

Retail Marketing Strategy

Prof. Sourabh Arora

Department of Management Studies

Indian Institute of Technology, Roorkee

Lecture-8

Welcome back everyone. Today we will be beginning with session 3 of the week 2 of course, Retail Marketing Strategy. As far as last week was concerned we precisely looked at how we can enhance the value for customers and we were looking at some strategies which can be implemented as far as the facet of enhancing value for customers is concerned. So if you remember we briefly talked about how we can create better experiences for customers or how we can go beyond pricing and enhance value or kind of offer a heightened experience to customers. We also discussed about how data can be utilized for drawing rich insights and then working towards again creating or offering a higher value to customers and precisely we also discussed about rewarding loyalty and we also mentioned very concretely that as far as loyalty is concerned you really need to kind of offer better experiences and better value to even your loyal customers. So that you are able to provide them more reasons to buy quite often from you which means if earlier they were buying twice in a week then you should make sure that they will at least come back thrice or four times.

So the whole idea is to make sure that they come back more often than they were coming earlier. In the end we discussed about creating right segments in which it becomes important for a retailer to identify that you really need to segregate between your profitable and non-profitable customers and precisely this becomes important because there is no point that you keep serving customers for a longer time who are not profitable right. In we also had a look at the concept of customer lifetime value where we saw how we need to look at the short term and long term perspectives. There could be situations where you might have a customer who is not profitable in short term but could be very profitable in long term.

So there is no point if you drop such customers. Meanwhile you can also have customers who might not be very profitable in long term if you look at their customer lifetime value through a very systematic approach. So for such customers it becomes imperative that you need to figure out strategies so that they not only stay with you but are also profitable as far as long time periods are concerned.

Learning Objectives:

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

- A retailer's **role in supply chain**
- Various aspects of **Retail Management Decision Process**

Extra Fodder for Thought: "High-Tech Retail Stores"

Learning Something New: "Customer Centric Approach"



Now concerning today's session once we are done with this the learner will definitely be able to appreciate what is a retailer's role in supply chain. Along with that we will also be discussing various facets of retail management decision process and what are the key elements that we need to study or consider whenever a retailer takes some important decisions.

Along with that we will again be getting to the two exciting elements one of which is going to be extra fodder for thought. We will be looking at how technology lies at the fulcrum of the stores which have been opened by Alibaba and that is basically called as Hema stores. Along with that we will also be understanding what do we mean by customer centric approach. So these are again going to be the two highlights along with understanding the basics of retail marketing strategy. Now see in order to understand what is a retailer's role in supply chain do not you think it becomes imperative to understand what exactly is a supply chain and then we can definitely delve more into where the retailer role lies in creating enhanced value as well as supply chain is concerned.

What is a retailers' role in a supply chain?

Before, we delve into that, Let's first understand what is a Supply Chain?



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A supply chain includes every step that needs to be executed in delivering a finished product or service to the customer.

It indicates the arrangement of processes and activities encompassing the production and distribution of a product or service. It involves the movement of goods and services from the raw materials stage through to the end-user.



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Now put it very simplistic a supply chain includes every step that needs to be executed in delivering a finished product or service to the customer. In other words it is also said that it indicates the arrangement of process and activities encompassing the production and distribution of goods or service. It involves the movement of goods and services from the raw material stage through the end user. See precisely the essence of supply chain lies in making sure that right products are delivered to the customers at right time and at right prices right. Because if you have a very long supply chain in which various stakeholders or players are involved then definitely the cost is going to be inflated because you might have some middle agent who might also be looking for a part of the profitability or in ways will inflate the cost.

That is why we are precisely talking about the element of making sure that the products are delivered at right cost and at right time. Now even after considering the essence of right cost and right time we also need to make sure that all other activities are done in a competitive way right which means you have to be very thorough about your production activities you need to have the best of technologies to make sure that the cost of production is reduced right. Apart from that you also need to be very careful about picking up vendors who will be supplying raw materials to you. Like in this case one approach could be being a key account customer for one of the vendors right. So, in this case one approach could be that you are procuring all your raw materials let us say which you are utilizing in production processes from one of the vendors.

Now for that particular vendor you could be a key account and he might decide to provide you a lot of benefits with respect to cost or working together collectively with respect to R and D or identifying some of the processes in which you both could be benefited. But this definitely can have one disadvantage also which means let us say if there is a problem with this particular vendor you might not get your raw materials on time which again is going to impact the production processes and then if you look at it very broadly you might even end up incurring the opportunity cost right which means the competitors product will be available in this retail stores, but your products may not be available there because of the issues that we just discussed now. So, this again is one of the facets which retailers definitely need to be very careful about. Apart from that you might also be involved in looking for warehouses where raw materials or even finished products would be stored. Then again you will be getting into the facets of making sure that the products are delivered to the retailers on time.

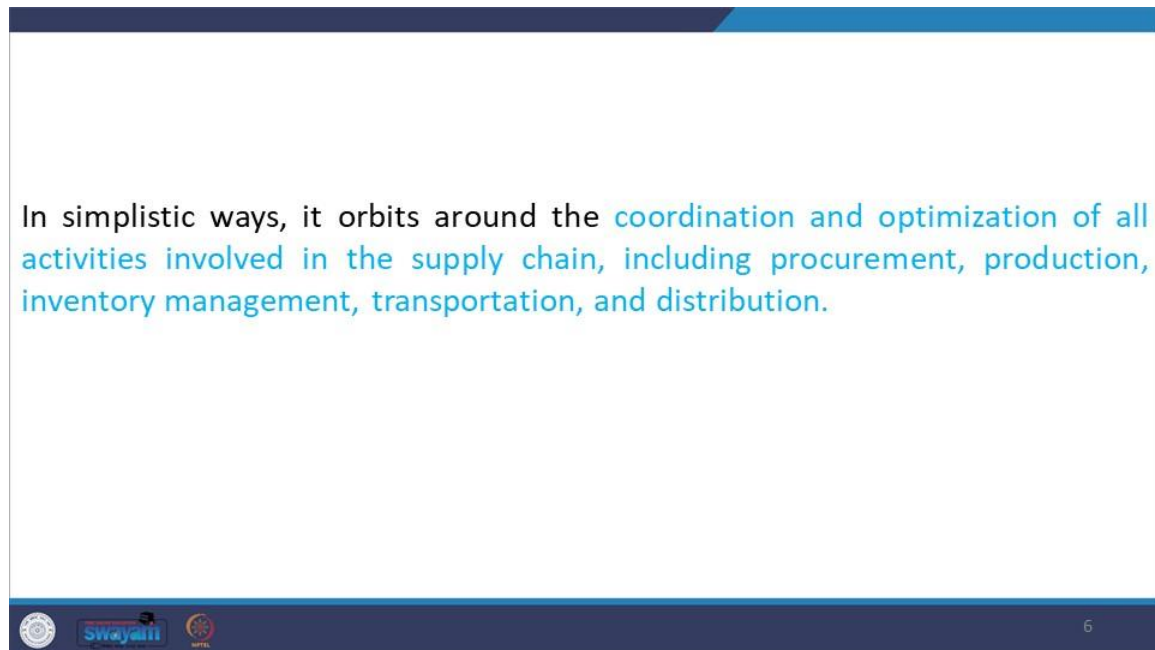
For that also you might be managing a lot of your transportation services or transportation schedules right. So, these are a few things that basically we consider as a part of supply chain.

The supply chain starts with the sourcing of raw materials, which are then processed into finished goods. These goods are then transported to distribution centers and retail outlets, where they are made available to consumers.

The supply chain involves multiple stakeholders, including suppliers, manufacturers, distributors, retailers, and consumers.

Otherwise as I just explained the supply chain starts with sourcing of raw materials which are then processed into finished goods. These goods are then transported to distribution centers and retail outlets whereby they are made available to consumers. And as we had just discussed it involves multiple stakeholders whether these are suppliers again where you need to decide how many suppliers need to be kept.

If there is one then definitely you are going to be a key account for them benefits will come, but it can also have some of the issues. Then manufacturers are also going to be involved your distributors retailers and finally, consumers for which again we need to make sure that the products are not only delivered on time, but at right prices also. So, if we need to sum up all this we can say



In simplistic ways, it orbits around the coordination and optimization of all activities involved in the supply chain, including procurement, production, inventory management, transportation, and distribution.

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supply chain management orbits around the coordination and optimization of all activities involved in supply chain and it is definitely going to encompass all the activities like procurement, production, inventory management, transportation and distribution right. So, this was a brief about supply chain management. Now once you are clear with what a supply chain means what we need to understand is what is the role which a retailer plays in supply chain.

What is a Retailers' role in a supply chain?

...a key link that connects the manufacturers to consumers

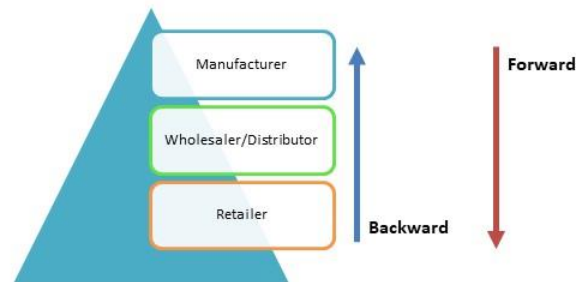
However, various forms of integrations can be noticed in supply chains today:

- Vertical Integration
- Backward Integration
- Forward Integration

So, in one of the simplest ways we can say retailer comes across as a key link that actually connects the manufacturers to consumers right. Because the consumers are eventually going to the retail store or the shops or maybe let us say some outlets to get the products they want. Let us say if there are no retail stores where will consumers go definitely we have online channels, but they are also called as online retailers. So, retailer actually plays a very crucial role. Now sometimes you will also see manufacturers who might have their own retail stores right.

Now that becomes a part of integration and we will be talking a bit more about it as we move further. So, precisely there are three kinds of integrations that we study in supply chain dynamics which is vertical integration and which further gets bifurcated into backward and forward integration.

Vertical Integration: It occurs when a firm performs more than one set of activities in the channel, like a retailer maintaining its own distribution centres to supply to its stores. For eg. oil companies being involved in exploration, drilling, refining and selling



Now vertical integration simply means where a retailer will start performing more than one set of activities. Now this can either happen a retailer might be going backward or a retailer might decide to go forward right. Let us understand this through the visuals which you can see on the screen.

So, if you see you have a manufacturer then you have a wholesaler or a distributor and then you have a retailer. Now you must have seen that the term backward is being displayed on the screen. Now what this means is that a retailer will either get into the facet of wholesaling or distribution or will start manufacturing. Now this means they are going backward if you look at how they are sequentially arranged going from manufacturer to distributor to retailer. Now when we are talking about backward integration we also consider the facet of private label brands and we will be talking about them also as we move forward.

Now if you see the term forward is being represented on the screen right. Now if you look at the arrow it is being placed downwards which means the manufacturer will either get into wholesaling or they will start retailing which means they will open their own retail stores to kind of sell products or services to the customers. Now we will be talking about these a little more whether it is backward integration or whether it is forward integration.

Backward Integration: A retailer performing some wholesaling and manufacturing activities as well. For eg. Zara controls in-house designing and manufacturing, **Big-bazaar's Tasty Treat**



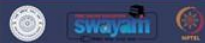
Amazon Solimo:



Link for Reading:

https://www.business-standard.com/article/management/big-bazaar-private-label-push-109120100091_1.html

Source: Amazon.com for images



Now when you talk about backward integration as I just said it happens when a retailer will start performing either wholesaling or manufacturing activities right because they are going back right. If you remember the visual presentation which we had seen when they are going back they either get into wholesaling or they get into manufacturing.

Now in this case as I just said we consider the example of private labels also because the retailer is has started manufacturing its own products. If you see the logo of tasty treat it is one of the big bazaars very popular private label. Other example could be Zara who controls the in house designing and manufacturing activities. See if you are talking about private labels they are not just restricted to brick and mortar retailers right. You might see a lot of private labels when you go to big bazaar or sometime private labels are also generic which means they would be simply packed in a transparent papers.

Even if you go to nearby grocery stores you might see private labels with respect to pulses salt and all these items. So, that is basically an aspect of generic private label. Apart from that online retailers also have their private label brand. So, what you see on the screen is one of the very popular private label brand by Amazon which is basically called as Solimo and the recliner that you see belongs to this private label. Apart from that the same particular brand has also ventured into manufacturing soaps as well as bed sheets.

So, all these products belong to Amazons private label brand, but as far as private labels are concerned we are definitely going to have a stretched module on private labels because it is one of the very fascinating topics as far as a tailing is concerned.

Source: <https://www.apollopharmacy.in/otc/apollo-life-neem-tulsi-face-wash-75-ml>, <https://www.apollopharmacy.in/otc/apollo-pharmacy-hand-wash-lemon-grass-250-ml>

So, what you see on screen now is another example of private label which basically belongs to Apollo pharmacy. What they have is their own manufactured hand wash as well as face wash itself. So, even if you get to visit Apollo pharmacy just try to see around what are the kinds of private labels that they are selling and you will be fascinated to see the kind of product category as far as private labeling is concerned that they have ventured into. Now I hope you are clear with the concept of backward integration.

Forward Integration: When a manufacturer undertakes retailing or wholesaling activities. For eg. Britannia established its own distribution network including regional warehouses as well, Ralph Lauren operates its own retail stores, Nescafe operating its own outlets



Source: https://www.justdial.com/Ahmedabad/Nescafe-Near-Karnavati-Public-School-Near-Shefali-Apartment-Gulbai-Tekra/079PXX79-XX79-160630182500-Q7D1_BZDEI, https://www.ourcities.in/at_biz_dir/pothys-gandhi-nagar-bengaluru/

Now we will be talking about forward integration. Now if you remember in this case we see a

manufacturer moving forward and either taking wholesaling activities or retailing activities on their own. Like if we consider the example of Britannia they establish their own distribution network including regional warehouses and if you consider the example of Ralph Lauren they actually operate their own retail stores like Nescafe is also operating its outlets nationwide. So, you in the snapshot you can see one of the examples of the outlet of Nescafe see which means they have their own products which they manufacture, but they have also taken upon the responsibility of maintaining their own outlets through which their products will be sold. Now one biggest advantage of this is that the quality whether it is with respect to dealing with customers or making sure the products are being provided in right ways possible the control is retained by the manufacturer itself right because there is no dependence on any third party as you are maintaining your own stores.

Another example which you can consider is of Pothys they not only have their own private labels which they manufacture, but they also have their own retail stores which they are operating in major parts of South India it is one of the most popular stores there. So, you can even Google more about it right. So, as far as these concepts are concerned I hope you are clear with the terminologies of vertical integration backward integration and forward integration. So, in brief I would again sum this up for you whenever we are talking about vertical integration in retailing what we are saying is that retailer has decided to perform more than one set of activities. Now if the retailer decides to take manufacturing activities then we are talking about backward integration which means they have decided to have their own private label brands or get into manufacturing other way could be that they have decided to be a wholesaler or a distributor as well and they might be then supplying these products to other retailers in that particular vicinity or an area.

Now whenever we are talking about forward integration what we are trying to say is a manufacturer has moved forward which means either the manufacturer has established its own distribution network as far as wholesaling is concerned or they might decide to have their own retail channels. So, in this case the examples which I gave you was of Nescafe or Pothys or also of Britannia which has its own very very well established distribution network. So, now I hope that you are clear with the facets of integration and this indeed is very important as far as retailing mechanics are concerned. Now as we move forward we will be discussing a very important and critical concept in retailing which is called as retail management decision process.

The Retail Management Decision Process

Retail management decision-making involves a series of steps or processes that are designed to help retailers make informed decisions that will benefit their business and will help them flourish and grow.



Now in order to give you an overview of this particular concept is in the fact that a retailer is required to make a lot of decisions to make sure that the right products are made available to customers which means they also need to decide what are the kind of products which should be placed on the shelves which again gets allied with merchandise management which is again one of the concepts we will be discussing in detail as we will move through this course.

Along with that they also need to take care of the financial analysis which means they will be only keeping precisely or majorly those products in the retail shops which bring in some kind of profitability and if not profitability at least break even. No retailer would like to keep those products which are eventually bringing loss to them right along with that they might also need to decide whether we need to have our own private labels or not. So, if you remember I have made this comment at one of the places that one of the key advantages of private labels is that they bring in a lot of loyalty for the retailers because precisely if a private label brand is owned by you it will not be available anywhere else right. So, which means the customer will keep coming back to you again and again. Another advantage with private labels usually provide is that they bring in a lot of profitability because no share of profits is being shared with any of the middlemen or let us say the manufacturer right.

Along with this in the last slide we precisely spoke about the private label brand by Amazon Solimo right. Now, just see the Solimo is definitely not going to be available on Flipkart, Snapdeal or any other online retailer. So, if you have a customer who has eventually developed a preference for Solimo only then they will be again getting back to the Amazon website itself or Amazon app to place the order for their favorite Solimo products. So, they also need to make a lot of decisions with respect to hiring right people in the stores. Because let us say if you have a store which is basically dealing into technical products let us say very advanced or sophisticated electronic gadgets then you will definitely need some technical people who can help customers

understand how the product can be operated or can give them demos in best possible ways or can also answer their queries in order to help them in making right product choices.

So, as far as these things are concerned along with these there are a lot of decisions which a retailer needs to make to not only run a store profitably, but also deliver best of values to the customers which again can be aligned with sustainability and long term survival.



So, precisely when we talk about retail management decision process we explain it in terms of a series of steps or processes that are designed to help retailers to make informed decisions that will benefit their business and will help them flourish and grow. Otherwise we can also say that it is all about taking decisions in which you bring customer centricity at the fulcrum and you decide how you can offer an enhanced value to the customers or how you can also develop an advantage over competitors. Because whenever you are bringing in the facets of sustainability or long term survival this will not be possible if you do not have a retailing or marketing intelligence system which is actually taking account of the activities of the competitors in which can then be utilized for the benefit of being proactive with respect to how you operate in the market. So, this is how retail management decision process actually look likes.

So, first what we discuss is the world of retailing in which we talk about basics and then we look at the type of retailers that exist and in this case we will also be looking at the modern retailing formats which have emerged like in today's time you might see a lot of chaos or food vending carts. Now that can be considered as one of the modern retailing formats. We will also be discussing about the concepts of multichannel retailing in which we will be discussing about what are the benefits that retailers are enjoying with respect to offering multiple touch points to the customers whether it could be you know the existence of a physical store then also letting them buy or offering them the convenience of buying through online channels, mobile apps, desktops or even let us say offering them the benefits of catalogue shopping. But we will also see what are the disadvantages that have emerged out of the multichannel retailing along with

multichannel retailing we will also be discussing about the omnichannel retailing paradigms which is all about the integration of various channels and how you can actually capture every footprint or movement of the customers even if they transact in different channels and this becomes only possible because all the touch points are properly integrated. Now after this we will be getting into retail marketing strategy which precisely discusses about a lot of decisions like what is going to be the target market for a retailer, how they are going to offer competitive advantage and all these things we will be discussing.

Then we will be getting into financial strategy where we will be precisely talking about keeping a store profitable right as I just explained it is completely going to be futile in long run if there is a retailer who is running a store and it is not at all bringing any kind of profitability along with that we will also get to the dynamics of retail locations. We will be getting into the facets of site locations as well but there is a catch in this in earlier times there was a too much importance which was given to retail locations precisely because we did not have online channels, but as the online channels have emerged in some ways the retail location decision may not have that much importance right because for online channels you might not need the physical existence at least for some product categories right. So, in this case we will also be discussing this interesting dynamics of attaching importance to locations with respect to both online and offline retailers. Then after that we will be discussing the organization structure and human resource management part. If you remember I had discussed briefly about why it becomes important to have right kind of personnel in your stores.

Let us say if you have a retail store and your staff is not well trained and the retail store is all about technical products where it becomes critically important that your employees are well versed with providing right kind of information to the customers then definitely this is going to be a big disadvantage and will also impact the loyalty of the customers towards your store in negative ways and they might not even be comfortable coming back. At one point we are talking about how we have moved from the phases of informing telling and finally, getting into sense making and whenever you are talking about sense making it becomes critically important that right kind of staff is hired who actually has the capability to work towards achieving the objectives of sense making philosophy which means collectively working with your prospective customers and customers and helping them out in making right or rational product choices. After that we will also be looking at the relevance of information systems and supply chain management. Finally, we will get to the facet of CRM which means how you can enhance your relationship with the customers and can win over their loyalty and can actually achieve the target of making them your advocates which means where they start promoting and defending your products in general. And finally, we will get to the facet of merchandise management see if you look at a store you see a lot of products, but in order to make sure that there are products on the shelves there are a lot of decisions that you need to make right you need to identify right vendors you also need to figure out what products to be kept on which shelf you also need to look at the profitability dynamics of various stock keeping units that are available and are competing for the shelf space that you have in your store and where are the places from where we will be sourcing these merchandise how the pricing has to be decided what are the various sales promotion tactics that you can use in stores along with that you might also be working on your integrated marketing communications campaign.

And finally, you get to the facet of managing a store where we also consider the elements of store layout design and visual merchandising. Visual merchandising simply means how you take the aesthetics of a store to the next level whether it is about the entire store or some particular products which could be displayed in a very eye catching way to catch the attention of the customers. And in the end we talk about customer service needless to say today's time is all going to be about creating delight factors. So, that whenever the customers come to your store they should definitely get the feeling of wow, but in this case also as we have discussed a couple of times you really need to figure out your non profitable and profitable customers and then you can have right kind of strategies for them. With respect to profitable customers you would definitely want that they should work hand in hand with you till the store exist.

But for non profitable customers you need to figure out the strategies to make sure that they get profitable or you can look out for some alternative ways to decrease the cost which they are inflating and for non profitable customers you otherwise you need to figure out alternative ways so that the cost which they are bringing in for your store can be eliminated or can be reduced to the minimum. Considering this session I really hope that you enjoyed learning about the retail management decision process and you also got some enhanced perspectives about a retailers role in supply chain and also about the meaning of vertical forward and backward integration. So, now as we get to the next session we will again be discussing some exciting and fascinating things about the world of retailing. So, wishing you a good day ahead and good luck till we meet next time. Thank you.