Strategic Planning

What is the Retailing Concept?
- Customer Orientation
- Value-driven
- Coordinated Effort
- Goal-Oriented

Relationship Retailing
- Seek long-term relationships with customers rather than viewing each sale as a new encounter
- Focus on customer satisfaction over time
  - Satisfaction happens when a retailer meets or exceeds customer expectations
- Are all customers equal? Are some worth more to a retailer than others?
  - “Core Customers”

Retail Value Chain
- Bundle of benefits retailers provide to consumers
  - Ambience
  - Quality of products
  - Brands offered
  - Discounts/good prices
  - Shipping
  - Convenient Location
  - Service

How is Strategic Planning done?
- Situational Analysis
  - Opportunities, threats, mission
- Set Objectives
  - Sales, profits, image/positioning
- Identify Target Market
  - Mass marketing vs Concentrated vs Differentiated
  - Aggregation vs Segmentation

What are your favorite places to shop or visit?
- What value do you get from them?
Strategic Planning

- **Develop Broad Strategy**
  - Who is the competition? (Intratype vs Intertype)
  - What will be your sustainable competitive advantage?
  - Which of the following are sustainable?
    - Price
    - Location
    - Vendor relations
    - MIS-technology
    - Low cost operations

- **Identify Specific Tactics**
  - Control Process/ Retail Audit System
  - Strategies and tactics are evaluated and revised

- Feedback
  - Look at performance measures like turnover, sales, and profits

How can you grow your business?

- **Market Penetration**
  - Present customers, same segment

- **Market Expansion**
  - Existing format to new customers (new geographic area or demographic group)

Growing the Business

- **Retail Format Development**
  - New format to existing customers

- **Diversification**
  - New format to new segments

Institutional Change in Retailing

- Wheel of Retailing
- Accordian Theory
- Dialectic Process
- Natural Selection
- Retail Life Cycle

Wheel of Retailing
Wheel of Retailing
- New types of retailers enter a market as low-margin, low-price, low status merchants
- They gradually trade up which increases their operating costs
- They become high cost merchants and become vulnerable to newer competitors

Retail Accordian Theory
- Broad-based outlets with wide assortment
  - More specialized with narrow assortment
  - Back to wide assortment

Dialectic Process
- Retailers mutually adapt in the face of competition from "opposites"
- When challenged by a competitor with a differential advantage, the established retailer will adopt strategies and tactics in the direction of that advantage (making the innovator less attractive)

Dialectic Process

Natural Selection and Adaptive Behavior
- Environmental need for a certain kind of retailing institution → it will evolve
- Need ceases to exist → the institution will tend to disappear
- Institutions that most effectively adapt to environmental changes are most likely to survive

Retail Life Cycle
- Introduction
- Growth / Accelerated Development
- Maturity
  - Remodel stores
  - Lower costs
  - MIS – technology
  - Every day low prices
  - Reevaluate mgt. practices and service
  - Figure out how they can deliver value
- Decline