

1.1 Define Retail

Objectives:

- ▶ Define retail and recognize the distribution channel
- ▶ Distinguish between the various retail formats
- ▶ Recognize the different types of ownership
- ▶ Understand multichannel retailing

What is retailing?

- ▶ Retail—a business that sells products and/or services to consumers.
- ▶ Retailing—the method by which consumers acquire products and services.

The Distribution Channel



Manufacturer


- ▶ Produces the products

Wholesaler

- ▶ Buys large quantities of products directly from the manufacturer, breaks them into smaller units, and sells the smaller units to retailers.

Retailer

- ▶ Receives, stores, displays and sells the product to customers.
 - ▶ Selects the merchandise and assembles it according to the needs of its community, store, or location. Example: LSU merchandise in Louisiana, Alabama merchandise is Alabama
 - ▶ In store—keeps products in good condition, displays merchandise, shows customers how to use the goods, provides additional services such as wrapping, delivery, installation, credit, and guarantees.

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- ▶ Channels of distribution may vary depending on types of products carried.
 - ▶ EX: Walmart has firms that manufacture goods especially for their store.
 - ▶ Generic or store brands “Sam’s Choice”

Convenience Stores

- ▶ Provide customers a convenient shopping experience
- ▶ Easily accessible
- ▶ Small in size, quick shopping, easy checkout
- ▶ Limitations: selection is limited, products are more expensive
- ▶ Examples: 7-Eleven, Jubilee,

Department Stores

- ▶ General merchandisers
- ▶ Offer good services and a broad variety and assortment of products of mid-to high quality.
- ▶ Examples: Macy's, Sears, Kohls, JC Penny

Direct Selling

- ▶ Salespeople contact customers directly in a convenient location, often the customer's home, demonstrate the product; take orders; and deliver the products or perform the services.
- ▶ Examples: Mary Kay, Avon, Pampered Chef, Younique, Rainbow Vacuum

Discount Stores

- ▶ Offer broad variety of merchandise, limited service, and low prices.
- ▶ Examples: Wal-Mart, Target

Off-Price Retailers

- ▶ Offer brand-name merchandise at a discount.
- ▶ Merchandise typically consist of excess inventory, closeouts, and irregulars.
- ▶ Inventory is inconsistent
- ▶ 2 categories:
 - ▶ Closeout Stores
 - ▶ Outlet Stores

Closeout Stores

- ▶ Offer an assortment of brand-name merchandise at a significant discount off the manufacturers' price
- ▶ Buy from manufacturers and retailers at roughly one-fourth the original price
 - ▶ Examples: Marshalls, T.J. Maxx, Ross

Outlet Stores

- ▶ Off-price stores that are owned by the manufacturer or retailer
- ▶ Examples: Nike Outlet, Nordstrom Rack

Pure Play

- ▶ Started online and continue to all their business that way
- ▶ Example: Amazon, eBay, Zappos

Specialty Stores

- ▶ Deep but narrow assortments with a high level of customer service.
 - ▶ Examples: Stand-alone pharmacies, Walgreens, Sephora, Ethan Allen

Supercenters

- ▶ Combine a supermarket and a department store, resulting in a gigantic retail facility that carries an enormous range of products, from apparel to groceries to automotive supplies, all under one roof.
 - ▶ Walmart Supercenter, Super Target, Fred Meyers

Supermarkets

- ▶ Sell a wide variety of goods including food, alcohol, and medicine
- ▶ Example: Win-Dixie, Albertsons

Thrift Stores

- ▶ Sell secondhand clothes and other household goods, typically to raise funds for a charitable institution. Products are usually donated by individuals and businesses rather than purchased from a wholesaler or manufacturer.
- ▶ Example: Goodwill, Salvation Army, Purple Cow

Wholesale Clubs

- ▶ Some wholesalers started selling products directly to consumers. This places them in the unique role of both wholesaler and retailer
- ▶ Example: Sam's Club, Costco

Types of ownership

- ▶ Independent establishment—single store or small, regional chain. Often able to tailor offerings to meet the demand of local consumers. Ex: Leblanc's Payless
- ▶ Corporate Chain—Company that operates multiple stores under common ownership and usually has centralized decision-making. Generally more capable of negotiating lower prices from wholesalers and manufacturers given their size.
- ▶ Franchises—license granted to another party to market a company's goods or services in a particular territory. Ex: KFC, Sonic, Pizza Hut, Fantastic Sam's

Retail Channels

- ▶ Brick-and-Mortar—describes the presence of a physical storefront and face-to-face customer experiences
- ▶ E-commerce—buying and selling through the internet via electronic devices such as a computer, smart phone, or tablet.
- ▶ Multichannel--retail operations offering customer transactions through multiple connected channels, including some or all the following: brick-and-mortar stores, online store sites, mobile apps, and telephone.
- ▶ Omnichannel—focus on creating a seamless customer experience through any and all shopping channels: mobile, tablet, computer, brick-and-mortar stores, television, radio, direct mail, and catalog.

To study:

► <http://www.studystack.com/flashcard-2260488>