Retail Marketing Strategy

Prof. Sourabh Arora

Department of Management Studies

Indian Institute of Technology, Roorkee

Lecture-25

Welcome back everyone. Today we will be beginning with session 2 of the week 5 of the course Retail Marketing Strategy. So, as far as this week is concerned we are precisely delving into the facets of a retail strategy. We are trying to understand what are the parameters or can be the tricks for framing a successful retail strategy. And if you remember we had precisely touched upon the three perspectives or three key pillars when we talk about a retail strategy. One was about identifying the right target market which means where the retailer would actually be driving its resources.

The second one was what is going to be the strategy with respect to the format and retail mix. Now this can be related to a promotion strategy, merchandising you know visual merchandising what where is going to be the location of the stores and a few more facets. And the last one was about sustainable competitive advantage where we precisely try to understand what is it that the retailers can do better from their competitors to have a strong position or hold in the market, but it has to be something which cannot be easily copied right. But even in this session also we will be delving a lot more into this.

So, we will be understanding what is segmentation and what can be the basis for segmentation and what are the key essentials for a target market segment right. Apart from that we will also be getting more into the depth of elements of a retail strategy which indeed are the three that we have just discussed or briefed upon. And finally, we will be understanding how a retailer can actually achieve a sustainable competitive advantage. But in this module as well we are back with our exciting elements which are extra fodder for thought and learning something new. So, in this module I will be introducing something called as snowstorm experience with you and we will also be learning which is the brand which actually mastered this.

Apart from that we will be learning the meaning of high speed retail as we will move towards the end of this particular module. Now we before start understanding what can be the basis of segmentation we need to understand what exactly is a market segment.

Market Segment:

A group of customers with similar needs, homogenous internally but heterogeneous externally

Targeted Segment:

A segment that a retailer decides to focus its resources on or channelize its resources towards

So, if you want to understand this in a very simplistic way you can say it is a group of customers with similar needs right which means the consumers or the prospective consumers who have similar needs you are clubbing them together and you are calling them as a segment. Let us say if you club all the diabetic people and you decide to come up with a restaurant for them where the food which is good for the health will only be available there that can be considered as a segment. However, it can be considered as a niche segment to be precise and we will also be talking about this also as we move further.

Apart from that even when you talk about gender males and females can also be one of the segments. Segment can also be on the basis of income level high medium and low even social class can be a way of segmenting markets right. But for now what you need to understand is a segment actually indicates a group of people that have similar needs and these are precisely homogeneous internally right only when they are homogeneous you are clubbing them together to make a segment, but they are heterogeneous externally which means they have to be different from other segments otherwise what is going to be the point of creating different segments right. So, the core is it has to be homogeneous internally, but heterogeneous externally. Now once you have understood market segment which could be many what you need to understand is a targeted segment.

Now a targeted segment is the one that a retailer decides to focus its resources on or channelize its resources towards. Now understand this with an example let us say maybe we will continue with the example of Fab India again right. You might have a lot of segments right when you talk about gender you have male females right. Now Fab India is focusing on both they are driving their resources towards both the segments with

respect to having specific merchandise for them or figuring out what can be the preferences products which can be kept in stores with respect to both the gender side specifically with respect to ethnic wear. Now their targeted segment is both when in women apart from that they are also focusing on kids or children.

Now that also becomes their targeted segment right, but you might also have some specific brands let us say in kurta category which are only focusing on women. So, for them their targeted segment is only going to be women right. So, this is one way of understanding a targeted segment which means what a retailer thinks is going to be the segment they would like to drive their resources towards or in other words you can say from where they think they can make profits by making the best utilization of the resources that they have. So, for now I hope you are clear with the meaning of market segment as well as targeted segment. Now what we are going to understand is another key concepts which are precisely concerned with segmentation.
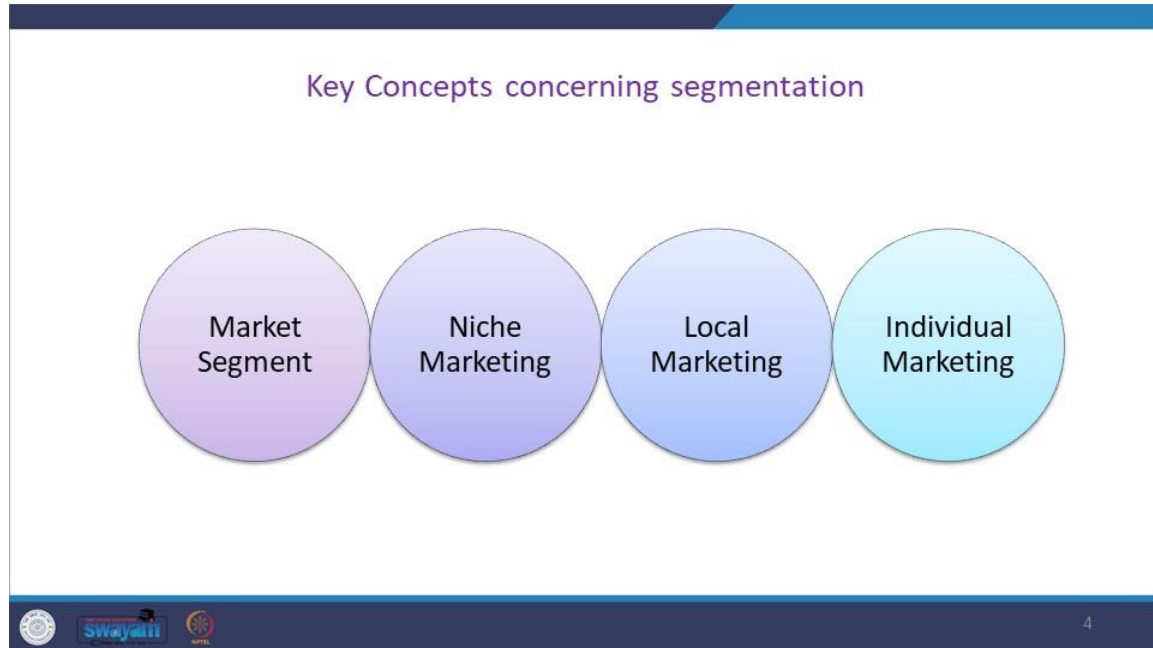
So, first is market segment which we have already understood right which means you are clubbing the group of people who actually are homogeneous with respect to their needs, but many researchers have talked about offering a flexible solution or a flexible offering to people which means it will have a naked solution and it will also have a discretionary options. Naked solution means something which is very basic and could be required by a larger segment or let us say by more of or by different segments, but when you talk about discretionary options this is more like adding more of features or bringing in more of options which can be basically determined on the basis of pick and choose by those customers themselves right. See you can understand this with respect to a car. In basic

model you get the basic things, but as and when you start moving towards advanced models there are a lot more discretionary options which are available for customers at a price right. So, that is how they are segmenting on the basis of price levels right.

The people who want to buy a more of a competitive or economic option with the lesser price they will prefer a basic option, but the people who want an advanced version of a car will be definitely going for it along with other discretionary options which could be like an advanced stereo system in the car or other things right. So, the another important concept which you need to understand is niche marketing. Now niche marketing is more like a subset in the segment itself right. So, this is more like you are focusing on the very distinctive needs of a particular set of customers. If you remember I gave you the example if you talk about diabetic people and you decide to come up with a specific restaurant for them which will be only offering let us say products which are very good for their health or food items which would be good for their health that can be considered as a niche marketing.

Apart from that another example is a brand called as a revolution which basically manufactures for products with different body sizes which could be excel or double excel. So, they are also focusing on that particular segment that could also be considered as a way of niche marketing. What precisely happens in niche is you are trying to cater to the very distinctive needs of people or a subset of people, but for this they will indeed be willing to pay a higher price that is how you make it profitable otherwise you will never be able to achieve economies of scale when it comes to niche marketing right. So, another key concept which you need to understand with respect to segmentation is local marketing. Now in local marketing what you are precisely trying to do is you are trying to tailor your products with respect to the specific needs of the people living in that particular area.

Now one example for understanding this is you see banks in almost all cities, but if you talk about Kerala you might specifically find some of the branches we are only catering to NRI's because a lot of people move to middle eastern countries there. So, that is why there is a need for branches which are catering to the specific requirements of the NRI's there. So, that can be considered as an example of local marketing. Now the last is individual marketing. Individual marketing is all about customization which means you are trying to empower the customers to design products for themselves.

It is more like one to one marketing where the consumers can actually design products for them. It is in another words can be said is more like creating segments of one right and this definitely thrives a lot more on technology because Nike also came up with the campaign which was Nike by you where it allowed or empowered people to design their own sneakers. You can definitely go and Google more about this. This again is one of the very fascinating examples when we talk about individual marketing how Nike

empowered their prospective consumers or existing consumers to design their own sneakers and give it a flavor which actually represented a personality of their own. This is how they actually designed the campaign.

Bases for Segmentation:

Geographic: Region, Cities, Rural and Urban

Demographics: Age, Gender, Occupation, Education, Income level and Social Class

Psychographic: Activities, Interests and Opinions, Lifestyle

Behavioral: Occasions, Benefits, User status, Usage rate, Readiness stage

Predictive: On basis of data emerging from actual behaviour and purchase patterns

So, please go and Google more about it I am sure you will find it very exciting and fascinating. Now as we move further we will be delving into the facets of segmentation with a little depth. We will be understanding how you can actually create segments for consumers. This is more like identifying set of consumers who actually share homogeneous needs. Now this can be on the basis of geography.

Now geography simply means that you are dividing your market in different geographical units. Now that can be on the basis of nation, states, region, cities or as far as India is concerned this can be precisely on the basis of rural and urban also right. Next is you are dividing your customers or creating segments on the basis of demographics, age groups, gender, occupation, education level, income level and even social class. Another way of segmentation could be psychographics which is basically a combination of psychology and demographics and this gets translated into activities and trust opinions and indeed lifestyle. Apart from that you can also have segmentation on the basis of behavioural variables which is more like a divisions created on the basis of occasions, benefits, user status, usage rate, readiness stage and finally, it can also be predictive which is very much reliable as far as to date retailing dynamics are concerned and this is on the basis of data emerging from actual behaviour and purchase patterns.

Now see one way of looking at segmentation could be from the lens of products and services right. Products and services as in let us say if you talk about gender you might have certain products which are only used by men and you might have certain products

which are only used by women and when you talk about occupation you might have someone let us say who is sitting on a very high managerial position he might prefer brands like radu or if you talk about someone who is working on some another position let us say on clerical basis he could prefer different brands depending upon their income level as well. So, there is always going to be an mish and mash when you talk about different demographics with respect to the products that they prefer. Now as I was telling you one lens is you start looking at the basis for segmentation from the context of products and services which means what are the products and services that people in different segments would prefer right, but you can also look at it from the lens of retail stores also right because that also becomes a key basis when we get into the facets of retailing dynamics. So, what we are going to do is we will be looking at the basis for segmentation from the lens of retailers.

So, one such example for this could be see whenever you are talking about geographic segmentation which is precisely looked at from the perspective of region cities rural and urban maybe you can consider

Pothy's this is one of the stores which only operates in southern India right and earlier they were precisely into the business of clothing specifically sarees, but now they have also got into grocery business. So, if you search about this you will only find their presence in basically the southern part of India. Now this precisely is one of the examples with respect to retailing when we look at it from the terms of geographic right because they are only operating in the southern part. Another example could be in the food business which is one of the popular chains for biryani's and is called as thalapakatti biryani even this you can find in southern part you might not find any of their branches in

the northern part of India or maybe in the western part as well. Now the another example which you can consider with respect to geographic is Sree leathers which is very popular specifically in West Bengal and precisely in Calcutta where they have their headquarters and they precisely sell products made from leathers now that could be bags, wallets, shoes and other footwear and a lot more products.

Now this also is one of the examples which definitely has branches in other parts of India also, but precisely they have dominance in the eastern part. Now see if you look at these examples we are trying to look at retailers which have a very niche geographical presence. Now this can also be aligned with respect to products right if you visit a retail store let us say in southern India you might very different kind of product assortment which is being offered there. Likewise if you go to West the product assortment could be very different as compared to what you find in north. What I want you to understand is the bifurcation of the geographical lengths with respect to the products and services which are offered by retailers and also with respect to the presence of retailers from geographical context.

Geographic: Urban

Source: https://founderindia.com/zara-india-has-reported-an-increase-of-73-in-its-fy18-profits/

Another example which you can have is of Zara. Now you will not find Zara having their stores in rural areas right precisely because the target audience which they have is not residing in rural areas even with respect to the income level or let us say talking about the lifestyle all these factors are definitely going to play a role that is why you only see their presence in urban areas right. So this again is one of the examples which you can understand to understand the geographical lens with respect to retailers. Now when you are specifically talking about gender we will be considering the example of Aurelia and Fab India.

Demographics: Gender

Source: http://www.diamondplaza.in/aurelia.php, https://retail.economictimes.indiatimes.com/news/apparel-fashion/apparel/fabindia-to-open-10-experience-centres-by-2018/61803453

Now when you talk about Aurelia the only manufacture products for women whatever merchandise they have is only directed towards women, but if you talk about Fab India their merchandise is available for men and women as well as children.

So this again is one of the examples where we can look at the bifurcation of retailers or the segments which they are catering to from the lens of gender which comes under the orbit of demographics right. So the another example which we can consider could be from on the basis of income level and that comparison can be done from the lens of the Rado watches which is one of the other most expensive brands and Titan world which actually has other brands like Sonata also which is basically targeted at lower and middle income groups.

Demographics: Income level

Source: https://www.ethoswatches.com/locatestore/store/ealr-ahmedabad/, https://www.kozhikode.directory/titan-world/i/1833

Now if you look at both these brands as far as demographics are concerned their segments with respect to income level are very different while Rado is catering to people who have a very high income level, Titan is catering to people who have either low income groups or middle income groups, but not specifically Titan per say we are considering their brand Sonata in this particular segment which caters to lower income and middle income groups they also have brands which cater to the elite class, but for understanding maybe you can consider both these examples if you want to understand the context of income level as far as the demographics from retailers perspectives are concerned right. Now another example which you can consider in this case is of age and income level. Now if you talk about first cry their products are only targeted at infants or maybe let us say kids or children beyond a certain age they are not focusing on teenagers right, but their customer is definitely women who come and buy products for the kids and children.

Demographics: Age and Income level

Along with this if you consider the example of Nike it is basically catering to people who have high income level because the price of the products is a little higher even with respect to apparel, but if you talk about Sparks which is precisely an Indian brand their targeted audience is precisely the people who have lower or middle income level. So, this comparison can also be kind of executed to understand demographics from the lens of retailers. See this can also be looked at from the perspective of products and services, but here what we are doing is we are trying to understand this completely from the context of retailers right. Considering you know some retail stores will be catering to a certain set of income level which could be high or elite and some retail stores would be only keeping an assortment which is catering to lower and middle income groups. So, I hope you got some perspectives about the context of demographics.
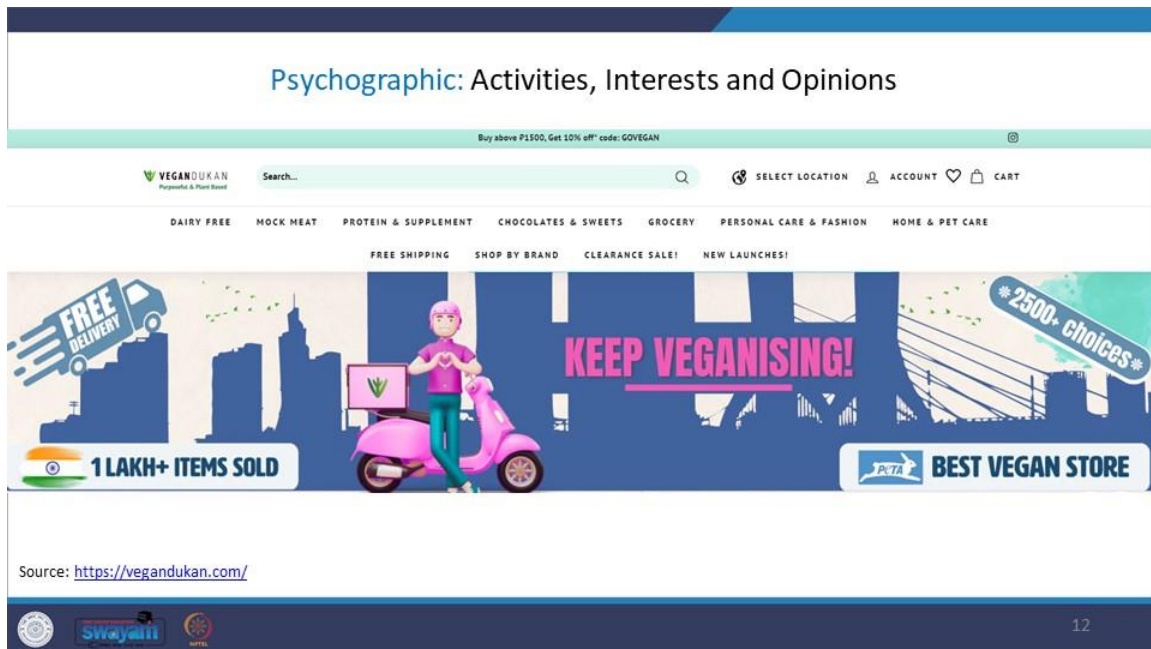
Demographics: Age and Income level

Source: https://arisingstate.com/valleys-first-gaming-arena-comes-up-in-city-mall-lal-chowk/

Now when you are talking about age you can also consider the example of a lot of gaming arenas or gaming stations that you find in malls right precisely their targeted audience is either the youth or maybe kids precisely. Now this is again one such example you can consider to understand the context of demographics right. So, when you get to the next segmentation which could be on the basis of psychographics which is all about activities interest and opinions one example which you can consider is definitely veganism. Now people who have adopted veganism definitely have different opinions and interest as far as veganism per se is concerned. Now this is one particular retailer who is thriving on that right.

Psychographic: Activities, Interests and Opinions

Buy above ₹1500, Get 10% off* code: GOVEGAN

VEGANDUKAN
Purposeful & Plant Based

Search...   SELECT LOCATION   ACCOUNT   CART

DAIRY FREE   MOCK MEAT   PROTEIN & SUPPLEMENT   CHOCOLATES & SWEETS   GROCERY   PERSONAL CARE & FASHION   HOME & PET CARE

FREE SHIPPING   SHOP BY BRAND   CLEARANCE SALE!   NEW LAUNCHES!

FREE DELIVERY   KEEP VEGANISING!   2500+ choices

1 LAKH+ ITEMS SOLD   PETA BEST VEGAN STORE

Source: https://vegandukan.com/

Now this particular retail idea is indeed based on psychographics of people, people who align more or kind of you know want to adopt the lifestyles which are completely based on veganism. So, vegan Dukan is one of the retailers which is flourishing and can be clubbed under the essence of psychographic segmentation which further gets translated into activities interest and opinions. Now there is one more industry which we can consider as far as psychographics or activities interest and opinions are concerned. Maybe we can look at the example of cosmetics industry. Now look at this, this snapshot has been precisely derived from PETA and it says animals are not asked to experiment on eat, wear, use for entertainment or abuse in any other way.

Now they are specifically telling about the cosmetic companies who do not test on animals right. The makeup is completely cruelty free and these brands do not test on animals as you an see it written on the screen. Now this again can be considered as a key example with respect to psychographics because you will many times see people searching of information if these particular cosmetic brand is testing on animals and if it is doing they might not prefer buying from them. Now this again gets aligned with their opinions that they are not comfortable buying those brands or cosmetic brands which actually test on animals. You will also be able to notice that many cosmetic brands in India would rather be thumping and kind of presenting it as their USP that they are not testing on animals just to create a differentiation with respect to other brands.

So, as far as these two examples were concerned I really hope you got some perspective about the psychographic segmentation as far as retailers are concerned. So, but for this I would again urge you to think of some more examples and you can anyway get back to the forum any time and share it with us and we will be happy to read about your views and your examples with respect to psychographic segmentation as far as retailers are concerned. Now we will be moving forward with respect to understanding the behavioural segmentation. Now as far as retailing is concerned and behavioural segmentation is precisely the context occasions can definitely play a key role. Now for this one retailer which we can consider is Archies.

Behavioral segmentation: Occasions

Source: https://yourstory.com/smbstory/archies-gifts-online-beauty-products-mamaearth-beardo-skinn

You will see them selling a lot more with respect to the Valentine's week or maybe let us say on festivals like Diwali on special days like Mother's day or Father's days. o, basically the key lies in marketing because their focus is always on making these days lot more grander and then pushing people to buy gifts or greeting cards or other gifting items for their loved ones let us say for their father on Father's day or for their mother on Mother's day and likewise on the Valentine's day. Now this again is one of the examples of a key retailer when you want to understand the context of behavioural segmentation. Apart from this behavioural segmentation can also be looked at from the perspective of benefits. I will give you an example with respect to a product and service offering first and then we will move for further.

Let us say if you talk about toothpaste you will only see people who have sensitivity issues buying Sensodyne right because that is one of the benefits it offers right. So, when you want to understand this from the perspective of retailers or behavioural segmentation in context of benefits let us say you might have a retail store who is offering the minimum cost or very competitive prices like which happens with Wal-Mart or Costco if we talk about you know global markets. Now basically the benefit which they are offering is low prices and you see a lot of people heading to these stores. Now another way of retailing with respect to behavioural segmentation could be exclusive merchandise also. You might have a retailer who is offering exclusive merchandise and then you might see a lot of people just going there for buying products.

Apart from that behavioural segmentation is also aligned with user status whether a particular individual is a user, non-user, ex-user or a potential user. Now you can also

transpose this to retail stores. Let us say a retailer might prepare a list of people in a particular locality a grocery retailer the people who have not visited him once or have not bought him from once or there could be people who have been buying regularly. Now this assumes importance because you will definitely require different kind of strategies for these segments. Another way of looking at this could be usage rate you might have a set of customers who are visiting you quite often or there are people who might not be visiting your retail store quite often or once in a while.

For this also you will be required to implement different strategies right. Many times you will see all these retailers whether it is Amazon or Flipkart they will provide an early access to their members Amazon Prime members or Flipkart plus members. Now my question for you is in which segment are you going to place them do you think this is going to be a case of behavioural segmentation or a read in a stage. Read in a stage means how much consumer is aware of your brand in the sense like there could be stages that a consumer is aware of your brand, but he is not buying. Now he has an interest and a desire to buy your products now that is again one of the read in a stage.

Apart from that there could also be a stage where he is regularly buying your products and is emerging as an advocate right. So these all stages can also be understood from the perspective of retail stores also, but as far as this is concerned I want you to kind of share your views in the forum and tell us what do you think prime early access sale if it can be categorized under the behavioural segmentation or read in a stage. I hope you got the context and we will be happy to read about your views in the forum section itself. So as far as this module is concerned I really hope that you enjoyed learning about the facets of retail strategy, but as we move to the next session we will be definitely learning what are the key essentials of a target market segment along with that we will also be learning how retailers can actually achieve sustainable competitive advantage. Apart from that we will also be touching upon our two key exciting elements extra fodder for thought and learning something new.

So thanking you for now and looking forward to meeting you in the next session. Thank you.