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R. Eugene Klippel

Timothy W. Sweeney

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Positioning the Retail Enterprise for

By R. Eugene Klippel and Timothy W. Sweeney

It is realistic to say that "positioning" was *the* buzz word in the advertising and marketing profession during the 1970's. Clearly, interest in this concept continues to grow today, as evidenced by the popularity of Al Ries's and Jack Trout's recent book, *Positioning: The Battle for Your Mind.*[1]

As their title would suggest, the basic thrust of this book reflects their long-standing philosophy that you don't change the product; rather, you reposition the product in the mind of the consumer. Further, their discussion focuses on product/brand positioning, with emphasis on advertising and public relations as the dominant vehicle for implementing this concept.

In reviewing this work, it would appear that their efforts are too narrowly focused on the issue of product/brand positioning to be of extensive use to the members of today's dynamic retailing community.

Fortunately, this narrow perspective of positioning has been broadened to include factors which are relevant to retailers. A good example of this perspective was put forth by Alfred Eisenpreis in an address to the 1979 National Retail Merchants Association (NRMA) convention. He said, "Positioning is effective marketing-oriented communication. It's your identity to the marketplace. Individualizing yourself. Placing yourself uniquely in relation to other retailers. Projecting this distinctiveness into your market's mind."

Explicit in this address is the notion that positioning is not a one-dimensional concept, but rather a multidimensional concept—looking well beyond any given single factor in the retailing mix as a panacea for the issues involved. Thus, the question becomes, "What are the critical dimensions that need to be evaluated and controlled when developing retail store positioning strategies?"

With this as a brief background to the subject, this article attempts to achieve the following objectives:

1. Establish the rationale for the development of a retail enterprise positioning strategy.
2. Expand the traditional concept of positioning to accommodate its use as a

strategic planning tool for members of the retailing community.
3. Develop a conceptual model which identifies the major elements of a positioning strategy and provides a strategic decision framework for the retailing executive.
4. Examine the requirements needed to successfully implement the concept of "retail enterprise positioning" in the 1980's.

Rationale

Retailers in the decade of the 1980's are beginning to seriously evaluate the many new opportunities and challenges facing their organizations. But in order to properly evaluate their opportunities and challenges, and to respond with anything approaching a successful positioning strategy, they must have an understanding of the environment. There are several major trends taking place within the environment, some of which are hostile in nature, which point to the need for developing store positioning strategies:
1. Consumer market trends.
2. Competitive market trends.
3. Resource market trends.
4. Retailer performance trends.

A brief review of some of the key patterns of change within each of these four trend areas provides the rationale for store positioning in the 1980's.

Consumer Market Trends

That consumers are changing in ways that will significantly affect retailers is clear from an examination of both demographic and life-style trends. Demographically, several trends for the 1980's are easily predictable and noteworthy.

1. The U.S. population will mature as the high growth segments in the 1980's will be the "35-44" and the "over 65" age groups.
2. The labor force participation role of women, both single and married, will continue to increase during the 1980's.
3. Families will be smaller, but there were twice as many women in prime child bearing age in 1980 as there were in 1958, which could result in a "mother boom" in the 1980's.
4. The population will be more highly educated and more affluent.

Also likely to change, but unfortunately not nearly as predictable as demographics, are consumer life-styles. The

1960's and 1970's witnessed more casual life-styles combined with a strong consumer orientation towards instant gratification, sexual freedom, naturalism, personal creativity and a serious concern about one's appearance and health. While some of the life-style trends of the 1970's are likely to continue through the 1980's, consumers are expected to temper their behavior patterns by taking on a more conservative posture in this decade. Provincialism, risk avoidance, and voluntary simplicity are just a few of the ways this conservatism will manifest itself during the 1980's.

Competitive Market Trends

Competition among retailers for consumer expenditures has intensified during the past two decades and is expected to increase during the next decade. As retailers try to develop a unique position in the marketplace, they need to look at both forms of competition: intra-competition, which exists among retail firms of essentially the same type, such as between two or more department stores, two or more discount stores, etc., and inter-competition, which exists among retailers of different operating types, such as a drug store competing with a supermarket, or a toy specialty store competing with a department store. A classic example of the latter type of competition can be seen by K Mart's commitment to establishing itself as a key competitor for prescription drugs. Other examples include manufacturers' increased opening of off-price retail stores, many of which are located in "discount malls." The rapid increase in non-store retailing is also a unique and growing competitive trend.[2] Thus, changing strategies are being employed by retailers of all types and sizes and, needless to say, suggest a strong need for retailers to develop unique positions in the consumer's mind.

Resource Market Trends

Perhaps the most hostile factor affecting a retailer's business performance can be found in resource markets, that is, the real estate, money and capital, people, merchandise, and equipment for which retailers compete. As the supply of these resources becomes scarce, the competitive struggle among retailers for such

1. Al Ries and Jack Trout, *Positioning: The Battle for Your Mind*, McGraw-Hill Book Company, 1981.

2. Rosenberg, Larry J., and Elizabeth C. Hirschman, "Retailing Without Stores," *Harvard Business Review*, (July-August), 1980, pp. 103-112.

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resources will equal or surpass the competitive battle for consumers. Examples of retail competition in resource markets abound, but certainly the real estate market illustrates the situation well. During the prosperous 1960's and for part of the 1970's, the growth strategies of many retailers were substantially dependent upon the opening of new locations, especially locations in newly developed regional shopping malls. The development of new malls has slowed drastically compared to previous years, and will continue to be slow during the 1980's. The reason is simple—most markets are saturated with shopping malls. How, then, does a retailer with essentially the same number of locations grow? Once again, store positioning will be looked to as a possible growth strategy within defined geographic segments.

Retailer Performance Trends

Growth for retailers has been further restricted by poor profit performance for retailers in all lines of trade.

A serious "performance gap" exists if performance is measured on the basis of return on net worth (RONW) after taxes. If a firm is to combat inflation so as to maintain the purchasing power of its working capital, provide a reasonable return to stockholders, and provide funds for growth, it needs to generate RONW of approximately 20 percent. Average RONW figures for publicly held retailers fall within the 13-14 percent range, leaving a significant performance gap of 6-7 percent. While it is not the intent of this article to examine the financial factors contributing to the retail firm's profit performance, it should be noted that successful positioning leads to greater emphasis on non-price competition, which typically means healthier margins for the retailers.

Expanding the Concept

If the traditional product positioning approach is taken with regard to retailers, such things as store atmospherics, merchandise offerings, store locations, etc., would not change significantly. Rather, attempts would be made to reposition the existing product (in this case retail store or chain) within the mind of the consumer, primarily through promotional efforts. Such an approach to retail positioning is far too narrow in scope given today's business environment.

As noted above, many elements in the environment are changing so rapidly that a store's market position is indeed very time-related. The temporal nature of this situation therefore demands an identification of the relevant dimensions which affect retail positioning and an analytical framework that will assist in the monitoring of these dimensions over time. Such issues are being continually addressed by progressive retailers today.[3] Thus, it is to these issues that the following section is devoted.

A Conceptual Planning Framework

Retailers who set out to establish a market "position" are not only affected by their own marketing decisions, but also by the interactive effect of changing competitive forces and consumer markets.

In order to place this complex situation in a more manageable framework, the following activities are suggested:

1. Develop in advance a list of competitors. This list should reflect both intra- and intertype forms of competition. Focus group research can be used as a means of refining this list.
2. Develop in advance a list of determinant attributes related to store choice behavior. Based on past research in this area, six basic groups of attributes have been isolated:
   - Price related attributes.
   - Community interest and reputation attributes.
   - Merchandise attributes.
   - In-store convenience attributes.
   - Store operation attributes.
   - Locational attributes.
3. Develop a basis for segmenting the market that includes, but goes beyond, the usual demographic classifications. Such segmenting techniques should consider: (a) the consumer's general approach to the shopping experience and (b) related life-style preferences.

As stated previously, it should be recognized that the above activities must be combined in an interactive format in order to portray the dynamic environment it is designed to represent. In this regard, a three-dimensional array (The Retail Opportunity Planning Matrix) is suggested to serve as a conceptual framework. Needless to say, quantifying the elements of such a framework is highly dependent upon the effective use of consumer survey research.

Through the utilization of this matrix it is possible to identify the strengths and weaknesses of the competition as well as that of the retailer's own organization. In addition, it will also assist in identifying the few remaining niches in the marketplace which have not been satisfied by existing retail offerings. (*Editor's note:* If you are interested in learning more about the Retail Opportunity Planning Matrix, please contact the authors.)

Implementation Requirements

There are a number of success requirements the retailer needs to meet in order to develop and implement an effective positioning strategy. They include:

1. A determination of the various consumer market segments that compose the marketplace in terms of demographic and psychographic (lifestyle) characteristics.
2. A measurement of the importance of the positioning criteria to a given market segment.
3. A measurement of how the retail enterprise and its competitors are perceived by the various consumer market segments on each of the positioning criteria.
4. A precise understanding and definition of competition, particularly intertype forms of competition.
5. A commitment from senior management to allocate the resources and marketing effort required to establish the retail enterprise's unique position within those consumer segments representing attractive market opportunities.

Clearly, if management succeeds in meeting these requirements, they are well on the way to positioning their retail enterprise for the 1980's and beyond.

3. Macke, Kenneth A., "Managing Change: How Dayton Hudson Meets the Challenges," *Journal of Business Strategy,* Summer, 1983, pp. 78-81.