

# Retail industry - marketing strategies for the competitive business environment

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**Abstract:** Management and marketing are the two of the most important global functions for a retail operator. Presenting the marketing strategies in retail industry is essential to understand the challenges of the competitive business environment in nowadays society. The goals of this paper are to present some of the retail marketing strategies that influences the retail industry. The methodology was based on a quantitative research method. The paper contributes to a better understanding of retail industry and to enhance the scientific literature regarding marketing strategies in this field.

**Key words:** retail industry, marketing strategies, competitive, business environment

**JEL:** M31, M39

## 1. Introduction

Retail industry implies the set of activities that markets products or services to final consumers for their own personal or household use (Kotni, 2011). Other authors presents retailing as the final part of the marketing process in which the various functions of the seller, usually a store or service establishment, and the buyer, an individual consumer are primarily oriented to accomplishing the exchange of economic goods and services, for purposes of personal, family or household use (Davidson, Sweeney and Stampfl, 1988). Retail services are seen as a sum of acts and elements that allow consumers to receive what they need or desire from the retail establishment (Mithcell, 2008).

The world of retailing is changing rapidly due to advances in technology and consumer behavior, and, therefore, innovation constitutes a key element in achieving competitive advantage (Tohănean and Toma, 2018). This dynamic retail marketplace is forcing retailers to strategize how to best position themselves to survive and flourish in this competitive business environment at a global level (Toma and Marinescu, 2013; Toma and Marinescu, 2015; Grewal, et al., 2021).

Starting from these aspects, the goals of this paper are to present some of the retail marketing strategies that influences the retail industry in such a competitive business environment. The research is based on a quantitative research. The paper contains four other sections as follows: literature review, research methodology, results and discussion, and conclusions.

## 2. Literature review

In scientific literature, the strategy is displayed in a narrow and wider sense. In a narrow sense, there are presented the goals, principles, and strategies pursued by a company and in a stricter sense as the activities which contribute to the fulfillment of the company's goals (Hofer and Schendel, 1978; Dabija and Abrudan, 2008).

Retail marketing is the range of activities undertaken by a retailer to promote awareness and sales of the company's products (Catană, 2019). Retailing services presents some peculiarities in comparison with goods, such as: intangibility, retail variability, inseparability and perishability (Zeithaml, 1981; Grădinaru, Toma and Marinescu, 2016; Catană, 2019).

Positioning is a concept which delimits the characteristics of competitive objects by outlining the target segments with the objective of obtaining competitive advantages (Liebmann, Zentes and Swoboda, 2008), being also used in services marketing (Grădinaru and Toma, 2017a; Grădinaru and Toma, 2017b). A retail store's location is the most important determinant of store's success or failure (Vandell and Carter, 1994). Strategies for product and service assortments include the width and depth of the product range (Mantrala, et al., 2009, Catană and Toma, 2021). Pricing strategy is the policy a retail company adopts to determine what it will charge for its products and services (Marinescu, Niculae and Toma, 2010; Sammut-Bonnici and Channon, 2015). Retailer promotions are offered by retailers to consumers to increase sales for the item, category or store (Blattberg and Briesch, 2012). The atmosphere in a store is a combination of factors related to the design, color and appearance of a store and there are some specific strategies (Turley and Chebat, 2002). As a consequence, in this research, we will refer to the following strategies:

- positioning in relation to the competition;
- positioning through the novelty of the product purchasing process;
- positioning through the novelty of the products and the assortments of products offered;
- store location;
- product and services assortments;
- pricing;
- promotion;
- store atmosphere.

### 3. Research methodology

In order to reach the aims of the paper, the authors employed a quantitative research method. The information was obtained through desk research. The secondary data had been collected through the deployment of a widespread literature review from various sources, such as books and journals from the fields of marketing, management, and retailing. The documents were found in prestigious economic databases (Scopus, Web of Science, Science Direct, JSTOR and Google Scholar). Firstly, the authors studied the literature review on retailing, management, and marketing strategies. Secondly, the information was synthesized, highlighting the successful marketing strategies in retailing. Finally, the authors concluded the paper and emphasized the conclusions following the analysis performed.

### 4. Results and discussions

A retail company must decide what it wants to achieve for its customers. Thus, it must decide which is the target market and develop the best combination of the elements of the marketing mix (product, price, distribution, and promotion). Starting from this aspect, some retail marketing strategies that influences the retail industry are presented below.

#### Positioning strategies

Positioning strategies in relation to the competition - involves the choice of the target market and the competitive advantage in relation to the competition. These choices allow merchants to adapt the components of the marketing mix (product assortment, service level, store locations, prices, and promotion) to the needs of selected customer segments. Differentiating merchants according to the criteria presented above is the argument by which customers prefer one or the other of the stores. The expectations that customers have are different from one store to another, and the positioning of retailers comes from the novelties brought in the purchasing process, in the novelties they bring to the product assortments or in the case of both components.

Positioning strategies through the novelty of the product purchasing process - the way a merchant facilitates customers' access to the desired products and brands, the way the customer can access products in stores and the way payment can be made in stores are components that determine satisfaction customers for a particular merchant.

Positioning strategies through the novelty of the products and the assortments of products offered - a trader must be known to be of a certain type. In this sense, a store can be known as being very prompt in purchasing and selling the latest generation products, while other stores can be recognized as having a wide variety of products or for storing and selling the highest quality brands (premium).

For reasons related to the size of commercial spaces and the management of relationships with suppliers, a store that tries to have too many different types of assortments can be considered a store difficult to manage. In addition, a trader who stores the latest products in a category will be able to store the highest quality products in that category, but the company's attention will be divided and it will be difficult to manage relationships with different suppliers in the sense that their philosophies business are different. Also, such a strategy will send confusing messages to customers about the type of products that are stored very well by stores.

### **Store location' strategies**

Store location' strategies - influence sales performance in general and food sales performance in particular. In the case of these types of products, customers prefer to buy them from a nearby store.

The merchandise and services offered by retailers are part of their core value proposition (Grewal, et al., 2021). The retailer must decide whether it will be a stand-alone store in one city or open stores in several cities. A retailer may decide to open a store in each city, in this sense it will have to purchase products from distributors to replenish its stocks.

There is also the strategic option of opening several stores in one city and then expanding the store in another city. Consequently, the merchant will cover the cities one by one, compared to the strategic option of opening only one store in each city. In this sense, it is preferable to open a distribution center in each city. This center receives products for all stores in a city in a single truck from each supplier and then smaller batches of these products are loaded into trucks for each store. In this case, the retailer buys directly from the manufacturer and does not have to buy from distributors.

The choice of the city where the products are sold depends on several factors, the most important of which are: the congruence of the store with the chosen target market, the level of disposable income of potential customers, the availability of locations in the city and the level of competition.

The choice of the location of the store depends on the traffic in the respective area, the parking facilities, the presence of the competitors and the possible opportunities to form new retail centers with other markets. When several non-competing merchants decide to have outlets in the same location, that retail center becomes more frequented by more customers than the number of customers that could have been brought by each store. This is the principle according to which large malls or malls operate.

In addition to being close to customers, the location of a store is also important from the perspective of the lifestyle of customers in the target market, because this aspect will influence the frequency with which the store will be visited and the volume of purchases. In this sense, customers prefer to go to large malls on weekends to combine elements related to entertainment with elements related to the purchase of different types of products.

### **Product and services assortments strategies**

Strategies for product and service assortments - refers to the width and depth of the product range: a trader may have a wide range of products, but in each product line, he may store a range of shallow products or may have a narrow assortment, but within each product line, it can store a range of products in depth.

Therefore, it is the choice of a trader to store and sell a deep line of products or to prefer the storage and sale of a wide range of products. Generally, a retailer starts with a few product lines and gradually expands their product ranges to be able to sell more products to customers who come to stores. An example of this is given by gas and diesel stations that started as fuel suppliers and expanded by adding food and non-food stores to maximize revenue that can be obtained from customers. Consequently, by expanding the product range, a retailer reduces customer sensitivity to the purchase price, because a person stops at a gas station because he can buy a range of products and not because the cost of fuel is low. The decision of a retailer regarding the range of products it will store will depend on the positioning strategy and the establishment of the profitability of the product lines. It may be determined to slowly lower unprofitable lines, unless it is observed that they are necessary to comply with the range of products expected by its customers. A retailer also has a choice between selling only the manufacturer's brands or making and selling its own brands.

Traders should also consider the nature and degree of additional services offered to customers. This degree can range from stores that offer customers the opportunity to search for their own products, to merchants that offer digital panels with product information and suggestions from part of the sales staff. In the case of car dealers, it is necessary to provide elaborate forms of product presentation, the possibility to test the cars, as well as credit options for their purchase, while in the case of discount stores customers must select their own products. desired, possibly to choose them from piles of goods. Consequently, the degree of services dedicated to customers must be higher when the level of knowledge for customers is low, the expertise being necessary to buy the desired product or when the products are expensive (the money spent in relation to customer income is high). On the other hand, the retailer can also use the additional services offered to customers as a means of differentiation when its product range is similar to that of competitors. An example of this can be a cosmetics store that can hire staff to advise customers on relevant products in the store.

### **Pricing strategies**

Pricing strategies - a trader can choose to compete only from a price perspective, but the price can be a competitive advantage only when a trader has a very high purchasing power and is able to control his costs.

A retailer may prefer to have lower prices daily than to have higher prices that are supplemented by related price reductions. Such a retailer is dominated by the idea that customers prefer to be offered low prices on a regular basis rather than occasional price reductions. A trader can sell basic products, such as bread and soft drinks, which are sold in simple packaging at low prices (Catana, 2015). This type of trader is dedicated to the conscious buyer who needs to have

lower prices for commodities. In this sense, certain products can be sold at competitive prices to generate a higher demand for other items. Such products can often be sold below the production price and are called in the literature “loss leaders”. The basic idea for this strategy is to attract customers to the low price of these products to buy the item and to end up buying other products. The elements chosen for this type of strategy must be widely known and must be purchased frequently.

### **Promotion strategies**

Promotion strategies - include advertising, public relations and sales promotion. The goal is to position the store in the minds of consumers. Retailers are using all the recent advancements in technologies to ensure that they make the right offers to the right consumers at the right time (Catana, et. al., 2020; Villanova, et al., 2021). In this sense, merchants make advertising materials, organize special events and develop promotions addressed to the target market.

The opening of a store is a large event that is designed from the point of view of advertising, merchandising and from a commercial point of view. All opening elements - the press release, special events, media advertising and store posters - are carefully planned.

Retail advertising is done locally, even if chain stores can advertise nationwide, local advertising by retailers provides specific information about their stores related to: store location, available products, schedule, prices and promotions. In contrast, national retail advertising generally focuses on image.

A popular retail advertising practice is cooperative advertising. In this regard, manufacturers pay retailers to promote their products in advertising catalogs or manufacturers develop an advertising campaign through the media and include the names of merchants who sell the products at the end of the material.

Many retailers avoid advertising in the media in favor of direct mail campaigns or direct customer loyalty campaigns (discount cards, gift points, etc.). These direct marketing programs can be a cost-effective way to increase customer loyalty to stores and spending on these core customers.

### **Store atmosphere strategies**

Strategies related to the atmosphere in stores - the atmosphere of the store is reflected both in the components inside it and in those outside. Its role is to get customers to visit the store and to be encouraged to buy when they are in a store.

The exterior design includes architectural elements, signs, the display window and the use of colors that create the identity of a retailer. The image that is designed must be in accordance with the specifics of the store and its profile. For example, the children’s product store is usually bright and colorful, to attract the child and to want to buy products from the store. Such a store should generally have plenty of room for the child to move around and explore. Even sales agents should match the child’s temperament and be playful.

The interior design such as the lighting of the store, the fixing devices and the presentation of the products, as well as the general appearance influence the atmosphere of the store. In the case of a store that has narrow and narrow colors or that is not well lit, customers will refuse to

spend time in such a store.

The colors, music and smell in a store are elements that affect the mood of customers, they prefer to stay longer in stores that are full of color, that play good music and where the smells are pleasant. People assign different meanings to the colors and the merchant uses the colors to create the desired atmosphere in the store. Music can also be used to create a relaxing atmosphere and make customers spend more time in the store.

## 5. Conclusions

In a competitive business environment, companies operating in the retail industry must be able to differentiate themselves. Thus, marketing strategies are a suitable tool to success in attracting and maintaining consumers. As a consequence, strategies related to positioning, store location, product and services assortment, pricing, promotion, and store atmosphere influence the retail industry.

The paper provides the theoretical framework to better understand the retail industry and the concepts regarding the main marketing strategies in this field. The outcome of the paper provides a guidance tool for professionals from retail industry and for persons that are interested in the field of retailing, in general, and regarding the marketing strategies, particularly.

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