

## **Week 1: Introduction to Retailing**

### **(1). Definition of Retailing:**

- Consists of those business activities involved in the sale of goods and services to consumers for their personal, family or household use.
- Final stage occurring in the distribution process
- Retailer often act as the “middle man” – contact between manufacturer, wholesaler and the consumer (Traditional Channel of Distribution)
- Example: Wal-Mart is the leading company in the world in terms of sale

### **(2). Duty of Retailer:**

- Purchase agent
  - ✚ As they are the provider of an assortment of goods/services (purchase for resale of goods/services)
- Break of bulk
  - ✚ Retailer collect an assortment from various sources, buy in large quantity and sell in small amounts
- Holder of Inventory
- Knowledge Broker
- Provider of employment, value, experience, difference, services
  - ✚ Complete transaction with consumers
  - ✚ This means retailer having convenient location, filling order promptly and accurately, processing credit purchases
  - ✚ Also provide, customer services such as gift wrapping, delivery and installation
  - ✚ For example: Many firms now engage in “multi-channel retailing” – retailer sells to consumers through multiple retail formats (points of contact)

## **Chapter 2: Building and Sustaining Relationships in Retailing**

### **(1). Definition**

- Definition of Value Chain: (Retailer)
  - Value is represented by a series of activities and processes
  - A Value chain that provides a given level of value for the consumer
- Definition of Value Chain: (Customer)
  - Value is the perception the shopper has of the value chain
  - Customer’s view of all the benefits gotten form a purchase (formed largely from the total retail experience)
- Example:
  - ✚ Price-oriented shopper – want low prices, service-oriented shoppers will pay more for superior customer service

### **(2): Representation of Value Chain (retailer) – benefits:**

- Retail value chain represents the total benefit offered to consumer through a channel of distribution

Benefits to add value to customers:

- ✚ Store location
- ✚ Parking
- ✚ Retailer Ambience
- ✚ Level of customer service
- ✚ Product/ brands assortment (range)
- ✚ Quality
- ✚ Retailer's in-stock position
- ✚ Prices

Visible Retail Value Chain:

- Display windows
- Sales personnel
- Store Hours
- Point-of-sale equipment

Invisible Retail Value Chain:

- Store location planning
- Credit processing
- Company warehouses

Examples:

- High-end retailers would use various cues such as upscale store ambience and plentiful sales personnel to give overall experience
- For discounters shop, element focusing on its value would be shopping carts and self-service

Importance:

- Importance to customer value chain
- Ensure customer believe it get their money worth
- Ensure customer perceived the level of value provided in the manner firm intends

### **(3) External Environment**

- Refers to the major factors and forces outside the organization that have the potential to significantly impact the organization
- Divided into 2 parts: ***Task & Mega Environment***

#### **❖ *Mega Environment***

- Refers to the broad trends and conditions in the societies within which an organization operates

(a). Legal Political

- Legal and governmental system which organization function
- Stability and positive/negative attitude of elected government official can impact organization progress and performance

(b). Economic

- Prevailing economic can have great impact on management practice in organization
- Example: Factors (Inflation, interest rates, change in per capita income, stock market fluctuation) can affect probability/success of an organization
- “If per capita income decrease, decrease in purchasing power which lower demand for good/service

(c). Technological

- Current state of knowledge about production of goods and services
- Can positively or negatively impact the overall organization
- Example: Industries such as (automobile, telecommunication) greatly impacted by frequent changes in technology
- To remain competitive, must stay ahead of current technological development

(d). International

- Example: Political, social, cultural and economic situation of one country differs from another country
- Development in country outside a home country has great influence on success of organization
- Example: Slight increase of US dollar can impact ability of organization conduct business abroad. Due to higher/lower prices of cost production

(e). Socio-cultural

- Example: Customs, norm, behavior, societal values, beliefs
- Socio-cultural aspects can change therefore, organization must adapt to practices/changing expectations of society
- “If there is shit behavior of people for certain product, demand and price of product can increase/decrease”

❖ ***Task Environment***

- Refers to the forces and institutions outside organization which organization interfaces in the course of conducting business
- Have direct/immediate impact on organization decision and actions

(a). Customers

- Refers to individual who purchases its products and services
- Organization exist to meet the needs of customers and earn profit
- Can impact because customers have uncertainty due to changing tastes, preferences, and lifestyle
- Critical to improve quality product/services to meet their needs

(b). Suppliers

- Organization needs different resources (raw materials, goods, services) to conduct operations
- Example: Can include financial inputs (banks, insurance)
- Organization responsibility to ensure steady flow of needed input at lower price (maintain effectiveness of organization)

(c). Competitors

- Competitors often look for higher margins to provide unique products, and create differentiation
- Example: Time- based competition; competitors compete to serve their customer fastest
- Critical organization to monitor competitors pricing, products, customer service etc.

(d). Government

- Government can impact organization based on the regulation placed
- Example: Restriction on certain quality supply, and regulation around advertising (conservative, vulgarity in advertising)
- In Muslim Country, Government regulation on “Halal” products

(e). Labor Supply

- Labor supply can impact organization production and efficiency
- Example: Due to Australia labor high, there are limited numbers of employee hired by organization in terms of customer service
- Example: Number of employees in David Jones as compared to Pavilion Shopping Center in developing country like Malaysia where labor supply is cheap

**(4). Retail Brand**

(a). Definition: Retail Brand

- Name or symbol that is intended to identify good/services of a retailer so as to differentiate them from other retailers in their market
- In terms of some perceived image, value, service, quality, dependability, experience and promise
- A brand is not just a logo, a name, or a snappy slogan – it’s the tangible and intangible assets that customers attribute to a retailer

**Example:**

- At McDonalds, everything they influences their brand image
- Thus, the store, service, advertising, cleanliness of playgrounds, seats, décor complements the overall branding image

Importance of Increasing Recognition/Awareness of the Brand:

- Helps increase competitive advantage
- Creates barriers to entry
- Reduces volatility
- Ease of Identification (Example: Starbucks – easily identifiable)

Objective: Retail Brand has to be consistent with

- Philosophy, culture, people (engaging personnel) – can positively/negatively impact the brand (it identifies what image organization perceived), retail mix

### Brand Representation:

- Services
- Architecture
- Visual merchandising
  - ✚ Messy & Hard to align? / Or clear and easily understood?
  - ✚ Depending on the visual merchandising can change consumer perception
  - ✚ Example: Peter Alexander is easily identified clearly with their pajamas
- Promotions
  - ✚ Does it match with the brand image/brand name
  - ✚ Example: Too high promotions can be identified as a discounted store
- Differences & Emotions
- Technology

### Retail Landscape:

- Demographics, psychographics, lifestyle changes

#### (b). Experiential Retailing (Further emphasize in Week 11)

- A shift from buying goods and services to consumer buying experiences
- In experiential retailing, consumption as a holistic experience
- Because: there is a shift in consumer expectations, retailer would need to look at every aspect and include every element in retail offering that encourage /inhibit consumer during their contact with retailer
- To ensure that consumer take the time to come in (keep them in the store and ensure they have a good time)
- Example:
  - ❖ Aesthetics: Five sense, space, design, experience
  - ❖ Play: Fun, fantasy, entertainment, theatre
  - ❖ Emotions: Faith, ecstasy, escapism, “magic”
  - ❖ Music: Brand “fit”, connection, difference, memory

#### Build-A- Bear Workshop:

- Retail organization that offers an active make-your-own stuffed animal retail-entertaining experience
- Guest who visits the workshop store enter a recognizable and distinctive teddy bear themed environment (consisting of eight stuffed animal-making stations)
- This gives guests the aesthetics to enjoy and create memory with family & friends

#### Nespresso:

- Enables their customers to come in and actually sit down and try different flavors of coffee (trying out the experience)

#### (c). Multi-sensory branding

- Visual (logo/colors/images/architecture)
- Touch (design/form/shape/light/texture)
- Smell (link unique aromas to the brand)
- Taste (unique food and beverage offer)
- Sound (music and mnemonics)

(d). Multi-dimensional fit:

- To have a successful experiential retailing, it must fit the multi-dimensional strategy
- Helps to make sure whether “fit” matches with what the brand is doing or is it miscommunicated?

- ❖ Space (Five senses, retail mix, merchandise philosophy, themes, atmospherics, architectures)
- ❖ Brand (Brand positioning/awareness, marketing communication, experience)
- ❖ Place (Competition, physical location layout, size)
- ❖ Strategy (leadership/culture, processes, resources)

(e). Ways to win Retailing

- If both retail triangle & house won by retailer, it goes to follow that retailer will be successful in terms of, cost leadership and differentiation which in turn result in financial and longevity in operations

1. Retail Triangle (customer does not see)

- Management:

- ◆ How is the store managed overall?
- ◆ Leadership: Managing and controlling staff within the store

- System:

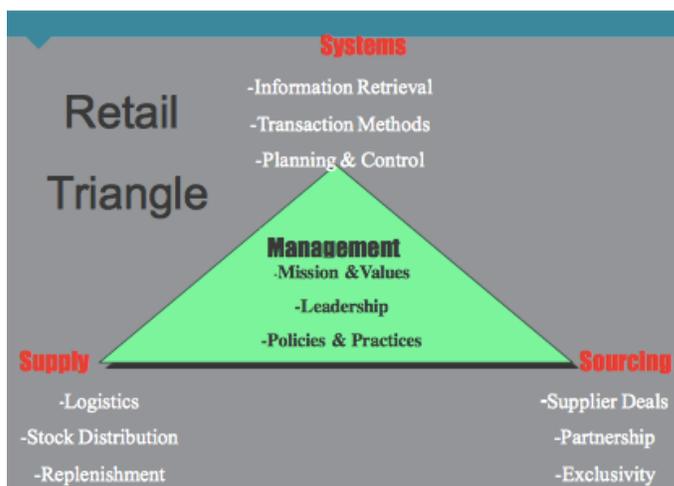
- ◆ Ensure effective system in place for flow of information to directing operations
- ◆ Ensure efficient control and planning to wider business decision making

- Sourcing:

- ◆ Refers to movement of goods from supplier to in-store sales
- ◆ Can have significant impact of financial/operational performance relating to inventory
- ◆ How does product get delivered/directed?

- Supply:

- ◆ Refers to relationship between organization and supplier (terms of deals, delivery quantities, and trade terms)
- ◆ How much stock goes into the store?
- ◆ Ensure sustainable/equal number of inventory (to ensure stock do not have to markdown-lose profit)



## 2. Retail House (Customer witness)

### - Place

- ◆ Where and when do I set up the shop?
- ◆ Is the shop in the right location?

### - Product

- ◆ Do the customers want the products and services?
- ◆ Ensure exceed competitors in relation to style, intensity, assortment of products within retail category
- ◆ Doing this, able to maximize profit and minimized losses at store level

### - Price

- ◆ Does offering provide values to the customers? Are they prepared to part with their dollars with the value given?
- ◆ Focuses in increasing quality and at the same time provide most cost effective solution or store

### - People

- ◆ Does organization have right people on board?
- ◆ Ensure organization have team members that are dedicated to organization service culture as well as working in attitude of trust, empowerment and pride
- ◆ Critical success factor

### - Promotion

- ◆ How organization marketing the product?
- ◆ Example: If promotion, key marketing message is EDLP (everyday low prices) – thus, organization has to be committed through the day-to-day management of activity to be low cost or cost reduction focused



### (f). Applying Retailing Concept:

- Example: Target has a long-term desire to please customers.
- Company uses a customer-centered, chain wide approach to strategy development and implementation, value driven and has clear goals