

# **Retail Marketing Mix and Planning**

# International Retailing

All the activities involved in selling products and services to final international consumers for their personal consumption.

# Internationalization of Retailing

- Retailers are rapidly expanding internationally in order to:
  - Gain competitive advantage
  - Increase sales
  - Increase profits
  - Improve overall firm performance
- As they expand internationally, retailers can take advantage of cost savings and learn from experiences in a way that could further enhance home-country operations.

# Internationalization of Retailing

- Trend:
- Markets, retailing technologies and consumers are changing
- Consolidation in the food and general merchandise sectors

# Top 10 Global Retailers

Source: "2009 Global Powers of Retailing," January 2009, [www.stores.org](http://www.stores.org).

R	Country	Retailer	Format	Sales /US\$ millions
1	U.S.	Wal-Mart	Discount, Hypermarket, Supermarket, Superstore Warehouse	312,427
2	France	Carrefour	Cash & Carry, Convenience, Discount, Hypermarket, Specialty, Supermarket	92,778
3	U.S.	Home Depot	DIY, Specialty	81,511
4	Germany	Metro	Cash & Carry, Department, DIY, Hypermarket, Specialty, Superstore	69,134
5	U.K.	Tesco	Convenience, Department Hypermarket, Supermarket, Superstore	68,866
6	U.S.	Kroger	Convenience, Discount, Specialty, Supermarket, Warehouse	60,553
7	U.S.	Target	Department, Discount, Superstore	52,620
8	U.S.	Costco	Warehouse	51,862
9	U.S.	Sears	Department, Specialty, Mail, E-commerce	49,124
10	Germany	Schwartz	Discount, Hypermarket, Supercenter/Superstore	45,891

# Retail formats

General Merchandise	Food Retailers	Non-store Retailers
<ul style="list-style-type: none"><li>• Specialty stores</li><li>• Specialized Markets</li><li>• Department stores</li><li>• General Merchandise Discount stores</li><li>• Off-Price Retailers</li><li>• Catalog Showrooms</li></ul>	<ul style="list-style-type: none"><li>• Conventional supermarkets</li><li>• Superstores</li><li>• Warehouse clubs or Wholesale Clubs</li><li>• Convenience store</li></ul>	<ul style="list-style-type: none"><li>• Internet Retailing</li><li>• Vending machines</li><li>• Television Home Shopping</li><li>• Catalog Retailing and Mail Retailing</li><li>• Direct selling</li><li>• Network Marketing</li></ul>

# The nature of retail marketing

- The key aspects of retail marketing is an attitude of mind.
- In making retail marketing decisions, retailers must consider the needs of the customers.
- Retail marketing decisions are driven by what the shoppers need and want.

# The nature of retail marketing



- Retail marketing is therefore a philosophy and is all about satisfying the customers
- What the customers regard as value and what they buy is decisive.
- What the customers buy determines the nature of the retailer's business.



# The nature of retail marketing

- The essence of retail marketing is developing merchandise and services that satisfy specific needs of customers, and supplying them at prices that will yield profits.
- Retailers must take the customers' needs into consideration in retail operation.

# The nature of retail marketing

- Retail marketing is stimulating, quick-paced, and influential.
- It encompasses a wide range of activities including:
  - Environmental analysis
  - Market research
  - Consumer analysis
  - Product planning etc.

# The concept of retail marketing

- The retail marketing concept is the acceptance by the retailer that it is the “customer” and not “demand” that lie at the core of the retail organisation.
- The retail marketing concept is a philosophy, not a system of retailing or retail structure.
- It is founded on the belief that profitable retailing and satisfactory returns on investment can only be achieved by identifying, anticipating and satisfying customer needs and desires.
- It is an attitude of mind that places the customer at the very centre of retailing activities.

# Importance of marketing in retailing

- Marketing is a vital tool for every retailer, as it identifies current, unfulfilled needs and wants, which it defines and quantifies.
- Marketing determines which target groups the retailer should serve.
- Marketing could be seen as delivering an acceptable standard of living.
- Marketing can ensure complete satisfaction and sustained customer loyalty.
- Marketing depends on the efficient co-ordination of consumer prediction, product development, packaging design and influencing demand through appropriate communication medium.
- From these, a suitable mix is achieved.

# Retail marketing objectives

- The retail marketing objective is a performance parameter which has been explicitly stated.
- It can be stated in quantifiable terms and time terms so that results can be measured against it.

Three types of retail objectives include:

1. Basic objective – those which defines retailer's long-term purposes.
2. Goals – those which the retailer must achieve to be successful
3. Targets – short-term goals that require immediate achievement.

# Retail marketing mix

- Retail marketing mix is the term used to describe the various elements and methods required to formulate and execute retail marketing strategy.
- Retail managers must determine the optimum mix of retailing activities and co-ordinate the elements of the mix.
- The aim of such coordination is for each store to have a distinct retail image in consumers' mind.
- The mix may vary greatly according to the type of market the retailer is in, and the type of product/services.

# Retail Marketing Mix

While many elements may make up a firm's retail marketing mix, the essential elements may include:

- Store location,
- merchandise assortments
- Store ambience,
- customer service,
- price,
- Communication with customers

# Mix ...

- Personal selling
- Store image
- Store design
- Sales incentives
- People
- Process
- Physical evidence



# The mix planning

The retail marketing mix is the vehicle through which a retailer's marketing strategy is implemented and, in planning the mix, retailers should be guided by three basic principles:

1. The mix must be consistent with the expectation of target customers;
2. Elements must be consistent with each other to create synergy; and
3. The mix must be responsive to competitive strategy.

# Composition of key elements

- Place
- Product
- Price
- Promotion
- People
- Process
- Physical Environment

# Key Element

## Place (store location)

- Target market
- Channel structure
- Channel management
- Retailer image
- Retail logistics
- Retail distribution

# Key element

## Product (merchandise)

- Product development
- Product management
- Product features and benefits
- Branding
- Packaging
- After-sales services

# Key element

## Price

- Costs
- Profitability
- Value for money
- Competitiveness
- Incentives
- Quality
- Status

# Key element

## Promotion

- Developing promotional mixes
- Advertising management
- Sales promotion
- Sales management
- Public relations
- Direct marketing

# Key element

## People element

- Staff capability
- Efficiency
- Availability
- Effectiveness
- Customer interaction
- Internal marketing

# Key element

## Process element

- Order processing
- Database management
- Service delivery
- Queuing system
- Standardisation



# Retail Marketing Planning

- Retail marketing plan consists of:
- Setting objectives
- Systematic way of identifying a range of options.
- Formulation of plans for achieving goals
- Logical sequence of retailing activities.

# Importance of retail marketing planning

- Hostile and complex retail marketing environment
- External and internal retail organisation factors interact
  - Maximising revenue
  - Maximising profit
  - Maximising return on investment
  - Minimising costs
- Each element has conflicting needs
- All these variables interact
- All these variables result in optimum compromise.

# Managerial use

- To help identify sources of competitive advantage.
- To force an organised retail approach
- To develop specific areas of retail activities.
- To ensure consistent relationships between retail organisation and its proximate environment.
- To inform customers, suppliers and competitors.

# Approaches to planning

## Top down approach

- Retail management sets goals and plans for all levels of management.

## Bottom up approach

- Various units prepare own goals and plans sent up for approval.

# Types of planning

- Annual plan – short term and tactical.
- Long range – three to five years relating to strategic retail management.
- Strategic plans – five to ten years long term plans relating to the adaptation of the retailing approach.

# Short-term Retail Planning

## Short-term

Tactical planning relating to:

- Current retail marketing position
- Strategy for the year
- Objectives for the year
- Action , budgets and controls.
- Coordinating retail activities within departments.

# Long-term plan

## Long-term

Medium range planning relating to:

- Major factors and forces affecting the retailer.
- Long-term objectives.
- Resources required.
- Reviewed and updated regularly.
- Deals with current business

# Strategic retail planning

- This is the process of developing and maintaining a strategic fit between the retail organisation's capabilities and its changing marketing opportunities.
- It relies on developing a clear corporate mission, supporting objectives, creating a sound business portfolio, and coordinating functional strategies.



# Corporate level planning

- Retail management should plan which business the retailer should stay in and which new areas to pursue.
- Design the retail organisation to withstand shocks.
- Adapt the organisation to take advantage of market opportunities.
- Define the corporate mission.

# Mission statement

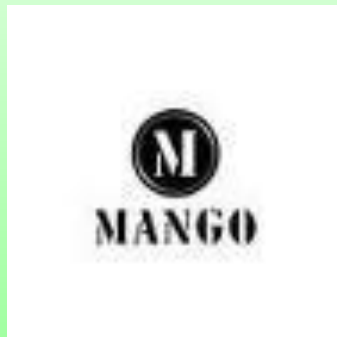
- A strategic plan should begin with a mission statement.
- A mission statement is a statement of the retail organization's purpose, what it wants to achieve in the large environment.
- It guides people in the retail organization so that they can work independently and yet collectively towards overall organizational goals.

# Retail formats

General Merchandise	Food Retailers	Non-store Retailers
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# General Merchandise: Specialty Stores

- Specialty Stores offering a narrow product line and wide assortment:
  - Music stores
  - Clothing stores...

The logo for H&M, featuring the letters 'H' and 'M' in a bold, red, sans-serif font, with an ampersand between them.The logo for Virgin RECORDS, featuring the word 'Virgin' in a black, cursive script font, with the word 'RECORDS' in a black, sans-serif font below it.The logo for ESPRIT, featuring the word 'ESPRIT' in a red, sans-serif font.

# General Merchandise: Specialized markets

- Specialized markets that house stores specializing in a particular product category
  - Jade market, Hong Kong
  - Covered bazaar, Istanbul—the shops are selling primarily brass products and Turkish folk decorative object.

# General Merchandise: Department Stores

- Offer a broad variety of goods and wide assortments
- Trend
  - U.S. and Canada: recent substantial losses
  - Europe: expansion of national chains throughout the European Union
  - Asia: on the decline
  
  - E.g. Germany: Hertie announced the close down of 19 (out of 73) stores in many German cities in Jan 2009

# General Merchandise: Discount Stores

- Sell High Volumes of Merchandise
- Offer Limited Service, Charge Lower Prices
- Types:
  - All-Purpose: offer wide variety of merchandise and limited depth. E.g.
  - Category specialists (category killers): Carry a narrow variety of merchandise and offer a wide assortment. E.g.



# General Merchandise: Off-Price Retailers

- Sell brand name and designer merchandise at below regular retail prices.
- Overruns, irregular products, previous seasons' products
- Examples:
  - Factory outlet stores
  - Close-out retailers (broad, inconsistent assortments)
  - Single-price retailers (all products for the same price)



# General Merchandise: Catalog Showrooms

- Catalog Showrooms:
  - Showrooms displaying products of catalog retailers, offering high-turnover, brand name goods at discount prices.
  - Internationally goods sold through this venue tend not to be brand name, but, rather, goods that have not sold the last season through the catalog.



**QUELLE.**



# Food Retailers

- Conventional Supermarkets:
  - Self-service retailers with annual sales higher than \$2 million and less than 20,000 square feet of store space.
- Superstores:
  - Combination stores (food and drug)
  - Hypermarkets—combine supermarket, discount, and warehouse retailing.

# Food Retailers

- Warehouse Clubs (Wholesale Clubs):
  - Require members to pay an annual fee. E.g. SAM's, Costco
  - Operate in low-overhead, warehouse-type facilities.
  - Offer limited lines of brand-name and dealer-brand merchandise at a substantial discount.

# Food Retailers



(a)

**Convenience store in Poland—note that Procter & Gamble products (especially their pan-European detergent Ariel) are predominant.**

- **Convenience Store**
  - Small residential retailers or retail chains consisting of small neighborhood stores.
  - Open long hours.
  - Carry limited lines of higher-turnover necessities.
  - One-stop shopping.

# Nonstore Retailing

- Internet Retailing:
  - Also known as interactive home shopping or electronic retailing.
  - Includes both new dot-com companies and traditional retailers attempting additional market penetration.
  - Increase company diversification.

# Global Internet Retailing Sector Segmentation

Category	% Market Share
Tickets & Travel	29.00%
Computers, Electronics & Software	28.70%
Household	12.80%
CDs, Music and Videos	11.80%
Books	8.50%
Apparel and Gifts	5.00%
Toys & Games	4.20%
Other	0.10%
<b>Total</b>	<b>100.0%</b>

**Source:** "Global Internet Retail," *Internet Retail Industry Profile: Global*, May 2009, 1–17.

# Nonstore Retailing

- Vending machines:
  - Increasing in popularity
  - Accepting of Smart cards, credit cards
  - Technology is facilitating an interactive consumer experience.
  - Different formats worldwide
  - Used most in Japan



At Atlanta Airport – a vending machine selling iPods (minis and shuffles).



# Nonstore Retailing



Vending machines in the Netherlands with hot snacks and Japan with different vegetables





# Nonstore Retailing (contd.)

## Television Home Shopping:

– A venue for selling merchandise to consumers in their homes using cable channels.

– Examples: infomercials and direct response advertising.

– Popular in North America and Europe, and becoming increasingly popular in Asian markets.



TVSN

China



Japan

USA



Canada



USA, UK, Germany, Japan

# Nonstore Retailing (contd.)

- Catalog Retailing and Direct Mail Retailing:
  - Venues for selling merchandise to consumers using catalogs and other types of direct mail. E.g. Quelle, Neckermann, Otto
  - It allows for the international expansion of retailers.
  - Must be adapted to local market needs and practices. (e.g. in Japan the consumers expect to receive the product before paying)
  - The potential for Catalog retailing remains high internationally

# Nonstore Retailing (contd.)

- Direct Selling:
  - A retailing venue whereby a salesperson, typically an independent distributor, contacts a consumer, demonstrates product use and benefits, takes orders and delivers the merchandise. E.g. Avon
  - Direct selling firms are most active in the growth markets (in emerging markets).

# Network Marketing (Multilevel Marketing)

- Variation on direct selling
- Involves signing up sales representatives to go into business for themselves with minimal start-up capital and sell more “distributorships” and merchandise. E.g. Herbalife, Amway
- Network marketing is growing rapidly, especially in emerging markets.

# Issues in International Retailing

- Legislation and Regulation
  - e.g. China banned direct selling till 1998,
  - Germany: Control of packaging disposal
  - Germany, France: Limit the period for sales
- Taxation and Cross Border Shopping
- Variations in Retailing Practice and Customs
  - Consumer: US: prefer to shop in bulk, Japan: prefer to shop in smaller quantities every day
  - Sales: Friendly in US, sometimes rude in Eastern Europe

# Issues in International Retailing

- Challenges in Developing Countries:
  - Deficient telephone service
  - Unreliable mail service
  - Low income
  - Unavailability of credit cards
- Trends
  - Retailers worldwide are integrating their databases (supplier and consumer)
  - Marketplace is getting more transparent (practices and prices)
  - More consumers will become retailers (auction sides)
  - In developed countries consumer demographics present a problem to retailers (age)