

Retail Strategy

MS 302-Retail Management

Unit-IV



Objectives

- After studying this unit, you should be able to:
- Explain the concept of retail value chain
- Understand the concept of business world
- Able to know retailing strategies
- Assess the international expansion efforts of the retailers



Functions of Retail Strategy

- a) ***Retail strategy define mission or purpose:*** A Mission statement is a purpose of the organization. It describes what the retailer wishes to accomplish in the markets in which he chooses to operate.
- b) ***Retail strategy conduct a situation analysis:*** Once the retail mission is defined, the retail organization needs to look inwards; Understand what its strengths and weaknesses are; Look outwards to analyze its opportunities and threats;
- c) ***Retail strategy identify options/strategic alternatives:*** After determining the strengths and weaknesses vis-à-vis one environment retailer needs to consider various alternatives available to tap a particular market.



The alternatives available to a retailer are: Market Penetration, Market Development, Retail Format Development and Diversification.



- **(d) *Retail strategy set objectives:-*** Translation of mission statement into operational terms indicate Results to be achieved. Give direction to and set standards for the measurement of performance.
- **(e) *Retail strategy obtain and allocate resources needed to compete Resources needed by a retailer:***
 - Human Resource (HR) plan must be consistent with overall strategy of the organization.
 - Financial Resources takes care of the monetary aspects of business shop rent, salaries and payments for merchandise.



- ***(f) Retail strategy develop the strategic plan:*** At this stage, strategy is determined through which retailer will achieve objectives.
- ***(g) Retail strategy implement the strategy:*** Implementation is the key to success of any strategy.
- ***(h) Evaluate and Control:*** After implementation, the management needs feedback and should focus on Performance Effectiveness of long term strategy by periodic evaluation.



The Retail Value Chain

Primary Activities are those directly related with production, sales, marketing, delivery and services. The diagram shows five primary activities.

Inbound logistics are those activities involved with receiving, handling and storing inputs to the production system.

Operations are those activities which convert inputs into a final product.

Outbound logistics are those activities relating to storing the product and its distribution to customers.

Marketing and sales are those activities that relate to informing customers about the product and features, convince them to buy it.

After sales services: For many companies, there are activities such as commissioning, repairing products, distributing spares etc.



- **Support activities** are those which provide purchased inputs, human resources, technology and infrastructural functions to support primary activities. Support activities include:
 - ***Firm infrastructure***: The systems of planning, organising etc. are activities which Porter believes are crucially important to an organisation's strategic capability in all primary activities.
 - **Human resource management** is the activities of recruiting training and promoting people.
 - ***Technology development***: These activities are related to both product design and to improving process and/or fetatures and process utilization.
 - **Procurement** refers to those activities which acquire the resource inputs to the primary activities.



Porter's Value Chain



Components of Retail Strategy

- Target Market
 - the market segment(s) toward which the retailer plans to concentrate its resources and retail mix
- Retail Format
 - the nature of the retailer's operations – its retail mix
- Sustainable Competitive Advantage
 - an advantage over the competition



Criteria For Selecting A Target Market

- Attractiveness –Large, Growing, Little Competition , More Profits
- Consistent with Your Competitive Advantages
- **Sources of Competitive Advantage**
 - Location
 - Customer Loyalty
 - Customer Service
 - Exclusive Merchandise
 - Low Cost Supply Chain Management
 - Information Systems
 - Buying Power with Vendors
 - Committed Employees



- Customer Loyalty
- Retailers build loyalty by:
 - Developing a strong brand for the store
 - Developing clear positioning strategies
 - Creating an emotional attachment with customers through loyalty programs
- Retail brand
 - Can create an emotional tie with customers that build their trust and loyalty
 - Facilitates store loyalty because it stands for a predictable level of quality



Approaches for Building Customer Loyalty

- Brand image
- Positioning
- Unique Merchandise
- Customer Service
- Customer Relationship Management Programs



Vendor Relationships

- Low Cost - Efficiency Through Coordination
 - Electronic Data Interchange (EDI)
 - Collaborative Planning and Forecasting to Reduce Inventory and Distribution Costs
- Exclusive Sale of Desirable Brands
- Special Treatment
 - Early Delivery of New Styles
 - Shipment of Scare Merchandise



Human Resources Management

- Employees are key to build a sustainable competitive advantage”
- Strategies for Recruiting and Retaining Talented Employees
- Employee Branding
- Develop positive organizational culture



Location

- What is the most important things in retailing?
 - “location”
- Location is a competitive advantage
- A high density of Starbucks stores
 - Creates a top-of-mind awareness
 - makes it very difficult for a competitor to enter a market and find a good locations



Strategic retail planning process

- Step 1: Define the Business Mission
- Step 2: Conduct a Situation Audit
- Step 3: Identify Strategic Opportunities
- Step 4: Evaluate Strategic Opportunities
- Step 5: Establish Specific Objectives and Allocate Resources
- Step 6: Develop a Retail Mix to Implement the Strategy
- Step 7: Evaluate Performance and Make Adjustments



Situation Audit

- **Situation audit:** an analysis of the opportunities and threats in the retail environment and the strengths and weaknesses of the retail business relative to its competitors
- **Market factors** size, growth, seasonality, business cycles
- **Competitive factors**
 - barriers to entry: conditions in a retail market that make it difficult for other firms to enter the market
 - scale economies: cost advantages due to a retailer's size
 - customer loyalty
 - availability of great locations



- bargaining power of vendors: a characteristic of a market in which retailers are so dependent on large, important vendors that their profits are adversely affected
- competitive rivalry: the frequency and intensity of reactions to actions undertaken by competitors
- **Environmental factors**
- technology
- economic
- regulatory
- social



Strengths and weaknesses analysis: indicates how well the business can seize opportunities and avoid harm from threats in the environment

- management capabilities
- financial resources
- locations
- operations
- merchandise
- store management
- customer loyalty



Review Questions:

- 1. Explain the levels at which a retail organisation's strategy is developed.
- 2. Describe the growth strategy used by the retailers to expand.
- 3. Discuss the retail strategy planning process in detail.

