

5.10: Why It Matters- Strategic Retail Planning and Management

“You can’t be all things to all people.”

-Michael Porter

This is an absolute truth and particularly appropriate in business, where finite budgets force prioritization and focus. Every firm, no matter how well resourced or capable, must determine its strategic direction. In making that decision, they look at themselves and those outside the firm. They assess the market and the factors that can and do influence it, such as consumer attitudes, technology, and regulation. They evaluate the needs of the consumer, their own capabilities, and the relative position of their competition. They consider the financial implications, balancing risk with the likely return. Ultimately, they make the decision they believe will best position them for sustained success.

The strategic decisions firms make impact the markets they enter, the products they make, the consumers they target, their marketing investments and more. Every element of the marketing mix, including the 4Ps—product, place, price, and promotion—and the additional 2Ps of retail, people and presence, are impacted by a firm’s chosen strategy. You saw this for yourself when reading about the proliferation of retail channels and formats selling food.

These retailers shape their offerings to position themselves for a distinct target, differentiating themselves in-market by providing what their target values. For example, will they differentiate themselves by competing on product or service? What channels will they develop? Brick & mortar, e-commerce, or a multi-channel strategy? Will they compete by offering the lowest possible prices or will they try to provide added value to support higher prices? Will they promote? If so, will they pulse discounts through a weekly circular or offer everyday low prices? Will they allow display merchandising or sampling to support promotions? Even store locations and layout are influenced by the strategic decisions the firm makes about how best to meet the target market’s needs.



Think about these specific retailers. Wal-Mart Supercenters, which occupy a large retail footprint, carry tens of thousands of products—hard and soft goods like fashion items, housewares, electronics, petcare and groceries among many other categories others. The breadth of their assortment is intended to provide contact efficiency: a “one stop” shopping experience. To drive traffic to their stores, they offer “everyday low prices” supplemented by periodic roll-back pricing in lieu of sales advertised through a weekly circular. Wal-Mart has made a conscious decision to be a low-price leader in the marketplace, offsetting their low prices by capturing a large percentage of the consumer’s total shopping (Note: Consumer’s shopping is sometimes referred to as the market basket.)

By comparison, discount formats like Dollar General have much smaller store footprints and offer a far smaller assortment. They too compete by providing low prices to consumers. Yet, instead of competing for a large share of the consumers’ market basket, they support “fill-in” trips, which are consumers’ smaller shopping trips that don’t warrant the time, hassle, or inconvenience of shopping a larger format. Further, Dollar General provides value by maintaining lower operating costs. In particular, they have lower staffing levels, which mean that shoppers get low prices, but also lower service levels and “no frills” shopping. This is, of course, a reflection of their strategic decisions.

One final example for you to consider is Whole Foods. They’re interesting because they are markedly different than both Wal-Mart and Dollar General, as they try to compete on differentiation and service. Whole Foods has large stores and an emphasis on fresh products, especially in the all-natural and organic space. Further, they have high-service perimeter departments offering everything from coffee shops and salad bars to pizza slices and made to order meals. These service-intensive departments differentiate Whole Foods from other retailers in the grocery space. And to account for the differentiation supported by higher labor costs, Whole Foods has relatively high prices—certainly higher than Wal-Mart and Dollar General. Yet, these prices are sustainable because Whole Foods provides something of value to their target market, perhaps best described as freshness, convenience, and service.

As you can see, retailers aren't just competing with one another through the items they offer and the pricing they set. Instead, they're competing on a whole host of other criteria like convenience, value and customer service. And, this is born from the strategic decisions retailers make about how best to position themselves for their target market. Thus, understanding the explicit and implicit trade-offs resulting from strategic decisions is critical—indeed, you can't be all things to all people.

Contributors and Attributions

CC licensed content, Original

- Why It Matters: Strategic Retail Planning and Management. **Authored by:** Patrick Williams. **Provided by:** Lumen Learning.
License: [CC BY: Attribution](#)

CC licensed content, Shared previously

- plant fruit flower city food produce . **Authored by:** rawpixel.com. **Provided by:** rawpixel.com. **Located at:** <https://pxhere.com/en/photo/1360114>. **License:** [CC0: No Rights Reserved](#)

5.10: Why It Matters- Strategic Retail Planning and Management is shared under a [not declared](#) license and was authored, remixed, and/or curated by LibreTexts.

- [5.10: Why It Matters- Strategic Retail Planning and Management](#) is licensed [CC BY 4.0](#).