DEVELOPING ALTERNATIVE RETAIL MARKETING STRATEGIES: AN EVOLUTIONARY ORIENTATION

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Abstract

This paper maintains that there are four key retail marketing strategies. These are: mass retailing, differentiating, segmenting and positioning. Positioning is considered to be one of the most widespread retailing strategies. At the present time it is only gaining momentum. It is likely to follow the patterns product marketing has been setting. Product marketing strategies have included positioning as one of the key alternatives for a decade or so. It is maintained that retailing follows product marketing strategies with a time lag of 5 to 10 years.

Mass Retailing

Retailers, as manufacturers, have exploited the market aggregation strategy. The mass retailers start basically similar marketing mixes as their competitors. They assume that the market is large enough and they could capture a portion of it by imitating others. They thrive on convenience and ease of shopping. Examples of this include the general trading stores of the 1800's and early department stores. These retailers attempted to serve the total market by having a wide assessment of products. For them, advertising played an informative role by emphasizing such items as store location, variety of products carried, etc. Advertising messages were the same for all segments as the retailer attached the total market. They assumed that all customers are basically alike.

Differentiating

As retailers faced increased competition (such as chain store operations) and declining profits, which stemmed from price cutting, as well as large scale more efficient retail operations, they began using the product differentiation strategy.

This strategy starts with marketing mix differentials (Figure 1). Its goals is to develop better mixes for the mass market and hence to develop competitive advantage. Several examples of this strategy primarily come from the department store. In striving monopolistic competition in their retail trade areas, the department store frequently added such features as credit granting, gift wrapping, delivery, expanded store hours, restaurants with fashion shows and several other such extras. These retailers used advertising in form of these new features. Most importantly, their advertising programs attempted to create and promote the store image which distinguished from its competitors.

The differentiator views the market as all customers are basically alike. They eventually differentiate their marketing mix. He tries to offer something for everyone, however, what is offers is different than its competitors. This is the stage where store images start to emerge.

Segmenting

In time, retailers realized that their customers were not really alike and their trade areas were not homogenous. Further realizing that their trade areas were comprised of several heterogeneous submarkets within

FIGURE 1

RETAIL MARKETING STRATEGY ALTERNATIVES

	Starting Point	Goals
Positioner	Starts with a specific market position aiming at a specific competitor	Attempts to take away a good share of the market from a well-established competitor
Segmenter	Starts with market segmentation	Attempts more precise adjustment of supply to heterogeneous demand
Differentiator	Starts with marketing mix differentials	Tries to develop better mixes for the measurement
Mass Retailer	Starts with basically similar marketing mix as the competitor's appeals through convenience or ease of shopping	Tries to capture a part of the market by not doing anything different than competitors

which there was homogeneity of needs, motives, etc. some retailers attempted to employ the market segmentation strategy. This stage of the retail marketing evolution followed, by a considerable amount of time, that of the manufacturers. This is illustrated by the literature development concening these topics. Generally, the pace of retail store market segmentation research has tended to be somewhat slower and somewhat less sophisticated than that for product/market segmentation. To this day, market segmentation is a "new" strategy to several retailers.

As for manufacturers, advertising plays a key role in determining the effectiveness of a retail segmentation strategy. Advertising programs are directed at specific market segments with unique needs which means that retailers have to be cautious about media selection and scheduling as well as message construction.

The segmenter starts with identifying variable segments. His goals is to adjust the supply to heterogenous demand (Figure 1). He views the market as all customers are being different. He tries to offer a few select market mix to satisfy specific needs. Many of the specialty stores can be shown as examples of segmentation in retailing. I. Magnins, Tom McAnns or Robert Hall's are all examples of specialty retail chains appealing to some carefully defined market segments. Some department stores also have segmented Bloomingdale's, Marshall Fields or Kmarts are examples.

At best, the evolution of marketing strategy development for retailing is still in the segmentation stage. Accordingly, the most significant contrast between the manufacturers' and retailers' evolutions exists at positioning stage. It is here that we see that the retail evolution is incomplete. The literature concerning manufacturer (product) positioning first appeared in the early 1970's. It was not until 1977 that similar recognition was given to the concept of retail positioning. Since segmentation is still the major practice and research area, it is treated specially in the following chapter.