

# Competitive Strategies for Retail

Long before you open a retail business, you will need to make some fundamental strategic decisions about where your store will fit in the current marketplace. In other words, you need to decide what you are trying to achieve with your business.

Start by asking yourself this critical question: "Why should a customer shop in my store?" The question is so deceptively simple that you might be surprised by your answer. Most likely your response will be broken down to the ways that you, as a business, are adding value to the products that manufacturers create.

To be successful, every retail business needs to add value to its products by adopting one of three basic strategies and offerings: the **greatest assortment**, the **lowest price** or the **best service**.

Although all of these strategies add value, each one meets the needs of different customers. The challenge you face is to be competitive in all three areas – and to clearly exceed your customers' expectations in one of them.

## Assortment and Price

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The **lowest-price** strategy involves economies of scale and driving every possible cost out of the business. To adopt the lowest-price strategy, a retailer would also need to be among the largest in the country, able to purchase huge quantities and to introduce efficiencies that the vast majority of retailers can only dream about.

In today's retail world, the big-box retailers own these first two strategies. It takes a mega-store and millions of dollars of inventory just to play in their league.

## Service

With assortment and price taken, the only option left for an owner-operated retailer is the **best-service** strategy. Although this comes to you by default, it can be a very successful and profitable strategy.

But you must be prepared to make service the heart and soul of your business. Anyone who has ever tried to deliver good service knows that following through on the promise of putting your customers' needs first can be much easier said than done.

To start, you need to structure your business so that everything you do (every strategy, merchandising, buying, human resources, sales management, technology, customer service and in-store experience decision that you make) is focused clearly on service.

This is not to suggest that you can ignore assortment and price as you develop a strategic framework for your business. You cannot have great service if you do not have what your customers want. Neither can you have what your customers want if your prices are 30 per cent higher than the prices at your competition.

You will need to think carefully about your range of **merchandise assortments**. As the buyer for your business, you could in theory buy anything that you wanted to buy. In practice, however, you need to act as a selector of merchandise for your customers, and understand who those customers are. Once you do, the merchandise assortment you carry in your store will become clear.

You will also need to think carefully about your **pricing policies**. You cannot ignore the fact that customers know and understand the retail marketplace. The people that shop in your store will also shop online, see your competitors' advertisements, shop at the best retailers in any cities they visit, and generally have a good sense of what items should cost.

promised your customers you will deliver every day?

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