RETAIL MARKETING MANAGEMENT

PRINCIPLES AND PRACTICE

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ALWAYS LEARNING

PEARSON

RETAIL MARKETING MANAGEMENT

Source: with permission from Christina Schmidt, Skandium

> The whole idea of Skandium was to make it feel like a candy store . . . timeless design made 'juicy' – mixing old with new to emphasise even more on the adequacy of good design which, when executed well, is absolutely timeless.

Christina still cites good country stores selling organic produce and a brand such as Paul Smith as some of her favourite ways of retailing. She also points out that Habitat and the Conran shop were important having studied their history well. Skandium is the UK agent for some of the milestone-setting brands such as Iittala, Marimekko, Fritz Hansen, Louise Poulsen and many, many more, offering a wide selection of Scandinavian brands. Besides this, Skandium produces its own portfolio of furniture and table-top ware, with their chest of drawer series manufactured by East London furnishing company Isokon Plus. All timeless, well manufactured and always relevant.

In addition to offering a unique product assortment, providing exceptional customer service is another important component of Skandium's strategy. Christina feels that the most important element in retailing is 'to make the customer feel included' and she goes on to say '. . . good retail is to be in the DNA of the presentation, when you step through the door you get a rush of excitement . . . retail is theatre and if it's a good play on stage you'll be part of the fantasy'. Skandium's staff are from 14 different countries and Christina encourages them to engage in conversation with the customers rather than just saying 'Yes, madam'. Christina says 'the days are over where people just leave their money and when employers dish out jobs. Everyone on the shop floor needs to add something through their personality. I want good "tennis partners" to the customer on the shop floor, otherwise it does not serve the customer, nor feed the business. There is a high demand on our store crews who need to be able to memorise and handle the content of over 280 brands, not anything for the faint hearted . . .'. Christina is inspired by Pret A Manger, who she says 'set the standard for good retail', and she adopts their principle of employing staff who 'give their whole heart'.

Interview with Christina Schmidt; www.skandium.com

The product/service continuum

As there is not always a distinct line between products and services, it is better to consider them as being placed on a continuum with a pure product at one end, through to a pure service at the other. However, even a relatively pure product contains an element of service, in that a company or farm has provided the product either to a retailer or directly to the customer. Examples on this continuum can be seen in Figure 4.5. Food that has some element of preparation that saves the customer time and effort begins to move away from being solely a product. In the middle of the continuum is a service that leaves the customer with part of a physical product, e.g. fabric in the case of furniture re-upholstery, although the cost is likely to relate mostly towards the service that has been provided. With takeaway food, the service usually forms an even more significant part of the cost. Hairdressing is very much a service but it may also include some tangible elements such as product applied to customers' hair or sold on the premises. At the far end of the spectrum are pure services, usually provided by a specially trained individual, for example a fitness trainer or lecturer. Alhough the pure service is intangible the customer may sometimes be provided with a tangible product, such as an exercise plan or lecture handouts. It is not possible to locate all retailers on a specific part of the goods/services

Figure 4.5 The physical product/service continuum

continuum, as this depends to some extent on the products they sell and the customer service they offer. For example, most stores are self-service nowadays and would therefore tend to be positioned towards the left-hand side, by supplying products with an element of service, whereas more traditional-style stores with a high level of customer service would be located towards the right, without going so far as being a pure service.

Brand management

Retail brands are often managed by employees within the retailer's marketing department. They are usually responsible for ensuring that the brand identity is used consistently and effectively throughout the company on products, packaging, stores or websites, catalogues or brochures and all forms of marketing communications. Brands that sell to retailers also generally have marketing departments which often employ people in the role of brand manager, being responsible for groups of products under the same brand. For example, French parent company L'Óreal employs brand managers to oversee its various brands such as Redken and Lancôme. Branding can be difficult to define as various authors have different opinions and brands can be viewed from the very different perspectives of companies, consumers and legislation. Branding can form a strong connection between product and marketing communications, since the brand logo can often promote the product whilst simultaneously forming part of the product through its label or packaging.

The main challenge for brand managers is to generate and maintain brand awareness amongst consumers, which can be accomplished largely through devising and implementing an appropriate marketing communications strategy (see Chapter 7 Retail marketing communications). Aaker (1991) proposes four levels of brand awareness.

1. Being unaware of a brand.
2. **Brand recognition**, where the consumer will remember the brand if prompted.
3. **Brand recall**, where the consumer remembers the brand unprompted.
4. Top of the mind.

Stage 4 would be the optimal position for a brand or retailer, where the consumer feels an emotional attachment and may exhibit strong brand loyalty or store loyalty. This is demonstrated by classic and enduring labels such as Fred Perry, Converse and Dr Martens being linked with various youth subcultures where the brand forms an integral or even essential component of participants' image and lifestyle. When brands reach stages 3 and 4 they essentially become part of the consumer's evoked set; that is, the options which they immediately recall when making purchase decisions, thus giving these brands a higher chance of being bought (see Chapter 3 Retail consumer behaviour and market segmentation). Brands that elicit a high level of both love and respect are referred to as 'lovemarks' by Kevin Roberts, CEO of Saatchi and Saatchi Ideas Company. Roberts (2006) believes that mystery, sensuality and intimacy are the qualities that set lovemarks apart from mere brands, citing Mac, Diesel, Crayola and Nutella as examples. However, the fourth stage of top of the mind recall is likely to apply only to a minority of consumers. It is therefore more realistic for marketers who work either for retailers or brands to develop marketing communications that aim mainly to convert consumers from stage 1 to 2 or from 2 to 3. Brands can also be managed at a higher, corporate level, when the parent company seeks to promote the corporate brand to stakeholders such as the media or shareholders, rather than consumers. **Corporate branding** also incorporates aspects such as employer branding, which seeks to portray a positive image of the company with the aim of recruiting strong job candidates, especially graduates. The applicants themselves can also engage in personal branding, promoting themselves as brands in relation to their careers, through their reputation and CV content. Conversely, internal branding promotes the company to existing employees, mainly via internal communications and training, thus helping to achieve the organisation's goals.

Brand names

While the choice of a brand name may be viewed as fairly important, the name itself is not the most significant element of branding. As Gilbert (2003: 318) states:

> A name cannot make or break a retailer or company. What matters is how well a retailer's stores, merchandise or services meet its customers' needs . . . The choice of a name is only one part of the overall company strategy that has to be backed up by a sophisticated and cohesive branding programme.

Traditionally, retailers often used family names for businesses (see Chaplin's case study in Chapter 1 Introduction to retail marketing management) and a person's name can still evoke a sense of a traditional company, even when the person is fictitious, e.g. Ted Baker and Jack Wills. Retailers' brand names can sometimes be abstract terms, which can make them unique and more memorable. Brand names can use relevant descriptive terms, such as JD Sports or Oak Furniture Land. FMCG's often use abstract names that are sometimes variations on real words; for example, Ariel. Words in another language are often seen as adding glamour or luxury to a brand, e.g. English retailer Marks & Spencer uses the Italian term for its subbrand Per Una whereas French retailer Monoprix calls its own-label beauty products Miss Helen. The use of a different country's alphabet can also create associations in consumers' minds between the brand and another region (see Superdry case study below). Promoting the product or retailer's country of origin can form part of an aspect of marketing known as 'place branding' or, on a larger scale 'nation branding' (Kavaratzis, 2005). Subbrands are used by retailers to give different identities to some of their product ranges, often when they are aimed at different target customers. Subbrands may retain the main brand name as a prefix or suffix, e.g. George at Asda. Subbrands can also be used to identify different levels of supermarkets' price architecture, e.g. Morrisons supermarkets use the Value brand to identify their cheapest product range.

Descriptive brand names can help them to be memorable and applicable to their product ranges, such as British Home Stores (BHS) and Jamie's Italian. However, it is important that they don't become dated or restrict the retailer's image to a particular product type, e.g. Carphone Warehouse, which appears to be ready for a new brand name. Alliteration and phonetics are some of the techniques that can be used to make brand names easier to memorise. Abbreviations and acronyms such as B&Q and Asos (formerly As Seen On Screen) can also improve memorability owing to their brevity. Fashion designers often use their initials to label their diffusion ranges (i.e. cheaper than their standard runway collections) such as CK (Calvin Klein) and DKNY (Donna Karan New York). Puns and other humorous forms of wordplay can be used by retailers to gain attention, e.g. sandwich shop Subway and hairdresser Cut & Dried have dual meanings, but it is obviously advisable to use puns with caution!

Brand identity and brand image

Kapferer (2008: 171) indicates the central role played by brand identity when he states that 'a brand is not the name of a product. It is the vision that drives the creation of product and services under that name. That vision, the key belief of the brand and its core value is called identity'. Brand identity is managed by the sender in the form of messages transmitted via the marketing mix which are subsequently received by consumers and interpreted as brand image (Kapferer, 2008). Therefore, while retailers and brands are responsible for establishing and projecting their brand identity, they do not have control over brand image, since it exists in the minds of their customers. Brand personality is a term used to represent the characteristics (e.g. fun, lively, stylish, reliable, etc.) that we perceive a brand to possess and it therefore forms a key component of brand image. Brands and their products can be copied illegally by counterfeiters which can lead to a dilution of brand image. Brands are usually registered as Trade Marks to prevent counterfeiting from happening and to enable them to take legal action if it does. Copycat brands seek to benefit from association with an established brand's identity. While it may have a different name, similarities in design and packaging can imply to customers that a copycat product has the same qualities as the original brand. Similarly, stores targeting the same market sector can adopt copycat names, such as Poundland and Poundworld, thus giving them very similar brand images.

Brand equity

Brand equity is the value of a brand to a company and its stakeholders, described by Ferrell and Hartline (2011: 204) as 'the marketing and financial value associated with a brand's position in the marketplace'. While equity implies financial assets, and profitability is indeed one of its key elements, brand equity goes beyond this to incorporate the loyalty and recognition that the brand engenders. People trust familiar brands in a similar way to trusting people whom they have known a long time. This familiarity can lead to a sense of comfort and emotional attachment that means consumers often opt to purchase a recognised brand over a cheaper, less familiar one, even when the generic product is essentially the same. For example, Tate & Lyle sugar and Saxa salt are still strong brands despite the availability of much cheaper competing products from supermarket own-labels. However, brands cannot be complacent, since customers can be tempted towards retailers' own-label products with factors such as substantial price savings or more convenience. Tate & Lyle illustrated the financial value that famous brands can attain when its sugar business was sold in 2010 to a US company for £211 million, with the right to use the brand name on its sugar products. American Sugar Refining's co-president Luis Fernandez said: 'Tate & Lyle is steeped in 130 years of tradition and consumer loyalty. We recognise the importance and history of the Tate & Lyle sugar brand and are proud to add it to our existing brand portfolio' (BBC, 2010). Retailers that sell few or no own-label products generate brand equity from the national brands that they sell and the choice of these brands therefore plays a crucial part in the image that they portray to their consumers. Lowering prices substantially can attract higher numbers of customers initially, but ultimately this strategy may devalue a retail brand and harm it in the longer term.

Brand extensions

Brand extensions afford retailers and brands the opportunity to exploit the brand equity in their existing products by applying the same brand name to a new product category. Brand extensions can therefore achieve growth for the brand by providing more goods to existing customers or by reaching new customers. Advantages of brand extensions are that there is existing public awareness of the brand name, thus potentially reducing promotional costs (Gilbert, 2003). A line extension occurs when the brand adds another product to one of its existing categories, such as Sainsbury's offering an additional flavour of potato crisps. However, when Sainsbury's first began to sell own-label crisps, this could have been considered a brand extension. The brand extension may sometimes be given its own subbrand, e.g. on the Sony PlayStation, Nintendo Wii and Microsoft Xbox, the parent brands are not emphasised, even though they are long-established and famous names. The more novel names of the consoles stand out to their target consumers, who are typically younger than those who buy the parent brands.

Brand extensions are usually carried out in a closely related area, such as the trend for ice cream versions of confectionery brands. However, when brands extend into very different fields this is known as brand stretching. For example, Virgin originally started as a music retailer and record label in the 1970s and subsequently extended into many areas, including retail ventures such as 'Virgin Brides' (wedding dresses) and 'Virgin Vie' (make-up and toiletries), though it is now most famous for its airline and media divisions. Fashion brands are well known for brand extensions that maximise the potential profitability of strong brand equity by applying their names to related product categories such as accessories and perfumes. The high costs associated with catwalk shows can result in fashion brands having low profits, but this can be offset by a brand extension which is more affordable to a larger number of consumers and that does not require investment in a fashion show.

A designer–retailer collaboration is a form of brand extension that is exclusive to the retail sector. Debenhams department store was a UK pioneer of such collaborations and at the time of writing offers womenswear collections in collaboration with 16 well-known ready-to-wear designers, including Jasper Conran, Betty Jackson, John Rocha and Matthew Williamson. The fashion designer offers adapted versions of clothing in his or her signature style that the retailer can sell much more cheaply than the designer's catwalk range, but at a higher price than the retailer's own label. The relatively low price of the garments is due largely to economies of scale due to fairly high quantities being manufactured by the retailer's suppliers, usually in more cost-effective materials than the designer's own range.

Retailers can decide not to use brand extensions, usually when they choose to expand into a more expensive market, preferring instead to expand by opening new divisions of the company that give them a fresh brand image that customers do not associate with the cheaper prices of the parent organisation. For example, Spanish company Inditex, the world's largest clothing retailer, has a portfolio of retail brands including 'Massimo Dutti' and 'Pull & Bear' that are more expensive than their more famous sister company Zara. Similarly, the second largest fashion retailer, Stockholm-based H&M, has recently opened more upmarket store chains '& Other Stories', 'Cos' and 'Cheap Monday' that consumers may not realise are part of the H&M group (Milne, 2014).

Retail brand positioning – perceptual maps

Brand positioning aims to locate a brand in a particular place in comparison to its competitors, in the mind of the consumer. Retailers can use a positioning map such as Figure 4.6, where the circles represent different retailers. In this case, one axis reflects price and the other quality, thus a high price, high quality retailer such as Harrods would be placed in the top right-hand quadrant if this map was applied to the department store sector. A positioning map can be applied to product brands, retailers or their subbrands. This can also be known as a **perceptual map** because it is based on consumers' perceptions. Retailers' marketing departments can produce positioning maps or they may commission agencies such as Retailmap which conducts research for retailers including Boots, Debenhams, Gap and River Island (Retailmap, 2014). A map can be composed from the retailer's own view of where it stands in the market or it can be collated more formally, and probably more accurately, by conducting market research to seek customers' perspectives on its market position.

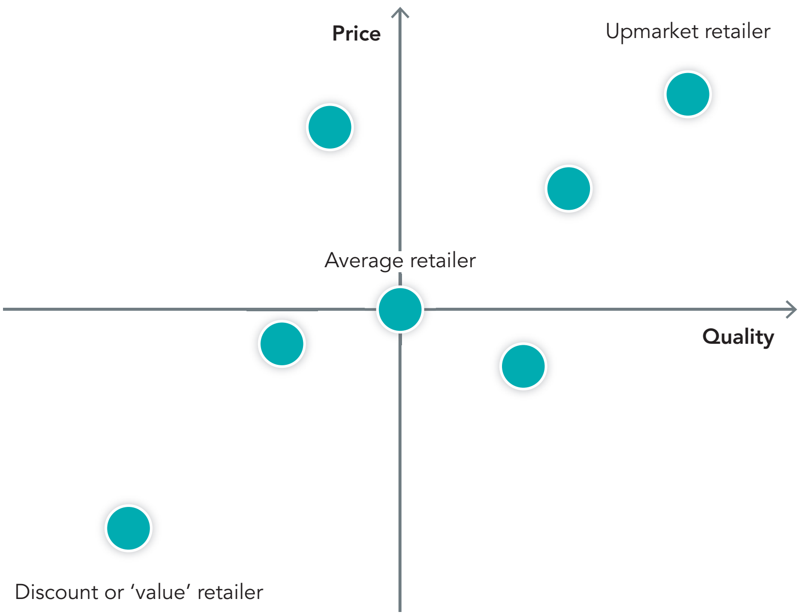

Figure 4.6 Example of a basic brand positioning map

When assessing a whole sector, as in the example in Figure 4.7, the retailer or brand perceived to be the average in the sector can be located in a central position. If the positioning map has been commissioned for a specific retailer, this retailer can be placed centrally, with its closest competitors arranged in appropriate positions around it (illustrated by the circles in Figure 4.7). This gives the retailer the opportunity to see whether it is positioned too closely to a competitor or whether there is a gap in the market. For either of these reasons, the retailer may aim to reposition itself. If a retailer is positioned very near to its competitors, it may be that the retailer is not sufficiently differentiated from

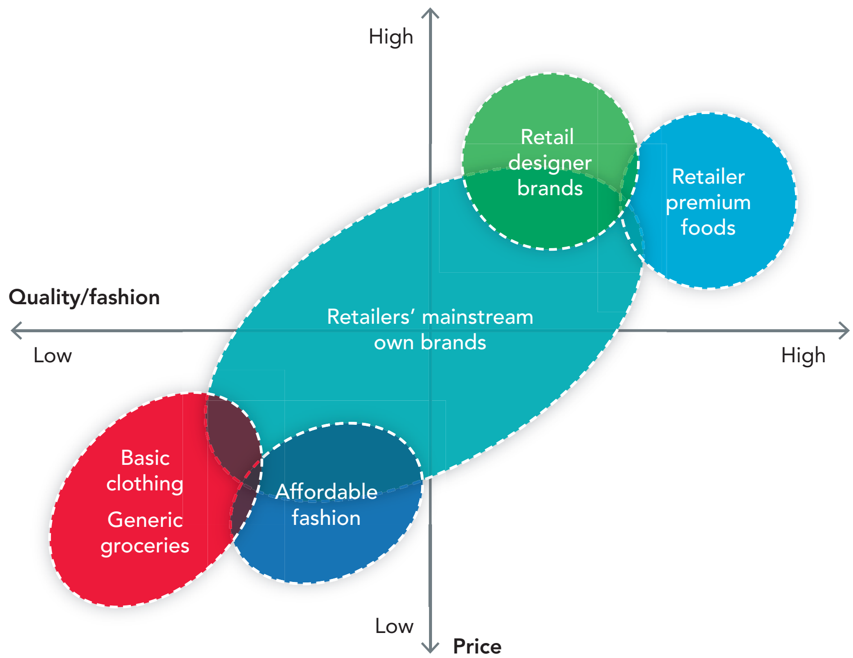

Figure 4.7 Examples of retailer brand positioning

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