

Retail Marketing Strategy

Prof. Sourabh Arora

Department of Management Studies

Indian Institute of Technology, Roorkee

Lecture-35

Welcome back everyone. Today we will be beginning with last session of the week 6 of the course Retail Marketing Strategy. So, if you remember as far as the last session was concerned we precisely discussed about the merchandise management and planning. And I definitely gave you an indication of the facets concerning merchandise management which is all about making sure that right merchandise at right time at right place and at right time is made available to the customers. See if any of these is missing it is definitely going to bring in a lot of dissatisfaction and the consumers will indeed be moving to competitors. Let us say first if the right merchandise is not available.

Now what do we mean by right merchandise? What we are trying to say is the products that you have kept in stores have not been mapped with the requirements of the target market or the people who are living in the vicinity of that particular store or let us say the people who would be visiting that particular store. Now if you do not keep the right merchandise as in the products which are required by them then again it is again going to be futile right. Now the another thing is about looking at the facet of right price. Now you might have the best of merchandise, but if the prospective customers or your current customers who might come to buy more of products do not consider the prices to be fair or find them very expensive right.

Now in that case also you might not be able to make as much as sales as you can and in this case also you might see the customers moving to competitors. Now the third thing is making the right merchandise available at right price and at right time. Now when the merchandise is not being made available when the consumers come to buy it this again is going to be not of much use. Just imagine with respect to a grocery stores when we know that the majority of people would be coming to buy milk in the morning and if at that time the stocks are not being made available or every time the stock is less definitely this is not going to work well and likewise you will see a lot of customers moving to competitors. That is why the essence of making the merchandise or the products available at right time at right price at at right time becomes very much important considering the facets of merchandise planning.

Learning Objectives:

After going through this module, the learner will be able to appreciate:

- Merchandise Planning Process
- Buying Merchandise
- Channel Management

Extra Fodder for Thought: "Smallest Billboard "

Learning Something New: "Endless Aisle"



So, precisely in this module we will be winding up on the last stage of merchandise planning process we will also be looking at the facets of buying merchandise then eventually we will be closing this session with channel management and we will again get to the exciting elements which is extra fodder for thought and we will be looking at the smallest billboard. Now as far as smallest billboard is concerned you can think of any size, but when we will get to this particular let us say context you will be surprised to see how much smaller it can get right. Another thing which we will be learning is the concept of an endless aisle and what are the benefits and challenges that it brings for retailers.

Analyzing Performance:

Sell Through Analysis: The objective here is to compare the actual and planned sales and decide accordingly if more inventory is required or markdowns.

ABC Analysis: Identifies the performance of individual of SKU's

A items: Account for 5% of SKU's but bring in 70% of sales

B items: Account for 10 % of SKU's but bring in 20% of sales

C items: Account for 65% of SKU's but bring in 20% of sales



So, now the last thing which we need to understand in case of merchandise management is sell through analysis which is a part of analyzing performance right. See whatever stocks you have kept in stores you would also like to see how they have performed now that can be with respect to profitability and can also be with respect to sales.

If you keep a stock which is not being sold or consumers are not buying it there is no point of buying more of it even in the next cycle or even keeping it in the next cycle right. So, these are the kinds of analysis which you need to make again to understand that the right kind of merchandise is being made available to the customers. So, sell through analysis is basically is a process in which we compare the actual and planned sales and then we decide if more of inventory is required or you need to go for markdowns to even clear the existing stock which is available in the store. And again I would repeat it even when you have excess store there is indeed going to be an opportunity cost associated with it. Sometimes an ABC analysis is also done.

Now what happens in case of ABC analysis is that we divide the stock keeping units into three categories A items, B items and C items. Now A items are precisely those items which account for the 5 percent of the total stock keeping units in a store, but bring in 70 percent of sales. B items precisely are those which account for 10 percent of the stock keeping units, but bring in only 20 percent of sales. Now C items are precisely those items which account for 65 to 85 percent of the stock keeping units, but bring in only 20 percent of sales. So, many times you will see that the focus of retailers is definitely going to be on A items.

Now A items many times could also be staples because these only account for 5 percent of stock keeping units, but bring in 70 percent of sales. But otherwise also a retailer is

required to stock more or to offer a lot of variety precisely considering the fact this works as an attraction point for the customers right. Because many times consumers will only prefer those retail stores which actually come up as one point shop for a lot of their daily needs. Now I really hope that as far as the process of merchandise planning is concerned you gain the essence with respect to various facets whether it was with respect to demand forecasting considering staples, fashion merchandise and seasonal merchandise. Then again looking at the facets of assortment planning, inventory management and finally, looking at how we also need to analyze their performance.



Now see we discussed how merchandise planning happens. Now when you get to another facets in this regard it could be about deciding whether we will be going ahead with national brands or we also need to keep some private label brands. Now I think as far as private label brands are concerned we have already discussed about these as well as national level brands in some of our past sessions. Now private label brands are precisely the brands which are manufactured by the retailers itself whereas, national level brands are those brands which have a pan India presence and are manufactured by the leading national level manufacturers. National level brands have a very high level of brand awareness and many times could also act as anchors.

But the context of private label brands also becomes very important for a retailer precisely because as we had discussed earlier also they bring in a very high level of loyalty. If you have a private label brand which becomes very popular or consumers develop a very strong liking for it just imagine the benefits that it brings in. Firstly the consumers would be coming to your store only because as it is a private label it is

available with you only. Along with that you will also have very high levels of profitability when it comes to private labels because the profits are not being shared with any other vendor or any other party. Along with that you can also command a premium for the shelf space that you have otherwise anyway you have the option of keeping your own private labels.

Advantages and Disadvantages of National Level Brands vs. Private Labels		
Impact on Store	National Level Brands	Private Label Brands
Store Loyalty	+/-	+
Store Image	+	+/-
Traffic Flow	+	+
Selling and Promotions	+	-
Restrictions	-	+
Differential Advantages	-	+

+ Advantage of Retailer
 - Disadvantage to the retailer
 +/- Depends on circumstances

Source: Retailing Management, Levy, Weitz and Pandit, Mc Graw Hill, pp. 437

So many times retailers also need to decide how much of a composition of national level brands and private label brands they should go ahead with considering the benefits that they can get with respect to private labels. But if you want to understand the holistic picture this is how we can sum up the advantages and disadvantages of national level brands vis-a-vis private label brands. Now if you talk about the impact on store with respect to store loyalty for private label brands this is definitely a plus as in advantage to the retailer. But for national level brands it can indeed be plus and minus both plus if you have something which is very exclusive as we can consider the case of one plus only being available on Amazon right we had discussed about this earlier also. But minus if you are offering the same range which every other retailer is offering then what is it extra that you are offering to a customer to come to your store.

Until and unless you start capitalizing on creating unique and memorable experiences for the customers this might not work. Now along with this when you talk about store image how a store is perceived by the prospective consumers national level brands as many times we discussed if they are acting as anchors it is definitely going to be a plus and they will enhance the store image. Whereas in case of private labels it is both plus and minus which indeed indicates that this is going to be dependent upon circumstances. If a private label enhances a store image in a positive way or they kind of deflated. Now it is going

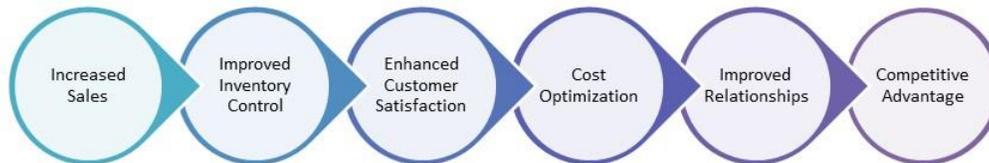
to be a plus if you have won the loyalty of the customers with respect to private label and it indeed comes across as a value offering.

Value offerings as in it offers a much more than the price that is being charged there are lot of benefits with respect to this particular private label comparing the sacrifices the price which customers are paying for it. Now this again is dependent upon circumstances, but if you talk about traffic flow both national level brands and private label brands can bring in if again the situation is they start acting as anchor brands and they are liked by customers. With respect to selling and promotions as far as a private label brand is concerned it is going to be minus because the retailer would be required to make an investment in order to promote these right. Whereas with respect to national level brands the retailer is definitely going to get some support from the national level manufacturers or the marketers with respect to assisting in selling and promotional activities. Many times you might also see a series of collaborative promotions as far as the national level brands and retailers are concerned.

But with respect to restrictions national level brands are going to bring in a disadvantage because you might not be able to decide on price you might not be able to decide on promotional offers as far as national level brands are concerned. But as private labels belong to you the retailer definitely has the full control to decide what should be the price, what should be the promotional offer or how things need to be tackled as far as various facets let us say about selling and promotions are concerned. With respect to national level brands the retailer may not have any differential advantage because the same national level brands could be available at every other retail store until next there is an exclusive contract right. Whereas with respect to private label brands if you succeed in kind of creating a star value offering and it can win over the loyalty of customers this is definitely going to offer differential advantages. So, I hope now you can understand why private labels becomes important, but indeed we cannot undermine the facets with respect to national level brands because they many times act as anchors.

But as far as private labels are concerned if you remember our last discussion they definitely had their own journey while they were considered as the poor substitutes of national level brands. Today they are in a position where they are being induced by not only celebrities, but also command their own loyalty under stature as far as the product assortments are concerned. So, considering this discussion I would rather encourage you to head to forum and share your views with respect to why a retailer should keep private labels or considering national level brands what should be the strategy of a retailer as far as the composition of national level brands and private labels is concerned. So, we will be happy to read your views in the forum section right.

Benefits of Merchandise Management



Now, before we wind up our discussion with respect to merchandise management and planning we will be looking at the benefits of merchandise management.

So, the first benefit is increased sales. See if you look at merchandise management it definitely helps retailers to ensure that right kind of merchandise is being placed in stores right. Now, whether you are doing it by adopting the scientific way with respect to determining demand going for an extensive demand analysis or even by adopting qualitative and quantitative research methods with respect to understanding the needs of the target market segments that would be coming to your stores. So, most precisely the outcome is going to be only keeping those products which customers would happily buy right. So, there is indeed going to be an increase in sales along with that once you have earned the loyal customers you will also be in a position to upsell and cross sell to them whenever they are inside the stores.

So, the next benefit which merchandise management brings is indeed improved inventory management right. See merchandise management is definitely helping you in arriving at the optimal inventory levels right because you are always in process of monitoring sales. If you remember the analogy that we discussed with respect to managing stocks or with respect to share markets or the job of a merchandise manager they both are involved in checking what could be sold like hot cakes and what is something that could not be sold or is losing out on the charm. So, looking at the demand patterns understanding lead times or utilizing the past sales data is definitely going to bring in more insights for managing the inventory levels. This in a way also captures the facets of the fact that whatever decisions you are taking for inventory management are precisely data driven.

So, that again is also going to bring in more insights and will help you avoid the opportunity cost of under stocking and even stocking of the products which will be kept in stores. So, in ways you can say this helps you make more of informed decisions. Now in all these facets when there is no under stocking, over stocking and the product availability levels are going to be high you will definitely end up enhancing the customer satisfaction, but this can also be aligned with respect to the fact that you are offering right merchandise to the customers at right time at right place. So, this again can be considered as a way of kind of taking customer satisfaction to the next level. Next level as in when you are kind of going for very thorough analysis and keeping very you know products which are very much aligned with the needs of target market otherwise this also becomes a minimum requirement right.

If you do not have stocks which are liked by customers definitely there is going to be a very high level of dissatisfaction right. Along with this also helps you optimize cost because anyway you are avoiding the situations of under stocking, over stocking and keeping only those products which are liked by customers right. So, your shelf space will be clearer faster and you will be able to make more of profits. Along with this is also helps you improve vendor relationships because you are working closely with suppliers and vendors you are able to negotiate better with them in terms of prices in terms of other services right and you also get access to new product offerings when you share very strong relationship with the vendors. And eventually when you have a very robust system of merchandise management you are definitely going to enjoy lot of competitive advantages also now that may come from increased sales by having an improved inventory control systems or eventually because of the improved customer satisfaction.

So, all these facets whether this is with respect to increase sales, improved inventory control, enhanced customer satisfaction, cost optimization, improved relationships and competitive advantage you can sum up the benefits that retailers can enjoy by having a very robust mechanism for merchandise management right. So, I hope you gained enhanced perspectives about the intricate topics which can be associated with merchandise management. Now, as we move forward we will be learning about the facets of channel management. See to put it simply channel management also becomes very important for a retailer right because this precisely becomes a place which you are offering to the customers to buy products and services right. If there is no place which is one of the P's which gets reflected in terms of retailers, distributors, wholesalers indeed there would not be any satisfied or happy customers.

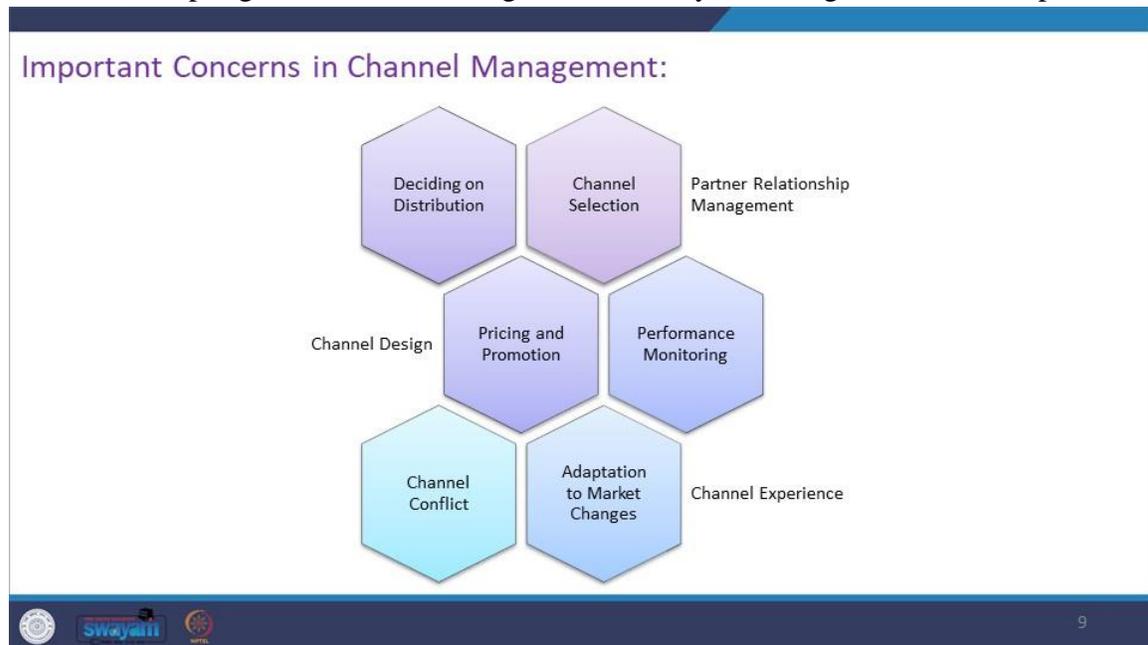
Channel Management:

The practice of monitoring and improving the distribution channels a business uses to market its goods or services is referred to as channel management.

It entails organizing, carrying out, and monitoring a range of operations to guarantee the timely and accurate provision of goods or services to customers.

So, to understand this in a technical way channel management is all about monitoring and improving the distribution of channels, a business uses to market says product or services to the customers and this indeed is referred to as channel management. Now, this involves a lot of decisions now that could be related to what is going to be a strategy if you are deciding to go for an extensive distribution network where the objective is to make available at maximum places and at low prices or you could decide for a selective distribution network in which you will have limited stores, but not as I has which you can have in case of extensive distribution network or you might even decide to go for an exclusive distribution network in which you are only going to have very few exclusive stores which will be catering to the needs of customers. To sum up it is all about organizing, carrying out and monitoring a range of operations to guarantee the timely and accurate provision of goods and services to the customers. Now, these are the important concerns that we need to understand as far as channel management is concerned. So, it starts with deciding on distribution, channel selection, partner relationship management, channel design, pricing and promotions, performance monitoring, handling channel

conflicts, adapting to market changes and finally, offering a channel experience.



Now, when we talk about the facets of deciding on distribution you can look at it from the perspective which we just discussed now whether you want to have an extensive distribution network, whether you want to have a selective distribution network or you want to have an exclusive distribution network. The only difference is an extensive distribution network the objective is to make products available at maximum places you can and at low prices. Now, in this case the control is not much in your hands or in the hands of the marketer it eventually goes to all the retailers who will be stocking your products. But if you have a product in which you want to make sure that how customers should be dealt with or what are the kind of services or ambience that should be offered to customers when they visit the stores it is best to keep it on the premise of selective or exclusive distribution network depending upon the product categories that you are dealing with. Let us say if you are talking about cars or let us say BMW in that case you might not decide to have an extensive distribution network what you would prefer is a exclusive distribution network even for exclusive jewellery brands or expensive watch brands like rado you would anyway prefer keeping an exclusive distribution network because the whole objective is to offer the best of experiences to the customers.

The next is going to be related to channel selection. Now, when we talk about channel selection it is all about carefully selecting the most appropriate channels which you want to offer to customers. Now you might have certain retailers specifically let us say if there is a startup they might decide that they will be only selling their products online first because considering the product categories they might have their prospective customers available online right another would be they might not even have that much resources to

invest in opening up brick and mortar stores right. So, channel selection again becomes very important, but this indeed broadly should be looked at from the perspective of target market. Let us say if your product category which you want to offer to customers is be would be purchased by senior citizens in India.

Now in that case it would be best to have brick and mortar stores right because many times senior citizens might not be able to use online channels with that much fluency or ease right. So, that is why the context of considering target market becomes important. Now this can also be looked at from the perspective of the youth. Now let us say if there is a particular product category which is a lifestyle based product and will be basically targeting teens you might decide to only offer it through social media channels. Another thing which you need to consider in channel selection is what is the customer preference you can gauge out this maybe by looking at the similar product categories and then looking at their sales data with respect to various channels and then you can decide which is going to be the preferential channel for customers.

Along with this you also need to see channel partner capabilities right. Let us say with respect to an online channel the cost mechanics are definitely going to be different right. You might be able to offer products at lower prices to the customers because you will not be paying on rent, you will not be spending on the staff salaries, how much you might spend on a brick and mortar store. So, there could be a lot more other facets which will anyway determine this. Along with this you also need to see the competitive landscape.

Usually it is said whenever you are offering multiple channels to the customers there are chances that more products would be purchased because you might have a segment of customers who might only be comfortable in purchasing online right and not from brick and mortar stores. Now if you only have brick and mortar stores you are anyway missing out on selling it to them. Now the third facet which you need to consider in case of channel management is partner relationship management. First is you need to build not only strong relationship with your channel partners, but you also need to provide them training support and resources to help partners understand and effectively sell your products. Many times this might also be required that you need to organize training programs rather this should be done for the staff of the retailers to make sure that whenever customers come in store they are able to pitch it well, they are able to highlight what is the unique selling proposition of this particular product and there should not be any gap with respect to what the product is meant for, what are its advantages and what is it that it can offer to customers and considering what the sales staff is explaining.

Specifically for technical products this becomes extremely important right. Now the another facet which we need to consider in this case is channel marketing and we can also consider the facet of promotion in this case. Now in this case you also need to see what

would be required or suitable marketing and promotional strategies specific to each channel. Let us say if you talk about creating awareness now online channels can be best utilized for that because the cost is going to be less and you might be able to reach out to a very larger audience. Now if you talk about traditional methods of marketing and if you look at advertising you definitely can reach out to a larger audience, but the cost could be very very high.

So these are again some important facets that we need to consider as far as concerns in channel management are concerned. Along with this whenever you are talking about channel performance you need to decide on key performance indicators to assess the performance of each channel and then monitor their progress. Now in this case you can use parameters like sales revenue, market share, customer satisfaction, how much inventory levels they have now this should be looked at from the perspective of you know unsold inventory also and if there have been situations of under stocking also and what is the lead time and return on investment. You need to review their performance regularly and identify the areas for improvement. Now when you identify the areas for improvement it might become important that you would be required to provide training to them on these parameters.

Along with this you might also be required to manage and resolve conflicts that may arise among different channels or within the same channel. The conflicts can precisely arise due to factors like pricing disputes if there is an overlap with respect to the territories of different channels or they might also have conflicting goals and also sometimes because of competition between channels there could be conflicts. So it becomes very important that you have clear policies, guidelines and conflict resolution mechanisms to take care of such situations. Along with this adapting to market changes also becomes important right. Now this is going to be equally challenging whether you go for an offline channel or you go for an online channel, but as far as the strategic group is concerned which decides on policies or which takes strategic decisions at the top level.

It becomes important that right marketing intelligence system is in place to understand the changing market conditions, changing consumer preferences and many times to also keep an eye on the new products that could be launched by competitors and that might make your product obsolete and outdated specifically if it is a high tech market or the product belongs to that particular category. That is why adapting to market changes becomes much more important and retailer should be open for it. If a retailer is too rigid and they are not open about adapting to market changes or let us say changing the stock as required or keeping new products on the shelves this might not work in a positive light. Finally, no matter which channel is being used online, offline even with respect to online if it is a website mobile application the channel experience has to be best. As I was telling you we are precisely in stages where we are transitioning from different kinds of competitions to experience based competitions.

Let us say earlier times the competition used to be on pricing or storing more of products the one who will offer the competitive prices will get the customers that can work to an extent but many times in order to avoid the situation of price wars it is best to focus or capitalize on channel experiences. If you succeed in offering the unique and memorable experiences to the customers you will definitely have an upper hand with respect to the other competitive players that you might have in the market. Now finally, we have reached the most exciting part of this particular module which is extra fodder for thought. So, in this case we will be learning about the smallest billboard. So, this was precisely a marketing campaign by Magic Clean, but why this becomes so special and why this is so fascinating for this I would urge you to look at this video and this will answer all your questions.

Some Extra Fodder for Thought:



<https://www.youtube.com/watch?v=g9P3DZSe5OM>

Source: Official YouTube Channel of Ogilvy



Source: <https://www.behance.net/gallery/137222235/Magiclean-Worlds-Smallest-Billboards>

So, please have a look at this video and then we will be moving forward.

Here witness the greatest gathering of life forms anywhere on the planet some 400 million bacteria eating, excreting and making love on the very spot you prepare Sunday lunch. Now before Magic Clean kills them all it is only fair we gave a little warning. So, in partnership with Boston Microfabrication we built the world's smallest billboards installing them in kitchen showrooms warning bacteria and alerting humans that Magic Clean was coming with messages like drop dead you bacterial scum game over fusobacterium 99.9% sure you're gonna die oops you just got poisoned influencers help spread the word recognition from the Guinness Book of World Records secured our achievement in the annals of human history while haunting the nightmares of bacteria

forever.

Source: <https://clios.com/awards/winner/design-craft/kao-magiclean/the-world-s-smallest-billboards-116642>

So, I hope you enjoyed looking at this video. So, this has been given the Guinness World Records for the world's smallest billboard instead of telling a million households that we are boringly effective we told a trillion germs that we are terrifyingly deadly. I hope you got this perspective by looking at this video. So, this again was one of the fascinating campaigns that needs to be celebrated as well as creative and innovative marketing is concerned. So, this campaign had unique views which went up by 381 percent sales increased by 30 percent increased share versus market leader by 26 percent. So, this indeed is very fascinating and kind of worth celebrating as far as this particular retailer is concerned.

Learning Something New



Endless Aisle:

A virtual product display known as a "endless aisle" is used to supplement a physical store's inventory.

Advantages and Disadvantages of Endless Aisle



So, as we move forward we have got to the last segment which is learning something new. So, today we will be learning about an Endless Isle. Now Endless Isle is basically a virtual product display known as an Endless Isle and is used to supplement a physical stores inventory. See many times if you go to a physical store what you might come across as some kiosk or some platforms which could be operating on internet or electronically. So, these many times are meant for customers to see products which might not be available in store or to kind of allow them an access to a wider range of products because see we all know when you talk about a physical store the space is always going to be limited right.

They can only keep the merchandise to an extent right because of the limited space it is not like an online store where thousands of products can be displayed. But this particular issue of a physical and brick and mortar store is solved by an Endless Isle because the terminals will help you to see a lot of products which are not available in store. This is more like looking at the electronic catalogue of the retailer even in compassing the products which might not be available in a retail store. But as far as the advantages and disadvantages of Endless Isle are concerned I would urge you to get to the forum and please talk about it. So, finally, we have got to the end of week 6 and I am really hopeful that you gained a better understanding of the advanced topics in the retailing mechanics.

So, as we get to the next week we will be learning a lot more exciting things, but for now I would urge you to head to forum and tell your views about the advantages and

disadvantages of an Endless Isle and we will be happy to read about them. This will also give us an indication of your understanding with respect to the topics that we are discussing. So, thanking you for now wishing you a good day. Thank you.