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Marketing Management in Retail Chains

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ABSTRACT

In the modern market relations, marketing plays one of the most important roles in the economy of the enterprise. The market economy shifts the focus in the center of economic activities, which is enterprise. Proper establishment of marketing structures affects the functioning of the enterprise as a whole and its financial activities. In the modern market, retail chain strengthen their positions, few skeptics will challenge the fact. It should be noted that this type of activity is present in a variety of industries: insurance, food, services, technology etc. But the most developed is the market of FMCG (fast moving customer goods). Today, there is a trend of displacement of small businesses by the predominating chains. The research topic was not chosen accidentally as it is relevant in the modern realities of the Russian economy. Marketing management in the enterprise is widely studied by foreign researchers, practitioners and theorists in those countries that have positive long-term experience in the field of marketing and its application. In Russia this issue is insufficiently studied, especially when its practical application in the enterprises of the domestic retail chain is concerned.

JEL Classifications: M11, M31, M37.

Keywords: Marketing, marketing management, retail chain, FMCG, integration, integrated marketing communications, retail technology, online resource, off-line resource.

1. INTRODUCTION

The basic concept of the study is our understanding that marketing, professional and reactive management becomes the key to the success and profitability of a retail chain, as well as its competitiveness.

Progressive development of an enterprise is not possible without a well-functioning marketing department, without accumulating positive experience and applying it in practice. In a constantly changing market with changing customer needs, it is necessary to keep up with the trends and use all available marketing tools, integrating them into the production process. The needs of customers grow, while their financial possibilities are decreasing, there is also a growing number of entrepreneurs. Therefore, a successful enterprise can follow market trends, which is ensured by the efficient work of its marketing department.

Well-established retail chains, which have been in the Russian market for more than fifty years, are well aware of the importance of marketing management in the enterprise. Their role in the market is more than obvious. They are convenient to customers, their principle is “being within walking distance”, they offer possibility to save on fast moving customer goods. Such enterprises have the capability to reduce the prices due to their turnover.

2. MATERIALS AND RESEARCH METHODS

The methodological basis of this study are the works of foreign and domestic authors, who studied the development of marketing in chain retailers: I.A. Arenkova, A.E. Arkhipov, K.V. Afonina, B. Berman, J. Burnett, C. Barry, S. Godin, E.P. Golubkov, E.I. Gribkova, A.Y. Danilina, P.R. Dichtl, M.R. Zobnina, V.V., Zunde, F. Kotler, K. Keller, S. Moriarty, R.B. Nozdryov, T.V. Naumenko, A.Y. Potapenko, A. Pulford, P. Smith, A.V. Ulianov, F.I. Sharkov, H. Herchen, R. Evans.

3. DISCUSSIONS

The head of a modern retail chain enterprise understands that successful functioning in the market, profitability and efficiency depends on effective management of all structures, market research of customers and competitors, on making correct decisions, as well as on the analysis and formation of the main concept. Marketing department of the enterprise is responsible for this. In order to improve marketing activities quality management is necessary.

We also encounter marketing in everyday life, it affects the interests of all market participants on a daily basis. That is why this topic gained such a wide popularity in our country and the world in general.

Most professionals resort to integration of all components of the marketing policy of the enterprise. In the modern market, approaches to management of integrated marketing communications are based on adaptive combination of methods of market regulation, timely information management, on the use of methods marketing decisions support, and on the development and management of enterprises as open systems. In addition, the problem of search of rational and effective management of integrated marketing communications and the development within the boundaries of the marketing activity of a company is of special relevance.

4. THE ESSENCE OF MARKETING MANAGEMENT AT THE ENTERPRISES OF CHAIN RETAIL

Today there are many definitions of marketing in academic literature. The most popular of these is the definition of F. Kotler. Marketing is an art of creating and promoting goods, as well as maintaining customer interest (Kotler, 1997).

It is impossible in fact to single out one definition in such a wide variety, because marketing in modern conditions is considered to be a business philosophy, a set of actions for the promotion of products on the market. The application of marketing in practice in many companies is seen as a socio-economic process that meets the needs of customers and their demand. Marketing is the process of learning customer preferences, their opportunities, it is activation of all resources of the enterprise to meet them (Dihtl & Herchen, 2010).

Today's high level of competition makes retail chains to apply all efforts to produce innovative approaches to marketing management and to the creation of advanced methods of product promotion. An effective approach to technology of organization of effective commercial activity of a chain is based on the use of integrated communication complex as an important streamlined and optimized impact of retail on customer's decision.

More and more investment today goes to retail chains. the Russian market of retail trade is in the top ten. Recent studies have shown that the share of retail trade of food products is almost 50% of the total retail sales (*“Notes of a Marketer. Classification of Retail Chains?”*).

The first chains appeared in Germany in XV - XVI centuries. Rich butchers and shopkeepers expanded their trade by opening several retail shops, bakeries, butcheries etc. under one trade name. In 1930, the first self-service supermarket opened in New York. By the end of the 1930s the city had several thousand outlets operating on the principle of retail.

For retailers, the classification principle is characteristic which includes: product matrix, types of equipment, the number of cash desks, floor space, design etc. The classification of Russian retail chains is shown in Table 1.

Table 1: Classification of chain retailers

<i>Type</i>	<i>Features</i>	<i>Example</i>
Hypermarket	<ul style="list-style-type: none"> – up to 80 thousand types of various goods; – attractive presentation of the goods; – assortment separation in the store; – low prices; – a large number of free parking spaces, free shuttle buses for buyers, credit cards, delivery service. 	Lenta, Auchan, Metro
Supermarket	<ul style="list-style-type: none"> – focus on the weekly basket; – sales area 1000 – 3000 sq m; – nonfood products comprise 10%; – complete line of products and service 	Magnit, Tabris, Pyatorochka, Perekrestok
Mass-market	<ul style="list-style-type: none"> – provide customers with products and services of medium quality at affordable prices; – offer the widest range that is able to meet the needs of customers with average income 	Lenta, Okay
Discounter	<ul style="list-style-type: none"> – goods exhibited in the transportation packaging; – a minimum of staff working in stores; – dimmed lighting; – strong, but structurally simple equipment. 	Pyatorochka, Karousel

<i>Type</i>	<i>Features</i>	<i>Example</i>
Corner shop	<ul style="list-style-type: none"> – placed at walking distance; – focus on day-to-day customer basket; – 60% of assortment are products that people buy every day everyday; – small floor area; – provide customers with products and services of medium quality at affordable prices 	“Kurochka”, “Alyona” etc.

*Note: Examples of retailers are from the city of Krasnodar, Russia

Many types of communication may be used to distribute marketing messages. This process can be done through a pre-designed program of marketing communications, as well as through unplanned use of the elements of marketing mix and other methods of establishing contact with the customer. Along with this, to reach a marketing contact with the customer planned and unplanned marketing messages can be used.

Among the main methods of influencing the customer’s decision is the product packaging. It is also advertising: posters, special price tags, booklets, catalogs (periodic magazines), gifts attached to the product (for example, 2 for the price of 1), souvenir products, etc. Important way of attracting retaining and customers is personalized sales, which include a range of activities (Table 2).

Table 2: Chain of actions to promote the product in a retail chain

<i>No.</i>	<i>Company’s actions in the store</i>	<i>Explanation</i>
1	Merchandising	Shelf displaying, positioning of goods on appropriate shelves, highlighting goods
2	Bundling	Bonus item: when buying two items the third is free
3	Souvenirs	Gifts with the retailer’s logo (spoons, balls, pencils, glasses, measuring cans, etc.)
4	Price reduction	Reduction of the price on a particular item of product at a specific chain
5	Advertisement	TV commercials, billboards, radio ads
6	POSm – materials	Posters, special price tags, wobblers, shelfstrips, attracting the attention of the customer
7	Promotions	Events such as free product tastings, gifts, entertaining customers by a group of animators in original clothes, competitions, presentations
8	Additional places of sales	Installing proprietary equipment at the point where additional company’s products will be accommodated, occupation of additional space in the refrigeration equipment of retail outlets, installation of the pallets with the products, using ends or pontoons to place promoted items

The main feature of retail is a high diversity of offered products and services in one place. This reduces maintenance costs, reduces costs, and increases competitiveness. It all amounts to retail technology.

Retail chain is a chain of stores of the same format, with one owner, a unified system of logistics, procurement, and product policy. These aspects allow to reduce costs and, therefore, to offer the customer a reduced price. Low price and regular availability of popular range of products, the proximity of outlets attract a large number of customers and generates large profits through large turnover.

The FMCG market in Russia is developing, with a high level of competition, wide range of products and reasonable prices. The development of retail market both the West and in Russia is influenced by changing consumer demands.

According to experts, the progress of retail chains has a positive impact on the development of large vendors. Cooperation with the chain operator gives the possibility of obtaining a significant market share, achieving a high level of sales, customer loyalty and profits. The advantage of cooperation with chain retailers is high return on investment, tangible prospects for market expansion due to the natural elimination of competition - primarily small shops. The chain provides more favorable conditions for the placement of branded material and promoted products. The trend of development of marketing in Russia is its culture, while any product needs to be consistently improved and changed.

However, for a producer the presence in the retail chain is costly. Typically, the costs include bonuses for the turnover, entrance fees, high marketing budget, fee for the extension of the shelf space (shelf share), fee for placing a new range and its extension, penalties etc. In addition, there are all sorts of costs for logistics, merchandising, and promotions. Despite all the difficulties, costs and conditions, it is profitable to work with companies in retail chain.

To enter the retail chain a manufacturer must offer:

- a wide range of products with emphasis on certain groups of the range;
- depth of assortment in core categories; concentration on a specific group of buyers; concentration on specific geography;
- uniqueness of the offer in comparison with competitors;
- price, including price reduction offers; the emphasis on the quality of the products;
- programs of customer loyalty and promotions, which include unique products or services;
- the level of customer service;
- mode of operation of the manufacturer.

In the emerging Russian market of retail chain the manufacturer of FMCG may enter into a contract with a giant chain and to provide themselves with sales for the year ahead. In Russia, there are thousands of outlets, belonging to different owners, which involves a lot of negotiation.

5. DIRECTIONS OF IMPROVING MARKETING ACTIVITY IN RETAIL CHAINS

The active development of retail chains in Russia began in the 1990's. The chains were present in the form of franchises of popular Western companies. The annual growth of chains in Russia today is about 15%. There have been violations of franchise agreements, of quality and performance standards, with inefficient management and lack of study of the Russian customer (Bogoviz & Mezhov, 2015).

One way of improving the competitiveness of the different types of retailers is employment of modern marketing technologies of Russian business, which allows the management to reduce inventories, product cost, ensure lower prices for the potential consumer.

The growth of the retail market of FMCG in Russia, and its largest representatives are shown in Table 3.

Table 3
The largest chain retailers of FMCG in Russia in 20016 (Kryukov, 2009)

<i>Chain name</i>	<i>Market share</i>	<i>Sales</i>	<i>The first store</i>	<i>Number of stores</i>	<i>Basic formats</i>	<i>Geography</i>	<i>No of employees</i>
Magnet	7%	950.6 bln. rub.	Krasnodar, 1998	12434	Magnet- store near the House; Magnet Family hypermarket; Magnet Esthetician-droguerie	2385 cities and towns	260 thousand people.
X 5 Retail Group	6.2%	808.0 bln. rub.	Moscow, 1995	7936	Pyatorochka store near the House; Percrestok-supermarket; Carousel-hypermarket; Express	53 regions of the Russian Federation in five federal districts	147 thousand people.
Auchan Retail Russia	2.5%	410 bln. rub.	Moscow, 2002	272	Auchan hypermarket; Auchan City; Our Rainbow-hypermarket; Attack-supermarket	30 cities	147 thousand people.
Dixie	2.1%	272 bln. rub.	Moscow, 1999	2758	Dixie- store near the House; Victoria-supermarket; Megamart, Minimart-compact hypermarkets	774 cities and towns in Central, Southern, North-Western, Urals and Volga Federal districts	60 thousand people.
Lenta	1.9%	253 bln. rub.	St. Petersburg, 1999	189	Lenta-hypermarket	72 cities of Russia	38 thousand people.
Metro Cash & Carry	1.6%	230 bln. rub.	Moscow, 2001	88	Small wholesale hypermarkets-Metro Cash and Carry; Compact hypermarkets-Metro Punkt; Franchise project-Fasol	84 cities	20 thousand people.
O'kay	1.2%	162 bln. rub.	St. Petersburg, 2002	157	Compact hypermarkets and supermarkets O'kay; discounters-Yes	The largest cities of the Russian Federation	No data
Intertorg	0.6%	74 bln. rub.	St.-Petersburg, 2004	451	Family Supermarkets; IdeA supermarkets	St. Petersburg and region, Karelia, Moscow, Novgorod, Murmansk, Orhangel'skaja and Vologda Oblast.	16 thousand people.

Innovative marketing tools used in the retail chains:

1. **Branded sales:** The well-known “Black Friday” brought to Russia from Europe. The basic principle is selling at a low price, with several retailers participating. Black Fridays are organized at pre-determined time, usually at the beginning of the high season. Major retailers prepare their customers for such sales, organizing minor “Black Fridays” in the course of the year.

All large chain retailers participate in such sales, advertising their products and interesting and attractive offers.
2. **Goods plus certain services:** Buying goods and services, one gets a new product. The price of this product may vary. The services may include capitalization, extended warranty, software settings, installing, uninstalling, etc. For example, when purchasing a mobile phone, one also acquires an option free of charge, the same smartphone that of its competitors, but with an additional product (a bonus).
3. **Subscription products:** The most famous goods are cosmetics, medicines, and periodicals. More recent products – wholesome or sports foods. The client subscribes for the product, and seller delivers at a certain time.
4. **“Bring a friend”:** A very popular trend in modern retail. The idea is to bring a friends or a group of people to get a discount. Today, this is widespread due to the on-line resource. The convenience lies in the possibility of integration with social media, where friends can share promo codes, links, etc.
5. **Trade-in:** A popular service in the automobile business. The idea is simple: hand over your old car, pay extra and get a new one. However, today trade-in conquers new markets. It is entering the market of electronics and technology. Generally, the idea is to bring old household equipment for disposal and receive a discount on the new product. Currently, the idea of a trade-in is a marketing tool of giving discounts. This scheme is suitable for any type of product and almost every retailer will resort to this technique.
6. **Cooperation of retailers with banks:** Retailers make use of banks and their capacity. For example, a bank issues credit or debit cards for the purchase of goods by the customer. The retail chain, in turn, subscribes its customers to the products of the bank. The retailer advises the client, if necessary, to apply for a bank card. The client then pays money on his or her card account and spends a certain amount in the retail. The partner bank will compensate the customer a certain part of funds spent. As a rule, the amount equals to the cost of customer attraction to the bank’s products.
7. **Promo cross and traffic exchange:** This scheme consists in the issuance of coupons and flyers advertising partner chain. Coupons and flyers imply a small discount. Promo cross can be online. An example of this is the promotion action: one purchases the product Agusha, registers the code on the site and receives a gift from the partner (e-book, game, etc.). The disadvantage of this resource is spending on printing coupons in the offline mode.
8. **VIP clubs and special offers:** Retailers collect contact details, making up groups. The database of contacts allows to quickly convey information about events and promotions. Often these

groups are formed parallel to the main loyalty program of the retail chain. The groups relate to a part of the assortment of the retailer.

9. **New customers with zero profits:** The idea is to attract a customer to purchase on very favorable terms first time, and to make subsequent purchases as comfortable as possible, thus making such client a long-term one.
10. **Identification of the client (Ragulina & Zavalko, 2013):** It is a kind of personification. The retailer wants to know the name of his buyer, what he bought at the store last time, and when it happened. This gives an opportunity to learn more about the client to make individual offers. The easiest way is to register the loyalty cards. The most famous today is the name of the customer displayed on the glass in Starbucks.
11. **Best price guarantee:** Price competition is the biggest challenge for retailers. Today, the most widespread and easy way to increase sales is to reduce prices. A well-known tactics is reducing the price if a customer finds the same product at a cheaper price at another chain.
12. **Combining online and offline techniques:** This approach means that the customer finds a product on the website, and if he or she does not buy it online, they examine its properties and come to buy it in the store.

The basic principles of marketing in retail chain are:

1. Effective realization of goods in the market in the planned volumes, it will help to win a certain market share;
2. Strengthening research, production and sales marketing functions of the company;
3. Long-term effects of marketing. Focusing on research and development of new forms of promotion;
4. Application of strategic objectives focused on the needs of customers and their satisfaction, without compromising the interests of the company.

Retail chain can organize the management of marketing activities based on diverse concepts – financial, calculating the most efficient cost and investment in retail; competitive concept – winning competition in the market of chain retail; commercial policy –improving quality indicators for products. However, it is worth noting that currently the maximum effect in the management of the company brings marketing focused on tracking and responding to the needs of customers of a specific target market.

We recommend that retail chains conduct an initial comprehensive analysis to identify management problems and to formulate tasks to be solved with the help of marketing, as well as to establish activities to achieve goals and satisfy customers.

6. CONCLUSION

To date, the current economic situation in Russia forces retail chains to apply marketing information when preparing financial plans and identifying strategic objectives. Structured activities aimed at implementation of marketing forecasting gives prerequisites for following the principles of marketing management. The main

goal of the enterprise functioning in a market economy is to identify and meet the needs and preferences of customers and clients. Under these conditions, such an enterprise can ensure its long-term survival.

The goal of marketing management in a retail chain is influencing the magnitude, timing and nature of customer demand. This helps the company in achieving its goals. An important objective of marketing management is the achievement of maximum efficiency of marketing, and, through this, the efficiency of functioning of the entire enterprise. Focusing on the management of marketing activities in the enterprise, the employees are required to implement changes in both their work and the work of the entire company, shaping its focus on marketing.

Chain retailers are forced to reorganize their operations to accommodate market trends in a rapidly changing competitive environment. Adaptive manufacturing and a structured information base of the marketing activities become important parameters. A successful company will find the necessity and importance of marketing approach in the organization of their activities.

It is not working with competitors, but attracting customers and making them your ally that become the main strategic goal for the survival of the enterprise on the market. This is also the main goal that retail chains should set themselves.

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