Indholdsfortegnelse

> 'Retailing is the set of business activities that adds value to products and services sold to consumers for their personal or family use.'
>
> - MICHAEL LEVY, BARTON A. WEITZ, AND DRUHV GREWAL (2019, P. 4)

Definition on retailing ^

Retailing is not just about selling something, but adding value to the product and services that is sold to consumers for their personal or family use.

What do value mean?

- Example: How to sell more butter?
    - More than only butter. Product you like to consume.
    - Offer services

WHAT IS RETAILING?

- Retailing refers to the process of purchasing products from other organizations (e.g., manufacturers, wholesalers) with the intent of reselling them to the final customer, without transformation and rendering services incidental to the sale of the merchandise
- Retailing does not only include the sale of products in physical stores, it also involves the sale of services (e.g., hotel room, haircut, home-delivered pizza)
- Store-based (physical, offline) retailing vs. non-store retailing (e.g., catalogue, online shop, mobile application) as well as combinations of e.g., off- and online retail formats in multichannel retail systems.

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ONE OF THE CHALLENGES: INSPIRING CONSUMERS

HOW DOES THE ICE CREAM GET INTO MY SHOPPING CART?

CARRYING OUT TRANSACTIONS

- Every purchase transaction involves ordering, pricing and paying for goods and services
- Retailers carry out these functions and reduce costs through standardization and routines
- Purchasing contract is closed and product possession transfers from the retailer to the consumer
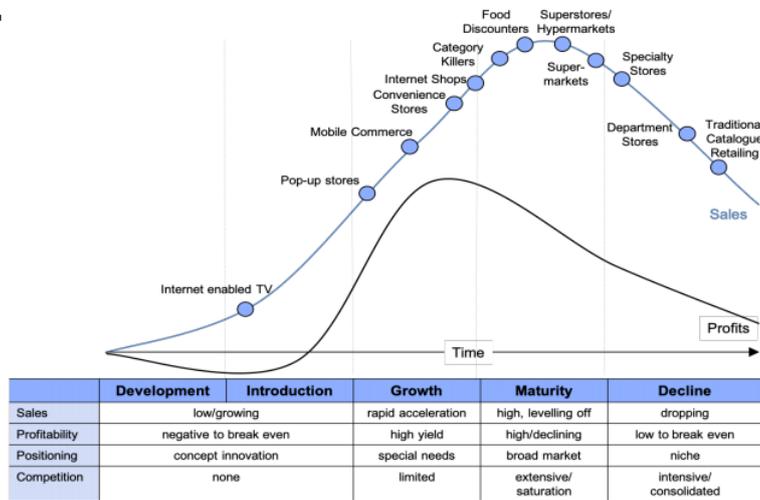
Carrying out Transactions

Every purchase transaction involves ordering, pricing and paying for goods and services. Retailers carry out these functions and typically reduce costs here though standardisation and routines.

However, full routinisation is not always possible. Certain cases still involve intensive negotiations in the purchasing process, e.g., in car or furniture retailing. Products may need to be tailored to the specific customer; prices may need to be fixes individually etc. This is also part of the retail function.

For higher priced non-food items (such as furniture, cars or home appliances), it is also common for consumers to have the option to pay later or in instalments. Providing this option stimulates demand. For a manufacturer, being far from the consumer can make it difficult to provide this option as evaluating a customers creditworthiness can difficult and sometimes costly. Thus, this financing function is often carried out (or at least coordinated) by the retailer.

EVOLUTION OF RETAIL FORMATS: THE RETAIL LIFECYCLE (3/3)

	Development	Introduction	Growth	Maturity	Decline
Sales	low/growing		rapid acceleration	high, levelling off	dropping
Profitability	negative to break even		high yield	high/declining	low to break even
Positioning	concept innovation		special needs	broad market	niche
Competition	none		limited	extensive/ saturation	intensive/ consolidated

Source: Zentes et al. (2017). Strategic Retail Management, 3rd ed., Springer Gabler: Wiesbaden, p. 29

The retail lifecycle (Zentes, et al. 2017, p 28-29)

Zentes, J., Morschett, D., and Schramm-Klein, H. (2017). Strategic Retail Management, 3rd ed., Springer-Gabler: Wiesbaden (Chapter 2: Store-based Retailing – Food and Near-food; Chapter 3: Store-based Retailing – General Merchandise)

In the **development stage,** the new format is introduced to the market. It is different from existing retail institutions' strategies, as at least one element of the marketing mix is altered in the new format.

• In the **introduction phase**, sales and profits are low but browing. Cost and risks are high because long-term success is not assured at this stage.

• The **growth phase** is characterised by the rapid growth of both sales and profits. Existing companies expand their markets and new competitors employing the same retail format enter the market. Towards the end of this stage, growth acceleration begins to decline and cost pressures may emerge.

• The next stage is **maturity** of the retail format, brought on by market saturation, which in turn is casued by a high number of firms using this retail format and competition from new formats. Sales growth declines and profit margins may have to be reduced to stimulate sales. Once maturity is reached the main goal is to prevent the business from declining and to sustain profits for as long as possible.

In the final stage, **decline**, sales volumes decline and prices and profitability shrink. Companies can try to avoid decline by **reposition** their retail format, but manu companies abandon the format altogether and introduce new formats to keep their customers or attract new ones.

DISCUSSION QUESTIONS

1. List the different characteristics that define retailers.
2. How do the retail formats in food and general merchandise retailing differ from each other?
3. Compare and contrast the retail mix of convenience stores, traditional supermarkets, and hypermarkets. Can all of these food retail institutions be successful over the long run? How? Why?
4. Compare and contrast the retail mixes of department stores, category specialists and speciality stores. Can all of these general merchandise institutions be successful over the long run? How? Why?

Week 38: Non-store and Online Retailing

Part II: Store Formats and their Dynamics
Non-store and online retailing