

Mktg 3000



**ASSIGN  
BUSTER**

3. Discuss the different types of organizational approaches that retailers take to add value to the retail store and describe the value it provides to customers.

The digital era fuelled novel business opportunities and the continuous evolution of online business channels has made multi-channel retailing a reality, with the customer now placed at the forefront of business strategy. In turn this has reshaped business distribution and marketing models requiring retailers to add value in retail stores to compete with the multiple retail channels and highlighted the need for businesses to adopt customer relationship oriented approach in order to create value in marketing.

For example, Weinberg et al's report into changing consumer behaviour highlights that approximately 65-70% of consumers fall within the category of "multichannel shoppers" and increasingly has the highest purchasing power (Weinberg et al, 2007). As a result, Weinberg et al posit that it is "critical that organisations effectively employ a multichannel marketing approach, as consumers in B2C contexts now expect it" (Weinberg et al, 2007, p. 385). It is evident that retailers are now moving away from the conventional economics based approach to consider the benefit of integrating effective customer relationship management (CRM) into business strategy to create value for its customers

For example, Vollmer and Precourt argue that the underlying basis for marketing is rooted in economic principles of exchanging goods for value (2008). It is precisely this concept of "value" that has been at the heart of marketing strategy in persuading consumers to exchange value for goods in conventional business strategy. However, as the business models continue to evolve in line with changing consumer habits and retail channels, Vargo

and Lusch point to the fact that economical basis for traditional marketing strategy has been forced to adapt to remain relevant (2004).

Additionally, Vargo and Lusch further refer to the arguments of Achrol and Kotler that the:

“ very nature of network organisation..... and the potential impact on the organisation of consumption all suggest that a paradigm shift for marketing may not be far over the horizon”(in Vargo and Lusch, 2004).

They highlight the point that retailers have been forced to move away from the focus on tangible goods in light of the increasing consumer value attached to intangibles, thereby underpinning the “ paradigm shift” in providing value in marketing. A significant part of this has been the move away from the economic model to the recognition of marketing as a social and economic process (Vargo and Lusch, 2004). In evaluating this “ paradigm shift”, Gronroos refers to the fact that customer relationship economics presses the need for considering alternative marketing strategies and supports the importance of customer relationship marketing to address what consumers attach to the concept of “ value”. Indeed, he argues that “ relationship building is paramount”; which questions the relevance of the traditional Four Ps in providing value in context of marketing (1997).

Moreover, the empowerment of the consumer as a whole has led to market segmentation and a changing consumer market, forcing retailers to adopt a multi-retailer strategy (Levy & Weitz, 2008: 27). This in turn has led commentators to recommend the organisational use of customer relationship management strategies (CRM) to ensure value and address the challenges of the multi-channel retail marketplace (Levy & Weitz, 2008: 27). As a result, there is clearly a need to increase the perceived value in marketing strategy,

which is supported by the arguments of Webster that marketing has become more than about securing sales, but rather instrumental in customer loyalty and corporate branding. Webster asserts that “ the business is increasingly likely to be a network of strategic partnerships”, which highlights the point that a brand and corporate strategy is increasingly defined by the customer in the contemporary marketplace.

This in turn correlates to the arguments of Nunes and Céspedes (2003) in highlighting the point that the conventional economics based model of marketing has dramatically shifted whereby the customer is increasingly autonomous in determining value. In distinct contrast to the power of retailers in the 1980s and mid 90s, “ today’s customers “ channel surf with abandon” highlighting the need to implement a new logic for channel strategy; which reiterates the need to be innovative in creating “ value” to retain customer loyalty in contemporary marketing strategy.

In turn, the relationship between consumers and branding is arguably paramount in determining the centre of how value should be marketed to retain and persuade new customers (Merz, He & Vargo 2009). Indeed, whilst loyalty programs have been viewed as incentives for consumers, the type of loyalty programs in ensuring brand loyalty in the long term has become increasingly dictated by the consumer (Payne et al, 2004). Therefore, the increase of consumer power arguably forces organisations to undertake a more lateral approach to marketing as opposed to merely focusing on competitors (Avlonitis & Indounas, 2007). This argument is reinforced by the proposition of Weinberg et al that organisations shouldn’t assume what the customers want, but that it is imperative for organisations to add value in addressing consumer needs to survive in the multi-channel marketplace

(2007).

A prime example of this is Target's loyalty scheme and loyalty card system, which not only rewards consumers but continues to evolve to address changes in consumer behaviour. The target demographic of the retail store is wide and the loyalty card system and coupon availability reflects this.

Additionally, Target has been reviewing how other supermarkets implement loyalty schemes in order to distinguish itself from the competition. For example, in 2010 Target has reshaped its REDcards loyalty scheme to include a five percent off discount on any in-store or online transaction processed on the REDcards (Duff, 2010). Target reports that when it trialled the scheme in Kansas in 2009 the scheme accounted for increased sales. Furthermore, the Target Loyalty scheme and coupons program has been increasingly geared towards customer preferences through monitoring regular purchases and patterns in order that coupons and discount offers offered are more targeted towards customer requirements. Not only is this effective in increasing customer retention rates, it also boosts customer loyalty by placing customers at the fore in customer relationship management (Duff, 2010).

Finally, in acknowledging the role of technology in changing consumer behaviour not only has Target extended its in-store value marketing techniques to online purchases, it has also unveiled in-store mobile scanners for updating Target GiftCards and loyalty points under the various loyalty schemes available via mobile. As a result, Target.com's President Steve Eastman commented that "the addition of Mobile GiftCards to our suite of mobile shopping solutions further simplifies the Target experience for our guests" (O'Sullivan, 2010).

This is a prime example of acknowledging the need for retailers to continually study and understand consumer needs and the intrinsic complexity of consumer behaviour. In understanding this and applying a more targeted loyalty scheme, Target is not only providing increased value, it is also applying the necessary customer relationship model that is required to ensure continued loyalty and long term sustainability in the multi-channel retailing environment.

### Bibliography

- Avlonitis, G., & K. Indounas (2007). Service Pricing: An Empirical investigation. *Journal of Retailing and Consumer Services*, 14 (2007) 83-94.
- Duff, C. (2010). Target Takes some Tentative steps into Discount Loyalty Cards. Retrieved at [www. bnet. com](http://www.bnet.com) accessed December 2010.
- Gronroos, C. (1997). Keynote paper: from marketing mix to relationship marketing- towards a paradigm shift in marketing. *Asia-Australia Marketing, Journal Volume 2, No. 1.*
- Levy, M., & Weitz, B, (2008). *Retailing Management. 7th Edition McGraw-Hill Irwin*
- Merz, M., He, T., & Vargo, S. (2009) The evolving brand logic: a service dominant logic perspective. *Academy of Marketing Science*
- Nunes, P., & Cespedes, F. (2003) The Customer has escaped. *Harvard Business Review*
- O’Sullivan, C. (2010). Target to use mobile barcodes for customer rewards. Retrieved at [www. gomonews. com](http://www.gomonews.com) accessed December 2010.
- Vargo, S., & Lusch, R. (2004). Evolving to a New Dominant Logic for Marketing. *Journal of Marketing Volume 68, 1-17.*
- Vollmer, C. & Precourt, G. (2008). Always on: advertising, marketing and <https://assignbuster.com/mktg-3000-essay-samples/>

media in an era of consumer control. McGraw-Hill Professional

Weinberg, B., S. Parise & P. Guinan (2007). Multichannel marketing: Mindset and program development. *Business Horizons* (2007) 50, 385-394.