

RETAIL MANAGEMENT

MKTG30006

LECTURE SUMMARY NOTES

**The University of
Melbourne**

LECTURE CONTENTS

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RETAIL MANAGEMENT SUMMARY

LECTURE 1 - Intro

Retailing → set of business activities that sell products and services to customers for personal use, all about adding value

- retail is final touchpoint for customer
- customer may not necessarily be consumer
- ** e.g. mum buying something for son
- social & economic significance of retail:
 - sales & distribution of essentials
 - employment
 - wealth distribution
 - social, economic & environmental responsibility
- importance of retail marketing:
 - retail is where customer's 'moment of truth' occur
 - marketing now retail-centric

LECTURE 2 – Retail Channels

Retail Channels

- Bricks (Store-based) → food & non-food
 - F:** supermarket, hypermarket, convenience store, resto, café etc.
 - NF:** department store, category killer, popup, DFO, specialty
- Clicks & Mobile (Online & Mobile app)
 - Pros:** less costly, open 24/7, quick price comparison
 - Cons:** need constant updating, can't experience product before purchase, no personal interaction
- Non-store based
 - e.g. vending machine, direct selling

Multi-Channel Retailing

Combination of several retail channels in parallel to sell product/services and increase customer benefit

** not focused on driving consistent message across channels, only want multi touchpoints

reasons for MC:- expand

- leverage (e.g. brand equity)
- overcome limitations
- increase share of wallet

Omni-channel Retailing

Seamless approach to the customer experience through all available shopping channels

- *Involves:*

1. merge transactions
2. multi-channel presence
3. freedom of movement
4. targeted communication
5. uniform standard across channels
6. wealth of information available

**goal of delivering a consistent brand experience across all channel

LECTURE 3 – Developing Strategy I

Developing Retail Strategy:

Situational analysis, Strategic Vision

Situational Analysis

- 1) Assess current position
- 2) *Explain current position*
- 3) Project future position

External Analysis – Far

- PEST Analysis

External Analysis – Near

- Competitor

Types:

- Direct/Intra-type, Intertype, Vertical, Systems

5 forces analysis:

- existing competitors, threat of new entrants, supplier bargaining power, buyer bargaining power, substitute products

- Customer(Segmentation)

- Demographic, Geographic, Psychographic, Behavioural

- Who, Why, How, What, When

Criteria: Actionable, Identifiable, Substantial, Reachable

- Retail Cycle

Wheel of Retail

- Innovative (entry), Traditional (trading- up), Mature (vulnerable)

LECTURE 6 – Merchandise & Buying

Merchandise Planning Process

1. Forecast Category Sales
2. Develop assortment plan
3. Determine inventory & availability
4. Develop inventory management plan
5. Allocate merchandise by store
6. Buy merchandise
7. Evaluate performance & adjust

Buying & Merchandising Objectives:

Right product, time, quantity, place, price

Merchandise Classifications

Merchandise Group > Department >

Classification > Category > SKU

Merchandise Types

1. staple/basic
2. fashion
3. seasonal
4. Fad

- 1. Forecast Category Sales*
- historical sales & adjustments
- 2. Develop assortment plan*
- breadth (variety) & depth (assortment)
- 3. Determine inventory & availability*
- cycle (base) stock & buffer stock
- 4. Develop inventory management plan*
- inventory levels, brand, GMROI, assortment breadth & depth etc.
- 5. Allocate merchandise by store*
- volume, assortment, timing
- 6. Buy merchandise*
- manufacturer brands (involves negotiation) vs private label brands
- 7. Evaluate performance & adjust*
- GMROI (gross margin returns on investment) & sell-through (full price or discounted)

LECTURE 7 – Retail Pricing

Retail pricing is central to customer's value equation

Value = Perceived benefits / Price

Pricing Decision Objectives

1. long-term profit maximization
2. short-term profit-maximization
3. market penetration
4. market defence
5. market stabilisation
6. quality image
7. pricing integrity
8. clearance pricing

Pricing Strategies

High-Low vs EDLP (everyday low pricing)

Considerations in setting price

1. Customer price sensitivity (elasticity)
2. Cost of product (mark-up & cost)
3. Competitor prices (reactions)
4. Pricing for strategic alignment (position then price)
5. Legal constraint (see ethics)

Pricing Policies

Price leadership / Variability (cost)

Tactics

BROAD: Skimming vs Penetration

SPECIFIC:

- Leader-pricing (some staples priced lower to get you in first then hope you buy other stuff)
- Price-lining (pre-determined price tiers)
- Odd pricing (.99 looks cheaper)

Promotions & Markdowns

Objectives: clear excess stock (clearance sales), increase sales (promotional markdowns), generate funds to purchase new stock

Optimising: traditional approach (rule-based / sell-through), markdown optimisation (software used by bigger retailers)

Liquidation: sell merch to another retailer