



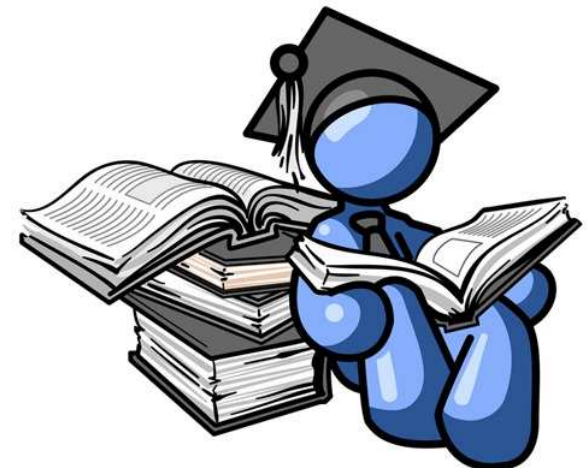
# Overview of Retail

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# Topics

1. Retail
  1. What is retailing
  2. History of Retailing
  3. The Supply Chain
  4. Types of Retail
2. Store Retailing
  1. Classification
  2. Examples
3. Non-Store Retailing
  1. Classification
  2. Examples
4. Item Life Cycle
5. Financials



# Module 1

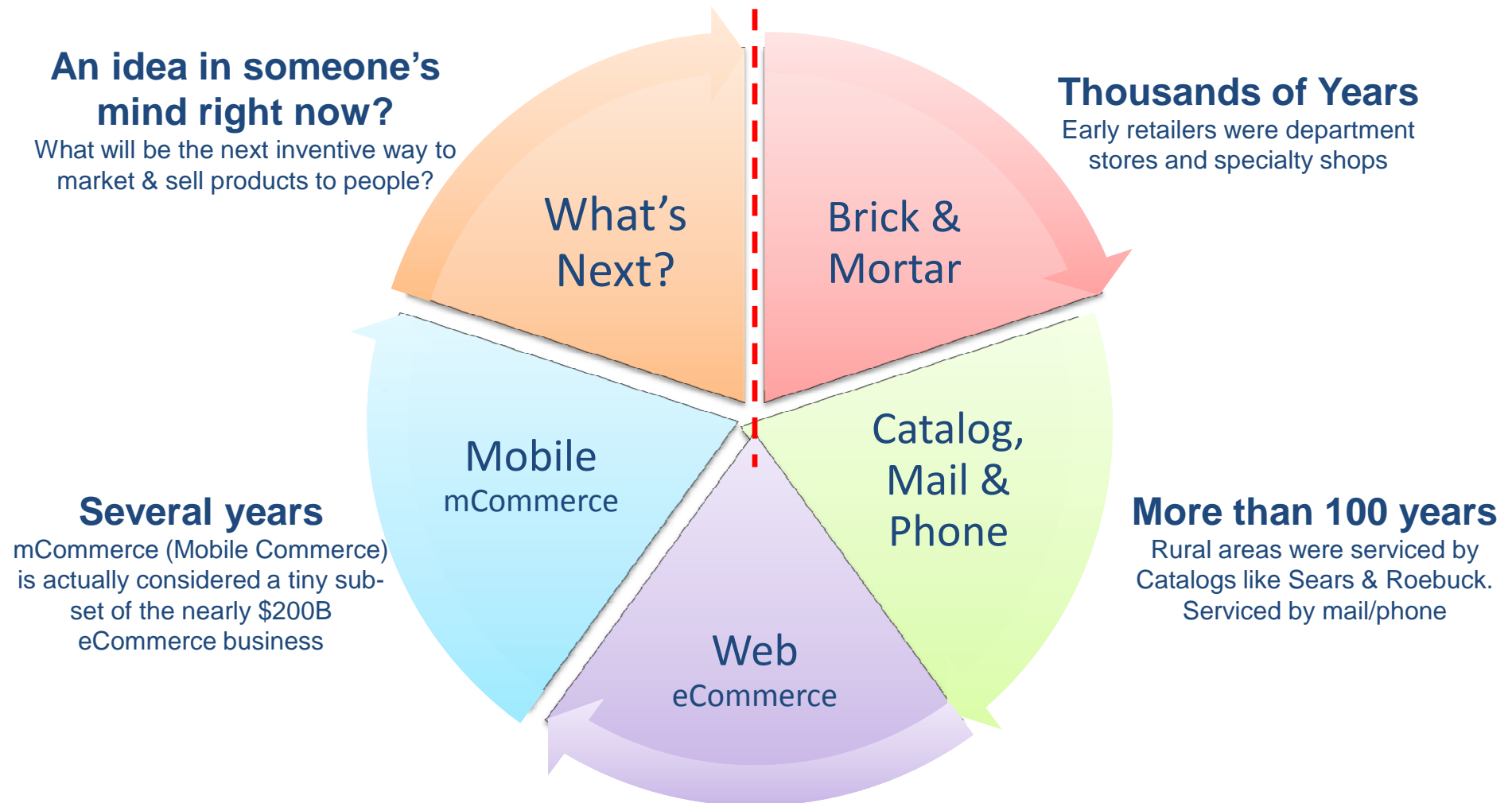
## Retail



# What is Retailing?

- Retail involves the sale of goods from a single point (malls, markets, department stores etc) directly to the consumer in small quantities for his end use
- In other words, Retailing is buying large amount of goods from the manufactures or wholesalers and selling the items in terms of individual quantities to people; in turn people use the products for their personal use. Party which sells goods is called as retailer
- Origin of word: Retail comes from the Old French word tailer (compare modern French retailer), which means "to cut off, clip, pare, divide" in terms of tailoring
- Online retailing including e-commerce and m-commerce, i.e. commerce used for business-to-consumer (B2C) transactions; as well as mail order; are forms of non-brick-and-mortar retailing – and the fastest growing segment of Retailing

# History of Retailing – What's Next?



## eCommerce is not as old as we think: 17 years

1994 – Pizza Hut first to offer on-line ordering; 1995 – Amazon.com is born (not profitable until 2003); 1995 eBay, then AuctionWeb, is also born

# Retail Industry - Components

- Major Components of Retail Industry

- Item

- Manufactures

- Vendors

- Warehouses

- Stores

# Item

- Item
  - Definition – item is a thing which the customer get to buy from stores, warehouses etc.
  - Types of Item
    - Durable Items e.g.: furniture, cars, appliances
    - Non-Durable Items e.g.: food items
  - Catalog Item - is an organized, detailed, descriptive list of items arranged systematically

# Item





# Manufacturer

- Producer of products that people buy
- Manufacturer provides the products to Vendor and also directly to Retailers
- In-house products are those which are created by retailer only

# Vendor

- A Vendor is a person or company providing merchandise or services to a retail store.
- Is also known as Supplier
- Manufacturers, wholesalers, distributors and service providers can all be vendors.
- Most retailers separate their vendor lists into merchandise and non-merchandise vendors.

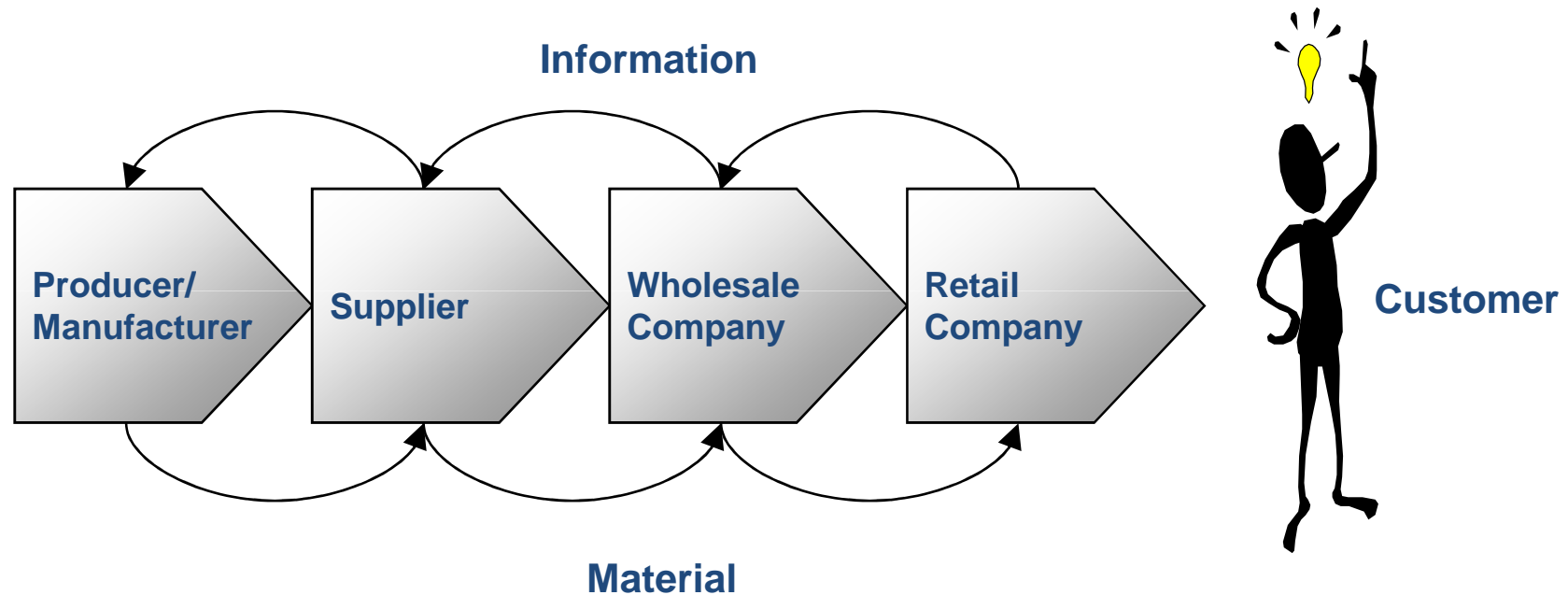
# Warehouse

- It's a whole sale facility for the retailer
- Gets product from Vendors and supplies to retail outlets (Stores)
- Vendor supply items to Warehouse

# Supply Chain

- Is a network of vendors, suppliers, manufacturers, distributors, retailers, and a host of other trading partners. The goal is for each player in the supply chain to conduct business with the latest and best information from everyone else in the chain, guiding supply and demand into a more perfect balance.
- Effective management of the supply chain enables a company to move product from the point of origin to that of consumption in the least amount of time at the smallest cost.

# Supply Chain



# Supply Chain Management

- Supply chain management (SCM) is the process of planning, implementing, and controlling the operations of the supply chain with the purpose to satisfy customer requirements as efficiently as possible.
- Supply chain management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption.

# The Supply Chain



- Manufacturers - Ones who are involved in production of goods with the help of machines, labor and raw materials
- Wholesaler - One who purchases the goods from the manufacturers and sells to the retailers in large numbers but at a lower price. A wholesaler never sells goods directly to the end users
- Retailer - A retailer comes at the end of the supply chain who sells the products in small quantities to the end users as per their requirement and need
- The end user (consumer) goes to the retailer to buy the goods (products) in small quantities to satisfy his needs and demands. The complete process is also called as Shopping
- The process of purchasing products by consumer is called shopping

# Retail Industry - Basic Terminologies

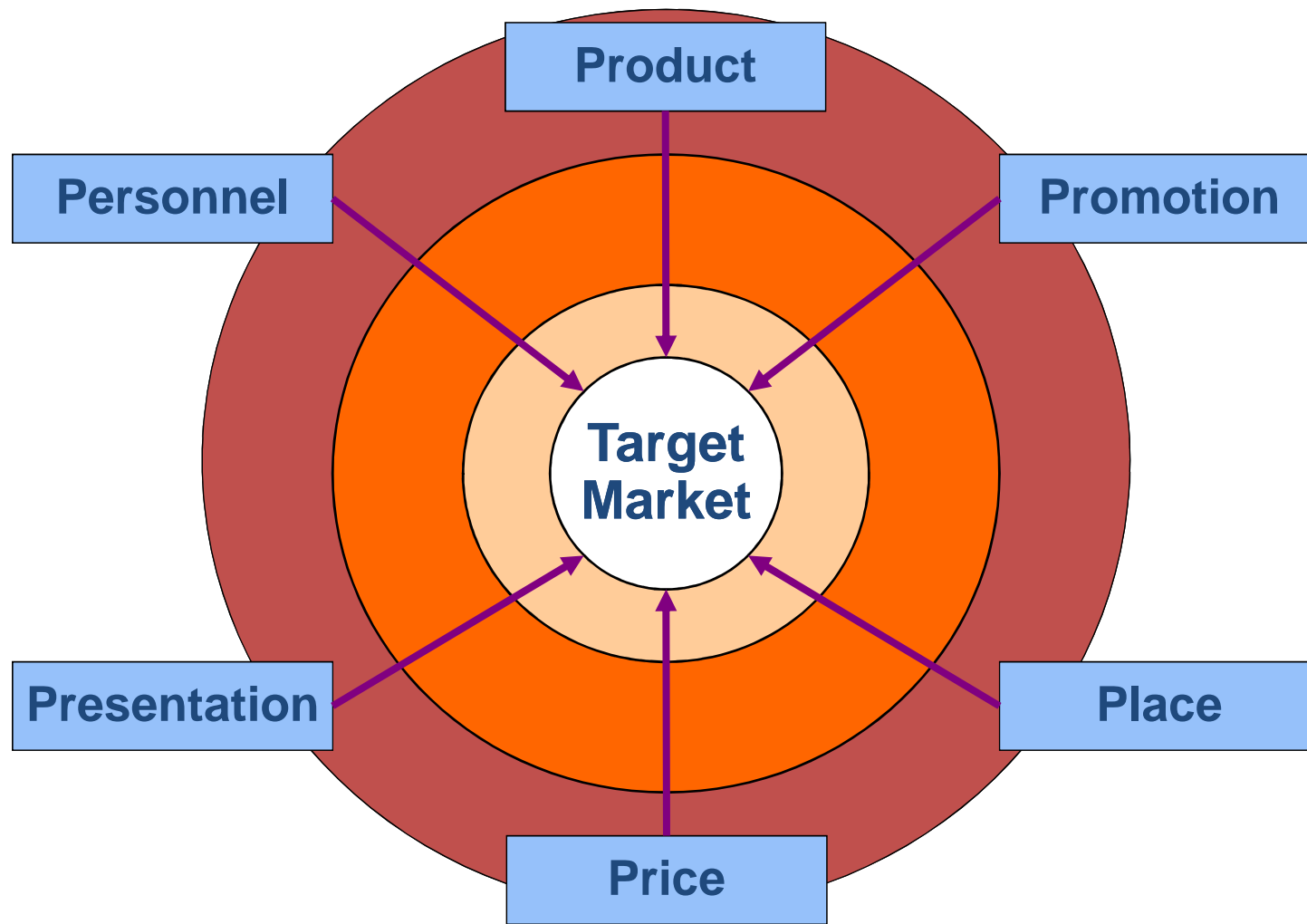
- Retail chain / chain store - a chain of retail stores, under the same management and selling the same merchandise
- Distributor - someone who markets merchandise
- Shop, Store - a mercantile establishment for the retail sale of goods or services
- Mercantile establishment/outlet/retail store/sales outlet - a place of business for retailing goods
- Department store/Emporium - a large retail store organized into departments offering a variety of merchandise; commonly part of a retail chain



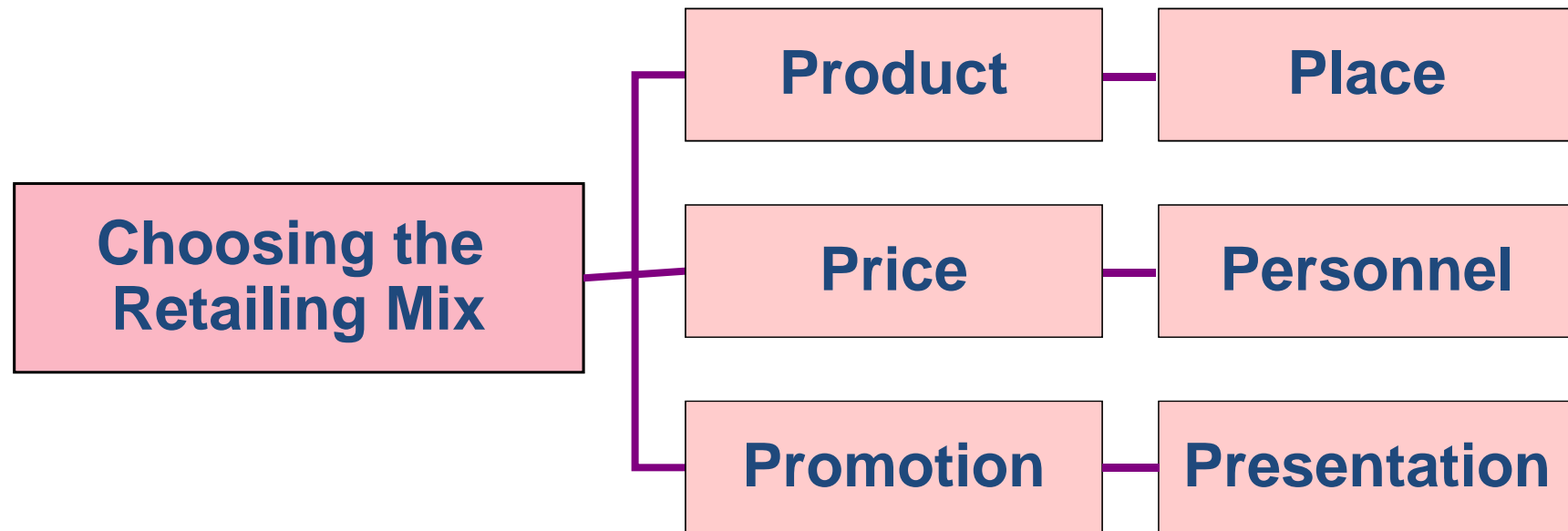
# Retail Industry - Basic Terminologies

- Distribution channel - a way of selling a company's product either directly/via distributors; possible distribution channels are wholesalers/small retailers/retail chains/direct mailers/your own stores
- Marketing - the commercial processes involved in promoting and selling and distributing a product or service; "most companies have a manager in charge of marketing"
- Discount house/discount store/discounter - a sales outlet offering goods at a discounted price

# Choosing the Retail Mix



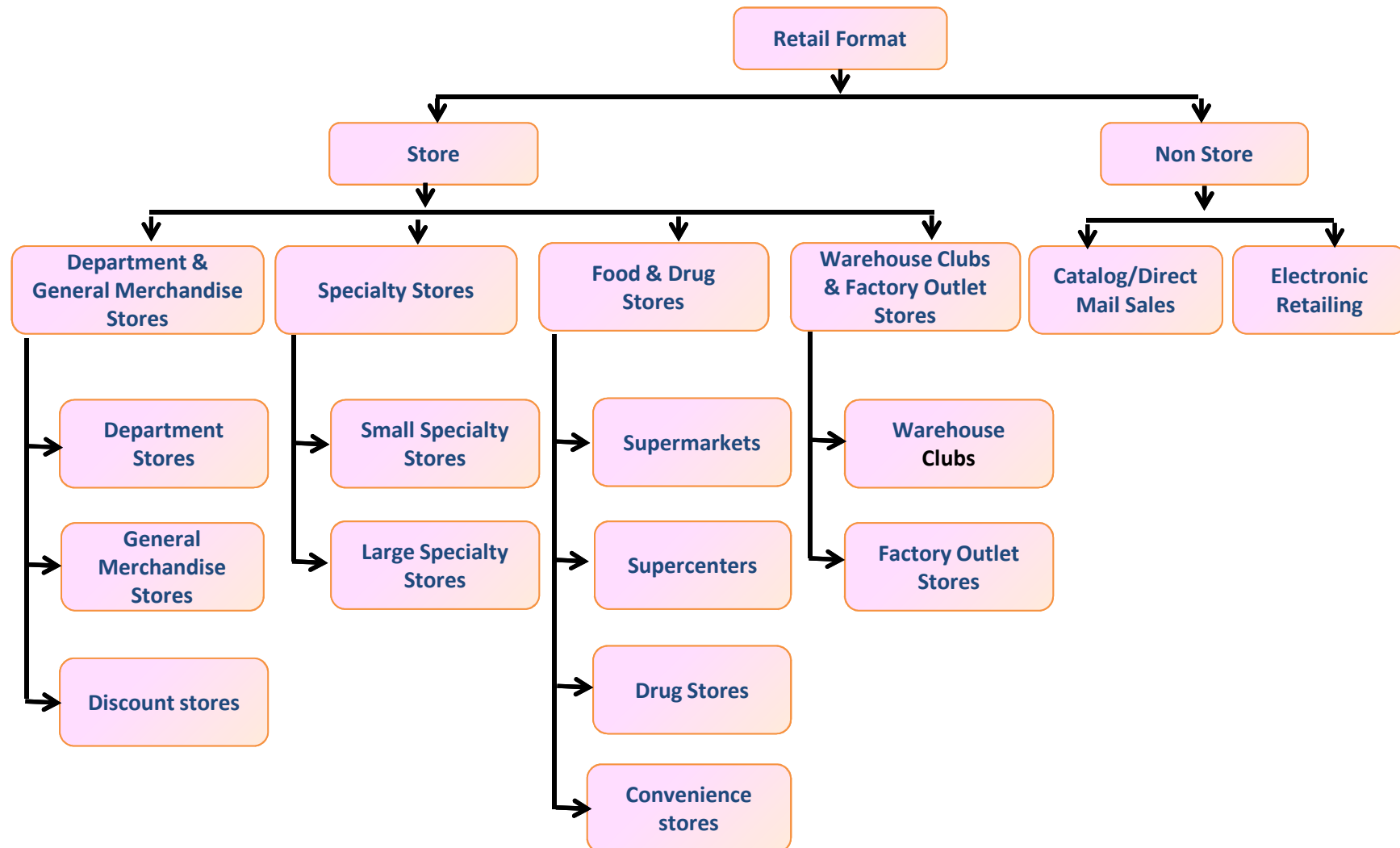
# Choosing the Retail Mix



# Types of Retail – Retail Formats

- Retail format is the overall appearance and feel that it presents to the customers.
  - Look and layout
  - Range of stocks
  - Pricing
  
- In conventional retailing the customer has to step in to the store to purchase items. There are many scenarios where customer can purchase the items being at his place. Former is called as Store retailing and the later is called as Non–store retailing

# Types of Retail – Retail Formats (contd ...)



# Store based Retailer

- Operate from a fixed store location that requires customers to travel to the store to view and select merchandise or service.
- The elements used to classify store based retailers are
  - Merchandise Assortment
  - Store Location (convenience), Format, Size
  - Level and Range of Services Provided
  - Price or Marketing Strategy

# Non-Store based Retailer

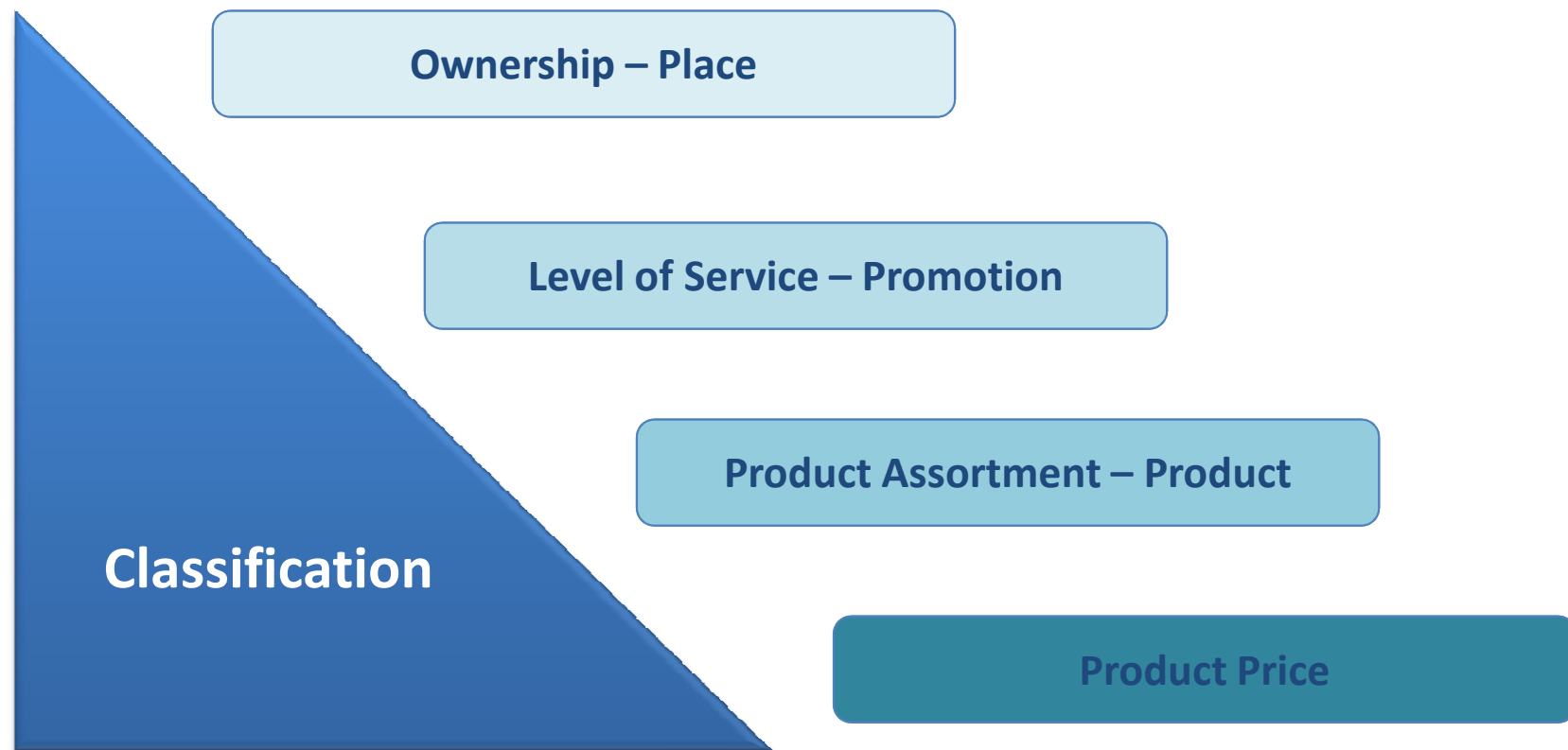
- Non-store retailing is the selling of goods and services outside the confines of a retail facility.
- It is a generic term describing retailing taking place outside of shops and stores
- The non-store distribution channel can be divided into
  - Distance selling
    - Includes mail order, catalogue sales, telephone solicitations and automated vending. Electronic commerce includes online shopping, internet trading platforms, travel portals, global distribution systems and teleshopping
  - Direct selling
    - Includes party sales and all forms of selling in consumers' homes and offices, including even garage sales. Example: Eureka Forbes
  - Automatic Vending

# Module 2

## Store Retailing



# Store based Retail Establishments



- Retailers manipulate their 4 P's to get the best position in the marketplace— in other words, to create a competitive advantage

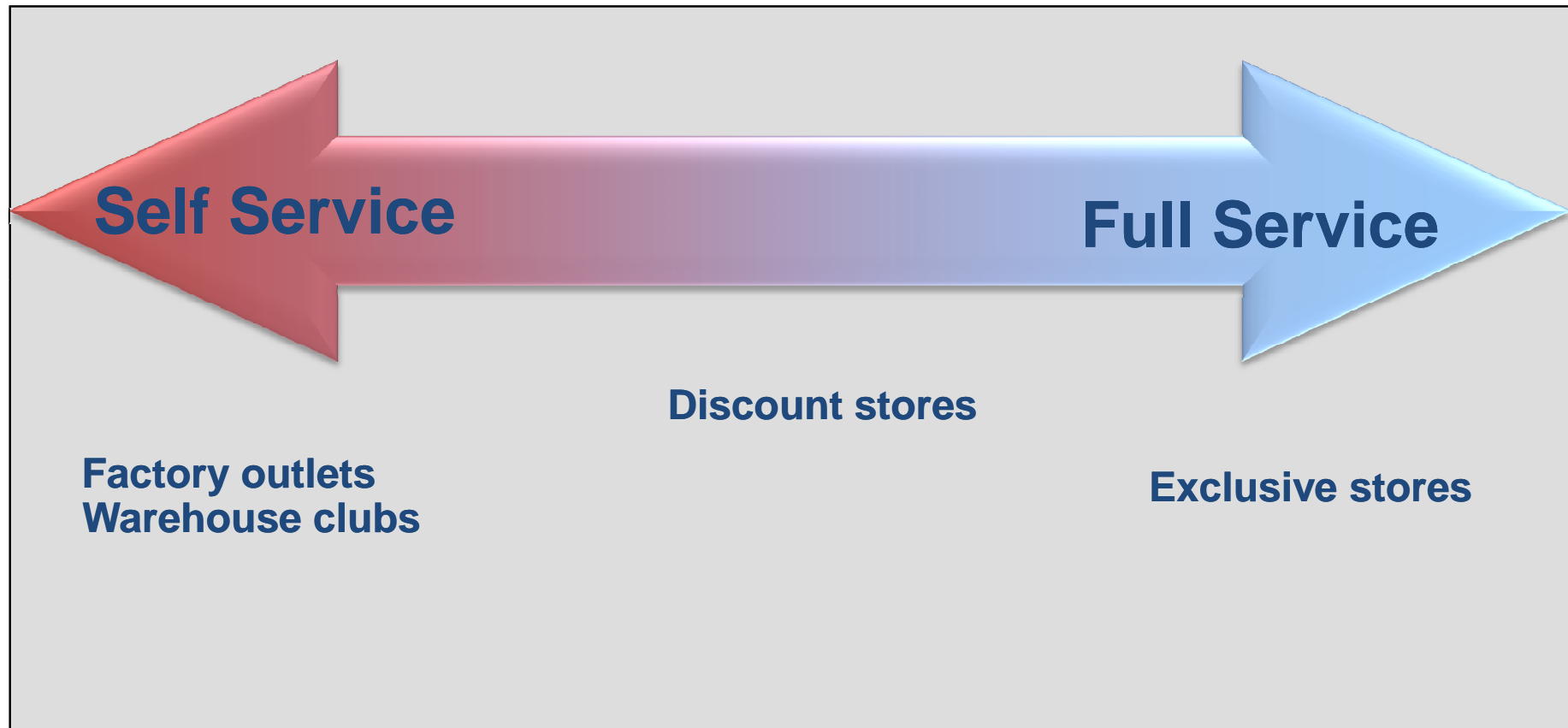
# Ownership

**Independent  
Retailers-one store  
ownership**

**Chain Stores-many  
stores but only one  
owner**

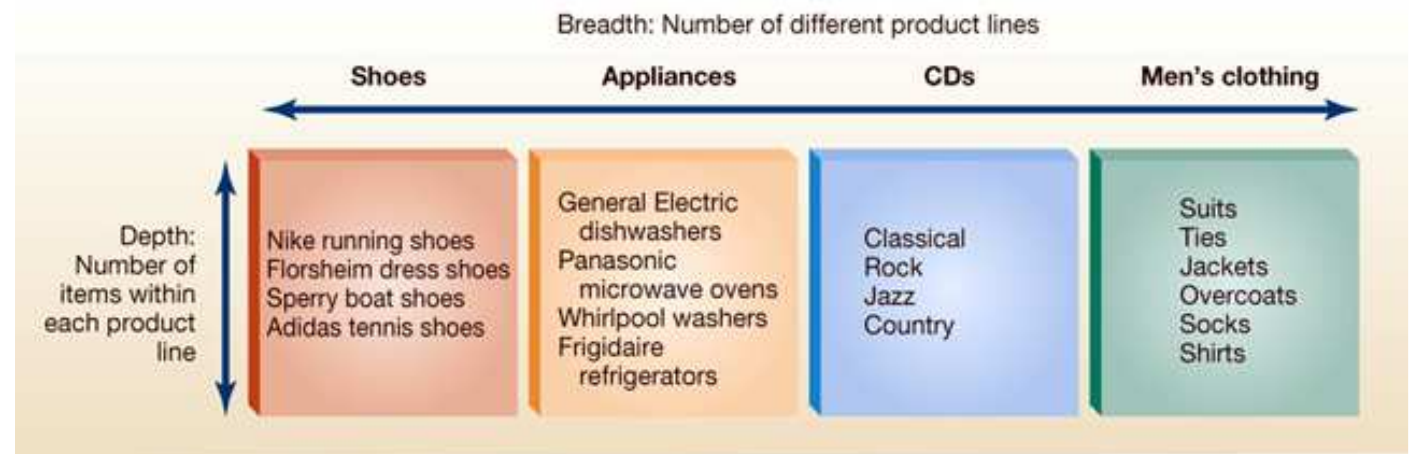
**Franchises-many  
owners of many  
stores**

# Level Of Service



# Product Offering

- The mix of products offered to the consumer by the retailer; also called the product assortment
  - Depth of Product Line
    - Specialty Outlets
    - Category Killers
  - Breadth of Product Line
    - General Merchandise Stores
    - Scrambled Merchandising



# Examples of Store Retailing



# Department Store

- A department store is a retail establishment which satisfies a wide range of the consumer's personal and residential durable goods product needs; and at the same time offering the consumer a choice of multiple merchandise lines, at variable price points, in all product categories
- Department stores usually sell products including apparel, furniture, home appliances, electronics, and additionally select other lines of products such as paint, hardware, toiletries, cosmetics, photographic equipment, jewelry, toys, and sporting goods
- Department stores are usually part of a retail chain of many stores situated around a country or several countries
  - Examples: Dillard's, JCPenney, Macy's, Bloomingdales, Saks Fifth Avenue, Sears



Big Bazaar at Ahmedabad in India



Macy's Flagship store in New York City



Harrods in London

# Discount Stores

- A discount store is a type of department store, which sell products at prices lower than those asked by traditional retail outlets
- Most discount department stores offer wide assortments of goods; others specialize in such merchandise as jewelry, electronic equipment, or electrical appliances. In general, they offer a limited range and the quality in certain cases might be a little inferior as compared to the department stores
- Currently Walmart, the largest retailer in the world, operates more than 1,300 discount stores in the U.S. Target and Kmart are Walmart's top competitors



# Supermarket

- A supermarket is a self-service store offering a wide variety of food and household merchandise, organized into departments. It is larger in size and has a wider selection than a traditional grocery store, also selling items typically found in a convenience store, but is smaller and more limited in the range of merchandise than a hypermarket or big-box store
- The supermarket typically comprises meat, fresh produce, dairy, and baked goods departments, along with shelf space reserved for canned and packaged goods as well as for various non-food items such as household cleaners, pharmacy products and pet supplies. Most supermarkets also sell a variety of other household products that are consumed regularly, such as alcohol (where permitted), medicine, and clothes, and some stores sell a much wider range of non-food products



# Supermarket (contd ...)

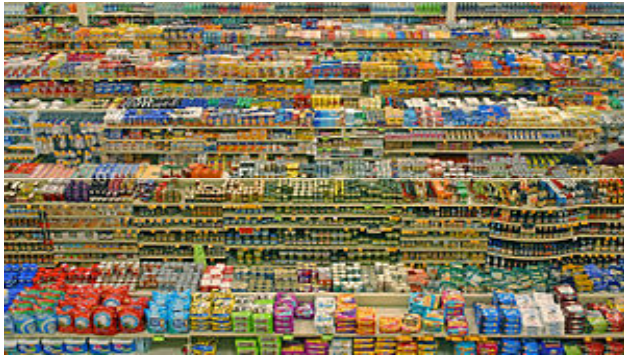
- Characteristics of traditional suburban supermarket
  - Occupies a large amount of floor space, usually on a single level
  - Usually situated near a residential area in order to be convenient to consumers
  - Availability of a broad selection of goods under a single roof, at relatively low prices
  - Ease of parking
  - Convenience of shopping hours that extend far into the evening or even 24 hours a day
  - Stores are usually part of corporate chains
  
- Supermarket Chains: Ahold, Safeway, H-E-B, Tesco, Metro, Whole Foods, IKEA

# Hypermarket

- A hypermarket is a superstore combining a supermarket and a department store. The result is an expansive retail facility carrying a wide range of products under one roof, including full groceries lines and general merchandise. In theory, hypermarkets allow customers to satisfy all their routine shopping needs in one trip
- Hypermarkets, like other big-box stores, typically have business models focusing on high-volume, low-margin sales
- Because of their large footprints — a typical Wal-Mart Supercenter covers anywhere from 150,000 square feet to 235,000 square feet, and a typical Carrefour covers 210,000 square feet — and the need for many shoppers to carry large quantities of goods, many hypermarkets choose suburban or out-of-town locations that are easily accessible by automobile. It is also the place where more than 200,000 brands are available

# Hypermarket (contd ...)

- Examples: Fred Meyer, Meijer, Super Kmart, SuperTarget, Walmart Supercenter, Carrefour, Big Bazaar, Spencer's Retail, Metro Cash & Carry



Packaged food aisles at Fred Meyer hypermarket



Produce section of a Walmart SuperCenter

# Off Price Retailer

- Retail stores offering merchandise at prices less than other retail stores. They acquire out-of-season products and distressed merchandise from other retailers, including bankruptcies, and from manufacturers having production overruns
- Off-price stores can threaten retailers carrying name-brand merchandise at full retail prices
- Examples: TJ Maxx, Ross Stores, Loehmann's

# Off Price Retailer (contd ...)

- The three primary examples of off-price retailers are factory outlets, independent carriers, and warehouse clubs
  - Stocking manufacturers' surplus, discontinued, or irregular products, factory outlets are owned and operated by the manufacturer
  - Independent off-price retailers carry a rapidly changing collection of higher-quality merchandise and are typically owned and operated by entrepreneurs or divisions of larger retail companies
  - Warehouse (or wholesale) clubs operate out of enormous, low-cost facilities and charge patrons an annual membership fee. They sell a limited selection of brand-name grocery items, appliances, clothing, and miscellaneous items at a deep discount. These warehouse stores maintain low costs because they buy products at huge quantity discounts, use less labor in stocking, and typically do not make home deliveries or accept credit cards

# Warehouse Club

- A warehouse club is a retail store, usually selling a wide variety of merchandise, in which customers are required to buy large, wholesale quantities of the store's products, which makes these clubs attractive to both bargain hunters and small business owners
- The clubs are able to keep prices low due to the no-frills format of the stores. In addition, customers may be required to pay annual membership fees in order to shop

# Warehouse Club (contd ...)

- Examples: Sam's Club, Costco Wholesale, BJ's Wholesale Club, Makro (operates in Europe), PriceSmart (Central America and Caribbean)



Exterior of a Sam's Club store



Interior of a BJ's Wholesale Club

- A warehouse store, as opposed to a warehouse club, is a retail location with a limited variety of merchandise sold in bulk at a discount to customers. Unlike a warehouse club, warehouse stores do not require their patrons to obtain a membership nor do they require the payment of any fees. Notable United States warehouse store chains include WinCo Foods, Food 4 Less, Foods Co., Super Saver Foods, and Aldi

# Specialty Stores

- Specialty stores are small stores which specialize in a specific range of merchandise and related items. Most stores have an extensive depth of stock in the item that they specialize in and provide high levels of service and expertise
- Some specialty stores could be ethnic food stores, auto supply, garden supply, party supplies, and sporting goods store
- The pricing policy is generally in the medium to high range, depending on factors like the type and exclusivity of merchandise and ownership, that is, whether they are owner operated or a chain operation which has the advantage of bulk purchasing and centralized warehousing system
- They differ from department stores and supermarkets which carry a wide range of merchandise
- Examples: Perfumania, Zale, AutoZone, Foot Locker (athletic footwear), White House Black Market (women's apparel), Gymboree (specializes in children's apparel)



# Convenience Store

- A convenience store, corner store, corner shop, commonly called a bodega in Spanish-speaking areas of the United States is a small store or shop in a built up area that stocks a range of everyday items such as groceries, toiletries, alcoholic and soft drinks, and may also offer money order and wire transfer services. They differ from general stores and village shops in that they are not in a rural location, and are used as a convenient supplement to the main shopping rather than being the main store
- A convenience store may form part of gas/petrol stations. They may be located alongside busy roads, in urban areas, or near railway stations or other transportation hubs. In some countries convenience stores have long shopping hours, some being open 24 hours
- Convenience stores are usually more expensive than regular supermarkets, which they make up for with greater convenience by existing at more locations and having shorter cashier lines
- Examples: 7-Eleven, Lawson, Asda, Tesco Express, RaceTrac, Exxon, QuikTrip

# Category Killer

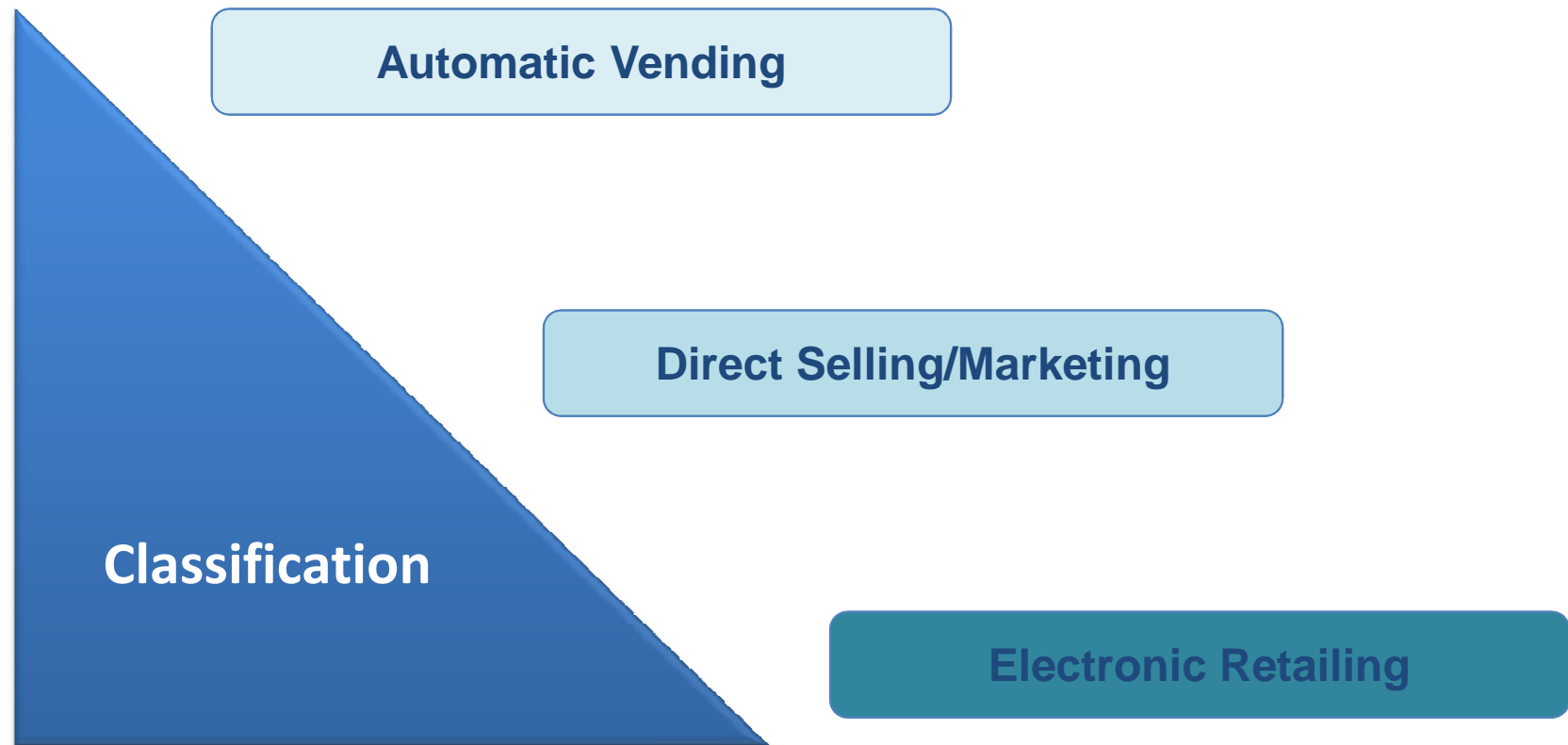
- The definition most often associated with the term 'category killer' is a big-box retail chain (such as Home Depot, Best Buy or Toys "R" Us) that is focused on one or few categories of merchandise and offers a wide selection of merchandise in these categories at relatively low prices. The emergence of such stores has taken a toll on specialized local stores in the same market (such as toys), but also affected many larger department stores
- Example - eBay. The online auction site has a near-monopoly because buyers and sellers naturally gravitate to the largest, most liquid market. As a result, the site has almost no competition and has forced similar auction sites (like those run by Yahoo!) into a very small portion of the market
- Other examples: Best Buy, Staples, Home Depot, Barnes and Noble

# Module 3

## Non-Store Retailing



# Non Store Retailing



# Automatic Vending

- The use of machines to dispense products includes items such as candy, chewing gum, soft drinks, cigarettes, newspapers, and coffee etc.
- Advantages
  - Small amount of space needed
  - No sales personnel
- Disadvantages
  - High costs of Equipment
  - Frequent servicing



# Direct Selling/Marketing

- Majority of business is in catalog/direct mail service and electronics sales or e-tailing
- Around 100 million consumers buy from catalogs
- Retail Services adopt direct retailing concept
- 60% sales are from General Merchandise and the rest from services like insurance
- Retailers operating multiple channels like physical store, e-tailing, kiosk is called multi channel retailing

# Direct Selling

Direct Selling

**Sales Visits**



Bank Retailing



# Direct Marketing



**Catalog Marketing**

**Direct-Response  
Marketing**



**Television Home Shopping**



**Telemarketing**



# E-Retailing

- It was the World Wide Web that opened the door for electronic commerce (EC) in the business-to-consumer (B2C) environment and created a new business line, called electronic retailing, e-tailing or electronic shopping.
- Individuals can now search information and shop online for virtually everything they need. Electronic shopping can bring
  - convenience
  - competition
  - new channels for information
  - new models for marketing
- Advantages
  - Not location bound
  - Convenient
  - Interactive
- Disadvantages
  - Privacy/Security

# Examples of Non-store Retailing



# Examples of Non-Store retailing

- Direct retailing
  - Amway & Herbalife
- Vending machines
  - E.g. Pepsi, Nescafe, coke
- Web base retailing
  - Amazon.com
- Catalogues or Mail order
  - Through news paper, magazines
- Home shopping
  - Through TV demonstration and place order

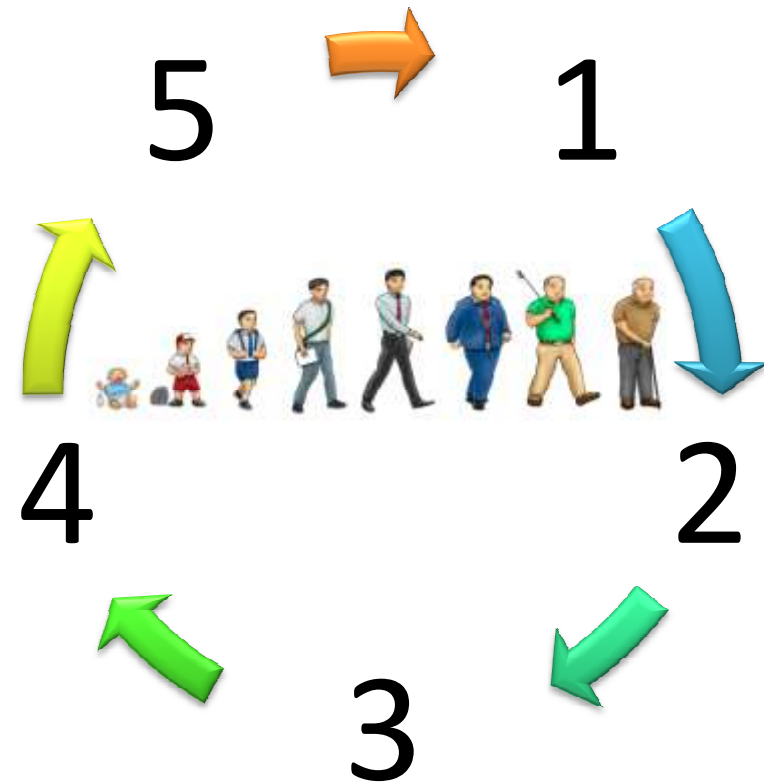
# Module 4

## Item Lifecycle



# Item Lifecycles

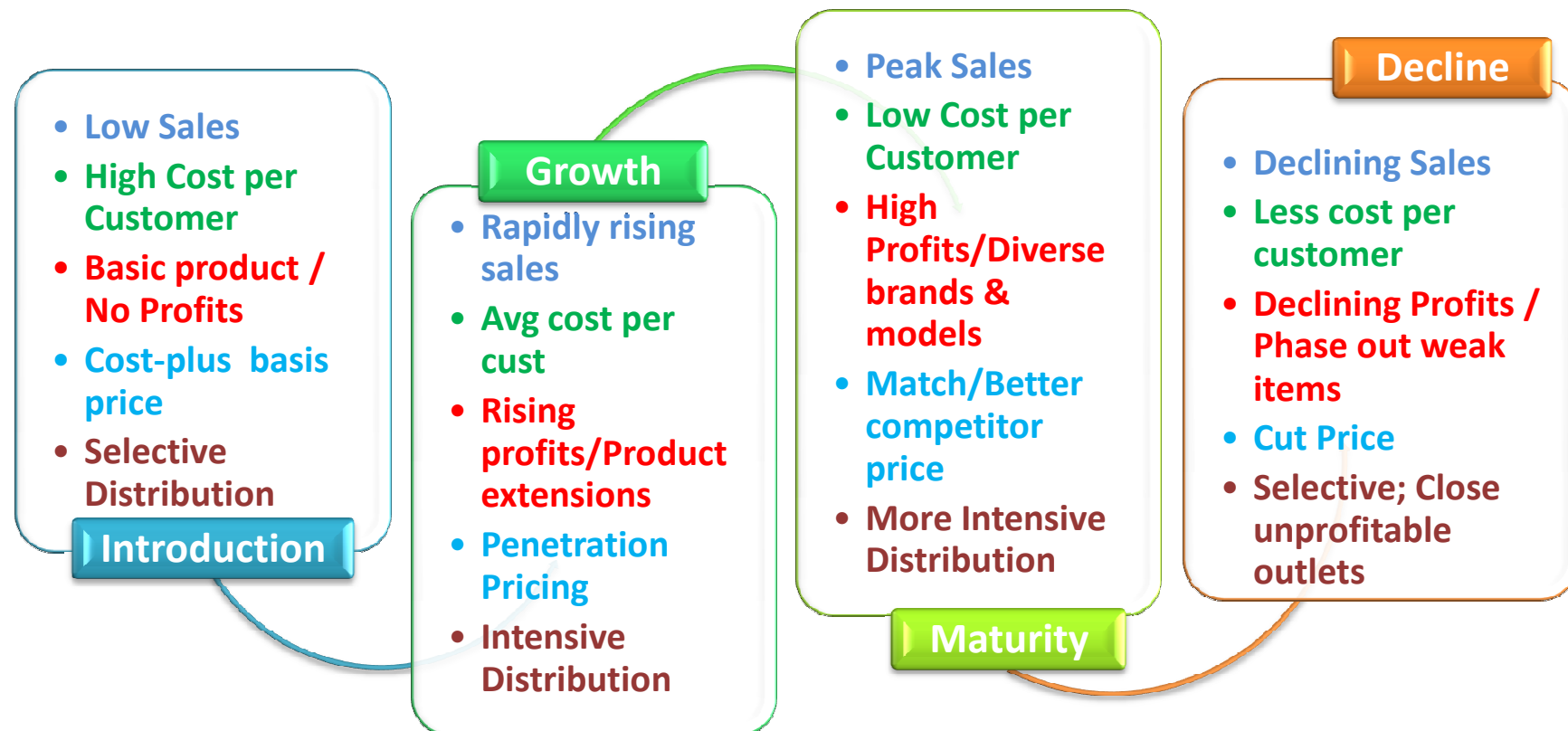
- A Retail Item passes through the stages of three lifecycles at any given time
  - Product Lifecycle
  - Supply Chain Lifecycle
  - Order Lifecycle



# Product Lifecycle

- All products and services have certain life cycles. The life cycle refers to the period from the product's first launch into the market until its final withdrawal and it is split up in phases.
- Here, we are studying the various characteristics of the product as well as the strategy in each of the phases of the product lifecycle.
- The characteristics are
  - Sales Volume
  - Cost of manufacturing the product per Customer (will be low in the initial phases as the no. of customers is less)
  - Profits / Product diversifications (variants of the same brand)
    - E.g., Colgate toothpaste Gel, Herbal, Aqua, etc.
  - Pricing Strategy
  - Distribution of the Product

# Product Lifecycle

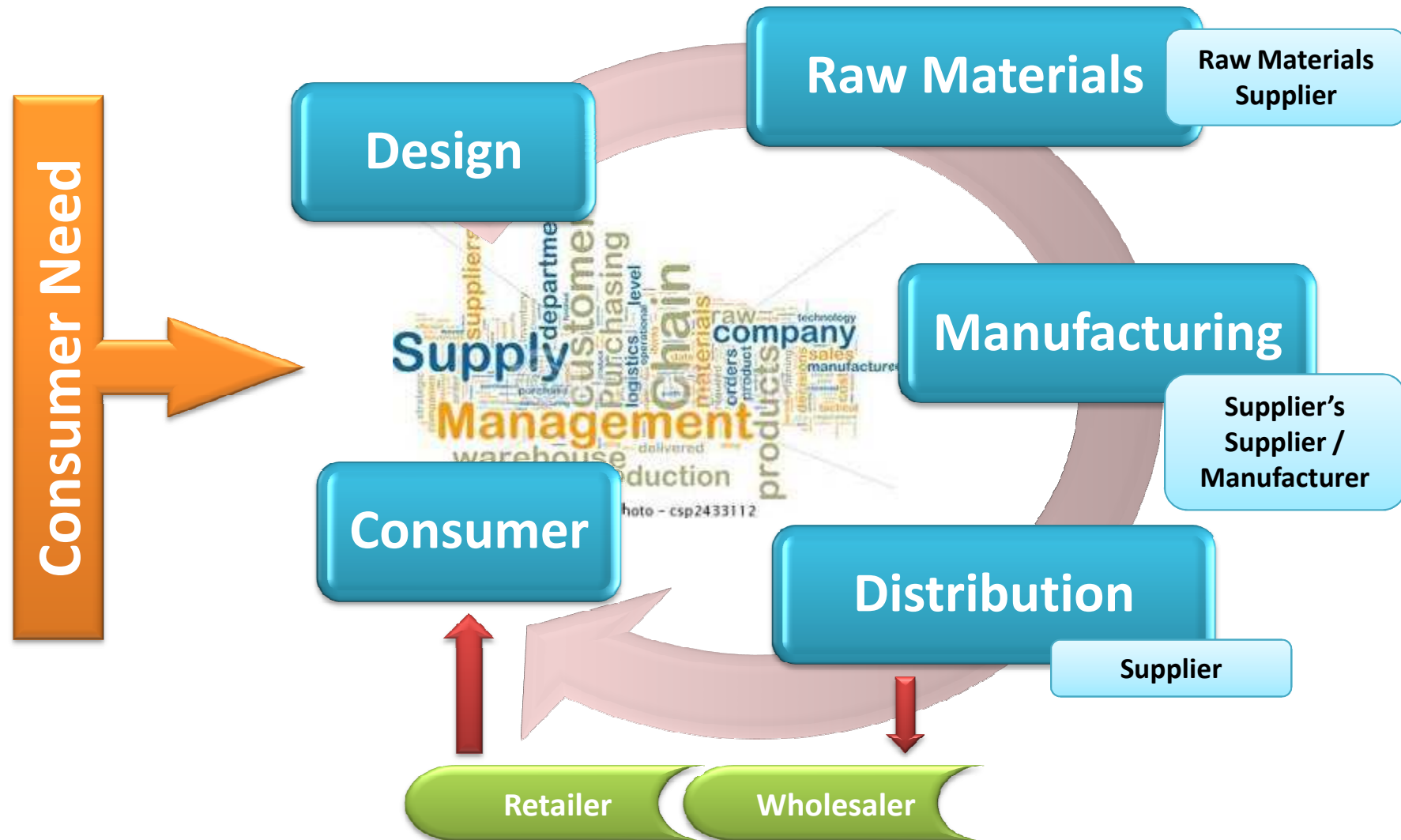


# Supply Chain Lifecycle

- The Supply Chain Lifecycle has primarily 5 stages:
  - **Design:** Also known as the **conception** stage, this stage is usually a result of market research and emerging consumer needs.
  - **Raw Materials:** The **procurement** stage consists of getting the raw materials from various suppliers.
  - **Manufacturing:** Also known as **production**, this stage involves assembling the raw materials into the finished product on the basis of the design.
  - **Distribution:** This stage involves distributing the items to the warehouses and/or the retailers based on the type of product and the type of agreement with the wholesalers/retailers.
    - This is where the Logistics and Transportation part of the Supply Chain kicks in.
  - **Consumers:** Consumers are the last players in the supply chain. The entire supply chain process is to satisfy this last player. Feedback from the consumers are taken back to make improvements in various stages of the supply chain.



# Supply Chain Lifecycle



# Order Lifecycle

- Pre-Order Stages:
  - The Manufacturer/Vendor/Dealer meets the Category Manager of the Retailer to introduce the product
    - Deals are struck at this point for introducing the product
    - Deals are often passed on as discounts to the customer
  - Once the deal is struck, the item is sent to the Pricer to price the item
    - Pricer considers the cost (vendor price), profit margin, competitor price and other strategical aspects before arriving at the introductory price
  - Once the price is determined, the buyer introduces the item into its IT system and will order required quantities for each store.

# Order Lifecycle – Pre-Order Stages



# Order Lifecycle – Order Stages



# Module 5

# Financials



# Introduction

- Like other corporations a retail company strives to generate a healthy profit. But within the context of profitability, the retail industry has its unique terms and formulas.
  
- When you work in a Retail Industry you will often find it necessary to use math, you will use math when you are:
  - Calculating the Retail price of an item
  - Calculating weeks of supply for an item
  - Evaluate the rate at which merchandise is selling.
  - Evaluating the profitability of an item, Vendor, department or store
  - Negotiating prices with wholesalers to arrive at the best deal possible
  - Analyzing business results in order to make decisions about future purchases.

# Common Retail terms

- To provide a foundation on which to build your understanding of retail financials, you should be familiar with the following terms:
  - Cost
  - Stock
  - Retail
  - Sales

# Cost

- When a Retailer selects an item to stock in his or her store, there is a negotiation of the price with the item's manufacturer or distributor. The price the merchant pays for the item is the item's cost.
- The purchase –order price that the vendor agrees to charge for the merchandise, including transportation charges, is the cost for the retailer.



# Stock

- Stock refers to the total current value of the merchandise in inventory, measured in dollars. Stock includes the item's entire inventory in all stores. To derive the value of the stock, you first multiply the total units in inventory by the retail price of each item.
- Whenever an item is sold or the item's retail price is marked down, the stock level is lowered. Whenever a new item is put into inventory, the stock, or inventory level, is raised.

# Retail

- When a Retailer resells the merchandise to a customer , the customer pays the retail price.
- The retail price is calculated by adding the markup to the item's cost. Markup is being based on covering overhead(the expense of doing business, such as building rent) and on needing to make profit for reinvesting in the future of the business and dividend to owners

# Sales

- Sales refer to the total retail dollar value of all items sold during a specific period. This value is initially calculated by multiplying the number of units sold by their individual price.

# Basic Retail KPI's



# Some of the Key Retail KPI

- Sales per Hour (for store or associate) – selling hours only:
  - Actual sales \$ for the store divided by the number of selling\* hours during the same period (\*selling hours are used here rather than total labor hours).
- Sales per Hour (for store or associate) – total labor hours:
  - Actual sales \$ for the store divided by the number of labor hours used during the same period
- Time Spent in the Store:
  - Average time spent by customers in the store can be measured through sophisticated techniques utilizing RFID and wireless technologies or manually. Reason for this measurement: There is a direct correlation between time customers spend in a store and how much they buy.
- Average Sale per Customer/Transaction:
  - Total sales \$ for a given period divided by the number of customers or transactions for the same period

# Retail KPI Contd...

- Units per Customer/Transaction:
  - Total number of units sold in a given period divided by the number of customers or transaction for the same period
- Conversion rate:
  - The number of transactions in a given period divided by the total number of customers who entered the store during the same period.
- Wage Cost:
  - Actual wage \$ paid for a given period divided by actual sales \$ achieved for the same period
- Sales per Square Foot:
  - Actual sales \$ for a given period (usually a month or a year) divided by the total floor area (in sq.ft.) of the store. There are variants of this indicator in terms of sales per square foot of merchandisable area of choice (like walls and display units.)

# Retail KPI Contd...

- Comparable Store sales: Performance of a store this year, against sales for the same period last year
- Shrinkage: Shrinkage is a term used for stock that is removed from outlet without payment (stock theft, damages, poor stock rotation, etc.)
- Markdown vs. Discount: Markdown is a devaluation of a product based upon its inability to be sold at the original planned selling price (say a 20% markdown). A discount, technically is a reduction in the price of an item or transaction based upon the type of customer making the purchase (e.g. employee discount, senior citizen discount, frequent-buyer discount, etc.)
- Gross Sales: Retailer's Total sales (including sales for cash or credit)
- Net Sales: Gross sales - Returns and Allowances
- Cost of Goods Sold (COGS): COGS is the cost of merchandise that has been sold during the period

Thank You !

