Chapter 2

Types of Retailers

Trends in Retailing

- Increasing Industry Concentration
- Growing Diversity of Formats
- Globalization

Increasing Concentration

- Drug Stores: 53% of sales
  - Walgreens, CVS, Rite-Aid and Eckerd's
- Discount Stores: 85% of sales
  - Wal-Mart, Target and Kmart
### Types of Retailers

- Retailers Use Different Retail Mixes
  - Merchandise: variety (breadth) / assortment (depth)
  - Services
  - Store design, visual merchandising
  - Location
  - Pricing
- Infinite Variations
- Survival of the Fitness – Some combination of retail mixes satisfy the needs of significant segments and persist over time.

### Merchandise Offering

- Variety (breadth of merchandise)
  - The number of merchandise categories

- Assortment (depth of merchandise)
  - The number of items in a category (SKUs)

### Types of Retailers

<table>
<thead>
<tr>
<th>Food Retailers</th>
<th>General Merchandise Retailers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mom and Pop Stores</td>
<td>Department Stores</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td>Specialty Stores</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>Discount Stores</td>
</tr>
<tr>
<td>Supercenters</td>
<td>Category Specialists</td>
</tr>
<tr>
<td></td>
<td>Off-Price Retailers</td>
</tr>
<tr>
<td></td>
<td>Warehouse Clubs</td>
</tr>
</tbody>
</table>
Types of Food Retailers

<table>
<thead>
<tr>
<th></th>
<th>Conventional Supermarket</th>
<th>Supercenter</th>
<th>Hypermarket</th>
<th>Warehouse Club</th>
<th>Convenience Store</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage (of)</td>
<td>70–90</td>
<td>30–40</td>
<td>60–70</td>
<td>60</td>
<td>90</td>
</tr>
<tr>
<td>Size (000 sq. ft.)</td>
<td>20–50</td>
<td>150–250</td>
<td>100–300</td>
<td>100–150</td>
<td>2–3</td>
</tr>
<tr>
<td>SKUs (000's)</td>
<td>20–80</td>
<td>100–150</td>
<td>60–90</td>
<td>20</td>
<td>2–3</td>
</tr>
<tr>
<td>Variety</td>
<td>Average</td>
<td>Broad</td>
<td>Average</td>
<td>Broad</td>
<td>Narrow</td>
</tr>
<tr>
<td>Assortment</td>
<td>Average</td>
<td>Deep</td>
<td>Deep</td>
<td>Shallow</td>
<td>Shallow</td>
</tr>
<tr>
<td>No. of checkout lines</td>
<td>6–10</td>
<td>20–30</td>
<td>40–60</td>
<td>10–15</td>
<td>1–2</td>
</tr>
<tr>
<td>Prices</td>
<td>Average</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>

Types of General Merchandise Retailers

- Discount Stores
- Specialty Stores
- Category Specialists
- Home Improvement Centers
- Department Stores
- Drugstores
- Off-Price retailers
- Value Retailers

Summary

Many New Types of retailers, Increased Diversity to Meet Diverse Needs

Most People Shop at All Types Depending on Situations – Growth in Cross-Shopping
Non-store Retail Formats

Electronic Retailing
Catalog and Direct Mail
Direct Selling
Television Home Shopping
Vending Machines

Services vs. Merchandise Retailers

Intangibility
- Problems in Evaluating Service Quality
- Performance of Service Provider
Simultaneous Production and Delivery
- Importance of Service Provider
Perishability
- No Inventory, Must Fill Capacity
Inconsistency of the Offering
- Importance of HR Management

Merchandise/Service Continuum
Types of Retail Ownership

- Independent, Single Store Establishments
  - Consumer Owned Cooperatives
  - Wholesaler Owned Cooperatives
- Corporate Chains
- Franchises

Franchising

30 – 40% of US Retail Sales
Franchisee Pays Fixed Fee
Plus % of Sales
Franchisee Implements Program
Why is This Ownership Format Efficient?

Franchisor Advantages/Disadvantages

**Advantages**
Rapid expansion, highly motivated franchisees do a good job, additional profits by selling franchisees products and services.

**Disadvantages**
Company-owned units may be more profitable, less control than independent retailers over advertising, pricing, personnel practices, etc.
Franchisee Advantages/Disadvantages

**Advantages**
Established/proven product/service, business and technical assistance, and reduction in risk.

**Disadvantages**
Loss of control since only semi-independent, franchisee outlets may compete with corporate-owned outlets, and high royalties, fees, costs on equipment, supplies, merchandise, rental/lease rates and mandatory participation in promotional and support services.

Franchising Trends for the New Millennium

- Sustained growth
- Enduring plus un-imagined applications
- International expansion
- Increasing tensions
- Greater emphasis on financial returns

Theories of Retail Institution Change

**Cyclical Theories**
Wheel of retailing (price/service)
Accordion Theory (assortment)

**Evolutionary Theories**
Dialectic process (retailer)
Natural selection (customer)