

CD2024 633EC RETAIL E CHANNEL MANAGEMENT

Marco Balzano & Lucio Gomiero



**UNIVERSITÀ
DEGLI STUDI
DI TRIESTE**

Retail Management: A Strategic Approach

Thirteenth Edition, Global Edition



Retail Management

A Strategic Approach

THIRTEENTH EDITION

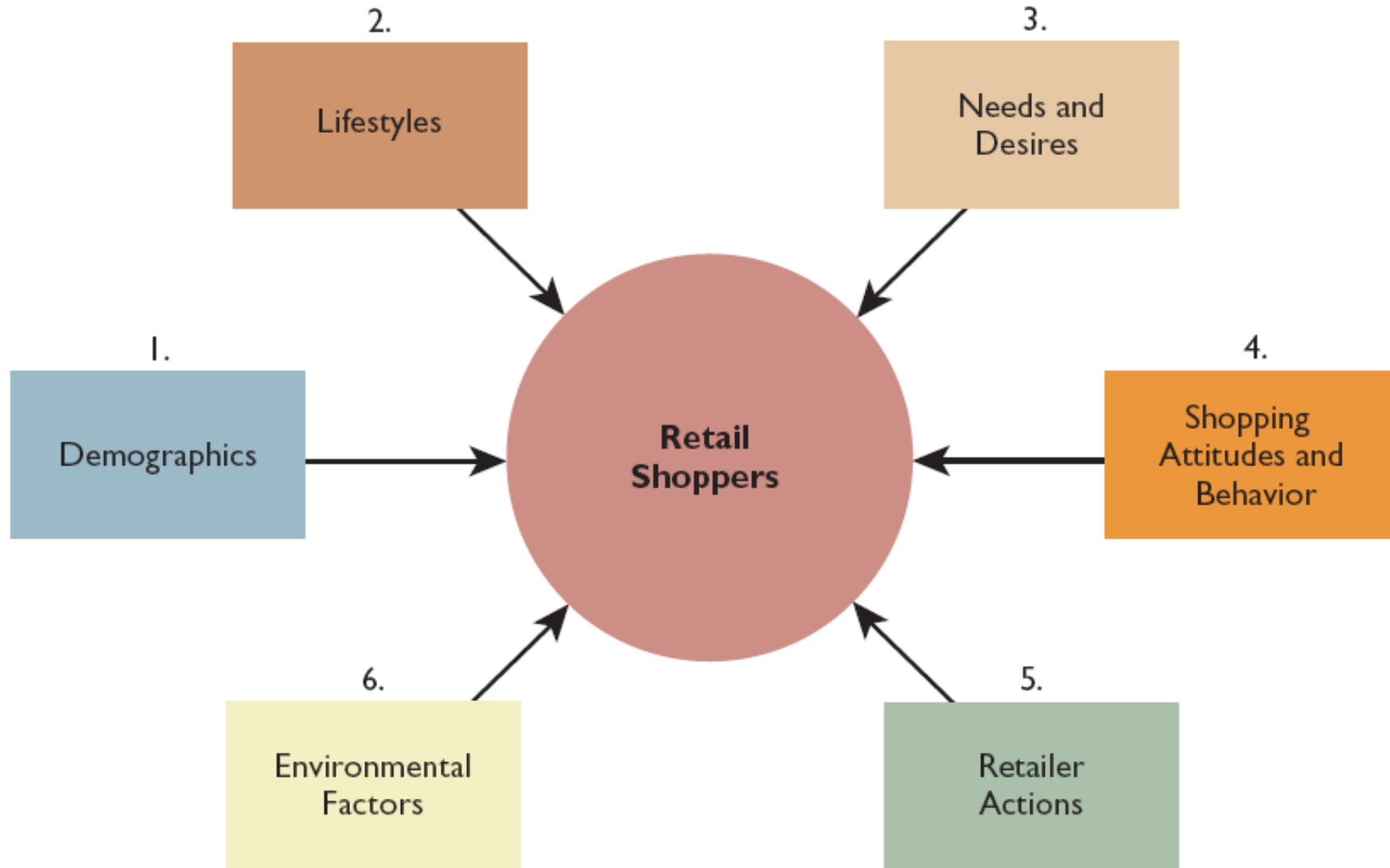
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Chapter 7 Identifying And Understanding Consumers

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What Makes Retail Shoppers Tick



Consumer Demographics and Lifestyles

Consumer Demographics

- objective, quantifiable, easily identifiable, and measurable population data

Consumer Lifestyles

- ways in which individual consumers and families (households) live and spend time and money

Understanding Consumer Lifestyles:

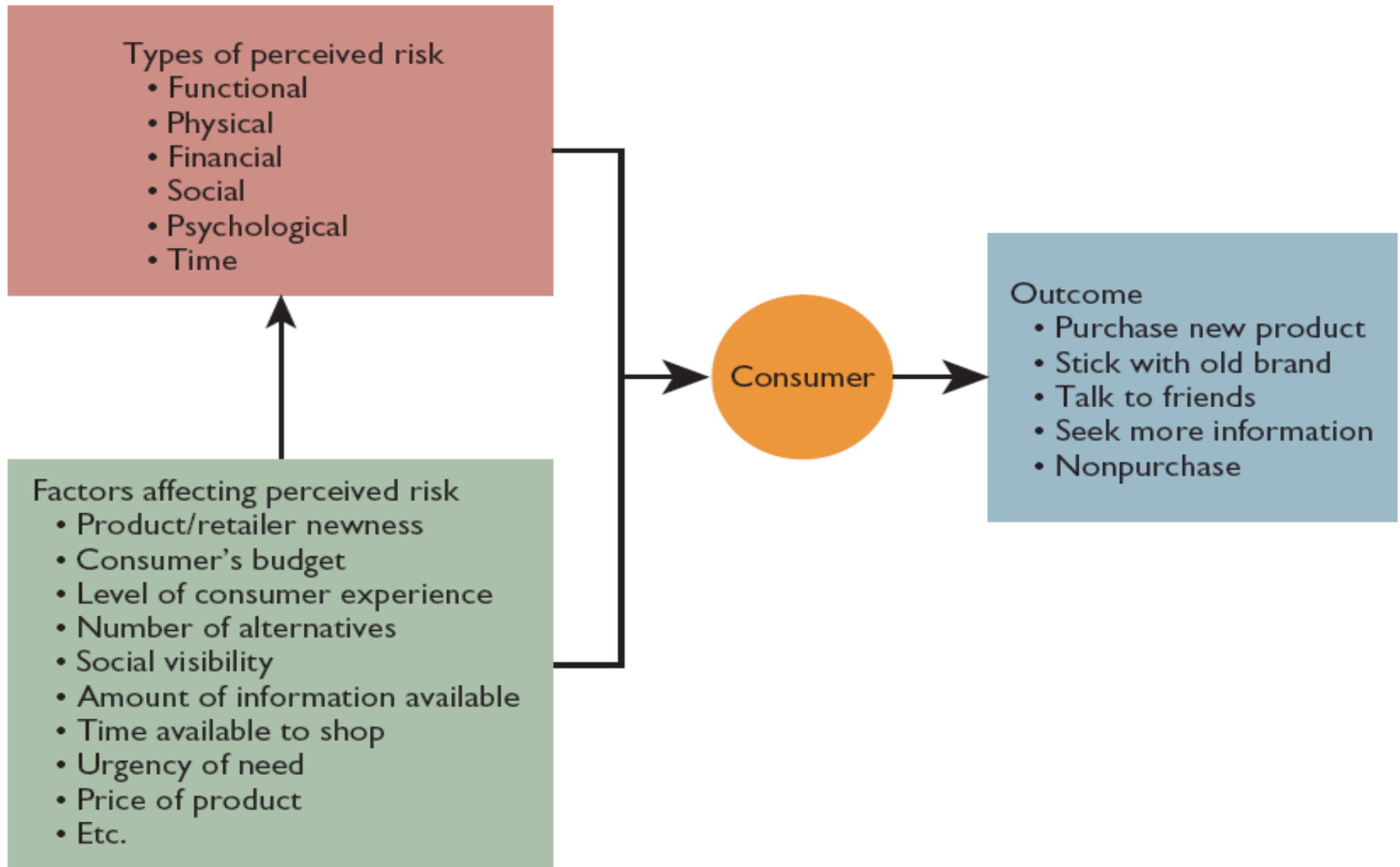
Social Factors

- **Lifestyle**
 - Culture
 - Reference Groups
 - Social Class
 - Time Utilization
 - Household Life Cycle
 - Family Life Cycle

Psychological Factors

- **Lifestyle**
 - Personality
 - Attitudes
 - **Perceived Risk**
 - Class
Consciousness
 - Purchase
Importance

Perceived Risk and Consumers



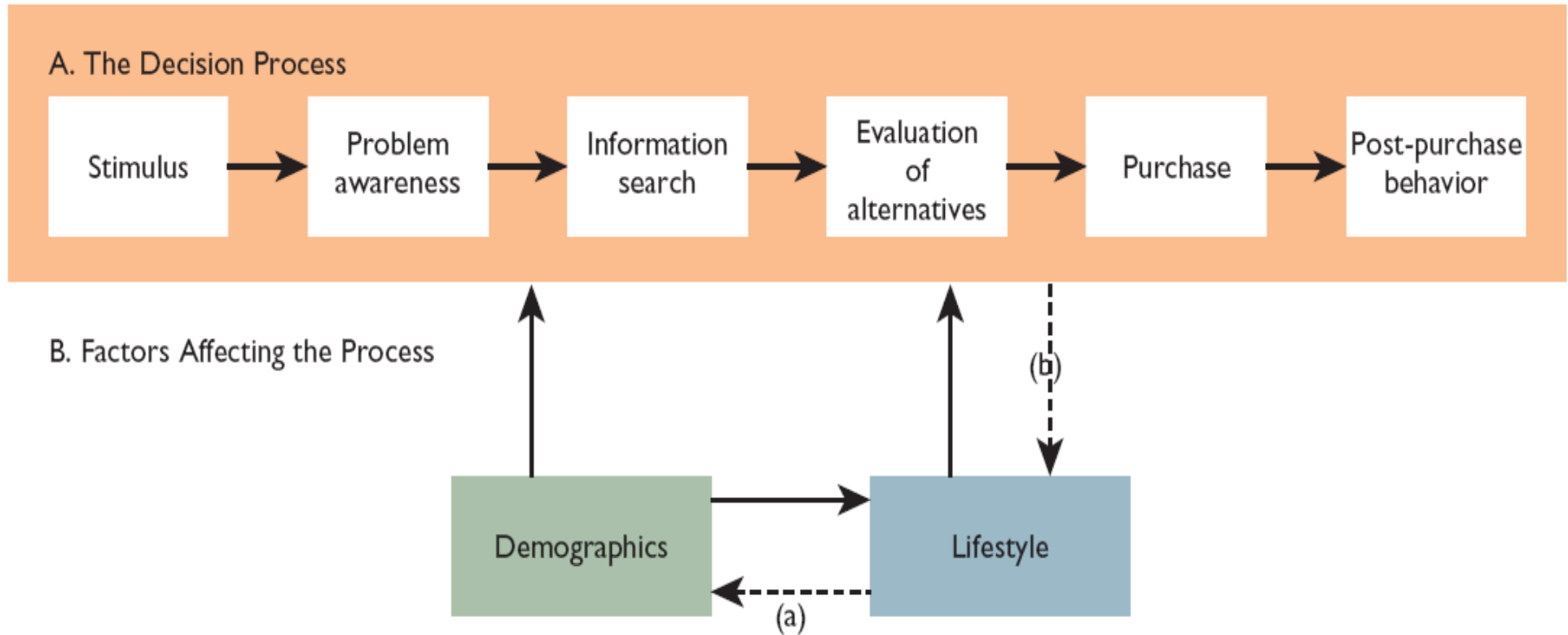
Strategies to Reduce Shoppers' Perceived Risk

- **Functional** - product usage testing by retailer; especially private labels.
- **Physical** - safety testing, reduce salt and fat in food products
- **Financial** - money back guarantee and exchange privileges
- **Social** - co-branding of private label products with major high-quality national brands (comarketing) e.g. Ikea and Sonos
- **Psychological** - showing empathy for consumer
- **Time** - double money back guarantee; auto dealers picking and returning recalled cars

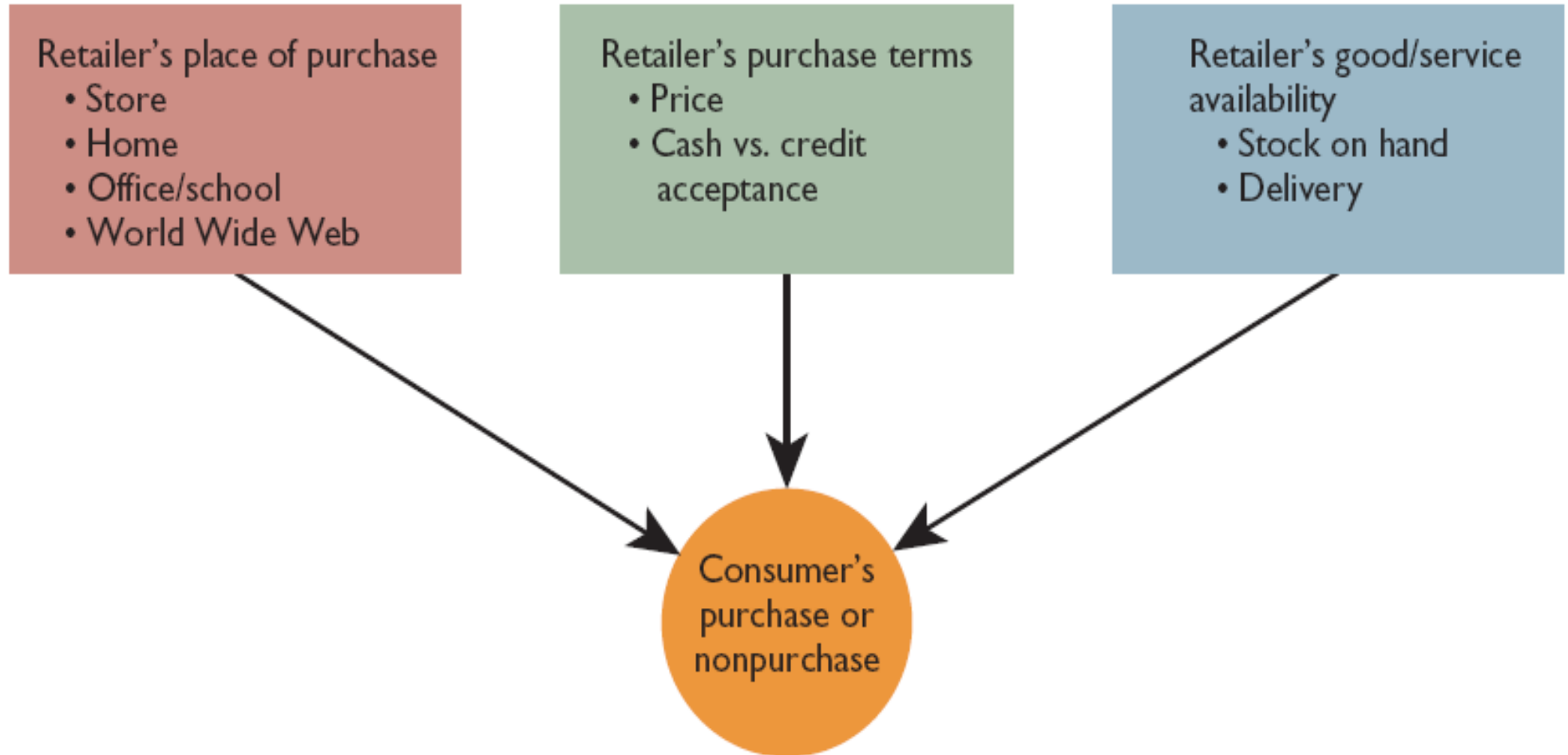
Global Shopping Attitudes and Behavior

Why Consumers in 51 Countries Shop at a Specific Retailer	(% saying highly influential):
Good value for the money	61
Lowest prices	58
Convenient location	57
Great sales and promotions	55
Desired products in stock	54
Organized store layout (ease of shopping)	42
Friendly, knowledgeable employees	40
Fast checkout	38
Customer loyalty program	28

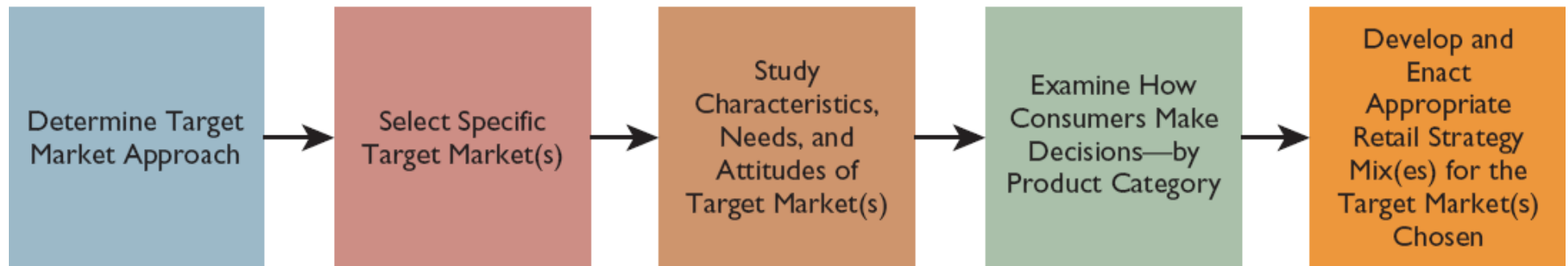
The Consumer Decision Process



Key Factors in the Purchase Act



Devising a Target Marketing Strategy



**Collecting adequate
information is crucial!**

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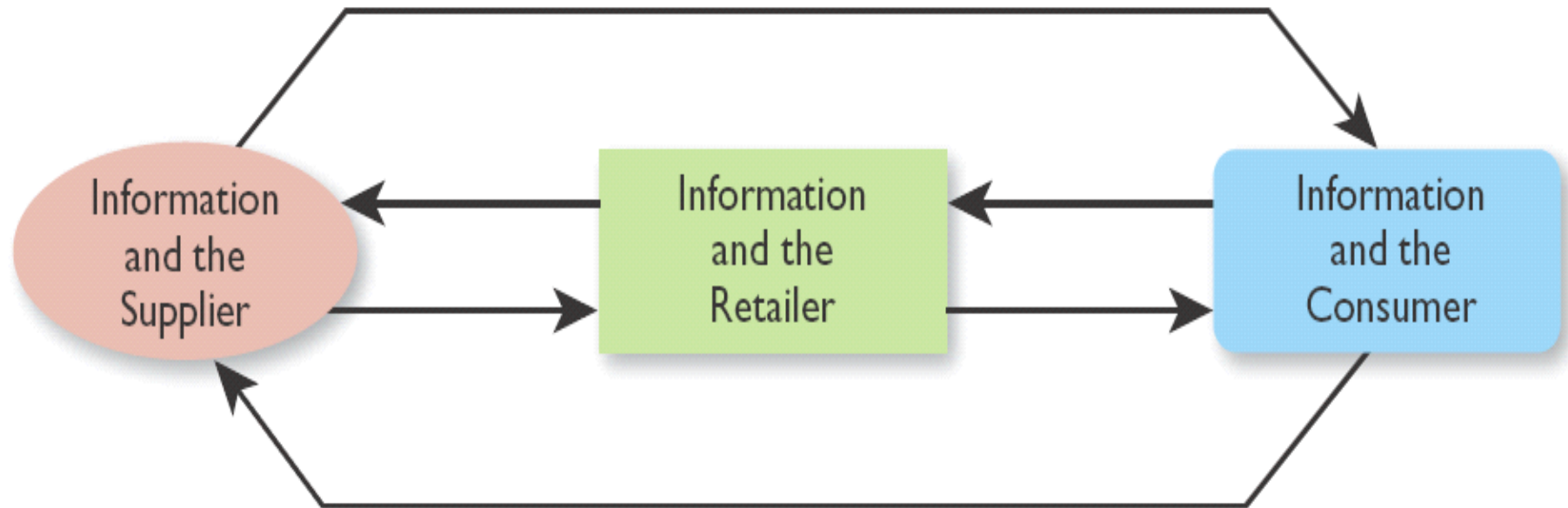
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Chapter 8 Information Gathering And Processing In Retailing

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How Information Flows in a Retail Distribution Channel



In an effective retail distribution channel, **information flows freely and efficiently among the parties**

Manufacturers Need To Know

From the Retailer

- Estimates of category sales
- Inventory turnover rates
- Feedback on competitors
- Level of customer returns

From the Customer

- Attitudes toward styles and models
- Extent of brand loyalty
- Willingness to pay a premium for superior quality

Retailers Need To Know

From the Supplier

- Advance notice of new models and model changes
- Training materials
- Sales forecasts
- Justifications for price changes

From the Customer

- Why people shop there
- Customers' likes and dislikes
- Where else people shop (local competitive landscape)

Consumers Need To Know

From the Supplier

- Assembly and operating instructions
- Extent of warranty coverage
- Where to send a complaint

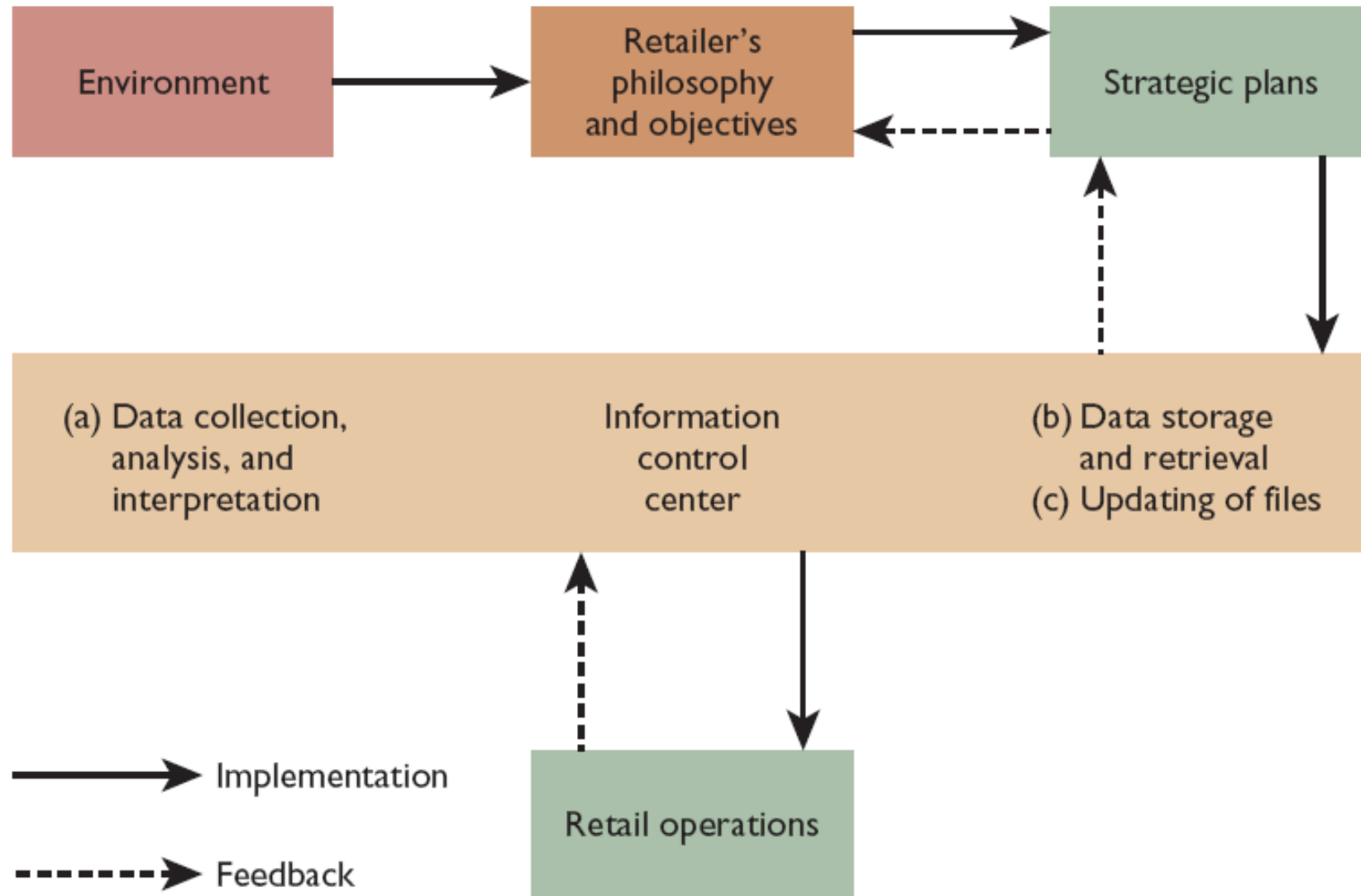
From the Retailer

- Where specific merchandise is stocked in the store
- Methods of payment acceptable
- Other relevant policies

Retail Information System (RIS)

- Anticipates the information needs of retail managers
- Collects, organizes, and stores relevant data on a continuous basis
- Directs the flow of information to the proper decision makers

A Retail Information System



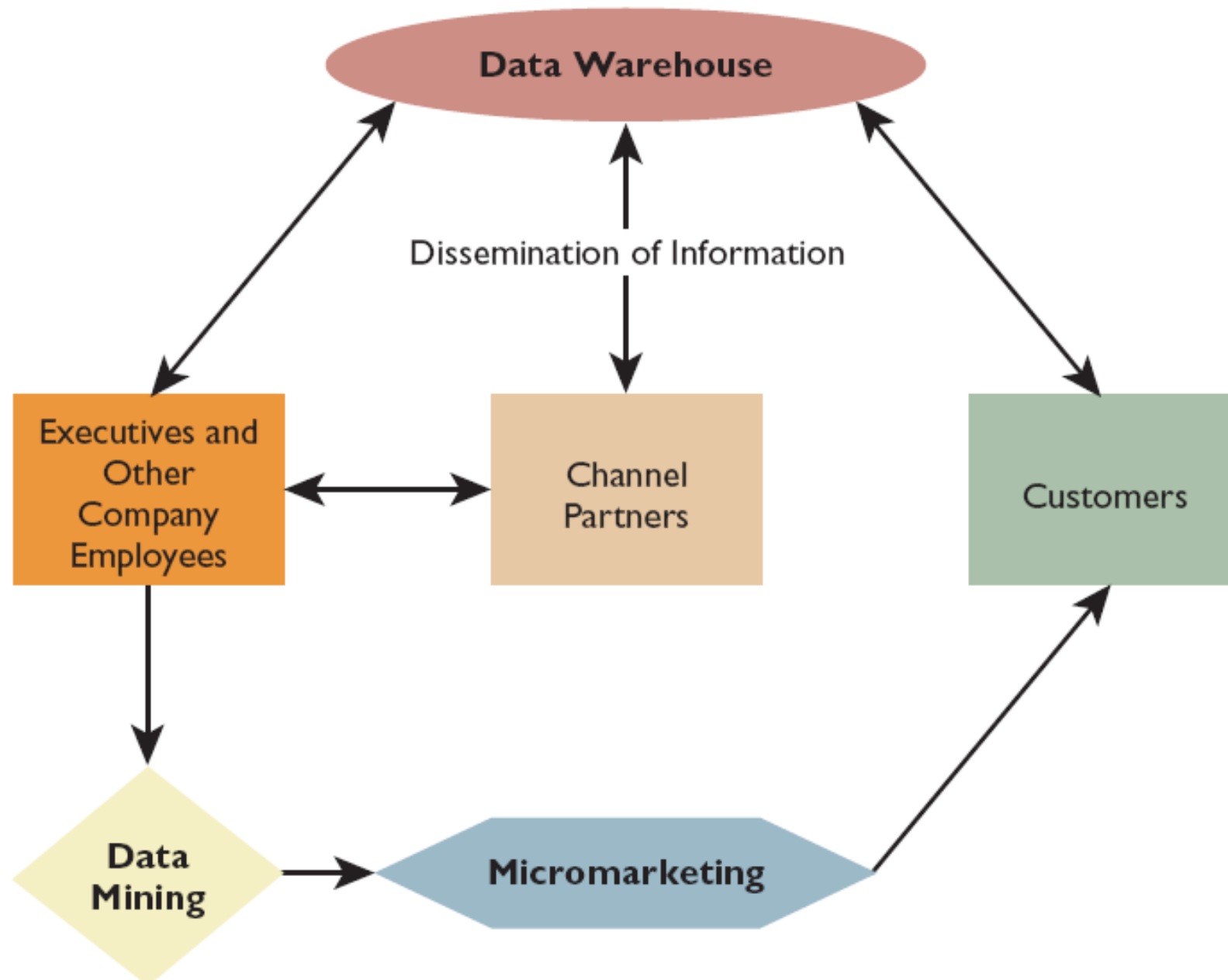
Data-Base Management

- A major element in an RIS
- System gathers, integrates, applies, and stores information in related subject areas
- Used for
 - **Loyalty program management**
 - **Customer analysis**
 - **Promotion evaluation**
 - **Inventory planning**
 - **Trading area analysis**

Five Steps to Approaching Data-Base Management

- Plan the particular data base and its components and determine information needs
- Acquire the necessary information
- Retain the information in a usable and accessible format
- Update the data base regularly to reflect changing demographics, recent purchases, etc.
- Analyze the data base to determine strengths and weaknesses

Retail Data-Base Management in Action



Components of a Data Warehouse

- Physical storage location for data – the warehouse
- Software to copy original databases and transfer them to warehouse
- Interactive software to allow processing of inquiries
- A directory for the categories of information kept in the warehouse

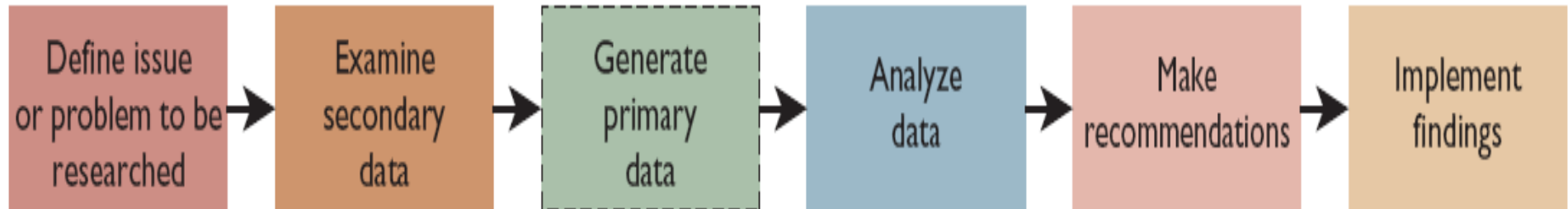
Data Mining and Micromarketing

- **Data mining** is the in-depth analysis of information to gain specific insights about customers, product categories, vendors, etc.
- **Micromarketing** is an application of data mining whereby retailers use differentiated marketing and develop focused retail strategy mixes for specific customer segments

Data Mining Example:

- Using traditional statistical methods, a retail analyst would ask “Are higher-income people prone to be more loyal to a warehouse club than those with lower income levels?”
- Data mining, on the other hand, could potentially provide more insight by pointing out other factors contributing to store loyalty.
- Data mining might group customers who have a warehouse club’s credit cards, who live within 10 miles of the club, who own more than one car, and who have a separate freezer.

The Marketing Research Process in Retailing



Marketing Research in Retailing

The collection and analysis of information relating to specific issues or problems facing a retailer

- **Secondary data:** from research already been conducted
- **Primary data:** data collected for the purpose of the research

Secondary Data Sources

Internal

- Sales reports
- Billing reports
- Inventory records
- Performance reports

External

- Data bases
 - Academic Search Premier
 - Government
 - **ISTAT / EUROSTAT**
 - Reports of industry association
(*e.g., confcommercio*)

Secondary Data

Advantages

- Inexpensive
- Fast
- Several sources and perspectives
- Generally credible
- Provides background information

Disadvantages

- May not suit current study
- May be incomplete
- May be dated
- May not be accurate or credible
- May suffer from poor collection techniques

Primary Data

Advantages

- Collected for specific purpose
- Current
- Relevant
- Known and controlled source

Disadvantages

- May be more expensive
- Tends to be more time consuming
- Information may not be acquired
- Limited perspectives

Primary Data Decisions

- **In-house or outsource?**
- **Sampling method?**
 - Probability
 - Non-probability
- **Data collection method?**
 - Survey
 - Observation
 - Experiment
 - Simulation

Survey Methods

- In person
- Over the telephone
- By mail
- Online
- Disguised – the interviewee **does not know** the real purpose of the research (*e.g., question about friends are asked*)
- Non-disguised – the interviewee **knows the real purpose** of the research

Semantic Differential for Two Furniture Stores

Please check the blanks that best indicate your feelings about Stores A and B.

Unfriendly

Untidy

Unreliable

Narrow selection

Poor service

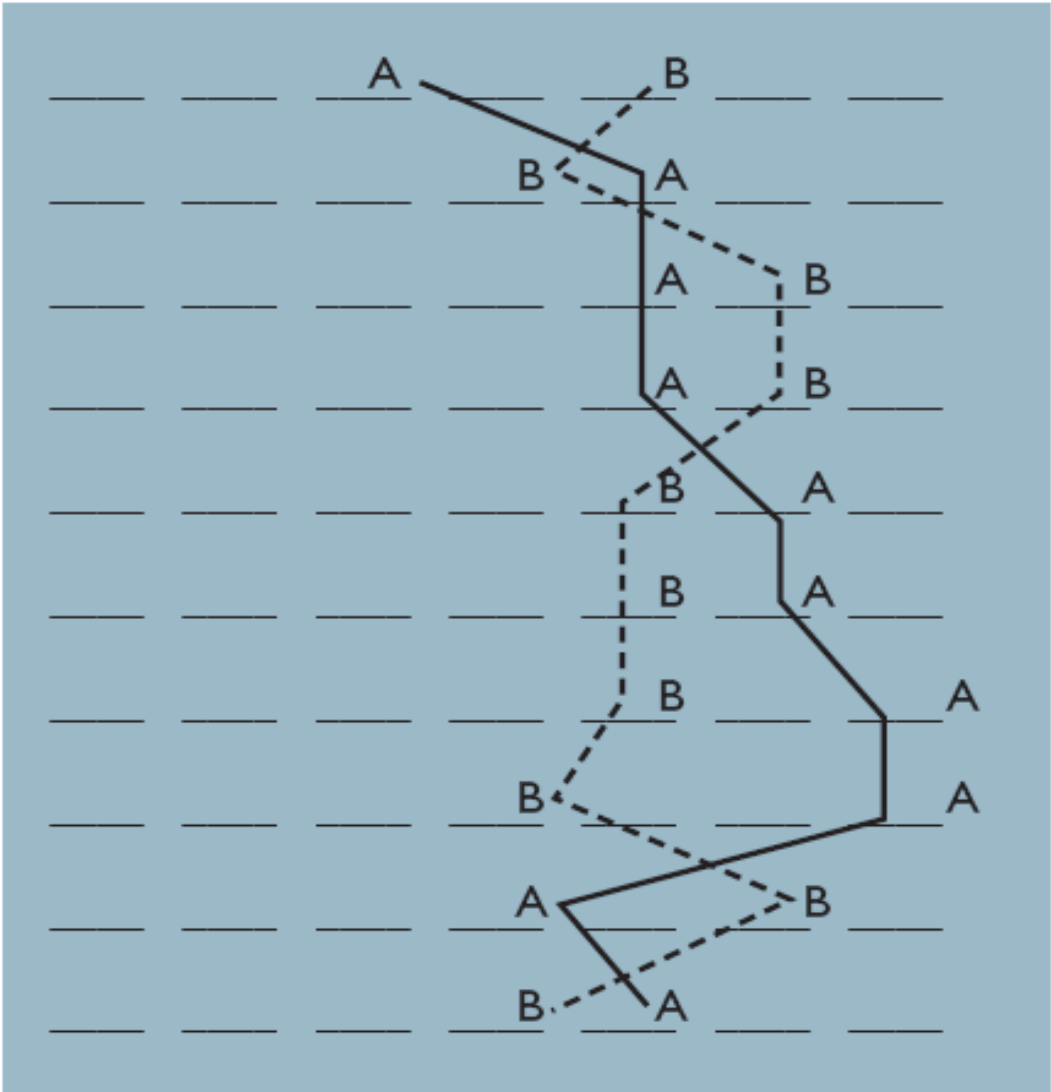
Unattractive

Like other stores

Low quality

Poor value
for money

Conservative



Friendly

Neat

Reliable

Wide selection

Good service

Attractive

Unique

High quality

Good value
for money

Innovative

Mystery Shoppers

- **Retailers hire people to pose as customers** in order to evaluate aspects of the store environment (e.g., sales presentations, display maintenance, and service calls)
- Often sales encounter based.



YOU!

Experiments

- An experiment is a research method in which one or more elements of a retail strategy mix are manipulated under controlled conditions.
 - An element may be a price, a shelf display, store hours, etc.
 - If a retailer wants to find out the effects of a price change on a brand's sales, only the price of that brand is varied.

Simulation

- A simulation is a type of experiment whereby a computer program is used to manipulate the elements of a retail strategy mix rather than test them in a real-life setting.
- Two simulation types are now being applied in retail settings: those based on mathematical models and those involving “virtual reality.”