Chapter 1
Introduction to the World of Retailing

The Dynamic Retailing Environment

- Information and Communication Technology
  - POS, EDI, QR
- Globalization
  - McDonald’s Around the World, Walmart in China, Mexico, Brazil
- Electronic Retailing
  - Amazon.com, Macy.com, eToys, eBay, JCPenney.com
- Entertainment in Retailing
  - Niketown, Bass Pro Shop, Mall of America
Definition of Retailing

**Retailing** is a set of business activities that adds value to the products and services sold to consumers for their personal or family use.

A **retailer** is a business that sells products and/or services to consumers for the personal or family use.

Examples of Retailers

- **Retailers**
  - Sears, Holiday Inn, McDonalds, Amazon.com, Jiffy Lube, The Gap
- **Firms that are retailers and wholesalers** --sell to other businesses as well as consumers
  - Office Depot, Home Depot, United Airlines, Bank of America

Distribution Channel/Markets
Value Added by Retailers

- Providing Assortment
- Breaking Bulk
- Holding Inventory
- Offering Services

Manufacturer*  |  Distributor  |  Retailer  |  Customer
---|---|---|---
CGS: $1.00;  |  CGS: $1.00;  |  CGS: $1.20;  |  CGS: $1.20;
GP: $.10/ $1.00 |  GP: $.10/ $1.00 |  GP: $.10/ $1.00 |  GP: $.10/ $1.00

Economic Significance of Retailing

- Over $2.5 Trillion in Annual U.S. Sales
  - Greater than medical care, housing, recreation combined
- Employs 18% of population
  - About the same as manufacturing and growing
- Management Training Opportunities
- Entrepreneurial Opportunities
Projected Job Gains

Source: U.S. Department of Commerce

Retail Management Decision Process

The World of Retailing - Section 1
1. Introduction to the World of Retailing
2. Store-Based Retailing
3. Nonstore Retailing - Electronic Retailing and Catalogs
4. The Retail Customer
5. Customer Buying Behavior

Retailing Strategy - Section 2
6. Retail Market Strategy
7. * Financial Strategy
8. Retail Locations
9. Site Selection
11. Integrated Retail Logistics and Information Systems

Merchandise Mgmt.
-3  Store Management -4
12. Planning Merchandise
13. Buying Systems
14. Buying Merchandise
15. Pricing
16. Retail Promotion Mix

JCPenney’s Strategic Evolution

• Become a Main Street private label soft goods retailer
• Changes in environment -- increased disposable income, growth of suburbs, interstate highway program
• Emulate Sears in enclosed suburban malls
• Focus on soft goods -- drop automotive, sporting goods, hardware
• Start catalog, electronic retailing
• Future (?)
Sears’ Strategic Evolution

• Large number of merchandise categories -- appliances, hardware, apparel
• Malls evolve into places for buying soft goods, hard goods sold at category killers
• “The Softer Side of Sears”
• Refocusing on value -- Testing carts in stores, like Target, Bed, Bath & Beyond

Whole Foods Implementation

• Strategy - Organic and natural foods supermarket chain
  – Assortment beyond organic/natural foods
  – Private label food and vitamins - Whole Food™, 360 Day Value™
  – Love, trust, and employee empowerment
  – Equality in compensation

Misconceptions about Careers in Retailing

• Why go to college to be a sales clerk?
• Low pay made up for with
• Long hours
• Boring
Why Should You Consider Retailing?

• Entry level management positions
  – Department manager or assistant buyer
  – Manage people and have P&L responsibility on your first job
• Starting pay average, but compensation excellent if you are successful
• Something new and different each day
• Buying for numbers people, store management for people people

Types of Jobs

• Most entry level jobs in store management and buying
• Retailers also have staff specialists
  – Accounting and finance
  – Real estate
  – Human resource management
  – Computer information systems
  – Supply chain management
  – Advertising and public relations