After studying this chapter, you will be able to:
- explain how to target a specific retail market.
- analyze consumer buying motives.
- describe how stores differentiate themselves from competitors.
- summarize merchandise and service product strategies.
- interpret various pricing strategies.
- explain place strategies of site location and facility design.
- summarize promotion strategies.
- identify changing trends in retail positioning.

**Fashion Terms**
- retail positioning
- merchandising policies
- operational policies
- buying motives
- patronage motives
- direct competition
- indirect competition
- vertical competition
- lifestyle competition
- ambiance
- assortment breadth
- assortment depth
- prestige pricing
- price promoting
- value pricing
- everyday low pricing
- intensive market coverage
- selective market coverage
- exclusive market coverage

Business success depends on building a growing body of satisfied customers. To do this, retailers must first define their target markets and decide how they will be positioned in those markets. 

**Retail positioning** relates to where a retailer situates itself in the consumer market. This positioning guides all other decisions about how the retailer satisfies its target customers while differentiating itself from competitors. This is done with a marketing mix that blends variables of product, price, place, and promotion into an overall strategy for retailing success. Some stores, catalogs, TV channels, and Web sites are positioned with the lowest possible prices and least amount of service. Others are positioned for the best values for fashion forward career apparel. Still others coordinate the variables to position themselves in other ways. This strategy of retail positioning is illustrated in 13-1 and will be described in detail in this chapter.

**Targeting a Specific Market**

If retailers do not define their target markets clearly, for themselves and their customers, they usually end up satisfying no market at all. This can happen when a retailer tries to offer something for everyone. As you learned in Chapter 5, market segmentation enables a company to define a target niche of customers with similar characteristics. It can be done with demographics, psychographics, and other information. Each segmented group responds in a similar way to various goods and services, sales promotion activities, and advertising. Ongoing market research of actual and potential retail customers is needed, gathering and analyzing information about the chosen market's tastes and changing trends, 13-2. Stores often use computerized credit data to fine-tune their customer knowledge. Large companies can further segment their customer base electronically using customer purchase data contained in their computer systems. Companies use the information to better satisfy their customers' needs and desires through database marketing. Also, if research shows that the chosen market is not being satisfied, the retailer can either change its target market or redesign its marketing mix to once again satisfy its target market.

Retail managers regularly talk about "their customer." This singular term, "customer," represents the company's ideal targeted consumer. However, it must be determined if that ideal customer is the actual customer that is shopping at the site. One challenge for retail managers is the constant adjustment to this ever-changing customer base. Various ways for managers to stay in touch with the customer include working on the selling floor, listening to customer feedback from the company's staff, working with a focus group, and doing customer surveys.

To better satisfy their customers, retailers develop and follow **merchandising policies**. These are specific management guidelines the company follows to keep their inventory choices on track. Merchandising policies are adjusted regularly based on current trends and the needs of the target market. Retailers also have **operational policies**, which are designed to make customers feel good about shopping with them. These policies make the retail site appealing for the target market through physical appearance and customer services.

Retailers' merchandising and operational policies complement each other to maintain...
the optimum marketing mix of product, price, place, and promotion. The policies are monitored carefully in relation to changing retail patterns, economic conditions, and the buying motives of target customers.

Understanding Buying Motives

Purchasing behavior is the way consumers act in the market. It is influenced by cultural, social, and psychological factors. To set it into action, consumers must have a want or need to be satisfied, and a desire to fulfill that want or need in a certain way. The response is a purchase based on buying motives, or the reasons why people buy what they buy.

Buying motives fall within the extremes of rational and emotional responses. Rational behavior is a response to conscious reasoning. It is based on logical thinking and decision making. Important factors in a rational decision might be a garment's durability, comfort, quality, economy of use, and price. See 13-3. A totally rational consumer will evaluate effective use of resources according to

- how badly an item is needed
- how often it will be worn
- how long it will last
- its quality for the price
- its affordability in relation to other wants

Emotional behavior is based on feelings. A consumer who reacts emotionally will see a fashionable item in a favorite color and buy it just because he or she likes it. See 13-4. Factors contributing to an emotional decision include imitation, emulation, desire for status and prestige, sex appeal, desire for distinctiveness, ambition, fear, and personal pride. Consumers are generally unaware of the role these factors play in their choices.

Sometimes consumers have rational reasons for patronizing certain retailers. They may shop where they know they are getting the best price. Other consumers have emotional reasons for preferring particular retailers. Perhaps they get an ego boost from shopping in a store that has a prestigious reputation. Most purchases fall somewhere between the two extremes of rational and emotional behavior, as shown in 13-5. Some of each type of behavior is combined in varying degrees for different people, at different times, and for different products. However, fashion purchases usually involve higher amounts of emotional motives than rational ones. Thus, fashion marketers most often appeal to emotional buying motives in their advertising, visual merchandising, and sales training.

There are also product and patronage motives involved in consumer purchases. Product motives involve consumer purchases based on qualities or images of certain products. These product qualities might be materials, construction, style, fit, or guarantees associated with trade names or reputations. Manufacturers try to instill this loyalty in customers to encourage them to continue to buy their products.

Patronage motives involve customers who consistently buy from certain retailers or favor particular stores. The reasons why customers choose to shop at one store rather than another may be based on reputation, image, merchandise assortment, or price. Other factors include convenience of location and customer services. Retailers try very hard to gain loyal patronage from their customers. However, less long-term loyalty exists among shoppers today. Patronage decisions now seem to be based on where consumers think they are getting the best value at the time.

Product and patronage motives are based on a combination of rational and emotional buying behavior. Different consumers prefer different kinds of products and retailers. It is important for retailers to evaluate what customers think about their stores, catalogs, TV channels, or Web sites, as well as the products carried. Also, different consumers might see or use a particular retailer differently.

Differentiating from Competitors

Because of the vast number of retailers in existence, there is strong competition among individual stores for customers' time and dollars. There are four types of apparel retail competition:

- **Direct competition** is between two or more retailers using the same type of business format. For instance, the Gap and The Limited are in direct competition because of their similar merchandise, customer service, prices, and locations. The retailers shown in 13-7 and 13-8 are in direct competition with each other. Regional drugstore chains are often in direct competition with each other, as are small, independent dress shops.
Indirect competition is between two or more retailers using different types of business formats to sell the same type of merchandise. For example, supermarkets and department stores compete in selling women’s pantyhose, but they are very different types of retailers. Vertical competition is between businesses at different levels of the supply chain. The best example is apparel manufacturers who sell their apparel lines to retailers, as well as to the retailers’ customers through factory outlet stores. Lifestyle competition does not involve similar stores or products, but rather a fight for consumers’ pastimes. Instead of consumers shopping as a form of leisure activity, spending discretionary income in the process, they may decide to use that time and money to dine out or watch a movie. Although restaurants, video/DVD rental services, and movie theaters are also consumer retail establishments, they are not apparel retail stores. See 13-9. Thus, they present a completely different type of competition.

Since shoppers have more choices today, retailers must select their target markets and marketing mixes very carefully. They should look at which competitors are satisfying which market segments. Possibly several retailers are going after the same consumers, while other consumer groups are being ignored. Also, retailers can no longer count on higher sales and profits by just opening new stores, since the rate of population growth has slowed and people are spending less money on material goods. To gain more profits, retailers must tighten their operations to lower expenses and try to lure customers away from competitors.

There will always be competitors with similar products. Since stores of similar types offer mostly the same merchandise, they must convince consumers that they have beneficial differences. Retailers must set themselves apart or differentiate themselves from competitors. To win customer loyalty, companies try to offer the desired merchandise, services, and atmosphere preferred by their customers. Some retailers have repositioned themselves in the market, such as going from full-line general merchandisers to limited-line apparel merchandisers.

Retailers can set themselves apart from others in many ways, as shown in 13-10. Differentiation can be achieved with unique merchandise, such as private labels or confined national brands that a retailer sells exclusively. Retailers can feature goods from other countries, "surprise" merchandise, or very narrowly targeted products, such as large or petite sizes. They must be flexible and quick to react with unique offerings, in stock, when consumers want them. Stores can also differentiate with extended hours, such as being open 24 hours a day, or with special sale events. Distinct images can also be developed.

Presenting an Image
A retailer’s image is how the public perceives the company. It is like a personality, with different appearance and “mood” for each retailer. An image can be powerful in attracting and satisfying consumers. It is very important for retailers to develop and maintain distinct identities to set themselves apart from competitors. The retailer’s image should realistically project the kinds of merchandise and operations it offers for particular types of customers. Its image of itself should match the customers’ impression of it. A retailer’s unique fashion image is formed by a combination of its merchandise fashion level, services offered, physical environment, employees, and promotion. These components should be carefully combined to project its image to the public, and should be developed to appeal to the target customers, 13-11.

The merchandise fashion level is the emphasis of presenting goods in the early (introduction or rise) or later (peak and beyond) stages of the fashion cycle. Prestigious retailers that target affluent and fashion-conscious customers usually offer fashion goods earlier in the cycle. Discounters emphasize fashion styles later in the cycle.

Services offered also contribute to the image. Retailers with an upscale image offer better services than discount retailers. Higher price/quality stores might include credit (charge) privileges, generous return policies, telephone ordering, home delivery, well-appointed rest rooms, gift wrapping, in-store restaurants, free parking, alterations, and jewelry repair. Discount “bargain” stores might operate strictly on a cash-and-carry basis, and have limited refund policies.

The appearance of a store’s physical environment is very important. How stores present themselves to the public is an example of the “ambiance,” or atmosphere, that has a great influence on fashion image, 13-12. Upscale stores usually have luxurious surroundings, mid-priced stores
have pleasing surroundings, and low-priced discount stores may not try for any particular ambiance at all. These physical environments match the image being projected.

The number of employees, and their appearance and attitudes, also contribute to image. Upscale stores are expected to have plenty of sales assistance available for shoppers. Employees should be courteous, knowledgeable, helpful, and dressed at a similar fashion level to the merchandise for sale in the store. If an image is correctly interpreted by a company’s own employees, it spreads to the customers and reinforces itself in the marketplace. Bargain-image stores have limited numbers of employees, who may wear plain, company-provided smocks. They are not expected to provide individual help on the sales floor since that is one way that prices are kept low.

Promotion, such as advertising, should project the image appropriate to attract desired target customers, 13-13. If a store attracts shoppers at a certain fashion level because of its advertising, but stocks merchandise different than projected, shoppers will likely leave without buying anything. Advertising and promotional messages should clearly define the store image to the target audience.

Sometimes it is necessary or desirable to change a retailer’s image. This might be done to adjust to changing demographics, the desire to attract additional customers, or to differentiate itself from increased competition. Companies want to keep old customers and add new ones, which might be done by changing the merchandise assortments, services, ambiance, and promotion over time.

Customers patronize retailers who treat them fairly and honestly. Retailers at all price levels are interested in building both reputation and image. By carrying out targeted policies through their actions, retailers build the correct image, whether it is budget, upscale, or somewhere in between.

Promotion, such as advertising, should project the image appropriate to attract desired target customers, 13-13. If a store attracts shoppers at a certain fashion level because of its advertising, but stocks merchandise different than projected, shoppers will likely leave without buying anything. Advertising and promotional messages should clearly define the store image to the target audience.

Sometimes it is necessary or desirable to change a retailer’s image. This might be done to adjust to changing demographics, the desire to attract additional customers, or to differentiate itself from increased competition. Companies want to keep old customers and add new ones, which might be done by changing the merchandise assortments, services, ambiance, and promotion over time.

Customers patronize retailers who treat them fairly and honestly. Retailers at all price levels are interested in building both reputation and image. By carrying out targeted policies through their actions, retailers build the correct image, whether it is budget, upscale, or somewhere in between.

Product Strategy

You learned in Chapter 3 that products are either goods (merchandise) or services. A company’s product mix is its entire selection of goods and services. Retailers differ in terms of the product assortments they offer. Besides selling goods (shirts, slacks, suits, and accessories), they also offer services, such as advice from salesclerks, convenient parking, and clean rest rooms. Both goods and services must be considered when retailers evaluate their product strategy. Shoppers are more demanding than ever these days, seeking the highest quality merchandise, at the lowest prices, with the best service.

Merchandise Selection

A retailer’s array of goods is called its assortment. Assortment refers to the range of stock, or total selection, a retailer carries, whether it is full, limited, or specialty, 13-14. Customers buy from retailers offering the merchandise assortments they want. Included in assortments are the variety and types of styles offered; the colors, sizes, fashion, and quality level; and the price ranges of the goods. Retailers study their target markets in order to anticipate the assortments their customers will expect them to have. Their goal is to successfully compete against other retailers.

Assortment breadth (width) is the number of different item categories or classifications offered by a retailer, regardless of how many of each category is stocked. An assortment is said to be “broad” or “wide” when many different varieties of goods are available. For instance, there may be many different types, brands, and price ranges of dresses or suit styles offered for sale.

Assortment depth indicates the quantity of each item available in the assortment of goods offered to customers. An assortment containing an item in great numbers, in many sizes and colors, is said to be “deep.” Thus, there might be multiple dresses and suits of the varieties offered. An assortment with only a few of each item is said to be “shallow.”

Three different approaches to stock depth and breadth are (A) broad and shallow, (B) narrow and deep, and (C) moderate breadth and depth. These are illustrated in 13-15. Stores that carry a broad and shallow assortment stock small amounts of many different styles. Upscale, prestige retailers tend to stock broad and shallow assortments. They offer small stocks of new styles in limited sizes and colors because their customers desire exclusivity.

Retailers that carry a narrow and deep assortment stock relatively few styles, but offer them in many sizes and colors. Mass merchandisers focus on narrow and deep assortments of proven goods that are well into the peak of the fashion cycle. They stock the latest best-selling items in large quantities and have high inventory turnover rates.

Stores that cater to mid-range fashion and quality might stock moderate breadth and depth. These tend to be department and specialty stores. However, these stores usually stock broad and shallow assortments early in the season when new styles are being tested. When demand for styles has become clear, they concentrate on narrow and deep assortments of the most popular styles. Since retail space and inventory costs must be considered, stocking a broad assortment may limit the depth to which those items can be carried. Conversely, if depth is desired, space and costs often limit the variety that can be offered. However, if the right items are not in stock when consumers want them, shoppers will go elsewhere.
Service Selection

Customers shop with retailers that provide services comparable to the prices they are paying. The amount of service corresponds with the price/quality level, whether self-service, limited service, or full-service. The services mix is one of the key nonprice tools for setting retailers apart from each other. For instance, companies might decide to lengthen their credit payment terms or extend their evening hours to differentiate their store from their competitors.

Discount stores, featuring low prices, offer only basic customer services, such as free parking, credit, and merchandise return privileges. Traditional department stores provide additional customer services, such as gift wrapping, repair services, and alterations. Exclusive stores might provide special services, such as a store employee delivering an evening dress and making sure it fits the customer properly, or helping a customer coordinate a dress, shoes, and jewelry.

Services encourage customers to stay in the store as long as possible. The store provides all the needed services to keep customers there to make more purchases. They don’t have to leave to put money in a parking meter or use a rest room elsewhere. Customer services will be discussed more completely later in this textbook.

Price Strategy

Pricing policies determine the price levels at which retailers sell their merchandise. A retailer’s pricing policy must be coordinated with its image since the price level of goods plays an important part in determining the kinds of customers a business will attract and keep. See 13-16. Retailers’ “price points” indicate the amount of money at which items are offered for sale. Pricing is a key positioning factor and must be decided in relation to the target market, competition, and other marketing mix factors. It is imperative that retail companies select the most appropriate competitive pricing strategy for their market.

Choosing the correct approach to pricing has a large effect on profits. Currently, most retailers emphasize low price as a major appeal to customers. The price-value relationship has become a powerful buying incentive. Price-conscious consumers actively compare prices between several retailers in shopping malls or on the Internet to obtain the best “deal.” With many retailers in one location and having similar merchandise, it is easy for consumers to do comparative shopping. Most retailers mark down some items, or run sales on slow-moving goods, 13-17. This attracts customers into their sites to buy additional higher-profit items.

There are usually market constraints on pricing, with certain price ranges for particular items in various market segments. General price levels can be categorized as low or budget, mid, or high. The “right price” is the amount consumers are willing to pay for certain products and retailers are willing to accept. It is the price that is satisfactory to the customer both before and after the sale. In summary, it is a price that brings about the sale, generates a profit, satisfies customer expectations, and meets competitive situations.

The Price/Quality Relationship

Quality and price usually, but not always, correlate. Consumers generally equate high prices with high-quality goods, and low prices with low-quality goods. Upscale retailers offer high-quality goods at moderate to high prices, and retailers that target a wider customer base offer lower-quality merchandise at lower prices.

Prestige pricing is a policy of setting high prices on items to attract customers who want quality goods or the status of owning expensive and exclusive merchandise. Retailers price products to be consistent with consumers’ expectations. Some retailers set prices above those of competing retailers to convey an image of superior product quality or prestige. This also differentiates the products and stores in the minds of potential customers. Retailers who use this pricing policy usually have a very good location, a high level of service, and carry exclusive brand names.

Items of relatively low quality may be highly priced if there is a reason, such as styles in the introductory phase of the fashion cycle. However, most retailers do tie their price ranges to quality standards. A policy of stocking only top-quality merchandise permits high price ranges. A retailer that features intermediate quality usually sets some bottom limits that it will not go below. Retailers that emphasize lower “serviceable” quality tend to also emphasize their low prices.

The class distinctions that have previously distinguished various price/quality retailers from each other are now eroding due to constant price promoting. Price promoting is advertising special price reductions of goods to bring in shoppers, 13-18. This builds traffic (numbers of retail shoppers) to buy other items as well.

Shopping traffic has been shown to move up and down in direct relation to promotion pricing of merchandise. Shoppers have been exposed to so much price promoting that they have developed sophistication in seeking low prices. Upscale retailers seem less compelled and less inclined to indulge in price promoting than mainstream retailers because they continue to enjoy their own prestige and attraction. However, upscale stores have recently engaged in more price promoting than they have done in the past.

Specific Pricing Approaches

All retailers would like to sell large volumes of goods at high prices for huge total profits. However, the marketing triangle has shown that price and quantity sold are inversely related to each other. Most retailers either seek high unit markups on low volumes of goods, or low markups on high sales volumes. The overall
Chapter 13 / Retail Positioning

263

profits of each might be similar, but they are selling to different target markets and offering other differences in the total marketing mix. In developing a pricing strategy, the retailer must price merchandise low enough to generate sales but high enough to cover costs and make a satisfactory profit.

Pricing below the market is a policy in which retail prices are set below those of the competition. Price-cutting policies were originally introduced by supermarkets, and then spread to apparel and other product sectors. Retailers may use this below-market pricing policy if they are in an inconvenient location, are a self-service organization, concentrate on high-volume sales, stock private label merchandise, lower their costs by using innovative technology to receive floor-ready merchandise from manufacturers, or forego some promotional efforts.

Original (list) retail prices are often higher than actual selling price points. Value pricing is the selling of items below the price suggested by vendors of the goods. This price-cutting policy is used by discounters, especially on national brands. However, some vendors and retail stores imply that list prices for merchandise are higher than they really are. The goods are then marked down to a normal level, but with value pricing implied. This practice can cause retailers to lose credibility with consumers. Shoppers have learned that items on sale are not always a good buy.

To ensure price competitiveness, some retailers promise to match the lowest advertised price that shoppers show them from ads. In fiercely competitive situations, competing stores might engage in a price war. That is when they drastically lower their prices to try to undersell each other. The theory is that the retailer with the lowest prices will attract customers from the other competitors, and ultimately force them out of business.

Some retailers use a “price line” selling policy, in which they offer their merchandise for sale at a limited number of predetermined price points. For example, a store may offer women’s sweaters at $29, $39, and $49 only. The store’s buyers actively seek out merchandise that can be sold to consumers at these prices.

Everyday low pricing (EDLP), another strategy for retail positioning, promotes the idea that consumers can shop in the store at any time, knowing that they will get a fair price that gives good value for the money. This strategy has been used recently by some discount chains. It tries to instill a sense of trust and consistency toward pricing, while providing a reasonable profit to the retailer. High seasonal markups are eliminated, as well as bargain prices during promotional sales. Stores that use this strategy may enjoy more credible pricing, reduced advertising costs, a steadier flow of sales, and better partnerships with vendors. However, higher sales volumes and lower operational costs may not match the overall reduction of prices. Also, the many shoppers who shop sales events and enjoy “the thrill of a bargain” may be disenchanted by this approach.

Place Strategy

Place strategy relates to site location and physical site design, which should complement each other. Place for catalogs is in homes or businesses where they will be read. Internet retail sites must be easily entered and used by computer shoppers. These are very important determinants of retail success. They directly relate to retail positioning for particular target markets, establishing retail images, and differentiating from competitors.

Site Location

A prime location is key to attracting enough customers to make a good profit. The market area from which a store draws might encompass several blocks to several hundred miles of its site. Customers often choose a store because it is situated near work or home, or with a group of other stores that can complete all of their purchases.

When considering site locations, large retailers will first evaluate a wide area, such as a certain part of the country. For instance, national chain retailers evaluate market growth and needs for their stores in various regions of the country before deciding to expand into those areas or open more locations in the region.

Regional retailers must determine the right state or town in which to locate. A certain population base, with target market composition, is needed to support stores. For some retailers, small, local markets of their target market segment, which have less competition, are better than heavily populated areas that have more competition. On the other hand, mass merchandise “mega stores” draw from a larger area of heavy population. Even if there are already similar stores in that area, they may be able to take business away from the competition and be very successful.

Once the right local market has been chosen, a decision must be made about the most suitable shopping center, mall, or street location. Large retailers sometimes stand alone, able to draw customers by themselves. Other retailers depend on the pulling power of a cluster of stores grouped together for more convenient one-stop shopping. 13-19. A tenant mix is the particular assortment of different stores grouped together in a cluster, shopping center, or mall. Most stores rent their spaces from commercial real estate companies that develop and own the sites.

The site should be visible to passing traffic and easy to approach, enter, and exit. 13-20. It should be safe from crime and other consumer problems. It should also be found in downtown business districts. Retailers try to place their stores for the convenience of their target markets.
Types of Store Clusters

Various types of store clusters should be evaluated as a part of place strategy. Some site locations are in planned shopping centers and malls, while others have evolved as unplanned clusters of stores. In most store clusters, especially those that were planned and have a unified appearance and common areas (parking lot and sidewalks), the stores act together for promotional purposes. Some centers are enclosed into protected malls to make shopping more pleasant for consumers in any type of weather, 13-21.

There are five types of store clusters. These include the following:

- **Central business districts.** These areas of cities or towns, with high concentrations of stores and offices, usually evolved over time without a plan. The location of individual stores is often based on what spaces were available as the area matured. Most central business districts now have a hard time competing against newer, planned, suburban shopping areas. Some urban sections are plagued with traffic, parking, and crime problems. Many communities have been trying to revive the appearance and safety of their downtown areas. They have done this with parking garages, security patrols, and closing streets to make mall-like settings, 13-22. However, most still mainly serve consumers who live in the city, downtown workers for lunchtime shopping, and tourists or business visitors to the city.

- **Neighborhood shopping centers.** These are small shopping centers with usually 5 to 15 stores. They serve about 7,500 to 40,000 local consumers in surrounding neighborhoods who can drive to the center within ten minutes. Older neighborhood shopping centers generally do not have the esteem or variety of newer, better planned shopping centers. As communities have grown, “shopping strips” have developed along major roads, usually selling convenience products. This type of center might have a supermarket and several family-owned service stores (dry cleaner, beauty shop, hardware store, etc.).

- **Community shopping centers.** These medium-sized centers usually have 15 to 50 stores. They normally contain a primary store, such as a department store branch, a supermarket, specialty stores, restaurant(s), professional offices, and a bank. Most selling is of convenience products to a market of 40,000 to 150,000 people within a five- to six-mile radius or more. Lifestyle centers have now become popular, which are open-air shopping sites with upscale, well-known apparel and home fashion specialty stores, as well as trendy restaurants.

- **Regional shopping centers.** These are large centers that are often enclosed malls with several shopping levels. They serve at least 150,000 people and draw customers from a radius of more than 10 miles. They feature many stores and multiple products, including one or more full-line department stores and often 70 or more smaller stores. Although regional shopping centers usually have suburban locations, a few are “vertical shopping centers” located in large cities. In these, the stores are contained in one tall building, usually with an enclosed parking garage. Many factory outlet malls are also considered to be regional shopping centers. They target budget shoppers who are willing to drive longer distances for an assortment of value-priced goods, 13-23.

- **Super-regional centers.** These are the largest malls and shopping areas, also referred to as “power centers” or “mega malls.” They often cover an area of 100 acres or more. Their millions of square feet of selling space usually includes six to eight anchor stores and at least 150 specialty stores, plus eateries. They draw from 25 miles or more, often attracting travelers from out of state. In fact, bus trips are sometimes scheduled to bring groups of people to these centers because they have such drawing power. They evolved in the late 1980s, built by commercial real estate developers to take advantage of the “retailing revolution.”

In many locations, shopping centers and malls have reached their saturation point, with too many stores competing for too few sales dollars. Sales and profits have dropped, vacancy rates have increased, and some centers have gone out of business. Older malls are being renovated to compete, and few new ones are being built. The current trend is toward stand-alone category killer power stores or smaller, less expensive strip malls. Strip malls are comprised of a line of stores connected by a walkway, which runs along the front of the stores, 13-24.
Another factor that has a major impact on company profits is the cost of building, buying, or leasing facilities. Small retailers may have to settle for whatever locations they can find and afford, while large retailers can employ site location specialists. From all potential site alternatives, they evaluate what sites are available for rent or purchase, which are most suitable in structure and size, and which are the most affordable based on the retailer’s operating budget.

Market Coverage in Site Selection

Site selection strategy for some retail companies also includes market coverage, or how concentrated a presence the retailer wants to have in a specific geographic area. The main market coverage strategies include the following:

- **Intensive market coverage**, which involves selecting and utilizing as many retail outlets as are justified to obtain blanket coverage. This approach tries to serve all customers of an entire market area. A typical example is convenience stores.

- **Selective market coverage**, which involves choosing enough locations to ensure adequate coverage of selected target markets. Chain apparel retailers and department stores often do this by locating a store in each of the major shopping malls of a metropolitan area, 13-25.

- **Exclusive market coverage**, which involves using one location to serve either an entire market area or some major segment of that market. Prestigious specialty retailers can use this approach since customers will travel farther for their goods.

Facilities Design

After the site location has been determined, the store should be designed to create a strong visual identity with the right ambiance for the target market, 13-26. Stores can visually distinguish themselves from competitors using a unique physical environment. A store’s image is influenced by both its exterior and interior appearance.
dressing rooms, rest rooms, checkout counters, receiving and stock areas, offices, and employee training areas, 13-29.

Good interior store design minimizes operating expenses while maximizing sales and customer satisfaction. Selling space should have a friendly, welcoming atmosphere that is inviting and convenient for customers. It should also provide a functional and safe atmosphere that boosts employee morale and allows for smooth store operations. Appropriate layout, fixtures, lighting, color, and space utilization all play a role in designing selling space. Well-planned stores always sell more than stores that are not well thought out.

Shopping is encouraged with good traffic flow through the store. Good sight lines allow for customer viewing of various departments and merchandise. The walls, fixtures, ceilings, and flooring are a backdrop for the merchandise. They should define and accentuate the environment without detracting from the merchandise presentation. Interior decor should be psychologically pleasing to the store's target market to put customers into a buying mood.

For upscale stores, decor really matters since customers expect a retailer with expensive fashion merchandise to have an elegant facility. The decor may be traditional, with wooden fixtures and oriental rugs, or very contemporary with chrome and glass. It usually has expensive lighting and chandeliers, and dressing rooms that are large and private. On the other hand, stores with bargain prices usually have a bargain look, with simple fixtures, bare dressing rooms, and few decorations. Energy costs have become a major expense that retailers try to minimize. Careful planning of store environments should be an ongoing process. Store interiors must be updated frequently to keep the stores fresh and appealing. Trends of store decor change, just as fashions change. A store that looks out-of-date with old, worn furnishings and fixtures suggests to customers that the merchandise is also out-of-date.

Cleanliness, sometimes referred to as housekeeping, is also very important for store and mall interiors, 13-30. A clean, neat, and well-maintained retail environment imparts an image of caring for the customers.

Promotion Strategy

Sales promotion involves any activities that encourage consumer interest in the purchase of goods or services. Promotion activities include such things as advertising, publicity, visual merchandising, and special events. Special events may include fashion shows, trunk shows, personal appearances, and in-store art shows. All retailers make use of some sales promotion, choosing the most appropriate methods for their type of business and target market. Promotion has become more important today because of increased retail competition.

The right message to the right group of consumers tells how the retailer will satisfy customers' wants and needs. The types of advertising and promotional activities chosen are the ones preferred by the retailer's target market customers. Advertisements in newspapers and magazines, and on radio and television should sound and look like the image that appeals to those customers. Specific sales promotion activities will be discussed in more detail later in this book.

In summary, successful retailers attract customers with good image and location that is promoted effectively. They offer competitive prices and leave a lasting impression with professional salesmanship. This results in high profits because customers return for repeat purchases.

Recent Trends in Retail Positioning

Shopping at the mall is how leisure time was spent in the past. However, a day out for shopping is not common for consumers lately. Studies show that there are two different ways for retailers to attract shoppers now. They are (1) retail efficiency to quickly and painlessly satisfy shopping chores and (2) entertainment as the destination point, with shopping included. Stores are repositioning themselves toward one concept or the other to respond to these findings.

Efficiency for Shoppers

Almost everyone is on the run these days, trying to get as many things done as quickly and easily as possible. Although shopping is necessary, in the past it was done for more pleasure and psychological satisfaction than today. Leisure time today is less likely to be spent shopping. Most people are in a hurry and are more focused on accomplishing their shopping tasks efficiently.

Mall shopping has been criticized by consumers because it is too time consuming for shoppers to find a parking place and get into the mall to shop. This is why smaller strip centers, stand-alone stores, and mail-order and Internet shopping have become more popular. Customers also want retail sites to be organized and offer expected pricing. They want to spend less time in checkout lines and have faster payment processing for their purchases. Lately, mass merchandisers, dollar stores, and Internet sites have increased in popularity. Department stores and mall shops are struggling to compete.

Retailers who realize that shopping is a chore for many consumers, and try to make it more efficient, are showing success. This also requires rethinking the notion of customer service. Customers want retailers to offer them organized shopping. They want quick information on how to find products in the store, they want those products to be in stock, and then they want to be left alone to make their own shopping decisions. Customers especially like a clean, organized atmosphere with no surprises. 13-31. Retail technology is enhancing this. Traditional retailers that have established Web sites in addition to their traditional selling, are trying to achieve “consumer intimacy” to satisfy all their customers’ desires, rather than just following a low-cost strategy.

Entertainment Plus Shopping

The second drawing card for shoppers is entertainment as the destination activity during more leisurely times. Most people are bored with shopping in stores that all seem to look alike and carry similar merchandise. Many customers seek activities that provide a combination of socialization, recreation, discovery, entertainment, and shopping. If shoppers are going to make a purchase, they want it to be an “experience." Even TV shopping now has entertainment, plus Hollywood celebrities and big name designers. Studies suggest that people desire a more positive experience when shopping, with more
enjoyment. They want to go away with memories of a good time. The next generation of successful retailers will offer more than just merchandise and services; these sites will ensure that their customers are entertained. This concept has been dubbed “shoppertainment.”

Retailers are responding to this new concept, resulting in an increase in the number of entertainment-oriented stores. The idea is to draw people for the entertainment value, with shopping resulting from the entertainment. Some of the newest shopping areas have built images around theme park atmospheres. This also provides a focus in planning the image and physical facilities of a store or mall. Consumers expect to find some combination of restaurants, game arcade, and multiplex theater where they shop.

Some stores and shopping centers are now marketing themselves as tourist attractions, with high-tech computer simulations and virtual reality experiences. They provide a focus in planning the image and physical facilities of a store or mall. Consumers expect to find some combination of restaurants, game arcade, and multiplex theater where they shop.

The existence of wide aisles, clear intersections, and good signage provides for efficient shopping.

### Summing It Up

Retail positioning enables stores to market effectively. Retailers must define their target markets clearly and conduct ongoing market research about the changing tastes of their customer base. To better satisfy their customers, retailers develop and follow specific merchandising and operational policies. They try to understand the rational and emotional buying motives of their customers, as well as the product and patronage motives that might affect customers’ buying decisions.

Retail product strategy involves a store’s entire selection of goods and services. Different approaches to assortment breadth and depth, and levels of services, should be considered.

Price strategy involves using price to attract customers. It must also be based on the retailer’s image and target market. The relationship of price to quality should be considered, and the option of price promoting. Other specific pricing approaches are pricing below the market, value pricing below suggested list price, entering into a price war, using a price line selling policy, or following an everyday low pricing strategy.

Place strategy relates to site location and facilities design. Store location might be in a central business district, neighborhood shopping center, community shopping center, regional shopping center, or super-regional center. Market coverage might be intensive, selective, or exclusive. Important considerations in facility design are the store’s exterior position, architecture, and signage. Store interior space is divided into sales support and selling areas.

Sales promotion activities should be appropriate for the type of retailer, image, and target market, to draw the right people to the site to make purchases. A combination of all these positioning strategies should result in high profits with customers returning for repeat purchases.

New trends in retail positioning include two different drawing cards for shoppers. One emphasizes retail efficiency to painlessly satisfy necessary shopping that consumers consider to be a chore. The other is based on entertainment as the destination for consumers, with shopping included in the experience.
Fashion Review

1. What must retailers do if research shows that their chosen market is not being satisfied?
2. Who are retail managers referring to when they talk about “their customer?”
3. Describe rational behavior.
4. Why can retailers no longer count on higher sales and profits by just opening new stores?
5. What is meant by merchandise fashion level?
6. Why might it be necessary or desirable to change a retailer's image?
7. What is a company's product mix?
8. How do retail space and inventory costs relate to breadth and depth of merchandise assortments?
9. Summarize what is meant by the “right price” for a product.
10. What attributes do retailers usually have who use a prestige pricing policy?
11. Give at least five reasons why some retailers might be able to adopt a price cutting policy of pricing below the market?
12. How have some downtown areas tried to revive their appearance and safety?
13. What are vertical shopping centers?
14. What is meant by the statement that shopping centers and malls have reached their saturation point?
15. What is the meaning of market coverage?
16. What is the basic objective of good interior store design?
17. Name four types of sales promotion activities.
18. Contrast the needs satisfied when shopping in past years with recent trends in shopping.
19. Name three ways retailers can provide shopping efficiency for customers.
20. What is meant by “joint cross marketing” of the entertainment and retail store segments of malls?

Fashion in Action

1. Pick a prominent local retail store. Write a report that identifies the store type (department store, specialty store, etc.) and explain where the store has positioned itself in the consumer market. Illustrate the report with a chart (similar to Figure 13-1) that provides a definition of the store’s target market, differentiation from competitors, and specific marketing mix blend.
2. Hypothetically define what you think the target market customer characteristics might be for one of the following: upscale department store, chain department store, discount store. Make a chart showing what you think the following general characteristics might encompass: age range, gender, family structure, income range, education level, typical occupations, lifestyle/ hobbies, geographic locations of homes or apartments, attitudes, and types of advertising that would bring the best response.
3. In a small group, prepare an oral report for the class that explains the four main types of competition discussed in this chapter. Name two specific companies in each category and explain why they compete in the way you have them categorized. How do you think they could differentiate themselves better from their competitors?
4. In 13-15, showing different stock assortment strategies, options A, B, and C each have the same amount of total inventory (count the squares to check that out!). With two classmates, redraw the diagrams on a larger scale. Fill in the squares with names of categories of apparel, as well as specific items, colors, sizes, and any other information you feel helps to explain the concept. For each different inventory approach (A, B, and C), tell what type of retailer would probably use that type of assortment strategy and, if possible, name an actual store of that type that exists in your local area.
5. With another student, formulate the place strategy for a certain fictitious retailer that is about to move into your area. Prepare a report that explains what you believe would be best for the retailer concerning each of the following: site location, type of store cluster, type of market coverage, and exterior and interior facility design features.