each controllable part of the strategy. These are **tactics that must be responsive to the uncontrollable environment.**

- **Store Location:** analysis of the competition within the trading-area of the store, optimizing the relationship with nearby retailers.
- **Managing the business:** An organization structure is set into place. The budget is spent properly. Operations are adjusted as required.
- **Merchandise management and pricing:** Assortments in departments and the space allotted to each department require constant decisions. **Selling prices reflect the firm's image and target market.**
- **Communicating with the customer:** The display windows, store layout, and merchandise displays need regular attention. Ads are placed during the proper time and in the proper media

VI – Control

- **Retail audit:** In the control phase of strategic planning for retailers, a review takes place (Step VI), as the strategy and tactics (Steps IV and V) are assessed against the business mission, objectives, and target market (Steps I, II, and III)
- The strengths and weaknesses of a retailer are revealed as performance is reviewed. **The aspects of a strategy that have gone well are maintained; those that have gone poorly are revised,** consistent with the mission, goals, and target market
- **The adjustments are reviewed in the firm's next retail audit**

Strategic Planning Template

1. Situation Analysis

- Current organizational mission
- Current ownership and management alternatives
- Current goods/service category

2. SWOT Analysis

- Strengths: Current and long term
- Weaknesses: Current and long term
- Opportunities: Current and long term
- Threats: Current and long term

3. Objectives

- Sales
- Profit
- Positioning
- Satisfaction of publics

4. Identification of Consumers

- Choice of target market
 - Mass marketing
 - Concentrated marketing
 - Differentiated marketing

5. Overall Strategy

- Controllable variables
 - Goods/services strategy
 - Location strategy
 - Pricing strategy
 - Promotion strategy
- Uncontrollable variables
 - Consumer environment
 - Competitive environment
 - Legal environment
 - Economic environment
 - Technological environment

6. Specific Activities

- Daily and short-term operations
- Responses to environment

7. Control

- Evaluation
- Adjustment

Additional Concerns for Global Retailing

- In addition to the strategic planning process:
 - assess your international potential
 - get expert advice and counseling
 - select your countries
 - develop, implement, and review an international retailing strategy

Useful tool? PESTEL analysis!

Factors Affecting the Success of a Global Retailing Strategy

- Timing
- A balanced international program
- Matching concept to market
- Solo or partnering
- Store location and facilities
- Product selection

Factors to Consider When Engaging in Global Retailing

