

# Types of Retailers

## CHAPTER 02

# Learning Objectives

- List the characteristics of retailers.
- Sort food retailers into categories.
- Identify general merchandise retailers.
- Distinguish between service and merchandise retailers.
- Show the different retail ownership types.



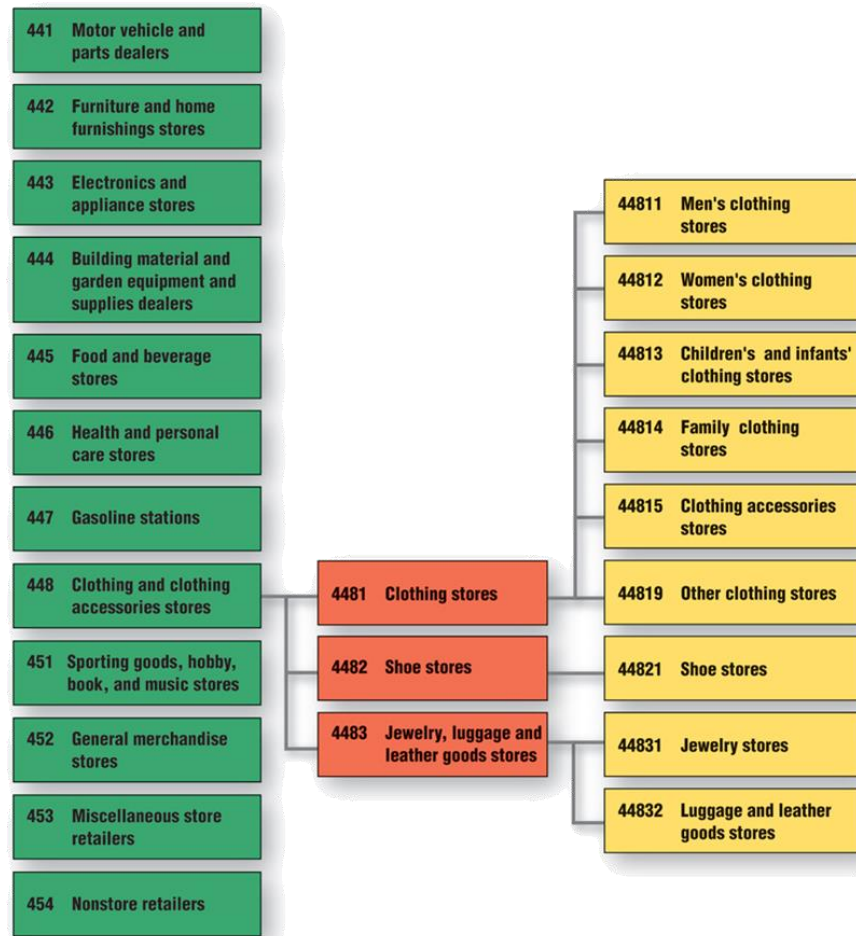
# Retailer Characteristics

List of different characteristics that define retailers

- Type of Merchandise
- Variety and Assortment
- Services Offered
- Prices and Cost of Offering Breadth and Depth of Merchandise and Services

# Types of Merchandise

## NAICS Codes for Retailers



Source: "North American Industry Classification System (NAICS)," U.S. Census Bureau, [www.census.gov/epcd/www/naics.html](http://www.census.gov/epcd/www/naics.html).

# Variety and Assortment

**Variety (breadth of merchandise): wide vs. narrow**

**- The number of merchandise categories**



**Assortment (depth of merchandise): deep vs. shallow**

**-the number of items in a category (SKUs)**



# Services Offered

- Displaying Merchandise
- Accepting Credit Cards
- Providing Parking
- Open at convenient hours



# Illustration of Variety and Assortment

	<b>Lady Foot Locker</b>	<b>Sports Authority</b>
<b>Active</b>	SKUs: 44	N/A
<b>Classics</b>	SKUs: 44	N/A
<b>Converse</b>	SKUs: 25	N/A
<b>Elite Running</b>	SKUs: 22	N/A
<b>Fitness</b>	N/A	SKUs: 1
<b>Running</b>	SKUs: 44	SKUs: 39
<b>Trail Running</b>	N/A	SKUs: 7
<b>Training</b>	SKUs: 22	SKUs: 2
<b>Walking</b>	SKUs: 11	SKUs: 12

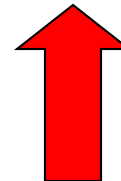
# Prices and the cost of offering breadth and depth of merchandise and services

- Keeping a deep and broad assortment costs money.

Many SKUs

The fact that the retailer is required to maintain backup stock for each SKU in addition to maintaining inventory

Inventory Investment Cost



# Food Retailers

## Retail sales and growth rate

	Estimated Sales, 2013 (\$ millions)	Estimated Sales Growth 2008–2013 (%)
<b>Food Retailers</b>		
Conventional supermarkets	\$622,896	3.3
Supercenters	354,905	7.1
Warehouse clubs	159,075	6.7
Convenience stores	748,186	3.0
<b>General Merchandise Retailers</b>		
Department stores	73,291	−0.9
Apparel and accessory specialty stores	210,236	4.5
Jewelry stores	36,848	3.4
Shoe stores	29,606	1.8
Furniture stores	66,262	2.2
Home furnishing stores	59,465	2.8
Office supply stores	26,404	2.2
Sporting goods stores	49,717	5.3
Bookstores	19,101	2.1
Building material, hardware, and garden supply stores	393,254	3.6
Consumer electronics and appliance stores	141,800	4.4
Drugstores	250,172	4.2
Full-line discount stores	126,385	0.0
Extreme-value stores	52,454	3.1
<b>Nonstore Retailers</b>		
Nonstore retailing	340,421	9.0
E-commerce	282,055	15.0

Sources: *Economic Forecast: Outlook to 2013 Food, Drug, Mass* (Columbus, OH: Retail Forward, November 2008); *Economic Forecast: Outlook to 2013 Homegoods* (Columbus, OH: Retail Forward, November 2008); *Economic Forecast: Outlook to 2013 Softgoods* (Columbus, OH: Retail Forward, November 2008).

# Food Retailers

## Food Retailing landscape

- Conventional Supermarkets
- Supercenters
- Warehouse Clubs
- Convenience Stores

# Characteristics of Food Retailers

	<b>Conventional Supermarket</b>	<b>Limited-Assortment Supermarket</b>	<b>Supercenter</b>	<b>Warehouse Club</b>	<b>Convenience Store</b>
Percentage food	70–80	80–90	30–40	60	90
Size (000 sq. ft.)	35–40	7–10	160–200	100–150	3–5
SKUs (000)	30–40	1–1.5	100–150	20	2–3
Variety	Average	Narrow	Broad	Broad	Narrow
Assortment	Average	Shallow	Deep	Shallow	Shallow
Ambience	Pleasant	Minimal	Average	Minimal	Average
Service	Modest	Limited	Limited	Limited	Limited
Prices	Average	Lowest	Low	Low	High
Gross margin (%)	20–22	10–12	15–18	12–15	25–30

# Supermarkets

- Conventional supermarkets
  - 30,000 SKU
- Limited assortment supermarkets (extreme value food retailers)
  - 1500 SKUs
  - Offer one or two brands and sizes
  - Designed to maximize efficiency and reduce costs
  - Offer merchandise at 40-60% lower prices than conventional supermarkets



# Trends in Supermarket Retailing

- ✓ Competitive Pressure
- ✓ Superior Operating efficiencies
- ✓ Bargain Power with Vendors

## Food Retailing Format

- ✓ Fresh perishables
- ✓ Green, Ethic & Millennial
- ✓ Better value & Private Level
- ✓ New value-added services
- ✓ Better Shopping Experience

# Supercenters

- 160,000 to 200,000 square feet
- Provide a one-stop shopping experience



# Hypermarkets

- the same size as supercenter
- 40,000 to 60,000 items
- Carry a larger proportion of food items
- Have emphasis on perishables like produce, meat, fish and bakery items



# Warehouse Clubs

- 100,000 to 150,000 square feet
- Offer a limited and irregular assortment of food and general merchandise
- can stock up on large packs of basics like paper towels, large sized packaged groceries like a quart of ketchup, etc.
- unpredictable assortment of upscale merchandise and services at low prices



# Convenience Store

- 3,000- to 5,000-square-foot stores with speedy checkout.
- enable consumers to make purchases quickly
- Offers fresh, healthy food
- half the items bought are consumed within 30 minutes of purchase
- Financial services available
- Opening smaller stores closer to consumers (like airports)



# Online Grocery Retailers

- Time-poor customers are willing to pay more to access options for ordering groceries online and having them delivered
- approximately 30 percent of the online orders placed with grocery retailers involve nonfood items



# General Merchandise Retailers

Type	Variety	Assortment	Service	Prices	Size (000 sq. ft.)	SKUs (000)	Location
Department stores	Broad	Deep to average	Average to high	Average to high	100–200	100	Regional malls
Discount stores	Broad	Average to shallow	Low	Low	60–80	30	Stand alone, power strip centers
Specialty stores	Narrow	Deep	High	High	4–12	5	Regional malls
Category specialists	Narrow	Very deep	Low to high	Low	50–100	20–40	Stand alone, power strip centers
Home improvement centers	Narrow	Very deep	Low to high	Low	80–120	20–40	Stand alone, power strip centers
Drugstores	Narrow	Very deep	Average	Average to high	3–15	10–20	Stand alone, strip centers
Off-price stores	Average	Deep but varying	Low	Low	20–30	50	Outlet malls
Extreme-value retailers	Average	Average and varying	Low	Low	7–15	3–4	Urban, strip

# Department Store

- Competition
  - Discount Stores on Price
  - Specialty Stores on Service, Depth of Assortment
- Lower Cost by Reducing Services
  - Centralized Cash Wraps
- More Sales
  - Customers Wait for Sale
- Soft Goods and Hard Goods (durable goods)
- Develop Exclusive Brands and Private Labels or store brands



# Full-line Discount Store

- offer a broad variety of merchandise, limited service, and low prices
- offer both private labels and national brand

Full Line Discount Store



# Category Specialists

- big-box stores that offer a deep assortment but narrow variety of merchandise
- a self-service approach
- category specialists can “kill” called category killers



# Specialty Store Retailing

- concentrate on a limited number of complementary merchandise categories
- provide a high level of service
- very specific market segments by offering a deep assortment but narrow variety, and sales associate expertise
- stores earn an average of \$1,675 per square foot



# Specialty Store Retailers

## Accessories

Claire's

## Apparel

The Gap

J. Crew

The Limited

Victoria's Secret

Lane Bryant

Abercrombie & Fitch

Talbots

Michaels

## Auto Parts

AutoZone

Advance Auto Parts

## Electronics/Software/Gifts

RadioShack

Sharper Image

## Entertainment

GameStop

Blockbuster

## Food Supplements

GNC

## Furniture

Ethan Allen

Thomasville

## Housewares

Williams-Sonoma

Crate & Barrel

Pottery Barn

## Jewelry

Zales

Tiffany & Co.

## Optical

LensCrafters

## Shoes

Foot Locker

## Sporting Goods

Hibbett Sports

Play It Again



McGraw-Hill Companies, Inc./Andrew Resek, Photographer

# Drug Store Retailing

- concentrate on health and beauty care (HBC) products
- increased the space devoted to cosmetics



# Extreme Value Retailing

- also called dollar stores
- are small discount stores that offer a broad variety but shallow assortment of household goods, health and beauty care (HBC) products, and groceries



# Off-Price Retailers

- offer an inconsistent assortment
- able to sell brand-name and even designer-label merchandise at 20 to 60 percent lower than the manufacturer's suggested retail price
- Closeouts are end-of-season merchandise that will not be used in following seasons
- Irregulars are merchandise with minor mistakes in construction

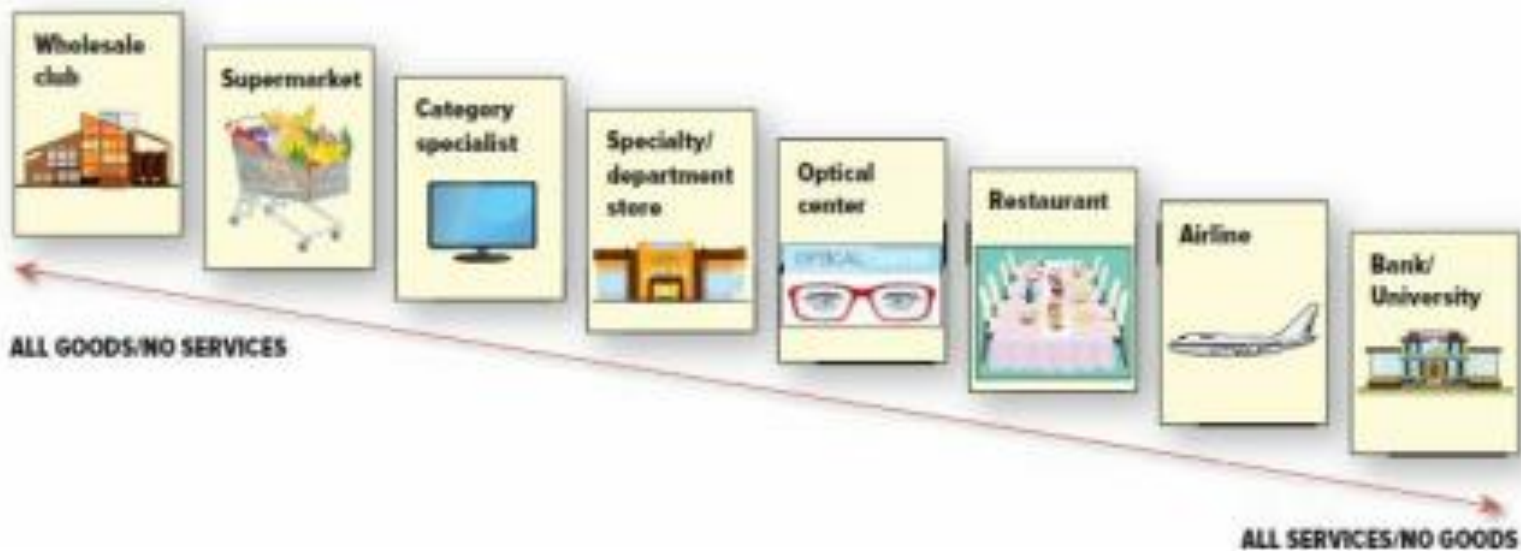


# Services Retailing

- primarily sell services rather than merchandise
- trends suggest considerable future growth in service retailing



# Merchandise/Service Continuum



# Differences between Service and Merchandise Retailers

- Intangibility
- Simultaneous Production and Consumption
- Perishability
- Inconsistency

# Types of Retail Ownership

- Independent, Single Store Establishments
  - [Wholesale-sponsored voluntary group](#)
- Corporate Retail Chains
- Franchising



# Retailers Using Franchise Business Model

<p><b>Food Retailers</b></p> <p>7-Eleven Arby's Ben &amp; Jerry's Cold Stone Creamery Denny's Domino's Pizza Dunkin' Donuts Johnny Rockets McDonald's Olive Garden Panera Bread Subway YUM! Brands</p> <p><b>Services Retailers</b></p> <p>1-800-GOT-JUNK? AAMCO Cash Now Century 21 Real Estate Coldwell Banker Curves Hampton Inn I-Sold It</p>	<p>InterContinental hotels Jackson Hewitt Tax Service Jani-King Jazzercise Jiffy Lube LA Weight Loss Lawn Doctor Liberty Tax Service Mail Boxes Midas Payless Car Rental RE/MAX Rent-a-Wreck UPS Stores</p> <p><b>Merchandise Retailers</b></p> <p>Ace Hardware Culligan GNC Matco Tools Merle Norman Pearle Vision Sign-A-Rama</p>	         
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# Keywords

- **assortment** The number of SKUs within a merchandise category. Also called *depth of merchandise*.
- **breadth of merchandise** The number of different merchandise categories within a store or department.
- **category killer** A discount retailer that offers a narrow but deep assortment of merchandise in a category and thus dominates the category from the customers' perspective. Also called a *category specialist*.
- **category specialist** A discount retailer that offers a narrow but deep assortment of merchandise in a category and thus dominates the category from the customers' perspective. Also called a *category killer*.
- **convenience store** A store that provides a limited variety and assortment of merchandise at a convenient location in a 2,000- to 3,000-square-foot store with speedy checkout.
- **conventional supermarket** A self-service food store that offers groceries, meat, and produce with limited sales of nonfood items, such as health and beauty aids and general merchandise.
- **department store** A retailer that carries a wide variety and deep assortment, offers considerable customer services, and is organized into separate departments for displaying merchandise.

# Keywords

- **depth of merchandise** The number of SKUs within a merchandise category. Also called *depth of merchandise*.
- **discount store** A general merchandise retailer that offers a wide variety of merchandise, limited service, and low prices.
- **franchising** A contractual agreement between a franchisor and a franchisee that allows the franchisee to operate a retail outlet using a name and format developed and supported by the franchisor.
- **full-line discount store** Retailers that offer a broad variety of merchandise, limited service, and low prices.
- **hypermarket** Large (100,000–300,000 square feet) combination food (60–70 percent) and general merchandise (30–40 percent) retailer.
- **North American Industry Classification System (NAICS)** Classification of retail firms into a hierarchical set of six-digit codes based on the types of products and services they produce and sell.
- **off-price retailer** A retailer that offers an inconsistent assortment of brand-name, fashion-oriented soft goods at low prices.
- **specialty store** A type of store concentrating on a limited number of complementary merchandise categories and providing a high level of service.

# Keywords

- **stock-keeping unit (SKU)** The smallest unit available for keeping inventory control. In soft goods merchandise, an SKU usually means a size, color, and style.
- **supercenter** Large store (150,000 to 220,000 square feet) combining a discount store with a supermarket.
- **supermarket** A conventional supermarket is a large, self-service retail food store offering groceries, meat, and produce, as well as some nonfood items, such as health and beauty aids and general merchandise.
- **value retailers** Small, full-line discount stores that offer a limited merchandise assortment at very low prices.
- **variety** The number of different merchandise categories within a store or department.
- **warehouse club** A retailer that offers a limited assortment of food and general merchandise with little service and low prices to ultimate consumers and small businesses.
- **wholesale-sponsored voluntary cooperative group** An organization operated by a wholesaler offering a merchandising program to small, independent retailers on a voluntary basis.

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