

POSITIONING STRATEGIES OF RETAILERS

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Abstract: As any other manufacturer, retailers must also position themselves on the market in order to be accordingly perceived by consumers. Either by differentiation through costs or by focusing on quality, retailers adopt a specific marketing approach for developing consumers' loyalty in the target segments. Thus, the analysis is even more interesting, because retailers usually have not only different store formats, but also private labels (store brands) by that they aim at achieving their purpose.

Key words: retailer, strategy, positioning

1. Different Strategic Approaches of Retailers

Strategy can be regarded in a wider sense as representing “the goals, principles and strategies (in a narrow sense)” pursued by a company and in a stricter sense as “the activities which contribute to the fulfillment of the company’s goals” (Hofer, Schendel, 1978, p.25). In this way, they are the “fundamental instruments” for fulfilling the mentioned purposes. Enterprises usually operate with various strategies, depending on the company’s hierarchical level of decision. Thus, we may distinguish (Liebmann, Zentes, 2001, p.167):

- *Basic strategies (company’s general strategies)* which aim at the field of the company’s activities, their “width, depth and geographic extension”, but especially at the way it can enter a market;
- *The strategies of the Strategic Business Units* refer to the possibilities to realize “the aims of a SBU – Strategic Business Unit”;
- *Functional strategies* – refer to the existing departments within a company, whilst their goal is “to develop and utilize the resources of a SBU”.

Table 1. The three levels of strategies in a company (Liebmann et al, 2008, p.138)

I. Basic strategies of a company		
Strategies of the type product / markets		
Specialization or diversification	Internationalization	Vertical integration
Penetration strategies		
Development or acquisition	Property	Temporal penetration
II. Strategies of the Business Unit		
Competitive strategies		
Costs	Differentiation	Concentration
Development strategies of the Business Unit		
Development of market share	Consolidation	Pull-out
III. Functional strategies		
Personnel	Buying	Marketing
		Financial

As a part of the hierarchical structure of a company, a “Business Unit” comprises several “strategic segments of business”, which are, in turn, divided into these SBUs – “strategic business units” (Welge, Al-Laham, 2001, p.325).

The strategic business unit (understood as a matrix combination of the “product/market” type) has a usually clearly defined role in the target market, being oriented towards solving certain specific problems of the enterprise. Meanwhile, it is characterized by individuality in planning and in achieving the activities of which one assumes that they contribute to the market success. During this time, the “strategic business unit” comprises several “product / market combinations”, as homogenous as possible, and with a similarity in market positioning, strategic planning and contribution to the success of the company (Welge, Al-Laham, 2001, p.325).

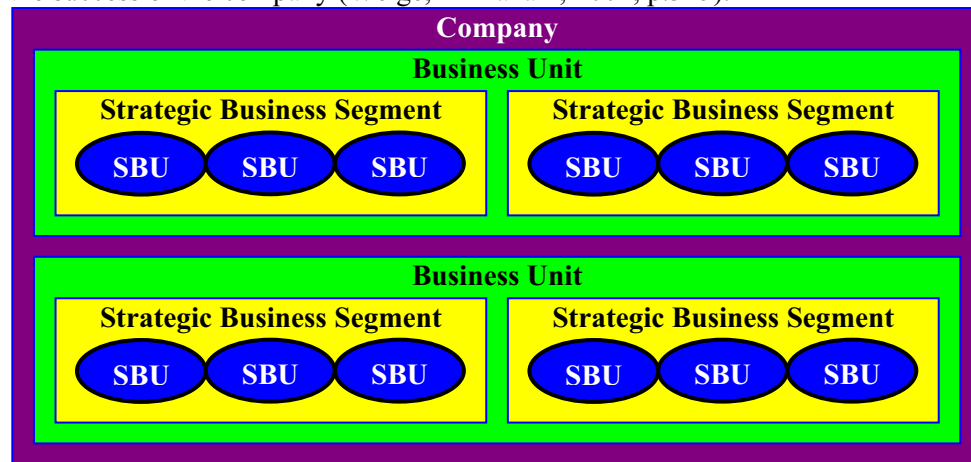


Figure 1. Conceptual Delimitation among BU, SBA and SBU (Welge, Al-Laham, 2001, p.325)

The origin of strategies loses itself in history; proofs of their success in the long run. Some strategies have been used by war waging parties. (www.de.wikipedia.org/wiki/Strategie)¹³.

Table 2. The 5 „P” Approach of Strategies (Mintzberg, Quinn, 1998, p.10)

Type	Strategy as				
	Plan	Ploy	Pattern	Position	Perspective
Description	Plans which describe explicit and ex ante activities and which coordinate future activities and decisions of the company	Manoeuvre in order to fool the competitors	Result of incremental and uncoordinated decisions, but also of unpredictable events	Strategic positioning of the company in its environment	Internalisation of the company's own orientation
Behaviour	Ex-ante	Dynamic and temporary	Not planned	Interdependencies towards the environment	Own

¹³ Filip and Alexandru of Macedonia, Sun Tzu, Machiavelli, Napoleon, von Clausewitz, Montgomery or Mao Tse-Tung are considered the great thinkers of strategic concepts development in military and diplomatic art

2. The Concept of Competitive Strategy in Retailing

“Competitive strategies” are “those strategies on SBU level, whose goal is to create and protect competitive advantages” (Zentes, Swoboda, 2001, pp.590-591) related to the “environment” where the company acts, to “competitors, suppliers, distributors” and other entities with the aim of “creating” and strengthening „the position in the branch”, and of “achieving a higher level of revenue for the invested capital” (Liebmann, Zentes, 2001, p.172). Here it is imperative to distinguish conceptually, what Porter underlined as well (Porter, 1997, p.26), between these strategies and the company’s general ones (“corporate strategies”) (Zentes, Swoboda, 2001, p.590).

In fact, a company’s competitive advantage is nothing but a “superior service delivery” (Liebmann, Zentes, 2001, p.173) in comparison with that of competitors, who “must refer to a characteristic that is important for the customer”, “must be perceived as such by him” and “must have a certain durability, meaning that it cannot be easily or soon copied by competitors” (Simon, 1988, p.465).

In other words the understanding of “competitive advantage” is done by two inseparable perspectives (Liebmann, Zentes, 2001, p.173):

- That of the competitors – in order to recognize the competitive advantages, but mostly in order to adequately exploit them, the company continuously carries out SWOT analyses of its own market position compared with that of its competitors (Pop, 2000, p.136).
- That of the customer – he becomes thus the “referee” who decides which of the service deliveries (of the company or of its competitors) are valuable for him (in sense of domination) (Gröppel-Klein, 1998, p.21).

For the present approach, the relevance derives on the one hand from the fact that, overall, retail in itself faces the challenge to differentiate from producers, meaning that it has to succeed in providing the customer, through its own items and through its services, that value he expects, in similar conditions of quality and price. On the other hand, retailers, or retail units are those that “fight” to attract as many consumers as possible and implicit to increase their market share.

2.1. Typology of Competitive Strategies in Retailing

In order to grasp the dimensions of strategies as accurately as possible or just to regard a certain activity, literature (Liebmann, Zentes, 2001, pp.175-188) recommends a “systematization”, somehow special methods for retail (Haves, Crittenden, 1984, pp.275-287).

2.1.1. Competitive Strategies after Porter

For retail, the strategies defined by Porter are only relevant due to their focus on “low costs” or “differentiation” (Porter, 1980). In his opinion, only those enterprises which simultaneously rally on the two dimensions, may be successful, the failure of one bringing the company to a relatively dangerous situation of the “stuck in the middle” type, which is a “middle” competitive position, which cannot be successful on the long term (Liebmann, Zentes, 2001, p.175). This determines the competitive focus of the company, which can address to the whole market, or just to a niche (Pop, 2000, p.198), the potential combinations being revealed in the next figure.

		Strategic advantage	
		Singularity from the buyers' perspective	Advantages through costs
Strategic objective	On the level of the industry	Differentiation (Kaufhof, Karstadt)	Management by costs (Kaufland, Carrefour)
	Limitation at a single segment	Concentration on essential aspects (Aldi, Lidl, specialized retailers)	

Figure no. 2. Typology of competitive strategies after Porter (Porter, 1999, p.67)

By differentiation strategy (also called “the strategy of supremacy through service delivery or quality”), the enterprise intends to develop a competitive advantage of its own services in order to adequately position itself among the various “tastes” or “preferences” of consumers. A path that might be followed is to “increase the utility of the offer”, a desire that might be achieved by improving the quality of the products, enlarging the assortment, by a better or faster service, a more pleasant ambiance in the retail unit or even a smiling staff. According to Porter’s thesis, additional costs caused by differentiation could be covered by the slightly higher level of prices of the respective retail units (Liebmann, Zentes, 2001, p.175).

Meanwhile, if the retail unit chooses to focus on costs, then it will try to become “the most advantageous provider in that sector”. But, in order to achieve this goal, it will have to “rationalize most of the activities in its value chain”, to “gain a significant market share”, and to “standardize” the processes within the company (Liebmann, Zentes, 2001, p.176).

The third type of strategy requires the approach of only a part of the total market and, implicitly, the offer of an incomplete assortment. The development of competitive advantages is achieved by differentiation and costs, the focus of resources on only one segment possibly leads to a dominant or exclusive position. On the one hand, this is the discounters’ concept, who, by their profile distinguish themselves from other competitors (“fast circulation of goods”, “narrow assortment”, “lack of service”) and which underlines a strong focus on products’ prices, and on the other hand, that of “specialized retailers” (Liebmann, Zentes, 2001, p.176).

2.1.2. Competitive Strategies according to Miles / Snow

Competitive strategies are based on the differentiation according to the specific behavior of four types of possible strategies. No matter what type of strategy is adopted, (“defender”, “analyzer”, “prospector”, “reactor”) and how they are realized (“corporate”, SBU) they must respond to three essential questions (Liebmann, Zentes, 2001, p.181):

- entrepreneurial – „what products/ markets combinations are covered?”
- technological – „what kind of systems or technologies must be utilized?”
- administrative – „how should the activity be structured?”

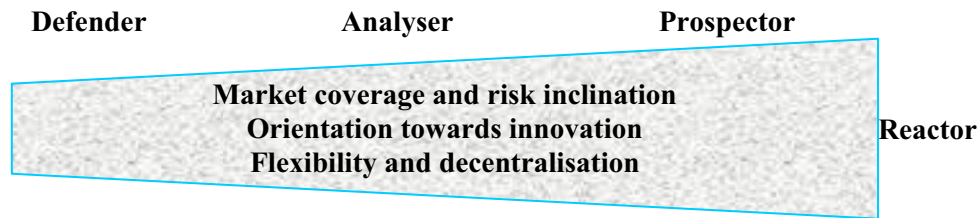


Figure 3. Central elements of the competitive strategies approach after Miles/Snow (Miles, Snow, 1978, p.112)

The four types of strategies defined by Miles and Snow have received numerous confirmations by empirical studies; for retail, the most relevant study underlining the characteristics presented in the following table.

Table 3. Determinant factors of strategic activities (Liebmann, Zentes, Swoboda, 2008, p.85; Moore, 2005, pp.696-704)

Type	Strategy			
	Prospector	Defender	Analyzer	Reactor
Definition	- Aggressive behavior in defining new markets, technologies and process and decentralized organizational systems; innovative policy in defining the approached markets; active search of new development opportunities	- Defensive behavior of the market position held that is also specific for niches; organizational structures; stable decisions	- Hybrid adaptation behavior, typical for both "prospective" and "defensive" strategy	- Indefinite behavior; "adaptation" reaction to market, without following a certain pattern
Characteristics of the strategies	- Innovative leader in retail trade - Usually moves into new markets - Renown as the "first" to introduce new trends in retail (imposes new behaviors) - Profit (turnover) risking with the aim of developing new retail units does not affect him	- Maintains a sure niche, using a traditional type of retail unit - Stubborn in maintaining the present format of retail unit - Focuses on improving the present distribution way instead of innovating - Adopts only those innovations with a direct impact on his business - Adopts industrial innovations after a longer period of time - Focuses mainly on serving present customers and only secondarily on attracting new ones		- Takes advantage of market conjunctures - High risk takers
	- Leader in developing new forms of retail - Continuously adopts new technologies			

2.2. Competitive Behavior of Retailing Units

In literature retailer shows a "competitive behavior" when he succeeds in realizing a "competitive strategy", with respect to any decision regarding the market approach. The success of a strategy depends on how "competent it is", but also on the

existing competitors, which is to say how “attractive the market is from the competitors point of view” (Liebmann, Zentes, Swoboda, 2008, p.89).

Depending on the level of competition, it can be distinguished between an “active” behavior (possible positions of retailers are cooperation, conflict, adaptation or avoidance) and a „passive” one (in case of a dominant or monopoly position, but also in case of ignoring competitors) (Meffert, 1994, p.155). The “market position of the enterprise” (strong, medium or low) plays an important role when adopting one of the two types of behavior. It also depends on the resources found at his disposal (Tietz, 1993, p.805).

3. The Concept of Positioning Strategies in Retailing

Thus, positioning can be defined as “the concept which delimits the characteristics of competitive objects by stressing the demand (target segments) with the aim of achieving competitive advantages” (Liebmann, Zentes, Swoboda, 2008, p.146).

This means “the retail unit actively and strategically develops a position on the relevant market” (Tietz, 1993, p.124). In this regard, the object of positioning in retailing is not “the products, but the retail units with their array of services and commodities”. Therefore, it must not be talked of “positioning through products” of retailer X or Y, but of “image” (Liebmann, Zentes, Swoboda, 2008, p.149), “store ambiance which conveys a spirit of adventure” (Weinberg, 1986, pp.97-102), “success factors of stationary retailing” (Patt, 1990, pp.24-44) or “instruments and chances of conveying an adventure mood” (Gröppel, 1991, pp.10-15).

In fact, positioning implies developing an “identity of the retail unit”¹⁴ in the spirit of “an individual promise of service delivery, which leads to retailer’s highlighting in consumers’ minds and to his getting ahead of the other competitors”. Usually, the positioning of a retailer is based on three central elements (Liebmann, Zentes, Swoboda, 2008, p.149):

- “Location” – the agglomeration of retail units in a specific location can be the cause of an increase of their sales;
- “Image” – here one observes a transfer of image between from a retailer to the whole retail sector;
- “Competition”:
 - Between sectors – characterized by the fact that several retailers aim at the same target segment beyond sectors (a shop selling leather goods will compete with the leather department of a hypermarket or the retail store of a certain producer of leather goods);
 - Within sectors – represented by the competition among several units of the same type (supermarkets, hypermarkets, etc). The actual positioning may occur through assortment, price, marketing mix instruments or a combination of them, etc.

4. Various Approaches of the Positioning Strategies in Retailing

Departing from the strategies defined by Porter, some authors have further developed his model and succeeded in empirical tests. Therefore, Meffert (Meffert, 1985, pp.20-28) has succeeded in classifying retailing units on the one hand according

¹⁴ reference literature calls this concept as „Einkaufsstätte“ (German), „Point of Sale“ (PoS), „Shopping place“ or even „Retailing outlet“

to the market segment they approach, and, on the other hand, according to the advantage provided by costs or services.

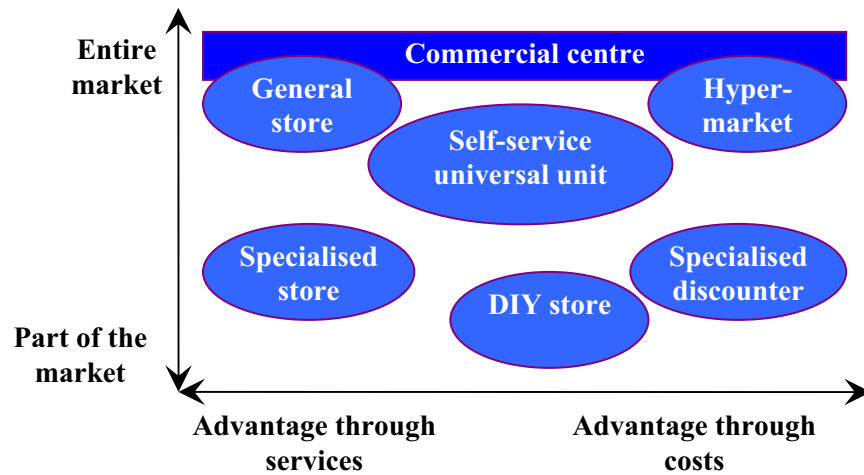


Figure 4. Positioning of various retailing units (Meffert, 1985, pp.20-28)

Another strategic approach is the one described by Ahlert and Schröder (Ahlert, Schröder, 1990, pp.221-229), who classify the possible strategies followed by retailers depending on the dimensions: adventure versus service, price versus quality, thus identifying several strategies (Liebmann, Zentes, Swoboda, 2008, p.151):

- a. discounters’ strategy – characterized by an “aggressive price policy” under the circumstances of a relatively “narrow” assortment of goods;
- b. adventure strategy – oriented towards satisfying the “adventure value” of “wealthy customers”;
- c. mixed strategy – type 1 (“supplying – quality”) – where “supplying of goods” is the central element, even though some “extra quality services” are provided;
- d. mixed strategy – type 2 (“adventure-discount”) – includes commodities offered at “low prices”, but which induce a strong feeling of adventure.

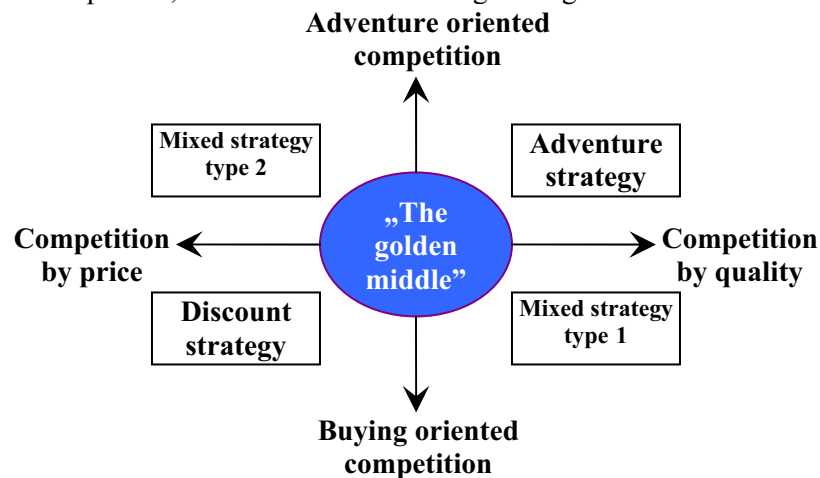


Figure 5. Competitive positioning strategies (Ahlert, Schröder, 1990, pp.221-229)

In order to efficiently position themselves, retailers must first identify the relevant “positioning dimensions”, and afterwards they must develop “competitive relationships”, based on a “theoretical and spatial model of market positioning” (Theis, 1992, p.54).

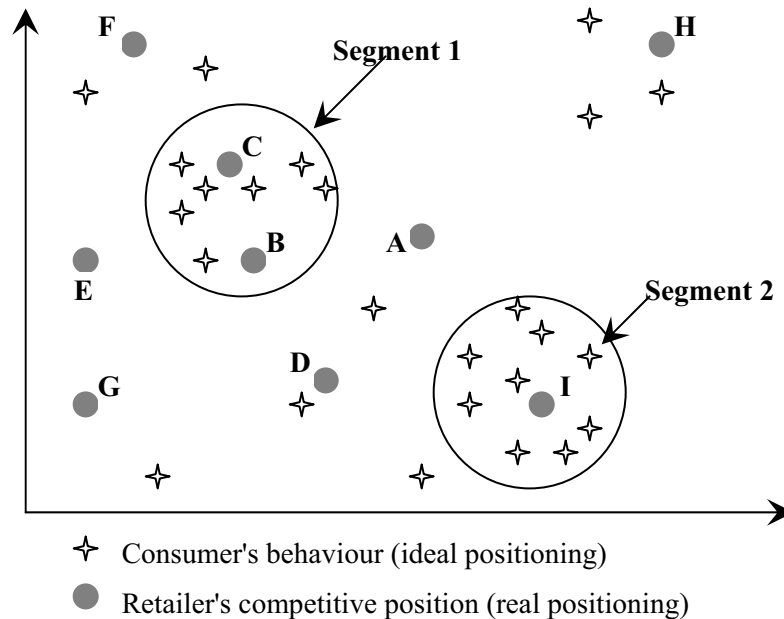


Figure 6. Possible bi-dimensional positioning (Theis, 1992, p.33)

Such a model must take into account consumers’ perceptions towards some of the selected attributes of retailers. According to them, “image profiles” of the units are done, trying to underline as exact as possible the “expectations” and “necessities” of consumers (Liebmann, Zentes, Swoboda, 2008, pp.153-154).

Furthermore, the profile of retailers or their competitive position is determined, according to the above mentioned coordinates. Finally the real distance between the actual state of the retailer (competitive position) and the ideal one (given by consumers’ perceptions) is calculated. In fact, the maximum “acceptance and preference” among the target segment is achieved only when the distance between the two states is a minimum. In the long run, the retailer has several strategic alternatives in order to minimize the distance or to adopt potential strategies (Liebmann et al, 2008, p.154):

- “adaptation” to consumers’ perceptions;
- “influence” of consumers’ perceptions in order to bring it to retailer’s desired level.

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