

Chapter 15 Retailing

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LEARNING OUTCOMES

- 15-1 Explain the importance of the retailer within the channel and the U.S. economy
- 15-1 List and understand the different types of retailers
- 15-1 Explain why nonstore retailing is on the rise and list the advantages of its different forms
- 15-1 Discuss the different retail operations models and understand why they vary in strategy and format

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LEARNING OUTCOMES

- 15-5 Explain how retail marketing strategies are developed and executed
- 15-6 Discuss how services retailing differs from goods retailing
- 15-7 Understand how retailers address product/service failures and discuss the opportunities that service failures provide
- 15-8 Summarize current trends related to customer data, analytics, and technology

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15-1

The Role of Retailing

Explain the importance of the retailer within the channel and the U.S. economy

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Retailing

All the activities directly related to the sale of goods and services to the ultimate consumer for personal, non-business use.

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The Role of Retailing

- ◆ U.S. retailers employ more than 15 million people
- ◆ Retailers account for 10.8 percent of U.S. employment
- ◆ Retailing accounts for 10 percent of U.S. businesses
- ◆ Most retailers are quite small
- ◆ The industry is dominated by a few giant organizations, such as Walmart

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15-2

Types of Retailers and Retail Operations

List and understand the different types of retailers

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Classification of Retail Operations

Ownership

Level of Service

Product Assortment

Price

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15.1

Types of Stores and Their Characteristics

| Type of Retailer | Service Level | Assortment | Price | Gross Margin |
|----------------------|---------------|------------|--------------|--------------|
| Department Store | Mod Hi-High | Broad | Mod-High | Mod High |
| Specialty Store | High | Narrow | Mod-High | High |
| Supermarket | Low | Broad | Moderate | Low |
| Convenience Store | Low | Med-Narrow | Mod High | Mod High |
| Drugstore | Low-Mod | Medium | Moderate | Low |
| Full-line Discounter | Mod-Low | Med-Broad | Mod Low | Mod Low |
| Specialty Discounter | Mod-Low | Med-Broad | Mod Lo-low | Mod Low |
| Warehouse Clubs | Low | Broad | Low-very low | Low |
| Off-price Retailer | Low | Med-Narrow | Low | Low |
| Restaurant | Low-High | Narrow | Low-High | Low-High |

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Level of Service**Full-Service****Self-Service**

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Product Assortment

Classification based on *width* and *depth* of product lines.

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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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Major Types of In-Store Retail Operations

| | |
|-------------------|---------------------|
| Department Stores | Convenience Stores |
| Specialty Stores | Discount Stores |
| Supermarkets | Off-Price Retailers |
| Drugstores | Restaurants |

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15-3

The Rise of Nonstore Retailing

Explain why nonstore retailing is on the rise and list the advantages of its different forms

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Nonstore Retailing

Shopping without visiting a physical store.

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Major Types of Nonstore Retail Operations

Automatic Vending Direct Marketing
Direct Retailing Online Retailing

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15-4

Retail Operation Models

Discuss the different retail operations models and understand why they vary in strategy and format

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Retail Operating Models

- A retail operating model can be summarized as a set of guiding principles.
- For example, off-price retailers de-emphasize customer service and product selection in favor of lower prices, which are achieved through a greater focus on lean inventory management.

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Floor Stock and Back Stock

Floor stock is inventory displayed for sale to customers

Back stock is inventory held in reserve for potential future sale in a retailer's storeroom or stockroom

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Operations Models Today

- Tradeoffs inherent to restrictive operating models have led to the recent emergence of hybrid retail operating models and online-only retailers.
- Today, most retail stores remain operationally and tactically similar to those that have been in business for hundreds of years.

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15-5

Executing a Retail Marketing Strategy

Explain how retail marketing strategies are developed and executed

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Retail Marketing Strategy

Define a Target Market

Choose a Retailing Mix

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Defining a Target Market

Step 1: Segment the Market

Demographics

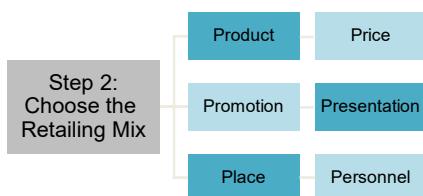
Geographics

Psychographics

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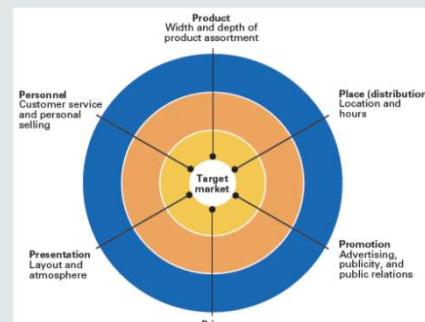
Choosing the Retailing Mix



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15.2 The Retailing Mix



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Choosing the Retailing Mix

Product Offering

The mix of products offered to the consumer by the retailer; also called the product assortment or merchandise mix.

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Retail Promotion Strategy

Advertising

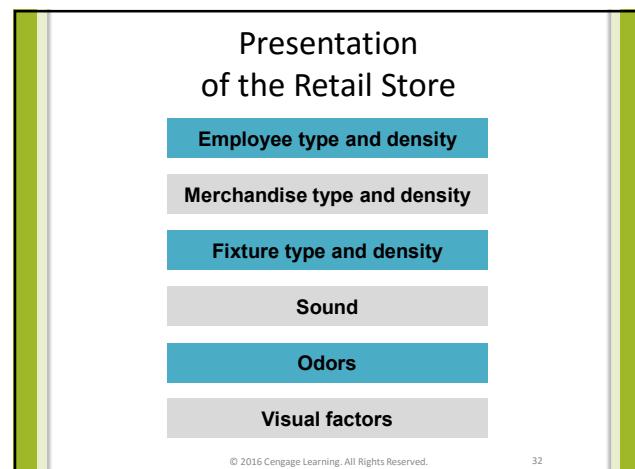
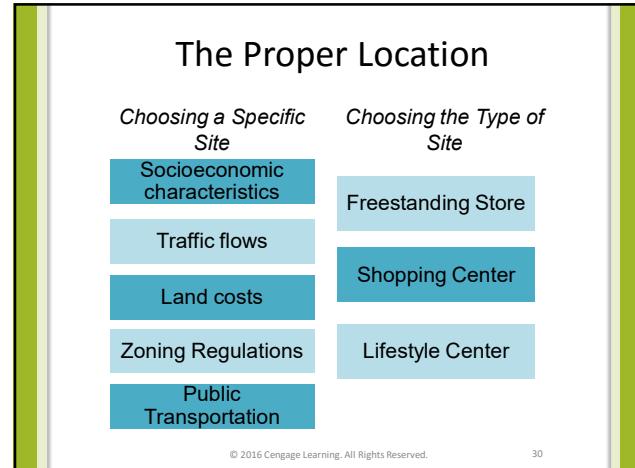
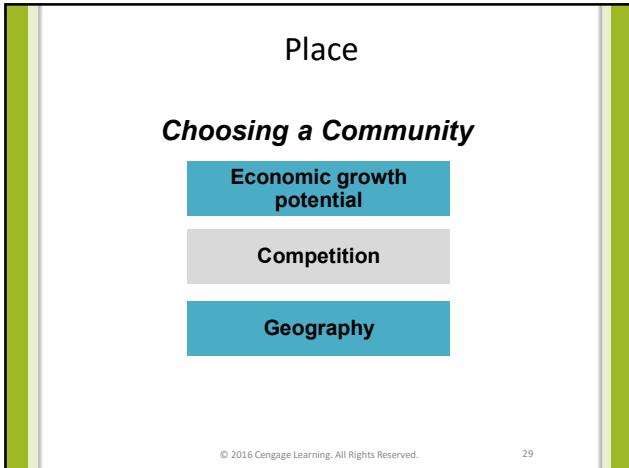
Public Relations

Publicity

Sales Promotion

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Personnel

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graph LR; A((Two Common Selling Techniques)) --> B[Trading Up]; A --> C[Suggestion Selling]
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Two Common Selling Techniques

Trading Up

Suggestion Selling

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15-6 Retailing Decisions for Services

Discuss how services retailing differs from goods retailing

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Channel and Retailing Decisions for Services

Prioritize customer service by focusing on four areas:

- Minimizing wait times
- Managing service capacity
- Improving service delivery
- Establishing channel-wide network coherence

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15-7 Addressing Retail Product/Service Failures

Understand how retailers address product/service failures and discuss the opportunities that service failures provide

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Channel and Retailing Decisions for Services

All retailers inevitably disappoint a subset of their customers.

The best retailers have plans in place to recover 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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15-8

Retailer and Retail Customer Trends and Advancements

Summarize current trends related to customer data, analytics, and technology

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Shopper Marketing

Shopper marketing is becoming increasingly popular as businesses see the implications of this new method of customer research.

These implications include the strategic alignment of customers segments and supply chain adaptation.

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Analytics

Shopper analytics are used to dig deeply into customers' shopping attitudes, perceptions, emotions, and behaviors—and are thereby able to learn how the shopping experience shapes these differences.

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Future Developments in Retail Management

Retail Channel Omnification

The reduction of multiple retail channel systems into a single, unified system for the purpose of creating efficiencies or saving costs.

Click-and-Collect

The practice of buying something online and then traveling to a physical store location to take delivery of the merchandise.

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Chapter 15 Video

New Balance Hubway

New Balance Hubway is a bike sharing system in the Boston area that uses automated stations to provide a bike service to people looking to go short distances. In this clip, employees discuss how the retailing model works for Hubway, and how the difference between brick and mortar and e-business models allowed them to succeed in the Boston area.

[CLICK TO PLAY VIDEO](#)

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Part 4 Video

Scripps Networks Interactive

Distribution Decisions

Scripps Networks Interactive owns the content on popular networks such as Food Network, DIY, and the Cooking Channel. Deciding how to best get their content (both digital and solid products) into different locations takes some careful thought, and various decision makers discuss the process in this video clip.

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