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DEPARTMENT OF BBA

SYBBA

SEM-III

SUBJECT – RETAIL MANAGEMENT

SPECIALIZATION- MARKETING

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Chapter3. FUTURE OF RETAILING

Unit 4

FUTURE OF RETAILING

Retail marketing mix –

Introduction.

Product – Decisions related to selection of goods (Merchandise Management revisited) –

Decisions related to delivery of service.

Pricing – Influencing factors – approaches to pricing – price sensitivity - Value pricing –

Markdown pricing.

Place – Supply channel – SCM principles – Retail logistics – computerized replenishment

system – corporate replenishment policies.

Promotion – Setting objectives – communication effects - promotional mix. Human Resource

Management in Retailing – Manpower planning – recruitment and training – compensation –

performance appraisal.

The retail marketing mix

Marketing is an underlying philosophy that guides business activities, but how does a retailer do

marketing? A retailer must engage in planning, research and analysis before implementing a

marketing strategy. At the core of any retail marketing plan is the mix consisting of the four Ps

(Product, Price, Place and Promotion) of marketing. The following images show retail examples of each of the elements of the mix and the next activity describes each element of the mix

further.

Retail Marketing Mix:

The Four Ps of Retail Marketing

Retailers use various advertising and communication tools to grow awareness and considerations

with future customers. Finding the right marketing mix can lead to a profitable growth and a

higher return on investment. By considering the right advertising strategy retailers can persuade

consumers to choose to do business with their retail brand. The fundamental approach used my

modern retailers in marketing their products is the Four Ps of Retail Marketing.

Product: There are two primary types of merchandise. Hard or durable goods like appliances,

electronics, and sporting equipment. And soft goods like clothing, household items, cosmetics,

and paper products. Some retailers carry a range of hard and soft items like a supermarket or a major retail chain while many smaller retailers only carry one category of goods, like a boutique

clothing store.

Price: Pricing is a key element to any retail strategy. The retail price needs to cover the cost of

goods as well as additional overhead costs. There are four primary pricing strategies used by

Retailers:

1. Everyday low pricing: The retailer operates in thin margins and attracts customers

Interested in the lowest possible price. This strategy is used by big box retailers like Walmart and Target.

2. High/low pricing: The retailer starts with a high price and later reduces the price when

the item's popularity fades. This strategy is mainly used by small to mid-sized retailers.

3. Competitive pricing: The retailer bases the price on what their competition is charging.

This strategy is often used after the retailer has exhausted the higher pricing strategy

(high/low pricing).

4. Psychological pricing: The retailer sets the price of items with odd numbers that

consumers perceive as being lower than they actually are. For example, a list price of

$1.95 is associated with spending $1 rather than $2 in the customers mind. This strategy

is also called pricing ending or charm pricing.

Place: The place is where the retailer conducts business with its customers. The place can be a

physical retail location or a non-physical space like a catalog company or an e-store. While most

retailers are small, independently owned operations (over 90%), over 50% of retail sales are

generated by major retailers often called "big box retailers" (see the list of the top 20 big box

retailers below).

Promotion: Promotion is the final marketing mix elements. Promotions include personal selling,

advertising, sales promotion, direct marketing, and publicity. A promotional mix specifies how much attention to pay to each tactic, and how much money to budget for each. A promotion

can have a wide range of objectives, including increasing sales, new product acceptance, and creation

of brand equity, positioning, competitive retaliations, or the creation of a corporate image.

Product

Products are also termed as Merchandise. Product refers to the bundle of tangible &

intangible attributes that a seller offers to a buyer in return of a particular predefined amount

of payment in a particular mode. The different products that the store offers are termed as

the Merchandise Mix. Therefore the Product Mix is the total variety of products a firm sells Product mix

It is a combination of product lines within a company. A company like HUL has a

numerous products like shampoos, detergents, soaps etc. the combination of all these

products lines is the product mix.

Product lines

It generally refers to a type of product within an organization. As the organization can

have a number of different type's products, it will have similar number of product lines.

Thus, in Nestle, there are milk based products like milkmaid, food products like Maggi,

chocolate products like KitKat & other such products lines.

Length of the product mix

If a company has 4 product lines & 10 products within product lines than the length of

the product mix is 40. Thus, the total number of products against the total number of

product lines forms the length of the product mix. This equation is also known as

product line length.

Width of the product mix

Where product line length refers to the total number of product lines & the products

within the product lines, the width of the products mix is equal to number of products

lines within a company. Thus, taking the above example if there are four product lines

within the company & ten products within each product line then the product line is

four only.

Depth of the product mix

It is fairly easy to understand what depth of the product mix will mean where length &

width were a function of the number of product lines, the depth of the product mix is

the total number of products within a number line.

Product line consistency

The lesser the variations between the products, the more is the product line consistency.

DECISION RELATED TO SELECTION OF GOODS (MERCHANDISE

MANAGEMENT)

Inventory & Merchandise manager is required to train, coach & direct customer service associates in customers service, receiving processes, product merchandising & labelling

compliances, housekeeping & other tasks for efficient store operations.

Merchandise plan should:

Develop better merchandise assortment plans at Store. Increase store promotion profitability &

increase turns. Make better pricing decisions for improved margins.

Determining cost & profitability of each category of product.

Setting merchandise budgets & plans considerations & methods.

Definition & assessment of control techniques break even analysis, EOQ, re-order levels

JIT, cyclical provision, stock control procedures, rate of stock –turn, DPP.

Appraisal of stock-holdings methods & stock taking methods-analysis & control of stock loss.

Principles of stock presentations- product positioning, management. Application of

information technology to merchandise management. Control & evaluation of branches,

departments-profitability.

Assessment & Selection of suppliers merchandise & location.

Evaluation & selection of distribution channels; supply chain management; negotiations and

considerations.

Selection of suppliers-methods & consideration.

Selection of merchandise, determination of order quantity-influences & considerations.

Applications of information technology to the selection & ordering process. Own brand

merchandise-strategies & considerations.

Pricing – Influencing factors – approaches to pricing – price sensitivity - Value pricing –

Markdown pricing.

One of the four major elements of the marketing mix is price. It is one of the four P's. Price,

Product, Promotion and Place, or where the product is distributed.

The price is a very significant factor in determining the other elements of the marketing mix.

Price determines the consumer group that will be targeted, as well as the advertising and

promotion and distribution.

Method adopted by a firm to set its selling price. It usually depends on the firm's average costs,

and on the customer's perceived value of the product in comparison to his or her perceived value

of the competing products. Different pricing methods place varying degree of emphasis on

selection, estimation, and evaluation of costs, comparative analysis, and market situation. See

also pricing strategy.

Pricing is one of the most important elements of the marketing mix, as it is the only element of

the marketing mix, which generates a turnover for the organization. The other 3 elements of the

marketing mix are the variable cost for the organization;

Product - It costs to design and produce your products.

Place - It costs to distribute your products.

Promotion - It costs to promote your products.

Price must support the other elements of the marketing mix. Pricing is difficult and must reflect

supply and demand relationship. Pricing a product too high or too low could mean lost sales for

the organization.

Pricing Factors

Pricing should take the following factors into account:

- Fixed and variable costs
- Competition
- Company objectives
- Proposed positioning strategies
- Target group and willingness to pay

An organization can adopt a number of pricing strategies, the pricing strategy will usually be

based on corporate objectives.

TRENDS SHAPING THE FUTURE OF RETAIL INDUSTRY

Augmented Reality (AR) and Virtual Reality (VR) Shopping Experiences

AR and VR are a serious boon to customer shopping experiences. Allow customers to virtually try on clothes, visualize furniture in their homes, or walk through a virtual store from the comfort of their living room. And in-store AR can transform a regular shop into a creative wonderland! These technologies make customers happy and ultimately boost sales, too.

Artificial Intelligence (AI) and Machine Learning in Retail

Artificial Intelligence (AI) and Machine Learning (ML) can help retailers in multiple ways — from analyzing vast amounts of data to predicting trends, forecasting demand, and optimizing pricing for better inventory management. It can also create opportunities for personalized marketing (see more in the next section) by learning from each customer interaction and tailoring product recommendations.

Omnichannel Retail

You're likely already aware of the importance of delivering a unified brand experience across all touchpoints, be it in-store, online, or through mobile apps. Despite the surge in online shopping, omnichannel retail remains crucial. It caters to the shopping preferences of diverse customer segments and enhances customer loyalty by providing flexibility, convenience, and a personalized shopping experience.

Hyper-personalization can work

Hyper-personalization is most effective when brands have a thorough understanding of their customers. A brand using hyper-personalization tools can find a customer in its database and send contextualized messaging at the optimal time and place as an act of product targeting. As an example: A shopper is looking for a certain pair of shoes but only browses online at a certain time of day while on a break without buying. A business set up with hyper-personalization apps can deploy algorithms to track and analyze the data the shopper has left via cookies or other means and customize a marketing campaign to send a push notification to pitch a discount that's specific to that particular shopper.

POP-UP SHOP

A pop-up shop is a type of retail store that opens for a limited time in a specific location, like an empty retail space, an existing physical store, or a food or art market. Pop-ups can take many forms, including booths, kiosks, or compact freestanding stores.

A business may start a pop-up in response to trends or seasonal demand, to test consumer demand for new products or services, or even to trial a temporary retail space.

Benefits of pop-up shop

1. It will Engage Your Customers Online and Offline Go Multichannel With a Pop-Up Shop. If you run a primarily online business, pop-up stores are a chance to interact with your customers in the offline world. And in today's retail landscape, it's crucial to engage shoppers both online and offline with a multichannel sales strategy.

2. Pop-Up Stores Are Cost Effective
   Pop-up shops are also a desirable offline retail sales strategy because they can be high-impact while simultaneously being cost-effective. Big and small online brands are taking advantage of the cost savings of opening a short-term store.
3. You Can Test Out New Markets
   Pop-up shops require a much smaller financial commitment, so they're ideal to use when testing the waters in new markets. Whether you're an online-only retailer ready to dabble in offline sales or you're interested in expanding your physical presence to a new city, pop-up stores are a low-risk way to gain traction.
4. Increasing your brand awareness
   When it comes to promoting your brand, there are a lot of different approaches you can take. But one strategy that can be especially effective is opening a pop-up shop. A pop-up shop is a temporary store that can be set up quickly and easily. And because they're only around for a limited time, they can create a sense of urgency and excitement that can really capture people's attention.

Social Shopping

Social shopping is a social-forward way of shopping that leverages content from social media platforms like Instagram, TikTok and Facebook to influence buying decisions and streamline the shopping experience. In simple terms social shopping allows users to directly buy products from social media content displayed on e-commerce touchpoints, such as web pages, product pages, or in emails. Social shopping focuses on the simple combination of e-commerce and social media which makes it lucrative for brands to integrate this strategy.

Social shopping is an e-commerce methodology in which the shopping experience is shared with a social network of friends and contacts. Social shopping impacts an individual's buying process by using social media networks to share, recommend, suggest and comment on products or services. The idea behind social shopping is that individuals are influenced by their friend's purchases and recommendations.

What Is a Private Brand?

A private brand is a good that is manufactured for and sold under the name of a specific retailer, competing with brand-name products. Also referred to as "private label" or "store brand," prices for private brands tend to be less than those of nationally recognized name brand goods. Private brand items can provide retailers, such as supermarkets, with a better margin than the brand-name goods they also carry.

What is private label branding?

Private label branding is a practice retailers use to have their brand name appear on products a contractor or third-party manufacturer makes. The private label aspect means that even though one company manufactured the product, another company can use its brand name on the label. The retailer decides everything about the product, like how to make it, what goes into it and what the methods of production are. Stores can classify multiple products under their own private label to create a recognizable brand and offer alternatives to other brand-name products. Also called original equipment manufacturing (OEM), private label branding is a common strategy stores use to expand the diversity of products they offer while maintaining control over pricing and profit margins. Some common private label items include generic paper towels, pharmacy-brand medication and discount shoes. While any store can use private label branding, the stores that often use this retail strategy include:

- Grocery stores
- Supermarkets
- Hypermarkets
- Drug stores
- Chains
- Franchises
- Clothing stores
- Cosmetic stores
- Convenience stores