

Thirteenth Edition

# Retail Management

A Strategic Approach

## STRATEGIC PLANNING TEMPLATE

Please enter your analysis directly into the template below. By doing this, you will be developing a complete retailing plan. Good luck! [NOTE: You cannot make changes to this sample plan.]

**Brief Description of Retail Business:**

Sally's is a small, independently owned, high-fashion ladies clothing shop located in a suburban strip mall. It is a full-price, full-service store for fashion-forward shoppers. Sally's carries sportswear from popular designers, has a personal shopper for busy executives, and has an on-premises tailor. The store is updating its strategic plan as a means of getting additional financing for an anticipated expansion.

**1. Situation Analysis**

- **Current organizational mission:**

A high-fashion clothing retailer selling high-quality and designer-label clothing and accessories in an attractive full-service store environment.

- **Current ownership and management alternatives:**

Sally's operates as a sole proprietor and as an independent retailer.

- **Current goods/service category:**

Sally's offers ladies' coats, jackets, blouses, and suits from major designers, as well as a full line of fashion accessories (such as scarves, belts, and hats).

## 2. SWOT Analysis

- **Current strengths:**

- A loyal customer base.
- An excellent reputation for high-fashion clothing and accessories within the community.
- Little competition within a target market concerned with high-fashion.
- Acceptance by a target market more concerned with fashion, quality, and customer service than with price.
- Unlike consumers favoring classic clothing, Sally's fashion-forward customers spend a considerable amount of money on clothing and accessories per year.
- Sally's employs has a highly regarded personal shopper (who assembles clothing based on customer preferences, visits customers, and arranges for a tailor to visit customers).

- **Long-term strengths:**

- A fashion-forward image with the store's target market.
- Exclusive relationships with some well-known and some emerging designers.
- A low-rent location in comparison to a regional shopping center.
- Excellent supplier relationships.
- Loyal employees.
- Excellent relationships within the community.

- **Current weaknesses:**

- Difficulty in recruiting appropriate part-time personnel for peak seasonal periods.
- Small store space limits selection. Too often, the tailor does major alterations.
- Long delivery times for certain French and Italian designers.
- Lack of a computer information system to better enable firm to access inventory data, sales, customer preferences, and purchase histories.
- Limited expertise in social media.

- **Long-term weaknesses:**

- Sally's small orders limit bargaining power with vendors. This affects prices paid, as well as access to "hot-selling" clothing.
- The store's suburban strip mall location substantially reduces its trading area. The store gets little tourist trade.
- Over-reliance on the owner-manager, and on several key employees.
- No long-term management succession plan.

- **Current opportunities:**

- Sally's can hire another experienced tailor with a following to create a custom-made clothing department.
- The store can hire an assistant to better coordinate trunk and fashion shows. This would solidify Sally's reputation among fashion-forward shoppers and in the community.
- An adjacent store is vacant. Taking over this space would enable Sally's to increase its size by 50 percent.
- Sally's is considering enhancing its Web site. This would enable it to appeal to a larger trading area, promote more events (such as a fashion show), and provide links to designers.

- **Long-term opportunities:**

- The larger store would allow Sally's to expand the number of designers, as well as the product lines carried. This would also improve Sally's bargaining power with suppliers.
- A custom-made clothing department would enable Sally's to appeal to customers who dislike "ready-to-wear apparel" and to customers with highly individualized tastes.
- The enhanced Web site should expand Sally's market.

- **Current threats:**

- There are rumors that Bloomingdale's, a fashion-based department store, may soon locate a new store within 10 miles of Sally's. This could affect relationships with suppliers, as well as customers. Bloomingdale's offers one-stop shopping and has a flexible return policy for unaltered merchandise with its labels intact.
- The current local recession has reduced revenues significantly as many customers have cut back on purchases.

- **Long-term threats:**

- Many of Sally's customers are in their 50s and 60s. Some are close to retirement; others intend to spend more time in Florida and Arizona during the winter. The store needs to attract and retain younger shoppers.

### 3. Objectives

- **Sales:**

Achieve sales volume of \$4 million per year.

- **Profit:**

- (a) Achieve net profit before tax of \$300,000.
- (b) Increase inventory turnover from 4 times a year to 6 times a year.
- (c) Increase gross margin return on inventory (GMROI) by 50 percent through more effective inventory management.

- **Positioning:**

- (a) Reposition store to appeal to younger shoppers without losing current clientele.
- (b) Increase acceptance by younger shoppers.
- (c) Establish more of a Web presence.

- **Satisfaction of publics:**

- (a) Maintain store loyalty among current customers.
- (b) Increase relationship with younger designers selling less costly, younger apparel.
- (c) Maintain excellent relationship with employees.

### 4. Identification of Customers

- **Mass marketing:**

This is not a mass-market store.

- **Concentrated marketing:**

This is Sally's current target market strategy.

- **Differentiated marketing:**

Sally's might consider attracting multiple target markets: its current fashion-forward customers seeking designer apparel and accessories in a full-service environment; younger, professional customers who desire more trendy clothing; and fashion-forward customers who desire custom-made clothing.

## 5. Overall Strategy

### Controllable variables

- **Goods/service strategy:**

Merchandise is fashion-forward from established and emerging designers. Fashion accessories include such items as scarves, belts, and hats. The retailer has no plans to sell ladies' shoes or pocketbooks. Most of the designer merchandise is selectively distributed. A planned custom-made clothing department would enable Sally's to attract hard-to-fit and hard-to-please shoppers. Custom-made clothing shoppers would have a wide variety of swatches and fashion books from which to choose.

- **Location strategy:**

Sally's currently occupies a single location in a suburban strip mall. This site has comparatively low rent, is within 10 miles of 80 percent of the store's customers, has adequate parking, and has good visibility from the road.

- **Pricing strategy:**

Sally's charges list price for all of its goods. Included in the price are full-tailoring service, as well as a personal shopper for important customers. Twice a year, the store has a 50 percent off sale on seasonal goods. This is followed by 70 percent off sales to clear the store of remaining off-season inventory.

- **Promotion strategy:**

Sally's sales personnel are well-trained and highly motivated. They know key customers by name and by their style, color, and designer preferences. Sally's plans to upgrade its regular fashion and trunk shows where new styles are exhibited to current customers and potential customers. Sally's also maintains a customer data-base. The best customers are called when suitable merchandise arrives and are allowed to preview it. Some other customers are contacted by mail. The improved Web site will feature the latest styles, the Web address of major designers, color availability, and more. Sally's has a display listing in the Yellow Pages.

**Uncontrollable variables**

- **Consumer environment:**

Business is subject to the uncertainty of the acceptance of new fashions by the target market. Although Sally's wants to attract two additional segments (custom-made clothing buyers and younger buyers), there is no assurance that it will be successful with these target markets. The store needs to be careful that in seeking these new segments, it does not alienate its current shoppers.

- **Competitive environment:**

The rumored opening of a fashion-oriented department store in the area would significantly affect sales.

- **Legal environment:**

Sally's is careful in fully complying with all laws. Unlike some competitors, it does not eliminate sales taxes for cash purchases or ship empty boxes out-of-state to avoid sales tax.

- **Economic environment:**

Local recessions can reduce sales substantially.

- **Technological environment:**

Sally's is in the process of investigating a new retail information system to track purchases, inventories, credit card transactions, and more.

## 6. Specific Activities

- **Daily and short-term operation:**

Sally's policy is to match competitors' prices, promptly correct alteration problems, have longer store hours during busy periods, and offer exclusive merchandise.

- **Responses to environment:**

Sally's acts quite appropriately with regard to trends in the economy, competitor actions, and so forth.

## 7. Control

- **Evaluation:**

The new retail information system will better enable Sally's to ascertain fashion trends, adjust inventories to reduce markdowns, and contact customers with specific offerings. Sales by color, size, style, and designer will be more carefully monitored.

- **Adjustment:**

The retail information system will enable Sally's store to reduce excess inventories, maximize sales opportunities, and better target individual customers.