

Analysis of retail marketing



**ASSIGN
BUSTER**

Retailing involves the selling of goods, services or merchandise from a fixed location (like departmental store, boutique), by mail or through the internet, in smaller lots for direct consumption by the customers. Subordinate services like delivery may be included. (Wikipedia)

After studying the nature and role of retail and the global environment in which it operates, following is my research in this area:

1) Retail Internationalisation is much more than the opening of stores abroad:

Retailing had always been a domestic market activity. However, an increasing number of retailers are no more confining their trading activities to the home-market (Moore and Fernie, International Retail Marketing). Fashion retailers like The Gap, H&M, Zara, Gucci, etc recognised the benefits of crossing boundaries and thus, have sought to exploit international opportunities.

Retail internationalisation is an essential ingredient for the global economy. Consumers are increasingly becoming international in their outlook due to business/pleasure travelling, access to internet, television, magazines, etc and are always seeking new experiences and a global appeal while shopping. International retailing satisfies the increasingly complex and demanding needs of global consumers.

As retailers are cost-driven, consideration of key activities and procedures is necessary to achieve the tag of an international retailing business that is profitable.

Internationalising retailers also gain sustainable competitive advantage. Wal-Mart and Tesco enjoy cost leadership & the benefits of operational efficiency. Brand strength is well known with Starbucks. Zara and H&M achieved fashion leadership whereas category dominance is prominent with IKEA.

The motivations for international expansion:

According to Williams, 1991, it is important to note those factors that motivate retailers to consider international markets as a strategy for growth. Amongst the various theoretical frameworks, the “ push and pull” factors proposed by Alexander (1997) have emerged as key in interpreting retailer’s motives behind expansion into foreign markets. It focuses on why retailers are ‘ pulled’ towards a foreign market and/or why they are ‘ pushed’ to move out of their home market. According to Alexander (1997), retail internationalisation was a reaction to the bad internal market conditions, or the desire to further exploit trade competencies and opportunities abroad due to home-market saturation.

The 21st century has given rise to an elite group of trans-national grocery retailers (like Wal-Mart, Tesco, Carrefour) for whom internationalisation is a defining element of their corporate philosophy. E. g. Tesco, with 15% turnover from outside the UK & 65, 000 overseas staff, declares internationalisation as one of the four defining elements of its corporate strategy. Likewise, rigorous international strategy is being pursued by the Spanish footwear brand Camper, by recognising their brand appeal, product range and limited sector-competition. (Moore and Fernie, International Retail Marketing)

To conclude, retail internationalisation is not just about opening of stores abroad. It also involves:

Synchronising cultural diversity

Transferring knowledge and experience

Sustainability and ethical aspects of retailing

Young consumers and global trends

Cross-boundary service quality

The need to develop & manage stores in new markets

The transfer of 'invisible' dimensions of retail such as know-how and expertise from one market to another

Cost-saving reasons

Achieving market differentiation

2) Provide a critique of the various methods of market entry that are available to the international retailer:

The decision of market entry by an internationalising retailer can have a significant impact on the outcomes. The choice depends on:

Firm's market position

Trading style

International expansion strategy

<https://assignbuster.com/analysis-of-retail-marketing/>

The method of entry also reflects:

The level of control that retailers want over their operations abroad.

The degree of flexibility needed to effectively face foreign market conditions.

The amount of resources required to be allocated for international expansion.

Modes for expansion into the overseas market can be identified as follows:

Non-controlling interest:

In this approach, the firm obtains a minor stake in the foreign retailer.

E. g. McDonald's acquired a 33% share in Pret-A-Manger in 2001.

(Bridgepoint)

Benefits:

Helps acquiring market information at minimum risk.

Existing team can continue managing its overseas operation.

Limitations:

It is a passive position, thus investments are made with the inability to influence activities surrounding the new investment.

Internal expansion:

Individual stores, bearing the same structure as within the home country, are opened in a foreign market by funding from internal resources.

<https://assignbuster.com/analysis-of-retail-marketing/>

Benefits:

Any size of firm can use it.

Experimental openings at minimum risk and moderate costs.

Full operational control and scope for adaptation.

Limitations:

Achieving substantial overseas presence may take quite long due to over-reliance on internal resources.

Lack of local management knowledge and experience as retailer operates in isolation.

Longer distance between home-market and host country creates co-ordination and control problems.

Merger or takeover:

The firm acquires control over a retail business already existing in a foreign country.

E. g. Morrisons-Safeway Merger (news. bbc. co. uk)

Benefits:

Quick attainment of substantial market presence.

Immediate cash-flow due to in-place management.

Speedy technology and know-how transfer between home and foreign markets.

Limitations:

Mistakes can prove costly and difficult.

Unavailability of suitable companies.

Franchise-type agreements:

A favoured approach, it is characterised by the replication of franchiser's retail formula and ideas by the franchisee in the host country. (ch-1, Moore and Fernie, International Retail Marketing)

McDonald's is the best example in this case.

Benefits:

Fast overseas expansion at low cost and risk.

Entry barriers can be overcome within closed markets.

Limitations:

Difficulty in recruiting expert franchisees with sufficient financial resources.

Unsatisfactory franchise contracts make it difficult to extricate from complex legal agreements.

Joint Ventures:

It can be of various forms like:

<https://assignbuster.com/analysis-of-retail-marketing/>

Letting of retail space to an overseas retailer by a host-country retailer.

A joint agreement for development between two entrant firms or an agreement between an entering and an indigenous retailer. (ch-1, Moore and Fernie, International Retail Marketing)

E. g. Tesco & Tata have entered in a joint venture to launch Tesco in India.

Benefits:

Provides information to the new market entrant by linking with a firm already in the market.

Facilitates the firm's decision to fully enter into the foreign market or to exit at a later stage.

Limitations:

A suitable trading partner required.

Success depends on both the parties' business intellect. Thus, success of one partner may be neutralised by the ineptitude of the other.

3) Provide a critique on the various structures that exist in order to support the retail buying function:

Buyers play a pivotal role within any retail organisation as they convert the firm's business positioning statement into reality through appropriately selecting a merchandise assortment. (ch-3, Moore, International Retail Marketing)

Principle Buying Activities:

Review of the nature and characteristics of the retail buying structure:

The retailer's buying structure mainly depends on the company's size, status of ownership and culture. However, the following three buying structures can be identified for a retail buyer:

Centralised:

All the buying structures are controlled and managed in one place collectively by buyers. The purchasing authority is responsible for all tactical and strategic purchasing decisions. It involves consolidated buying for all outlets, thus generating economies of scale. Despite a consistent merchandise range provided throughout the company, the retailer's become less flexible to local trends, needs & opportunities.

Decentralised:

Involves buying at store-level, mostly by the store manager. This structure is mainly adopted by small retail companies like single-outlet or family-owned businesses. It provides retailers with opportunities to respond to local market needs, which is the main advantage of this structure. But it does not provide for economies of scale. However, this is overcome by the formation of buying groups like Spar and UniChem that indulge in consolidated buying. This also helps accessing leading brands and products that otherwise may not be easily available to them as small buyers.

Combinative:

The purchasing authority operates at a central as well as at a local level. It provides for economies of scale along-with opportunities for purchasers to respond to local market opportunities and trends.

Determinants of successful retail internationalisation:

Sustainable competitive advantage

Financial resources and commitment

Ability to adapt to the 'PESTEL' environment

Knowledge of competitors and their reactions

Brand management

Customer service

While the above are benchmarks for a successful retail internationalisation, without an effective supply chain, competing on the international front is difficult for the retailer.

According to Captain Vernon, Defense Supply Center, Columbus, Supply Chain Management is “ moving the right items to the right customer at the right time by the most efficient means.” (icmrindia. org)

He mentions Wal-Mart as the best example to support the above.

Wal-Mart, one of the largest retailing companies in the world, enjoys a leadership status due to its efficient SCM practices, as per analysts. Wal-Mart

<https://assignbuster.com/analysis-of-retail-marketing/>

effectively manages its supply chain and with the help of innovative IT tools, the company has successfully improved its supply chain efficiency, as compared to its competitors K-Mart, J. C. Penny, etc in the U. S. This helped Wal-Mart reduce its cost and create value for its customers. (www. icmrindia.org : Supply Chain Management Practices)

To conclude, limited suppliers, application of latest technology, internal flexibility and relationship management are the drivers to success. For internationalising retailers, the above points form a guide to a successful and long-term supply chain management.

4) Retail design is influenced by context. Considering a variety of sectors, how might such contextuality be manifest?

Retail store design is a key consideration for all retailers (Doyle and Broadbridge; 1999), concerned not only with attractive design and functionality, but also represents the ‘ public image’ of the business.

Concerned with management, retail design is a creative response to a given set of conditions. However, it is a lot more than interior decoration. Retailers spend a lot of time, energy and money in developing interiors that make a difference. They follow the principles of design derived from Mayall (1979) and proposed by Doyle and Broadbridge (1999) namely:

Totality

Time

Value

Resource

Synthesis

Iteration

Change

Relationship

Competence

Service

Apart from these principles, there are other factors that determine store design. Design decisions have to be made with respect to the product to be offered, country, culture, security, lighting, etc; each of which is influenced by the type of retailer, the type of retail manager, the resources available and customer expectations.

Product:

Retail design differs based on the product that the company is offering. E. g. Hamleys, the toy shop, has designed its store keeping in mind that their product is for children, and thus used more vibrant shades, displays and attractive interiors so that it can keep its target customers-the children actively engaged.

<http://www.wdl-ia.com/images/lightbox/hamleys-bus2.jpg>

Store layout:

<https://assignbuster.com/analysis-of-retail-marketing/>

According to DSGi head of store design Michael Dykes, " In terms of layout, there are cold and hot areas particularly in a very large edge-of-town store. The back of the store would be a ' cold' area."

E. g. Large branches of Currys have a wall of TVs at the back, thus forcing shoppers to look beyond their immediate surroundings.

(March 5 2010, Retail Week)

Country & Culture:

Different countries & cultures reflect different retail designs. Countries like the UK, that follow a western culture, have many outlets designed accordingly. E. g. Starbucks, China gives the store a typical Chinese structural look whereas Starbucks, London defines a British design.

<http://images.travelpod.com/users/lauraaradi/1.1279468703.chinese-starbucks.jpg>

Starbucks Coffee at ChengDu, China

<http://www.photograph-london.com/london-photos/200700024.jpg>

A Starbucks store in St. Katherine's Dock, London

[http://t2.gstatic.com/images?q=tbn:](http://t2.gstatic.com/images?q=tbn:ANd9GcRibZAJPAQERmmM3FvnMy8lpPWX8OTd5-bjyu4JRUOwBsKVzJeCcw)

[ANd9GcRibZAJPAQERmmM3FvnMy8lpPWX8OTd5-bjyu4JRUOwBsKVzJeCcw](http://t2.gstatic.com/images?q=tbn:ANd9GcRibZAJPAQERmmM3FvnMy8lpPWX8OTd5-bjyu4JRUOwBsKVzJeCcw)

[http://t2.gstatic.com/images?q=tbn:](http://t2.gstatic.com/images?q=tbn:ANd9GcRibZAJPAQERmmM3FvnMy8lpPWX8OTd5-bjyu4JRUOwBsKVzJeCcw)

[ANd9GcRibZAJPAQERmmM3FvnMy8lpPWX8OTd5-bjyu4JRUOwBsKVzJeCcw](http://t2.gstatic.com/images?q=tbn:ANd9GcRibZAJPAQERmmM3FvnMy8lpPWX8OTd5-bjyu4JRUOwBsKVzJeCcw)

5) In what ways might new store design differ from the redesign of an established store?

In the era of retail change and development, store designs play a vital role in defining a company's success. Store design covers two aspects:

New store design

Redesigning an established store

Both involve a new layout coupled with months of work and high expenditure. However, each differs from the other.

New store design is concerned with an existing company launching a new store at a new location, as an act of promotion and/or success. This involves a thorough market research i. e. selection of a new location, assessment of local market needs & accessibility, competitors and internal & external environmental analysis.

Example:

Mulberry, the British designer brand, moved their flagship boutique to a new location at Bond Street as a manifestation of their success. “ With an open and informal store layout, the design is authentic and innovative with freestanding and flexible fixtures. The new store also juxtaposes daylight-simulating and energy-conserving light boxes.” (thetrendboutique. co. uk)

<http://thetrendboutique.co>.

[uk/files/images/News/Mulberry50NewBondStreet_exterior.jpg](http://thetrendboutique.co/files/images/News/Mulberry50NewBondStreet_exterior.jpg)

<https://assignbuster.com/analysis-of-retail-marketing/>

[http://thetrendboutique.co.](http://thetrendboutique.co.uk/files/images/News/Mulberry50NewBondStreet_Wall.jpg)

[uk/files/images/News/Mulberry50NewBondStreet_Wall.jpg](http://thetrendboutique.co.uk/files/images/News/Mulberry50NewBondStreet_Wall.jpg)

[http://thetrendboutique.co.](http://thetrendboutique.co.uk/files/images/News/Mulberry50NewBondStreet_display_cases.jpg)

[uk/files/images/News/Mulberry50NewBondStreet_display_cases.jpg](http://thetrendboutique.co.uk/files/images/News/Mulberry50NewBondStreet_display_cases.jpg)

Mulberry flagship store, London 50 New Bond Street

Westfield-Stratford City, which is opening in East London in 2011, is another classic example.

<http://www.wallblog.co.uk/wp-content/files/2010/06/Westfieldstratford1-300x215.jpg> <http://www.wharf.co.uk/boris1WEB.jpg>

On the other hand, redesign may mean altering the design of/refurbishing a store in response to competitor's activity or to reflect changing nature & expectations of customers. (Principle of change)

The scope of creativity is limited as compared to new store design as it involves making changes to an existing structure. Nevertheless, re-designing is comparatively easier as it does not require an intense market research.

According to me, redesign places emphasis on the principle of time and iteration. As current designs become less appropriate over time, a continuous review of the retail design is needed.

A suitable example in this context is of David Linley & Co. Ltd.

LINLEY

<https://assignbuster.com/analysis-of-retail-marketing/>

This British design company undertook retail space change in its flagship store of London in response to its need to expand. The redesign increased interior space and store frontage, enabling Linley to showcase more products. The shop entrance was also renovated proclaiming Linley as more open and accessible. All of these denote elements of form and function.

(Retail Store Design, International Retail Marketing)

C: UsersWindows 7PicturesLINLEY-Pimlico-Road. jpg

(davidlinleyfurniture. com)

Also, food retailers-McDonald's European style makeover in Manhattan's Chelsea section is the first 'urban redesign' in the U. S. It is outfitted with outlets to plug-in laptops, upholstered vinyl chairs, subdued lighting & employees in all-black uniforms.

Ordering Counter McDonald's Lobby

Staircase Laptop Stations

As Danya Proud, McDonald's Corp. Spokeswoman, said that the redesign was intended "to give customers more of a reason to make McDonald's a destination." (msnbc. msn. com)

Re-design may also include e-commerce redesign i. e. changes to the online store. However, a redesign may not always be successful if not done in the right way. This can be demonstrated through Gap's logo redesign on its website. It attracted a lot of criticism which forced Gap to take a U-turn.

C: UsersWindows 7PicturesGAP logo. bmp

<https://assignbuster.com/analysis-of-retail-marketing/>

(redesignrelated. com)

Thus, retailers must consider new store design & re-design, as design and design elements may not necessarily be permanent.