KEY ISSUES IN RETAILING

HOW RETAIL STORES ARE CLASSIFIED

A. Form of ownership
   - independent retailer: 1.5 million
   - corporate chain: Federated – Macy’s
   - contractual systems: IGA, franchises

B. Level of service
   - self-service: warehouse, gas stations
   - limited service: Target → electronics, jewelry, lawn & garden
   - full service: Nordstrom

C. Type of merchandise
   - depth of line: specialty
   - breadth of line: general merchandise, scrambled merchandising, hypermarket vs supercenter
NONSTORE RETAILING

1. automatic vending: machines
   - accepts credit cards
   - DoCoMo – electronic cash Edy cell phones
   - Vision: auto convenience stores

2. direct mail & catalog
   - highly targeted, niche markets
   - efficient & effective
   - used by traditional retailers
   - Victoria’s Secret – 45 catalogs

3. online retailing
   - search for, evaluate, order 24/7
   - merging → ‘bricks & clicks’
   - niche markets → new entrepreneurial

WHO? WHAT PRODUCTS?
4. TV home shopping
   - QVC, HSN, ShopNBC
   - 24/7 → 145 m households
   - 29 m customers → 250 new products/week
   - WHO? Women > 35

5. telemarketing
   - National Do-Not-Call registry
   - $500B
   - insurance, brokerage

6. direct selling
   - Avon, Mary Kay
   - global markets → China, Mexico
Retailing Strategy

* Retail positioning matrix
  - breadth of product line (range)
  - value added (location, prod reliability)

Key: competitive advantages
  (Wal-Mart going upscale?)

retail mix

Retail pricing:
  - variations in markups (ie. Cost plus)
  - markdowns \(\rightarrow\) generate sales \(\rightarrow\)
    conditioning?
  - EDLP vs EFP (value via service)
  shrinkage \(\rightarrow\) breakage vs theft
  - off-price retailing: brand names discounted
    \(\rightarrow\) warehouse clubs \(\rightarrow\) Sam’s C, Costco
    \(\rightarrow\) outlet stores: clear excess inventory

Store location:
  1. CBDs – oldest setting; downtown
  2. regional shopping centers – anchors
    - community shopping center
- strip mall

**Retail communication**
- Store image – in shoppers’ mind;
  physical: layout, breadth/depth lines, price
  psych: belonging, excitement, style, warmth
- atmospherics: ambiance \(\rightarrow\) layout, color, lighting

**Merchandise**
Category mgmt \(\rightarrow\) all substitutable products for a given segment
CHANGING NATURE OF RETAILING

Dynamic nature of retailing → new types of stores → new position → continual change

Fight for market share

WHEEL OF RETAILING

How new forms of retail stores enter the market and evolve over time, giving rise to new form of outlet as it matures … Discounts (1960s) → off-price & factory outlets
FUTURE CHANGES IN RETAILING

Multichannel Retailing
Offering a combination of traditional and nonstore formats (catalogs, TV, online retailing)

Barnes & Nobles: stores plus online
Synergy: sharing info via diff channel ops
Problem: cannibalization

Impact of technology
Smart card . credit card → store of personal info → faster service

Changing shopping behavior
Precision shopper → fewer visits/year
Demand convenient hours/locations
Expect outstanding service
Want reasonable prices
Co-branding: McD at Wal-Mart, Home Depot, gas stations → satellite outlet