

The Retailers' Marketing Strategy: Adapting to the fast-evolving environment

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Abstract

Retail and modern commerce have been one of the interesting themes that I have addressed in the last years, in various articles and studies. It is relevant to mention that in 2005, under the coordination and guidance of Professor Theodor Purcărea, I worked with my colleagues at the Romanian-American University in the research group TOEMM, whose purpose was studying the retail market in Romania, which was at the beginning of its development at that time. Research carried out and the satisfaction of the obtained results determined me to continue my scientific work, but not limited to this area.

If in previous papers or studies, found in connection with the retail market, I mainly wrote about quantitative aspects, such as those related to geographical expansion and concentration of modern commerce in Romania, in this article I will address some theoretical aspects of the retailers' marketing strategy, opening the perspectives for what could be an interesting research, involving the analysis of some of the major supply chains on the Romanian market.

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JEL Classification: L81, L82, M31, M37

As known, retailing already covers all of the activities involved in the sale of products to final consumers. Retailers range from large chains of specialized stores, to individual merchants. Some retailers operate from stores and others operate without a store—by selling online, on TV, with a printed catalog, from vending machines, or even in consumers' homes.

First of all, before thinking about any strategy, the most important fact is that today's customer is better informed than ever before, and retailers take advantage of this by empowering those customers to do and learn more. Assisted selling devices give power to the people, right in the aisle. In an era of increased mobility, consumers expect access to products and services anytime, anywhere. This need creates new opportunities for that are available twenty-four hours a day. Consumers require the highest level of convenience.

Most retailers sell physical goods produced by someone else. But in the case of service retailing—like fast food, tourist attractions, online bank accounts, or one-hour photo processing—the retailer is also the producer. Because they serve individual consumers, even

the largest retailers face the challenge of handling small transactions. And the total number of transactions with consumers is much greater than at other channel levels.

Retailing is crucial to consumers in every macro-marketing system. The nature of retailing and its rate of change are generally related to the stage and speed of a country's economic development.

Planning a retailer's strategy

Retailers interact directly with final consumers — so marketing strategy planning is critical to their survival. If a retailer loses a customer to a competitor, the retailer is the one who suffers. Producers and wholesalers still make *their* sale regardless of which retailer sells the product.

Different consumers prefer different kinds of retailers. Like other organizations, retailers make marketing mix decisions about Product, Place, Promotion, and Price. For retailers, some of the Product decisions include choices about what products to carry, how much assortment to offer, and which services to support. Place decisions include where stores will be located—online and/or brick-and-mortar, the number of stores, as well as store layout and design.

Promotion involves letting customers know about the business and the goods and services offered through its in-store and out-of-store signage, advertising, salespeople, and other approaches. Price decisions are varied as well, and include, for example, whether to accept credit cards or charge for delivery, and how frequently to offer products at discounted sales prices.

In developing a strategy, a retailer should consciously make decisions that set policies on *all* of these marketing mix issues. Each of them can impact a customer's view of the costs and benefits of choosing that retailer. The combination of these marketing mix decisions differentiates one retailer's offering from another. These decisions affect its positioning in the market—how customers think about the retailer compared to others. A retailer must consider its target customers' economic, social, and emotional needs. If the combination doesn't provide superior value to some target market, the retailer will fail.

Some supermarkets and mass-merchandisers have moved toward becoming **supercenters (or hypermarkets)** — very large stores that try to carry not only food and drug items but all goods and services that the consumer purchases *routinely*. These superstores look a lot like a combination of the supermarkets, drugstores, and mass merchandisers from which they have evolved, but the concept is different. A supercenter is trying to meet *all* the customer's routine needs at a low price.

Retailers have an almost unlimited number of ways in which to alter their offerings—their marketing mixes—to appeal to a target market. Because of all the variations, it's oversimplified to classify retailers and their strategies on the basis of a single characteristic—such as merchandise, services, sales volume, or even whether they operate in cyberspace. But a good place to start is by considering basic types of retailers and some differences in their strategies.

Retail promotion includes advertising, public relations, publicity and sales promotion. The goal is to position the store in consumers' minds. Retailers design ads, stage special events and develop promotions aimed at their markets. A store's opening is a carefully orchestrated blend of advertising, merchandising, goodwill and glitter. All the elements of an opening—press coverage, special events, media advertising and store displays—are carefully planned.

Retail advertising is carried out at the local level, although retail chains can advertise nationally. Local advertising by retailers provides specific information about their stores, such as location, merchandise, hours, prices and special sales. In contrast, national retail advertising generally focuses on image.

A popular retail advertising practice is cooperative advertising. Under cooperative advertising, manufacturers pay retailers to feature their products in store mailers or the manufacturer develops a TV or print ad campaign and includes the name of the retailers carrying the product at the end.

Why retailers evolve and change

The **wheel of retailing theory** says that new types of retailers enter the market as low-status, low-margin, low-price operators and then, if successful, evolve into more conventional retailers offering more services with higher operating costs and higher prices. Then they're threatened by new low-status, low-margin, low-price retailers—and the wheel turns again. Department stores, supermarkets, and mass-merchandisers went through this cycle.

I also find it interesting that audiences and markets tend to become somehow fragmented, making mass media less effective and increasing the need for more specialised and fragmented media. So communications tend to become customised for narrower and narrower markets, and customer contact is established by means of multimedia methods. There is an increasing reliance on highly targeted communications methods, such as database techniques and boutique channel (highly targeted TV channel) advertising.

Mainly as a result of technological evolutions and innovations, new marketing and marketing communications have become available. Scanning and database technology allow more in-depth knowledge of the consumer and, especially, a more personalised and direct approach to the consumer. Interactive media, such as the Internet, have contributed to a situation in which the relationship between the sender and the receiver of messages is less unidirectional. Social media and mobile applications have profoundly changed the way

companies communicate with their stakeholders. Direct marketing and direct response communications also lead to a situation in which communications become more and more receiver-directed. Together with increased communications literacy on the part of the consumer, this leads to a market situation in which much of the power is at the receiving end, i.e. the receiving consumer decides what he or she will be exposed to and how he or she will react to it.

Indeed, the marketing situation has gradually shifted from a situation in which all the power of knowledge and control was in the hands of the manufacturer to a market in which the retailers are the strongest party. Today the balance is shifting towards a market in which the consumer is the most powerful agent. In fact, one could argue that integration is mainly technology-driven. New technologies and applications, such as the Internet, make the consumer less accessible, and force companies into a more integrated approach towards a fragmented and increasingly interactive communications situation which will make marketing communications more credible and more convincing.

Organizations are increasingly communicating with multiple audiences and stakeholders. Many of these stakeholders overlap. An employee may be a shareholder, a community leader may be a supplier, members of stakeholder groups are target customers, and all of them are exposed to different media. Furthermore, decision-making units in many of these stakeholder groups are increasingly complex, implying that they have to be reached by means of different communications tools and channels. It is not necessary to give exactly the same message to all these audiences; on the contrary, messages will have to be adapted to the stakeholders' needs. Nevertheless, it is very important not to convey contradictory messages.

Consistent communications have to reflect the mission, corporate identity and core propositions of the organization to all target groups. Integrated communications provide a mechanism for identifying and avoiding message conflicts when communicating with these overlapping and complex target groups.

One of the trends in marketing today is the increasing importance of building customer loyalty instead of attracting and seducing new customers. This trend towards relationship marketing implies a much more 'soft sell' approach. Retailers focus upon building a long-term relationship with target groups by means of consistent interactive communications, rather than aggressively persuading the consumer to buy a company's products.

Finally, markets are becoming increasingly global. Phenomena such as the Internet, but also the globalization of mass media and the increasing exposure of consumers and stakeholders to international communication stimuli, increase the need for consistency in everything the company communicates in all countries in which it markets its products.

Conclusions

Marketing strategy and communications are the voice of a retailer's brand. The role of marketing communications is to inform, persuade and remind consumers of the brand essence, to engage consumers in a dialogue and to build relationships, or even a brand community. Taking a long-term perspective of brand management, managerial efforts can be classified in two types of activities: brand building and brand-harming activities.

High advertising spending and investing in corporate social responsibility initiatives are examples of brand-building activities. Frequent use of price promotions, on the other hand, dilutes the brand in the long run and can therefore be classified as a brand-harming activity. Indeed, price cuts and other types of immediate material incentives may reduce the quality perception of brands and the potential of the brand to command a premium price. On the other hand, loyalty promotions may serve both as a reward for loyal customers and as a means of enhancing the loyalty-creating effect of brand strength with new customers.

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