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CONCEPTUAL STUDY ON MARKETING STRATEGIES OF RETAILERS

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ABSTRACT

The concept of Retail Stores was popularized after the First World War when companies started shifting from centralized management structures to multi-divisional product-based organizations (Perkins et al., 1999).Retailing encompasses the business activities involved in sending goods and services to their consumers for their personal family or household use (Berman and Evans, 2001). There is wide range of marketing elements that retailers may consider in obtaining the competitive advantage on the market, such as: product, price, place, promotion. The present study makes an attempt at understanding the marketing strategies of retailer. This study is purely conceptual and contributes information to both academicians and retail managers to understand present retailing scenario .By this study it is identified that 4 marketing elements namely product, price, place, promotion greatly influence modern marketing and customer satisfaction.

KEYWORDS: Marketing Elements, Product, Price, Place, Promotion, Retailing.

INTRODUCTION

There is a wide range of marketing elements that retailers may consider in obtaining the competitive advantage on the market, such as: selection of adequate merchandise, pricing policy, layout, customer service policy, etc. Newmann and Cullen (2002) point out that retailing is a service industry because retailers' essential economic function is to provide their customers with several basic and important services, including accessibility of location, convenience of timing, choice of products, information about the products and convenience of size.
Gilbert (2003) notes that retailing can be pure services (for example, insurance or banking) or an amalgam between services and goods based upon their relationship to different types of shops and merchandise offer. Retailers differ on the level of service they offer due to their store format, merchandise stocked, pricing policy, etc.

Product is bundle of physical, service, and symbolic attributes designed to satisfy consumer wants (http://faculty.piercecollege.edu/rskidmore/Ghost/library/Chapters/CHPT12-04.pdf).One of the key tasks of marketers is to differentiate their products from competitors and create consumer perceptions that the product is worth purchasing (Peter and Donnally, 2007). However, it is also important to understand what the product means to the consumer. According to Borden (1964), product is mainly about quality, design, features and brand name. On the other hand one of the most powerful and effective strategic tools in retailing is pricing, for which the options available to retailers range from everyday low price. In India close to 72 percent of the population lives in rural areas and they are the single largest market segment of the Indian market, accounting for substantial portion of sales of fast moving consumer goods (FMCG) and durable companies. But reaching these markets has always been a challenge. Promotion is a vital part of business and is an integral ingredient of the total marketing process.

RESEARCH OBJECTIVES

The main objective of this study is to understand the wide range of marketing elements which play important role to get competitive advantage in retail sector and identify the importance of four marketing strategies namely product, price, place, promotion. This has been explored in the Indian retail context. Therefore, the purpose of this study was to illustrate what are different types of marketing elements implementing in retail industry.

RESEARCH METHODOLOGY

To achieve foresaid objectives the following methodology has been adopted. The information for this report has been collected through the secondary source.

SECONDARY SOURCE:

This is already existing data which collected by sources such as internet, text books and various published national and international marketing journals.

REVIEW OF LITERATURE

PRODUCT

Number of products available at a typical retailer increased significantly over the last two decades (Hoch et al., 1994). Retailers now optimize their product lines at a disaggregate level, making more frequent adjustments to the number and prices of brands carried (Amine and Cadenat, 2003). A micro-level product line optimization approach increases the variability in the set of brands available across store formats, locations, and the multiple points of sale within a store. While a high variance in assortment composition may help retailers gain operational efficiencies, it often increases the likelihood of a loss of category sales because of an absence of the preferred brands or high prices for some customers. A central issue in the management of retail operations is configuring and pricing the product assortment offered within each category and across locations (Kahn, 1999). The assortment composition affects a retailer’s positioning, the traffic generated at its stores, and its overall performance. However, with the widespread availability of store-level transactions data, the strategic mindset has shifted away from assortment size towards assortment efficiency. Consequently, retailers have to manage the trade-off between the efficiency gains from product portfolio rationalization and the potential loss of category sales. The management of the assortment composition and the pricing of the brands therein is a non-trivial problem because of the large number of possible brand-price combinations (Mantrala et al., 2009).

Academic and commercial interest in store brands has been increasing in recent years. For example, private label ranks sixth among the top ten issues considered critically important by retailers, according to a recent survey by Nielsen. About 90 per cent of retailers considered private label as such, as did 81 per cent of manufacturers (Nielsen, 2005). Growing sales of private label consumer packaged goods is a large and global phenomenon. According to Nielsen in 36 countries finds that consumers spend 15 per cent of total value sales on store brands, but with widespread diversity across markets. Retailers will also continue to build on the power of private label by offering even higher quality products. On the other hand since, store brands are exclusively distributed products, the retailer avoids direct price competition, enhances store differentiation, and creates traffic (Davies, 1990). Strong store brand lines also strengthen the retailer's bargaining power and overall position in the distribution channel. Manufacturers of branded products will see store brands as a growing competitive threat in the global marketplace. Europe in particular is the region with the largest private label share of total retail sales at 22 per cent (Nielsen, 2003). The development of store brands is viewed as a strategy for improving store image and profitability. In addition, research on store brands has been of substantial interest to both marketing academics and managers. Considerable work has been done on the following well-defined areas of store brand research. Differences and competition between national and store brands; the strategic role of store brands for retailers and manufacturers; market performance of store brands.

PRICE

After a good or service has been developed, identified, and packaged, it must be priced. This is the second aspect of the marketing mix. An item is worth only what someone else is willing to pay for it. In a primitive society, the exchange value may be determined by trading a good for some other commodity. Pampers disposable diapers failed in the original market test because of pricing. Pampers were introduced when most people resisted the idea of using a non cloth material to diaper a baby.

Pricing involves important decisions for the firm. One option is to price the product competitively—that is, to match the competitor's price. A marketer that selects a competitive pricing strategy is attempting to use non price competition. Thus the marketer seeks to compete on the basis of advertising, distribution superiority, and other non-pricing factors. Pricing can be based on either of two strategies: the skimming price policy or the penetration price strategy (http://faculty.piercecollege.edu/rskidmore/Ghost/library/Chapters/CHPT12-04.pdf).
The retailer explicitly decides on the price for his used goods by adding a proper margin to the buyback price (Yin et al, 2012). However, price dynamics on both sides tend to exhibit certain regularities that contain significant implications for store profitability and economic efficiency. Although others consider strategic retail pricing (Lal and Matutes, 1994), none consider the simultaneous determination of upstream and downstream prices. At the retail level, prices for individual products in different stores within a market tend to move roughly in synch with one another (Lach and Tsiddon, 1996). Downstream, or retail, prices among firms in the same market may appear to be set in a coordinated way for a number of reasons. First, any one of the many explanations for retail price fixity may be relevant. Whether due to menu costs, internalization of consumer search costs, counter-cyclical price elasticity, implicit contracts between retailers and their customers to maintain stable prices, constant marginal costs, a failure among rival firms to coordinate prices (Ball and Romer, 1991), or their success in doing so.

PLACE

Placement under marketing mix involves all company activities that make the product available to the targeted customers while planning placement strategy under marketing mix analysis, companies consider six different channel decisions including choosing between direct access to customers or involving middlemen, choosing single or multiple channels of distributions, the length of the distribution channel, the types of intermediaries, the number of distributors, and which intermediary to use based on the quality and reputation.

SHOPPING CENTRES:

Shopping centres, as one would expect, have a range of tenants. Department stores, supermarkets, apparel stores, and entertainment and leisure facilities are considered fairly standard tenants in a shopping centre. Carlson says that (1991), department stores, supermarkets and variety stores dominated the tenant mix of the larger shopping centers. Magnets are those stores which initially attract customers into a shopping centre. Usually, for a central city shopping centre, the magnet store would be a department store. In a more suburban shopping centre, the magnet store would be a supermarket. Brown (1994) suggests that centre managers should place magnet stores at opposite ends of the centre, place service outlets on the side malls close to the entrances and exits, and keep pet shops and dry cleaners away from food shops. Indeed clothing stores, as tenants of shopping centres, are becoming more popular due to their ability to generate comparison shopping. The choice of tenants may not totally lie with the centre management. As environmental issues gain in importance, more and more often Government authorities can be seen influencing the design of shopping complexes. For instance "town centre managers", as a relatively new phenomenon in the UK, are responsible for representing the public in any inner city developments – including shopping centres. Although some tenants may appeal to centre managers more than others, it is not as easy to find tenants today as it once was. Kirkup and Rafiq (1994) point to a number of reasons for this: competition between centres has intensified the impact of a recessionary economy and the emergence of new types of retailers (e.g. discounters) outside shopping centres.

RURAL RETAILING:

To play place strategy in retail sector it is important to understand the structure of distribution for rural areas, by understanding the influence of external environment and rural retailer buyer behavior on channel length. Marketing function depends heavily on the presence of intermediaries between the producer and the consumer and the retailer is perhaps the most important type of intermediary, situated in direct contact with customers (Seth and Sisiodia, 1997). Many new players both domestic and multinational and country-specific analyses of retail in India has been done (Sengupta, 2008), but the focus has been predominantly urban India. Even for best of the organizations with substantial presence in rural markets the distribution channel structure after the wholesaler or agent at the district or the taluka level is not known. The rural economy contributes nearly half of the country's GDP (ETIG, 2003), which is mainly agriculture driven and monsoon dependant. Many researchers and practitioners agree to the fact that to tap these markets distribution systems is the most critical component and perhaps even a barrier to be overcome. Retailing in rural area tends to very different from urban markets. The village retailers are predominantly small in size and are dependent on a long chain of intermediaries for getting their supplies. Sometimes the number of intermediaries through the product passes through before it reaches the retailer could be as high as five. The future potential of rural markets has been emphasized by the McKinsey's (2007) Golden Bird report on Indian market, in which they estimate that in the next 20 years Indian rural market will be larger than the total consumer markets in countries such as South Korea or Canada today, and almost four times the size of today's urban Indian market at the estimated of $577 Billion. Thus both in the present as well as in the future rural markets in India will remain a very attractive market.

DISTRIBUTION CHANNEL:

Channel structure has been defined as the way the work of the channel is divided among channel members and the pattern of relationship among these organizations (Dixon and Wilkinson, 1986). Then there is a developmental angle to reaching the rural populations as well, as has been identified by Vachani and Smith (2008) in their work on socially responsible distribution, where they say that reinventing distribution channels is a creative market-based alternative to increase access through innovation by identifying different routes to reach rural consumers. According to Stern and Weitz (1997) channels of distribution have a role in the economic development of a country, especially in the developing world. According to Bucklin (1972) there exists a relationship between the environment and the channel system and it is known that the distribution structures adapt to the environments in which they operate. Between, 1981-2001 there has been tremendous improvement in the literacy levels, poverty and rural housing in the villages of the country. Rural literacy levels have improved from 36 to 59 percent, the number of below poverty houses have declined from close to half to 46 percent (Rajesh K. Aithal, 2012)

E-RETAILING

The increasing internet penetration has made e-business a huge potential in developing countries like India. With rapid growth of the Internet and globalization of market, the retail sector has become an increasingly competitive and dynamic business environment. E-retailing refers to the selling of retail goods electronically over the Internet. It usually refers to the Business to-Consumer (B2C) transactions and is the largest marketing activity in the rapidly growing field of electronic commerce. E-retailing offers the consumers huge amounts of information in the form of websites with useful links to similar sites that allows consumers to compare products by looking at individual items. The Internet shopping fulfils several consumer needs more effectively and efficiently than conventional shopping. The number of consumers is buying online and the amount being spent by online buyer's bas been on the rise. According to Forrester Research report (Mulpuru etal. 2008) in 2007, non-travel-related e-commerce sales in the US reached $175 billion, a 21% increase over the previous year and is expected to grow to $334.7 billion in 2012.

PROMOTION

Retail promotions are pervasive as a means to stimulate or shape consumer demand. Information sharing in the supply chain promotional decisions and their promotions take several forms, including price discounts, store displays, or advertising features. Promotion helps to make potential customers aware of the many choices available regarding products and services. Typically, this task can be accomplished through print and broadcast advertising, direct mail, sales promotion, public relations and personal selling. Although each tool has its own unique communication capability in promoting the firms, their products and the services they offer, not all of them would be perceived as equally important. The best way to understand promotion is through the concept of marketing communication process. Promotion is the company strategy to cater for marketing communication process that requires interaction between two or more people or groups, encompassing senders, messages, media and receivers. The growing expense involved in promotion plus their relatively limited financial resources and managerial expertise prohibit many businesses especially the small businesses, from utilizing some of the promotion tools. The lack of financial resources might lead some researchers to question whether a strategic approach to promotion management is feasible and appropriate for small independent retailers. A critical research question here is whether small independent retailers do or do not use a strategic approach to promotion management.

Several studies have also examined the factors in consumers' promotion perceptions (e.g. Heyder et al., 1992). The question of whether small firms have a different approach to promotion preferences compared to large firms has been given a reasonable amount of attention in the literature. Van Auken et al. (1992) found that word of mouth, newspapers, radio and yellow pages were often used, but television was rarely used. In general the studies indicate a greater emphasis of below the line promotions (direct marketing; in-store and sales promotion) than above the line promotions (traditional mass media such as television, radio and print). The limited budgets and expertise of small businesses are the main reasons given for this emphasis by small businesses. The more limited and skewed promotions of small businesses are often put in the context of more limited marketing and business planning used by small businesses. The lack of business planning by small businesses is well-documented (Bracker and Pearson, 1986). This lack of planning is attributed to lack of time, lack of skill and expertise and inadequacy of knowledge of information sources (Brisoux and Perreault, 1988). For small businesses in general, the small budgets and a lack of time and expertise may lead to more limited promotion decisions, which appear to take on an ad hoc, almost irrational character.

A strategic group refers to a group of firms following similar retail strategy, but dissimilar between groups. To obtain the various strategic groups, the retail strategy data were first factor analyzed and then cluster analyzed. The retail strategy data include items relating to the degree of emphasis the retailers place on: prestige pricing, price discounting, customer service, store appearance, convenience of store location, large number of product lines, and assortment within a product line. Four strategic groups were identified, with each group significant on an ANOVA across all the clusters. The four strategic groups are low price moderate service, high price excellent service, medium price high service, and unfocused. As the unfocused group is unlikely to generate a laudable result, separate result will not be analyzed for this group.

LOW PRICE MEDIUM SERVICE (LPMS)

LPMS retailers are cost sensitive. These retailers are more inclined towards keeping a close watch on their marketing expenses. As low price retailers, they are less willing to engage paid media to communicate their merchandise and services. Instead, they seek the apparently less expensive in-store promotion tools. In-store promotions are economical devices that inform the consumers about the retail store's offerings at point-of-sale. Given the relatively good range of accepted merchandise the LPMS group carries within each store, catching the consumers' eyes with point-of-sale displays are increasingly vital.

HIGH PRICE EXCELLENT SERVICE (HPES)

For this group, the retailers offer narrow product range or quality merchandise or both. In addition, this HPES group of retailers usually bases its reputation on customer service and high status image rather than on price. Based on these features, the HPES retailers seek promotion tools that communicate their high status image. In other words, the HPES retailers prefer to build and protect consumer franchises. The research findings indicate that this group of retailers significantly and positively gives more priority to print advertising (Fam and Merrilees, 1996a). When a retail store places more emphasis on customer service and image, it needs quality media to project that image. Quality newspapers and magazines have been proven as image builder. The image generated by a high level of editorial content and color reproduction especially for magazines, often transfer to the advertised products.

MEDIUM PRICE HIGH SERVICE (MPHS)

The MPHS strategic group is a distinct group in its own right. Normally, this group of retailers emphasizes national brands, mass markets and excitement/flamboyant in-store shopping experience. Based on this strategic approach, the MPHS retailers could seek price-related promotion tools for creating an exciting atmosphere for shopping. The research results indicate that there are positive and significant relationships between MPHS and both price markdowns/in-store promotions, and sales promotion (Fam and Merrilees, 1996a). Excitement comes from in store promotions such as in-store promotions. Competitions, contests or sweepstakes add to the fun and potential rewards.

PROMOTION BUDGET SIZE (BS)

The strategic approach of firms with a larger promotion budget size could differ from those with a smaller budget size. A larger promotion budget size normally accords the retailers greater flexibility and diversity in promotion choices. For instance, the retailers with a larger budget size are more likely to pursue long term growth through widening the consumer reach area or increasing the store/ brand awareness level. In contrast, smaller promotion budget size could encourage the retailers to focus on short-term gains. The findings suggested that the retailers with a larger promotion budget size have a higher preference for direct mail and other mass media that are ideal for long-term growth. In contrast, the same group of retailers tended to show a lower preference for the short-term sales stimuli such as sales promotion and price markdowns/in-store promotions (Fam and Merrilees, 1996a).

CONCLUSION

From the above study it is found that the business retail product strategy can greatly influence how much the business brings in and how consumers view the company. This strategy can have multiple facets, including marketing, product development and pricing. Each phase has an effect on consumer perception and largely determines whether or not consumers purchase company’s products.Price is the exchange value of a good or service. Pricing strategy has become one of the most important features of modern marketing. A marketer that selects a competitive pricing strategy is attempting to use non price competition.

Place in retail stores includes more than the issue of how consumers access the retail stores, it also includes the availability of products in such stores. Promotion is the lifeblood of any retail organization for competing effectively with the competitors

Marketing must be replaced with a more customized approach by using sophisticatedtechnology. An essential aspect of customer retention strategy is the individualization of the firm's offering to the customer needs

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