

## Chapter 15 Retailing

MKTG9  
Lamb, Hair, and McDaniel



© 2016 Cengage Learning. All Rights Reserved.

## 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

© 2016 Cengage Learning. All Rights Reserved.

2

## 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

© 2016 Cengage Learning. All Rights Reserved.

3

## 15-1 The Role of Retailing

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

© 2016 Cengage Learning. All Rights Reserved.

### Retailing

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

© 2016 Cengage Learning. All Rights Reserved.

5

### 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

© 2016 Cengage Learning. All Rights Reserved.

6

15-2

### Types of Retailers and Retail Operations

List and understand the different types of retailers

© 2016 Cengage Learning. All Rights Reserved.

### Classification of Retail Operations

Ownership

Level of Service

Product Assortment

Price

© 2016 Cengage Learning. All Rights Reserved.

8

15.1

Types of Stores and Their Characteristics

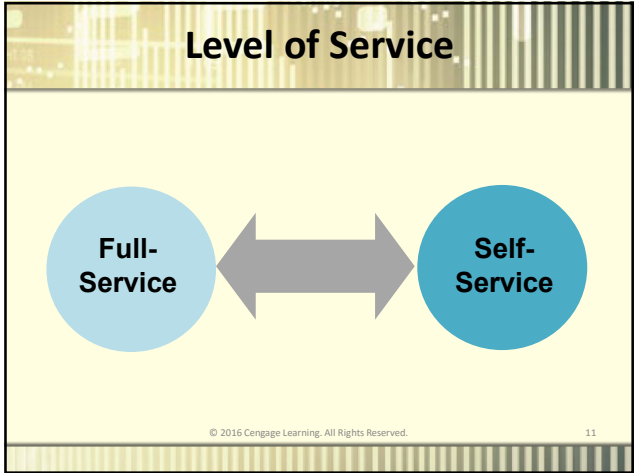
| Type of Retailer     | Service Level | Assortment | Price        | Gross Margin |
|----------------------|---------------|------------|--------------|--------------|
| Department Store     | Mod Hi-High   | Broad      | Mod-High     | Mod High     |
| Specialty Store      | High          | Narrow     | 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     |

© 2016 Cengage Learning. All Rights Reserved.

Classification of Ownership

|                       |  |
|-----------------------|--|
| Independent Retailers | Owned by a single person or partnership and not part of a larger retail institution. |
| Chain Stores          | Owned and operated as a group by a single organization.                              |
| Franchises            | The right to operate a business or to sell a product.                                |

© 2016 Cengage Learning. All Rights Reserved. 10



Product Assortment

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

© 2016 Cengage Learning. All Rights Reserved. 12

## Price

### Gross Margin

The amount of money the retailer makes as a percentage of sales after the cost of goods sold is subtracted.

© 2016 Cengage Learning. All Rights Reserved.

13

## Major Types of In-Store Retail Operations

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

© 2016 Cengage Learning. All Rights Reserved.

14

15-3

## The Rise of Nonstore Retailing

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

© 2016 Cengage Learning. All Rights Reserved.

## Nonstore Retailing

Shopping without visiting a physical store.

© 2016 Cengage Learning. All Rights Reserved.

16

## Major Types of Nonstore Retail Operations

|                   |                  |
|-------------------|------------------|
| Automatic Vending | Direct Marketing |
| Direct Retailing  | Online Retailing |

© 2016 Cengage Learning. All Rights Reserved.

17

15-4

## Retail Operation Models

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

© 2016 Cengage Learning. All Rights Reserved.

## 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.

© 2016 Cengage Learning. All Rights Reserved.

19

## 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

© 2016 Cengage Learning. All Rights Reserved.

20

## 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.

© 2016 Cengage Learning. All Rights Reserved.

21

15-5

## Executing a Retail Marketing Strategy

**Explain how retail marketing strategies are developed and executed**

© 2016 Cengage Learning. All Rights Reserved.

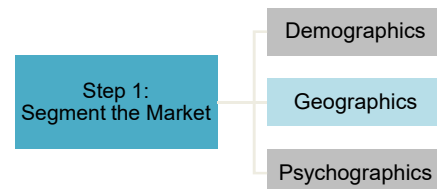
## Retail Marketing Strategy



© 2016 Cengage Learning. All Rights Reserved.

23

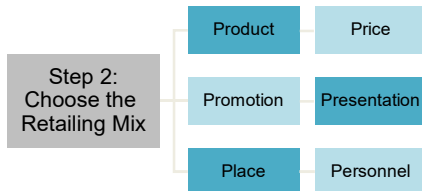
## Defining a Target Market



© 2016 Cengage Learning. All Rights Reserved.

24

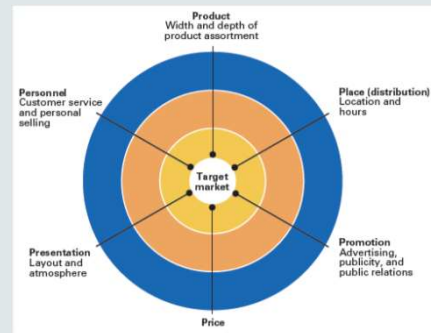
## Choosing the Retailing Mix



© 2016 Cengage Learning. All Rights Reserved.

25

## 15.2 The Retailing Mix



© 2016 Cengage Learning. All Rights Reserved.

26

## 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.

© 2016 Cengage Learning. All Rights Reserved.

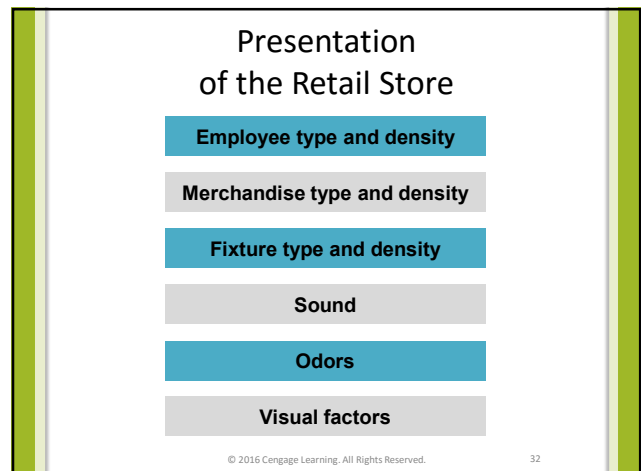
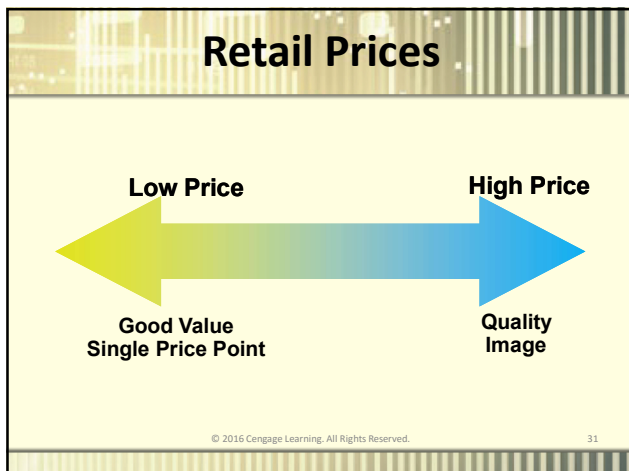
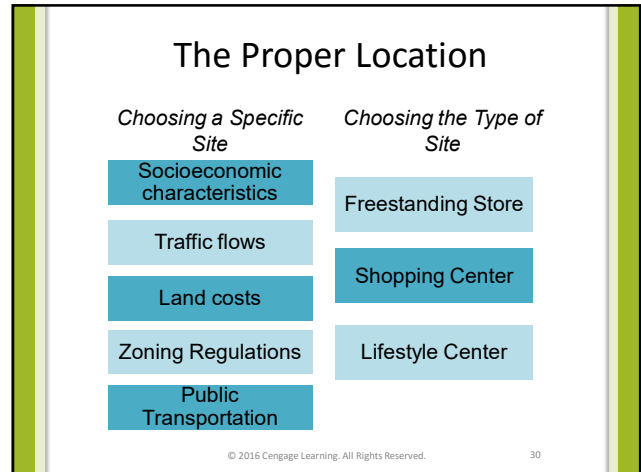
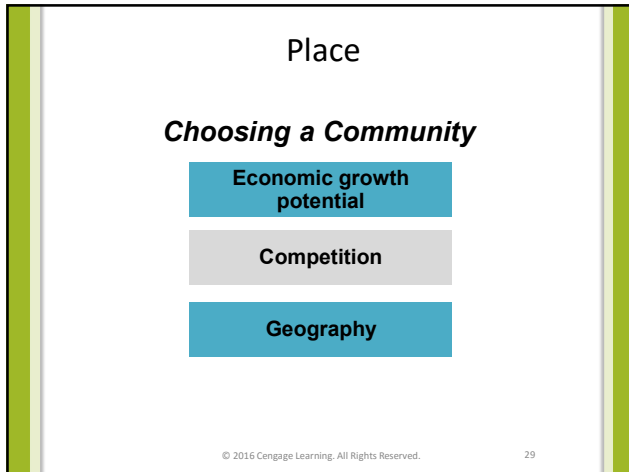
27

## Retail Promotion Strategy



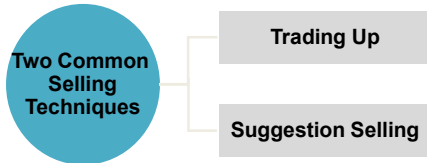
© 2016 Cengage Learning. All Rights Reserved.

28





### Personnel



© 2016 Cengage Learning. All Rights Reserved.

33

15-6

### Retailing Decisions for Services

**Discuss how services retailing differs from goods retailing**

© 2016 Cengage Learning. All Rights Reserved.

### 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

© 2016 Cengage Learning. All Rights Reserved.

35

15-7

### Addressing Retail Product/Service Failures

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

© 2016 Cengage Learning. All Rights Reserved.

### 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

© 2016 Cengage Learning. All Rights Reserved.

37

15-8

### Retailer and Retail Customer Trends and Advancements

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

© 2016 Cengage Learning. All Rights Reserved.

### 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.

© 2016 Cengage Learning. All Rights Reserved.

39

### 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.

© 2016 Cengage Learning. All Rights Reserved.

40

### 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.

© 2016 Cengage Learning. All Rights Reserved.

41

### *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](#)

42

© 2016 Cengage Learning. All Rights Reserved.

### *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.

[CLICK TO PLAY VIDEO](#)

43

© 2016 Cengage Learning. All Rights Reserved.