RETAIL SALES MANAGEMENT AND SERVICE MARKETING

MODULE 2: STORE LOCATION AND LAYOUT

INTRODUCTION

“A store is place, real or virtual, where the shoppers come to buy goods & services. The sales transaction occurs at this junction.” The location of retail store has for a long time been considered the most important ‘P’ in retailing. Locating the retail store in the right place was considered to be adequate for success. Store location is least flexible element of retailer’s strategic mix due to its fixed nature, the amount of investment, and the length of lease agreements Importance of retail Location Decisions. A bad location may cause a retailer to fail even if its strategic mix is excellent. On the other hand, a good location may help a retailer succeed even if its strategic mix is mediocre. Location is generally one of the most important factors customers consider while choosing a store. Location becomes a critical decision for a retailer for several reasons. As like;

Where you choose to locate your retail business will have a major impact on your public presence, walk-in traffic, the potential for future income, and other elements. Choosing a location that does not account for such factors may limit the business's ability to succeed and grow.

Importance of Location in Retail Business

Retail store location is also an important factor for the marketing team to consider while setting retail marketing strategy. Here are some reasons −

- Business location is a unique factor which the competitors cannot imitate. Hence, it can give a strong competitive advantage.
- Selection of retail location is a long-term decision.
- It requires long-term capital investment.
- Good location is the key element for attracting customers to the outlet.
- A well-located store makes supply and distribution easier.
- Locations can help to change customers’ buying habits

TYPES OF RETAIL STORE LOCATION

There are three different location types: isolated store, unplanned business district, and planned shopping center. Each has its own attributes as to the composition of competitors, parking, nearness to nonretail institutions (such as office buildings), and other factors. Step 2 in the location process is to determine which type of location to use.

1. The Isolated Store

An isolated store is a freestanding retail outlet located on either a highway or a street. There are no adjacent retailers with which this type of store shares traffic.

The advantages of this type of retail location are many:

- There is no competition in close proximity.
- Rental costs are relatively low.
- There is flexibility; no group rules affect operations, and larger space may be obtained.
- Isolation is good for stores involved in one-stop or convenience shopping.
- Better road and traffic visibility is possible.
- Facilities can be adapted to individual specifications.
- Easy parking can be arranged.
- Cost reductions are possible, leading to lower prices.

There are also various disadvantages to this retail location type:

- Initial customers may be difficult to attract.
- Many people will not travel very far to get to one store on a continuous basis.
- Most people like variety in shopping.
- Advertising expenses may be high.
- Costs such as outside lighting, security, grounds maintenance, and trash collection are not shared.
- Other retailers and community zoning laws may restrict access to desirable locations.
- A store must often be built rather than rented.
- As a rule, unplanned business districts and planned shopping centers are much more popular among consumers; they generate most of retail sales.

Large-store formats (such as Walmart supercenters and Costco membership clubs) and convenience-oriented retailers (such as 7-Eleven) are usually the retailers best suited to isolated locations due to the challenge of attracting a target market. A small specialty store would probably be unable to develop a customer following; people would be unwilling to travel to a store that does not have a large assortment of products or a strong image for merchandise and/or prices.

2. The Unplanned Business District

An unplanned business district is a type of retail location where two or more stores situate together (or in close proximity) in such a way that the total arrangement or mix of stores is not due to prior long-range planning. Stores locate based on what is best for them, not the district.

Advantages of this retail location type:

- Excellent goods/service assortment
- Access to public transportation
- Variety of store types and positioning strategies within one area
- Wide range of prices
- Variety of customer services
- High level of pedestrian traffic (see Figure 10-2)
- Nearness to commercial and social facilities
- In addition, chain headquarters stores are often situated in central business districts.

Disadvantages of this retail location type:

- Inadequate parking, as well as traffic and delivery congestion Travel time for those living in the suburbs
- Frail condition of some cities—such as aging stores—compared with their suburbs
- Relatively poor image of central cities to some potential consumers
- High rents and taxes for the most popular sites
- Movement of some popular downtown stores to suburban shopping centers
- Discontinuity of offerings

3. The Planned Shopping Center

A planned shopping center consists of a group of architecturally unified commercial establishments on a site that is centrally owned or managed, designed and operated as a unit, based on balanced tenancy, and accompanied by parking facilities. Its location, size, and mix of stores are related to the trading area served. Through balanced tenancy, the stores in a planned shopping center complement each other as to the quality and variety of their product offerings, and the kind and number of stores are linked to overall population needs. To ensure balanced tenancy, management of a planned center usually specifies the proportion of total space for each kind of retailer, limits product lines that can be sold by every store, and stipulates what kinds of firms can acquire unexpired leases. At a well-run center, a coordinated and cooperative long-run retailing strategy is followed by all stores.

The planned shopping center has several positive attributes:

- Well-rounded assortments of goods and services based on long-range planning
- Strong suburban population
- Interest in one-stop, family shopping
- Cooperative planning and sharing of common costs
- Creation of distinctive, but unified, shopping center images
- Maximization of pedestrian traffic for individual stores
- Access to highways and availability of parking for consumers
- More appealing than city shopping for some people
- Generally lower rent and taxes than CBDs (except for enclosed regional malls)
- Generally lower theft rates than CBDs
- Popularity of malls—both open(shopping area off-limits to vehicles) and closed(shopping area off-limits to vehicles and all stores in a temperature-controlled facility)
- Growth of discount malls and other newer types of shopping centers

There are also some limitations associated with the planned shopping center:

- Landlord regulations that reduce each retailer's flexibility, such as required hours
- Generally higher rent than an isolated store
- Restrictions on the goods/services that can be sold by each store
- A competitive environment within the center
- Required payments for items that may be of little or no value to an individual retailer, such as membership in a merchants' association
- Too many malls in a number of areas ("the malling of America")
- Rising consumer boredom with and disinterest in shopping as an activity

- Aging facilities of some older centers
- Domination by large anchor stores

FACTORS AFFECTING RETAIL LOCATION DECISION

Even though non store retailing is growing, most of the retailers are still selling from retail store space. Some of these retailers are very small single-store operators, and some are huge superstore discounters. Each location selected resulted from an effort to satisfy the needs of the particular market each was designed to serve. Whether it was the customer's need for convenience, their desire to do comparison shopping, the extent of the purchasing power in a market area, of the transportation facilities available, and many factors together led to the development of different kinds of retail locations. There is an old saying that the value of real estate is determined by three things: location, location, and location. A wall street journal study looked at the largest store as measured by gross sales of the twenty largest brands. Not surprisingly, in nearly every case, a unique location was a major factor.

Retail stores should be located where market opportunities are best. After a country, region city or trade area, and neighborhood have been identified as satisfactory; a specific site must be chosen that will best serve the desired target market. Site selection can be the difference between success and failure. A thorough study of customers and their shopping behavior should be made before a location is chosen. The finest store in the world will not live up to it potential if it is located where customers cannot or will not travel to shop. The primary role of the retail store or center is to attract the shopper to the location.

Proper establishment of shop is very important for success in retail trade. While deciding the location of a retail outlet the following factors should be taken into consideration:

1. Selection of the area:

Before commencing his business, a retailer should decide about the area which he would like to serve. While deciding the area of operations, he should examine the population of the area, its nature (permanent or shifting), income level of the people, nearness to big markets, transport and communication facilities, etc. All these factors will reveal the demand potential of the area.

2. Choice of the site:

Once the area is decided, a specific site is selected for location of the retail shop. A retailer may open his shop in special markets or in residential areas.

The shop should be near the consumers in a congested locality or at a place frequently visited by the consumers. The place of location should be easily accessible to consumers.

3. Scale of operation:

A retailer should decide the size of his business. Size will depend upon his financial and managerial resources, capacity to bear risks and demand potential of the area.

4. Amount of capital:

Then the retailer has to decide the amount and sources of capital. The amount of capital required depends on the size of business, terms of trade, availability of credit, cost of decoration of shop and display of goods. Adequate finance is necessary for success in any business.

5. Decoration of shop:

The layout and decoration of shop are decided so that customers find the place attractive and comfortable for shopping. The retailer should arrange and display the goods in an attractive manner to attract more and more customers.

6. Selection of goods:

The goods to be sold are selected on the basis of the nature, status and needs of the customers. Changes in incomes, habits and fashions of customers must be considered in the choice of goods.

7. Source of supply:

The wholesalers and manufacturers from whom goods are to be purchased must be selected carefully. Availability of supplies, reputation of the brand, price range, and distance from the shop, means of transport, etc. should be considered.

8. Sales policy:

The retailer should adopt a suitable sales policy to increase sales and profits. Sales policy and prices should be decided keeping in mind competition and customers.

RETAIL LOCATION ANALYSIS

There are many factors, need to be considered in the retail location analysis. The key ones include:

Macro Factors Affecting Retail Location Decisions (Country and Regional Analysis)

There is a need to recognize that country analysis will be an increasingly important aspect of the location strategy as merchants look for growth opportunities. After the decision is made as to what country or countries are to be considered, a regional analysis will need to be done. Most countries are not completely homogeneous and need to be broken down into regions in order for a retailer to better understand the market characteristics. Regions may differ in many characteristics such as population demographics and density, climate, cultures, and distribution infrastructure.

1. Demographic Characteristics

Demography is the study of population characteristics that are used to describe consumers. Retailers can obtain information about the consumer's age, gender, income, education, family characteristics, occupation, and many other items. These demographic variables may be used to select market segments, which become the target markets for the retailer. Demographics aid retailers in identifying and targeting potential customers in certain geographic locations. Retailers are able to track many consumer trends by analyzing changes in demographics. Demographics provide retailers with information to help locate and describe customers. Linking demographics to behavioral and lifestyle characteristics helps retailers find out exactly who their consumers are. Retailers who target certain specific demographics characteristics should make sure that those characteristics exist in enough abundance to justify locations in new countries or regions.

2. Economic Characteristics

Businesses operate in an economic environment and base many decisions on economic analysis. Economic factors such as a country's gross domestic product, current interest rates, employment rates, and general economic conditions affect how retailers in general perform financially. For example, employment rates can affect the quantity and quality of the labor pool available for retailers as well as influence the ability of customers to buy. Normally, growth in a country's gross domestic product indicates growth in retail sales and disposable income. Retailers want to locate in countries or regions that have steadily growing gross national products. As interest rate rise, the cost of carrying inventory on credit rises for retailers and the cost of purchasing durable goods rise for consumers. Countries that have projected significant increases in interest rates should be evaluated very carefully by retailers. Retailers will also be affected by a rise in employment rates; this lowers the supply of available workers to staff and support retail locations.

3. Cultural Characteristics

Cultural characteristics impact how consumers shop and what goods they purchased. The values, standards, and language that a person is exposed to while growing up are indicates of future consumption behavior. Consumers want to feel comfortable in the environment in which they shop. To accomplish this, retailers must understand the culture and language of their customers. In a bilingual area, a retailer may need to hire employees who are capable of speaking both of the languages spoken by the customers. Some retailers have found it useful to market to the cultural heritage of their consumers, while other retailers seek to market cross-culturally. Normally larger cultures are made of many distinct subcultures. Retailers need to be aware of the different aspects of culture that will affect the location decision. For example, greeting cards sold in the United States normally have verses on the inside, while greeting cards sold in Europe normally do not.

4. Demand

The demand for a retailer's goods and services will influence where the retailer will locate its stores. Not only must consumers want to purchase the goods, but they must have the ability or money to do so as well. Demand characteristics are a function of the population and the buying power of the population that the retailer is targeting. Population and income statistics are available for most countries and regions with developed economics. In developing countries the income data may be little more than an informed guess. These statistics allow the comparisons of population and a basic determination of who will be able to purchase the goods carried in the store. This is of utmost importance for retailers, whether they carry higher-priced goods such as durables, furniture, jewellery, and electronics or lower-priced goods-such as basic apparels or toys.

5. Competition

Levels of competitions vary by nation and region. In some areas, retailers will face much stiffer competition than in other areas. Normally, the more industrialized a nation is, the higher the level of competition that exists between its borders. One of the environmental influences on the success or failure of a retail establishment is how the retailer is able to handle the competitive advantages of its competition. A retailer must be knowledgeable concerning both direct and indirect competitors in the marketplace, what goods and services they provide, and their image in the mind of the consumer population. Sometimes a retailer may decide to go head to head with a competitor when the reasons are not entirely clear.

6. Infrastructure

Infrastructure characteristics deal with the basic framework that allows business to operate. Retailers require some form of channel to deliver the goods and services to their door. Depending on what type of transportation is involved, distribution relies heavily on the existing infrastructure of highways, roads, bridges, river ways, and railways. Legal infrastructures such as laws, regulations and court rulings and technical infrastructures such as level of computerization, communication systems, and electrical power availability also influence store location decisions. Distributions play a key role in the location decision especially for countries and regions. There is a significant variance in quantity and quality of infrastructures across countries. A retailer whose operation depends on reliable computerization and communications would not need to even consider a country or a region that did not meet those criteria. The legal environment is a part of the overall infrastructure a firm must consider. For example, many countries require non-native businesses to have a native partner before establishing retail locations. The legal requirements a retailer operates under in one country will not be the same for another country or region and may be different from state to state within the United States.

TRADE AREA ANALYSIS

A thorough analysis of trade area is necessary to estimate market potential, understand customer profile, competition, develop merchandising plan, and focus promotional activities. Increasingly, retailers are using geographic information system (GIS) software in their trade area delineation and analysis. GIS combine digitized mapping with key location data to graphically depict such trade area characteristics as the demographic attributes of the population, data on customer purchases, and listing of current, proposed and competitor’s locations. Thus, GIS software lets retailers research the attractiveness of alternate locations and see findings on computer-screen maps.

Market potential

In estimating the market demand potential, retailers consider factors that are specific to their product line. Hence, often there is a variable in the criterion used by retailers for market estimation. Some of the important indicators of market demand are as follows:

1. Population Characteristics and its Trends: Population characteristics such as geo-demographics, psychographic, and behavioral characteristics are used to segment markets. Considerable information about an area's population characteristics can be acquired from secondary sources. Retailers can access data regarding population size, population density, and number of households, income distribution, sex, education, age, occupation and mobility. The information on behavioral characteristics can be obtained by carrying out a primary study measuring store loyalty, consumer lifestyles, and store patronage.

2. Purchase Power and its Distribution: The average household purchasing power and distribution of household income can significantly influence selection of a particular retail area. Thus, as purchasing power rises, the population is likely to exhibit an increased demand for luxury goods and more sophisticated demand for necessities.

3. Business Climate: Retailers should take into account the employment trends of the market because a high level of employment drives up the purchasing power. It is in the interest of retailers and developers to determine which geographical areas are growing rapidly and why

4. Competition: The level and nature of competition in an area also influence the selection of a particular retail location. On the basis of levels of competition, trade area can be classified into three types:

- Saturated
- Under-stored
- Over-stored

A saturated trade area offers customers a wide variety of merchandise, which also ensures impressive profits for retailers in the market. Customers tend to prefer these areas because of the variety of merchandise offered and competitive pricing. Therefore, retailers who find location characteristics compatible with their marketing mix prefer to establish their stores at such locations.10

SITE SELECTION:

Site analysis is an integral part in determining the sales potential that generates the major traffic flow for a retail store. With the emergence of various retail formats and product categories, presents a wide choice of locations. Further, the mushrooming of planned shopping centers and malls present an enormous challenge before a retailer. Though a retailer tries his level best to select the site to locate a store, these factors must be considered while selecting a particular site.

The major among them are:

1. Connectivity and ease of traffic flow:

These are the two important issues that a retailer must consider while selecting a site. There may be good merchandising, good customer service, and good interiors but if the man who has to visit cannot reach the store easily, will not be a good preposition. The store sites you have short listed should be well connected through roads, trains and means of public transport. Like Karol Bagh in Delhi is well connected with roads and rail traffic with the neighboring cities.

2. Parking facility:

Parking today has become the most uncontrollable civic problem for not only metro / big cities but even the small cities and towns are facing the same problem. In a store where tens to hundreds of customers come to shop with their vehicles (two or four wheeler), require space to accommodate their vehicles. In absence of proper and safe parking arrangement, customers hesitate to visit the store, knowing parking today has become the reason for public clashes, stealing and other cases of road rage. There are several ratios that are used to determine the provision for parking lot.

For a food store, retailers throughout the globe usually apply the ratio of 3:1, which means 3 sq.ft of parking space for every sq. ft of retail store. One thing may be remembered that no ratio is universal in real life sense but it depends on the product to be sold and the place where your store will be located, i.e. nearby public parking lots.

3. Cost effectiveness:

An important factor to be considered before taking the decision on a particular site is the cost consideration. A retailer must remember that so called ‘good site’ is always a costly affair and retailer should try to go for that because ignorance to such site may be the reason for failure of your store. Retailer may manage the funds to have such site but one thing should not be forgotten that space cost is a combination of mortgage/rent, facilities, lease hold improvements, usual decoration, wear and tear, insurance, security and so on. Therefore, selecting site location only on the basis of cost factor alone may be risky.

4. Presence of competitors:

While selecting a site, it is beneficial to check the compatibility of the retail store with the other nearby retail stores in that area. It includes analyzing the type and number of competitors, other industrial parks, shopping complexes, franchisee chains, individual stores and other departmental stores, setting up a new store among established competition means new store will have its market share from the existing ones. Further, under intense competitive area, newcomer must come with unique merchandise, wide merchandise assortment and high level customer service.

Other factors to be considered are:

i. Visibility of the store

ii. Ease of traffic flow

iii. Local laws and regulations

iv. Amenities available in that area

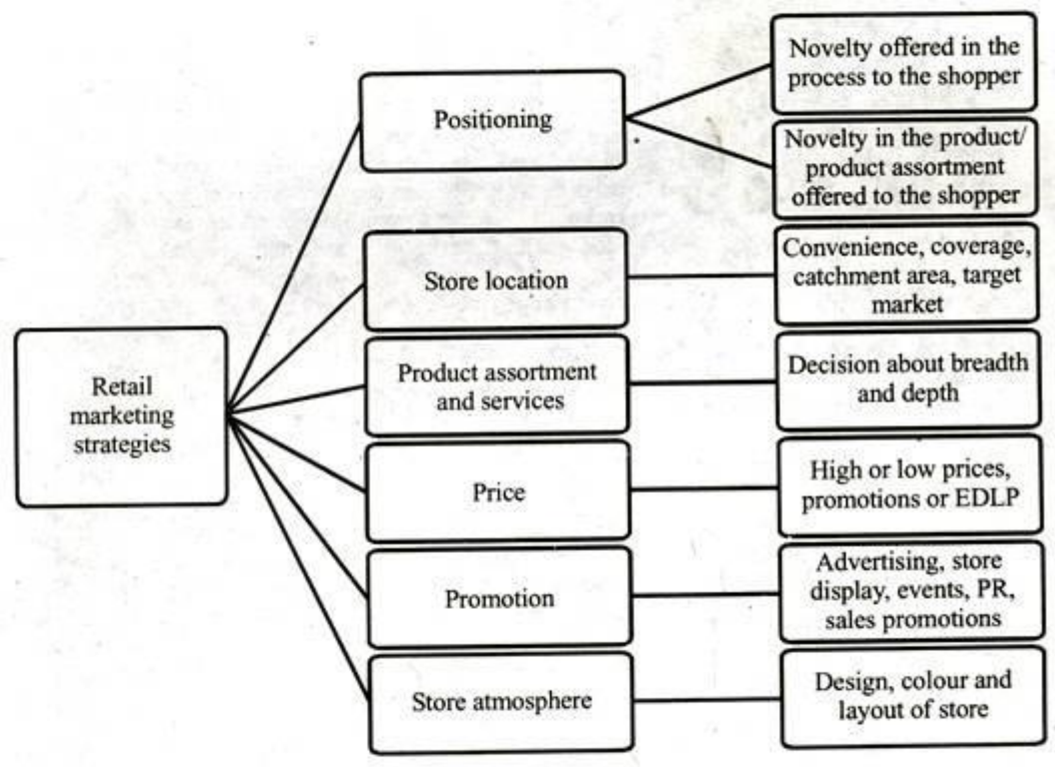
v. Buy/lease arrangements

vi. State of infrastructure (water, road and electricity)

RETAIL MARKETING STRATEGIES

Retail marketing involves every element from the interior to exterior promotions and offers, product placements in-store advertisement, strategic placement as well as the behavior of store representatives. Retail marketing includes a set of activities where a retailer buys products from a wholesaler or manufacturer to sell them to ends users (consumers). In simple words, a retailer is an intermediary which makes products available to consumers using different channels, for example, brick-and-mortar retail stores, shopping malls, shopping websites, automatic vending machines, kiosks etc

A retailer needs to decide as to what it wants to achieve for its customers. It has to decide the target market and then select the appropriate combination of product, price, place and promotion.



Retail Marketing Strategies

1. Retail positioning:

This involves choice of target market and differential advantage. Targeting allows retailers to tailor the marketing mix which includes product assortment, service levels, store locations, prices and promotion, to the needs of their chosen customer segments.

Differentiation provides a reason to the customer to shop at one store rather than at another. The customer should have distinct expectations from the store when he walks into it which should be different from the expectations that he has when he walks into another store. Retail positioning comes from novelty in the processes of shopping offered to the customers and novelty in the product assortment or both.

2. Location of the retail store:

For some products like groceries, consumers do not like to go to a far away store. Therefore, store location has great influence on sales performance of such products. A retailer has to decide whether it will be a standalone store in a city, or will it open stores to cover a designated area like a city, state or country. A retailer may decide to open one store in each city. The retailer has to buy from distributors to replenish its stocks. Or it decides to open as many stores as a city can sustain, and moves to another city and again opens as many stores as that city can sustain. Therefore, it covers cities one by one, instead of opening one store in each city. It opens a distribution centre in each city.

The distribution centre receives supplies for all the stores in the city in a single truck from each supplier. Smaller lots of each of these supplies are loaded on trucks bound for each store. The retailer buys from the manufacturer directly, and does not have to buy from distributors.

A retailer's choice of a city depends upon factors like its congruence with its chosen target market, the level of disposable income, the availability of suitable sites and level of competition. A retailer's choice of a particular site in a city depends on level of existing traffic passing the site, parking facilities, presence of competitors and possible opportunities to form new retailing centres with other outlets. When two or more non-competing retailers agree to site outlets together, the retailing centre can draw more customers than what each individual store would have been able to do.

3. Product assortment and services:

A retailer has to decide on the breadth of its product assortment, and also its depth. A retailer may have a broad product assortment, but within each product line, it can stock a shallow product range. Or it can have a narrow product assortment, but within each product line, it can stock a deep product range.

Therefore, a retailer's choice of product assortment ranges from stocking one deep product line to stocking a broad range of products including toys, cosmetics, jewellery, clothes, electrical goods and household accessories. A retailer begins with one or limited product lines and gradually broadens product assortment to be able to sell more products to customers who come to its store.

Petrol stations start out as fuel providers, and expand by adding provision stores or food outlets to maximize the revenue that can be obtained from the customer. Some stations on the highway may also add a Cineplex to make their retail outlet a one-stop entertainment and utility centre for the customer.

4. Price:

A retailer may choose to compete purely on price, but price can be a differential advantage only when a retailer has immense buying power, and has been able to control cost. A retailer may favour everyday low prices rather than higher prices supplemented by price discounts. Such a retailer is patronized by customers who prefer predictable low prices rather than occasional price discounts. A retailer may sell no-frill products, which are basic commodities such as bread and soft drinks that are sold in rudimentary packaging at low prices. It appeals to the price conscious shopper who wants standard products at low prices.

Some retail items may be priced very competitively to generate more demand for other items. Such products may often be sold below cost and are called 'loss leader'.

5. Promotion

Retail promotion includes advertising, public relations, publicity and sales promotion. The goal is to position the store in consumers' minds. Retailers design ads, stage special events and develop promotions aimed at their markets.

A store's opening is a carefully orchestrated blend of advertising, merchandising, goodwill and glitter. All the elements of an opening—press coverage, special events, media advertising and store displays—are carefully planned. Retail advertising is carried out at the local level, although retail chains can advertise nationally. Local advertising by retailers provides specific information about their stores, such as location, merchandise, hours, prices and special sales. In contrast, national retail advertising generally focuses on image.

A popular retail advertising practice is cooperative advertising. Under cooperative advertising, manufacturers pay retailers to feature their products in store mailers or the manufacturer develops a TV or print ad campaign and includes the name of the retailers carrying the product at the end.

Many retailers are avoiding media advertising in favour of direct-mail or frequent shopper programmes. The frequent shopper programmes offer perks ranging from gift certificates to special sales for most frequent shoppers. Direct-mail and catalogue programmes may be a cost effective method of increasing store loyalty and spending by core customers.

6. Store atmosphere:

Store atmosphere is created by the design, colour and layout of a store. A retailer works on both exterior and interior designs to create an appropriate store atmosphere. The store atmosphere should prompt target customers to visit the store and stimulate them to buy once they are in the store. External designs include architectural design, signs, window display and use of colour that create identity for a retailer. The image which is projected should be consonant with the ethos of the store. For instance, a kids' store is usually bright, vibrant (may be in the shape of Mickey Mouse) and colourful to attract the child and make him want to buy things in the store.

Such a store should generally have lots of space for the child to move around and explore his world. Even the salespeople should match the child's temperament. They should be playful. Interior design like store lighting, fixtures and fittings as well as layout, affect store atmosphere.

If a store has narrow aisles, it appears congested and unclean, the customers may not like to spend too much time in such an environment. A poorly lit store is uninviting.

STRATEGIES AT DIFFERENT LEVEL OF BUSINESS

Although there are many different types of business-level strategies, we'll take you through the five main ones. Use them wisely to find your business's competitive advantage…

1. **Cost leadership –** competing with a wide range of businesses based on price
2. **Differentiation –** competing by using a product or service with entirely unique features
3. **Focused differentiation –** not only competing through differentiation (uniqueness of product/service) but also by selecting a small portion of the market to focus on
4. **Focused low-cost –** competing not only through price but by also selecting a small portion of the market to focus on
5. **Integrated low-cost differentiation –** competing by using both low cost and differentiation

1. Cost leadership

A cost leadership business-level strategy is a strategy that businesses use to increase efficiency and reduce production costs to make it below that of the industry average (or competition in the area). In other words, a business charging lower prices for its products than others in the same industry – the cheapest of its kind around! Consumers are becoming more and more aware of the choices available to them. They're often on the lookout for how to increase their purchasing power. One way to grab their attention is to use a pricing strategy that no one else is using – one that customers simply can't refuse. Using this business strategy could gain you more business due to offering a much stronger value proposition to customers.

This strategy will only work if you can lower your production costs enough to still make a profit at the end of the line and outprice your competition. This means it's often best for larger corporations as they are able to buy in larger quantities

Advantages

1. **Increase profits –** by gaining more business
2. **Market domination over time –** unless your competitors are willing to undercut (and go into the minus) it will become impossible for competitors to survive allowing for market domination over time
3. **Improves business stability –** when a trade war occurs or a downturn in the economy, companies with the lowest prices and costs survive

Risks

1. **Requires a large sales volume for success –** it's most successful when a large volume of sales is reached to maintain profitability
2. **Requires capital that may not be available –** must be able to achieve large sales volumes while scaling before running out of money. If the business is unable to reach stability before depleting capital reserves, then they could find themselves filing bankruptcy. This is why taking a Line of Credit or Business Loans is a good idea for all businesses to keep cash flow flowing, and allow for expansion
3. **Could cause cuts in areas that harm the business –** this strategy is all about cutting costs, and corners, which could mean cutting costs in critical areas such as customer support and R&D (thus reducing product innovation)

2. Differentiation

A differentiation strategy is all about providing a product or service with unique attributes when comparing against the competition (something that Become has gotten very adept at doing!). It's all about making the product or service really stand out from the crowd – one that solves a problem that no one else has. It requires innovation and out of the box thinking. To execute the differentiation strategy, you'd need to conduct extensive market research to find a gap in the market that needs filling, or by improving an existing product or service.

Differentiation is one of the main strategies that businesses use to compete for customers in their industry. Just about any industry or business could use this technique. The trick is to find the pain-points of your competitors' customers and solve them.

Advantages

1. **Turn clients into fans by creating brand loyalty –** the right small business branding strategy can make all the difference. If people love what you're doing, they will share it. This shows when taking the LUSH example above – they have a huge fan base!
2. **Marketing efforts become easy –** when you have a unique selling point (USP), it makes it much easier to market your product or service
3. **If you create a product in high demand**, you can price it higher!

Risks

1. **High cost –** providing a distinct quality could make for high research and development costs. New product elements could increase the final production costs
2. **Too different could be bad –** if a product is too unfamiliar or complex to the consumer, they may shy away

3. **Excludes some buyers –** you can't please everyone and by differentiating to a very small niche – if said niche isn't large enough you may not become profitable

3. Focused differentiation

A focused differentiation business strategy involves targeting a specific or small group of customers with differentiated products. This means your product or service should have unique features that meet the demands of a niche market.

In markets where product comparison knowledge is very important (such as camping equipment), new stores could find it difficult to compete with firms that are following a focused differentiation business strategy. This type of strategy is good for businesses that have found a niche they'd like to specialize their products or services in that also has sufficient demand. Just make sure to do plenty of market research before you dive in.

Advantages

1. **Can charge very high prices –** even higher than those simply following the differentiation strategy, as you are offering a unique experience/product/service
2. **Competition is limited –** if you've specialized in a very niche area, to a niche audience, you're likely to have limited competition
3. **Build customer loyalty –** if you're selling, for example, plastic-free eco-friendly shampoo bars, you're going to target a very specific individual that despite higher prices, will continue to return to you for shampoo due to the health benefits to hair and the environment, thus building strong customer loyalty

Risks

1. **Limited demand** could limit growth capabilities
2. **Your niche could simply disappear** or be outcompeted by larger competitors (think about gun stores that went under when WalMart and Wholesale Sports starting selling firearms)
3. **Could be outcompeted by businesses adopting an even narrower focus –** think about a clothes store that sells winter apparel vs a new store that specializes in gloves. A consumer that needs gloves specifically may choose the glove store as they can receive more choice and specific guidance there

4. Focused low-cost

A focused low-cost business strategy is very similar to a focused strategy – one that focuses on a small niche of customers but with one small difference, you guessed it – it's lower cost! If your business doesn’t appeal to a larger market, then it’s best to focus on a niche. You may not be able to have low prices for all of your products and/or services, you can try to be the lowest-cost provider in the market for that specific niche. This could help your business to stand out against its other competitors.

This strategy can be effective when there’s competition but competitors are not strong or if a small or specific segment of customers are capable of creating a remarkable difference in the revenues.

Advantages

1. **Low cost**
2. **Draw in a narrow market segment**
3. **Increase brand affinity –** from having a specialized product

Risks

1. **Could be too specific for the market –** make sure there is enough demand for your product/service
2. **Future growth could be limited –** if you specialize too much, then future expansion could be tough

5. Integrated low-cost differentiation

An integrated low-cost/differentiation strategy is where a business has differentiated products that are offered at a lower cost. This new hybrid business strategy could be on it’s way to becoming increasingly popular as global competition increases. Compared to companies relying on a single strategy, those that integrate two may be able to position themselves to adapt much quicker to environmental changes.

This hybrid business-level strategy is good for businesses that have a market niche where the buyer’s needs and preferences are different from the rest of the current market. If you want your business to really stand out and have the manpower to focus on both differentiation, and low-cost production to keep the price down – then this strategy could be best for your business.

Advantages

1. **Great for gaining customer loyalty –** there’s a huge value for customers both in the product and price

2. **Adaptable business model –** can easily adapt to environmental changes
3. **Your business will have both unique features and be relatively low-cost**

Risks

1. **Involves compromise –** you'll neither be the lowest cost nor the most differentiated company
2. **Risk of becoming "stuck in the middle" –** the company could lack the expertise that comes with directly following either a cost leadership or differentiated business strategy
3. **Multi-tasking –** the business needs to be capable of simultaneously focusing on reducing costs and adding unique features that customers value and are willing to pay a slightly higher price for

BUILDING SUSTAINABLE COMPETITIVE ADVANTAGE

Any business effort taken by a retailer from time to time can be a reason for competitive advantage but some advantages are sustainable over a long period of time, while others are of trial nature. Sustainable advantages are usually hard nut to crack. A retailer puts its full energy to keep competitors away from the market. By providing, the same quality goods and services and by following the same price policy, any retailer can be in and out of retailing competition. If a retailer is successful due to its wide merchandise assortments, its competitors can be provide wider and deeper merchandise to attract the customers. This phenomenon does not come under the concept of sustainable competitive advantage.

Building a sustainable competitive advantage means besides developing private/ store brands, lucrative offers and customer service, retailers should create certain advantages that enable them to survive against all odds as and when presented by its competitors.

Retailers throughout the globe basically have seven key areas to develop sustainable competitive advantage:

(1) Customer loyalty

(2) Store location

(3) Human resource management

(4) Distribution and information systems

(5) Unique merchandise

(6) Vendor relations

(7) Customer service

These respective areas are explained as follows:

1. Customer Loyalty:

Loyal customers are long-term assets for a retail organization. They have emotional bond with a retailer and regularly visit the retailer. From a retailer's point of view, customer loyality means that customers are committed to purchase merchandise and services as and when required from the retailer with resistance of competitors' move. To retain loyal customers is not an easy task. It requires dedicated floor staff, efficient customer service and unique merchandise. For example, loyal customers will continue to shop at 'Subhiksha Mobile' even if 'go mobile' opens a store nearby and offers low price policy and gift packs with every purchase.

2. Store Location:

The selection of location for a retail store is one of the most crucial strategic decisions a typical retailer makes. Since most of the retail sales in India take place at stores, utmost care should be taken before taking a site location decision. A good location not only reduces distribution cost to considerable extent but also attracts more customers. No matter what quality merchandise a store offers, customer service or attractive pricing, every retailer has to compete over three success elements: location, location and location.

Therefore, before making a decision about a particular location, retailer should go through the detailed locational analysis considering various factors, like financial, political and socio-cultural forces. A retailer should understand that store location decision is a long- term strategic decision, which is irreversible and cannot be changed once decided upon. A good location reduces day-to-day loading, unloading and distribution cost. Consequently, extreme care and proper planning is essential to select the most suitable location.

Store location decisions ultimately decide the future and overall profitability of the organization. Not only in the retailing organizations but ideal location is required for non-retailing organizations too. Buying a good location does not only assure success, but undoubtedly is must for smooth flow and accomplishment of day-to-day operations like loading and unloading of goods etc. Therefore, it is advisable that utmost planning should be taken care of. Retailer must understand that each individual is a case in itself.

3. Human Resource Management:

Human resource management plays a vital role in success of retailing. Despite technological advancements, retailers still rely on people (human resources) to perform the fundamental retail activities such as procurement, displaying merchandise and providing service to customers. Retailers know the importance of hardworking and loyal employees. Committed employees are critical assets to the retailers. Recruiting and retaining good employees have never been an easy task. No two employees are akin in their basic mental abilities, skills, personality, intelligence, energy levels, interests, aspirations etc.

Depending upon these, they behave differently in same set of circumstances. Therefore, managing human resource is always a challenging task for a retailer or store manager. But by the way of understanding employees' problems, developing, motivation and by providing appropriate incentives, retailers/store managers can gain competitive advantage.

4. Distribution and Information Systems:

All retailers wish that they should supply exactly the same quality, quantity and price what their customers need. They take all possible steps to supply the goods well in time and at prices which are lesser than their competitors. Some retailers instead of using low price policy provide additional facilities (margin) to lure customers such as wide merchandise assortments under one roof, even better customer service and visual presentations. Retailers achieve these efficiencies by way of developing error free and latest distribution and information systems network.

An efficient distribution and information system has two benefits for customers: (1) fewer stock outs, and (2) assortment of merchandise that customers want, where they wish to, for a retailer (store manager, these benefits translate into increased sales, higher inventory turnover, and lower mark downs.

5. Unique Merchandise:

Technological advancement, borderless economies and free flow of goods across the countries have enabled a retailer to procure any good and sell it in their stores, whenever and wherever they want, but in order to keep themselves ahead in the retailing race, many retailers get competitive advantage through development of personal/private/store brands. These products are designed, produced and marketed exclusively by the retailer and are sold by that retailer only. For example, if someone want to buy 'Star and Sitara' cosmetics, you can buy it from pantaloon.

6. Vendor Relations:

Successful retailers develop strong relationships with their vendors and get competitive edge over competitors under following ways:

(i) By obtaining special selling rights to sell merchandise in a particular region where they have monopoly bird position.

(ii) To obtain special terms/conditions rights that are not available to competitors who lack good vendor relations and

(iii) To obtain popular/fast moving merchandise in short supply/short notice. The longer the relationship exists, the longer the competitive advantage retailers will get.

7. Customer Services:

Good customer service has today become an integral part of the retail industry. In retailing, where floor staff has to directly interact with the customers, customer service acts as lifeblood. With the sales promotion and lucrative offers you can increase the temporary sales but out of these customers if half or some of the customers do not come back then your store will not survive for long time. Good customer service is intended to bring back these customers voluntarily and then sending back with smiling faces. Smiling faces means after buying something, they have good feedback about your store. Even in some cases, they recommend your stores to others for shopping by sharing their good experiences. Yes, this is always possible. It is the mouth advertisement which multiplies your customer base within a short span of time.

Good floor staff does not mean that you can sell anything to anyone, but it will be your image in the minds of the customers that decides whether or not you can sell something to them. The image is largely influenced by the service provided by the floor staff and the experience of the customers with them. A satisfied customer is bound to tell others about his experiences, as will a dissatisfied customer.

THE STRATEGIC RETAIL PLANNING PROCESS

For the purpose of developing retail strategies, retailers are required to follow a step by step procedure or planning process. The planning process discusses/involves the present stage of business, the formulation, list of available strategic options, and the implementation of the selected strategies. Considering the importance of strategic decisions for the future success of the business, a systematic approach is essential.

In a strategic retail planning process, a business identifies and sets its goals for a definite period and prepares a strategic plan to achieve them efficiently. The right strategic plan will help you bridge the gap between where you are right now and where you want to be.

1. Self-Analysis to Define SMART Goals

The journey of the strategic retail planning process starts with self-analysis to understand that where your business stands right now. After having a clear picture of where you are currently you need to focus on where you want to reach, i.e., set clear goals for your business.

You can begin by defining micro-goals for each department and then macro-goals for the business as a whole. Ensure that whatever goals you set, whether micro or macro must be SMART;

- S-Specific
- M-Measurable
- A-Attainable
- R-Relevant
- T- Time-bound.

Setting SMART goals will ensure that all your teams are focused on achieving realistic and measurable goals. For example, increasing sales in the last quarter by 7%. This has a measurable target to be achieved in a definite period of time.

2. Conducting Market Analysis

Conducting market analysis means analyzing your competitors, their products, marketing strategies, shortcomings, customer satisfaction rate, and so on. It will help you in bridging the gap between customers' expectations and the products available in the market.

Moreover, market analysis will help you understand the market demographics, current trends, and customer segmentation. This will help you in analyzing any risks or opportunities and preparing for them.

3. Understand Your Consumer Behavior

Getting insights into your consumer behavior will give you clarity of their preferences, buying patterns, and spending habits. It will ensure that you attract the right pool of people to your business. Consumer analysis will help you in understanding them better, their needs, their expectations, and different influential factors behind their purchasing decisions. This way, you can design a customized marketing campaign that will ensure market penetration.

Customer analysis can be done by conducting a SWOT analysis to understand strengths, weaknesses, opportunities, and threats.

4. Design Your Retail Strategies

Now that you have thoroughly understood the market and your customers, it's time to design and implement your retail strategies to achieve SMART goals. While designing your next retail strategy, consider your retail positioning, whether you want to continue with the same market positioning or create a new customer base.

Your retail strategy should not only focus on attracting a maximum number of prospects to your business but also to provide clarity of what they expect. The main source of attraction can be competitive pricing, quality, distinct features, WOW experience, or anything that is your brand's USP.

5. Focus on Short-Term Strategic Plans

Now when you have your long-term strategy in front of you, break it into small, short-term actionable strategic plans. For example, its Christmas time and now you can divert everything from your store's look and feel to your digital campaigns towards the same theme and then announce festive offers. Although it may just elevate your sales for the festive season, as a whole it will contribute to your annual sales.

Another benefit of implementing short-term strategic plans is that you can test-fire for your long-term strategic plan. If you find any loopholes in meeting customer expectations, they can be immediately rectified.

6. Finally! Implement the Strategies

After having a successful test run with short-term strategies, it's finally time to implement the strategic retail growth plan.

But this will not be a cakewalk!

Employees may be reluctant to adopt new methods and technologies, but with the right training and counseling, it can all be done. Offering incentives, bonuses, and additional benefits can help in overcoming reluctance and even encourage them to take up new roles and responsibilities with enthusiasm.

7. Analyze the Performance of Your Strategies

Retail strategies may or may not always churn out the expected results.

It is imperative that implemented retail strategies should be keenly monitored at regular intervals. If any errors or difficulties are found, then they should be rectified on time. Analyzing the performance will also help you in preparing for future strategies and not repeating the same mistakes

DIFFERENTIATION STRATEGY

Differentiation strategy is one of the most important marketing strategies in today's business environment. With so many brands and so many varieties of products and so much advertising noise, it becomes very difficult but ultimately very necessary to differentiate your brand from competition. Thus, Differentiation strategy is being used by all top companies for their products. There are various ways to differentiate your product via using a differentiation strategy

1) Innovation / Invention –

The best way to implement differentiation strategy is to invent or innovate. By innovating or inventing, you become the market leader because your product is the first entrant in the market. Inventions are of course difficult and require regular R&D expenditure. But innovations are more practical and are a Differentiation strategy used by technological companies like Apple and Google.

2) Product-level differentiation strategy –

Observed in many industries, Differentiation strategy can be executed at product level too which is known as Product differentiation. Taking an example of the tourism industry, tour packages of all companies are different and the tour package might have its own differentiating factors. Some might be giving international tours whereas others will be giving national and regional tours only. Thus, by incorporating product differentiation strategy at product level, the brands can use differentiation strategy themselves from competitors in the eyes of the customer.

3) Price differentiation strategy –

The most used form of differentiation strategy is price differentiation. In the above example of tour packages, some brands might give the luxury package whereas other brands might give a cheap and affordable pricing. Mobile handset companies like Samsung and apple target the cream segment whereas companies like Micromax and Xolo target the price sensitive segment. Price segmentation is the biggest Differentiation weapon in the hands of marketers.

4) Branding –

Your promotion mix and the marketing communications of the company play a crucial role in the differentiation strategy of your product. Companies like Pepsi and Coke rely heavily on their branding efforts to convert the customer to their products. Thus, youngsters will like pepsi, young adults will like Thums up, families will like Fanta, and Coke can be an all time favorite for everyone. Your promotion mix helps you target the correct segment and hence plays a crucial role in differentiation strategy.

5) Packaging –

If you go to any publications and ask them what are the critical factors in selling a book, the publication agency will say that, after the story of the book, the top cover of the book plays a critical role in the success of the book. In fact, many a times, customers might buy a book based on the top cover. Thus, packaging is important. The same can be seen when you enter a mall and you have 100's of shelves with different types of cereals, soaps, shampoos, detergents etc. At such a time, the color, the packaging, the taglines, the ease of handling can play an important role in converting the customer to your brand. The tetrapack introduced by Frooti in the Indian market was a wonderful example of Packaging playing a role in differentiation strategy.

6) Service pre sale and post sale –

Word of mouth marketing is another product differentiator and all brands targeting a niche audience know the importance of word of mouth marketing. And how does word of mouth marketing happen? Through very good pre and post sales service. Ever heard a friend say that not only does the restaurant serve good food, but the service and the ambiance are awesome as well? Thats the service i am talking of. If your service is beyond customer’s expectation, than that can be a big boost to your differentiation strategy.

7) Point of customer interaction –

There are Sec A, B and C segment customers. You have to ensure that you take care of all kinds of customers when they interact with your company. For this, you have to take care of point of interactions and ensure that the customer has a good experience whenever he interacts with the company. In fact, banks and retail showrooms regularly have audits to ensure that the front end staff is polite and helpful to customers because this can be a major point for differentiation. A service company, which does not have good interactions with the customer will always, suffers in its profits and operations.

8) User convenience –

The banking industry shows us an example of how User convenience can help you in your differentiation strategy. The banks differentiate themselves with the type of net banking services they offer as well as the number of ATM’s that they have in your vicinity. This is an excellent example of differentiation through user convenience. If you are taking care of user convenience, the customer will always come back to you. This is the reason why, even though there are so many big retail outlets in the market, the smaller shops still run well. This is because they give personalized service to a handful of customers and the customers find it convenience to shop at the local retail store.

9) Offer variety of products –

Another way to implement differentiation strategy is to attack the psychology of the customers. Many a customer will tell you that they picked a brand just because the brand had more variety in the number of products it offered. A customer, during prospecting, likes to have more variety so that he finds the right product and can pick that product for himself. Thus, the more variety of products you offer, the more chances you have of getting a higher positioning in the mind of the customer and therefore, differentiating yourself from competition. This is a high investment strategy, because you need to invest in a product line, but it is useful and profitable in the long run.

Thus, there are many ways for implementing a differentiation strategy. What the company has to realize is that it cannot sit back and enjoy the customer’s loyalty today. In this saturated business environment, each and every company has to take steps to differentiate itself from competition and ensure that it has a high positioning in the customers mind. An example of this is websites and Google. If a website is not in the top 10 pages of Google, than it is likely to be ignored by 50-60% of the searchers on Google. Thus, by improving your website and your content, you can reach the top 10 on Google and differentiate your website from others.