Profitable Positioning for Retailers

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Just as the proliferation of brands during the past twenty years has provoked confusion regarding consumer purchase decisions, the recent proliferation of "me, too" retail establishments is disrupting traditional patronage decisions. As a result, the once comfortable notion of institutional loyalty can no longer be taken for granted.

In today's highly competitive buyers' markets, the success of new retail ventures or the continued survival of established businesses requires more than having an attractive image or "store personality" (Martineau 1958). The enduring growth of scrambled merchandising combined with the steady emergence of "look alike" stores have tended to distort such images. As a consequence, many shoppers frequently mistake the advertising and promotion of one firm and attribute it to a competitor. Others believe that the existing differences between competing outlets is superficial, often more transparent than real. In view of these developments, success in retailing like success in product marketing is becoming increasingly dependent upon proper positioning (Trout and Ries 1973).

Positioning concerns itself with the mental picture or "image" an individual holds for related persons, places, or things. Product positioning (Holmes 1973) considers the images a given consumer has for the several brands which comprise his or her product class. In a similar manner, the positioning of retail outlets becomes concerned with the image a shopper currently holds for the several stores which would be considered for satisfying a particular shopping need. Thus, an individual store's position would be the perceived image a customer has of one store in relation to his perceived image of (1) direct competitors within the same trading area and (2) other outlets under the same ownership or management. This latter situation is most likely to occur in chain store retailing, franchised retail businesses, and/or when an independent retailer operates more than one unit. And profitable positioning for retailing is a promotional strategy for identifying, developing, and projecting a unique store image which will increase the retailer's total profits.

IDENTIFYING THE PROFITABLE POSITION

Retailers planning to open a new store or change the image of an existing establishment should, in keeping with their operating philosophy, attempt to position the store so that it would produce optimum revenue for maximum profits. Nevertheless, management must remember that incremental business can come from only one or some combination of three sources: (1) "creating" new customers, (2) "conquesting" customers from competitors, and/or (3) "siphoning" customers from existing company outlets. Thus, in order to identify the profitable position, management should estimate the probable occurrence of each of these three situations and determine their effects on total profits. In compiling these estimates, retailers should (a) assess the images and positions of the competitive outlets, as well as their own, and (b) ascertain the impact their plans will have on other stores which they operate.

Images and Positions of Competing Stores

An example serves to illustrate how shoppers perceive various stores and how these competing outlets are presently positioned. Such an illustration may further reveal how a proposed or existing store could be more profitably positioned. Let us, therefore, consider shoe stores as a class and further assume that three such stores are currently operating in a recently developed shopping mall located in a suburban area of a large city. The stores include *Store X, Store Y,* and *Store Z.* Each carries a somewhat different variety of merchandise and offers diverse customer services. Consumers perceive these physical and promotional attributes and accordingly form images about them. And the following illustration portrays how a given shopper might envision the mall and the images and relative positions of the three stores.

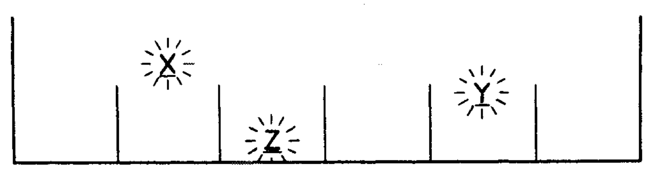


Fig. 1. Consumer's perception of store images and positions.

KEY: The spaces represent the actual or potential positions for competitive outlets. The letters designate the respective images of three existing stores; their location within the space indicates consumer's shopping preferences; e.g., *Store X* is preferred over *Store Y* and *Store Z,* and *Store Y* is preferred over *Store Z.*

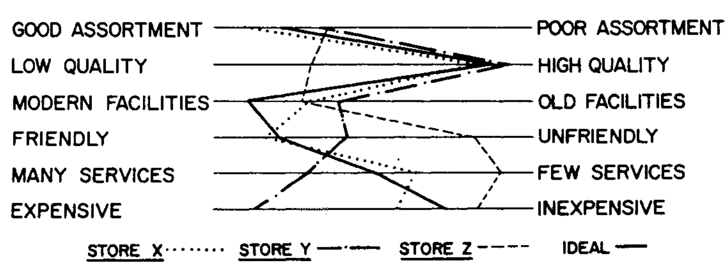
Several research techniques (Myers 1960; Weale 1961; Kelley & Stephenson 1967; Kunkel and Berry 1968) have been developed for identifying and measuring various components of the consumer's image. The approach selected for the present example reflects several dimensions which generally are considered as having an effect on patronage decisions. These factors include product assortment, quality of merchandise, facilities, personnel, customer services, and prices.

To obtain the needed data, a representative group of shoppers from the immediate trading area would be sampled and asked to (1) indicate the store where they preferred to shop for shoes and (2) rate each of the three stores as well as their "ideal" shoe store along the previously selected dimensions. A summary of individual responses, as shown in Figure 2, provides (1) comparative preferences for each store, indicating that 20 percent of the sampled shoppers preferred *Store X*, 12 percent *Store Y*, and 8 percent *Store Z*, while the remaining 60 percent preferred buying shoes in other stores; and (2) profile images for the three outlets and the "ideal" shoe store.

An examination of the profiles pinpoints the strengths and weaknesses of the three stores in comparison with one another and further shows how each deviates from the shopper's "ideal." A more careful analysis can detect possible areas of dissatisfaction and suggest unoccupied positions where retailers projecting a different and distinct image might attract new customers or draw customers from existing competitors.

Before recommending any action, the relative importance of each of the

PROFILES OF COMPETING STORES



Percentage of respondents preferring	
Store X	20
Store Y	12
Store Z	8
Other stores	60

Amount of variance explained by	
Product assortment	$r^2 = .59$
Quality of merchandise	$r^2 = .49$
Store facilities	$r^2 = .06$
Personnel	$r^2 = .23$
Customer services	$r^2 = .57$
Prices	$r^2 = .34$

scaled dimensions should be taken into account. This can be done through item analysis (Stephenson 1969). This approach involves correlating the obtained ratings from each of the scales with a criterion score which in the present example would be computed from the sum of the ratings on the remaining scales combined. The analysis, when carried to its conclusion, will identify the variance accounted for by each correlation coefficient as well as the average ratings which each of the stores received (Corey 1970). In the present example, the two most sensitive dimensions happened to be assortment and customer services.

Attention should next be focused on the growth potential within the immediate trading area. If the market is expanding, as might be expected in our suburban neighborhood, new customers can be attracted to the mall; but as the area matures, traffic will, in all probability, have to be "conquested" from the competition. If the area appears saturated, prospective retailers should question whether a new outlet can be added without creating an over-stored condition which may precipitate "cut throat" competition.

Impact on Other Company Operated Units

The problem addressed here is especially relevant for chains and other multi-unit operations. Obviously, management should consider market potential, competition, and costs in selecting a store's location. They should further ensure that no two units are in direct competition with each other. If each store in the chain carries identical merchandise, the problem is essentially one of geographic or spatial dimensions; but when the stores carry different lines and/or provide different services, the locational problem becomes compounded. Here, retailers should recognize the demographic and psychographic characteristics of the market and understand the degree to which differences in socio-economic variables and personality variables will affect individual store patronage. Recognition of such differences frequently indicates the need for "intra-company" retail promotional strategies. Essentially, this involves developing separate images for the different units, each of which would closely correspond to the expectations of each store's clientele (Marcus 1972).

Identification of the profitable position in these situations requires information concerning perceived similarities among existing units and the extent to which customers might shift their allegiance away from the established store as they begin to patronize a new outlet. The necessary data can be obtained by using the same basic research techniques and analytic procedures described in the preceding section. Estimates concerning the extent of traffic crossing over to a proposed outlet can be inferred by knowing the percentage of customers who prefer an existing outlet either because of their dissatisfaction with competitive stores or because of their lack of viable alternatives for satisfying their needs.

Ordinarily, the profitable position is one which will "create" new customers and/or "conquest" from competitors. Nevertheless, there are certain circumstances when total profits can be improved by "siphoning" customers from existing units. The first and perhaps most obvious instance is when the retailer plans to shut down an unprofitable unit. A second instance is when the outlet is particularly vulnerable to competition. In this latter situation, management may be better off by switching customers to a proposed new store rather than losing them to competitors.

SELECTING THE POSITIONING STRATEGY

The investigation of the comparative images and the consumer's "ideal," combined with an assessment of the impact changes will have on current operations, should suggest several positions which may enhance total profits. Here, the retailer should be thinking in terms of profiles which would more closely parallel the "ideal" or at least be preferred to the images of competitors. Selecting and developing a position should be viewed as a long-range proposition. As such, it will likely require sizable investments of both time and money. In order to maximize the return, retailers should carefully consider the advantages and disadvantages which accrue to various positioning strategies. Some examples taken from ongoing campaigns will help to illustrate this point.

One enviable position is that of being the leader. Here we find Cadillac dealers taking advantage of their dominance by proclaiming: "Only one can be the leader; Cadillac is the leader." Obviously, only one store per class can be the number one store, so while this position is highly desirable, it is also highly limited. Another strategy is one of emulation. This approach implies that management should try to outdistance the number one competitor on each of several dimensions. Such a strategy can be exceedingly costly as the leader already has an established customer franchise and is well entrenched in consumers' minds. Therefore, such a strategy is not recommended unless the store actually possesses superior attributes and the financial resources necessary for dislodging the competitor. An emulation strategy can also "backfire" as customers may generalize the image resulting from such a campaign to the leader and thus continue patronizing the number one store (Bayton 1958; Kerby 1967). Rather than imitate a competitor, the merchant may attract greater attention and generate more traffic by taking a different tack–opting for the "alternative" position. This particular strategy is exemplified in the B. F. Goodrich campaign in which their dealers are designated as "the other guys."

Another positioning strategy is to overcome a common weakness shared by all competitors. One application is evidenced in a Marathon Oil Company campaign which extolled the friendliness and reliability of their dealers and sought to overcome the impersonal feelings generally associated with service stations. And more recently, we find Burger King promoting the idea of "having it your way" at their drive-ins instead of accepting the uniform pre-wrapped sandwiches sold by their competitors.

Before selecting its positioning strategy, management would be well advised to test the probable market acceptance of each. One method which provides for the simultaneous evaluation of several alternatives would involve interviewing a second group of consumers. These sampled respondents would be asked to rank the images resulting from the proposed positions against one another and the existing store profiles and further state which image they most preferred. An examination of this data should suggest the most profitable strategy, as it reveals which image will attract the greatest percentage of shoppers. And a comparison of the results of the second survey with those obtained from the first would indicate where the new business is likely to come from. This information can be helpful in forestalling competitive retaliation, as management next directs its energies toward achieving the desired position.

PROJECTING THE DESIRED IMAGE

Retailers must clearly define the positions they wish to occupy. Once the store's positioning strategy has been selected, action must be initiated to establish the intended position. The first step is a careful determination of the store's target customers and prospects. This is vital for determining the kinds of patronage benefits which should be featured and for stocking the types of merchandise which consumers would expect to find in such a store. A believable image conveying the store's unique benefits must next be created and implanted in the minds of these consumers.

Store images result from the individual's perception of the store and its accompanying marketing mix. The mix includes three sub-mixes (Lazer 1961): goods and services–variety and assortment of merchandise, alterations and adjustments, price lines, and credit policies; physical distribution–location, packing, and delivery; and communications–advertising, display, personal selling, and public relations. This latter sub-mix is especially important for registering the image in the buyer's mind. Each of the several mix elements needs to be blended in a complementary fashion in order to produce a consistent image. Here, management must exercise discipline to prevent sub-optimization which could fragment the image as well as waste a sizable portion of the firm's resources. By adopting a systems viewpoint and employing various trade-off analyses, retailers are more likely to produce a synergistic combination of the mix elements and thus do a better job of projecting the type of image needed for attaining the desired position.

Historically, most retail merchandising tactics have provided only short-lived advantages as competitors copied the successful merchant. Hopefully, the selection of a unique position and the subsequent projection of an image reflecting this position will provide an added measure of insulation against competitive retaliation. Notwithstanding, retailers will always face competition; and some positions, such as those stressing "lowest prices," will be especially vulnerable. Alert management may, however, partially succeed in forestalling retaliation. One method is by the retailer becoming the exclusive dealer for certain select merchandise. Another approach is through an aggressive promotional policy which continually seeks to reinforce the store's position in the shopper's mind. Finally, retailers should periodically assess consumers' images and the positions held by each store and be prepared to take remedial action as dictated by changes in the market (Kelley and Stephenson 1967).

SUMMARY AND CONCLUSION

This article has considered the nature and role of positioning among retailers. The positioning of retail stores was defined as the perceived image consumers have of one store in relation to competitive outlets within the same trading area. And profitable positioning for retailers was identified as a strategy for developing and projecting unique store images for increasing the retailer's total profits.

A hypothetical example was developed illustrating the profiles of competitive stores and suggesting how a proposed outlet might be more properly positioned. The selection of an appropriate positioning strategy was considered. Emphasis was next placed on the need for developing a retailing mix which would project the image for reaching the desired position and maintaining it against competitive reaction.

In conclusion, it is believed that consideration of the factors enumerated in this paper will enable retailers to more effectively position their units and thus enhance *total* profits.

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