

MK 322 Retail Management

Chapter 2: Types of Retailers

By Ajarn Suwalya K.

Retailer Characteristics



Type of Retailer

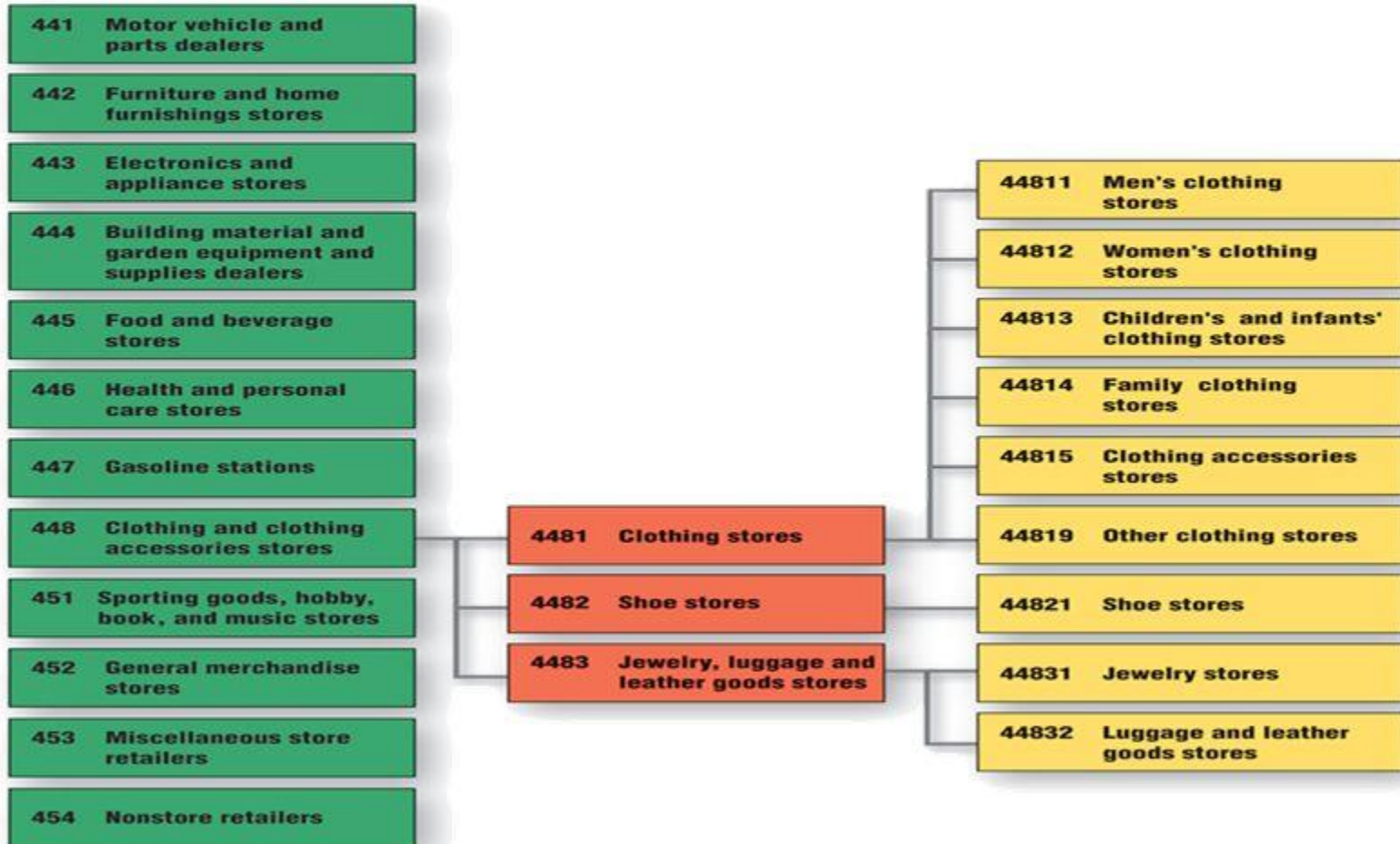
● TABLE | 13.1 Major Store Retailer Types

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. A clothing store would be a <i>single-line</i> store, a men's clothing store would be a <i>limited-line</i> store, and a men's custom-shirt store would be a <i>superspecialty</i> store.	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: often leftover goods, overruns, and irregulars obtained at reduced prices from manufacturers or other retailers. 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 brand-name groceries, appliances, clothing, and other 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 Wholesale Club (warehouse clubs)
Superstore	A very large store traditionally aimed at meeting consumers' total needs for routinely purchased food and nonfood items. This category includes <i>supercenters</i> , combined supermarket and discount stores, and <i>category killers</i> , which carry a deep assortment in a particular category and have a knowledgeable staff.	Walmart Supercenter, SuperTarget, Meijer (discount stores); Best Buy, PetSmart, Staples, Barnes & Noble (category killers)

Type of Merchandise

- North American Industry Classification System (NAICS)- developed in U.S, Canada and Mexico to collect data on business activity of each country.
- The classifications for retailers selling merchandise, based largely on the type of merchandise sold, are illustrated in Exhibit 2-1

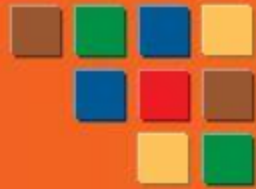
NAICS Codes for Retailers



Variety and Assortment

- **Variety:** the number of merchandise categories a retailer offers.
 - Referred to as Breadth of merchandise
- **Assortment:** is the number of different items offered in a merchandise category.
 - Referred to as Depth of merchandise
- **Stock-keeping unit (SKU):** each different item of merchandise

Merchandise Offering



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)



Type of Merchandise

EXHIBIT 2-2

Variety and Assortment of Bicycles in Different Retail Outlets

	Adult Road	Adult Hybrid	Mountain	Child
Wheelworks	Bianchi, Colnago, Peter Mooney, Serotta, Trek 150 SKUs \$419.99–\$7,999.99	Bianchi, Specialized, Trek 96 SKUs \$349.99–\$1,899.99	Salsa, Santa Cruz, Specialized, Trek 122 SKUs \$299.99–\$1,899.99	Electra, Gary Fisher, Haro, Kettler, Trek 56 SKUs \$159.99–\$429.99
Toys R Us	Mobo Triton Pro 3 SKUs \$299.99–\$359.99	—	Cycle Force, Huffy, Schwinn 4 SKUs \$79.98–\$135.99	Avigo, Cycle Force, Huffy, Mongoose, Pacific Cycle 228 SKUs \$45.99–\$499.99
Walmart	Cycle Force, Genesis, Kent, Mongoose 26 SKUs \$99.97–\$499.00	Cycle Force, Genesis, Schwinn, Tour de France 9 SKUs \$179.00–\$349.00	Havoc, Genesis, Schwinn, NEXT, Roadmaster 63 SKUs \$88.00–\$379.00	Huffy, Koxx, Micargi, Schwinn, Tour De France 195 SKUs \$28.13–\$675.00



Type of Merchandise



How does Wheelworks' variety and assortment compare with Toys R Us and Walmart?

Services Offered

- Retailers also **differ in the services** they offer customers.
- Customers expect almost all retailers to provide certain services: **displaying merchandise, accepting credit cards, providing parking, and being open at convenient hours.**
- Some retailers charge customers for other services such as **home delivery and gift wrapping.**

Type of Merchandise



Why do the three retailers' assortments differ from each other?

Prices and Cost of Offering Breadth and Depth of Merchandise and Services

- **Stocking a deep and broad assortment** is appealing to customers but costly for retailers.
- When a retailer offers many **SKU's, its inventory investment increases** because the retailer must have backup stock for each and every SKU.

Prices and Cost of Offering Breadth and Depth of Merchandise and Services

- **Services attract customers to the retailer, but are also costly**
 - More **staff must be paid** to provide information and assist customers, alter products to meet customers' needs, and demonstrate merchandising.
 - Child care **facilities, restrooms, dressing rooms** take up valuable space that could be used to stock and display merchandise.

Prices and Cost of Offering Breadth and Depth of Merchandise and Services

- To make a profit, retailers that **offer broader variety, deeper assortments, and/or additional services need to charge higher prices.**
- For example, **department stores have higher prices than discount stores** partially because of their higher costs.
 - **Department stores stock more fashionable merchandise** and have to reduce prices when they make a mistake about guessing what popular styles will be.
 - They also provide **more personal sales service** and have expensive mall locations.

Sales and growth rate for retail sectors

	Estimated Sales, 2013 (\$ millions)	Estimated Sales Growth 2008–2013 (%)
Food Retailers		
Conventional supermarkets	\$622,896	3.3
Supercenters	354,905	7.1
Warehouse clubs	159,075	6.7
Convenience stores	748,186	3.0
General Merchandise Retailers		
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
Nonstore Retailers		
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).

Figure 12: E-commerce Value by Industry
(THB, mn)



Source: ETDA, Krungsri Research

BANGKOK RETAIL SUPPLY BY TYPE



Source: CBRE Research Thailand, Q2 2018

E-commerce market value in Thailand

Million baht



Source: Electronic Transactions Development Agency, August 2018

BANGKOK POST GRAPHICS

Food Retailers



Food Retailers

- The food retailing landscaping is changing dramatically.
- Many **supermarkets offer pharmacies, health care clinics, banks and café.**
- The world's largest food retailer, Walmart attains more than \$443 billion in sales of supermarket-type merchandise.
- In this measure it is followed by Carrefour(France), Tesco(United Kingdom), Metro Group (Germany), Schwartz Group (Germany) and Kroger (United States)

Food Retailers



Kroger is the largest supermarket chain in the United States.

Food Retailers

	Conventional Supermarket	Limited-Assortment Supermarket	Supercenter	Warehouse Club	Convenience Store
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

- 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 merchandising.
- Perishables including meat, produce, baked goods and dairy products account for 30% percent of supermarket sales and typically have higher margins than packaged goods.

Supermarkets



Supermarkets



Supermarkets

- Conventional supermarkets carry **about 30,000 SKUs**
- Limited-assortment supermarkets or extreme-value food retailers only stock about 1,500 SKUs.
- Example in US is Save-A-Lot and ALDI

Supermarkets

- Other retailers offer **food merchandise to build the traffic in their stores and increase the sales of more profitable nonfood merchandise**
- They have superior operating efficiencies and bargaining power to achieve low costs and low prices.

Supermarkets

To compete successfully, supermarkets differentiate their offerings by

- 1) emphasizing fresh perishables
- 2) targeting green and ethnic consumers
- 3) providing better value with private-label merchandise
- 4) providing a better shopping experience

Supermarkets



Health-conscious and environmentally conscious are demanding organic and locally produced foods from food retailers.

Supercenters

- Supercenters: large stores (160,000 to 200,000 square feet) that combines a supermarket with a full-line discount stores.
- Walmart operates more than 3,000 supercenters in US
- Tesco Lotus
- Big C



Supercenters



Hypermarkets

- Hypermarkets: also large (160,000-200,000 square feet), combination of food (60 to 70 percent) and general merchandise (30 to 40 percent) stores.
- The world's second largest retailer Carrefour operates hypermarkets.
- They stock **fewer SKUs than supercenters** – between 40,000 and 60,000 items ranging from groceries, hardware, and sports equipment to furniture and appliances to computers and electronic



Hypermarkets

- Both face challenges in finding locations for new big box (large, limited-service) stores
- Land for building in Europe and Japan is expensive



Hypermarkets



Supercenters offer a vast assortments under one roof.

Warehouse Clubs

- Warehouse Clubs: retailers that offer a limited and irregular assortment of food and general merchandise with little service at low prices for ultimate consumers and small businesses.
- Warehouse clubs are large (100,000 to 150,000 square feet) and typically located in low-rent districts.

Warehouse Clubs



People go to warehouse clubs such as Costco to search for treasures like computers at prices lower than those of competitors.

Warehouse Clubs



Convenience Stores

- **Convenience Store:** a store that provides a limited variety of assortment of merchandise at a convenient location in a 3,000- to 5,000-square-foot store with speedy checkout.



Convenience Stores

- More than half the items bought are **consumed within 30 minutes of purchase.**
- Charge **higher prices** than supermarkets for similar products like milk, eggs, and breaded
- To compete against big retailers, they **add counter services for bill Paymentech.**
- To increase convenience, they open stores close to where consumers **shop and work.**
- **Open 24 hours**

Convenience Stores



PTT Park, the concept generated by converting the gas station into warm welcoming retail space. PTT Park is said changing the way of gas station business in Thailand.



At convenience stores you can jump out of your car and pick up a Coke and some chewing gum while getting gas.

General Merchandise Retailers



Department Stores

- Department stores: A retailer that carried a wide variety and deep assortment, offers considerable customer services, and is organized into separate departments for displaying merchandise.



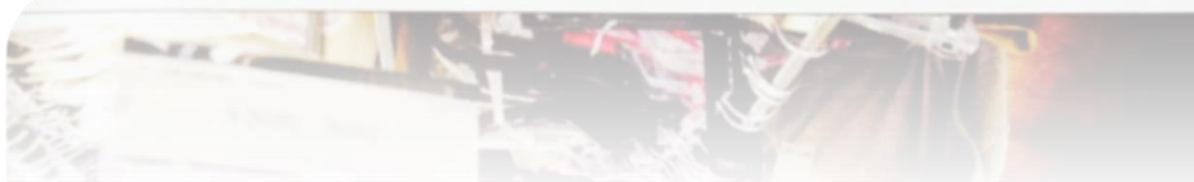
Department Stores

- **Soft Goods:** are nondurable or consumer goods which have shorter lifespan such as cosmetics, clothing and bedding.
- **Hard Goods:** are manufactured items that are expected to last several years, such as appliances, furniture, and consumer electronics.

Department Stores



Macy's is a very popular department store known for great sales.



for great sales.
known for great sales.
Macy's is a very popular

Department Stores

They are categorized in three tiers:

- The **first tier includes upscale**, high fashion chains with exclusive designer merchandise and excellent customer service such as Neiman Marcus, Bloomingdale's, Nordstrom and Saks Fifth Avenue.



Department Stores

- The **second tier includes retailers selling modestly priced merchandise** with less customer service. Traditional department stores include Macy's and Dillard's



Department Stores

- **The third tier is value** oriented catering towards more price-conscious consumers. Sears, JC Penny, and Kohl's are examples.



Table 4: Department Store Outlets in Thailand

Retailers	Outlet			
	2015	2016	2017	2018
Central Group	21	22	23	24
The Mall Group	8	8	7	6
Robinson	42	44	46	48
Total	71	74	76	78

Source: Compiled by Krungsri Research

Department Stores

- To deal with eroding market share, they are
 - 1. Increasing the amount of exclusive merchandising they sell
 - 2. Increasing their use of private-label merchandise
 - 3. Expanding their multichannel presence



Full-Line Discount Stores

- **Full-Line Discount Stores:** retailers offer a broad variety of merchandise, limited service, and low prices.
- Larger chains are Walmart, Target and Kmart



Category Specialists

- **Category specialists:** are big-box stores that offer a narrow but deep assortment of merchandise
- **Category Killers:** offer a complete assortment in a category and kill a category of merchandise for other retailers. Using their category dominance and buying power, they buy products at low prices and are ensured of supply when items are scarce.





Welcome to the IKEA shopping experience

IKEA India · 25K views · 1 month ago



Category Specialists

Apparel/Shoe/Accessories

Mens Wearhouse
DSW

Books

Barnes & Noble

Consumer Electronics

Best Buy

Crafts

Michaels

Furniture

IKEA
Pier 1
Sofa Express

Home

Bed Bath & Beyond
The Container Store
World Market

Home Improvement

Home Depot
Lowe's

Sporting Goods

Bass Pro Shops
Outdoor World
Cabela's
Dick's Sporting Goods
L.L. Bean
Golfsmith
REI
Sports Authority

Toys

Toys "R" Us

Office Supply

Office Depot
Staples
Office Max

Pet Supplies

PetSmart
PETCO

Musical Instruments

Guitar Center

EXHIBIT 2-6

Category Specialists

Category Specialists



Category Specialists



Category Specialists



Specialty Stores

- Specialty Stores: concentrate on a limited number of complementary merchandise and provide a high level of service.
- Tailor their retail strategy toward very specific market segments by offering **deep, but narrow assortments and sales associate expertise**
- Examples: Victoria Secret, Sephora
- Manufacturers open their own specialty store- Coach, Samsonite, Godiva, Levi's

Specialty Stores



Sephora is an innovative specialty store selling perfume and cosmetics.

Specialty Stores



Specialty Stores

- Another growing specialty store sector
- Thrift store: merchandise is donated and proceeds go to charity (Goodwill Industries)
- Consignment shop: a store that accepts used merchandise from people and pays them after it is sold
- Resale stores earn national revenues of more than \$13 billion

Speciality Stores

Apparel	Electronics/Software	Jewelry	GNC
Abercrombie & Fitch	Ascend Acoustics	Blue Nile	Kiehl's
Brooks Brothers	Apple	Tiffany & Co.	M.A.C.
The Buckle	Brookstone	Zales	MakeupMania.com
Forever 21	Crutchfield	Optical	Sephora
The Gap	GameStop	1-800 Contacts	Shoes
H&M	Newegg	LensCrafters	ALDO
Indochino.com	Radio Shack	Pearle Vision	Allen Edmonds
Ralph Lauren	Tiger Direct	Sunglass Hut	FootLocker
J. Crew	Housewares	Health/Beauty	Nine West
Threadless	Crate & Barrel	Aveda	Steve Madden
Urban Outfitters	Pottery Barn	Bath & Body Works	The Walking Company
Victoria's Secret	Sur la Table	The Body Shop	Zappos
Zara	Williams Sonoma		

Exhibit 2-7
Specialty Store Retailers

Drugstores

- **Drugstores: are specialty stores that concentrate on health and beauty care (HBC) products.**
- Many drugstores have steadily increase space devoted to cosmetics.
- Prescription pharmaceuticals often represent almost 65 percent of drugstore sales.



Extreme-Value Retailers

- **Extreme-Value Retailers:** or called dollar stores are small discount stores that offer a broad variety, bit shallow assortment of household goods, health and beauty care (HBC) products and groceries.
- 2 largest in states –Dollar General and Family Dollar

Extreme-Value Retailers



What you can still get for a dollar?

Extreme-Value Retailers



Off-Price Retailers

- **Off-Price retailers: offer an inconsistent assortment of brand-name merchandise at a significant discount off the manufacturer's suggested retail price (MSRP).**
- Off-price retailers are able to sell brand-name and even designer-label merchandise **at 20-60 percent lower** than the manufacturer's suggested retail price because of unique buying and merchandising practices.
- Much of the merchandise is bought opportunity from manufacturers that have **overruns, canceled orders, forecasting mistakes** causing excess inventory, closeouts and irregulars.

Off-Price Retailers

- **Closeouts:** are end-of-season merchandise that will not be used in the following seasons.
- **Irregulars:** are merchandise with minor mistakes in construction
- **Flash sales:** online twist to offline retailing as each day at the same time, members receive an e-mail that announces the deals available.

Off-Price Retailers

- Outlet stores: are off-price retailers owned by the manufacturers or retailers.
- Factory outlets are owned by manufacturers. They view outlet stores as an opportunity to improve their revenues from irregulars, production overruns, and merchandise returned by retailers.



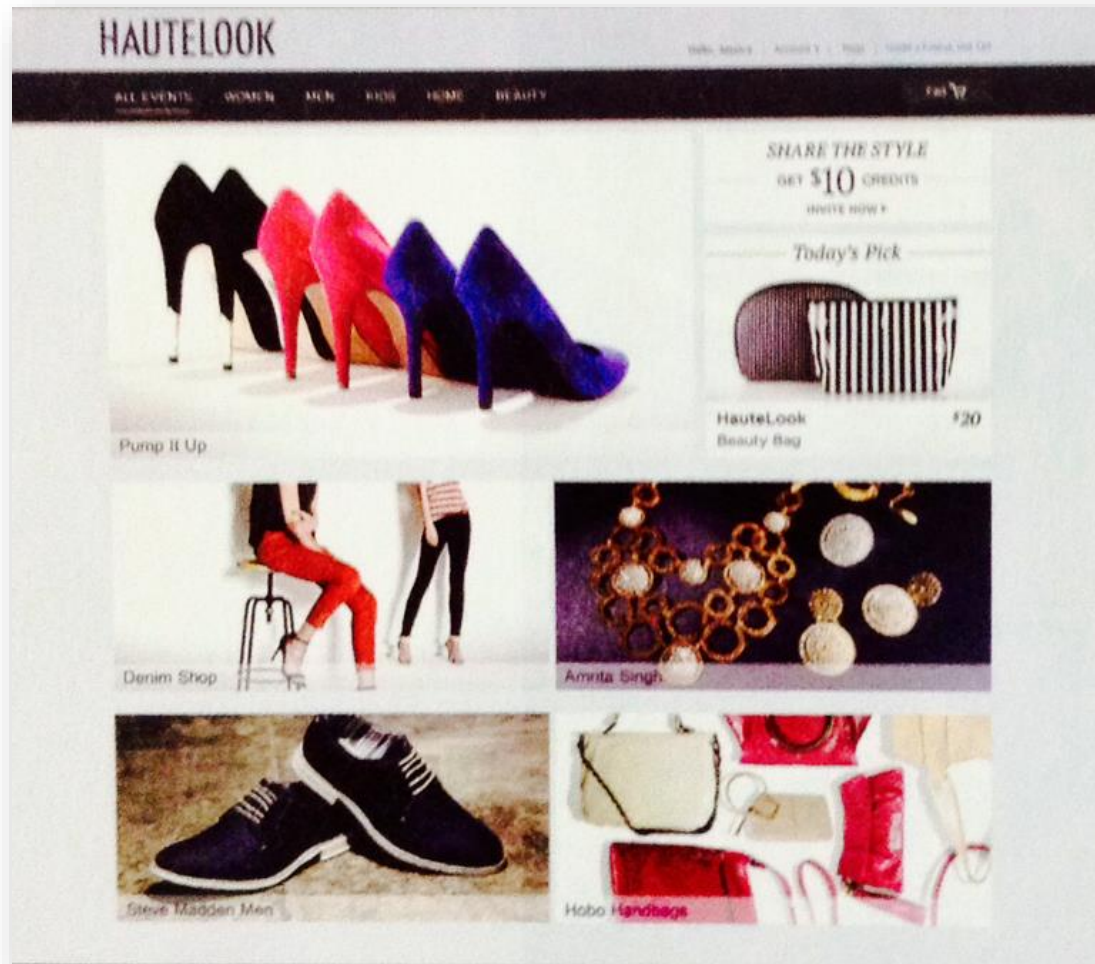
Off-Price Retailers - Outlet



Off-Price Retailers - Outlet



Off-Price Retailers



Luxury Merchandise at great prices.

Service Retailing



Service Retailing

- **Service retailer:** Organization that offers consumers services rather than merchandise. Examples includes banks, hospitals, health spas, doctors, legal clinics, entertainment firms and universities.



Service Retailing

Type of Service	Service Retail Firms
Airlines	American, Southwest, British Airways, JetBlue
Automobile maintenance and repair	Jiffy Lube, Midas, AAMCO
Automobile rental	Hertz, Avis, Budget, Enterprise
Banks	Citi, Wachovia, Bank of America
Child care centers	Kindercare, Gymboree
Dry cleaners	Zoots
Education	Babson College, University of Florida, Princeton Review
Entertainment	Disney World, Six Flags, Chuck E. Cheese, Dave & Buster's
Express package delivery	FedEx, UPS, U.S. Postal Service
Fast food	Wendy's, McDonald's, Starbucks
Financial services	Merrill Lynch, Morgan Stanley, American Express, VISA
Fitness	Jazzercise, Bally's, Gold's Gym
Health care	Humana, HCA, Kaiser
Home maintenance	Chemlawn, Mini Maid, Roto-Rooter
Hotels and motels	Hyatt, Sheraton, Marriott, Days Inn
Income tax preparation	H&R Block
Insurance	Allstate, State Farm, Geico
Internet access/electronic information	Google, Internet Explorer, Mozilla Firefox, Safari
Movie theaters	AMC, Odeon/Cineplex
QSR	Panera Bread, Red Mango, Pinkberry
Real estate	Century 21, Coldwell Banker
Restaurants	Applebee's, Cheesecake Factory
Truck rentals	U-Haul, Ryder
Weight loss	Weight Watchers, Jenny Craig, Curves
Video rental	Blockbuster
Vision centers	LensCrafters, Pearle

Exhibit 2-8
Services Retailers



Chiva-Som International Health Resort ⋮
| Top luxury wellness destination in Hua...

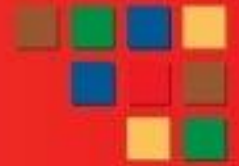
Chiva-Som - International Health Resort · 10K
views · 1 year ago



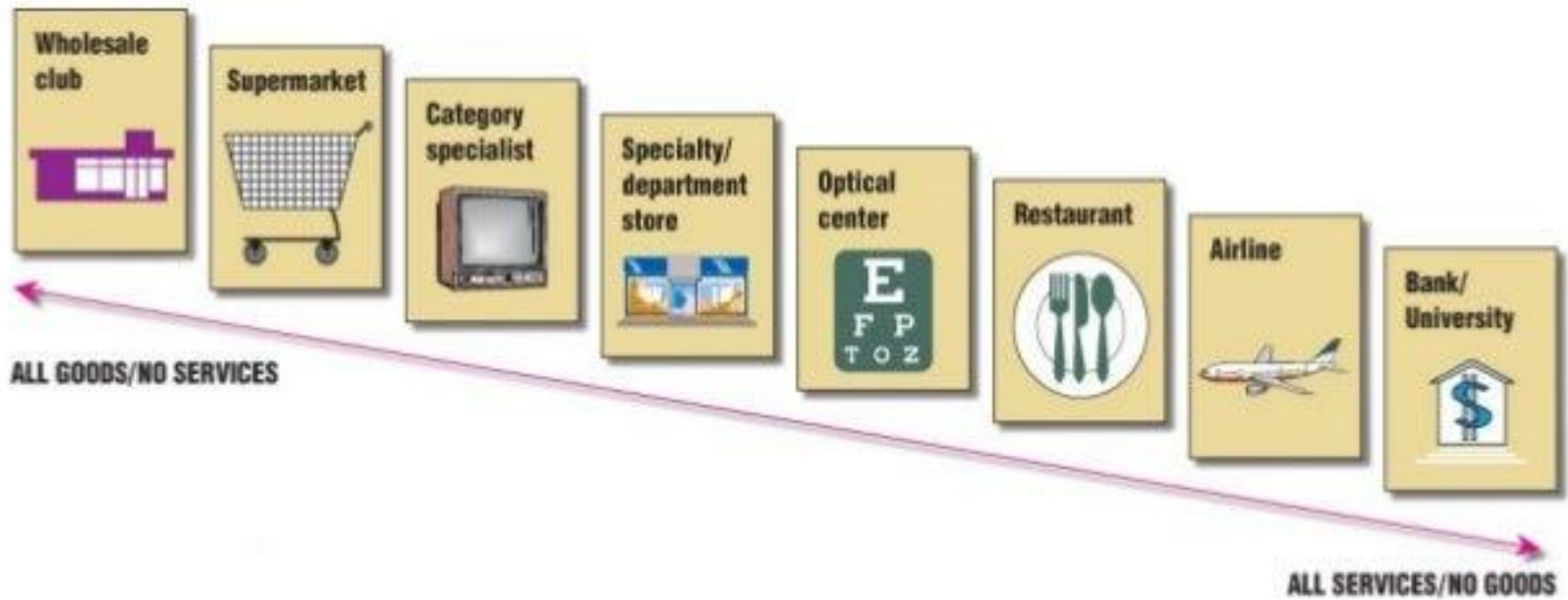
Service Retailing



Going to Zoots to pick up laundry and dry cleaning is as easy as going to an ATM machine.



Merchandise/Service Continuum



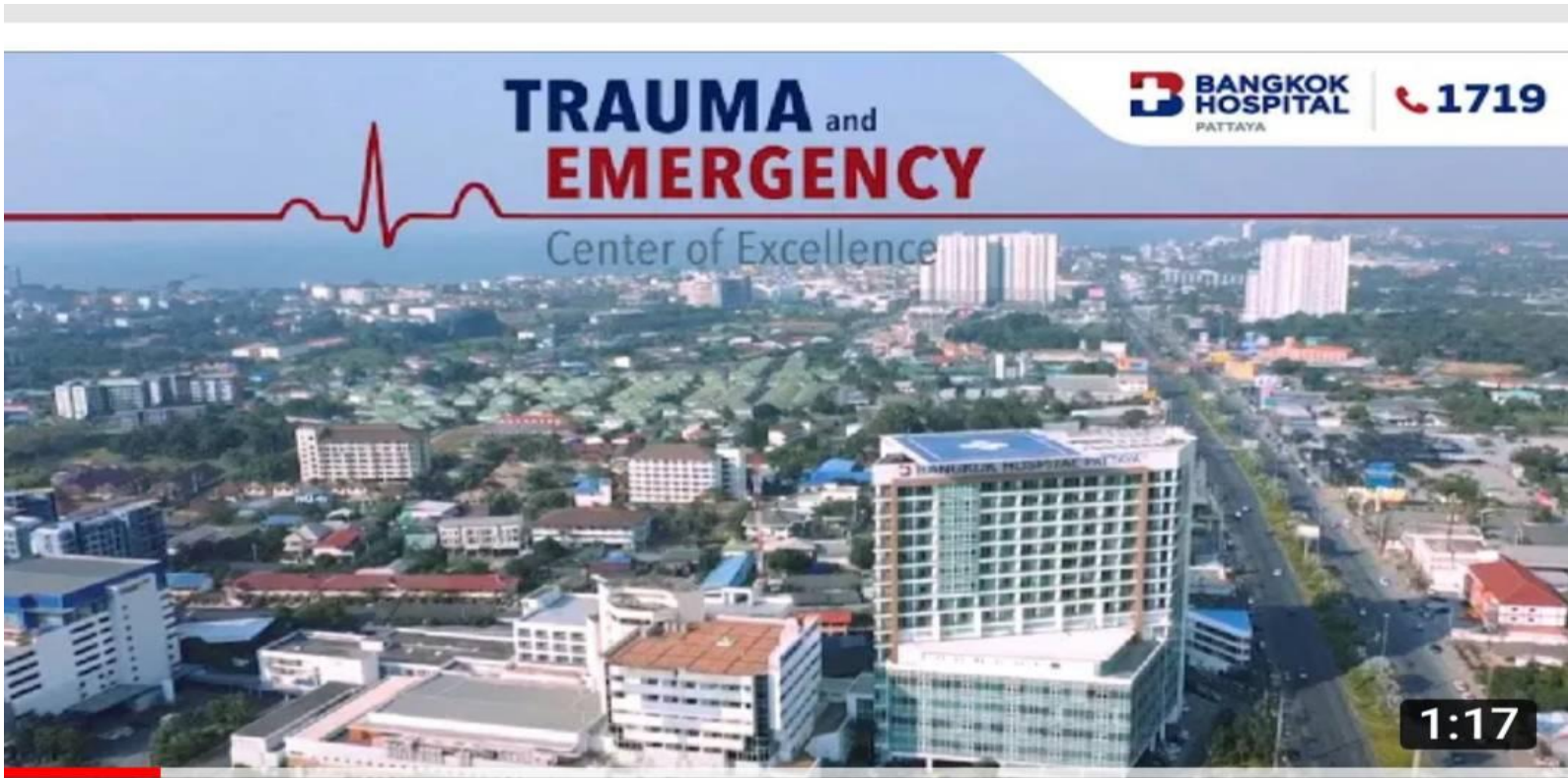




บ๊องบ๊อง...
แพ้งค์ควานฮอนฮุ่น







TRAUMA and EMERGENCY Center of Excellence : Bangkok Hospital Pattaya

⋮

Bangkok Hospital Pattaya · 2.2K views · 2 years ago



Difference between Service and Merchandise Retailers

- **Intangibility:** services are less tangible than products- customers cannot see or touch them.
- **Simultaneous Production and Consumption:** products are typically made in a factory, stored and sold by a retailer, and the used by consumers in their homes. Service providers create and deliver the service as customers are producing it.

Difference between Service and Merchandise Retailers

- **Perishability: services** cannot be saved, stored, or resold
- **Inconsistency:** Products can be produced by machines with very tight quality control, so customers could be assured that all boxes of Cheerios will be identical. But because services are performances produced by people (employees and customers) no two services will be identical.

Types of Ownership



Types of Ownership

- **Independent, Single-Store Establishments:** many retail start-ups are owner managed which means management has direct contact with customers and can respond quickly to their needs.
- **Retail Chain:** a company that operates multiple retail units under common ownership and usually has centralized decision making for defining and implementing its strategy

Types of Ownership

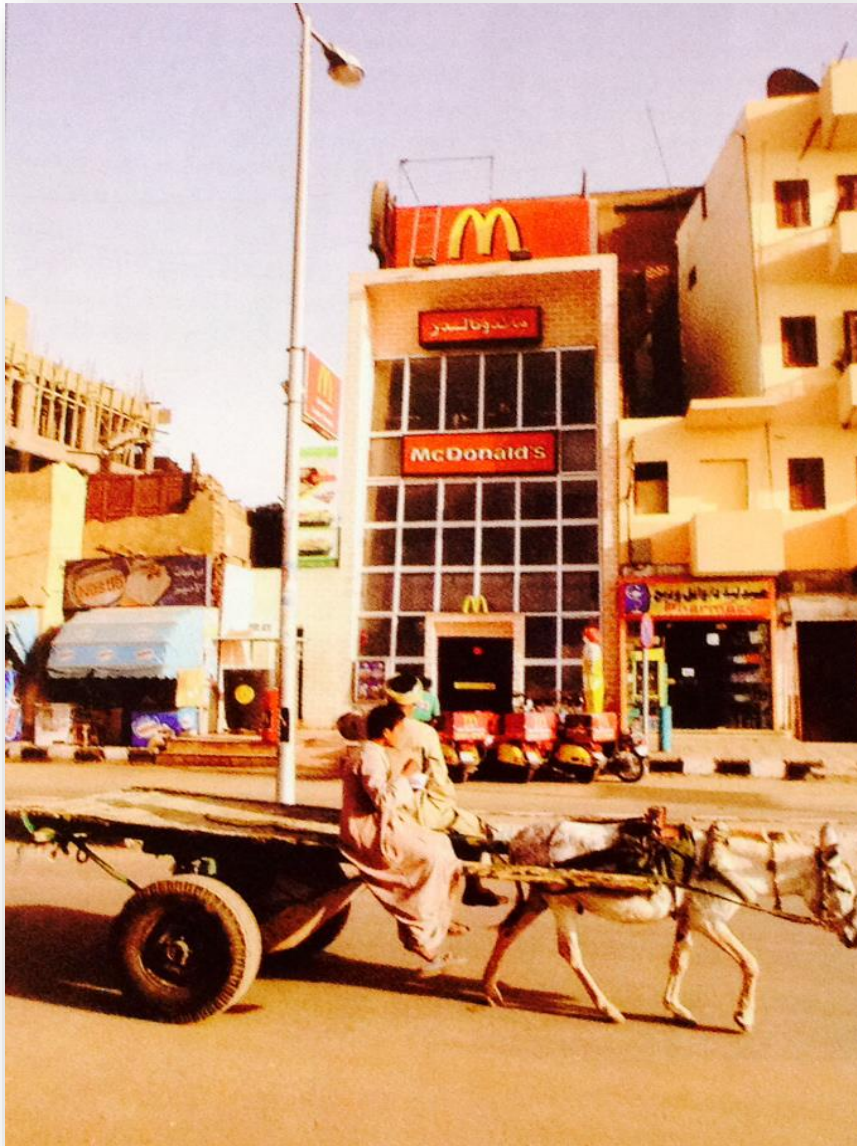


The secret of success to the Dressing Room in the United Kingdom is the owner's attention to understanding what her customers want.

Types of Ownership

- **Franchising:** a contractual agreement in which the franchisor (the company) sells the rights to use its business trademark, service mark, or trade name, or another commercial symbol of the company, to the franchisee for a one-time franchise fee and an ongoing royalty fee typically expressed as a percentage of gross monthly sales.





McDonald's franchises are growing all over the world

Group Assignment 3: Brick and Mortar vs. Online shopping

[Case Study: Can Retailers Win Back Shoppers Who Browse then Buy Online? \(hbr.org\)](https://hbr.org/case-study/can-retailers-win-back-shoppers-who-browse-then-buy-online/)



Harvard Business Review

Sign In

Case Study: Can Retailers Win Back Shoppers Who Browse then Buy Online?

by Thales S. Teixeira and Sunil Gupta

From the Magazine (September 2015)

Mattias Mackler

Group Assignment: Please refer the assignment to your group project industry.

- What is showrooming and how does it apply to your retail industry?
- What is the physical store (brick-and-mortar) shops current situation?
- What is the future outlook and your suggestions to address this challenge?

- Please create one page ppt. slide to be due next Tuesday Feb 1st. Please design the one page by using graphs, charts, visuals to make one page interesting ka.



Could this experimental Texas store be the future of brick-and-mortar retail?



CBS This Morning · 8.9K views · 1 year ago





That's All Folks