Retail Institutions By Store-based Strategy Mix (continued)

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General Merchandise Based Strategies

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Specialty Store Strategy Mix

- **Location**
  - Business district or shopping center
- **Prices**
  - Competitive to Above average
- **Atmosphere & Services**
  - Average to excellent
- **Merchandise**
  - Very narrow width and extensive depth of assortment; average to good quality
- **Promotion**
  - Heavy use of displays Extensive sales force



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Traditional Department Store Strategy Mix

- **Location**
  - Business district, shopping center or isolated store
- **Prices**
  - Average to Above average
- **Atmosphere & Services**
  - Good to excellent
- **Merchandise**
  - Extensive width and depth of assortment; average to good quality
- **Promotion**
  - Heavy ad and catalog use; direct mail; personal selling



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Full Line Discount Store Strategy Mix

- **Location**
  - Business district, shopping center or isolated store
- **Prices**
  - Competitive
- **Atmosphere & Services**
  - Slightly below average to average
- **Merchandise**
  - Extensive width and depth of assortment; average to good quality
- **Promotion**
  - Heavy use of newspapers; price-oriented; moderate sales force



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Variety Store Strategy Mix

- **Location**
  - Business district, shopping center or isolated store
- **Prices**
  - Average
- **Atmosphere & Services**
  - Below average
- **Merchandise**
  - Good width and some depth of assortment; below-average to average quality
- **Promotion**
  - Use of newspapers; self-service



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Off-Price Chain Strategy Mix



- **Location**
  - Business district, suburban shopping strip, or isolated store
- **Prices**
  - Low
- **Atmosphere & Services**
  - Below average
- **Merchandise**
  - Moderate width but poor depth of assortment; average to good quality; low continuity
- **Promotion**
  - Use of newspapers; brands not advertised; limited sales force

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Off Price Retailing Strategy (1 of 2)

- Pay vendor quickly with no promotional allowances, cooperative advertising funds, chargebacks, or markdown monies
- Do not promote brand name so as to anger department and specialty shops which are vendor's traditional customers
- Buy all of vendor's excess inventory, cancelled orders, returns regardless of color, size or style distributions



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Off Price Retailing Strategy (2 of 2)

- Pay 10 to 20 percent of vendor's traditional wholesale $500 jacket purchased for $50 and sold for $100; versus sold for $250 less allowances
- Can also arrange for vendor to produce special goods for off-price retailer to reduce loss on fabrics, and to keep subcontractors busy

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Factory Outlet Strategy Mix

- **Location**
  - Out of the way site or discount mall
- **Prices**
  - Very low
- **Atmosphere & Services**
  - Very low
- **Merchandise**
  - Moderate width but poor depth of assortment; some irregular merchandise; lower continuity
- **Promotion**
  - Little; self-service



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Factory Outlet Strategy

- Factory outlet as an outlet for unsold merchandise at traditional stores (ends, off season, returns, etc).
- Unspoken issue– making goods especially for factory outlet (less complaints from traditional retailers, but issue of comparative value). Can also diminish value of brand (Coach).
- Factory outlet as a means of bypassing off-price chains; also to control geographic distribution.
- Factory outlet as a means of attracting another market segment that retailer would normally not access.
- Factory outlet malls as cumulative attraction

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Membership Club Strategy Mix

- **Location**
  - Isolated store or secondary site (industrial park)
- **Prices**
  - Very low
- **Atmosphere & Services**
  - Very low
- **Merchandise**
  - Moderate width and poor depth of assortment; lower continuity
- **Promotion**
  - Little, some direct mail; limited sales force

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Membership Club Strategy

- Costco, BJ's and Sam's Club are key players
- Membership fee accounts for 85 percent to 100 percent of membership outlet's profits
- Costco- 14-16 percent gross margin versus 22 percent for supermarket and 50 percent for department store
- Will not accept higher profit margin due to concern for keeping 85 percent membership retention rate
- Response to Wall Street analysts that Costco is "too good to its customers and too good to its employees."

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Flea Market Strategy Mix

- **Location**
  - Isolated site; racetrack; or arena
- **Prices**
  - Very low
- **Atmosphere & Services**
  - Very low
- **Merchandise**
  - Extensive width but poor depth of assortment; lower continuity; variable quality
- **Promotion**
  - Limited; self-service



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