

5.1: Key Variables in Planning

Learning Objectives

- List some key controllable and uncontrollable variables that should be considered when creating an overall retail strategy

Firms use strategic planning to develop comprehensive plans for how best to compete by taking a holistic view of the market and the factors that influence it. Decision-makers try to understand all the variables that shape the firm's internal capabilities and resources relative to external opportunities and threats. In doing so, they work to find areas where they can differentiate, anticipate competitive response, and build sustainable competitive advantage.

Yet, not all variables are controllable. Factors like overall economic trends, government regulation, volatility of supply, demographic shifts, changes in cultural values, and technology can have profound impact upon strategic plans. Think again about the massive macro-factors influencing retail that we've already discussed—technology, wellness, labor. They all exist outside the control of the firm.

Previously, we've examined how consumers are using convenient digital interfaces and low-cost fulfillment to order products online and in-app for at-home delivery. This change in consumer behavior, empowered by advancements in technology, has an effect upon the retail industry, as well. Of course, forward-looking retail strategy should include a consideration of how this is shaping the shopping experience from search through fulfillment to service. But, what was the likelihood that strategists were incorporating these factors into their retail strategy 10 years ago? (Keep in mind that the first Apple iPhone® was introduced in 2007.)

What should this imply for strategic planning now, when artificial intelligence and machine learning are gaining wider-spread acceptance? Nothing? What does the future look like, if consumers can order items or subscribe for automatic fulfillment with in-home assistants like Amazon Alexa and Google Home? What if these machines “learn” consumption patterns and preferences, able to place orders without the consumer initiating them? In what profound and uncontrollable ways will shopping change?

You also read how massive demographic changes have elevated interest in health & wellness, especially around fresh, all-natural, and organic foods. Consider what this has meant for product marketing and in-store assortment. What are the implications for retailers as these trends become even more mainstream? And, what are the implications for the supply chain, as the vast majority of agricultural output in the United States is not geared toward organic farming? This likely constraint of supply will influence prices. What will this mean for retailer and consumers? How can firms account for this opportunity and related risk in their strategic plans?

And, of course, we discussed labor. Cultural values have coalesced around resolving economic disparity, pressuring local, state, and federal governments to increase minimum wage. They've done so through regulation. And, while this has great benefit for associates, it puts incredible pressure on retailers. As you know, retailers operate with very low margins. So, what does this mean for strategic plans? How can retailers manage operations and service while also managing labor costs profitably? What could be the next area of activism or regulation?

As strategists and decision-makers within a firm try to focus internal capabilities & resources for a specific strategy, they must recognize that external variables can undermine their efforts. These uncontrollable variables, including economic trends, government regulation, volatility of supply, demographic shifts, changes in cultural values, and technology, can have profound impact upon strategic plans. Today's opportunity can vanish very quickly.

Practice Questions

<https://assessments.lumenlearning.co...sessments/9185>

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