

## Week 1

### Chapter 1 - Introduction to the world of retailing

- Brian Hill - CEO aritzia
- 52 stores in all of America
- Vertical retailer - success behind his retail store

#### What is Retail

Set of business activities that add value to the products and services sold to consumers for their needs.

- Global high tech industry
- Walmart - world's largest
- Carrefour - second largest
- Loblaws third largest retailer - bought shoppers
- The retail sector is the largest employer nationally, employing almost **13 percent** of Canadians
- understanding and engaging your customer
- Competition calls for innovation
  - Retailers are introducing a place for **entertaining** and **educational experiences** for their customer
- Retail managers make complex decisions:
  - selecting target markets and retail locations
  - determining what merchandise and services to offer
  - negotiating with suppliers and distributing merchandise to stores
  - training and motivating sales associates
  - deciding how to price, promote, and present merchandise.
- Considerable skill and knowledge are required to make these decisions effectively
- **Retailing** is a set of business activities that add value to products and services sold to consumers for their personal or family use
- Nonstore retailing: online shopping, services can be form of retail too

#### Value vs Satisfaction/ Need vs Want

- Value - benefit-cost
- **Satisfaction** relates to **expectation**
- Needs Vs Want ( apple vs Apple(mac))

#### Retail Role in Distribution channel

- **Retailer** is a business that sells products and/or services to consumers for their personal /family use.
- satisfy consumer needs by
  - having the **right merchandise, at the right price, at the right place,** in the **right quantities,** at the **right time** when the consumer wants it.
- **Distribution Channel** is a set of firms that facilitate the movement of products from point of production to point of sale to ultimate consumer

- Manufacturing → Wholesaler → Retailer → Consumer

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- **Vertical Integration**

- **A firm performs more than one set of activities in a channel.**
  - Ex: investments by retailers in wholesaling or manufacturing.
- Backward integration: retailer performs some distribution and manufacturing activities,
  - Ex: operating warehouses or designing private-label merchandise
- Forward Integration:
  - when a manufacturer undertakes retailing activities, such as Roots operating its own retail stores

### **Adding value**

→ Task Specialization, → Transaction Efficiency → Branding Power

### **Functions Performed by Retailers**

- Channel **created value functions for goods/services:**
  - **Providing an assortment of products and services**
    - Supermarkets gives customer wide variety of choices, from brand, design, size, color and price in one location
    - Manufacturing specialize in one thing
  - Breaking bulk
    - reduce transportation costs via
      - manufacturers and wholesalers ship cases or cartons of goods to retailers.
      - Retailers then offer the products in smaller quantities tailored to the individual consumer's and household's consumption patterns.
    - effective for manufacturers to package and ship merchandise in larger rather than smaller quantities
    - easier for consumers to purchase merchandise in the smaller, more manageable quantities they prefer
  - Holding inventory
    - function of retailers is to keep inventory that is already broken into user-friendly sizes so that products will be available when consumers want them
  - Providing experiential consumption
  - Providing service and services
    - Retailer provide sale service - credit, debit, visa \
    - Test and see product before you buy

## Top Industries

Automotive and Grocery are two top retailers in Canada

## Competitors

1. **Intra-Type** – firms of the same business (Walmart to superstore)
2. **Inter-Type** – different type of businesses but sell same products (gas station vs discount stores)
3. **Variety** -
4. **Scrambled Merchandising** – mix of unrelated products that do not reflect company's original focus

**Retail Strategy** → Defining target market → what merchandise/service to provide to meet needs of consumers → how retailer builds competitive advantage and differentiation

## Social and Economic Significance of Retailing

- Social Responsibility
  - Corporate social responsibility **CSR** - voluntary action to address **ethical, social** and **environmental** impact of its business operations and the concern of its stakeholders
- Retail sales in Canada
  - Dominated by motor vehicle sector
  - **72 percent** of all retail businesses **employ fewer than five** person
  - retail industry represents the largest segment of small business in this country
  - dominance of Canadian retail market segments, includes **Loblaws** (30 percent), **Shoppers Drug Mart** (31.8 percent), **Rona** (23.9 percent), **Walmart** (41.5 percent), and **Best Buy/Future Shop** (40.2 percent).
  - top three retailers in Canada (**Weston Group, Walmart, and the Empire Company [Sobeys]**)
- Global Retailers
  - Businesses operating internationally in other countries

## Retail Management Decision Process

- Understanding the World of Retailing
  - Understand environment, ( customer and competition) before developing and implementing
  - Impacts of the macro-environment
    - technological, social, and ethical/legal/political factors
    - successful **retailer react to changes in the macroenvironment.**
  - **Micro-environment**
    - **focuses specifically** on its **competitors** and **customers.**
  - **A. Competitors**
    - Comparison between retailers
      - **Intratype competition**:: Competition between retailers of the same type (e.g., Loblaws versus Sobeys) → Supermarkets vs supermarket
      - **Variety**: # of different product categories within a store

- **Scrambled merchandising:** merchandise offered is not associated with store type (clothing in drugstore)
  - increases intertype competition
- **intertype competition**—competition between retailers that sell similar merchandise using different formats, such as discount and department stores
- B. Customer
  - **growth in the elderly and minority segments of the Canadian population**
  - increasing importance of shopping convenience
  - understand why customers shop
  - how they select a store,
  - how they select among that store's merchandise.
- Developing a Retail Strategy
  - **retail strategy** indicates how the firm plans to focus its resources to accomplish its objective
  - Identifies:
    - The **target market**, toward which the retailer will direct its efforts
    - The **nature of the merchandise** and/or services the retailer will offer to satisfy needs of the target market
    - How the retailer will build a long-term advantage over competitors
  - **Strategic Decision Areas**
    - The key strategic decision areas for a retailer involve:
      - determining a market strategy, a financial strategy, a location strategy, organizational structure and human resources strategies, information systems and supply chain strategies, and customer relationship management strategies
    - Market strategy
      - Analyze environment and firm's weakness/strength
    - Financial Variables
      - such as sales, costs, expenses, profits, assets, liabilities, and owner's equity are used to evaluate the market strategy and its market strategy and implementation
    - Location
      - top consideration when selecting a store
      - You want best in terms of competition and customer convenience
    - Organization design and human resources management strategies
      - coordinate the implementation of the retailing strategy by buyers, store managers, and sales associates.
    - Retail information and supply chain management system
      - offer a significant opportunity for retailers to gain strategic advantage in the coming decade



**The Six Tests of Ethical Action****The Publicity Test**

- Would I want to see this action that I'm about to take described on the front page of the local paper or in a national magazine?
- How would I feel about having done this if everyone were to find out all about it, including the people I love and care about the most?

**The Moral Mentor Test**

- What would the person I admire the most do in this situation?

**The Admired Observer Test**

- **Would I want the person** I admire most to see me doing this?
- Would I be proud of this action in the presence of a person whose life and character I really admire?
- What would make the person I admire most proud of me in this situation?

**The Transparency Test**

- Could I give a clear explanation for the action I'm contemplating, including an honest and transparent account of all my motives, that would satisfy a fair and dispassionate moral judge?

**The Person in the Mirror Test**

- Will I be able to look at myself in the mirror and respect the person I see there? The Golden Rule Test
- Would I like to be on the receiving end of this action and

**Product vs Service:**

- **Intangible:** cannot be seen, smelled, heard or touched prior to purchase ( ex: University)
- **Inseparable:** service performed and consumed at the same time ( ex: tanning salon)
- **Perishable:** service cannot be stored if not delivered - will be lost ( ex: rock concert)
- **Variable:** each time performed it will be different: (ex: waiter)

**Multi-Channel Retailing**

- Sells merchandise or service through more than one channel, uses combination of channels, retailers, can exploit unique benefits provided by each channel

**Omni Channel Retailing**

- Provides seamless integration among the channels
- integrated

**Type of retailers:**

- Speciality stores
- Department
- Supermarket
- Convenience
- Discount
- Off-price retailer
- Super store

**Chapter 2 -****Retailer Characteristics**

1. Type of Merchandise
  - a. Naics – north American industry classification system
2. breadth and depth
  - a. Breadth is the # of different product lines
  - b. Depth is the # of SKU within each product line
3. customer service
  - a. added value ( deliver, gift wrap, payment variety)
4. price
  - a. Low Price = less services, less perks

**Week 2**

## Chapter 3 - Customer Buying Behaviour

### New customer mindset

- Interconnected
  - a way of life—the way people get and share information, communicate, transact business, and even socialize.
- In control
  - A way to control how you interact
  - *Clout control*
    - Be able to demand the products, shopping experience, retail environment they want ,
  - Context control
    - The tools and technology available that allow customers to capture information, communicate, and conduct transactions regardless of the time or the place
  - Contact control
    - More access - you control who you want in your world, reject unwanted things and people
- Indulgent
  - interconnected shopper's ability to easily discover, find, filter, and try the next new thing
  - *Shift towards*: niche products, experiences, and services uniquely suited to their tastes, interests, and aspirations
- Individualized
  - consumers gravitate toward products and experiences that offer individual focus,

### Buying process (bp)

- BP: steps consumers go through when buying a product or service, begins when customers recognize an unsatisfied need
- How to satisfy need and what can be useful and how they can be bought
- 1. *Need Recognition*
  - a. triggered when consumers recognize they have an unsatisfied need
  - b. desired level of satisfaction differs from his or her present level of satisfaction
  - c. **Type of need:**
    - i. **utilitarian needs:** Needs motivating consumers to go shopping to accomplish a specific task. (buying suit for interview) work
      - 1. Functional - satisfy basic need
    - ii. **hedonic needs:** Needs motivating consumers to go shopping for pleasure. (recreational) fun
      - 1. Satisfy emotional/entertainment needs
    - iii. hedonic needs that retailers can satisfy:
      - 1. **Stimulation:** by using music, visuals, and relaxing environments to give break to working people to come and relax,

2. **Social Experience:** creating space for all ages, to gather, to mingle, to relax, to shop, to eat, live and enjoy a mixed lifestyle for friends, family and all
  3. **Learning new trends:** satisfy need to be informed by informed, ex: teens might go to The Body Shop to learn about new product
  4. **Status and power: places that make customer feel special,** resorts and spas make the customer the centre of attention
  5. **Self-reward:** offering some sort of reward to reward customer, “treating” customers to personalized makeovers while they are in the store
  6. **Adventure:** bargaining, looking for sales, discounts,
- d. **Conflicting needs:**
- i. **Cross Shopping:** pattern of buying premium and low prices goods, (status oriented and price oriented retailers)
- e. **Stimulating Need Recognition**
- i. Advertising, Internet promotions, direct mail, publicity, and special events communicate the availability of merchandise or special prices
  - ii. Try to attract customers based on current needs, showing them what is available and for the occasion they need

## 2. Information search

### a. Amount of Information Searched

- i. The stage in the buying process in which a customer seeks additional information to satisfy a need
- ii. Cost of searching vs the value of it → information search
- iii. New items - spend more time researching
- iv. Save time: stores send promotional text messages
- v. Factors that influence the amount of information search:
  1. nature and use of the product
  2. characteristics of the individual customer,
  3. aspects of the market and buying situation in which the purchase is made
- vi. Marketplace and situational factors affecting information search:
  1. number of competing brands and retail outlets
  2. time pressure under which the purchase must be made.
- vii. competition is greater and there are more alternatives to consider, the amount of information search increases. However, the amount decreases as time pressure increases.

- b. Sources of Information**
    - i. Internal and external source
    - ii. **Internal:**
      - 1. Information in a customer's **memory** such as names, images, and **past experiences** with different stores
      - 2. Customer shopping experience
    - iii. **External:**
      - 1. Information provided by the media and other people.
      - 2. Internet plays major role
      - 3. Consumer reports, advertising, word of mouth, internet, social media
  - c. Reducing Information Search**
    - i. Retailer's objective is to limit customer search for information by providing most on website and instore
    - ii. Everyday low pricing strategy (EDLP)
      - 1. A pricing strategy that stresses continuity of retail prices at a level somewhere between the regular non sale price and the deep-discount sale price of the retailer's competitors
- 3. Evaluation
  - a. retailer can use four methods to increase the chances that customers will select its store for a visit
    - i. Increase beliefs about the store's performance
    - ii. Decrease the performance beliefs for competing stores in the consideration set
    - iii. Increase customers' importance weights
    - iv. Add a new benefit
  - b. The multiattribute attitude model - on the midterm!**
    - 1. Attitude towards product = beliefs about relationship between retailer and attribute \* evaluation/importance of attribute (outcome)
    - ii. based on the notion that customers see a retailer, a product, or a service as a collection of attributes or characteristics.
    - iii. provides a useful way to summarize how customers use the information they have and collect about alternative evaluate the alternatives, and select the one that best satisfies their need
    - iv. Importance/value of customer is more challenging to change for retailer
  - c. Beliefs about Performance**
    - i. Economy - convenience - assortment -- availability of product information
- 4. Choice (Purchasing the Merchandise or Service)
  - a. **consideration set:**
    - i. The set of alternatives the customer evaluates when making a merchandise selection
  - b. Beliefs vs importance (values)
- 5. Visit (buy)

- a. You go to store - site or catalogue
  - i. Attitude: behavioural beliefs outweighed by outcomes evaluation
  - ii. Subjective Norm: normative beliefs weighted by motivation to comply
  - iii. Perceived Behavioural Control: control beliefs weighted by influence of control
  - iv. Behavioural Intention (centre)**
  - v. Behaviour
6. Loyalty (Post-purchase Evaluation)
  - a. Satisfaction
    - i. A post-consumption evaluation of the degree to which a store or product meets or exceeds customer expectations.
  - b. post-purchase evaluation
    - i. The evaluation of merchandise or services after the customer has purchased and consumed them
  - c. +/- disconfirmation and +/- equitable treatment are two ways people can be satisfied/dissatisfied
    - i. Performance > expectation → **+ disconfirmation = satisfaction**
    - ii. Expectations > Performance → **-ve Disconfirmation = dissatisfaction**

#### Types of buying decision

#### **Decision Making (Problem Solving) - on midterm**

- **Extended Problem Solving**
  - purchase-decision process in which customers devote considerable time and effort to analyzing their alternatives.
  - A buying process in which customers spend considerable time at each stage of the decision-making process because the decision is important and they have limited knowledge of alternatives
- **Limited Problem Solving**
  - a purchase-decision process involving a moderate amount of effort and time.
  - A purchase decision process involving a moderate amount of effort and time. Customers engage in this type of buying process when they have some prior experience with the product or service and their risk is moderate
- **Habitual Decision Making**
  - A purchase decision involving little or no conscious effort
  - brand loyalty
    - Indicates customers like and consistently buy a specific brand in a product category. They are reluctant to switch to other brands if their favourite brand isn't available.
  - retailer loyalty
    - Indicates that customers like and habitually visit the same retailer to purchase a type of merchandise.

#### Marketing Myopia

- A myopic business view defines the business in terms of products and not the value consumer receives

- Retailers want to be non-myopic

### **Social Factors Influencing Buying Decisions - on midterm! Know it**

- Beliefs / Values/ Attitudes
- family/ reference group /Culture
- Family
  - When families make purchase decisions, they often consider the needs of all family members.
  - Children needs must be satisfied
- reference group
  - One or more people whom a person uses as a basis of comparison for his or her beliefs, feelings, and behaviours.
  - Offer information, provide reward, enhance consumer image → effect reference group buying decision
- store advocates
  - Customers who like a store so much that they actively share their positive experiences with friends and family.
- Culture
  - The meaning and values shared by most members of a society
  - Subculture
    - A distinctive group of people within a culture. Members of a subculture share some customs and norms with the overall society but also have some unique perspectives.

### **Market Segmentation**

- retail market segment
  - A group of customers whose needs will be satisfied by the same retail offering because they have similar needs and go through similar buying processes.
- Persona
  - aspect of someone's character that is presented to or perceived by others.
- actionability
  - Means that the definition of a market segment must clearly indicate what the retailer should do to satisfy its needs.
- Identifiability
  - Permits a retailer to determine a market segment's size and with whom the retailer should communicate when promoting its retail offering.
- Accessibility
  - The degree to which customers can easily get into and out of a shopping centre
  - ability of the retailer to deliver the appropriate retail mix to the customers in the segment
- **Retail Segmentation Strategy**
  - Demographic, geographic, psychosocial, behavioural
  - geographic segmentation

- Segmentation of potential customers by where they live. A retail market can be segmented by countries, provinces, cities, and neighbourhoods
- demographic segmentation
  - A method of segmenting a retail market that groups consumers on the basis of easily measured, objective characteristics such as age, sex, income, and education.
- geodemographic segmentation
  - A market segmentation system that uses both geographic and demographic characteristics to classify consumers.
- lifestyle segmentation
  - A method of segmenting a retail market based on consumers' lifestyles.
- psychographics
  - Refers to how consumers live, how they spend their time and money, what activities they pursue, and their attitudes and opinions about the world they live in
- **Segmentation Criteria**
  1. actionability
    - a. Means that the definition of a market segment must clearly indicate what the retailer should do to satisfy its needs.
    - b. Retailer should know what to do to satisfy needs
  2. Identifiability
    - a. Permits a retailer to determine a market segment's size and with whom the retailer should communicate when promoting its retail offering.
  3. Substantial Size
    - a. Market segments must be large enough so that the buying power is significant enough to generate profit
  4. Reachable
    - a. Retailers can target promotion and other elements off retail mic to the customer

(finish chapter 3) make lecture notes too

### **Week 3**

#### **Chapter 4: Retail Marketing Strategy - Feb 02/ 2017**

##### **Know this on midterm**

- Competitive Sustainable advantage:
  - Advantage over the competition that is not easily duplicated and can be maintained over a long time
- Micro-Environment

- What products to sell, what price to sell it at, store, location, promotion, Human resources
- Macro- Environment
  - Economic stability, tech trends, regulatory environment, competition, social trends

**1. What is Retail Strategy**

- *Target Marketing and Retail Mix*
  - Retail strategy:
    - Retailer's target market,
    - Format the retailer plans to use to satisfy target markets needs
    - Base upon which retailer plans to build a sustainable competitive advantage
  - Target market:
    - The market segment(s) toward which the retailer plans to focus its resources and retail mix
  - Retail format:
    - The retailer's' type of retail mix (product, price [value], promotion [communication], place, people, and processes).
  - Sustainable competitive advantage:
    - is an advantage over competition that cannot be easily copied and can be maintained over a long period of time.

**2. Building a sustainable competitive advantage - Know this on midterm**

- *Relationship with Customers*
  - Customer Loyalty
    - Customer Loyalty= inertia (behaviour) + commitment (trust)
  - Retail Branding/Brand Image
    - Set of associations consumers have about a particular brand
      - Utilitarian functional attributes
      - Experiential/Aesthetic attributes
      - Value-Expressive/symbolic attributes
  - Positioning
    - Image of a customer's mind relative to its competitors
    - Snapshot of where the retailer is positioned relative to other retailers
    - **Perpetual Map:**
      - What are attributes give importance to consumer (pick two) you can use quality and style or quality and price

	Expensive	
	J.Crew (placer retailers in quadrants)	

Unstylish/practical	American eagle GAP Old Navy	Stylish/Trendy
	Affordable	

- Unique Merchandise
- Customer Service
- Loyalty Programs
- (vendor relationship) *Relationship with suppliers*
  - Vendor relations
    - Low cost - efficiency through coordination
      - Electronic data interchange, EDI - exchange info with vendors, collaborative planning reduce inventory / distribution costs
    - Exclusive sale of desirable brands or short supply
      - Early delivery of new styles
      - Shipment of exclusive merchandise
- *Efficiency of Internal Operations*
  - **Human Resource Management**
    - Not easily replicable! Highly important
    - Employees are key to building sustainable competitive advantage
    - Recruiting and retaining talented employees
    - Developing positive organizational culture
  - **Distribution and Information systems**
    - Hot topic in retail
    - Supply chain! Sustainable competitive advantage
    - Flow of information: Vendor → Distribution Center → Store
      - By decreasing costs here, there is more money available to invest in other areas of business
    - Invest more in :
      - Better services, increase in breadth and depth, decrease in price, better customer service
  - **Location - most important**
    - Ex: target had a bad location - major reason for its failure
      - Its an investment - huge operational cost, have to get traffic
      - **Bad** supply chain and bad location caused the major failure with target, **good**: hired many people
    -

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- Multiple sources of advantage

**3. Growth Strategies**

- Market Penetration
- Market Expansion
- Retail Format Development
- Diversification
- Strategic Opportunities and COmpetitive Advantage

**4. Strategic Retail PLanning Process - midterm**

- Step 1: Define business mission ( non - myopic)
  - broad description of a retailer’s objectives and the scope of activities it plans to undertake
  - What do you stand for
  - Ex: nike - strong mission, identify company without logo
    - “Bring inspiration and innovation to every athlete in the world”
    - Continuously innovating store, employees and whole chain
- Step 2: conduct a situation audit
  - What is happening around you
  - Who is your market: how many: are they growing: is there seasonality: is there competition/barriers to entry
  - Market Factor:
    - *Size, growth, seasonality, business cycle*
  - Competitive Factor:
    - *Barriers to entry, bargaining power of vendors, competitive rivalry*
  - Environmental Factor:
    - *Technology, Economic, Regulatory, Social*
  - Analysis of strength and weakness:
    - *Management capabilities, financial resources, location, operations, merchandise, store management, customer loyalty*

- Step 3: Identify strategic opportunities (growth strategy)

	Target Markets		
Retail Format		<b>Existing</b>	<b>New</b>
	<b>Existing</b>	Market Penetration	Market Expansion

	<b>New</b>	Format Development	Diversification (unrelated/related) <i>Most risky</i>
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- Step 4: Evaluate strategic opportunities ( alternatives)
  - SWOT analysis
    - An analysis of strengths, weaknesses, opportunities, and threats, designed to assess both the micro- and macro-environments and their relation to the retailer.
  - Done of your own and against your competitor
- Step 5: Establish specific objective and allocate resources
  - Set performance levels
  - Set timelines
  - Determine investment level
- Step 6: Develop a retail mix to implement strategy (7ps)
  - planning process ids to develop a retail mix for each opportunity in which investment will be made and to control and evaluate performance.
  - 7Ps
    - Product, price, place, promotion, **people, process, and physical evidence**
- Step 7: Evaluate Performance and Make Adjustments
  - If the retailer is meeting or exceeding its objectives, changes aren't needed. But if the retailer fails to meet its objectives, re-analysis is needed.
  - EX: TESCO STEERING WHEEL - priorities
    - Customer, Community, Operations, People. Fiance
      - Scoreboard and see what is achieved and what they need to fix
- Planning in the Real World

## Week 4

### Retail Location & Store Design/Layout

#### Chapter 5

##### **1. Location Decisions**

- **Country, regional analysis, trade area, site**
- Evaluate trade off, 4 locations:
  - Region - part of the country, city
  - Trade area - area with most customers who would patronize specific retail site
  - Specific site
  - **Country to region to trade area to site analysis**
  
- **Factors affecting Profit Potential**
  - i. **Economic Condition – external**
    - b. **Saturates trade area, understored, overstores**
      1. Requires commitment of resources over long time
      2. Retail location analysts must determine how long such growth will continue and how it will affect demand for their merchandise
  - ii. **Competition external**
    1. Affects demand
    2. Level of competition:
      - a. **Saturated Area**
        - i. Area that offers customers a good selection of goods and services while allowing competing realities to make good profit
        - ii. Ex: burger kind and McD both in same area - head to head competition
      - b. **Understored Trade Area**
        - i. Few stores selling specific good to satisfy need of population
        - ii. Ex: walmart's early strategy
      - c. **Overstored trade area**
        - i. An area having so many stores selling a specific good or service that some stores will fail.
  - iii. **Strategic Fit - internal**
    1. Right demographic and lifestyle profile of shoppers is critical
    2. Ex: toys r us - locate in areas of heavy family with kids concentration
  - iv. **Operating Costs – internal**
    1. Affected by proximity of area to other retailers in the area
    2. ( many stores - cost of shipping is lower than if in isolated area)
    3. Legal effects

- Number of Stores in an area  
Consider trade off between:
  - Economies of Scale vs Cannibalization
    - a. Promotion, and distribution economies of scale can be achieved with multiple locations
    - b. Company owned stores:
      - i. Maximize profits for entire chain - retailer would operate as long as marginal revenue is greater than cost
    - c. Franchisors - owner of franchise
    - d. Franchisees - owners of individual stores

## 2. Retail Site Selection

- a. Strategic decision
  - i. Lease commitment, buy building, land, store
- b. Wrong site can be disastrous
- c. Evaluating site for Locating a retail store**
  - i. Determining characteristic of site, of area, and estimating sales that can be made
- d. Factors affecting attractiveness of a site**
  - i. Traffic Flow and Accessibility
    - 1. Ease of getting into and out of
    - 2. Micro and Macro analysis
    - 3. Macro:
      - a. Primary trade area,
      - b. Evaluate:
        - i. Road patterns
          - 1. Measuring via major arteries, highway and roads, sute
        - ii. Road Condition
          - 1. Age, number of lanes, stoplights, congestion, general state of area
        - iii. Natural barriers
          - 1. Rivers, mountains,
        - iv. Artificial barriers
          - 1. Railroad track, major highway, parks, affecting visibility and accessibility
    - 4. Micro:
      - a. Issues in immediate vicinity of sire such as:
        - i. Visibility
          - 1. Ability to see store and enter safely
        - ii. Amount and quality of parking facility
          - 1. Not enough space - discourages consumers

2. 5:9:100 rule of thumb - 5.9 spaces per 1000 square feet of retail store space
- iii. Congestion
  1. Crowding of cars or people
  2. Can irritate consumers
  3. High sales also possible
- iv. ingress/egress
  1. Ease of entering and exiting a parking lot
5. Adjacent Tenant
  - a. Build traffic
  - b. Complementary retailers - target same market segment but different noncompeting merchandise
  - c. clusters of similar and complementary retailing activities have greater drawing power than isolated stores that engage in same activity
- ii. Locational advantage within a centre
  1. Pg 10 in pdf

### 3. Trade Area Characteristics

#### a. Trade Area

- i. Continuous geographic area that accounts for majority of a store's sales and customer
- ii. Primary Zone
  1. 60 to 65 % of customers
- iii. Secondary Zone
  1. 20% of stores sales
- iv. Tertiary Zone
  1. Customers who occasionally shop at the store/shopping center

#### b. Symbiotic Stores

- i. A store that does not create its own traffic and whose trade area is determined by dominant retailer
- ii. Ex: tim hortons plaza also has small merchandise stores

#### c. Source of Information

#### d. Measuring Trade area

- i. Customer Spotting
  1. Using postal code - when you pay with credit card
- ii. Census/DEmographic data vendors
  1. Income, education, household, etc - get a better sense of where the customers live and shop
- iii. Geographic information systems (GIS)
  - 1.
- iv. Competition
  1. Knowing where they are located -

#### e. Methods of Estimating Demand

## Retail Store Design - why they design

### 1. Layout

- efficient layout, routes, methods for purchase

### 2. Signage

- signs and graphics to help customers to locate specific product, info and items

### 3. Featured Area

- specific area to promote event or product

Retailtainment – growing trend in experiential marketing to engage shoppers in various interactive events for example, contest, shows, giveaways ,

- **Utilitarian Benefits**
  - Enables customers to locate and purchase products in an efficient and timely manner with minimum hassle
- **Hedonic Benefit**
  - Offering customers an entertaining and enjoyable shopping experience
- Store design has a substantial effect on which products customers buy, **how long they stay**, in the store and **how much they spend** during a visit
- Ex: Simons - square one - invest highly in interior

## 1. Layout

### a. Grid Layout

- i. Easy to locate merchandise
- ii. Does not encourage customers to explore stores
- iii. Allows more merchandise to be displayed
- iv. Cost efficient
- v. Used in grocery, discount, drug stores \*utilitarian
- vi. Ex: dollar store

### b. Race Track Layout

- i. Loop with a major aisle that has access to departments
- ii. Draws customers around the store
- iii. Provide different viewing angles and encourages exploration, impulsive buying,
- iv. Ex: Nofrills, used in department stores

### c. Freeform Layout

- i. Fixtures and aisles arranged asymmetrically
- ii. Hedonic needs
- iii. Provides intimate, relaxing environment that facilitate shopping/browsing
- iv. Pleasant relaxing ambiance doesn't come cheap - small store experience
- v. Inefficient use of space
- vi. Used in speciality stores and upscale departments
- vii. Ex; boutique

### d. Signage

- i. Location signage - identify location of merchandise and guides customer
- ii. Category signage
- iii. Promotional signage

- iv. Point of sale signage
- v. Lifestyle images
  1. EX: h&M effectively uses graphic photo panels to add personality, beauty and romance to its store image “forms identity”
- vi. Digital signage
- vii. Interactive signage
- viii. Best Practices
- ix. EX: Adidas uses virtual window shopping as a way for consumers to shop after hours

**e. Features Areas**

- i. Areas within a store designed to get customers attention
  1. Entrance
    - a. Rent allocation by areas based on consumer traffic patterns and sale potential
  2. Freestanding displays
  3. Cash wraps ( counters, checkout area)
  4. End caps - seller pays to get space to promote product (\$50,000 for a week - one time spend)
  5. Promotional aisles
  6. Walls
  7. Windows
  8. Fitting rooms

**f. Floor Space allocation**

- i. Entrance, rent based on aisle, rent based on floors

**2. Signage**

- Location
  - Identify location of merchandise and guides customers
- Category
  - Type of products and located near the goods
- Promotional
  - Relates to specific offer – sometimes in window
- Point of Sale
  - Near merchandise with prices and product info
- Lifestyle images
  - Creates mood to encourage customers to shop
  - H&M
- Digital Signage
  - Visual content delivered digitally via centrally managed network (TV monitor)
- Interactive
  - Allow customer to interact with sign
- Best Practices
  - Consistent with store image, provide info, keep up to date, little text, appropriate, typefaces, create effect

### 3. Feature areas

- Area to get customer attention
- Entrance, freestanding display, cash wrap (checkout counter), end cap, promotional aisles, walls, windows, fitting rooms

### 4. Rent is allocated based on

- Customer traffic, and pattern
- Traffic aisles
- (entrance/exits, floors, aisles )

### 5. Location of Merchandise

- i. Store place private label brands to the right of national brands - shoppers read from left to right (higher priced national brand first and see the lower priced private label item)
- ii. **Planogram:** diagram that shows how and where specific SKU should be placed on retail shelves or displays to increase customer purchases
- iii. **Videotaping consumers**
  1. Learn customers movement where they pause or move quickly or where there is congestion, evaluate layout, merchandise,
- iv. **Visual Merchandising**
  1. How to present your product
  2. The presentation of a store and its merchandise in ways that will attract the attention of potential customers
  3. Retailers need to consider the following:
    - a. Consistent with store image, nature of product, packaging, profit potential
  4. Fixtures:
    - a. Straight rack, rounder (bulk fixture, capacity fixture), fourway, gondolas
- v. **Retail Atmospheric**

Design environment via visual communication, lighting, color, music and scent to stimulate customers perceptual and emotional responses and ultimately to affect their purchase behaviour

#### 1. Color

- a. Appropriateness
  - i. Fits with product, color harmony
- b. Aesthetics
  - i. Brighter colors (stimulation when light on content/dimmer when heavy)
- c. Value
  - i. Fewer colors for utilitarian/more color for hedonic
- d. Arousal
  - i. warm>cool

- e. Know different colors and what they mean
- 2. Lighting
  - a. Highlight merchandise, transparent, structure space and capture a mood, energy efficient lighting, downplay features
- 3. Scent
  - a. Has a positive impact on impulse buying behaviour
  - b. Customers in scented stores think they spend less time in the store than subjects in unscented stores.
- 4. Music/Sound
  - a. Control the space of store traffic, create an image and attract or direct consumers attention
  - b. Sound association
    - i. try to appeal to customers
  - c. Music: control pace of store traffic, create an image, attract or direct consumers attention
    - i. soothing music encourages shoppers to slow down, relax, and take a good look at the merchandise
    - ii. Classical music can encourage people to buy more expensive items (prestige association)

## Week 5

### International Retailing and Finance

#### 4 Keys to international Success

- Global sustainable competitive advantage
- Adaptability
- Global culture
- Financial resources

#### Entry Strategy

- Direct investment
- Joint venture
- Strategic alliance
- Franchising

#### Terms

- Tariffs
- Counterfeit Merchandise
- Bootleg (no attempt to hide the product, its fake) (fake guess purse)
- Knockoff (copy of product but its not branded) (Micheal Koer instead of Micheal kors)

#### Hofstede Dimensions

- Power Distance
- Individualism (collectivist vs individualist)
- Feminine/masculine (nurture vs power)
- Uncertainty avoidance (comfortable vs ambiguity)
- Long term orientation (short term vs long term goals)
- Resistant/indulgence (happy is bad vs happy is good)

#### Finance

- Return on asset is the main focus
- Is the profit generated by assets that the firm has
- $\text{Asset} - \text{Liability} = \text{net work}$ 
  1. Input
    - a. Amount of resources r money used by retailer to achieve output ( # of stores,)
  2. Output
    - a. Results of a retailer's investment decision
      - i. Sales revenue, net profit
  3. Productivity
    - a. Ratio of output to input – shows how effective a firm uses its resources

#### Strategic Profit Model

- Method for summarizing factors that affect a firm's financial performance (ROA)
- ROA is a better indicator of a company's financial health than strictly calculating profit
- $(\text{Net Profit after taxes} / \text{Net Sales}) = \text{Net profit margin}$
- $(\text{Net sales} / \text{total assets}) = \text{Asset Turnover}$
- $\text{net profit margin} * \text{asset turnover} = \text{ROA}$
- $\text{Net profit} / \text{total assets} = \text{roa}$
- **profit margin**: profit generated from each dollar of net sales
- **Asset turnover**: productivity of a firm's investment in its assets

### Profit Management Path

- Income statement
  - A firm's performance over a period of time
    - $\text{Net sales} - \text{COGS} = \text{Gross Margin} - \text{Expenses} = \text{Operating profit/loss}$
  - **Net Sales** = Gross sales + promotional allowance – returns
  - **COGS** = amount retailer pays to vendor for merchandise to sell
  - **Gross Margin** = net sales – cogs
    - $\text{Gross margin} / \text{net sales} = \text{gross margin \%}$
  - **Net Profit** = gross margin – expenses
- Selling expense
  - Salaries, benefits,
- General Expense
  - Costs, salaries, advertising, utilities
- Admin Expense
  - Depreciation, consultant, etc

### Margin vs Markup

- Product margin:  $(\text{gross sales} - \text{cogs}) / \text{gross sales}$
- Product markup =  $\text{gross profit} / \text{cogs}$
- Operating margin =  $\text{operating profit} / \text{net sales}$
- Operating markup =  $\text{operating profit} / \text{total cogs}$

Mark up = profit / cost

Margin = profit / retail price