

# Rivalry and competitive dynamics in the retail industry

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The retail industry currently has some of the most intense rivalry in the world. With major advances in production, technology, and distribution, the participants in the retail industry must use their resources to develop new resources and strategies faster than their competitors (Warren, 1999). Three major forms of rivalry exist within the retail industry. These forms are capturing the rivals of competitors, attracting and developing potential customers, and competing for sales to customers shared between two or more competitors. Capturing the rivals of competitors entails providing a product or service that is better than a competitor's or providing similar products and services at a more affordable price.

Attracting and developing potential customers entails promoting products and services in a way that attracts customers and encourages them to develop strong loyalty to the company in question. Competing for sales to customers shared between two or more organizations entails promoting products and services, offering competitive pricing, or offering value-added products and services in order to encourage customers to shop exclusively at one retailer rather than several competitors (Warren, 1999).

There are currently many participants in the retail industry competition. Three of the biggest competitors are Wal-Mart, K-Mart, and Target. Wal-Mart is known for offering "everyday low prices" for merchandise in apparel, toys, sporting goods, stationery, fabric and crafts, electronics, home furnishings, and other general merchandise departments. In addition, Wal-Mart has Superstores that offer grocery items, optometry services, salon services, and manicure services depending on the location. K-Mart is another big box retailer that offers merchandise in general merchandise categories. K-Mart

offers a limited amount of grocery items, mostly soft drinks, snack foods, and convenience items. K-Mart has little in the way of add-on services, but does offer a pharmacy in many locations. Target is touted as a more upscale retailer than Wal-Mart or K-Mart. It offers general merchandise and more high-end apparel than either of its major competitors. Read about NEXT PLC Competitors

Wal-Mart's major competitive strategy is pricing. It advertises "everyday low prices," showing current and potential customers that their prices are consistently low, and not low only during a special sale or promotion. Wal-Mart is continually adding new products to its line of general merchandise and its Superstores offer convenience for busy customers. In addition, Wal-Mart's return policy is more lenient than K-Mart or Target. While returns do create costs for retail organizations, a good return policy can also generate customer good will and repeat shoppers.

K-Mart has had to rethink its competitive strategy following its financial difficulties and eventual Chapter 11 bankruptcy. K-Mart recently acquired Sears department stores and offers several exclusive product lines including Martha Stewart, Joe Boxer, and Jacqueline Smith. These exclusive relationships attract customers who are searching for the stylish Martha Stewart product line or the youthful and exciting styles in the Joe Boxer line. K-Mart's return policy is very strict and is not a good way to compete with Wal-Mart and Target.

Target's competitive strategy includes promoting itself as a high-end retailer. Target offers apparel by designers such as Mossimo and Isaac Mizrahi. These apparel items are well designed and generate a sense of

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class for customers but are still offered at sensible prices. In addition, Target remains competitive by referring to its customers as "guests" and has telephones located throughout the store for immediate customer assistance. This dedication to helping customers navigate through the store and select products allows Target to generate goodwill from customers.