

RETAIL MANAGEMENT: An Overview

Introduction of the World of Retailing

Lecture 1

Lecturer: Dr. Michaella Deleon Castillo

- What is retailing?
- What are the responsibilities of retailers?
- What role does retail play in our society?
- What kind of professional and business prospects can retailing provide?
- What decisions do retail managers have to make?

Retailing is a collection of business activities that adds value to the goods and services that are offered to consumers for personal or family use.

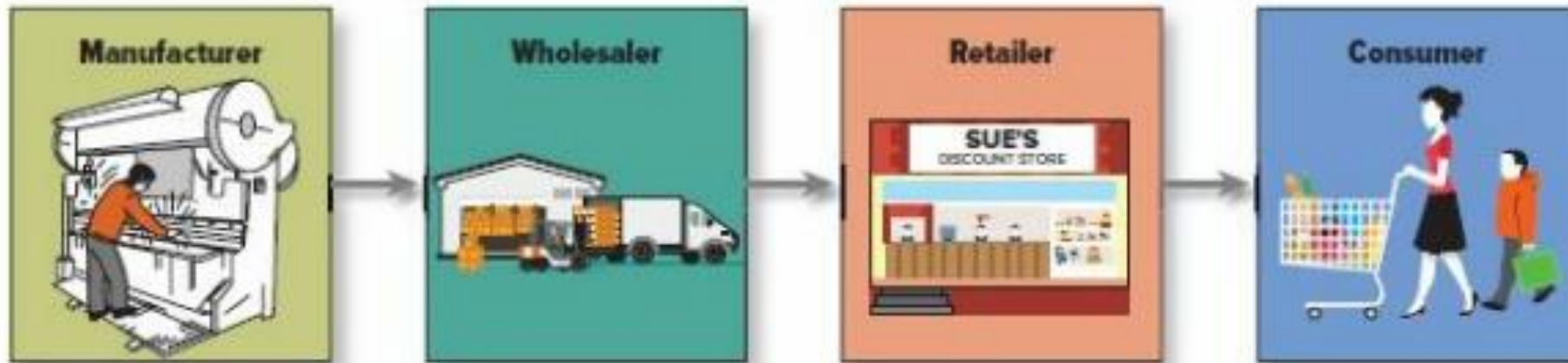
A retailer is a company that offers items and/or services to individuals and families.



Examples of Retailers



The Retailer's Role in a Supply Chain



Retailers Form Value

- **Provide Assortment**

Purchase more items at the same time.

- **Break Bulk**

Purchase it in the amounts that your consumers desire.

- **Hold Inventory**

When you want it, buy it at a handy location.

- **Providing Services**

You can see it before you purchase it, and you can earn credit for it. layaway

Costs of Channel Activities

- While channel members' value-creating efforts help customers, they also result in an increase in the price of items and services.



Retailers Engage in Wholesaling and Manufacturing

Wholesalers - purchase and store large quantities of merchandise from and then resell the merchandise (usually in smaller quantities) to merchants



Manufacturing, Wholesaling and Retailing

Vertical Integration – In the channel, a company engages in more than one set of operations.

Ex: SM SUPERMARKET - SM bonus products

Backward Integration – Some distribution and manufacturing activities are carried out by a store.

Manufacturing, Wholesaling and Retailing

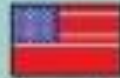



Forward Integration – Some distribution and manufacturing activities are carried out by a store.

Ex: Bench, F&H and Celine operates its own stores

Both wholesaling and retailing are done by large retailers.

Ex: Puregold, SM & SnR

Global Differences in Distribution Channels

	 United States	 Northern Europe	 India	 China
Concentration (percentage of sales made by large retailers)	Highest	High	Lowest	Low
Retail density (square feet of retail space per person)	Highest	Modest	Lowest	Low
Average store size	Highest	Modest	Lowest	Modest
Role of wholesalers	Minimal	Modest	Extensive	Extensive
Infrastructure supporting efficient supply chain	Best	Good	Weakest	Weak
Restrictions on retail locations, store size, and ownership	Minimal	Extensive	Extensive	Modest

Social & Political Objectives	<ul style="list-style-type: none">• China and India: Protecting small companies to minimize unemployment.• EU: To safeguard small businesses• Green landscapes and town centers should be preserved.
Geography	<ul style="list-style-type: none">• In comparison to India, China, and the EU, the United States has a far lower population density (where less low-cost real estate are available for building large stores)
Market size	<ul style="list-style-type: none">• Large retail marketplaces in the United States, India, and China• Distribution networks and retail chains in the EU operate in a single nation (no economy of scales to be achieved; trade barriers still exist)

Social and Economic Significance of Retailing

Role in Developed Economies

Retail Sales:

In 2015, sales in the United States totaled over \$5.3 trillion.

The retail industry in the Philippines was valued at ₱6,361.8 billion in 2016 and is estimated to reach ₱9,436.6 billion at a CAGR of 8.2% during 2016-2021. The industry is largely dominated by the food & grocery sector, which accounted for a share of 65% in 2016, followed by home (9.7%) and health & beauty (6.6%).

Source: <https://store.globaldata.com/report/rt0291mr--retailing-in-the-philippines-market-shares-summary-forecasts-to-2021/>

Employment:

In 2015, retail employed over 14 million people—approximately 10% of the US workforce—and an additional 15% work for companies that provide services to or sell products through retailers.companies that either provide services to and/or sell products through retailers

Role in Developing Economies—The Bottom of the Pyramid

The Bottom of the Pyramid's Role in Development

Base of the Pyramid or bottom of the pyramid –
they are referred as low-income consumer segment

Role in Society

- Corporate Social Responsibility
- Ethics

Conscious marketing

- This entails a higher sense of purpose for the business than simply profiting from selling goods and services.
 - ✓ Recognize the larger purpose of the retailing firm
 - ✓ Stakeholders and their interdependence are taken into account.
 - ✓ The presence of conscious leadership, which results in the establishment of a corporate culture
 - ✓ The recognition that ethical decisions must be made.
 - Ethics

Ethical Situations for a Retail Manager

- Should a retailer sell merchandise that they suspect utilized child labor?
- Should it advertise that its prices are the lowest in an area even though some items are not?
- Should a buyer accept an expensive gift from a vendor?
- Should salespeople use high-pressure sales when they know the product is not the best for the customer's needs?
- Should a retailer give preference to minorities when making a promotion decision?
- Should a retailer treat some customers better than others?

Checklist for Making Ethical Decisions

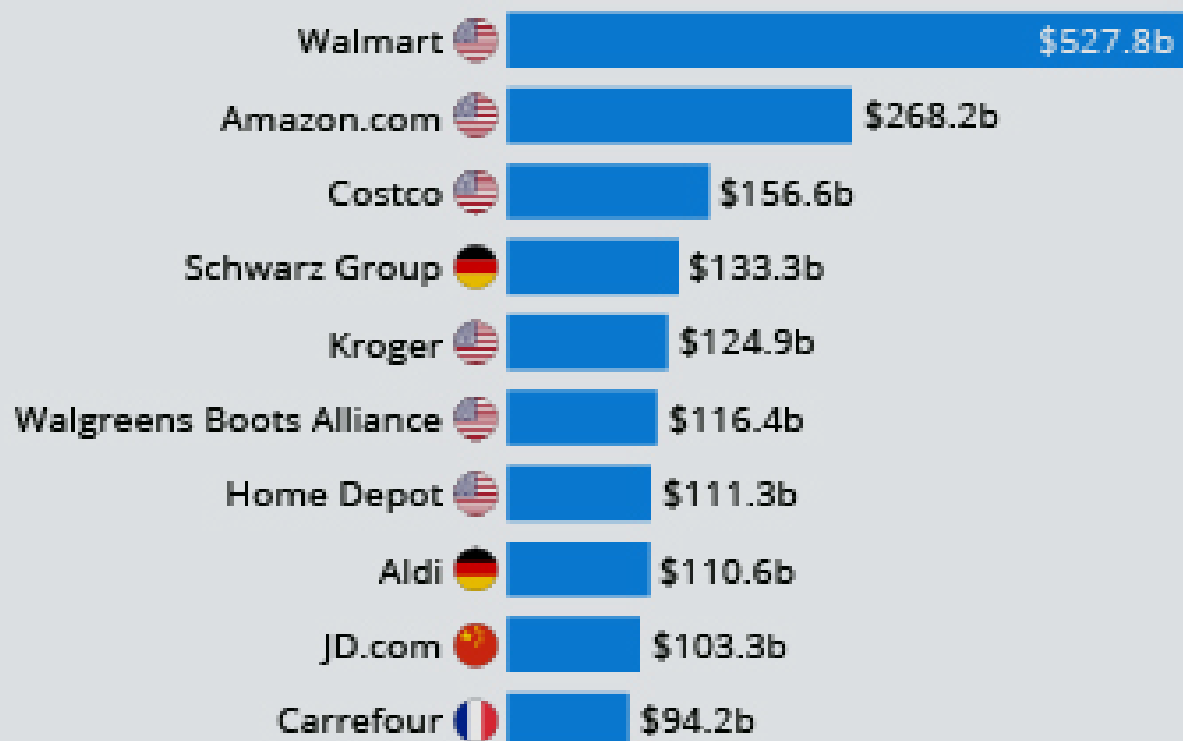
1. Would I be embarrassed if a customer found out about this behavior?
2. Would my supervisor disapprove of this behavior?
3. Would most coworkers feel that this behavior is unusual?
4. Am I about to do this because I think I can get away with it?
5. Would I be upset if a company did this to me?
6. Would my family or friends think less of me if I told them about engaging in this activity?
7. Am I concerned about the possible consequences of this behavior?
8. Would I be upset if this behavior or activity was publicized in a newspaper article?
9. Would society be worse off if everyone engaged in this behavior or activity?

Evolution of the Retail Industry

- 90% are still made in stores
- 15 minute drive from consumer's place
- For over 50 years a big change in retail business
- Today dominated by large, national and international retail companies

The World's Largest Retailers

Top 10 retailers based on estimated global retail sales in 2020*



* all figures are estimates based on FY2019 results and YTD 2020 results
(primarily reported in March/April 2020)

Source: Kantar



The 10 Most Valuable Global Retail Brands (\$m) in 2020



Amazon	\$415,855	Y-O-Y Change: +32%
Alibaba Group	\$152,525	+16%
McDonald's	\$129,321	-1%
The Home Depot	\$57,585	+8%
Louis Vuitton	\$51,777	+10%
Nike	\$49,962	+5%
Starbucks	\$47,753	+4%
Walmart	\$45,783	+24%
CHANEL	\$36,120	-2%
Hermès	\$33,008	+7%

Published on MarketingCharts.com in May 2019 | Data Source: BrandZ

*Based on analyzed market data from Kantar and Bloomberg combined with insights from over 3.7 million consumers around the world covering more than 165,000 brands in over 50 markets
The retail brand ranking covers brands that are pure retail, fast food, apparel and luxury*

RETAILING AND RETAILERS' IMPORTANCE IS INCREASING

Top 10 Companies within Retailing in the Philippines

Global Brand Owner	2020 Rank		2019 acts (US\$ Million)	2020 acts (US\$ Million)
SM Retail Inc	1	◆	6,312	5,406
Mercury Drug Corp	2	◆	2,967	3,516
Puregold Price Club Inc	3	◆	2,874	3,418
Robinsons Retail Holdings Inc	4	◆	2,845	2,755
Seven & I Holdings Co Ltd	5	◆	927	873
AS Watson Group	6	▲	676	800
Metro Retail Stores Group	7	▼	710	727
Alibaba Group Holding Ltd	8	▲	336	622
Sea Ltd	9	▲	272	608
Wilcon Depot Inc	10	▼	472	418

▲ Improvement ◆ No Change ▼ Worsened

Source: Euromonitor International

Role of Information Systems



OPPORTUNITIES FOR MANAGEMENT AND ENTREPRENEURSHIP



MANAGEMENT AND ENTREPRENEURIAL OPPORTUNITIES

➤ Management Opportunities

Retailers hire individuals with expertise in:

- finance,
- accounting,
- human resource management,
- supply chain management,
- computer systems,
- management
- marketing.

➤ Entrepreneurial Opportunities

- Provides opportunities for people who wish to start their own business.
- Some of the world's wealthiest individuals are involved in retail.

Examples of retailing entrepreneurs in the Philippines:

- Sy Siblings – SM Malls
- Socorro Ramos – National Bookstore
- Tony Tan Caktiong – Jollibee Foods
- Lucio Co – Puregold

Misconceptions About Careers in Retailing

- College not needed
- Low pay
- Long hours
- Boring
- Dead-end job
- No benefits
- Everyone is part-time
- Unstable environment
- No opportunity for women and minorities

Well known Retail Entrepreneurs

- Sam Walton(Wal-Mart)
- Do Won and Jin Sook Chang (Forever 21)
- Ingvar Kamprad (IKEA)
- Howard Schultz (Starbucks)

THE DECISION-MAKING PROCESS IN RETAIL MANAGEMENT

Understand the strategic retail management decision process.

- ✓ Overview of Retailing
- ✓ Strategies in Retailing
- ✓ Merchandise management and Human Resource & Store Management

Recognize the Retail Environment

1. Competition

- Macroenvironment

- technological,
- social
- Ethical, legal & political

- Microenvironment

- Competitors
 - Intratype competition
 - Scrambled merchandising
 - Intertype competition

2. Customers

Retail Strategy

1. The target market, or markets segments, in which the retailer will concentrate its efforts
2. The nature of the merchandise and services offered by the retailer in order to meet the target market's needs
3. How the retailer will develop unique assets that will give it a long-term competitive advantage.

Retail Strategy

Strategic Decision

- defining the target market
 - analyzing the environment
- defining the financial objectives
 - review financial variables
 - return on investment
 - profit margin
- development of critical assets
 - location
 - HR
 - Information
 - Supply chain systems
 - Supply chain organization
 - Customer Loyalty

Implementing the Retail Strategy

Elements of Retail Mix

1. Types of merchandise
2. Services offered
3. Merchandise pricing
4. Advertising and promotional programs
5. Store designs
6. Merchandise displays
7. Assistance to customer from the sales associate
8. Strategic store's location.

Keywords

- **breaking bulk** - A function performed by retailers or wholesalers in which they receive large quantities of merchandise and sell them in smaller quantities.
- **Ethics** - A system or code of conduct based on universal moral duties and obligations that indicate how one should behave.
- **holding inventory** - A major value-providing activity performed by retailers whereby products will be available when consumers want them.
- **intertype competition** - Competition between retailers that sell similar merchandise using different formats, such as discount and department stores.
- **intratype competition** - Competition between the same type of retailers (e.g., Kroger versus Safeway).
- **Wholesaler** - A merchant establishment operated by a concern that is primarily engaged in buying, taking title to, usually storing, and physically handling goods in large quantities, and reselling the goods (usually in smaller quantities) to retailers or industrial or business users.

References:

- Levy M., Weitz B., & Grewal, D. (2019) Retailing Management 10e. Irwin / McGraw – Hill
- Dhruv Grewal and Michael Levy, Marketing, 6th ed. (Burr Ridge, IL: McGraw-Hill Education, 2017); Dhruv Grewal, Anne L. Roggeveen, Rajendra Sisodia, and Jens Nordfalt, “Enhancing Customer Engagement through Consciousness,” *Journal of Retailing* 93, no. 1 (March 2017), pp. 55–64. The first four principles draw on Raj Sisodia, “Conscious Capitalism: A Better Way to Win,” *California Management Review* 53 (Spring 2011), pp. 98–108.
- Goworek, Helen (2015) Retail Marketing Management: Principles and Practice, Pearson
- Lusch, Robert F. (2015) Retailing: An Introduction, Cengage Learning
- Levy M., Weitz B., & Grewal, D. (2014) Retailing Management. Irwin / McGraw – Hill
- Singh, S.D (2012). Retail Management. New Delhi, India: ANMOL Publication
- C. K. Prahalad, “Bottom of the Pyramid as a Source of Breakthrough Innovations,” *Journal of Product Innovation Management* 29 (January 2012), pp. 6–12; A. Karamchandani and M. Kubzansky, “Is the Bottom of the Pyramid Really for You?,” *Harvard Business Review*, March 2011, pp. 2–10.
- Levy M., Weitz B., & Grewal, D. (2009). Retailing Management: New York: Mc Graw Hill

Online Sources:

- https://www.google.com/search?q=retail+stores+in+the+philippines+using+technology&tbm=isch&ved=2ahUKewjvuM7Mvl3zAhVB4JQKHRnRBGsQ2-cCegQIABAA&oq=retail+stores+in+the+philippines+using+technology&gs_lcp=CgNpbWcQAzoECAAQHID5jARY8bIEYIG1BGgAcAB4AIABflgB4g2SAQQ2LjExmAEOAEBqgELZ3dzLXdpei1pbWfAAQE&sclient=img&ei=13NIYa9xwcDTBJmik9gG&bih=657&biw=1366&rlz=1C1GTPM_enPH967PH967#imgrc=wArWlU71GOhBgM
- <https://business.inquirer.net/273445/eight-successful-filipino-entrepreneurs-who-started-small>
- <https://blog.bossjob.ph/job-search-tips/1383/top-5-retail-companies-in-the-philippines/>
- <https://www.statista.com/statistics/266595/leading-retailers-worldwide-based-on-revenue/>
- <https://store.globaldata.com/report/rt0291mr--retailing-in-the-philippines-market-shares-summary-forecasts-to-2021/>