

Chapter 6: Retailing Structures and Strategies

DINH Tien Minh

LEARNING OBJECTIVES

- Describe the types of retail structures that exist worldwide.
- Explain how a retail positioning strategy flows from both cost-side and demand- side factors.
- Define the retailers positioning strategy as a set of service outputs delivered to the market.
- Recognize important trends and developments on the consumer and channel sides that affect retail management.
- Outline the power and coordination issues facing retailers and their suppliers, as well as how suppliers respond to retailers' use of power to influence channel behavior.

RETAIL STRUCTURES

- **Retailing** consists of the activities involved in selling goods and services to ultimate consumers for their personal consumption.
 - A **retail sale** is one in which the buyer is the ultimate consumer, rather than a business or institutional purchaser.
 - A **wholesale sale** refers to purchases for resale or for business, industrial, or institutional uses.

RETAIL POSITIONING STRATEGIES

- Cost-Side Positioning Strategies
- Demand-Side Positioning Strategies

Cost-Side Positioning Strategies

- In a high-service retailing system, **margins** are higher, but **turnover** (i.e., the number of times inventory on the shelf turns over in a specified period, usually a year) is lower.
- In low-price retailing systems, the opposite holds: low margins, high inventory turnover, and minimal service levels.
- Whether the retail strategy should emphasize the low margins and high turnover or else seek high margins at low turnover?

Cost-Side Positioning Strategies

- Strategic profit model (SPM)
- Gross margin return on inventory investment (GMROI)
- Gross margin per full-time equivalent employee (GMROL)
- Gross margin per square foot (GMROS)

Demand-Side Positioning Strategies

- Bulk breaking
- Spatial convenience
- Waiting and delivery time
- Product variety
- Customer service

Taxonomy of Retail Positioning Strategies

Retailer Type	Main Focus on Margin or Turnover	Bulk Breaking	Spatial Convenience	Waiting and Delivery Time	Variety (Breadth)	Assortment (Depth)
Department store (e.g., Macy's)	Margin	Yes	Moderate	Low wait time	Broad	Moderate/Shallow
Specialty store (e.g., The Gap)	Margin	Yes	Moderate	Low wait time	Narrow	Deep
Mail order/catalog (e.g., Lands' End)	Margin	Yes	Extremely high	Moderate/high wait time	Narrow	Moderate
Convenience store (e.g., 7-Eleven)	Both	Yes	Very high	Low wait time	Broad	Shallow
Category killer (e.g., Best Buy)	Turnover	Yes	Moderate	Low wait time	Narrow	Deep
Mass merchandiser (e.g., Wal-Mart)	Turnover	Yes	Low	Moderate wait time (may be out of stock)	Broad	Shallow
Hypermarket (e.g., Carrefour)	Turnover	Yes	Low	Moderate wait time	Broad	Moderate
Warehouse club (e.g., Sam's Club)	Turnover	No	Low	Moderate/high wait time (may be out of stock)	Broad	Shallow

MULTICHANNEL RETAIL STRATEGIES

- Internet Retail Channel
- Direct Selling Channel
 - Direct selling is defined as "the sale of a consumer product or service in a face to face manner away from a fixed retail location."
- Hybrid Retail Channels

ADAPTING TO THE INCREASING POWER OF MAJOR RETAILERS

- Effects of Forward Buying
- Effects of Slotting Allowances
- Effects of Failure Fees
- Effects of Private Branding
- Effects of Globalization of Retailing

THE END!

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