The retail marketing mix and the retail product

“the set of controllable tactical marketing tools that the firm blends to produce the response it wants in the target market” (Kotler 1999)
The retail marketing mix

Fig. 5.1 The marketing mix
The retailing product and the product in retailing

PRODUCT BASED BENEFITS
- Store/product
- Service
- Retail personnel
- Retail experience
- Image/brand
- Loyalty scheme

COSTS
- Monetary
- Time
- Travel/energy
- Retail experience
- Risk

CUSTOMER VALUE PERCEPTION

Total customer benefits

Total customer cost
Dimensions of the retailing product

- Service: tangibles, reliability, responsiveness, empathy, assurance
- Quality: product and service, expectations versus experience
- Merchandise: assortment, variety, image
- Store brand: improved image and added value
- Features and benefits: facilitating aspects of the store
- Atmospherics: planned physical messages in the design of the buying environment
The product in retailing

- Products
- Managing product life cycles
- Merchandising functions and process
- Depth and breadth
- Ranging policy
- Own brands
- Stock turn
Merchandising and retail marketing

- Satisfy customer needs/wants to meet business objectives within context of competitive strategy
- Selection and sale of merchandise which presents clear message for consumers
- Identify sources of merchandise differentiation to distinguish offer from competitors
- Develop relationships within supply chain as source of customer value
Merchandising: basic functions

Selection, purchase, stock management, display, and sale of a range of products involving:

- Select and evaluate products
- Source, select and appraise suppliers
- Negotiate margins, quantities and marketing support
- Monitor sales
- Price and markdown
Customer Plan - Electrical & Entertainment

I can get what I want and the prices are good…on Electrical

- **introduction of A tier brands to continue** - Apple/Sony/Panasonic/Samsung - more sku’s, deeper distribution of Brands and more focus on developing pan-European/group relationships eg Microsoft for Xbox, Sony for Playstation, Samsung for LCD TV
- **introduction of latest technology to continue** - ipods/mp3, digital cameras, sat nav, lap tops, LCD TV, Digital TV - more focus on making products accessible for Customers eg bespoke fixtures for lap tops & Computer Gaming, Demonstration units for Digital TV
- **increasing distribution of latest products** to more Stores - revising merchandise plans to accommodate more intense ranges as technologies cross-over
- **increasing Customer information** on new product areas - developing ‘clear and simple’ POS, information boards, shelf-mounted guides and take-away leaflets
- **improved ranges** - adding more Tesco branded Better and Best products eg Small domestic
- **widening ranges** - by offering extended/comprehensive ranges online - filling gaps on better and best and brands - including hero products eg Top Brand large plasma TV
- **improving availability** - securing stocks thru forward commitment & direct import of Brands
- **improving prices** - increasing volumes on Direct Import programme and linking European ranges/volumes to drive ‘buy for less’, plus negotiating with Brands on pan-European basis.
- **improving promotions** - improved planning of Trade drivers and attention grabbers eg MP3 and events eg World Cup for Digital TV
- **improving Customer communication** - through Price news & Press/TV to gain more awareness of Category and increase long-term penetration and ‘recommended Best Buys’.
“Category management is related to decisions over groups of products that are selected and placed to satisfy use occasions or consumption patterns. This is based upon strategic retailing principles that attempt to maximise sales and profits.” Gilbert

“strategic management of product groups through trade partnerships which aim to maximise sales and profits by satisfying shopper needs” (igd)
The process of category management
Types of category management

Occasion based

Similar products
Ranging policy: assortment versus variety

- Product line depth: wide choice within generic product class (assortment): Tie Rack wide assortment of brands, prices, styles within generic product class

- Product line breadth: wide choice of generic product classes with few brand choices (variety): Lidl 1000 SKUs but only 1 brand in each product class
Assortment profiles and merchandise strategies

Narrow and deep

Product specialist (multiple men’s wear at a selected price point range). Tie Rack, Sock Shop are examples of narrow and deep profiles.

Can be modified

Narrow and deep product specialist – food multiple with core product groups.

Tesco Express

Cook and Walters 1991
Assortment profiles and merchandise strategies

Square

Market specialist offers co-ordinated assortment, e.g. DIY – (choice)
- (quality)
- (price)

B&Q

Square market restricted specialism – DIY home improvement limits maximum choice to a core assortment

Convenience store
Assortment profiles and merchandise strategies

John Lewis
- Broad and shallow
- Full-line variety chain store
- Limited choice within wide assortment

Debenhams
- Variety chain with a number of key product areas
- (Fashion, cosmetics, homeware)
Planning range and assortment

- Determined by competitive strategy and objectives
- Customer needs, budget, space availability
- Geographical information systems, customer databases and sales data facilitate matching merchandise mix to needs of local market
- Shift to understanding of needs and wants at local level
New product additions

- Fit with existing range
- Growth potential
- Availability and competitive conditions
- Profitability
- Manage abandonment of slow selling lines
## Managing product portfolios

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<th>Maturity</th>
<th>Saturation</th>
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<td><strong>Sales</strong></td>
<td>Low</td>
<td>Rapid increase</td>
<td>Little growth</td>
<td>Decline</td>
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<tr>
<td><strong>Investment</strong></td>
<td>High. Few profits</td>
<td>Low. Profit growth</td>
<td>Price competition</td>
<td>Profits decline</td>
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<td><strong>Vulnerability</strong></td>
<td>High</td>
<td>Low</td>
<td>Increasing</td>
<td>High</td>
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<td><strong>Distributors</strong></td>
<td>Few</td>
<td>Many. Intense competition</td>
<td>Shake out</td>
<td>Managed abandonment</td>
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<td><strong>Experience</strong></td>
<td>Low</td>
<td>Growing</td>
<td>High</td>
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Retail brand products

“a brand name owned by the retailer for a line or variety of items under exclusive or controlled distribution” (Koskinen 1999)

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>Retailer brand share of food sector</th>
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<tbody>
<tr>
<td>Switzerland</td>
<td>50%</td>
</tr>
<tr>
<td>UK</td>
<td>34</td>
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<td>Belgium</td>
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<td>Germany</td>
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KPMG (2000)

Tesco 55%, Sainsbury 61% Asda 58%
Important to nearly 25% of shoppers and important differentiator in competitive market
Boots’ Private Label brand architecture

- **Generic private label**: Boots Essentials
- **Standard range**: Boots Expert, 17, Soltan
- **Speciality lines**: Botanics, Time Delay, Sanctuary
- **Premium private label**: No7,

The diagram illustrates the relationship between price and quality versus volume.
Drivers of own brand development

- Better margins
- Increased pressure on manufacturers
- Contribution to store image and maintaining store loyalty: reinforce brand through broad-ranging and aggressive own brand strategy
- Opportunity for differentiation and premium pricing (M&S food, Bodyshop)
- Lower prices to consumer/better price choice
- Control over price, delivery and quality
Retailers’ Brand Image Dimensions

- Like the brands they sell retailers have brand images that must be carefully constructed and maintained.
- Access: key component in shoppers’ assessment of total shopping costs.
- Atmosphere: colour, music, crowding, smells influence how often consumers visit, how long they stay, how much they spend. Instore personality and rich experience important part of differentiation.
- Price image – created by pricing strategy (and atmosphere). Frequent discounts help to create favourable image.
- Cross category assortment: perception of breadth of products and services positively influence store image.
- Within category assortment: as assortment of brands, flavours, sizes increases consumers perceive greater utility/value (Ailawadi and Keller)