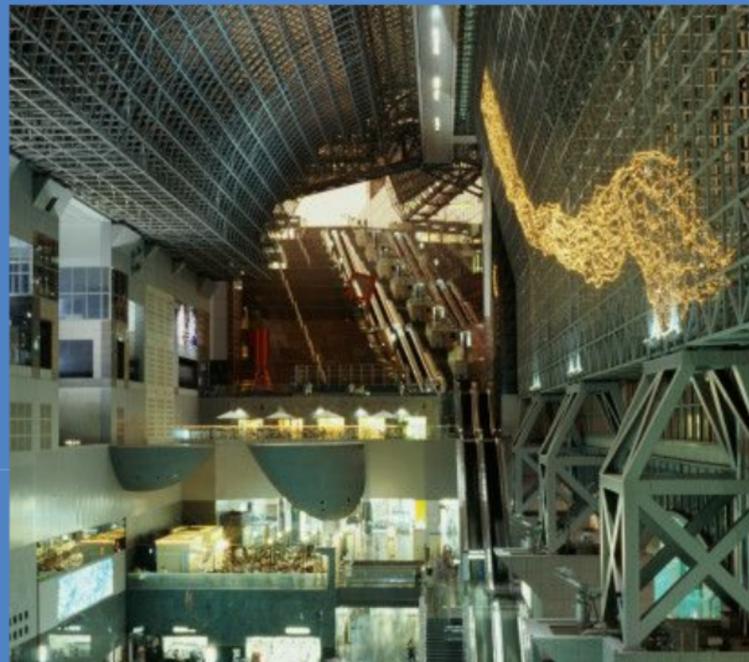


## Chapter-4: The 9 P's of Retail

### Certificate in Retail Management



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## Chapter 4 - The 9 P's of Retail Marketing

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### Introduction

Marketing is a process to find out customers wants and needs and cater to those wants and needs by means of various techniques. It is a method of taking the customer's needs and dictating an industry to service the needs, and then when the product is ready; to launch it in such a way that it is appealing to the consumers and they buy it. As a result the said product or service becomes a success.

The marketing mix of the organization should be well-balanced. Retail Marketing encompasses the four essential elements of traditional marketing and adds them to its five customized elements and produces the 9 P's of Retail Marketing Mix. It contains the best elements of product and service marketing. Each of the elements strategically contributes to the success or failure of a new product or a service.



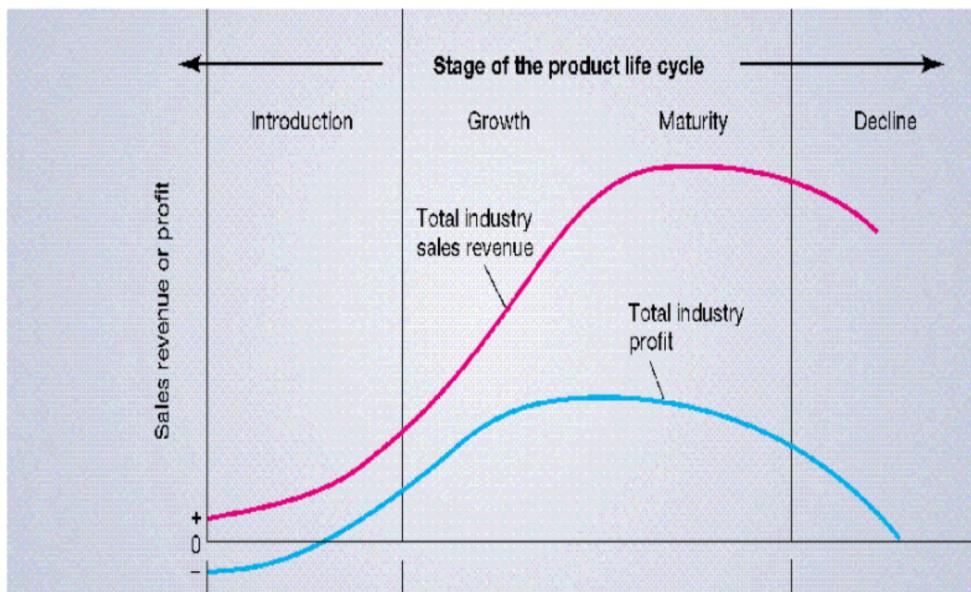
### Learning Objective

This chapter will help you in understanding; how each of the 9 P's of retail contributes to a successful marketing mix.

#### 4.1 Product

Product is most important element of the marketing mix. The product should be designed keeping in mind the commercial viability and needs of the consumer. Product design also lead to how the product can be priced. Product planning decisions relate to *Quality, New Product Development and Product Life Cycle.*

##### Product Life Cycle



**Figure 1: Product Life Cycle**

Product Life Cycle is the general cycle followed by a product to its maturity / decline.

- **Introduction Stage:** Introduction stage of a product is the point at which it is newly introduced in the market. Sales are low thus profits are low and production costs tend to be very high. The marketing costs will be very high and the primary marketing strategy will be to promote awareness about the product.
- **Growth Stage:** At this point, sales grow at a very fast rate, the profit margins are high. If the product is growing then other competitors would also be joining the market and the marketing strategy would be focused on increasing the market share and building brand equity. The company's production cost follows economies of scale.
- **Maturity Stage:** In the maturity phase the rate of sales fall. Sales keep growing at a slower pace and the market approaches saturation. Product lines are widened or extended to maintain the pace of growth. Marginal competitors drop out due to decreasing profits. Marketing emphasis is to maintain product style.
- **Decline Stage:** Decline stage is signaled by a big drop in sales. Profits are minimal. Most competitors drop out of the market and there maybe only a few specialty firms left to

produce the product. Companies go to survival mode. New product features are added or new segments are targeted. The marketing expense is reduced to a minimum till a substantial market can be identified.

#### Types of Products

- **Core Product:** Core Product is the actual need of the customer. It's the core need or advantage that guides our decision. E.g.: the need for knowledge.
- **Formal Product:** Formal Product is tangible product that the consumer is buying to satisfy his need. For e.g. for his need of knowledge he would buy books.
- **Augmented Product:** The extra derived benefits that the consumer derives from purchasing the formal product are the augmented products. For e.g. free home delivery, gift wrapping etc.
- **System Product:** An extension of augmented product, a system product is something that explains or enhances the formal product. For e.g. a manual explaining the usage of a dictionary/ encyclopedia

#### 4.2 Place

Place is the location at which you make the product or service available to the consumers. It also entails the types of distribution that one wishes to use while giving out the product. The place is also important if the marketer just produces the product and has no retail distribution channels, then the success or failure of his product completely depends upon the distribution channel the producer wishes to choose.

#### Channel Decisions

The primary issue whenever a product is launched is to decide on the type of distribution channels that have to be used, whether a direct channel (direct to customer) or an indirect channel (customer through a channel intermediary) is more beneficial in achieving sales.

Other channel decisions include number of distribution channels and cumulative length of multiple channels, if more than one channel. Also important are the type and number of intermediaries being used at each level.

The companies or parties being used for distribution have to be carefully chosen to avoid 'intra-channel conflict' and ensure optimum delivery of payload. Some of the key considerations when a distributor is selected will be familiarization with *target market segment*. There should also be a producer-distributor fit so that there is synergy between their policies and strategies.

### Channel Intermediaries

Channel Intermediaries are the people linked in getting the product from the producers to the consumers. They form the indirect distribution channel. Some of the key channel intermediaries are given below:

- **Wholesalers**

Wholesalers buy the product in bulk from the producer at a fixed cost and take on the producers' liability. They then distribute it further down the channel. Wholesalers are characterized by generally having storage facilities and also have their own marketing agenda. Wholesalers help reduce marketing and distribution costs on the producer.

- **Retailers**

Retailers are the next in line in the distribution channel. They purchase in small amounts from the wholesaler and then sell it to the consumer. Retailers are not specific to any company. They generally have a wide variety of choice for the customer and are at the end of the distribution channel before the consumer. Small scale retailers may have a stronger personal relationship with the customer.

- **Agents**

Agents are like messengers for the wholesalers. They are part of the wholesalers' distribution channel. They generally work on a commission basis and secure deals for the wholesaler.

- **Internet**

Internet is the newest and most effective medium of distribution. It helps in reaching audiences beyond the geographical reach of the marketing pitch. It is the only medium that transcends barriers like language and physical presence. The market targeted is huge and with the help of E-commerce, payment and delivery becomes very easy. With low start-up and running costs, this is fast becoming the medium for distribution around the world.

### 4.3. Pricing

Pricing is one of the most complex decisions in marketing a product. The price that is decided has to satisfy all. It is a powerful tool in determining the product image, sales promotion and also in competition by way of competitive pricing. Pricing decisions can make or break the company. A properly priced product can be hugely profitable for the company and on the flipside it can also result in the company suffering either a huge loss or even going bankrupt.

The company may employ different pricing policies to set the price for its product. The pricing policy adopted may depend upon

- the type of product being marketed
- the competition in the target market

- the price people will be willing to pay
- the production cost which should be covered

#### Types of Pricing Policies

- **Market-Led Pricing:** This pricing is also known as competitive pricing. This method of pricing involves setting the price at competitors' prices or at slightly lower levels. It is generally prevalent in a market where competition is very high.
- **Cost-Based Pricing:** Cost based pricing generally adds a fixed profit percentage to the business's total fixed and variable costs. It is also known as cost plus pricing technique. The advantage of this technique is that the business will always make a profit if there are sales however the drawback is that if competitor has lower pricing then the company loses sales.
- **Skimming:** This involves in introducing products at a very high price, and is targeted at the niche segment or at people who want unique products. This helps them recover the high R&D costs and then they lower the prices when the exclusivity factor is exhausted.
- **Penetration Pricing:** Opposite to Skimming, penetration pricing is setting a low price for the product initially and then increasing it gradually. This is done to gain entry into a market where the competitors are already well placed. The drawback is that though the producer will be gaining market share but he would be making minimal profits.
- **Destructive Pricing:** Primarily aimed at driving competitors out of the market, this entails in setting the price of the good to an artificially low price, sometimes even below the cost price. For sustaining destructive pricing the company needs to have a very strong capital structure or it could go bankrupt.

Many businesses employing various pricing techniques can spark off a price war if unchecked. This will not benefit anyone but the consumer and can cause companies to go out of business if pursued for long.

#### Factors affecting Pricing

- **Costs of Production:** Costs of production has to be covered before the manufacturer can think of earning profits.
- **Profits:** The profit margin plays a vital role in determining prices of a commodity.
- **Competition:** Higher competition generally results in lowering of prices.
- **Quantity Produced:** Following the simple supply-demand characteristics, generally higher production results in lower prices and vice- versa.

#### 4.4. Promotion

Promotion is the companies' marketing communication mix. Promotion has to be such so as to make the company or the product visible in the eyes of the consumer. Promotion can relate to pictorial recognition or conditioning emotional response. It refers to the organization's efforts to communicate with the market.

##### Types of Promotion

- **Advertising**

Advertising is an impersonal form of promotion that is targeted at the masses and the advertiser has to pay for the degree of exposure he is aiming at. The medium where in advertising has to take place also plays an important part in deciding the promotional campaign. This is also a form of promotion which may or may not reach the target audience. A big drawback of this form of promotion is that the customer does not have immediate access to the product if he is convinced and might change his mind later.

- **Sales Promotion**

Sales promotions are promotional methods that make use of short-term procedures and techniques to convince the target market audience to undertake a certain activity and in exchange they get some reward at a cost that would be lower than the market cost of the article. Sales promotion can be easily distinguished from advertising by means of the fact that there is always a reward offering in sales promotions.

Sales promotions are used by a wide range of organizations in both the consumer and business markets, though the frequency and spending levels are much greater for consumer products marketers.

##### Types of Sales Promotion

1. Consumer Market Directed – Sales promotions that are directly targeted at the end-user and only the end-user derives benefit from the promotion.
2. Trade Market Directed – Promotions that hold benefit for the end-user as well as their channel intermediaries causing the channel partners to also promote the product.
3. Business-to-Business Market Directed – B2B sales promotions are never in the limelight but form an important part of the sales promotion. They generally involve a service or derived benefit from the purchase of their product.

- **Public Relations**

Public relations involve the cultivation of favorable relations for organizations and products with its key public through the use of a variety of communications channels and tools. Traditionally, this meant public relations professionals working with members of the news media to build a favorable image by publicizing the organization or product through stories in print and broadcast media.

#### Public Relation Tools

1. **Media Relations:** These are generally channels developed with media agencies – TV, Radio, and Internet, Newspapers etc; in order to get free publicity and to provide the media with a good story to report. The PR office makes use of press kits, A/V news releases, website press rooms etc to disseminate information for free publicity or damage control.
2. **Media Tours, Speaking Engagements & Newsletters:** This involves more forms of publicity which entails making the big brass available for questioning or comment. Media Tours are generally organized when a brand building exercise is taking place. Newsletters are published to give a feel of the top management being reachable.
3. **Special Events & Sponsorships:** Publicly organized dinners or events to put across the required message to the masses. The event has to be carefully planned so that the meaning is interpreted exactly as planned and not otherwise.
4. **Community Relations and Philanthropy:** Companies implement programs that are supportive of the community. The goal is generally to develop a positive relationship with members of the community .Effective community relations can help a company weather bad publicity or a crisis situation that can unexpectedly arise due to a problem with a product, unethical behavior by management, or even by false rumors.

- **Personal Selling**

Personal selling is a promotional method in which the seller uses skills and techniques to build and nurture a personal relationship with the buyer which in turn leads to sales. However, getting a customer to purchase a product is not always the objective of personal selling. Selling involves personal contact. This promotional method often occurs through face-to-face meetings or via a telephone conversation, though newer technologies allow contact to take place over the Internet including using video conferencing or text messaging.

The key advantage of personal selling is that the sales pitch can be tailor made to the customer. Also immediate feedback helps improve the product, and the seller can easily answer any of the customer's queries which help in maintaining good customer relations. The most obvious

disadvantage is the cost of maintaining and training sales people. Also the sales person is actually representing the company and can result in making or breaking the company image.

#### 4.5. People

People are the human element of a service or operation. As services are not tangible thus people play a vital role in selling the service. Services can be tailored and the aspects of its customer experience can be changed to the 'individual requirements' of the consumer. A personal service offered by individuals can make or break a deal. People generally like similar-oriented people so the attitude, skills and personal appearance of all salespeople has to be top notch. To attain perfection or strive towards attaining perfection the marketer can ensure its people adding value by personnel training, personal selling and customer service.

**Table 2.1: The Promotion Mix**

Characteristics	Advertising	Sales Promotion	Public Relations	Personal Selling
<b>Directed Coverage</b>	mass & targeted	mass & targeted	mass	targeted
<b>Message Flow</b>	one & two-way	one & two-way	one-way	two-way
<b>Payment Model</b>	Paid, Limited non-paid	Paid	non-paid	paid
<b>Interaction Type</b>	non-personal	personal & non-personal	non-personal	personal
<b>Demand Stimulation</b>	lagging	Quick	lagging	quick
<b>Message Control</b>	good	Good	poor	very good
<b>Message Credibility</b>	low-medium	low-medium	high	medium-high
<b>Cost of Promotion</b>	CPI - Low CPTI - Varies CPA - Varies	CPI - Medium CPTI - Varies CPA - Varies	CPI - None CPTI - None CPA - None	CPI - High CPTI - High CPA - High

CPA – Cost per Action

CPI – Cost per Impression

CPTI – Cost per Targeted Impression

### Training

Each and every salesperson has to be trained in the highest level of service when facing the customer because when they talk with the customer, they are in fact representing the company. Training starts when a person joins the company. The induction process involves the new joinee in the organization's culture and also briefs him/her about the day-to-day policies and procedures. The trainee is also evaluated for his training needs and a personalized training and development regime is formulated. This plan if successful might also be linked to future appraisals. Most training is either 'on-the-job' or 'off-the-job.' On-the-job training involves learning while you are working albeit at a lower capacity than normal. Off-the-job training means classroom session at training centers so that the process is clear before the trainee can take on the actual job. In reality training is a lifelong process and there is always continuing improvement. This improvement is a part of the appraisal process and helps in maintaining future career growth of the individual

### Personal Selling

Every salesperson is not the same; each one serves a different function. One of them is the product delivery salesperson whose primary objective is to deliver the good/service, for that person; sale is not that important. Second in line comes the order taker, both 'internal' and 'external.' Internal order takers take the order by telephone, e-mail or over a counter. External order takers are field representatives. Both internal and external order takers do very little selling. Third in order comes the missionary whose primary task is to promote faith and build goodwill with customers to improve customer relations. After him comes the techie. Their role is to advise customers on the best purchase for their needs on basis of their knowledge. Finally, there are creative sellers. Creative sellers are charmers who work to generate sales. This part of personal selling is hardcore sales and generally is the toughest but also offers the highest performance rewards. The creative seller needs to convince the customer to admit to a need they never felt they had and to persuade them to buy the product to fill the need.

### Customer Service

After sales, service constitutes an important part of marketing of any product or service. Customer services provide the requisite expertise in purchase decision making; be it financial, technical or personal. The nature and attitude of these people becomes critically important to an enterprise. Complaint and grievance handling can actually become the difference between retaining or losing a customer, and/or making the company more desirable or completely destroying a company's reputation. Modern day customer service spans various mediums like

face-to-face encounter, over the telephone helpline and online support by way of the Internet. Repeat customers can be guaranteed only by good customer service and retail is an industry which encompasses customer service with product delivery.

#### 4.6. Process

Process is an element of services marketing but as retail combines service with product delivery, it forms an important component of the retail marketing mix. Processes are generally perceived to be a step-wise method to achieve an outcome. Processes are generally designed to attain a goal preset in the mind of the marketer. Process can also be defined as sub processes which combine to form a grand process. For example the telemarketing process is generally integrated with the internet marketing process to be known as online marketing.

With consideration to the marketing mix, process is actually a service element that will predict the customer's reaction to the company's offerings. It is like a flow plan of the customer's participatory responses at different intervals.

At every stage of the marketing process the primary aim is to deliver value using each and every element of the marketing mix. If the element doesn't add value then it might be considered as redundant. People can actually enhance the service offering if following a good process mix. Continuous improvement is part of the process as the feedback can be implemented into the mix.

When the long time customers are being retained, the process can actually be tailor-made to result in better customer satisfaction. A plain vanilla process has inputs, outcomes, usages, processing inside the process and by use of an effective marketing mix the process can add value to the company and vice versa.

Following is an example of business process along with its various sub-processes for a manufacturing company is as follows.

- **Inbound Logistics**

This is the receiving area of the business. Raw materials and work-in progress goods are received and stored till they are required by the other processes.

- **Operational Process**

Goods are processed for finishing operations. They are assembled and finalized for delivery to the consumer.

- **Outbound Logistics**

Finished products are sent down the supply chain to the channel intermediaries for distribution.

- **Marketing and Sales**

Marketing and Sales processes are geared to the target customer so that sales targets can be

achieved. Sales processes have to be escalated to facilitate smooth customer experience.

- **Service**

After sales service and complaint handling are a vital part of the consumer buying process, so service process forms a critical part of the business process

- **Support Activities**

There are various support activities like procurement, human resource handling and MIS (management information systems) which form an important part of the business process. Support activities help in the smooth functioning of the organization by providing the necessary support and assistance. These activities should not be critical.

#### 4.7. Positioning

Positioning had been used as a communication medium to reach customers in a crowded market; this was the inception of marketing communications. Positioning is all about creating space in the mind of the consumer. Positioning begins with a product or a service. Without proper positioning, as the consumers are being bombarded with a continuous stream of advertising, the message will get lost in the crowd. The mind of the consumer accepts only what connects with prior knowledge or experience.

First impressions are always lasting so it is imperative that the first impression is a good one. In a complicated environment, a simplified message sent across by the advertiser can make a profound effect on the consumer.

##### Getting Into the Mind of the Consumer

Having the first mover advantage is the easiest way of getting into someone's mind. If the first mover advantage is lost then the positioning has to be done on the basis of uniqueness of the product to cut through all the noise and reach the mind of the customer. Consumers generally are prone to ranking brands and so if a brand is not number one then it must show that it is almost number 1. Whenever a clear market leader is present in the minds of consumers, displacing the leader is not possible.

##### Positioning of a Leader

Generally, the top brands in the market of the same category have market share in the ratio of 4:2:1. So the positioning of the leader should never show insecurity by affirming its position, instead it should just show its strengths.

One more positioning technique that could be followed by the leader is to introduce more brands than expanding the current line. This will help the leader to cover more market and the

probability of loosing out on being a market leader would be low.

Finally, change is a way of life and a leader should readily implement any new technological changes that promise to change the lifestyle of people. If the leader fails to embrace the change then it might just find itself loosing out and others taking its place.

#### **Positioning of a Follower**

If the company is a follower then it has probably spent too much time developing a perfect product that no-one wants as other have probably launched their own and are now strongly retrenched in the market and to dislodge them from that position would be a very difficult task indeed.

A company should never try building a product to satisfy everyone's needs, which would be futile; instead it should target a market audience and try to become the best player in that. This would cause the company to become the market leader in that segment.

#### **Repositioning the Competition**

Sometimes there is no clear market leader; in that case what retailers can do is build their brand's strengths while playing on the weaknesses of its competitors. Repositioning is different from comparative advertising. In comparative advertising the benefits of one product over the other is mentioned and in repositioning, it is portrayed that apart from the brand being repositioned, others are bad.

Repositioning the competition basically involves convincing of consumers to view competitors in a different manner.

For example, over 20 years ago, BMW used this strategy. BMW launched its car by repositioning the competitor Daimler Chrysler's Mercedes Benz (nyse: DCX – news – people).

The headline of the ad said "The ultimate sitting machine vs. the ultimate driving machine".

Who wants just a living room on wheels?

#### **The Brand Name**

The brand name is most important when launching a new product. If the brand name has no value then even if the product is very good, it will be rejected by the market. On the other hand if the brand has a high brand value then a slightly inferior product will pass muster. Marketers should also be careful so as not to tarnish the brand name; a tarnished brand name usually doesn't ever recover. Usually brand names that denote the product that they are selling help in securing a favorable review.

The concept of positioning can be applied to services or products. Services, tourist destinations, countries, and even careers benefit by a well thought out positioning strategy that embeds a

point in the mind of the decision maker.

#### **4.8. Pulse of the Customer**

All things considered, even though retail is on the rise but then still some retailers might face lackluster performance. There are many reasons for such decreased performance. Some of them relate to customer relation. For retailers employing customer relationship management (CRM) tools, the results are more positive.

Retailers are now interested to see how the use of CRM tools help them in building a customer database which results in higher repeat customers. This helps in targeting the customer with the products that the consumer likes, thus resulting in better customer relations.

Getting the pulse of the customer means moving with the whims and wishes of the customer. Loyalty and bonus point programs help retailer track usage and thus the positioning that is done at the customer is more effective. For example non-tech savvy person will have nothing to do with the advertisement for a high tech PDA. Thus, this ends in the message not getting lost in the crowd of advertisements.

Modern day retail has become more challenging as executives, trying to market a good or service, contest to get their message across to their customers. More and more retailers are discovering the benefits of strong customer relationships. Marketers can increase sales by targeting their best customers at POS (Point of Sale). As the benefits of getting the pulse of the customer are numerous, this forms a crucial part of the retail marketing mix.

#### **4.9. Parking**

Parking has been included into the P's of the marketing mix as a metaphor for convenience. People will generally avoid stores where there is inconvenience in parking even before entering the store. Convenience is the most often cited reason for shopping at a particular retail outlet, thus the nomenclature of a convenience store.

Convenience has gained importance because of the modern day working families which have both spouses working. Even, single parent households are not uncommon in major cities. This results in everyone looking to save as much time as possible; so convenience becomes the key word.

Convenience has gained importance because of the modern day working families which have both spouses working. Even, single parent households are not uncommon in major cities. This results in everyone looking to save as much time as possible; so convenience becomes the key word.

Earlier, marketing convenience meant shopping at a place close to home or work. . But now, the definition of convenience has been altered to anything that consumers believe will save them time without an unreasonable price penalty. Shoppers don't mind paying for convenience. Each one of them has their thumb rule for justifying the cost of convenience.

Trying to think from the consumers' point of view will cause retailers to come up with innovative approaches of creating convenience and so getting a competitive advantage over the others. Some basic conveniences that will immensely boost footfalls in the stores are parking, one stop shop with service facilities and to minimize waiting time.

- **Parking:** Parking becomes an absolute necessity in suburban areas. If the retailer doesn't have a parking lot, he can try reimbursing the consumer for the amount. For example Shopper's Stop reimburses all parking charges of its loyal customers "First Citizen". This results in greater numbers of repeat customers and increasing footfalls (a measure of the number of people who walk past a store)
- **One-Stop Shopping:** This is actually a part of the retail offering but can also be considered as convenience. Services that could be offered include concierge services, drop-off service for repair shops (i.e., shoes, small appliances, etc), a copy machine, a FAX machine, and travel services. One stop shopping is defined as providing a comprehensive selection of goods and services at a single location.
- **No Waiting:** Customers, who like convenience, will not wait. Waiting line management plays a very vital. Even during sales, many customers might change their mind if they have to face long queues.

### Summary

- The marketing mix of the retail organization is very important and thus the 9 P's of Retail help one understand about the different elements for a successful retail operation.
- Product is the most critical element as that is the one that is being marketed. The product should be to the best quality possible to avoid loosing out to competitors.
- Place or how the product is launched and distributed is the next important element; if the target segment chosen is not the correct segment for the product, the product will fail.
- Pricing is vital choice as it has to be set at such a level so as to not make the company bankrupt and also not to make it unaffordable for the consumers.
- Promotion has to be properly done so that whatever message is intended is presented to the target audience.
- People are an important part of retail. As retail combines a product as well as a service, people can make or break a deal. Retail people have to be highly trained so that they can generate the need for a product in a consumer.
- To optimize the organization, the business processes need to be re-engineered to maximize productivity. The process oriented retail chain can also minimize costs and losses due to opportunity lost with a well thought out process
- Positioning of the product is how the manufacturer wants to present the product. It is critical to determine to which segment the product is being targeted and how to put forth the product in such a way that the target segment feels the need to use it.
- In today's fast changing environment, the retailer needs to know what the customer wants and anticipate his demand and be prepared for it. The person who cannot get the pulse of the customer will get left behind.
- Parking is a metaphor for convenience. Nowadays with nobody having any time and all trying to manage time, simple conveniences can make or break a business. Parking, extra services, and other facilities at the store so that the consumer can dispose most of his/her tasks while at the store will make the store very appealing and popular among consumers.



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