

## 5.12: Steps of Retail Strategy Planning

### Learning Objectives

- Outline the steps of retail strategy planning

Strategic planning is a formal process. Thus, it is marked by specific activities in which firms engage to build a marketing plan, ensuring that the entire organization is aligned on strategic priorities. The actions included in strategic planning are:

1. Objective Setting
2. Situational Analysis
3. Customer Analysis
4. Tactical Planning
5. Implementation and Control

### Objective Setting

A firm might pursue any number of objectives for any number of reasons. For example, an objective around sales could be expressed by total revenue, total units, or YOY (year over year) growth.

Yet these objectives, though all focused on sales, are not all the same. There are clear difference between those measures and what they might mean for an organization. Further, the measure is only part of the consideration. The stated objective might be made with an eye ultimately on profitability or market share or operational efficiency. Objective setting is not just stating a goal, ambition or target. It isn't only about WHAT the firm plans to accomplish, such as "grow category sales by 4%" or "increase profit to \$150k" or "reduce returns to <5%." It must also include the plan for HOW the firm can accomplish that goal, which implies WHY the objective is strategically important.

In this way, the objectives listed above might be revised to read:

- "Grow category sales by 4% by increasing merchandising and promotional activity."
- "Increase profit to \$150k by introducing new flavors and regional brands."
- "Reduce spoilage to <5% by increasing stock rotation in produce."

As you can see, the specific measurable goal didn't change. But, each objective now includes language around how it will be achieved. And, in doing so, they imply the organizational priorities, the "why." By adding this detail, the firm helps the broader organization focus on the activities that support the strategy.

For example, while we could raise prices or reduce product costs or eliminate marketing expenses to increase profit by \$150k, the inclusion of "by introducing new flavors and regional brands" informs the organization how the objective is to be met. And, in doing so, we understand that there is value in changing our assortment to provide more variety and popular local items for shoppers. Thus, there's little room for confusion about what's important. In this case, it is likely the shopper experience, reflected in variety and local products. Thus, the firm helps the broader organization focus on the activities that support the strategic opportunity and gives it meaning.

### Situational Analysis

Situational analysis helps decision-makers in the firm understand what to do and how to do it. At its most basic level, it's a multi-dimensional consideration of the context (the environment in which we'll compete), organizational capabilities, customer, and competition. These factors describe the business environment, how our own abilities can deliver value relative to consumer needs, and the likely actions/reactions of our competitive set.

### Customer Analysis

Customer analysis is a critical activity that ultimately helps focus marketing and sales resources more efficiently. It includes research into and analysis of consumer behavior, the results of which inform segmentation, targeting, and positioning. Thus, rather than marketing a product or actively trying to sell it across a wide swath of the total population, customer analysis helps break the population into smaller homogenous segments. From these, marketers select the sub-population of potential customers who are the most attractive and most accessible for targeting.

This is based upon both the long-term economic attractiveness of the segment and the firm's organizational capabilities. In this way, the firm can optimize its marketing mix to position its offerings to meet these consumers' needs. This both ensures that consumers' needs are satisfied and creates a virtuous cycle wherein the firm can continue to innovate, developing products that suit its core consumers, despite changing needs and demands.

## Tactical Planning

Tactical plans are the short-term actions the firm takes to affect the controllable elements of the strategy. For example, if a firm has the objective to “grow category sales by 4% by increasing merchandising and promotional activity,” a relevant tactic might be to plan robust promotional activity in key seasons. For example, this might mean that merchants engage their vendors in the soft drink and salty snacks categories to support promotions and allocate in-store space for merchandisers or store associates to build displays in advance of the New Year's holiday or the Super Bowl. It could also mean that the corporate marketing team develops in-store circulars or television commercials to promote sale items around Thanksgiving, asking store managers to bring in shippers and high backstock levels to ensure sufficient inventory is kept on-hand. Each of these examples illustrate how a short-term tactical execution supports the broader objective of growing category sales by 4% by increasing merchandising and promotional activity.

## Implementation and Control

Implementation and control refers to how the firm puts its strategic plan into place, including how it organizes cross-functionally and communicates priorities. Further, it also includes how the firm tracks progress toward its objectives, measuring performance so that adjustments can be made, if necessary. Certainly, a firm is responsible for managing its controllable variables. But, robust monitoring and control systems help firms react and adjust to uncontrollable variable like changes to the business environment or specific competitive activity.

Strategic planning is a formal process firms (should) undergo to develop a plan for how best to compete, given the business environment, the firm's own capabilities relative to the needs of the customer and the anticipated actions/reactions of competitors. The outcome of this process is a marketing plan, the “road map” for how the firm will pursue its strategic objectives. It is a shared document to ensure that the entire organization is aligned on priorities and action items, regardless of function.

### The steps of the strategic planning process in under 15 minutes



#### Practice Questions

<https://assessments.lumenlearning.co...essments/9179>

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