

MKTG
Principles Of Marketing
Twelfth Edition




Chapter 14
Retailing

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Learning Outcomes (1 of 2)

- 14-1 Explain the importance of the retailer within the channel and the U.S. economy
- 14-2 List and understand the different types of retailers
- 14-3 Explain why nonstore retailing is on the rise and list the advantages of its different forms
- 14-4 Discuss the different retail operations models and understand why they vary in strategy and format


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Learning Outcomes (2 of 2)

- 14-5 Explain how retail marketing strategies are developed and executed
- 14-6 Discuss how services retailing differs from goods retailing
- 14-7 Understand how retailers address product/service failures and discuss the opportunities that service failures provide
- 14-8 Summarize current trends related to customer data, analytics, and technology

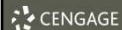
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Learning Objective 1: The Importance of Retailing

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The Importance of Retailing

- **Retailing:** All activities directly related to the sale of goods and services to the ultimate consumer for personal, nonbusiness use
- **Retailer:** Channel intermediary that sells mainly to consumers
- Retail industry in America
 - Comprises mostly small businesses
 - Dominated by a small number of large companies



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Learning Objective 2: Types of Retailers and Retail Operations



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Classification of Retail Operations

- Retail establishments can be classified based on:
 - Ownership arrangement
 - Level of service
 - Product assortment
 - Price
 - Types of In-Store Retailers



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Ownership Arrangement

- **Independent retailer**
 - Establishment is owned by an individual or a group
- **Chain store**
 - Part of a group of the same stores owned and operated by a single organization
- **Franchise**
 - Relationship in which business rights to operate and sell a product are granted by the **franchisor** to the **franchisee**



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Exhibit 14.1: Types Of Stores And Their Characteristics

Type of Retailer	Level of Service	Product Assortment	Price	Gross Margin
Department Store	Moderately high to high	Broad	Moderate to high	Moderately high
Specialty store	High	Narrow	Moderate to high	High
Supermarket	Low	Broad	Moderate	Low
Drugstore	Low to moderate	Medium	Moderate	Low
Convenience store	Low	Medium to narrow	Moderately high	Moderately high
Full-line discount store	Moderate to low	Medium to broad	Moderately low	Moderately low
Specialty discount store	Moderate to low	Medium to broad	Moderately low to low	Moderately low
Warehouse club	Low	Broad	Low to very low	Low
Off-price retailer	Low	Medium to narrow	Low	Low
Restaurant	Low to high	Narrow	Low to high	Low to high



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Level of Service, Product Assortment, and Price (1 of 2)

- **Level of service**
 - Ranges from full-service to self-service
 - Provides alterations, credit, delivery, consulting, liberal return policies, lay-away, gift-wrapping, and personal shopping
- **Product assortment**
 - Classification based on the width and depth of product lines
 - Width—Assortment of products offered
 - Depth—Number of different brands offered within each assortment



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Level of Service, Product Assortment, and Price (2 of 2)

- **Price**
 - *Gross Margin—The amount of money the retailer makes as a percentage of sales after the cost of goods sold is subtracted.*



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Types of In-Store Retailers (1 of 2)

- **Department stores** – carries products and goods
- **Specialty stores** – specialized in a type of merchandise
- **Supermarkets** – large, departmentalized, self-service retailer
- **Drugstores** – pharmacy-related products and services
- **Convenience store** – mini supermarket, with high-turnover goods



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Types of In-Store Retailers (2 of 2)

- **Discount stores** – low prices, high turnover, and high volume
- **Restaurants** – tangible products and valuable services



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Categories of Discount Stores (1 of 2)

- Full-line discount stores—offers limited service and vast assortment
- Supercenters—extend the full-line concept to include groceries and a variety of services
- Specialty discount stores—offer a complete selection of merchandise
 - Category killer
- Warehouse club—sell bulk quantities



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Categories of Discount Stores (2 of 2)

- Off-price retailers
 - Factory outlets
 - Used goods retailers



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Learning Objective 3: The Rise of Nonstore Retailing



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The Rise Of Nonstore Retailing (1 of 3)

- **Nonstore Retailing:** Enables shopping without visiting a physical store location
- Major Forms
 - **Automatic vending**—the use of machines to offer goods for sale
 - **Self-service technologies (SST)**—technological interfaces that allow customers
 - **Direct retailing**—the selling of products by representatives



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The Rise Of Nonstore Retailing (2 of 3)

- **Direct marketing**—techniques used to get consumers to make a purchase from their home, office, or other nonretail setting
- **Telemarketing**—the use of the telephone to sell directly to consumers
- **Direct mail**—the delivery of advertising or marketing material to recipients of postal or electronic mail



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The Rise Of Nonstore Retailing (3 of 3)

- **Microtargeting**—to employ highly detailed data analytics
- Shop-at-home television networks
- Online retailing (e-tailing)—allows customers to shop over the Internet



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Learning Objective 4: Retail Operations Models



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Retail Operations Models (1 of 2)

- The retail formats covered so far are co-aligned with unique operating models that guide the decisions made by their managers.
- **Floor stock**—Inventory displayed for sale to customers
- **Back stock**—Inventory held in reserve for potential future sale in a retailer's storeroom or stockroom



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Retail Operations Models (2 of 2)

- Trade-offs inherent to restrictive operating models have led to the emergence of hybrid retail operating models and online-only retailers
 - Online-only retailers have low operating costs
 - Showcase their items to potential customers all around the world
- Most retail stores remain operationally and tactically similar to traditional businesses



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Learning Objective 5: Executing a Retail Marketing Strategy



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Retail Marketing Strategy

- Developed based on the goals established by stakeholders and the overall strategic plans developed by company leadership
- Strategic tasks that precede tactical decisions
 - Defining a target market
 - Choosing the retailing mix



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Defining a Target Market

- Process begins with market segmentation
 - Retailers need to be sensitive to changes in customer preferences
 - Target markets are defined by demographics, geographic boundaries, and psychographics



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Choosing the Retailing Mix (1 of 2)

- Entails combining the elements of the retailing mix to come up with a single retailing method to attract the target market
- The **retailing mix** consists of six Ps: the four Ps of the marketing mix (*product, promotion, place, and price*) plus *presentation* and *personnel*
- Managers must make sure that the positioning is aligned with target customers' expectations



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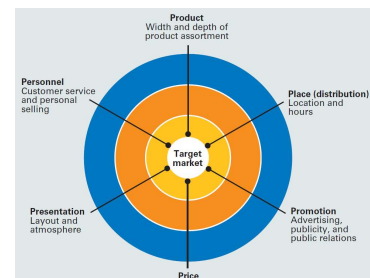
Choosing the Retailing Mix (2 of 2)

- Product
- Promotion
- Place
- Price
- Presentation
- Personnel



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Exhibit 14.2 : The Retailing Mix



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Product

- The first element in the retailing mix is the product offering, also called the product assortment or merchandise mix.
- Many online retailers purposely focus on single product line niches that could never attract enough foot traffic to support a traditional brick-and-mortar store.



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Promotion

- Promotion Strategy includes
 - Advertising
 - Public relations and publicity
 - Sales promotion
- Risk
 - **Brand cannibalization**: Reduction of sales for one brand as the result of the introduction of a new product



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Place

- Factors to be considered while choosing a location
 - Economic growth potential
 - Amount of competition
 - Geography
- Stores in isolated locations must become **destination stores** in order to be successful



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Price

- Ultimate goal is to sell products to consumers
- Based on the cost of merchandise
- Pricing is efficient and timely buying
- "Value-based pricing"—focuses on the value of the product to the customer
- Price is a key element in a retail store's positioning strategy



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Presentation

- Influential factors in creating a store's **atmosphere**
 - Employee type and density
 - Merchandise type and density
 - Fixture type and density
 - Sound, odors, and visual factors
 - **Layout** of the store



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Personnel

- Salespeople are trained in the following selling techniques:
 - Trading up—Persuading customers to buy a higher-priced item than they originally intended to buy
 - Suggestion selling—Seeking to broaden customers' original purchases with related items
- Sales personnel provide their customers with the amount of service prescribed by the retail strategy of the store



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Learning Objective 6: Retailing Decisions for Services



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Retailing Decisions for Services

- Service industries are customer oriented, and service quality is a priority.
 - Service distribution focuses on:
 - Minimizing wait times
 - Managing service capacity
 - Improving service delivery
 - Establishing channel-wide network coherence



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Learning Objective 7: Addressing Retail Product/Service Failures



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Addressing Retail Product/ Service Failures

- All retailers inevitably disappoint a subset of their customers.
- Best retailers have plans in place to recover and benefit from lapses in service.
 - Actions that might be taken include:
 - Notifying customers in advance of stockouts
 - Implementing liberal return policies
 - Issuing product recalls in conjunction with promotional offers



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Learning Objective 8: Retailer and Retail Customer Trends and Advancements



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Retailer and Retail Customer Trends and Advancements

- **Big data analytics**
 - *Process of discovering patterns in large data sets for the purposes of extracting knowledge and understanding human behavior*
- **Beacons**
 - *Sends out connecting signals to customers' smartphones and tablets in order to bring them into a retail store or improve their shopping experience*
- Facial recognition and biometric sensors



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Shopper Marketing and Analytics

- **Shopper marketing**
 - Understanding how target consumers behave in different channels and formats
 - Information is leveraged to generate sales or other positive outcomes
- Manufacturers and retailers use **shopper analytics** to understand customer shopping attitudes, emotions, and behaviors
 - Helps fine-tune, develop, or change market offerings



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Future Developments in Retail Management

- Showrooming and data analytics have led to the development of virtual reality apps and **retail channel omnification**.
- **Click-and-collect** enables customers to buy something online and then pick up the merchandise from a physical store.
- Robots are replacing or augmenting retail employees.



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Key Terms (1 of 5)

- Retailing
- Retailer
- Independent retailer
- Chain store
- Franchise
- Franchisor
- Franchisee
- Gross margin
- Department store
- Specialty store



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Key Terms (2 of 5)

- Supermarket
- Drugstore
- Convenient store
- Discount store
- Full-line discount store
- Supercenter
- Specialty discount store
- Category killer
- Warehouse club
- Off-price retailer



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Key Terms (3 of 5)

- Factory outlet
- Used goods retailer
- Restaurant
- Nonstore retailing
- Automatic vending
- Self-service technologies (SST)
- Direct retailing
- Direct marketing (DM)
- Telemarketing
- Direct mail



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Key Terms (4 of 5)

- Microtargeting
- Shop-at-home television network
- Online retailing (e-tailing)
- Floor stock
- Back stock
- Retailing mix
- Brand cannibalization
- Destination store
- Atmosphere
- Layout



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Key Terms (5 of 5)

- Big data analytics
- Beacon
- Shopper marketing
- Shopper analytics
- Retail channel omnification
- Click-and-collect



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