

The background of the cover features a light yellow-to-white gradient with several stylized, light green leaf motifs scattered across the surface. These motifs are simple line drawings of leaves on short stems, some pointing upwards and others downwards.

# **STRATEGIC MARKETING FOR SUCCESS IN RETAILING**

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**A. Coskun Samli**

The logo for Greenwood Publishing Group, featuring a stylized green leaf icon to the left of the text. The word "Greenwood" is in a large, elegant serif font, and "PUBLISHING GROUP" is in a smaller, all-caps sans-serif font below it.

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**STRATEGIC  
MARKETING FOR  
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# STRATEGIC MARKETING FOR SUCCESS IN RETAILING

A. Coskun Samli



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*This book is dedicated, first and foremost, to Stanley C. Hollander for giving me my start, and to hundreds of retailers who worked with me and taught me most of what I know about retailing. I hope this is a good payback.*

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## Preface

This book is for those retailers (or retailers to be) who can analyze and logically explain the factors in the market as they influence the store. Thus, it is not a cookbook. It does not provide just simplistic recipes. Rather, it emphasizes proactive retail marketing strategies for success. This is based on knowledge, reasoning, and the joining of theory and practice.

There are almost three million retailers in the United States employing more than 20 percent of all working Americans. There are almost eleven retail stores per thousand of population. Each of these, on the average, sells over \$733 thousand per year. All together, American retailing has a sales volume of \$2 trillion. Thus, retailing is a very important aspect of the total business world. As consumers, we collect the fruits of economic advancement and industrial progress at the retail level by being able to buy more, better, and highly sophisticated products. Even though it may not be commonly realized, much of the manufacturer's marketing efforts either pay off or are wasted at the retail level. Thus, retailing is the firing line for most marketing plans and managerial decisions.

Despite its important role in society and in the distribution system, retailing has been somewhat neglected in the marketing-related literature. If, for instance, one considers the elaborate models, research, and body of sophisticated knowledge accumulated in such areas as consumer behavior or marketing research, it becomes clear that retailing has been lagging behind. It simply does not have the theoretical and

research bases that are necessary for any mature discipline of study and knowledge. Furthermore, retailing is not placed carefully in the business administration curricula. Despite the fact that a large proportion of business administration graduates work in the retailing sector, they are not prepared for these jobs because they have not even taken a course in retailing. The mainstream business curricula usually share a course with colleges of home economics (or colleges of human resource development). In essence, both marketing students and home economics students have access to a retailing course. Though this practice is not necessarily bad, retailing should be more carefully interwoven with standard marketing curriculum, just as are consumer behavior and marketing research courses. What colleges of home economics perform is very laudable, but colleges of business must do more in this area.

Though the research methodology is not absent and, in fact, good research information is available in nonretailing literature on many aspects of retailing, previous retailing books have failed to assimilate such information. Thus, most retailing books have not focused on this wealth of knowledge. At least part of the reason is that almost all retailing courses are taught at junior colleges and/or undergraduate levels. At these academic levels, the emphasis is on "how-to" approaches. Much sophisticated research, therefore, has been unnoticed, if not completely ignored.

It is necessary to take the position that practice is strengthened if the theory behind it is understood. It is indeed necessary to bring the theory and practice together if we are to expect better results from the retailing sector in our society or, indeed, anywhere in the world. This is the overall goal of this book. It makes a very deliberate effort to combine retailing theory and practice. Since the theory is based on continuing research, a special effort is made here to cite some of the early retailing classics as well as other key research works so that the readers will appreciate just how we got here. This author firmly believes that if we do not know where we are and how we got here, we cannot go anywhere. Under such circumstances, there cannot be any progress.

One additional point of emphasis here is small- and medium-size retail establishments. Most retailing books emphasize large national retail establishments and retail chains. This book, without necessarily ignoring large-scale retailing, emphasizes small and medium-size retailers and their retail marketing strategies. This author believes that the future is in small-scale retailing establishments. If managed properly, they are flexible, close to consumers, and more adaptable to environmental changes and consumer behavior patterns.

This book is far from being a retailing cookbook. It makes a very concerted effort to combine theory and practice in such a way that the

individual retailing decision maker can think for himself or herself and can make strategic decisions that are mutually beneficial to the store and the consumer.

## THE EXPECTED RETAIL REVOLUTION

It is assumed that in the near future retailing will take its rightful place in the academic arena. There will be more retailing courses at the graduate level as well as greater use of research findings and theory at the undergraduate level. Many retailers will hire young people with master's degrees in business, and many consulting firms will find themselves more involved in retailing research. But, above all, there will be more small retail establishments owned and operated by educated people who have a vast understanding of the theory and how to apply it to their own practice. This is so because owner-operated retailing is one of the last bastions of opportunity for independence and riches. As the society becomes more sophisticated and complex, these opportunities disappear.

Though this book is aimed at graduate-level courses in retailing as well as some of the more advanced graduate courses in marketing and some key undergraduate courses, it will appeal primarily to the young and ambitious retail decision makers who would like to do just a bit better than their competitors. They understand the importance of research-based decision making. They realize the value of strategic decisions and strategy development as opposed to making only simple routine decisions to take care of daily operations. This book will also appeal to professional researchers and consultants, not because it is primarily a research-oriented book, but because it raises many research-related issues that are pertinent to a proactive decision-making orientation in retailing.

By combining research findings and retail marketing strategy implementation, we not only can bring theory and practice together, we can also achieve an important balance. This balance will address the often neglected finer points of marketing strategy development for retailers. In this sense, this book makes a real contribution. It raises many issues that will need further research. Hence, those who are pursuing research in the retailing area as well as those who are managing retail establishments will find this book quite useful.

Most books on retailing have approached the subject matter as a craft, using a "how-to-do-it" method that has led them away from creative thinking and effective planning in the marketing strategy area. Similarly, the existing approach has directed retail decision makers in the direction of very heavy emphasis on accounting, retail financing, and retail operations of retailing giants. In essence, the direction has



not been one of proactive decision-making behavior. However, as retail competition gets keener, as the retailing environment becomes more and more adverse, and as there are more small retailers in the marketplace, success in retailing will be equated with the ability to develop effective retail marketing strategy rather than simply day-to-day housekeeping operations. In other words, in the near future those retailers who do not have a game plan and are not proactive are likely to fail.

In developing a retail marketing strategy, this book proposes the concept of *differential congruence* as the basic philosophy of success as well as the keystone for retail marketing strategy development. This concept is applicable to large retailing giants as well as to small retailing establishments. The concept, in essence, advocates the retail store to be just different enough to delight its customers and hence develop a mutually satisfactory bonding. Throughout this book, examples relating to differential congruence for small retailers are presented. Small-retailer orientation is another feature of this book that is rather neglected in many other retailing books. It must be emphasized at the outset that good understanding and implementation of retail marketing strategies are important to all retailers and not just to retailing giants. In fact, in order to cope with the giants and take advantage of the existing market opportunities, small retailers need to develop effective marketing strategies.

This book is based on the conceptual framework of developing an effective retail marketing strategy. This framework is composed of three key components: planning the strategy, implementing the strategy, and evaluating the performance (Exhibit P.1). However, without a theoretical construct and reasonable understanding of the current position of the store in the marketplace, the strategy cannot be planned or implemented effectively. As seen in Exhibit P.1, retailing research is a necessary component of this paradigm.

Whereas standard books on retailing usually contain a separate chapter on retailing research, retailing research topics and concepts are spread throughout this book. Thus, important research topics supporting the theory and facilitating strategic decision making are related to important topical areas in separate chapters.

One of the important features of this book is that every chapter represents a bird's eye view of international retailing. It presents a contrast between the American scene and some of the key retailing patterns around the world. Contrasting the American experience with a world view can provide the reader with a better understanding of what is happening in the wonderful world of retailing.

The book comprises seventeen chapters. The introductory chapter presents an overview of retail marketing strategy development, and the first few chapters explore the externalities of retail marketing strat-

egy development, namely, a theory of retail competition (Chapter 2) and major trends in retailing (Chapters 3 and 4). Chapter 5 delves into a more specific topical area: the downtown versus shopping center conflict as it relates to individual retailers. In recent years, there have emerged certain other viable alternatives. These also are discussed here.

Chapters 6, 7, and 8 bring external factors closer to the individual retail store. Whereas Chapter 6 explores market potentials and feasibility, Chapter 7 examines specific aspects of consumer behavior pertaining particularly to retail purchase behavior. Chapter 8 expands on the foundation established in Chapters 6 and 7, and it explores segmentation not only as a strategic alternative but as a fact of life in modern-day retailing. Without segmentation, there could not be differential congruence and a corresponding competitive edge. But in recent years, marketing literature has gone beyond this. "Nicheing" is more specified segmentation that is also discussed.

Alternative retail marketing strategies are discussed in Chapter 9. Since effective retail management involves the development and manipulation of a store image, Chapter 10 provides a paradigm for managing the retail-store image. Perhaps most important aspect of retail marketing is simply constructing and maintaining the desired image.

The market's perception of the retail-store image often differs from the one that is perceived by the management itself. Chapter 11 explores this dichotomy as a diagnostic tool. Store image is perceived differently by different constituencies, such as customers of the store and the store's own management. This difference can be used quite effectively to direct management to strengthen its strategic planning and prioritization of the areas of important decision making. One of the key factors in building and manipulating the store image is personnel. Chapter 12 explores the human resource development area as a key tool of proactive behavior in retailing. Here the disappearing-people aspect of retailing is carefully analyzed. If the perceived store image is in congruence with the self-image of its customers, then the store is successful in creating strong degrees of customer satisfaction that will lead to customer loyalty. This is the key theme of the book: differential congruence leading to a competitive edge. This chapter also discusses the measurement of store loyalty.

Retailing mixes are retail management's tools for implementing the overall strategy and for fulfilling the store's objectives. Chapters 13, 14, and 15 discuss these mix components: (1) promotion, (2) merchandise mix (or service mix), and (3) price mix. These chapters are very critical in understanding the implementation of the planned strategy.

Three of the last four chapters explore the ways that effectiveness of the implemented strategy can be determined. After all, it is necessary

to determine the effectiveness of the retail establishment as quickly and as accurately as possible.

The chapter on Retail Information Management Systems (RIMS), Chapter 16, delves into establishing a general system in order to ascertain the degrees of success or failure in implementing retail marketing strategies. Also in this chapter, a special attempt is made to examine computer applications in relation to retailing decisions and the emerging information technologies. Unless the modern retailer can use these effectively, there cannot be the differential congruence that provides the retail establishment the competitive edge.

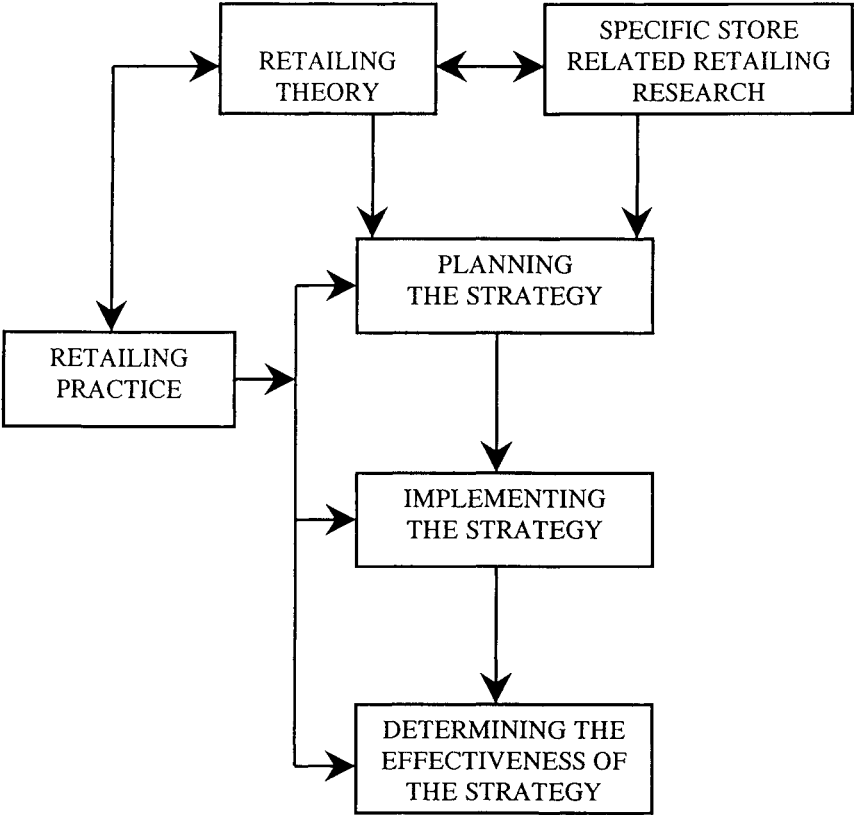
Chapter 17 explores a most important topic—control—describing retail control functions for specific and general uses. Since the existing literature puts undue emphasis on financial controls, this chapter attempts to balance the picture by examining nonfinancial control mechanisms. Again, a special attempt is made to introduce some of the most recent computer-related developments to the readers. These computer software systems are applicable to both financial and nonfinancial feedback and control areas.

Throughout the book, reference is made to numerous retailing cases. These reflect more than thirty years of consulting and research. These are all real cases accentuating some of the key points made in numerous chapters. Each case is a separate real experience without which the contents of this book will have little relevance. The reader must relate the book's contents to the real world through these cases and, of course, his or her own personal experiences.

In addition, many of the reference lists at the ends of the chapters contain items not specifically cited in the text that should be very valuable to a student of retailing.

# Exhibit

Exhibit P.1  
The Key Phases of Retail Marketing Strategy Development



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## Acknowledgments

This book reflects my efforts of many years as a teacher, researcher, and consultant. It combines my field research and my experiences as a consultant. During the many years of my teaching, I learned to get my graduate students involved in thinking, reasoning, and, above all, researching and generating information.

Many people have been extremely helpful in the development of this book. It all started at Michigan State University, where Stan Hollander not only made a profound impression on me personally, but convinced me of the importance of retailing. I started teaching and doing research in retailing in 1961 at California State University, Sacramento. I taught retailing at the graduate level at Virginia Tech, where my ideas and my knowledge of retailing particularly flourished. A number of graduate students under my direction developed significant projects and theses. Two of my doctoral students, Robert Zimmer of California State, Fullerton, and Douglas Lincoln of Boise State University, worked with me closely during these years of exploration and development. Dr. Lincoln wrote a dissertation under my direction which influenced my thinking.

My students at the University of Hawaii, where I taught many summers, alerted me to international and multicultural aspects of retailing. They undertook many valuable projects that expanded my knowledge base.

Professor Laurence Jacobs of the University of Hawaii interacted with me and collaborated on a number of projects. We spent many hours exchanging ideas on our favorite topic, retailing. Professor Roger

Dickinson of the University of Texas at Arlington always managed to give me a good discussion. His immense background in retailing certainly gave me new ideas and numerous new concepts to explore.

Dr. Ronald Adams of the University of North Florida never hesitated to tell me when he believed that I was wrong. My friend and coauthor of many years, Professor Joseph Sirgy of Virginia Tech, was always available to answer my questions and argue with me on topics relating to specific issues in retailing. He inspired me with his scholarship and research efforts. My co-chair of numerous major retailing conferences, Jay Lindquist, and Robert L. King, were instrumental in my development regarding retailing theory and practice.

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This book could not have been written without the research help received from my graduate assistants. First, N. Mehmet Ongan, now of Eastman Kodak Company, helped me to start the project and contributed extensively to the development of Chapter 12. Tracy Brownlee, my previous assistant, stayed with me throughout the duration of this project. She, with her refined research skills and enthusiasm, gave me the ideas, research support, and sometimes much-needed direction throughout the project. My current assistant, Tomas Jedlik, filled in the gaps and did some of the much-needed last-moment research.

Our secretaries, Gwen Bennett and Barbara Woods, were always there when I needed a helping hand. Just as with my previous books, this book could not have been completed without the outstanding skills of my previous secretary, Leanna Payne. Karren Duffy was available and filled in the gap and responded to my at times unreasonable demands.

Hundreds of my graduate and undergraduate students listened, argued, agreed, or disagreed with me about the points that are made in this book. They were patient, attentive, and genuinely interested to listen to my at times quite out-of-the-ordinary ideas. I owe them much. Finally, Bea Goldsmith read parts of the book, argued, and advised me to come down to the realities of the wonderful world of retailing. Her contributions are quite visible in this book, as they were in some of my previous books.

To hundreds of retailers with whom I worked, interacted, and exchanged ideas, I certainly hope that I made a contribution to their professional well-being. I thank them. Dozens of retailers for whom I have done consulting work may see themselves or may find their problems in my pages and paragraphs. Believe me, I have learned a lot from you, and I am grateful.

To these and many other people who over the years made a contribution to my thinking or knowledge base, I extend my heartfelt gratitude. I hope that this book, by making a modest but noticeable contribution, will be a payoff for their trouble. Many, many years of hard work, consulting, and research activity emerge within the pages of this book. My most important wish is that it makes a difference. As retailers read this book and benefit from it, I will consider myself very fortunate and highly rewarded.



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## Chapter 1

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# Introduction: Retail Marketing Strategy—An Overview of Differential Congruence

Dayton Hudson, one of the largest general merchandise retailers in the United States during the early 1980s, has been following a growth strategy based on carrying merchandise that largely represented quality, fashion, and value. It had grown from 100 stores to 1,000 stores in fourteen years. Their growth rate during this time was over 20 percent a year. But during the early 1980s the profile of the American economy changed. Department stores started losing ground. For fashion and high value, Americans started frequenting smaller specialty stores and upscale boutiques. At the same time they started frequenting discount stores for general household needs and low prices. Hence, Dayton Hudson had to scale down, regroup, and change focus. While they deemphasized the growth of their department stores (from 36 to only 63 between 1984 and 1994), the number of their Target Stores (a relatively upscale discount department store chain) increased from 216 in 1984 to 554 in 1994. They sold B. Dalton Bookseller stores and expanded somewhat the Mervyn's stores chain (a middle-class apparel, soft goods, and gifts store chain) from 126 in 1984 to 276 in 1994. The company's sales in the 1990s increased around 10 percent per year and reached \$21 billion with much more modest increases in their profit picture (Macke 1983; Dayton Hudson Corp. 1995).

Domino's Pizza, on the other hand, had scaled down its offering from a full-fledged Italian restaurant to just take-out pizza. As a restaurant it was not doing well, as a take-out pizza operation, it did very well. In 1984 it had nearly 2,000 units scattered throughout the country. Their

annual sales volume was more than \$625 million (Whalen 1984; Samli 1989). During that period, the company's growth rate exceeded 40 percent. They were expanding fast into the residential markets. But during the late 1980s and early 1990s their competition increased. Competitors cut into Domino's markets in such a way that their sales volume declined in the early 1990s. In 1994 Domino's made another upsurge by expanding its menu (salads, sandwiches, and chicken wings) and by following a very aggressive marketing strategy reinforcing its new product innovations and its commitment to excellence. Its growth rate was approximately 5 percent ("Domino's Pizza Continues Turn-Around" 1995).

Publix Supermarkets, Inc., an upscale supermarket chain with special emphasis on baked goods and deli departments, has been following a relatively slow but deliberate growth strategy. While it operated 351 stores in 1988, this number has grown up to 470 stores. Its sales have been increasing around 10 percent a year (Backman 1995). The company has always emphasized good service and clean stores by stating that shopping in Publix stores is a pleasure.

These are just three strategies. Whereas Dayton Hudson changed its focus, Domino's expanded its offering. Both managed to counteract the adverse market conditions. Publix continued focusing on a specific market segment and reinforcing its strategic orientation. From these three examples it can be seen that there are countless strategic options that are open to retailers. However, it is clear that unless the retailer thinks in terms of strategic planning and acts accordingly, its chances of survival, growth, and prosperity are rather limited in view of steadily increasing retail competition. Retail organizations, as a result of increasing competition, have been moving in the direction of planning their marketing strategies more succinctly and deliberately.

When retail organizations make the major shift from an old-fashioned merchandise management orientation to a strategic marketing orientation, the development of a functional marketing plan for the implementation of the strategic plan gains in importance (Mason, Mayer, and Ezell 1994; Samli 1989). Successful, well-managed retailers, by definition, find properly implemented strategic marketing plans to be a necessity. This book is about this vital concept: strategy formulation, development, and implementation. May et al. (1986, 32) posits, "Retailing is facing a period of intensifying competition, a period in which it will become even more difficult to obtain and maintain a competitive advantage. . . . The pursuit of a competitive advantage requires what is now skill not typically found in retail marketing."

This skill is the focus of this book. It dwells upon the special know-how of retail marketing. Retail marketing is conceptualized here as going beyond day-to-day activities, how-to approaches, or fail-safe recipes that

do not even work. Instead, retail marketing emphasizes strategic planning and the decision-making aspects of retailing. Consider, for instance, the May Department Store's company mission:

The May Company stands for excellence in retailing achieved through a premier organization, by leading our markets in innovative execution of superior merchandising skills and delivering a quality level of service to the customer. (Quoted from a mission statement presented before the American Marketing Association [AMA] Consortium on Retailing, University of Alabama, July 1987.)

Here, the company is emphasizing excellence (long before total quality management [TQM] became a buzzword; see Chapter 12) by developing and implementing superior merchandising skills and providing high-quality service to the markets it is catering. The May Company statement displays the retail marketing concept as long as the company can deliver its mission goals. Such implementation of the retail marketing concept can provide a competitive edge in retail markets.

A series of logical and research-based steps and major tasks must be performed if a retail establishment is to be viable and prosperous (Miller 1981; Kerin and Miller 1981; Samli 1989; Mason, Mayer, and Ezell 1994; Berman and Evans 1995). By providing an overview of the sequential steps and tasks to be performed, this chapter aims at establishing general guidelines for developing successful retail marketing strategies. There are four key components in a successful retail marketing strategy: establishing the goals, planning the strategy, implementation through a marketing plan, and evaluation. This chapter highlights the development of retail marketing strategy by elaborating on these four components briefly. As such, the chapter elaborates on the focal point of this book and provides a basic summary of it.

## GOALS

The first component of successful retail marketing strategy is establishing the goals for the establishment. In order to develop the retail establishment's goals, the organization must carefully articulate the retail objectives and positioning. According to Samli (1989), articulating retail objectives and positioning implies the unique ability to match external uncontrollable variables with internal controllable tools of management in such a way that the retail establishment achieves a noticeable and definable competitive advantage. Certainly, Cartier's, Neiman-Marcus, Bloomingdale's, and Wal-Mart have been quite successful in positioning themselves effectively and achieving competitive advantage. However, considering the turbulent market conditions in retailing, it may be safe to say that for each successful establish-

ment that manages to establish clearly defined and realistic goals, achieve effective positioning, and develop significant competitive advantage and differential congruence, many establishments fail to achieve these. As a result, they fail because of the lack of effective planning for a successful marketing strategy development, implementation, and control.

In order to establish realistic goals, the retail establishment must have adequate knowledge of uncontrollable externalities. This knowledge would, indeed must, lead to establishing market opportunities. Market opportunities are based on total market potentials that are scaled down by the nature and intensity of threats—or competition. The retailer needs to be familiar with local, regional, national, or even international trends that are influencing the establishment's markets. Similarly, the retailer must evaluate the actual and potential competition. Sears did not quite assess its market opportunities and potential competition in the retailing sector, and after so many years of being the number-one merchandiser in the world, lost its position to Wal-Mart.

Once the retailer assesses the external conditions and the resultant net market opportunities, the retailer needs to take a good hard look at the retail establishment (Exhibit 1.1). This implies a critical evaluation of the firm's strengths and weaknesses. The firm's strengths can be its existing image, personnel, financial resources, merchandise mix, administrative know-how, location, private brands, existing inventory, delivery system, and other physical facilities such as warehousing equipment, and so on. However, any and all of these factors can also reflect a weakness. Thus, objective evaluation of these features is a must to proceed in the direction of developing and implementing the most adequate marketing strategy for this particular retail establishment.

Upon the assessment of external conditions and internal evaluation of the retail establishment's resources, it is possible to establish goals. For existing firms, instead of establishing goals, the revision of these goals, if necessary, would be the next step. Whether the original goals are established or revised, at this point the retail establishment is quite cognizant of its direction and where it wants to go. On this basis it can begin to formulate its marketing strategy. McDonald's, for instance, has opted to cater to young families with little children. On the basis of this premise, every new McDonald's unit is adding a nice children's playground attachment.

Clearly defined retail targets and particular positioning goals are necessary prerequisites for effective planning. One retail establishment might consider itself a mass-merchandiser and might wish to position itself between Sears and Wal-Mart. Another retailer might aim at differentiating and positioning itself as an upper-middle-class apparel store such as Gap. However, here Gap must successfully differentiate itself from,

say, The Limited and Mervyn's. Yet a third retail store might be a segmenter keying its imported gifts to primarily "cosmopolitans" in the community and positioning itself above Pier 1 Imports.

Ability to spell out the objectives and position the retail establishment realistically provides the foundation for the retail establishment to develop a strategic plan that will lead the business to success. Exhibit 1.2 illustrates the components and sequential ordering of the overall retail strategic marketing planning process. Exhibit 1.2 illustrates the four components of a successful retail marketing strategy: establishing the goals, planning the strategy, implementation of the marketing plan, and evaluation.

Analyses of available information and evaluation of market trends and relationships among various factors and indicators enable the decision makers to assess market opportunities. It is not only existing market opportunities but prediction of their status in the future that are the driving factors of retail marketing strategy.

In developing the strategy, the retailer must determine and prioritize retail segments. The retailer must obtain as much information on the specifics of these segments as possible. Woodward and Lothrop of Washington, D.C., for instance, on the basis of analyses and predictions in the late 1970s and 1980s, expected the African-American segment of the apparel market to grow substantially. Hence, it has made plans to enter this particular market segment. Once this decision was made, the company was able to program the retail effort effectively.

Two critical factors in Exhibit 1.2 deserve special attention. First, the value of feedback is in its becoming *feedforward*. The faster feedback becomes feedforward, the more effective is the retailer's control mechanism. Because of feedback, the retailer determines how successful its marketing plans are. Feedforward implies corrective action is taking place rapidly and hence the control mechanism is activated fully.

But, behind the feedback, feedforward, and controls is organizational learning. In order for the retailer to improve the overall performance, there must be learning. Retail establishments that exercise organizational learning, which means gaining new insights that potentially alter behavior, and learning from practices, developments, or outcomes, are most likely to be successful.

Perhaps the most important lesson to be learned by the retailer is efficient consumer response (ECR). Growing consumer focus in retailing (a reality for survival) has been facilitated by modern computer-planned distribution efficiencies that provides a quick response system. By using modern computer information technologies such as electronic data interchange (EDI) and bar-coding, retailers such as Kroger, Shaw's, Giant Food, and Dominick's have developed rapid flows of information between and within their organizations. Such rapid infor-

mation flows, among others, are showing their impact in continuous replenishment of inventories and other inventory-level management and service levels for customers (Margolies 1995).

Just what kind of game plan is needed to reach and satisfy retail targets is the question that provides the details of the marketing plan. In this plan, the details of retail mixes need to be carefully planned. The components of these mixes and their relative weights (or importance) must be carefully spelled out.

The implementation of the strategic plan is performed by using four different retail mixes. All of these mixes must be consistent and work in the same direction for the retail establishment. As seen in Exhibit 1.3, the retailing mix has four major components: goods and services, communications, pricing, and human resources.

### **Goods and Services Mix**

The goods and services mix is the reason for existence in retailing. Without the proper merchandise and service combination most appropriate for its target, the retail establishment does not have a chance to cater to the needs of this target or to fulfill the goals to which it aspires. The effectiveness of the goods and services mix depends on numerous conditions. Samli (1989) expressed these conditions in the form of seven questions to which is added an eighth:

1. How does the product and service mix fit the communication mix?
2. How does the product and service mix fit the physical distribution mix?
3. Is the product and service mix appropriate for the market segment at which the firm is aiming?
4. Do we have appropriate controls and feedback to update the product and service mix?
5. Are the goods and services that are offered in the total mix compatible?
6. Is the product and service mix different from that of the competitors so that the firm will have comparative advantage?
7. Is the product and service mix compatible with the image the retail establishment is projecting?
8. How does the product and service mix fit the human resource mix?

### **Communications Mix**

It must be understood that in a market system each retailer is part of an information network receiving and transmitting information. The retailer is separated from the consumer in terms of time and space and must overcome these barriers. This task is performed by the communi-

cations mix (Lazer and Kelly 1961; Samli 1989). The retailer participates in the overall communications network, first by obtaining information about the market, second by communicating with its market segments, and third by providing information to both its customers and noncustomers in the market. The communication mix has many components. They all function in the direction of making the retail establishment better recognized and differentiating it from its competitors. Exhibit 1.3 illustrates various key components of this mix. Though this is not an exhaustive list, it points out the many ways a retail establishment can communicate with the market. Perhaps the worst thing a retailer can do is to be a “best kept secret.”

### **Pricing Mix**

The pricing mix has three critical components: efficiency, competition, and image. The efficiency component implies the firm's efficiencies in running the retail establishments that are passed into the store's customers through lower prices. The competitive component indicates the retail establishment's use of the pricing mix as a major competitive tool. Discount stores, bargain basements, outlet stores, and other similar retail operations use prices for that purpose. Many of these have the policy of “if you find a cheaper price than ours, we will match it.” Finally, the image component means the store is using its prices in order to enhance a specific image. The store may wish to promote an image of being a reasonable place with some exceptional buys. However, such a strategy cannot be implemented without carefully planned pricing practices by the store and without articulating its competitive edge in comparison with its major competitors.

### **Human Resource Mix**

Retailing is as much a people business as a business can get. Though its human resources aspects has many other dimensions relating to management, personnel, training, and so on, it must be reiterated that a retail establishment without a friendly, talkative, knowledgeable, and understanding group of employees cannot possibly succeed. As depicted in Exhibit 1.3, personal selling aspects of a retail establishment is the final contact with the customer, and unless the customer is happy with this contact, there will be no repeat business. Thus, the retailing people must have information and pass it on to customers, interact with them, make them satisfied, and keep them in this state of mind. But other nonselling personnel in the retail store must be equally customer oriented. They must go out of their way to help the customers so that they will come back again and again.



## **Putting All the Mixes Together**

In many ways, retailing is developing an image and manipulating it as needed. This manipulation can be accomplished only by proper uses of the four components of the retail mix. As seen in Exhibit 1.3, all four of the mixes have a store image component. Indeed, all of the activities in each and every mix have direct and indirect impact on the overall store image. They are all either in the process of developing an image, maintaining the existing image, or modifying the existing image. In all of these cases the components of the mixes may not work in the same direction and hence some of them may nullify each other's impact. Certainly, such a series of interactions is likely to block the optimization of the image of the retail establishment. Thus, the integrated retailing mix must be completely congruent with the image the retail store is attempting to project. Lack of congruence in this case means that even though the four mixes are integrated they are not aiming at the intended market segment and hence they are not capitalizing on the possible differential congruence the retail store could enjoy.

## **STORE IMAGE MANAGEMENT**

From our discussion thus far, it is clear that managing the store image can be easily equated with the overall retail marketing management. A consumer who goes to Cartier's, Neiman-Marcus, or Wal-Mart knows what to expect and is making a deliberate choice.

This choice, to a substantial extent, is generated by the store image that is being conveyed to this particular consumer and perhaps a consumer-to-be. We also emphasized the fact that in managing the store's image, the mixes must first be consistent among themselves and then the projected image should be consistent with the market to which the store is aiming.

The store image is obviously very important. It represents all the aspects of communication that the store performs which are geared to a specific marketplace or market segment. It is also the most significant retail marketing management feedback that provides decision makers with specific strategic alternatives, and it guides management in making the adjustments needed to fulfill specific goals.

Thus, retail marketing management revolves around store image management. Total marketing strategy is formulated, implemented, tested for effectiveness, and adjusted for better congruity between the image and the market segment, all within the context of the existing and aspired store image. As Samli states (1989, 7), "Image as a whole is synergistic. Although it has numerous components such as appearance of the store, attitude of the salespeople, quality of the merchandise, internal layout, and many others, the image involves more than

the sum total of all of these elements. It is the unity and congruence among these elements that determine the nature of image.”

Regardless whether it is existing or aspired, image is a major help in formulating and implementing strategy. If, for instance, the store is aiming at the older, well-to-do segment, a dynamic youthful image is not likely to be successful. The following example illustrates this point.

The Glo-wood Restaurant was located adjacent to a major metropolitan university. It was open twenty-four hours a day, seven days a week, and catered primarily to students and unskilled blue-collar workers employed in that particular area. A good atmosphere of communication and relaxation prevailed in the restaurant. Food was cheap and waitresses were friendly. The establishment was always crowded and hence very successful. When the owners (a husband and wife) were ready to retire, they sold the restaurant. The new owner wanted to make the restaurant an elegant, high-class place. He changed the interior, the menu, and the appearance of the establishment. In less than six months he was out of business. The elegant image he created was not acceptable to the existing market segment. The regular customers did not feel comfortable in the new environment. The new owner failed to keep the existing clientele and to attract other people from other market segments because of competition and the socioeconomic makeup of the immediate community.

As seen in this case, developing a retail marketing strategy without paying attention to image is most likely to end in failure. Once the firm decides upon its goals in terms of positioning and its market segment, then it must decide just what kind of image can fulfill these goals. It must be carefully underlined, however, that there are two kinds of image: the intended image and the perceived image. These two must be the same if the retail establishment expects a successful performance. Consider the following example.

A bank in the Midwest considered itself to be the elite or upscale bank in the community catering to the upper middle class. It has been promoting an image accordingly. The services it offers are more expensive and somewhat more unique and the layout is rather plush. However, research undertaken by the nearby university indicated that the bank, in actuality, was catering primarily to the lower middle class. Its customers did not really care for all the frills that the bank offered.

The discrepancy between the intended and the actual image is rather obvious in this case. If the intended image is not the same as the received image, this bank or any retail establishment that is experiencing a similar situation is likely to be wasting a lot of resources in claiming to be something that it is not. Since customer satisfaction depends heavily on the completeness of the overlap between the intended and the actually perceived image, this situation is likely to create a certain amount of customer dissatisfaction. Hence, the expected

customer-satisfaction-driven customer loyalty is not likely to be achieved.

This point is further elaborated in Exhibit 1.4. Three situations are depicted in the exhibit. Situation A illustrates a great failure. There is no similarity between the intended image and the perceived image. The store clearly is claiming to be something that it is not. Situation B depicts partial success. Even though in some areas the store's claims are realistic, in most areas they are not. Hence, there is a significant difference between what the store claims it is and what outsiders perceive it to be. Finally, situation C is a success story. Though not 100 percent, the intended image is very similar to the perceived image. These two may never be exactly the same, but they could be extremely close to being the same.

### **CONSUMER SELF-PERCEPTION**

In Exhibit 1.2, the opposite to store image management is consumer self-perception. This particular concept must be entered into the equation if the retail establishment expects to be successful. Every individual has a perceived self-concept that reflects itself in the form of a self-image. The self-image is likely to be formed by the individual's psyche, through the influences from various sources in the total environment. The environment includes membership in large groups, for example, socioeconomic class, subculture, or ethnic group, as well as small groups, such as the family, reference group, or peer group. It also includes educational institutions and many other direct and indirect variables. All of these environmental factors make an impact on the individual's psyche which forms the self-image through certain specific influences. Among these influences are cognitive and affective influences as well as personal and interpersonal influences. While cognitive implies learning, affective, in general terms, means evaluation. Personal influences come from individuals' own initiative and the store image can be measured and evaluated realistically only within the constraints of the individual's own perceived self-image. For instance, the individual may perceive himself or herself as youthful, dynamic, and open to new ideas and new products. But the same person may perceive the store to be static, stuffy, and not modern enough, will feel very uncomfortable during a few visits to the store, and subsequently will stop going there. However, if the individual perceives the projected store image as dynamic, youthful, and open to new ideas and new products, there will be a congruence between the store image and the consumer's self-image. This situation leads to a high level of customer satisfaction.

The planned retail marketing strategy therefore aims at a project congruence between self-image and store image. In reality, even though

this relationship may not be perfect, by bringing the two closer together and, hence, by increasing the degree of congruence between the two, the retail establishment can increase its probabilities for success.

## **CONSUMER SATISFACTION**

As seen in Exhibit 1.2, the bottom line for all retail management activity is customer satisfaction. If the store can satisfy customers' needs, it will be able to survive and prosper. Prosperity is generated by the positive profit picture which is the market's reward to the store for a job that is being done well. It is obvious, therefore, that the retail establishment must provide satisfaction to its customers. The degrees of customer satisfaction (or dissatisfaction) must be determined periodically to avoid a negative profit picture. In addition to periodically asking the store customers for their degree of satisfaction, the retail store aims to determine the degree of congruence between customer self-image and store image. If the image and self-perception of the market segment (self-image) are not congruent, then major decisions need to be made. Obviously, one of the firm's key options is to revise its goals, segmentation, and positioning. In addition, there may be other alternatives based on the components of the four retailing mixes. There may be major or minor changes in one or more of the components of these mixes.

The final component of the retail marketing strategy development, as seen in Exhibit 1.2, is the feedback. Of course, feedback goes hand-in-hand with the control mechanism. Though there should be feedback at every step of the way in retail store management, a general overall feedback regarding the store's general performance must be obtained at the end of all retail marketing efforts. Throughout this book, customer satisfaction is considered to be a function of differential congruence.

## **FEEDBACK AND CORRECTIVE ACTION**

Examining the degree of customer satisfaction is a necessity and must be done periodically and regularly. Regular research in this area provides direction for retail marketing, planning, and control. If there is no effective feedback, the retail establishment cannot make reasonable adjustments in its business procedures and cannot exercise an effective control activity. It is, therefore, very easy to make a case for periodic retail market research studies that provide the basis for feedback and control (Gentile and Gentile 1978).

Feedback and control work almost simultaneously and both facilitate effective planning. As part of the planning process, certain feedback and control criteria must be established. The adequacy or inadequacy of the overall performance indicated by feedback should automatically

trigger the control mechanism and make immediate adjustments in the management's plans. The adjustments through the control mechanism may result on financial parameters, market share, percentage increase or decrease in sales and expenditures, customer turnover, and many other effects. Thus, as feedback facilitates planning by providing direction, controls keep the implementation effective.

## **THE THEORY OF DIFFERENTIAL CONGRUENCE**

It must be understood that the retail establishment has numerous strategic alternatives. As it uses the retailing mix it planned, it will invariably appeal to a specific segment in the market. In implementing its strategic plans by using its retailing mix, the retail establishment is managing and manipulating a store image. This is reinforced or reduced by the separate images of the products that the retail store uses.

These two images combined make an impact on the particular market segment to which the store has been appealing. The individuals in that segment have a self-image which they nurture. If this self-image and store image overlap and show a positive congruence, consumer satisfaction is achieved. As the store manages to satisfy its customers and keeps them satisfied, these customers become loyal to the store. Thus, the store develops a loyal following. This situation was termed by Wroe Alderson (1957) as "differential advantage." This book modifies this concept slightly and coins it differential congruence. The retail store not only is successful in creating congruence between its image and its customers' self-perceived image, but also successful in differentiating itself from its competitors. As seen in Exhibit 1.5, differential congruence creates store loyalty, which means successful retail management with resultant financial rewards.

## **INTERNATIONAL CORNER**

With the expansion of world trade, there have been some significant changes in retailing all over the world. First, inside the United States, many foreign-made products appeared, among these home electronics coming from Pacific Rim countries and textiles coming from Southeast Asia. Many of these are labor-intensive products or ultramodern high-tech products. In either case, there are significant cost savings. Hence, these products are readily available in American retail stores and save substantial sums for American consumers.

The second impact has been in the direction of having foreign retailers coming to the United States or becoming partners with U.S. retailers. Examples of foreign retailers coming to the United States are Benetton or IKEA. These retailers have been successful either by

uniqueness of their merchandise and atmosphere or by their efficient management.

The third impact is related to the American influence on foreign retailing. Some American retailers have gone overseas: K-Mart in the Slovakian Republic, Wal-Mart in Mexico, and Toys 'R Us in Japan are examples. These retailers have been successful because of their uniqueness or their reputation.

Finally, the fourth impact has been retailing that is related to tourism. In many major cities of the world, retailing complexes are emerging that are geared to tourists rather than local people. In Hong Kong, Singapore, Istanbul, or Malaysia, many such ultramodern complexes have come into being because of the expansion of world trade and world travel. International retailing is quite different than domestic U.S. retailing. In every chapter of this book is a section dealing with these issues.

## SUMMARY

In a way, Exhibit 1.5 summarizes this chapter. It depicts the chief aspects of the total retail marketing strategy. The chapter points out that all retail establishments have some special attributes; however, whether these are desirable ones and how they should be manipulated will determine the direction and the effectiveness of retail marketing strategy. Store attributes are reflected on the store image that is projected in the market. If this image and the target market characteristics are in harmony, the retail store is likely to enjoy a high degree of differential congruence that means its customers think that it is different. The difference of the store is what the customers find very acceptable. Differential congruence creates customer loyalty, which in essence means the customers are satisfied. Feedback provides information about the presence or absence of differential congruence and the control mechanism enables the retail establishment to readjust so that it can achieve desirable results.

It must be reiterated that this chapter presents the general plan of this book. Retail marketing management commences with the establishment of retail objectives and positioning. Development of strategic plans follows analyses of the opportunities and threats, evaluations of strengths and weaknesses, and predictions and future assessments. At the stage of the development of the strategic plan, retail market segments are determined, a detailed marketing plan is prepared, and components of the marketing mix (and four submixes) are decided upon. The four marketing submixes create the store image. This is a very critical concept. Managing the store is basically manipulation of the store image, which must be congruent with the self-perception of store customers. Only then is it possible for the store to successfully satisfy

its customers' needs and be profitable. Finally, determining the degree of differential congruence through research and feedback will enable the store to generate a powerful control mechanism.

Exhibits

Exhibit 1.1  
Establishing Retail Objectives

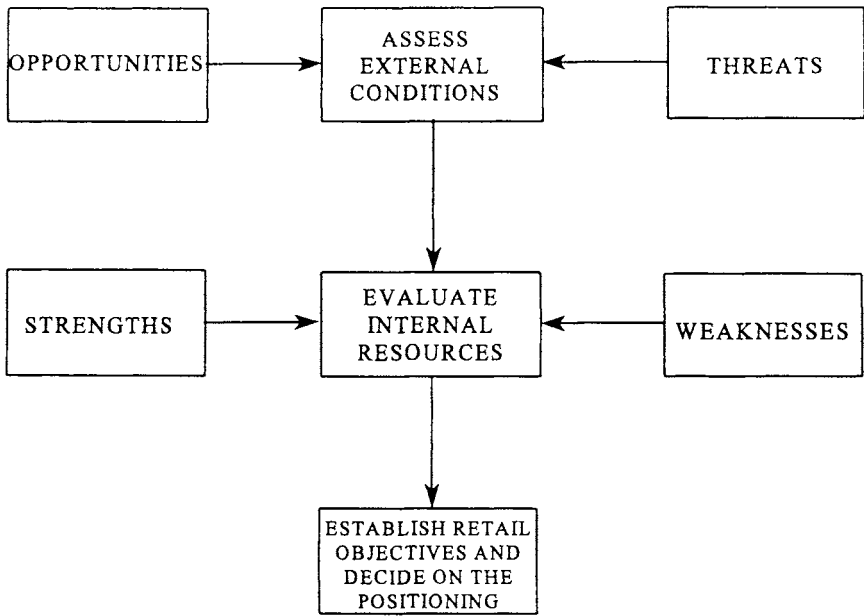
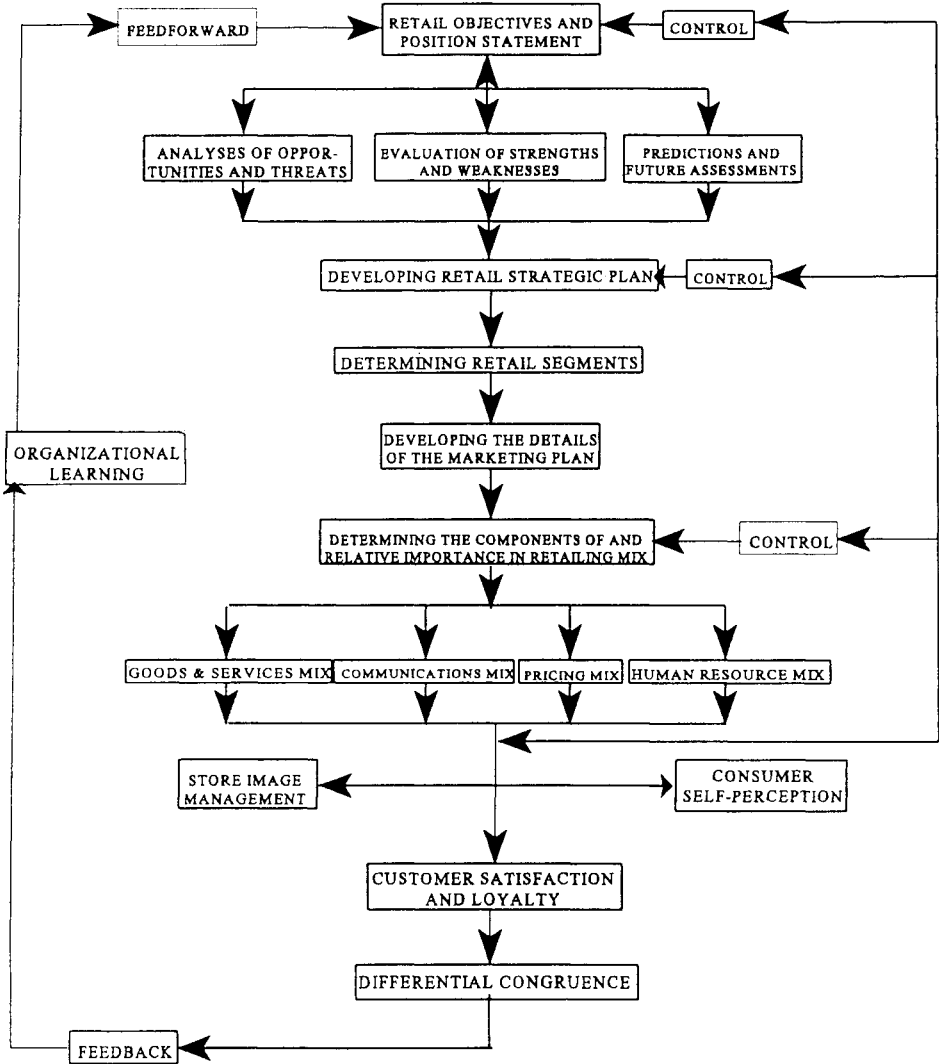


Exhibit 1.2  
The Planning Process in Retail Management

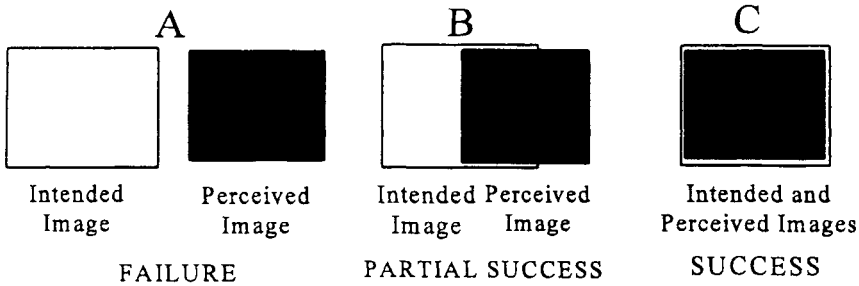


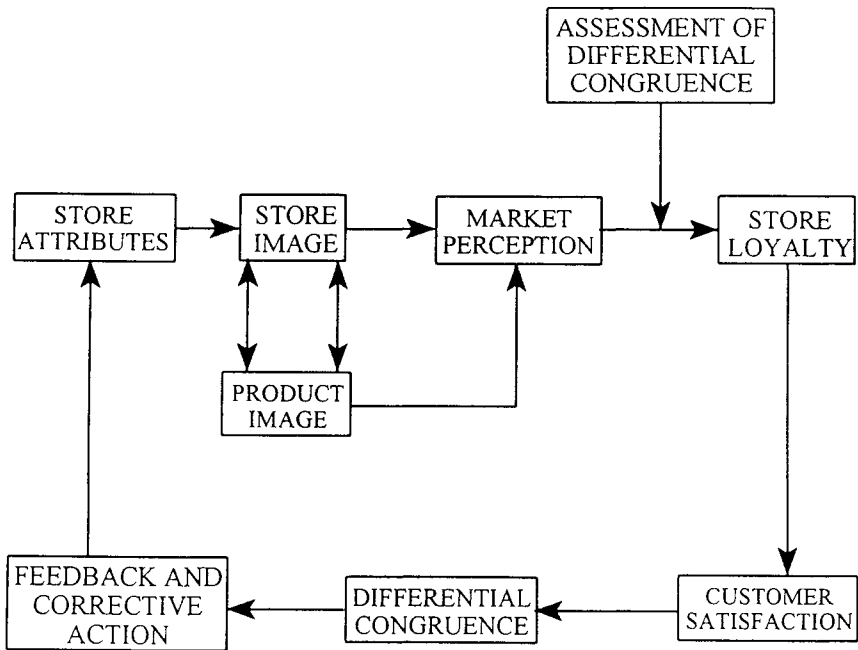


**Exhibit 1.3**  
**Components of Retail Mixes**

<i>Goods and Service Mix</i>	<i>Communication Mix</i>	<i>Pricing Mix</i>	<i>Human Resource Mix</i>
Merchandise	Advertising	Price Level	Personal Selling
Variety and Assortment	Catalogs	Price Lines	Customer Services
Guarantee and Exchange	Store Layout	Markdowns	Interaction with Customers
Customer Services	Public Relations	Markups	Merchandise Information
Credit	Internal Displays	Price Perceived Quality	Salespeople's Advice
Alterations and	Window Displays	Efficiency	Support People:
Adjustments	Telephone Sales	Components Affecting Prices:	Maintenance
Delivery	Sales Promotion	Warehousing	Cleaning
Parking	Special Sales	Handling goods	Security
STORE IMAGE		Computerized controls	Delivery
	STORE IMAGE	STORE IMAGE	STORE IMAGE

**Exhibit 1.4**  
**Degrees of Success in Retail Image Management**



**Exhibit 1.5****The Continuity of Retail Marketing Strategic Development****References**

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