



# MK 322 Retail Management

## Chapter 1: The World of Retailing

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# Chapter 1

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# Introduction to the World of Retailing



# Retailing Today and the Future

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# What is Retailing?

- **Retailing: is the set of business activities that add value to products and services sold to consumers for their personal or family use.**
- Often people think retailing as the sale of products in stores, but retailing also involves the sales of services such as overnight lodging in a motel, a doctor's exam, a haircut, or a home-delivered pizza
- Not all retailing is done in stores. For example, ordering T-shirt on mobile App, or buying cosmetics from Avon lady.

# Group Project Decisions

- Restaurant
- Cosmetic
- Clothing
- Coffee shop
- Sports Shops

# Type of Retailer

## Review

Type	Description	Examples
Specialty store	A store that carries a narrow product line with a deep assortment, such as apparel stores, sporting-goods stores, furniture stores, florists, and bookstores.	REI, Radio Shack, Williams-Sonoma
Department store	A store that carries several product lines—typically clothing, home furnishings, and household goods—with each line operated as a separate department managed by specialist buyers or merchandisers.	Macy's, Sears, Neiman Marcus
Supermarket	A relatively large, low-cost, low-margin, high-volume, self-service operation designed to serve the consumer's total needs for grocery and household products.	Kroger, Safeway, SuperValu, Publix
Convenience store	A relatively small store located near residential areas, open long hours seven days a week, and carrying a limited line of high-turnover convenience products at slightly higher prices.	7-Eleven, Stop-N-Go, Circle K, Sheetz
Discount store	A store that carries standard merchandise sold at lower prices with lower margins and higher volumes.	Walmart, Target, Kohl's
Off-price retailer	A store that sells merchandise bought at less-than-regular wholesale prices and sold at less than retail. These include <i>factory outlets</i> owned and operated by manufacturers; <i>independent off-price retailers</i> owned and run by entrepreneurs or by divisions of larger retail corporations; and <i>warehouse (or wholesale) clubs</i> selling a limited selection of goods at deep discounts to consumers who pay membership fees.	Mikasa (factory outlet); TJ Maxx (independent off-price retailer); Costco, Sam's Club, BJ's (warehouse clubs)
Superstore	A very large store that meets consumers' total needs for routinely purchased food and nonfood items. This includes <i>supercenters</i> , combined supermarket and discount stores, and <i>category killers</i> , which carry a deep assortment in a particular category.	Walmart Supercenter, SuperTarget, Meijer (discount stores); Best Buy, PetSmart, Staples, Barnes & Noble (category killers)

**ASDA**  
part of the **WAL-MART** family

**TESCO**

**savers**  
HEALTH HOME BEAUTY

Superdrug



Carrefour

**Ahold** **Sainsbury's**

**WAL-MART**

**METRO** Group

**LANDMARK**

Lloydspharmacy

GRUPE **Casino** **P&H**

**Somerfield**



**BOOTH'S** **MARKS & SPENCER**

**BOOKER**  
CASH & CARRY

the **Co-operative Group**



**Costcutter**

**NETTO**

**Iceland**



**REWE**

**BUDGENS**

**SPAR**

**Nisa Today's**



**COSTCO**



**Waitrose** **E.LECLERC**

**DUNNES STORES**

**Wilkinson**

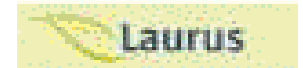
**ICA** **axfood**

**MIGROS**

**Musgrave**

**coop**

**coop**



# Top of Mind

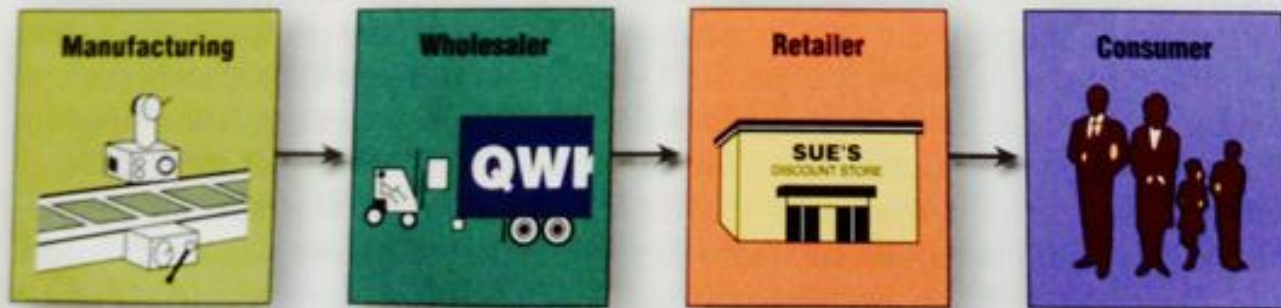


Fast Food  
Shampoo  
Deodorant  
Soft Drink  
Cars  
Clothing  
Shoes  
On-line  
Books

# Retailing Quiz

1. Which of the following companies is *not* a retailer:
  - (a) McDonald's
  - (b) Holiday Inn
  - (c) Macy's
  - (d) eBay
  - (e) All are retailers
2. What is the annual compensation (salary plus bonus) of a typical Walmart Supercenter 30-something store manager?
  - (a) Under \$49,999
  - (b) \$50,000 to \$89,999
  - (c) \$90,000 to \$149,999
  - (d) over \$150,000
3. Which of the following products/concepts was initiated or developed by retailer buyers?
  - (a) tea bags
  - (b) panty hose
  - (c) Rudolph the Red-Nosed Reindeer
  - (d) establishing Thanksgiving on the third Thursday of November
  - (e) All of these products/concepts were developed/initiated by retailers.
4. What is the largest company in the world in terms of number of employees?
  - (a) Walmart
  - (b) General Electric
  - (c) IBM
  - (d) ExxonMobil
  - (e) Mitsubishi
5. Which of the following retailers is owned by a company headquartered outside the United States?
  - (a) Food Lion
  - (b) Ben & Jerry's Ice Cream
  - (c) 7-Eleven
  - (d) A&P supermarkets
  - (e) All of these are owned by foreign companies.
6. What country has the most efficient retail structure (lowest cost to move merchandise from a manufacturer's factory to a retail stores)?
  - (a) Japan
  - (b) United States
  - (c) South Korea
  - (d) France
  - (e) Germany
7. What percentage of total retailer sales in the United States are made over the Internet?
  - (a) 30 percent
  - (b) 20 percent
  - (c) 14 percent
  - (d) 8 percent
  - (e) 3 percent
8. What percent of the U.S. workforce is employed by retailers or firms selling products or providing services to retailers?
  - (a) 10 percent
  - (b) 17 percent
  - (c) 25 percent
  - (d) 43 percent
  - (e) 62 percent

# Retailer's Role in a Supply Chain



**EXHIBIT 1-2**  
Example of a Supply Chain

# Retailer's Add Value

1. Provide assortment of products and services
2. Breaking Bulk
3. Holding Inventory
4. Providing Services



# Cost of Channel Members

Channel Member		Profit as a Percentage of Sales	
Manufacturer	Cost	\$10.00	
	Profit	\$1.00	9.10%
	Selling price to wholesaler	\$11.00	
Wholesaler	Price paid to manufacturer	\$11.00	
	Cost to add value	\$2.00	
	Profit	\$1.00	8.00%
	Selling price to retailer	\$14.00	
Retailer	Price paid to distributor	\$14.00	
	Cost to add value	\$4.00	
	Profit	\$1.95	
	Selling price to customer	\$19.95	9.77%

**EXHIBIT 1-3**  
 Costs Incurred to Undertake Value-Added Activities in the Distribution Channel for a T-Shirt

2011  
 Selling price to customer


\$19.95  
 \$11.00

9.77%

# Global Retailing?

**EXHIBIT 1-4**

Comparison of Retailing and Distribution across the World

	 United States	 Northern Europe	 India	 China
Concentration (percent 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

# Global Retailing?



The retail industry in India is dominated by small, local retailers with few modern national chains.

# Global Retailing?

## Thailand Retailing Scene



# Global Retailing?

## Thailand Retailing Scene



**ARTBOX**  
AT THE EM DISTRICT

LET'S CELEBRATE CHRISTMAS AND NEW YEAR TOGETHER  
**200 SHOPS DESIGN**  
**150 FOOD IDEAS**

M1: 4-6 DEC | M2: 11-13 DEC | M3: 18-20 DEC | M4: 25-27 DEC

OPEN EVERY FRIDAY-SUNDAY IN DECEMBER  
BTS PHROM PHONG EXIT 6

ARTBOXTHAILAND  
ARTBOX\_TH



# Global Retailing?

EXHIBIT 1-5

The 20 Largest Retailers in the World

Rank	Name	Headquarters Location	Number of Countries	Stores in U.S.	Sales (\$ millions)	Primary Format
1	Walmart	U.S.	16	Yes	418,993	Supercenter
2	Carrefour	France	33	No	119,652	Supercenter
3	Tesco	UK	13	Yes	92,171	Supercenter
4	Metro	Germany	33	No	86,931	Warehouse club
5	Kroger	U.S.	1	Yes	82,189	Supermarket
6	Schwarz Untermatmens Trauhard	Germany	26	No	79,119	Discount store
7	Costco	U.S.	9	Yes	76,225	Warehouse club
8	Home Depot	U.S.	5	Yes	67,997	Home improvement
9	Walgreens	U.S.	2	Yes	67,420	Drug store
10	Aldi Einkauf	Germany	18	Yes	67,112	Discount store
11	Target	U.S.	1	Yes	65,786	Discount store
12	Rewe	Germany	13	No	61,134	Supermarket
13	CVS	U.S.	2	Yes	57,345	Drug store
14	Seven & Holding	Japan	18	Yes	57,055	Convenience store
15	Groupe Auchan	France	13	No	55,212	Supercenter
16	Edeka Zentrale	Germany	1	No	54,074	Supermarket
17	Aeon	Japan	8	No	53,458	Supercenter
18	Woolworth	Australia	2	No	51,171	Supermarket
19	Best Buy	U.S.	15	Yes	50,272	Electronics category specialist
20	Lowe's	U.S.	3	Yes	48,815	Home improvement

Source: "2011 Global 250 Retailers," *Stores Magazine*, January 2012.





Feeling so happy  
that this New  
Year I will be  
reuniting with my  
relatives....

**ดีใจมาก ปีใหม่  
ญาติๆมาเจอกัน**

Class Exercise:

Retail Entrepreneurial Opportunities

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# Entrepreneurial opportunities

Jeff Bezos – Amazon.com



# Entrepreneurial opportunities

Do Won and Jun Sook Chang (Forever 21)



Forever 21 founder Do Won and his daughter Linda Chang (senior marketing manager) visiting their flagship store in Times Square.



# Entrepreneurial opportunities

Ingvar Kampred - IKEA



# Entrepreneurial opportunities

Howard Schulz - Starbucks



# Entrepreneurial opportunities

## Class Exercise ( pg.19-20)

- What do they have in common?
- What differences do they have?
- What vision did each one have?
- What makes their retail businesses so successful?



# What we will cover-

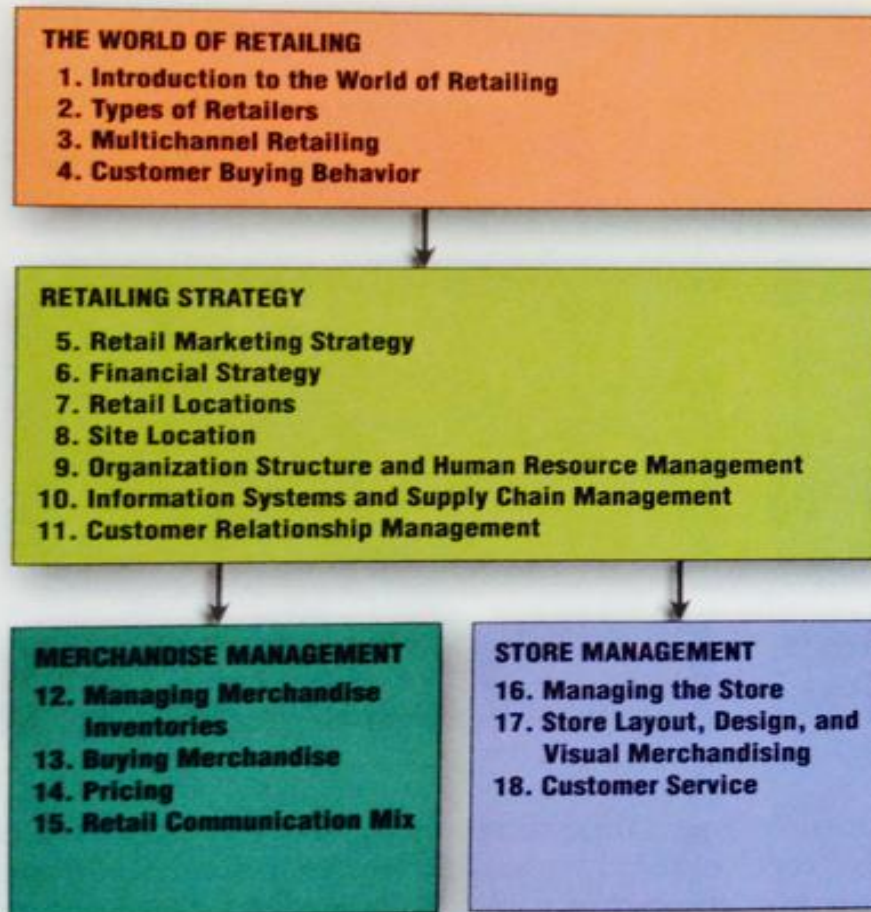
## The Retail Management Decision Process

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# Management Decision Process

Introduction to the World of Retailing CHAPTER 1



**EXHIBIT 1-6**  
Retail Management  
Decision Process

**Section I**

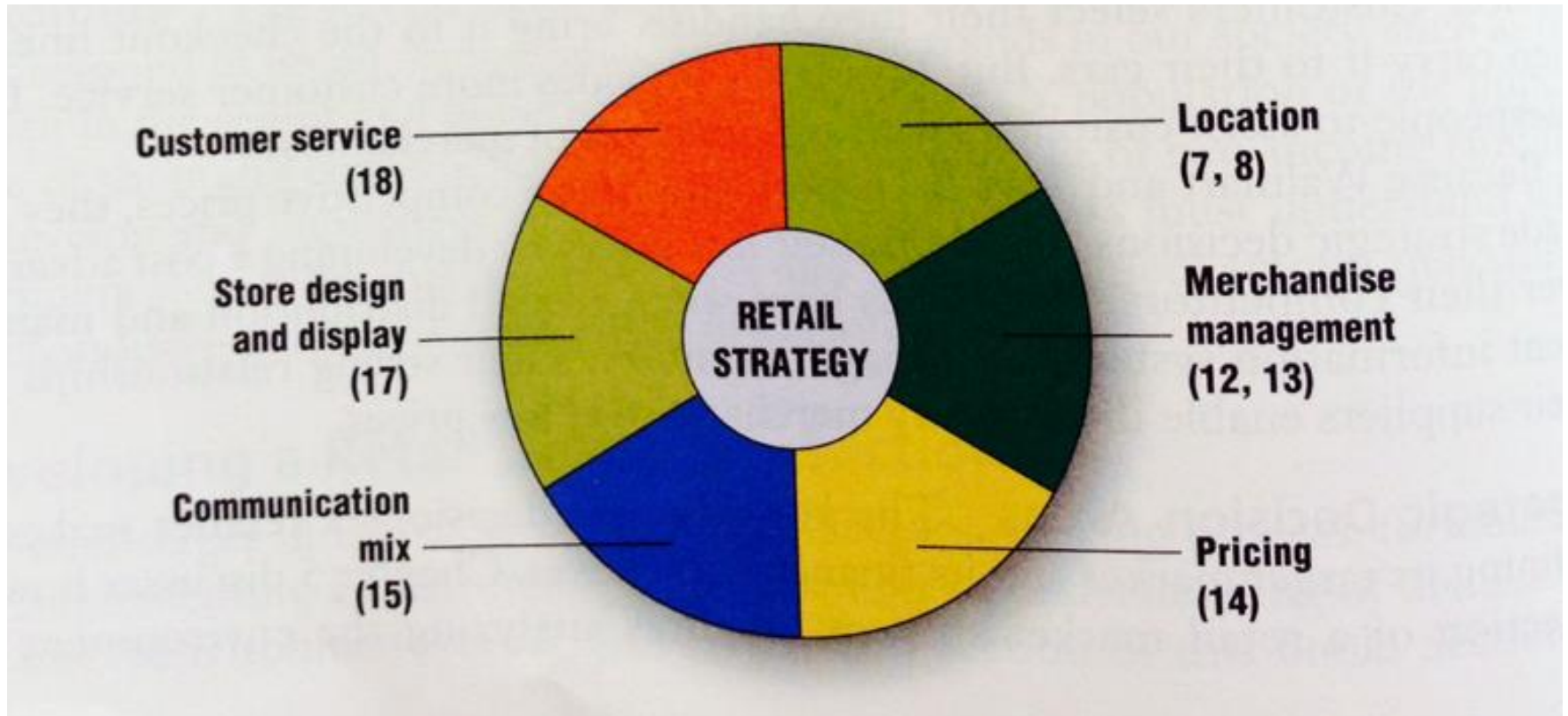
**Section II**

**Section III**

**Section IV**

# Culture and Technology

## Section III and Section IV





**That's All Folks**