

A QUALITATIVE APPROACH TO STUDY THE FACTORS IMPACTING  
MICROMARKETING MERCHANDISING IN THE APPAREL RETAIL INDUSTRY

by

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(Under the Direction of Jan Hathcote)

ABSTRACT

The purpose of this study was to determine the importance of micromarketing merchandising in the apparel retail industry. Review of available literature was conducted to obtain variables that effected micromarketing merchandising in different industries. General merchandising managers of 20 apparel retail store chains were interviewed, A qualitative analysis of the transcribed interviews indicated that assortment, demographics, pricing, and customer loyalty were the variables that effected micromarketing merchandising in the apparel retail industry. The sub-variables in the study included lifestyle, ethnicity, store size and location, customer service and customer loyalty programs. Limitations and implications were discussed.

INDEX WORDS: Micromarketing merchandising, market segmentation, assortment planning, product pricing, customer loyalty, demographics.

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## CHAPTER 1

### INTRODUCTION

The retail industry is growing at a very fast pace. The market is large but customers are limited, hence the competition is high. Too much supply is chasing too little demand. Cities and towns are overstored, with numerous formats vying for attention in a mature marketplace. The products sold are of the same kind (Beninati, 1997). Currently, retailers are selling through different mediums like stores, catalog, Internet and telemarketing among others. In view of increasing competition, it is getting more and more important for retailers to better understand their market and customers, and provide them with the kind of products for which they are looking, as the right product would help the retailers gain an edge over their competitors.

Large retail chains have stores located in regions that not only differ in the climatic conditions, but also in demographics of the population. Some of the stores could be in resort areas, in downtown, in more formal set-ups or some in college towns. The needs of the population in each of these locations could vary to a great degree, and it is very important for a retailer to consider the variation while buying for different regions.

Globalization of the retail industry has increased customer options, making it a customer-dominated market. Whether it is an individual store or a large chain of stores, a customer will go to the store that satisfies his needs at the price that he is willing to pay.

But, societies are becoming fragmented and there is a huge variation among the customers in one location to the customers in another. According to U.S. Census data, the minority population rose by about 34% from 1990 to 2000, compared with a growth of just 5.9% for the Caucasian population. Over the past decade, household income growth of African American (32.5%), Hispanic (24.3%), and Asian American (23.1%) homes far surpassed that of Caucasian households, which was just 14.2%. That growth translates into greater buying power at retail level, particularly apparel retail, since minority groups rate fashion as high priority (“Crossing Cultures”, 2002). The social and cultural environment that the consumer lives in influences his behavior. Hence, it is becoming more important to structure one’s store based on the requirements of each location of the store in order to satisfy the customers. This is where micromarketing comes into the picture. Micromarketing involves customizing the products in the store based on the taste of local consumers.

Micromarketing merchandising is the buying of customized products using marketing mix elements to the store level instead of buying the same products for every store in the chain. It represents an interest of the managers of a retail chain to take large operation advantages and yet be able to operate with the flexibility of small independent neighborhood stores. It involves buying of products based on the requirement of customers of a particular area (Montgomery, 1997).

The way sellers sell in the market has been changing through stages of mass marketing, product variety marketing and target marketing. Mass marketing involves providing the same product to every consumer. Product variety marketing involves

producing two or more products that differ in terms of size, quality and so on. Target marketing involves producing products specific to the market and consumers. Today, companies are moving towards the concept of target marketing due to fragmentation of the markets. The concept of micromarketing has evolved with the difference in needs and lifestyles of the different micro markets. Micromarketing is being used by companies to tailor their marketing systems to fit the needs of target consumers based on geographic, demographic, psychographic or behavior segments (Kotler, Armstrong, Saunders & Wong, 1996).

A move towards micromarketing could help in retaining the cost savings of large national and regional chains while serving their customer by developing more customer-oriented strategies that cater to neighborhood markets, just as small independent neighborhood retailers have been able to do for a long time in the past (Montgomery, 1997). Americans are seeing a major shift from mass marketing to micromarketing as messages and products become customized to smaller and smaller groups of potential buyers. “If I am able to target my marketing program, I can increase the relevance of my message to the consumer as I decrease the clutter in the environment. I don’t have to drop 300,000,000,000 coupons if I have better-targeted delivery vehicles” (“Learning How to Target Consumers” 1993, p. 7).

It is important to design a marketing strategy that caters to the target market as it increases the chances of getting a favorable reaction from the customers and in turn may result in repeated purchases (Peter & Olson, 2001). The options available to customers are increasing. If a customer does not find what he is looking for in one place, he will go

to another. Sellers can focus on consumers who have greater purchase interest instead of scattering their marketing efforts to all the consumers (Kotler, Armstrong, Saunders & Wong, 1996).

Achieving customer loyalty is one of the most important factors in success of a store (Bonoma & Shapiro, 1983). If a customer does not find what he wants from one store, he will go to another. Unfortunately, every geographic area is made up of people with different tastes, buying habits, standards of living, and ethnic origins. To better understand the needs of customers, the market has been divided into segments and this process is called market segmentation. "It is the process of separating a market into groups of customers, prospective customers (prospects), or buying situations such as that the members of each resulting group are more like the other members of that group than like members of other segments" (Bonoma & Shapiro, 1983, p.1). By targeting a specific segment of the population and meeting their requirements, a retailer can achieve the loyalty of that segment instead of trying to please everyone. Segmentation theory proposes that groups of customers with similar needs and buying behavior are likely to demonstrate a homogenous response to marketing programs. Hence, if a business uses a segmentation approach it can use its resources to focus on a particular segment or a group of segments of customers that have homogeneous requirements. This allows for a more efficient application of resources and ensures that customer offerings are successfully targeted (Sollner and Rese, 1998). A seller needs to identify the segments that he wants to cater to, or identify his target population to make all the marketing efforts toward that particular segment to maximize profits.

The kind of assortment based on sizes, colors, styling, and variety, that is provided to the customer could be an important factor in determining the success of a retail chain. The micromarketing merchandising strategy is important in every type of retail chain, be it a grocery store, discount store, specialty store or an exclusive apparel retail store. Retail chains need to develop customer-oriented strategies that cater to the neighborhood markets, just as small independent retailers are able to do. The stores also have to combine the advantages of large operations with the flexibility of independent neighborhood stores. To understand the market, some of the large store chains have resident buying offices that provide buying advice and other market related services to the buyers of the stores (Montgomery, 1997). Market researchers study the customers of the regions they are assigned to and give feedback to the buyers in the corporate office that assists them in buying the right products. This in turn helps to increase profits, reduce markdowns and build customer loyalty.

Wal-Mart has combined human effort with technology to successfully implement the concept of micromarketing in the apparel division. The company believes that even among the plus sizes, each store has different requirements. Constant efforts are made to ensure that each store has the sizes that are demanded by the customers of that store. "The one size fits all concept simply doesn't work anymore in the retail industry," says Tom Coughlin, president and CEO of Wal-Mart Stores division. "Customers tell us what they want and it is our responsibility to meet those needs" ("Why Wal-Mart Works?", 2002, p. 23).

There is resistance to micromarketing in the industry, as it requires more people and creates additional overhead. Most companies have been reducing staff to cut costs as the first step to improving earnings in a no-growth marketplace. But, becoming a low cost company is not a sustainable competitive advantage. Micromarketing will not work with fewer people and no new systems to handle the requirements of the customers. Consumers are no longer a national mass body. People's purchase decisions are now heavily affected by where they live. For example, in the 1970s, McDonald's tested a new breakfast product called Egg McMuffin. It was a rousing success in the Midwest and Northeast but a disaster in the Southeast. At the time, most people in that region had never heard of eggs Benedict, it was also virtually impossible to find English muffins in the typical grocery store. National advertising was inappropriate. Only after the southeastern McDonald's franchisees developed a customized marketing strategy, which explained the product in a humorous way, did McDonald's have a winner in all regions of the country (Hapoienu, 1990). Hence, it is important to understand the concept of micromarketing merchandising and study all the factors that bring about micromarketing.

### **Purpose of the study**

Retail chain stores are beginning to understand the importance of meeting the customer needs in order to be successful. There has not been much research done in the area of micromarketing merchandising specifically to apparel retail chains. The proposed research attempts to determine the various methods of micromarketing merchandising employed by buyers in apparel retail chains. For example, some stores have a standard

stock list that require all stores in a retail chain to carry the same stock, whereas other stores use the optional stock list approach which gives each of the stores flexibility to adjust its merchandise mix to local tastes and demands. This research involved a study of the variables that influence micromarketing merchandising and also examined the impact of micromarketing merchandising on customer loyalty.

The results of this study will help retailers gain further knowledge about the importance of micromarketing merchandising in the apparel retail industry. The results also will help them understand how variables like product pricing, assortment planning, markdowns and sales are important in micromarketing merchandising which in turn helps in success of the store by achieving customer loyalty.

## **Objectives**

The objectives of the study were:

1. To determine if a relationship exists between product prices and micromarketing merchandising.
2. To determine if a relationship exists between markdowns and micromarketing merchandising.
3. To determine if a relationship exists between store sales and micromarketing merchandising.
4. To determine if a relationship exists between assortment planning and micromarketing merchandising.

5. To determine if micromarketing merchandising can lead to customer loyalty.
6. To determine the various methods of micromarketing merchandising employed by the buyers in apparel retail chains.
7. To determine if there are any other variables that influence micromarketing merchandising.
8. To determine the extent to which the above variables influence micromarketing merchandising.



## CHAPTER 2

### REVIEW OF LITERATURE

There have been a large number of studies conducted in the area of micromarketing merchandising. Many of them have been in areas related to market segmentation and psychology of micromarketing and have been largely conducted for discount merchandisers. But, there has been little research conducted in the area of apparel micromarketing.

#### **Theoretical framework**

Previous studies in the area of micromarketing merchandising identified numerous variables being influenced by micromarketing merchandising. Bauriol and Ide (1962) attempted to show how just one merchandise factor--variety--influenced sales, costs, and profits. The model developed in their study moved towards profit maximization for the firm, but failed to consider many of the merchandising factors that could be handled at the department level. Dalrymple (1966) attempted to develop a departmental decision model by considering variables like dollar profit, sales volume, square feet of space, average retail stock, initial markup percentage, and markdown in dollars. Though Darymple's study used a regression model, this study involved a qualitative analysis of the relevant variables for the concept of micromarketing merchandising.

A study of the available literature showed that product pricing (Montgomery, 1997), markdowns (Beninati, 1997), assortment management (Beninati, 1997), net retail sales (Mathews, 1995) and customer loyalty (Kalish, 1991) are variables that influence micromarketing merchandising. Based on the previous studies the following model is proposed:



**Figure 2.1: Proposed Model for Factors Impacting Micromarketing Merchandising**

The factors like pricing of the product and markdowns could be strongly impacted by the kind of consumers that a store is targeting. The pricing of a product also can be done on the basis of segmentation. Some products could be priced differently based on what a consumer in that area is willing to pay for it. The prices of products also could be changed based on the time of the year. The stores could be sensitive to markdowns based on the location. The possibility of markdowns dramatically increasing the store sales could be higher in college towns or areas that have lower standards of living. Hence the

factors like pricing and markdowns could form an important factor in micromarketing merchandising.

The assortment of products is another aspect that could be considered an important factor in micromarketing of products. The geographic as well as demographic factors would influence the kind of apparel that needs to be stocked in a store. Demographic factors include the ethnic population, college towns and so on, which would be a factor in deciding if the store needs to have more petite sizes or more fashion oriented products. The geographic factors will influence the stocking of winter or summer clothing or beachwear.

### **Micromarketing Merchandising**

A customer always looks for a store that has exactly what he wants. In the days when competition was less intense, a store could target a wide range of customers. However, it is getting more and more important to have a specific target group of customers and then provide the products that the group is seeking. America is experiencing diversity in the lifestyle of people. Hence it is important to determine what customer needs and satisfy their needs (Murray, 1998).

Stores like Target change their doll inventories based on which doll sells best in a particular area. The Chicago store carries Jays potato chips and the Phoenix store carries Saguro brand. The store inventory varies by a maximum of 20%. But, the customers feel good about getting the products or brands for which they are looking (Murray, 1998).

“Target’s micromarketing efforts also include: Minneapolis stores carry ice fishing gear, such as tents, to save and protect the fishermen from the cold; the Maryland Parkway store in Las Vegas has no fishing gear, but is heavy on camping equipment and bikes, since both are major local activities; the Greatland store in Woodbridge, Virginia, features a special section of Spanish language cassettes and compact discs in a separate section called Musica Latina, while the new store located 20 miles south, in Fredericksburg, Virginia, has no Spanish language music section”(Halverson, 1996, p. 31).

It is becoming more important to identify characteristics of customers of different geographic locations. It is also important to find out how the needs of a customer from one area differ from the needs of a customer from another. Retailers have tried to form clusters based on similarities among customers and then cater to their needs. Maps and spreadsheets are generated on the computer, which can tell what is selling at each store. These help in forming the clusters of stores for which the same micromarketing strategies are followed (“Making the Most of Micromarketing”, 1994).

Cultural habits, interests, attitudes and behavior of people from different ethnic origins remain as they were in their home country even though they are American citizens and are proud to be here. The needs of these consumers are different and their numbers are increasing. Hence a retailer needs to understand ethnic population segments in order to meet their requirements (Hillard-Jones, 1996)

Retail micromarketing involves profiling, targeting, attracting and retaining of consumers. A retailer needs to collect in depth information regarding the customer

through a variety of different methods. Profiling helps in identifying very small groups of customers that have similar characteristics. Once the retailer finds out the profiles of their customers, the retailer needs to decide which customer they want to target. The target customers are the most promising customers who are worth the time and can bring about a substantial increase in the overall sales. The customers can be divided into categories based on their purchase history and some unique characteristics that the customer possesses. The method used to attract these customers depends on these differences. The retailers use frequent buyer programs, continuity programs and frequency marketing to retain their customers. These programs require excellent micromarketing skills to be successful (Pearce, 1997).

Hence, the concept of micromarketing merchandising is gaining importance in the retail industry. It is becoming one of the major factors resulting in the success of retail chains and also one of the main aspects responsible for making the customers happy. Much research has been conducted in the area of micromarketing merchandising. After analyzing all the published research on this topic, the following variables seem to have brought about the concept of micromarketing merchandising: customer loyalty (Kalish, 1991), product pricing (Montgomery, 1997), assortment planning (Beninati, 1997), net sales (Mathews, 1995) and markdowns (Beninati, 1997).

### **Customer Loyalty**

How well a store manages to maintain its position in the market or become a successful retailer depends on its ability to adapt itself based on the changing needs of the

customer. The more a store meets the needs of a customer, the customer will be more loyal towards the store. Kalish (1991) conducted a study on micromarketing merchandising and found that customer loyalty is a very important aspect in the retail industry. The study pointed out that the customer profile keeps changing all the time and retailers require strategies that build market share through customer loyalty. Because there will be an increasing fragmentation of customer base through income polarization, ethnic diversity, lifestyle diversity the strategic advantage for sellers will be the ability to manage at the micro level. Retailers can survive with a strong merchandise mix, a good technology base, and building relationships with customers. The study also showed that success in retailing demands sensitivity to diverse customers and willingness to offer diverse products and services. The key will be to market not to the masses, but to individuals (Kalish, 1991).

A customer expects a retailer to have a knowledgeable staff available at all times. In addition, they do not want to wait for their purchases. It is becoming and more difficult to please a customer, which is very important to achieve customer loyalty. But, the pressures of modern life suggest that a customer will remain loyal to a store if it provides the right service and products. The retailer knows that it is complex to customize products for specific segments in different store locations, but retailers also understand that customizing products is also the key to achieving customer loyalty (Beninati, 1997).

Copulsky and Wolf (1990) in a study on relationship marketing also mentioned the importance of building customer loyalty. The study emphasized the need for building a database of their present and potential customers, which recorded information regarding

a wide range of demographic, life-style, and purchasing habits. Another important aspect was sending messages to these customers in different forms through established and new media channels based on the consumers' characteristics and preferences and tracking each relationship to obtain information regarding the cost of acquiring the lifetime value of his purchases. Thus, relationship marketing could become an important factor in success of a retailer.

Customer loyalty needs a corporate approach due to its high level of importance in retailing. A study conducted on store loyalty in the United Kingdom showed that consumers with smaller budgets not only seemed more loyal to stores than consumers with larger budgets but also spent double the amount in their first choice store (Knox & Denison, 2000).

It is not possible to meet the requirements of each and every customer. The concept of market segmentation postulates that if a store concentrates on a particular segment of consumers, it is then possible to meet their needs more precisely and maintain their loyalty to the store. According to a study conducted on customer loyalty as a basis for market segmentation, the profits of a store are directly related to customer loyalty (Enis & Paul, 1970). The determinants of consumer loyalty are the socioeconomic factors of the consumer and of the consumer household. The socioeconomic factors include family life-cycle stage, educational attainment, religious preference, occupation of the household head, automobile ownership, and intercity relocation in the last ten years (Enis & Paul, 1970). It is important to understand how all these concepts relate to the target customer to meet their requirements and gain the loyalty of the target customer.

Considering different aspects of customer loyalty, this concept proves to be of utmost importance. Understanding the needs of the customer and making sure that the store can provide for those needs becomes an important task for retail chains.

### **Product Pricing**

A study conducted by Montgomery (1997) for creating micromarketing-pricing strategies using supermarket scanner data showed that 75% of all profits are made on the products sold at everyday price. The everyday pricing does not need large advertising outlays; they are easy to implement, will not provoke a competitive response and can easily be a part of micromarketing merchandising. Currently, some retailers practice zone pricing which is a form of micromarketing. But, changing prices of individual products, for example, changing the prices of private labels in affluent neighborhoods where the market is not very price sensitive can result in higher profitability. The study showed that customizing prices by store could increase profits at the chains by 20% (Montgomery, 1997).

One of the most powerful and influential tools available to marketers is price. Price influences consumer purchase behavior and this in turn affects the sales of the retail store and the profits. A study conducted on consumer price sensitivity indicated that consumers with large incomes are not so price sensitive than the consumers with relatively small incomes (Han, Gupta & Lehman, 2001). Hence it is important to study the consumers and classify them based on their income level to meet their price requirements or to define the target population of the store.



A study conducted to examine the variability of brand price elasticity across retail stores based on ethnicity, income and brand determinants showed that the pricing decisions are often made after studying the local population and its sensitivity to price. The study also showed that the behavior of the consumer also relates to the variability of brand price across different stores in the same retail chain. The characteristics of the consumers can dramatically affect the way they buy. Between 1990 and 1997, the share of Hispanic consumer spending increased from 5.2% to 6.1% and a similar increase was seen among the African-American population. The chains that have stores located in areas with high population of these ethnic groups need to consider the price sensitivity of these groups in making decisions regarding store pricing. Findings indicate that there are advantages of having store specific pricing mainly when the retailer is able to set prices to increase profits by matching the prices to the customers who patronize a particular store (Mulhern & Williams, 1998).

The values and norms of different ethnic populations determine the way they buy. Research conducted to study the effect of culture on retail prices indicated that areas of the domestic market with large ethnic or immigrant populations have different cultural environments and this, in turn, can effect the kind of marketing mix that is required for that area (Ackerman & Tellis, 2001). A Chinese consumer will be careful about the amount he spends on a particular product not because he cannot afford to pay the price but because of the social norm of frugality among the Chinese (Ackerman & Tellis, 2001). Hence pricing becomes an important criterion for micromarketing merchandising.

## **Assortment Planning**

A study on assortment management established that most retailers are good at stocking a product in a store at the right time. But, making sure that the product is exactly the right one for the store is a difficult job. In American retailing supply exceeds the demand. With stores being located in diverse geographic locations, decision-making gets complex. The buyers in the home office are most aware of the sales trends, the fashion for the season and what the competitors are doing, whereas, local store managers and sales staffs are more aware of the needs of their customers, their changing requirements and the local events taking place. The suppliers manufacture for many different retailers and learn about the local trends with greater accuracy. They also can have a better idea about the lead-time for manufacturing and replenishment (Beninati, 1997).

The information from all three players, the buyer in the home office, store manager and sales staff, and the suppliers, should be considered in order to make decisions on assortment planning. Proper assortment planning helps in reducing markdowns, increases sales, reduces inter-store transfers and builds customer loyalty. A store that used inputs from the buyer, store manager and the suppliers to take care of the assortment of products showed a 12.5% increase in its profits. Most of the results were from reduction in markdowns (Beninati, 1997).

A study on effects of assortment on buyer preferences suggested that the product assortment not only helped in satisfying the wants of the customer, but also helped in influencing the preferences and wants of the buyer (Simonson, 1999). Some of the stores are developing a format that would meet the needs of consumers based on regional

differences. For example, the areas that have high Hispanic or Asian populations would require more petite sizes. The smaller towns would require a wider assortment of clothes, as these areas will have very few apparel outlets (Grewal & Levy, 1999).

Models of consumer choice of shopping destinations always include “assortment available to the customer” as one variable. How much choice needs to be provided to the customer is based on the target customers to whom the store is catering. A study conducted on assessment of assortment and ambience, showed that assortment offered in the store was a major decision making criteria for the customer to remain in the store or walk out to another store (Montgomery, 1997).

The size of assortment that would make a customer happy depends on the activities the customer is involved in and lifestyle of the customer. Hence, it is important to understand the customers and meet their needs. Thus managing the assortment becomes an important variable for micromarketing merchandising.

### **Sales and markdowns**

The aim of micromarketing is to make a group of stores into separate marketing units that satisfy the needs of its unique customer group. As the right product reaches the right customer, sales would evidently increase. This in turn would increase the chances of success of the store. If customers are happy, they would remain loyal to the store as this is an important aspect to boost the performance of the store (Mathews, 1995).

Retailers use markdowns to eliminate non-selling products or excessive merchandise. It is important to be careful with markdowns as they could drastically bring

down the profit margin. If a retailer is conservative with markdowns, they may realize high inventories and not have money to buy new products (Friend & Walker, 2001).

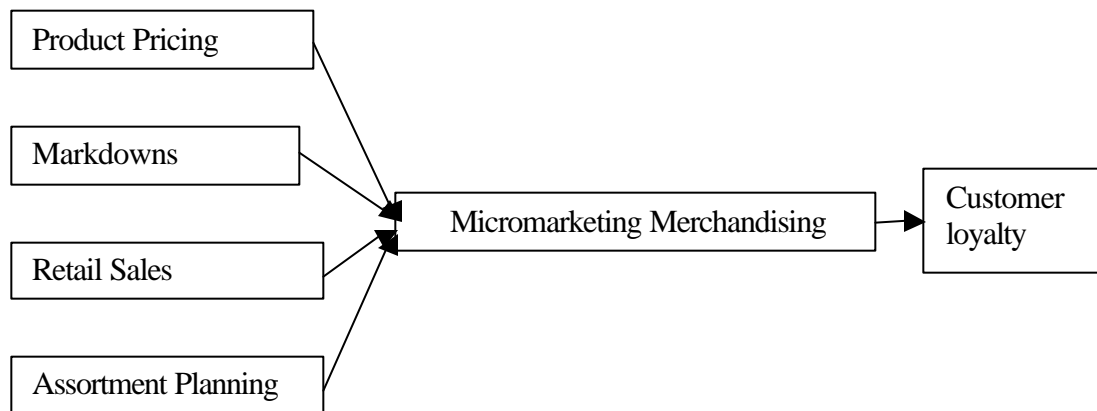
Retailers try to clear their inventories either by promotions of products or markdowns. These are both necessary to remain competitive, but can cause problems in bottom line profits. Retailers need to understand how much and at what price their customers will buy a product (“Revolutionizing the Retail Pricing Game”, 1999).

The markdowns that a store needs to do at the end of a season or for a slow moving product can influence the sales of the store. Understanding the customer and providing the customer what he needs could reduce the markdowns that a store needs to carryout. Hence, micromarketing merchandising is an important consideration for markdowns and sales.

## CHAPTER 3

### METHODOLOGY

Earlier studies on micromarketing merchandising have considered variables like pricing, markdowns, and assortment management. These variables have been tested to find out how they influence micromarketing merchandising. The increased segmentation of the market has made it necessary to adapt micromarketing strategies in every type of store chain. This study attempts to identify all the possible variables that influence micromarketing merchandising and also examine the influence of micromarketing merchandising on customer loyalty. A new model was created based on the variables from past research that have been found to influence micromarketing merchandising. The proposed model was as follows:



**Figure 3.1: Proposed Model for Factors Impacting Micromarketing Merchandising**

The study is based on grounded theory that makes an attempt to develop or generate a theory. No studies were found that considered the variables that influence the concept of micromarketing merchandising in the apparel industry. On review of available literature, a set of variables were identified and were tested to determine the influence of these variables on micromarketing merchandising in this study. The researcher tested, and modified the proposed model and generated new variables and relationships and ultimately developing a revised theory of micromarketing merchandising.

The purpose of Grounded theory is to generate or discover a new theory, an abstract analytical scheme of a phenomenon. “Grounded theory is a general methodology for developing theory that is grounded in data systematically gathered and analyzed. Theory evolves during actual research, and it does this through continuous interplay between analysis and data collection” (Strauss & Corbin, 1994). The theory relies primarily on in-depth interview data. The analysis of this data resulted in the development or generation of a theory closely related to the contexts of a phenomenon (Creswell, 1998).

**Operational definitions:**

**Micromarketing Merchandising:** Buying different assortments of apparel based on the store location and based on the needs of the local customers (Montgomery, 1997).

**Market segmentation:** Making segments in the market based on demographic differences in the market to choose a target market (Bonoma & Shapiro, 1983).

**Retail sales:** The total sales of the store (Weeks, Perenchio, & Miller, 1990).

**Assortment management:** Deciding the product mix to be bought for a store based on the requirements of the local customers (Beninati, 1997).

**Markdowns:** The discounts given on the products in a store (Weeks, Perenchio & Miller, 1990).

### **Research Questions**

The specific research questions were as follows:

1. Does assortment management have a relationship with micromarketing merchandising?
2. Does pricing of a product have a relationship with micromarketing merchandising?
3. Do markdowns have a relationship with micromarketing merchandising?
4. Do the overall sales of the store have a relationship with micromarketing merchandising?
5. Does micromarketing merchandising have a relationship with customer loyalty?
6. In what ways do the variables under study influence micromarketing merchandising?
7. Are there any other variables that influence micromarketing merchandising?

**Sampling and Data collection:**

Theoretical sampling was utilized for data collection (Miles & Huberman, 1994).

The Human Subjects permission was applied for and granted. The subjects of the study were general merchandising managers for the apparel segment of various retail chains.

The following criteria were considered while selecting the stores:

1. The stores were selected on the basis of volume of business, number of stores and location of stores.
2. The stores selected had to have a volume of above \$20 million.
3. The retail chain had to have stores located in geographic locations with different local populations or different weather conditions.
4. The stores selected were either department store chains or family clothing store chains.

Based on all the above criteria the stores were selected from the Sheldon's Retail Directory (2002). The stores were selected from the list of Departmental Stores and Family Clothing Stores. A list of 50 stores was made to randomly select 20 stores for data collection.



## CHAPTER 4

### RESULTS AND DISCUSSION

An initial phone call was made to all the 50 stores selected. Due to unfavorable economic conditions and many acquisitions and mergers, the final list had 28 stores. On contacting the general merchandising managers of all the 28 stores, 71% agreed to participate in the research. On their consent to participate in the study, an appointment for an in-depth phone interview was set up. The interview was tape-recorded and then transcribed.

#### **Data analysis**

The transcribed data were coded using open and axial coding (Miles & Huberman, 1994). With open coding, initial categories of information about micromarketing merchandising were studied by segmenting the information. Within each category, the variables under study were noted. Some other variables, which have not been taken into consideration but occur frequently in association with micromarketing merchandising were noted to add a new dimension to the theory being tested.

With axial coding, the data was assembled in new ways, based on how often the variables were mentioned, after open coding. The assembly process was carried out using a logic diagram, which centered on micromarketing merchandising and associated

<b>GMM</b>	<b>Years with the company</b>	<b>Number of stores</b>	<b>Annual volume in Dollars</b>	<b>Type of store</b>
1	2	404	3,330,000,000	Department Store Chain
2	4	104	Not Available	Department Store Chain
3	6	17	Not Available	Department Store Chain
4	10	Not Available	37,003,000,000	Department Store Chain
5	6	155	800,000,000	Department Store Chain
6	10	203	Not Available	Department Store Chain
7	8	238	5,918,038,000	Department Store Chain
8	9	118	3,589,938,000	Family Clothing Store Chain
9	3	48	Not Available	Department Store Chain
10	5	158	813,100,000	Family Clothing Store Chain
11	8	187	350,000,000	Department Store Chain
12	3	40	Not Available	Department Store Chain
13	7	81	Not Available	Department Store Chain
14	6	35	650,000,000	Family Clothing Store Chain
15	7	53	600,000,000	Department Store Chain
16	7	27	210,000,000	Department Store Chain
17	5	215	15,065,000,000	Department Store Chain
18	6	154	100,000,000	Department Store Chain
19	4	62	Not Available	Department Store Chain
20	6	1075	32,000,000,000	Department Store Chain

**Table 4.1: Demographics of the Data**

micromarketing merchandising with the variables that influence the phenomenon.

Micromarketing merchandising having emerged as a successful factor in the food industry has already begun to move into the apparel retail industry. In fact, it is a very important factor in the success of apparel retail chains. The interviews with the General Merchandising Managers of 20 retail chains generated four main factors that seemed to relate to micromarketing merchandising.

1. Assortment
2. Demographics
3. Pricing
4. Customer loyalty

### **Assortment**

The large retail chains have one corporate office and have to manage the buying for all the stores from there. Hence it becomes important for the buyers to understand the specific needs of each store and supply each store with what the consumer in that location is looking for. The following were the ways most stores find out the different requirements of stores in different areas:

1. Zoning or grouping of stores into segments
2. Checking the daily sales figures
3. Regional merchandisers
4. Interacting with store managers
5. Store visits
6. Market researchers

Assortment planning appeared to be one of the most important factors in micromarketing merchandising. In general the assortment of products seemed to depend on the climatic conditions in the area where the store is located, store size, ethnicity and the lifestyle of the consumers in that area.

“Some stores have more younger population and they need to stock more outfits that suit the requirements of younger population and have to stock younger designs kind of brands. We look at the history of the stores, try to find out the kind of clientele that the store has had and then plan the buys according to that ” (GMM1).

All the retail chains that were a part of the study grouped their stores into zones to enable micromarketing merchandising. Though there were differences in the way the retail chains grouped their stores, the most common method of grouping was based on the geographic location of the store. The stores were grouped as Northern stores or cold climate stores and Southern stores or warm climate stores. Some of the grouping was also done based on the kind of population that the stores catered to. Resort stores, Hispanic stores are some of the examples of grouping based on the target population.

“As we have so many stores in so many different areas, if we do not have grouping of stores we would be putting wrong merchandise in the stores and we would also probably be mistiming the products like putting sweaters in a store that does not require it at all. Once you have a strong understanding of your stores, and what makes up the store, that helps in assorting and buying for those stores. This would enhance the opportunity to sell” (GMM4).

“South and South-East will carry brighter colors, more traditional colors in North and North-West and in South-West we would like to put more dusty colors or the colors of desert, more oranges. In West we would carry more petite size due to higher Asian population and in Mid-West we would carry more large sizes. We have history to tell us to make these choices” (GMM15).

The concept of regional merchandisers was not very common. The retail chains preferred to have a store manager giving the feedback to the corporate office. This helped the buyers get a better idea about the requirements of the consumers in each location. The buyers also visit stores to have direct interaction with the consumers and the managers to get first hand information about the consumer.

Some companies use market researchers that obtain information about the demographics of the store location. As the demographics of a location do not remain constant, market researchers play an important role in keeping the information updated. This gives an idea about the composition of the target population and in turn helps the buyers decide the sizes, colors and styles that they need to buy to achieve better sales. Many companies conducted focus group interviews to get to know their customers better. The focus groups help them understand what the consumers are expecting from the companies, what kinds of products need to be stocked and what products are best suited for their lifestyle needs. This helps the retailers to better understand the consumer and then micro market their products based on the needs of the consumer.

“We have a marketing department and geo-demographic department that looks at the sales on quarterly basis and continue to update the information so we can make changes. The store base does change” (GMM3).

### **Climatic condition**

Most companies zoned their stores based on warm weather stores or cold weather stores. Based on the kind of weather condition that the store has at any given time, the

deliveries are made based on what the store will sell in that season. The stores carry the same cold weather or warm weather clothes, but the difference in the time at which the stores carry a particular product is planned need based. The differences in weather conditions in different geographic regions lead to differences in lifestyle habits of consumers (Kotler, Armstrong, Saunders & Wong, 1996).

“We make sure that in our Northern stores, we send winter clothes before we send them to our Southern stores. The buyers place an order for one range of winter clothing and then plan the schedule of deliveries to different stores based on the climatic differences” (GMM18).

### **Store size**

The companies determine the size of the store that they open in any location based on the buying capacity of the consumers living in that area. Hence, the assortment seems to be influenced by the store size. If a store is bigger in size, then the store usually has the capacity to sell more and hence, the store carries a wider range of colors and styles. Also, a company opens larger size stores in bigger cities or cities with higher population. The quantities are not increased to fill up space, but a greater variety and options are offered because the store is capable of selling larger volumes. Hence, the store size helps in deciding the assortment of products to be stocked in the store.

“Bigger store give us better sales and so we try trendy stuff there first, like maybe in a bigger city we send more trendy stuff and then send it to smaller stores later as it might take a while for the fashion to get there” (GMM2).

## **Ethnicity**

Ethnicity of the region plays an important role in what will sell in that region. Some of the stores include a category of Hispanic stores in their store zoning if they have a bigger Hispanic population where their store is located. Understanding the ethnic preferences not only helps in deciding the assortment of colors and styles, but also the sizes of the garments that a store needs to carry. The store locations that have more Asian population need to carry more petite sizes. Though buying different sizes for each store location did seem to be a factor that would increase the store sales, very few stores actually have managed to implement it. Implementation of a system for buying different sizes for different store locations came across as a difficult task for retailers that had fewer stores in total and also did not have the kind of vendor base that would accommodate manufacturing different sizes based on the needs of an individual store. The retail chains that have managed to buy different sizes for different stores agree that it has helped them improve their sales and reduce markdowns. Hence, the information about ethnicity of the population appeared as an important factor in assortment planning.

“If the market has more Asians it will sell more petite clothes, some areas are more upscale and we can sell more expensive clothes, some areas are more casual and we can sell more casual clothes” (GMM5).

“Some areas sell a lot more long skirts as they have populations that would wear such clothes. Like Texas has a very ethnic make-up and a lot of times they buy labels a lot more as it is a status symbol for them to show that they are wearing brands. Hence,

many times it depends on the religious groups and culture of people living in that area” (GMM1).

### **Lifestyle**

Lifestyle of a region can be defined as the standard of living or occupation of the majority of the population of a particular region. The assortment that the stores carry differs based on whether the store is located in a college town, business area, downtown, resort area or rural area. If a store is located in a business area, they need to carry more formal clothing. The stores that are located in resort areas need to carry more bright colors and beachwear. Hence, lifestyle influences the assortment of the apparel that is stocked in a store.

### **Demographic factors**

#### **Store location and size**

Micromarketing merchandising was strongly influenced by the demographic factors in the area where the store was located. Other than the influence of demographic factors in the assortment to be carried in the store, it also was apparent that the demographics play a major role in the way the stores are grouped based on location. The grouping is done based on whether the store is located in cold or warm climate, the ethnic makeup of the people in that particular region whether the store is located in urban, rural or resort areas.



“If you are emphasizing the right demographics and the right color palette then you should be maximizing the sales. Without that, if you were placing your goods regardless of temperature, regardless of information available to you, you would experience lower sales and higher markdowns and soon be closing doors” (GMM3).

The position or location of the store in terms of whether it is located in a strip mall or a large enclosed mall or next to a grocery store plays an important role in determining the kind of products that need to be stocked in the store. Hence, this is another aspect of store location that influences micromarketing merchandising.

The population of an area and the affluence or buying capacity of the people determines the size of a store. Most retail chains have market researchers that visit the market to find out the demographic details before they decide the size and location of the store they need to have in any given place. What a consumer wants and needs varies very closely with the demographics of the area where the consumer resides. Hence, demographic factor of an area is a very important factor influencing micromarketing merchandising.

## **Pricing**

### **Store location and size**

The initial idea that some stores price the same product differently based on the store location did not hold true. With an exception for one large volume department store, most retail chains had one price for a particular product all over the country, irrespective of the store location. The only variation that the stores have is an entire new range of

products with higher pricing based on the location and size of the store. If a store is located in an area with higher average income or if a store has demonstrated the capability of selling higher priced products, it will then carry a brand that has a higher average selling price.

“If a store is in a place where there are more office going women, we will have more career clothes. If a store shows ability to sell higher prices products, we will keep more high priced brands and less of moderate brands” (GMM 13)

### **Customer loyalty**

The retail chains achieved customer loyalty mainly through providing good quality products, good designs, the right price and what a consumer was looking for. Hence, micromarketing merchandising and customer loyalty seemed to go hand in hand. Two main ideas that most retail stores seemed to follow for achieving better customer loyalty were superior service and customer loyalty programs.

### **Service**

Relationship marketing was the most popular practice among the retailers. The sales staff works on building better relations with the consumers to make them feel important. Making each consumer feel that they can get anything that they are looking for and providing them with the best service is what each store seems to be trying to achieve.

“We have additional sales associates in our stores, send thank you notes, we invite our customers to the stores for special shopping, most of our store managers are

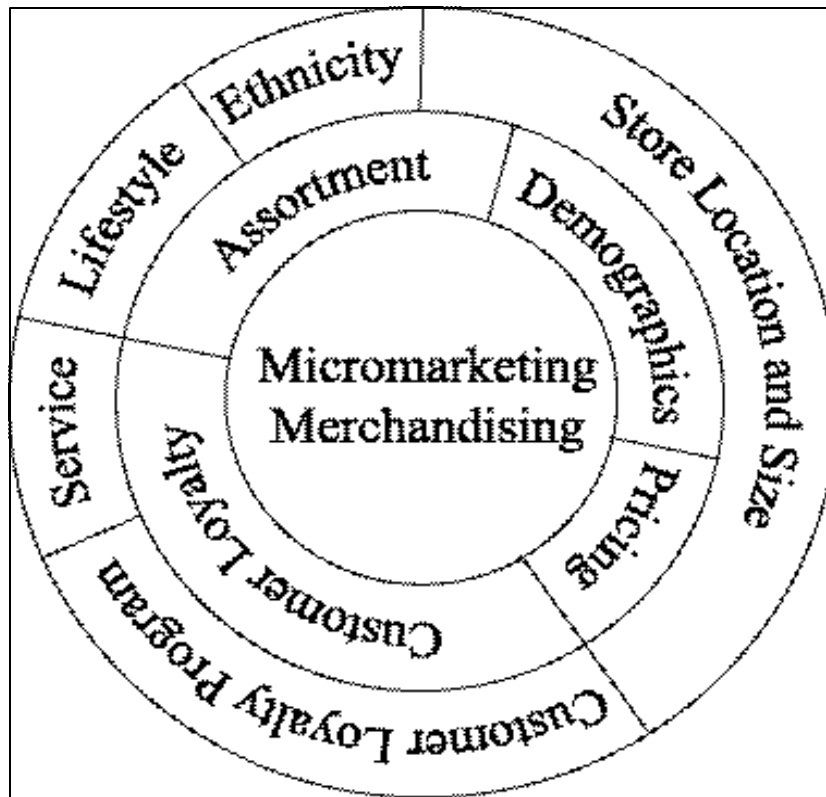
encouraged to spend most of their working day on the floor. So, we try to make our customers feel important and try to keep a one to one relationship on daily basis” (GMM10).

### **Customer loyalty programs**

The retail chains have customer loyalty programs, which are mainly in the form of offering credit cards which when used for purchases would give further discounts to the consumers. Extended credit periods also entice the consumers to buy from a store. The loyalty programs also help the stores to send mailings to regular consumers to inform them about sales or any other events in the store.

After considering all the factors and their influence on micromarketing merchandising, the proposed model (Figure 1) was revised to create a new model. It was found that all the variables were closely related and influenced one another and it was not possible to determine which variable leads to micromarketing merchandising and which variable micromarketing merchandising influences. Hence, Figure 2 best represents the findings of the research.

Micromarketing merchandising is influenced by assortment, demographics, pricing and customer loyalty. Assortment, in relation to micromarketing merchandising is influenced by lifestyle, ethnicity and store location and size. Demographics and pricing are both influenced by store location and size. Customer loyalty, in relation to micromarketing merchandising is achieved through service and customer loyalty programs.



**Figure 4.1: Final Model for Factors Impacting Micromarketing Merchandising**

## **Discussion**

### **Discussion of objectives**

- 1. To determine if a relationship exists between product prices and micromarketing merchandising.**

Analysis of the data collected showed that there was a relationship between product pricing and micromarketing merchandising. Only the high volume department stores differentiated their pricing for the same product in different stores, but most stores had the same price on the same product in each store. The stores differentiate in the pricing,

by buying higher price range products or brands for a store that is located in an area with higher average income or area that have shown the capability of selling higher price products.

**2. To determine if a relationship exists between markdowns and micromarketing merchandising.**

There seemed to be no direct relationship between markdowns and micromarketing merchandising. The interviews revealed that none of the stores make a store specific markdown. Though some of the stores mentioned that they would like to track the markdowns better, this was mainly for the purpose of getting a better idea about the reasons why the markdowns were being made. If any product is marked down, the new price is available in every store that carries that particular product. A few stores have a system where a store is allowed to markdown a product if it has been in the store for a particular length of time, but this did not appear to be a very popular or commonly used method. Hence, it can be said that markdowns are not related to micromarketing merchandising.

**3. To determine if a relationship exists between store sales and micromarketing merchandising.**

The analysis of the interviews showed that the total retail sales of the store was a product of a large number of factors. Hence, it cannot be said that there is an obvious relation between the store sales and micromarketing merchandising.

**4. To determine if a relationship exists between assortment planning and micromarketing merchandising.**

Assortment planning appeared to be a variable that was strongly related to the concept of micromarketing merchandising. The assortment that a retail store carries depends on many factors like lifestyle, ethnicity and store size and location. Learning about all these factors assists retailers in planning the assortment of products that each individual store should carry. Hence micromarketing merchandising plays an important role in planning of an assortment in buying for a larger retail chain.

**5. To determine if micromarketing merchandising can lead to customer loyalty.**

According to the analyzed data, customer loyalty evolved through micromarketing merchandising. If the stores provided the customers with the kind of assortment they were looking for, the kind of pricing of products that they were capable of paying, kind of stores they liked shopping in, the stores achieved customer loyalty. Customer loyalty was achieved through service and loyalty programs. Though it could not be said that only micromarketing merchandising can lead to customer loyalty, as customer loyalty can be achieved through some other factors like loyalty programs, better service, it was found that micromarketing merchandising and customer loyalty are related to a certain extent. It was found that micromarketing of the products based on the customer requirements will make a customer loyal to the retail chain.

**6. To determine the various methods of micromarketing merchandising employed by the buyers in apparel retail chains.**

All the stores included in the study zoned their stores based on climatic, demographic or ethnic factors. These factors came across strong in the interviews. The stores also employed differential price range factor in the stores based on the affluence of the consumer base in different store locations. The retailers bought different assortments of colors, sizes and styles based on the requirement of the local population keeping the taste and preferences of the population in mind. The main reason for giving the customer what he was looking for was to get the customer to keep coming back and buy more and in turn achieve customer loyalty. Hence, assortment, pricing, demographic and customer loyalty came across as the main factors influencing micromarketing merchandising.

**7. To determine if there are any other variables that influence micromarketing merchandising.**

The factor that was not considered in the proposed model of micromarketing merchandising was demographics. The sub-variables under demographics were the store location and size. Assortment planning was a part of the proposed model, but the research showed that assortment planning has certain sub-variables like lifestyle, ethnicity and store location and size that influence micromarketing merchandising. Customer loyalty also included sub-variables like service and customer loyalty programs.

## **8. To determine the extent to which the above variables influence micromarketing merchandising.**

The basis on which this study can provide information about the extent to which the variables included in the study influence micromarketing merchandising is the number of people that mentioned the variables and the importance they seemed to give to that variable. Assortment appeared to be the most important variable that influences micromarketing merchandising. Most retailers believed that a good assortment of products could result in higher sales, lower markdowns, and lead to customer loyalty. The second most important factor was demographics. Understanding and learning about the demographic differences would help a retailer buy the right assortment. Pricing of products and customer loyalty both have equal importance in their influence on micromarketing merchandising.

### **Implications**

The study helps explain the importance of micromarketing merchandising in the apparel retail industry. As the concept of micromarketing is being accepted more and more in other areas like food and sports, apparel is an area, which could highly benefit with micromarketing merchandising. Learning about the importance of micromarketing merchandising would help buyers plan their buy for all the stores based on the differences in each group of stores. Understanding the extent to which different variables like assortment, demographics, pricing and customer loyalty influence micromarketing will help retailers make a good start towards implementing micromarketing merchandising in



the apparel retail industry. Implementation of micromarketing merchandising would in turn help the stores grow and increase sales and profits.

### **Limitations**

1. The study was limited to only those stores whose managers agreed to participate in the study.
2. The study was also limited on the basis of number of stores and volume of sales.
3. The study was limited to the apparel division of the store.
4. The study was limited to retailers that had stores in different regions of the country.

### **Further research**

There are many opportunities for further research in this area. As this study is qualitative research, similar data can be collected to conduct quantitative research project to determine to the extent to which the variables used in this study influence micromarketing merchandising. Each of the variables used in this study have sub-variables that also can be quantified through quantitative research.

Some other factor like markdowns, which did not appear as a significant factor influencing micromarketing merchandising according to the interviews, might be studied further. Markdowns could possibly be influenced by the demographic factors of a location. Thus, further research to determine the influence of demographics on markdowns could make markdowns an important variable in micromarketing merchandising.

Another aspect that can be researched is to understand the concept of micromarketing merchandising through the consumer perspective. Research could be conducted to understand what the consumer understands by micromarketing merchandising and what level of micromarketing does the consumer expect to find in the apparel section in a store.

## CHAPTER 5

### CONCLUSION

Micromarketing merchandising is a very new concept in the apparel retail industry. The retailers are beginning to understand the importance of this concept and have started making efforts towards implementing it. The study clearly indicates that the retailers understand that there is a big difference in the customers in every store location. Unless the retailers manage to differentiate their buying patterns based on the differences in the population, climate and ethnicity, they will not be able to compete in the highly competitive market. Understanding the differences in the customers in different parts of the country and giving the customer what he is looking for will go a long way in the success of a store.

Taking the results of the study into consideration, the retailers need to make extra efforts towards understanding the demographics on the area their stores are located in, and work towards planning the assortment, and pricing of the apparel products. Based on the differences in the general behavior of the customers, the retailers also need to make changes to their services and loyalty programs. Based on the results of the study, it can be stated that micromarketing the apparel division of stores will show a marked increase in the net retail sales

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APPENDIX A  
CONSENT FORM

I agree to take part in the research study titled“ Importance of Micromarketing Merchandising in the apparel retail industry”, which is being conducted by Jaya Halepete (706 546 5755) of Textile, Merchandising and Interiors department at The University of Georgia under the guidance of Dr. Jan Hathcote (706 546 4907) of Textiles, Merchandising and Interiors department. I do not have to take part in this study; I can stop taking part at any time without giving any reason, and without penalty. I can ask to have information related to me returned to me, removed from research records or destroyed.

The following points have been explained to me:

The reason for this study is to find out the variables that influence micromarketing merchandising in the apparel retail industry.

1. I will be interviewed concerning the micromarketing merchandising techniques followed by my company along with the variables that influence micromarketing merchandising.
2. I understand that the interview will be tape-recorded.
3. I understand that all the information I provide in the interview will be confidential and only the researchers identified above will have access to this information.
4. I understand that I am not obligated to complete this interview and I may withdraw my consent any time.

Although no discomforts or stresses are foreseen during participation, I understand that I may refuse to answer any question I don't feel comfortable discussing during the interview. I give permission to the researchers to use the quotations from my interview as data in a published paper, with the understanding that my identity and that of my company will not be revealed in the said paper.

I also understand that I may contact the researcher at a later date and ask any further questions concerning this research. Her contact details are:

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For questions or problems about your rights please call or write: Chris A. Joseph, 606A  
Boyd Graduate Studies Research Center, Athens, Georgia 30602-7411; Telephone (706)  
542-3199; E-Mail Address [IRB@uga.edu](mailto:IRB@uga.edu).

APPENDIX B  
QUESTIONNAIRE

1. Name:
2. Company:
3. Store:
4. Position:
5. Product category:
6. How long have you been working in the company?
7. How long have you been in the current position?

**Questions related to target market:**

8. What is your target market? (Looking for Sex, Age, Income, Lifestyle)
9. How do you try to meet the needs of target market?
10. Does the target market differ based on the location of the store?
11. How does the target market differ based of the location of the store?
12. How do you find out about the differences in different regions? (Market researchers, regional merchandisers etc)
13. How do you keep the information about these differences updated?
14. Why do you think it is important to have all the information about the differences in the population?

**Questions related to micromarketing merchandising:**

15. Do you have any grouping of stores based on the location, population, size of the store?
16. How do you do this grouping? (Local population, geographic location, income levels etc.)
17. Is there a difference in the buying pattern for different group of stores?
18. How do you find out about the customer requirements of different store locations?
19. How does dividing the store into segments help the store? (Looking for Assortment management, mark downs, pricing, sales, customer loyalty).

**Questions related to Pricing:**

20. Do you have different pricing for the stores based on location?
21. If yes, on what basis is the pricing done?
22. Does the same product have different price in different stores?

**Questions related to Assortment Management:**

23. How do you manage the assortment of products?
24. Does the product assortment vary based on the segmentation of the stores?
25. How does proper assortment management help the store? (Sales, reduced markdowns, customer loyalty).

**Questions related to markdowns and sales:**

26. What are the factors that influence markdowns?
27. Have you done anything specific to better the return on investment?
28. Has there ever been a major reduction in markdowns? If yes, what has been the reason?
29. Is the markdown done on store level?

**Questions related to customer loyalty:**

30. What are the factors that you think influence the customer loyalty?
31. Do you think that modeling the store based on the local population will help achieve customer loyalty?