



Retailing- a set of business activities that sells products and services to customers for their personal use

- Business to customer relationship – not business to business
- All about adding value and distributing goods and services
- To end customer
- Services as well – not just physical product

Retailers enhance value

- Provide an assortment of products and services
- Breaking bulk (end product in large quantities - cost saving measure for manufacturer – added value of retailer is that they break that bulk so customer can purchase singular item) (businesses like Costco don't break bulk)
- Holding inventory (customers cannot hold volume of products)
- Providing services

Manufacturer -> Wholesaler -> Retailer -> Customer

Australian Retail sector: \$264228.5M total turnover for 2013.

- Growth is being driven by restaurants, cafes & takeaway food. &% year on year growth.

Social & Economic Significance of Retail

- Sales and *distribution of essential products* and services
- Employment
- Wealth distribution
- Social, economic and environmental responsibility

Why retail marketing?

- Marketing tends to understate the power of the retailer – portray as a passive link to the consumer
- Shop marketers – marketing to shoppers rather than marketing to consumers.
- Retail is where the consumer 'moment of truth' occurs
- Retailers have taken control of their marketing mix in their stores
- Extremely important to the decision making process
- *Marketing has become retail centric.*

The Power of Retail

- Shift in retail power – linked to;
 - Ability to set shelf prices
 - Development of retailers own brands (house brands- e.g. Coles) beginning to pull equity from manufacturer brands. Consumers aren't as loyal.
 - Concentration of retail trade and power asymmetry.
 - Access to insight – access to data.
- Combination of...
 - Shifting power dynamic towards retailers
 - Realisation that consumer's purchase decisions are most often made in the retail environment
 - Retailers taking control of the marketing mix in their stores
- Has resulted in...
 - Increase emphasis on marketing within retailers
 - The birth of a new marketing discipline: shopper marketing
 - Increased emphasis and sophistication of retail analytics

Sophistication of Data

➔ Scan Data

- What they bought, how much did it cost etc.

➔ Basket Data

- What was in their basket – not just what they bought but tracking their shopping journey to understand their behaviour.

➔ Loyalty Data

- can start to target individuals - can start to understand the segments.
- Want to combine loyalty and basket data.

Subject Overview

- Rapid evolution driven by
 - Technological advances
 - Consumer trends
 - Global market dynamics
- Retail managers make complex decisions involving; (need agility and diverse capabilities to make these decisions effectively)
 - Marketing strategy
 - Retail channels
 - Customer trends
 - Retail locations
 - Merchandise and services planning
 - Training and motivation staff
 - Pricing, presentation and promotion of merchandise
 - Impact of operations upon people, society and the environment.
- Retail management challenges you to think as customers and retail managers simultaneously to make agile decisions that enhance both the customer experience and competitive edge.

Retail management has a dual focus

- 1. introduce you to the fundamental concepts and principles of retail management
- 2. Explore the frontiers of retailing globally.

Retailing essentials

- 1. Clean environment
- 2. Availability of products
- 3. Pricing consistency
- 4. Customer loyalty – creation of loyalty
- 5. Convenience

Modern Retail

- Rise of the internet
 - Online banking
 - First online store – pizza hut
 - Amazon
 - Launch of iPhone and Apple domination

Future of Retail

- Customer experience
 - Omni-channels
 - Customisation, experimentation & co-creation
 - The personal touch at every touch point
- BIG Data
- Globalisation

Big trends and topics in retails

- Customer experience
 - Omni-channels
 - Customisation, experimentation & co-creation
 - The personal touch at every touch point
- BIG data
- Globalisation

Retail Channels

- Stores – big, small, department, specialist..
- Catalogues/ Direct Marketing
- Vending Machines
- Internet
- Mobile Apps
- + more



Retail formats/ channels

- 1) represent a specific configuration of the retail marketing mix (e.g. store size, typical location, merchandise, price and services offered)
- 2) Often form the CORE of the retail strategy

Retail Channels

Stores

bricks and mortar retail outlets

bricks vs. clicks (store vs. internet)

- **Food retail channels**
 - Supermarket
 - mainstay of grocery retailing for decades, but currently experiencing decline
 - self-service stores
 - non-food items 10-25%

- located in cities and urban neighbourhoods
- facing intense competition from other grocery formats
- not particularly profitable
- small margin for fresh foods (between 1-3%)
- for something like shampoo making profit margin of upwards 30%
- Superstores & hypermarkets:
 - larger stores with more diversified ranges
 - offering a 'one stop shop' experience
 - non-food items: 20-40% (higher profit)
 - in shopping centres and Greenfield sites (outskirts of the city – cheap land)
 - generally follow either a hi-low or EDLP Pricing strategy
- Small stores & Convenience:
 - Limited ranges – mental convenience as well as store size
 - Fast & easy shopping experience
 - Losing business to superstores
 - Long opening hours... at a cost
 - Limited selection (essentials), focus on impulse lines
 - Ease access to high-traffic areas
 - E.g. 7-Eleven/ Coles express
- Hard Discounters
 - Very aggressive pricing (20-30% below)
 - Limited lines and range depth: high turnover focus
 - No-frills environment, no service
 - Focus on low-price store brands where possible
 - Changing selection of low priced, advertised, non-food items – store traffic drivers
 - Low-cost locations
 - E.g. Aldi
- Warehouse Clubs
 - US-based, but expanding
 - Sell to both end users and small/medium businesses (30%-70%)
 - Limited lines and range depth, low prices
 - Membership for an annual fee
 - Large stores in low-cost locations
 - Simple, no-frills store environment

- Branded items
 - E.g. Costco
 - Restaurants & Cafes
 - Fastest growing retail sector in Australia
 - Consumption on-site and off-site
 - Freshly prepared & pre-packaged items
- **Non-Food Retail channels**
 - Speciality Stores
 - Specialise in one or few product or service categories
 - Good-high quality
 - Narrow assortment, but range depth: better selection and choice
 - Knowledgeable staff
 - City. Shopping strips and shopping malls
 - Focus on in-store atmosphere!
 - Combination of change & independent stores
 - Category Killers
 - Offer large, deep range in particular category – ‘one-stop shopping’ at low cost
 - Generally in large store formats
 - Self-service, with staff on call if required
 - Green fill sites, with large car parks to attract customers from a large catchment area
 - Strategy: low operating costs, high volume
 - E.g. Office works
 - Department Store
 - Offer broad product categories and service within a single, large store
 - Structured into departments – merchandised to resemble a specialty store
 - Category focus narrowing to ‘soft’ goods: clothing & footwear
 - Located in city centres and as ‘anchor’ stores in shopping centres
 - 3 tiers within
 - high/upscale: DJ’s
 - mid tier: Macys
 - lower: big W, K-Mart etc.

- Factory Outlet Stores
 - Outlets for excessive stock, overruns, irregular items and post-seasonal fashions
 - Allow mark down of stock, without impacting perception of retail/ manufacturer brand.

Non-Stores

- Direct Selling
 - Interactive, personal contact, between salespeople and customers at a non-store location
 - In-person, or over phone
 - DS channels operated by retailers and manufacturers
 - High level of info (& sometimes demonstration) provided by sales person
 - Comes at high operating cost
 - To overcome high costs, DS has also evolved into party-selling (e.g. Tupperware)
- Catalogue Retail & Direct Marketing
 - Products are presented and offered via a non-personal medium, such as catalogues, television, websites, email.
 - Customers order online, via mail, telephone
 - Limited or no opportunity to actually view the product before purchasing
- Vending Machines
 - Cash or credit operated retailing format that dispenses goods and services
 - Generally located in high-traffic areas
 - Eliminated use of sales personal and allows 24 hour sales
 - Vending sales of non-food items are increasing (e.g. DVDs)
 - Innovation in vending machine retail include the integration of interactive product displays and information
- Digital/ e-Retail
 - Australia spent
 - \$14.9 billion online for the year to Jan 2014-03-14 6.5% of total retail spending
 - domestic retailers control 74% of online sales
 - Online retail is growing

- up to 11.3% in value over the year to Jan 2014-03-14
 - large number of shoppers only shop once a year
- Dominated by younger generation
- Big volume rise from online-only retailers
 - E.g. Ebay, Amazon
- Group buying website are also growing significantly
- Present a significant threat to traditional retailers
- Role of the Web
 - Project a retail presence and enhance the retailer's image
 - Generate sales
 - Reach geographically disperse consumers
 - Provide info and promotional deals to consumers
 - Obtain feedback
 - Capture customer ideas
 - Describe employment opportunities
 - Provide information to potential investors, franchises and the media
- Advantages
 - Less costly
 - Expands marketplace
 - Open 24/7
 - Customers can stay for as long as they like
 - Mobile, convenient shopping
 - Info can be targeted
 - Quick price / benefit comparison
 - Broadest selection
- Disadvantages
 - Address can be hard to find
 - Cluttered
 - Needs constant updating
 - Slow internet speeds with some consumers
 - Can become overwhelmed with requests
 - Privacy issues
 - Inability to view or experience the product before purchase
 - No personal interaction

Strategic Considerations

Developing Channel strategies

- **Multi-channel retailing** - Combining several retail channels in parallel to sell products/services & increase customer benefits
 - Strategic considerations
 - Retail life cycle
 - (SEE PICTURE AT BOTTOM)
 - Channel attractiveness
 - Reasons to evolve
 - 1. Expand reach to new markets
 - 2. Leverage business competencies & assets to increase profits
 - 3. Overcome limitation of existing formats
 - 4. Increase share of customer wallet
 - Benefits
 - Stores
 - Browsing
 - Touching and feeling
 - Cash payment
 - Instant gratification
 - Personal service
 - Entertainment and social interaction
 - Risk reduction
 - Catalogs
 - Convenience
 - Safety
 - Portability and easy access
 - Internet
 - Convenience
 - Safety
 - Personalisation
 - Broad and deep assortment
- **FRONTIER: Omni-Channel**
 - A seamless approach to the customer experience through all available shopping channels
 - Division between channels disappear – multiple channels merges in customer experience.
 - Challenges