- **Omni - Channel**

Omni-channel Retailing: A seamless approach to the customer experience through all available shopping channels

Omni-channel Retailing Involves:

1) Merging of retail and customer transactions (e.g. social networking between retailer and their shoppers). In Omni-channel retailing, the divisions between channels disappear all together. Multiple channels are merged and meshed in the customer experience, not just the online/offline divide
2) Multi-channel presence
3) Shoppers are able to freely move between the retailer's channels
4) Targeted comms to customers, across multiple mediums
5) Uniform pricing, ranging, branding and service standards across all channels (e.g. Coles online & in-store has uniform price)
6) Wealth of information available to retailer and shoppers (e.g. country of origin)

Omni-channel Retailing Challenges:

a) Retailer must offer the right combination of channels (<=> come through multi-channel)
b) The customer experience across these channels must be seamless (e.g. same experience no matter shop online/in-store/mobile)

Omni-channel Retailing Examples:

- Albert Heijn (pick-up points for product ordered online, not attached to stores)
- Macy (provide stock information, right size, store locations while customers search products)
- TESCO (virtual stores in subway station)

WEEK 3 DEVELOPING RETAIL STRATEGY

❖ Retail Strategy

- Definition: Retail Strategy is an overarching framework / set of directives / plans that guide the retailer's channel and marketing decision making (sharply defined market: where market & customer we speak to)

- The markets and customers to be targeted and served
- Which and how customer needs will be met
- How sustainable competitive advantage will be gained (your position vs competitor's)
- Resource deployment (finite resource/budget/talents —> where invest & what brand, e.g. best in the growth area - urban vs regional)
- Performance review (strategy = goals, can be monitored)

- In the absence of strategy:

- Incoherence
- Diffusion of resource and effort
- Confusion (everyone works hard but head in different directions; if no strategy —> exit)

- Why develop Retail Strategy:

1) Facilitate change (strategy forces you to change in the right direction - dynamic landscape: tech change/competitors change/customers demand change quickly)
2) Force managers to ask right questions (i.e. managers look out from the org. to look out the landscape around the organisation, what happen outside - 3Cs: Competitor/Customers/Company)
3) Motivate and control (always start with a goal: e.g. market share/profit growth —> objectives motivate ppl & control ppl's behaviour, coherent and head to the same direction)
4) Balance the tyranny of accountants (backward looking vs forward looking future strategy)

❖ Retail Marketing Strategy: Systematic Process

- **Situational Analysis** (strategic position analysis - collect environmental & internal data)

- Strategic Objectives —> Retail Management Strategies (strategic focus) —> Retail Mix Plan [develop Strategic Objectives first to have something measure performance against]

- Performance & Strategy Evaluation

- Characteristics of Strategy

a) Direction - vision, goals (where we going, what to achieve)
b) How to reach goals (the route are we taking to get there, how to achieve)
c) By what means / Resources (the vehicle we are travelling in, e.g. costs up strategy plan, $, ppl, team, capability of the business)
d) Time frame (how long it will take to get there)

❖ Situational / Position Analysis

STEP 1: Assess Current Position	STEP 2: Explain Current Position
• Assess performance against targets (occur across all levels and portfolio dimensions important to how the retailer define the market - how currently doing against targets) • Product & Service categories • Geographies (e.g. urban vs regional) • Customer Segments (e.g. growing business) • Channels / Formals • Start to identify opportunities and threats (e.g. present results, current performance across different stores, brands) - Identify which sections of the business are driving value and achieving set objectives & which sections of the business are falling below expectation	• **External Analysis**: 1) Macro-environment (**FAR**: PEST Analysis) 2) Micro-market Dynamics (**Near**/Market Analysis: customers, competitors, retail cycles) • **Internal**: Internal capability to create a competitive advantage (focused* e.g. people, resources, channels - assess & valuate report, why growth in one state not the other) a) Cost leadership b) Benefit Differentiation

STEP 1: Assess Current Position	STEP 2: Explain Current Position	STEP 3: Project Future Position

❖ External Analysis

- **FAR: PEST Analysis** (macro-environment)

- What are the environmental factors currently affecting the retailer
- Which are the most important (i.e. prioritise)
- What new factors might be relevant in the future

POLITICAL / LEGAL	ECONOMIC
• Change of government • Tax policies • Employment Law • Minimum Wage • Trading Hour Restrictions • Planning Guidelines • Trading Terms Codes • Environmental Laws	• GDP Trends • Regional Economies • Disposable incomes • Savings Ratio • Interest Rates • Employment Levels • Exchange Rates • Fuel Costs
SOCIOCULTURAL	**TECHNOLOGICAL**
• Environmental Concerns • Consumerism • Changing work Patterns • Holiday / Leisure Time • Food Concerns • Levels of Education • Ageing Population • Delays in starting family	• High-tech Products • Food Processing • Internet • Interactive Devices • E-data interchange • Warehousing technology • Satellite Tracking • Security technologies

● **NEAR / Market Analysis** (micro-market dynamics: customers, competitors, retail cycles)

1. Customers

- *Customer Landscape* (retailer's lines of enquiry): WHO is the shopper + WHY do they shop + HOW do they shop + WHAT & WHEN => PROFILING (customer segments) => Big Data, Bespoke Research (problem with loyalty data)
- *Market Segmentation*

How & Why do market segmentation
(1) Identify a homogenous segment that differs from other segments (identify ≥1 homogenous clusters of customers with similar wants, needs and responses to the retail mix, NO merging/blending between two segments) (2) Specify the characteristics that define the segment (profile the segment clearly enough so that its members can be readily identified and contacted, e.g. age/gender/personalities/characteristics) (3) Determine segment attractiveness: size & potential (quantify: determine the attractiveness of each segment to explain current performance —> prioritise —> choose which segments to target, e.g. look at sizes of the segments: department store vs small/medium)

Segmentation	Criteria/Variables
DEMOGRAPHIC • Age (>13 / 2-5 / 65+ <=> early adopter/follower) • Gender (male/female) • Education (high school/ UG/ Graduate <=> travel destination) • Income (< 30k / 51-70k / 120k+) • Occupation (student / clerical / professor) • Cultural Background (Greek / German / Chinese)	**GEOGRAPHIC (catchment area)** (Where customers live, work and shop can make a significant impact on their buying characteristics) • The profile of a retailer's customers within a catchment radius (e.g. 5km) of a store is of particular interest to retailers • Census geodemographic data can be used to assess the size and potential of market segments defined by postcodes (<=> where to set up store) • Geodemographics can be used to predict customer behaviour at postcode level
BEHAVIOURAL (Highly specific behavioural characteristics used to define sharply focused market segments based on what customers do can be very powerful) • Customer Needs = Benefit Sought (offers that provides the best bundle of benefits for the individual is more likely chosen) • Shopping Related Behaviour (in-store shopping modes & missions and behaviour - browse for hours/midnight shop/gifting) • Benefit variables: value of money, fashionability, provenance, identity reinforcement, convenience	**PSYCHOGRAPHIC** (Psychographic segmentation assumes that customers are individuals with different personalities, identities, perspectives on live, values and decision-making process) • Lifestyle/psychographic variables include: social class, lifestyle, personality, attitudes (e.g. spender, safer, risk taker, risk averse)

Criteria for evaluating Market Segment Attractiveness (Evaluation)
(1) Actionable (clearly see what should do to satisfy their needs <=> know who they are & what they want) (2) Identifiable (determine which customers are in the segment —> determine segment size, growth, composition - who's in the segment, what they like) (3) Substantial (will the segment generate significant/sustainable profit to support business objectives) (4) Reachable (can I reach out to the customers through retail channel, ethics - age)
- Why identify the context to current performance: to explain the success/failure to meet expectations - Customer Segment Dynamics & Metrics (understand current performance) a) Size b) Growth Rate c) Market Share d) Profitability e) Life Cycle Status f) Long-term Value

2. Competitors

- *Five forces driving retail competition*

1) Threat of New Entrants

Attractiveness of a particular sector/market to new entrants dependant on:

- Market profitability
- Barriers to entry

(a) Capital Requirements (how much invest to get in the market, is there any local suppliers)
(b) Economies of scale (draw from what currently doing, e.g. Zara/H&M not in to AU until set up business in Asia)
(c) Access to customers or availability of sites (catchment area, right location, e.g. ALDI vs Coles land)
(d) Differentiation, Brand Identity & Store Loyalty (<=> DJ food store)
(e) Expected Retaliation (<=> DJ put up barriers for others)
(f) Assess to Supply & Distribution (e.g. block supply to stop others from entering, sign contracts exclusively at guaranteed amount & set price)

2) Bargaining Power of Suppliers

Power has shifted towards retailers (Retailer > Suppliers, charging of 'slotting' & 'shelf' fees)

- Retailer dictates shelf price
- Retail concentration & size
- Own brands and marketing capability

Influence of a supplier depends on relative size to the Retailer

- Large MNC suppliers (e.g. Nestle/Unilever/P&G) often have market shares larger than respective retailers in respective markets —> in a position to negotiate trading terms
- Large suppliers draw their power from brand strength & customer loyalty
- Small retailers are vulnerable to pressure (particularly ranging & shelf price)
- Large retailers have their own power (e.g. Walmart, WW & Coles)

3) Bargaining Power of Shoppers

Individual shopper's transactions are relatively small

- Individuals have little impact on retailer strategies
- But the cost of switching to another retailer is also small (not loyal)

Internet reducing shopper immobility and information asymmetry (e.g. price checking)
Legislation and formal regulation always a threat (e.g. ACCC - represent consumers)

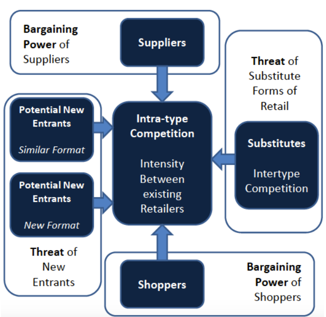
4) Threat of Substitutes

- The rise of multi-channel retailing and online/mobile commerce has increased the threat of substitutes (e.g. DJ Food Store <=> Uber Eat, substitute: intra-type competition, intensity between existing retailers)
- Substitute threats can also come from other sectors, such as the competition between restaurants and supermarket convenience meals (e.g. restaurant competition)
- Retail expenditure also completes with other forms of consumer spending (e.g. holidays vs entertainment if disposable income is limited, restaurant will compete with holiday, ppl save money to go on a holiday rather than going out to eat)

5) Intensity of Existing Competition

Intense competition within an existing market is dependent on factors such as:

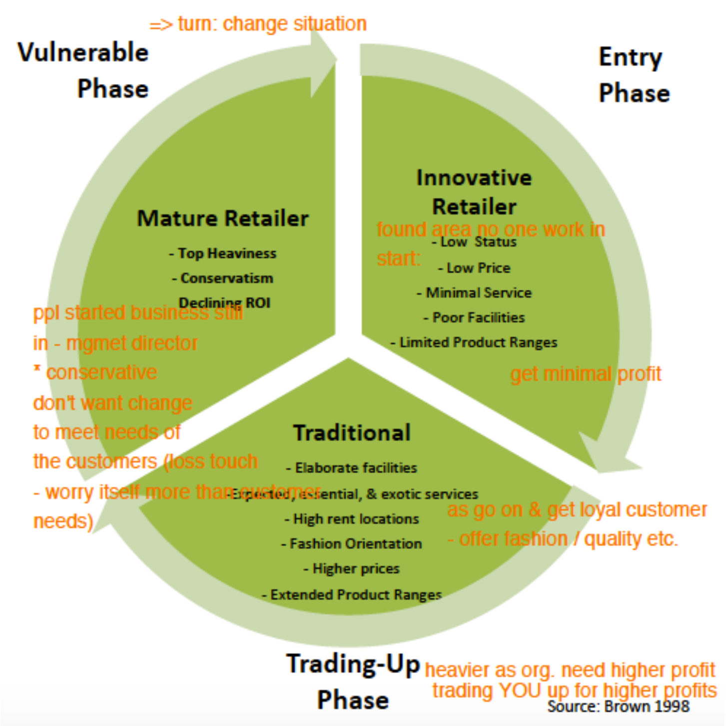
- Slow market growth
- Market maturity
- High concentration
- Low differentiation
- High exit costs

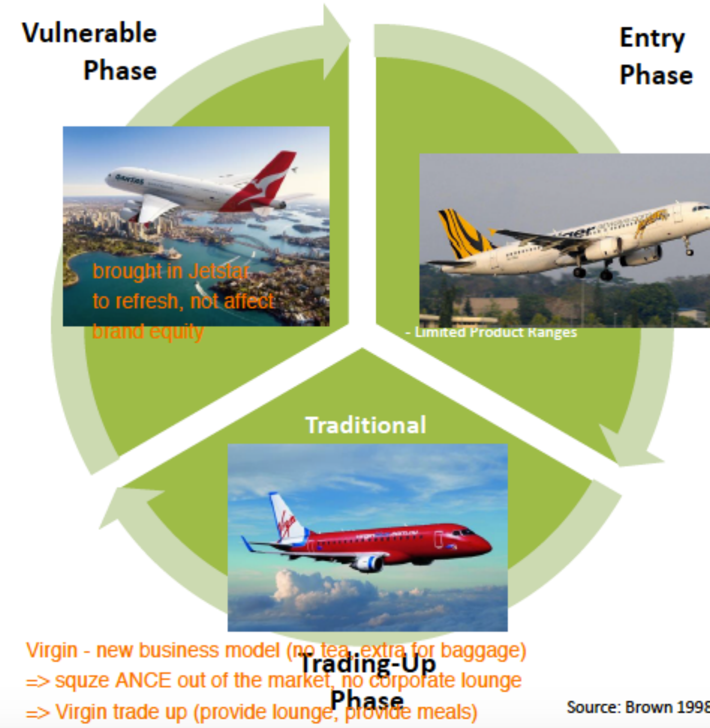


3. Retail Cycles

- *Wheel of Retail*

Innovative Retailer (Entry Phase)	• Low status • Low price • Minimal service • Poor facilities • Limited product ranges	New types of retailers usually enter the market as low status, low margin, low-price operators
Traditional (Trading-Up Phase)	• Elaborate facilities • Expected, essential, exotic services • High rent locations • Fashion orientation • Higher prices • Extended product ranges	Gradually they acquire more elaborate establishments and facilities with both increased investments and higher operating costs
Mature Retailer (Vulnerable Phase)	• Top Heaviness • Conservatism • Declining ROI	Finally, they mature as higher-cost, high-price merchants, vulnerable to new types who, in turn, go through the same pattern





* The wheel rotates and can be spun and turned back
* Retailers can re-invent and refresh themselves through new formats and channels, merchandise, brand extensions etc

- *Retail Life Cycle*

Introduction	Few competitors, rapid sales growth, low profitability (high start-up costs)
Growth	Rising profitability, increasing competition (fast followers)
Maturity	Many competitors, plateauing profits
Decline	Falling sales and profit