RETAIL MARKETING MANAGEMENT

Also by David Walters

STRATEGY IN RETAILING

(with D. Knee)

INTRODUCTION TO MARKETING

(with M. Christopher and G. Wills)

EFFECTIVE DISTRIBUTION MANAGEMENT

(with M. Christopher and G. Wills)

FUTURES FOR PHYSICAL DISTRIBUTION IN THE UK FOOD INDUSTRY

DISTRIBUTION PLANNING AND CONTROL

(with M. Christopher)

Retail Marketing Management

David Walters

*Fellow, Templeton College, Oxford, Co-director
Oxford Institute of Retail Management*

and

David White

Templeton College, Oxford

M
MACMILLAN

© David Walters and David White 1987

All rights reserved. No reproduction, copy or transmission of this publication may be made without written permission.

No paragraph of this publication may be reproduced, copied or transmitted save with written permission or in accordance with the provisions of the Copyright, Designs and Patents Act 1988, or under the terms of any licence permitting limited copying issued by the Copyright Licensing Agency, 90 Tottenham Court Road, London W1P 9HE.

Any person who does any unauthorised act in relation to this publication may be liable to criminal prosecution and civil claims for damages.

First published 1987 by
THE MACMILLAN PRESS LTD
Houndmills, Basingstoke, Hampshire RG21 2XS
and London
Companies and representatives
throughout the world

ISBN 978-0-333-42815-3 hardcover
ISBN 978-0-333-48580-4 ISBN 978-1-349-10666-0 (eBook)
DOI 10.1007/978-1-349-10666-0

A catalogue record for this book is available
from the British Library.

Reprinted (with corrections) 1989, 1993

Contents

<i>List of Figures</i>	viii
<i>List of Tables</i>	xi
<i>List of Plates</i>	xii
<i>Preface</i>	xiii
1 The Environment of Retail Marketing	1
Introduction: A period of rapid change	2
The consumer of the future	9
Consumer targets for the 1990s	19
Retail marketing: A definition	21
Summary	25
2 Retailing Strategy and the Role of Retail Marketing in Strategic Decisions	27
Introduction	27
Some important concepts	29
The role of marketing planning	37
Setting objectives	44
Using product market strategy statements for strategic planning	45
Examples of retail marketing strategy: GB-Inno-BM and Sears, Roebuck	53
The operations and strategy interface	54
Some important examples	56
Summary	58
3 The Retail Marketing Mix	59
Introduction	59
The retail marketing mix	64
Co-ordinating retail marketing mix decisions	68
David Jones Ltd: a repositioning exercise	71
Summary	74

4	Customer Analysis and Market Segmentation	75
	Introduction	75
	Using market segmentation in retail marketing	77
	Selecting a segmentation strategy	97
	Summary	100
5	Financial Appraisal for Retail Marketing Decisions	101
	Introduction	101
	Key financial ratios	109
	Summary	118
6	Merchandise Management: Marketing Considerations	119
	Introduction	119
	Marketing's role in merchandise decisions	119
	Developing a merchandise policy statement	121
	Criteria for merchandise strategy	122
	Making merchandise strategy explicit	135
	Summary	137
7	Merchandise Management: Financial Considerations	139
	Introduction	139
	Return on investment and gross margin return on investment	141
	Using GMROI for merchandising decisions	145
	Risk and assortment decisions	153
	Using GMROI to evaluate suppliers	157
	Introducing contribution analysis	159
	Customer service issues	162
	Planning and control of merchandise activities	165
	Summary	176
8	Pricing in the Retail Marketing Mix	177
	Introduction	177
	Factors affecting pricing policy	177
	Pricing objectives, policies and methods	190
	Summary	196

9	Advertising in the Retail Marketing Mix	197
	Introduction	197
	Role of advertising for the retailer	198
	Campaign planning	203
	Summary	214
10	Managing the Supply Chain	217
	Introduction	217
	The contribution made by buying in creating competitive advantage and added value	219
	Supplier selection and evaluation: building the supply chain	224
	Summary: managing the supply chain	227
11	Creating the Retail Environment	233
	Introduction	233
	Design and the retailing marketing mix	235
	Issues for consideration	241
	Summary	247
12	Research Issues in Retail Marketing Decisions	249
	Introduction	249
	Researching the consumer	249
	Researching the competition	261
	Summary	266
	<i>Notes and References</i>	267
	<i>Index</i>	272

List of Figures

1.1	Trade marketing organisation of a food manufacturer	5
1.2	Development of retail marketing management in retail organisational structures	6
1.3	The retail marketing task: a co-ordinated mix	22
1.4	The retail marketing process	24
2.1	Relative differentiation for competitive advantage	31
2.2	The value chain	33
2.3	The added-value chain	34
2.4	Using productivity improvements to create added-value improvements	35
2.5	Integrating supplier and distributor 'value' systems	36
2.6	Ansoff's product market matrix	42
2.7	Retailing product marketing strategy options	43
2.8	A reference frame for 'single product' retailing strategy	48
2.9	Alternative methods of filling the planning gap – 1	49
2.10	Alternative methods of filling the planning gap – 2	50
2.11	The operations/strategy interface	55
2.12	Planning options	56
3.1	Positioning determined by customer research and implemented by an effective combination of marketing elements	60
3.2	Identifying the elements of customer satisfaction	64
3.3	Rank order of top five determinants of patronage for retail outlets	65
4.1	Market segmentation and return on investment	77
4.2	The relationship between improved customer analysis and retailing development	80
4.3	Possible segmentation bases for DIY/home improvement customer analysis	82
4.4	Researching customer purchasing process to establish target segment characteristics – information needs	84
4.5	Customer purchasing processes establish a specified 'market offer' for the selected segment	85
4.6	Matching trading style to assortment offering	92

4.7	Perception mapping of the attributes of multiple grocery outlets	93
4.8	Target and fringe customer groups	98
5.1	A general example of the DuPont chart	104
5.2	The strategic profit model: an expansion	105
5.3	Performance measures in retailing	108
6.1	Marketing and merchandise decisions	120
6.2	Assortment profiles for differing merchandise strategies	130
6.3	Product market strategy maps	133
6.4	Plotting product market strategy	134
7.1	The DuPont approach applied to retailing	142
7.2	GMROI performance profiles	151
7.3	Using GMROI to profile performance: high service specialisation (offering choice and variety)	151
7.4	Using GMROI to profile performance: low service specialisation majoring on price rather than choice	152
7.5	GMROI and positioning alternatives	153
7.6	GMROI and range planning to meet target positioning	154
7.7	GMROI and buyer targets	155
7.8	The normal curve: mean return and standard deviation	156
7.9	Risk profiles of alternative product groups	156
7.10	Edited retailing reduces risk	157
7.11	Example of cost structures in multiple retailing	158
7.12	The elements of contribution analysis	161
7.13	Product group GMROI performance	163
7.14	GMROI profiles: activity adjustments or range contraction	164
7.15	Regional and branch management: planning and control	166
7.16	Developing management control data	167
7.17	Linking CMROI and open to buy	170
8.1	The effect of high fixed costs	180
8.2	Economies of scale and optimum outlet size issues	182
8.3	The experience effect	184
8.4	The buyers' response and price last paid curves	187
8.5	Using buyers' response/price last paid curve relationship	188
8.6	Consumer need for support information or added value	190
8.7	Multi-stage approach to pricing	194

9.1	Advertisement: the manufacturer offers price	204
9.2	Advertisement: the retailer as a brand	205
10.1	Producing the buyer's specification brief and supplier selection procedure	221
10.2	The retail buying/cash flow cycle	228
10.3	Evaluating and managing the supply chain	229
10.4	Trading off costs in buying decisions	231
10.5	Revenue and cost characteristics and their interrelationships	232
11.1	Creating the retail exchange environment	234
11.2	Using design to create a retail exchange environment	236
11.3	Using customer research in the retail exchange decision	240
11.4	A basic space allocation module	242
11.5	Monitoring product sales/space performance	243
11.6	Management options to improve product sales/space performance	244
11.7	Elasticity of space	245
12.1	Researching the performance of advertising the 'retail brand'	259
12.2	Relative differentiation for competitive advantage	263
12.3	Plotting relative competitive advantage by business sector	264
12.4	Using the matrix to identify relative differentiation	265

List of Tables

1.1	Redistribution of income 1972–83 (1972 prices) (% change for period)	16
4.1	The 11 ACORN families	88

List of Plates

1	Menswear display – casual and leisure activities	72
2	Menswear display – formal menswear	73

Preface

In recent years, service industries have attracted the attention of the business and academic world. Some industries have shown real growth in economic terms, and have largely replaced manufacturing as an investors' focal point.

The growth of the service industry sector has been led by the activities of large retailing companies who have become very sophisticated in the use of appropriate managerial disciplines, and of technology. More recently, we have seen the growth (by acquisition and merger) of very large retailing conglomerates and – although it is still very recent – there is every indication that these will continue to operate as separate and differentiated businesses within each of the major groupings.

To be successful (or to continue to be successful) requires these companies to adopt a 'customer-led' attitude towards their businesses. Many retailing companies have found that to consider their business to be 'buyer-led' is no longer sufficient. What is required is an overall philosophy which is constructed around a carefully selected group of customers whose activities, interests, attitudes and perceptions are carefully researched and the findings skilfully translated into practical implications for competitive retailing.

Among the management disciplines currently being applied to retailing is that of marketing. But the marketing approach being used by the successful retailers is not the same as that used in manufacturing. Concepts have been transferred but have, in many instances, been so redefined to 'fit' the retailing application that they have become exclusive to it.

It is against such a background that this book has been written. Built upon the experience of three years' work with a Retail Marketing Management programme at the Oxford Institute of Retail Management at Templeton College, Oxford, the book attempts to present a view of the current approach to retail marketing management. From a consideration of the dynamic aspects of the business environment, the authors move on to expand upon the proposition that the successful retailing organisation should focus upon customer needs to build a successful company. From this proposition, we offer a definition of retail marketing and then

proceed to examine this by discussing both the theoretical and practical implications.

We do not presume to have written a definitive work, nor do we offer the book as a programmed text. Rather we consider it to be a comment upon developing practice, and a view as to how this may be developed further, and extended to businesses who may not yet have considered its application.

As with any project such as this, the authors would not have been able to complete it without considerable support. We wish to thank the industry, particularly those companies who gave generously of their time and expertise in order that we could include their views and practice. We would also wish to thank our colleagues at Templeton College for their help and advice. We also appreciate the hard work and efforts of Anna Kramer who typed the first draft, and of Maxine Harrower who patiently retyped and proof-read the final draft. Without their help, this book would not have been completed.

Oxford Institute of Retail Management
Templeton College

DAVID WALTERS
DAVID WHITE