

TYPES OF RETAILERS

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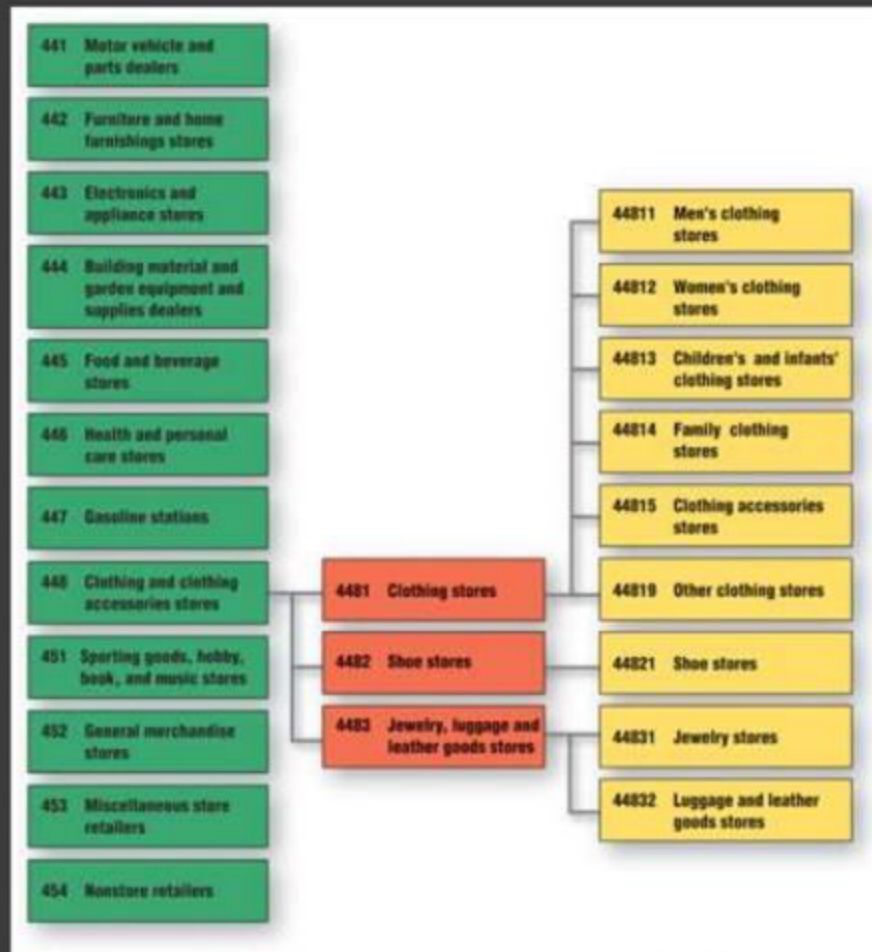
Retailer Characteristics

- type of merchandise sold
- variety and assortment of merchandise
- level of customer service
- price of the merchandise

Types of Merchandise

- The US Bureau of the Census uses a hierarchical set of four digit codes called the Standard Industrial Classification (SIC).
- The US Bureau along with Mexico and Canada, adopted a new classification system, the North American Industrial Classification System (NAICS).

NAICS Code Hierarchy



Variety and Assortment

- Variety is the number of different merchandise categories a retailer offers (breadth).
- Assortment is the number of different items in a merchandise category (depth)
- Each different item of merchandise is called a stock keeping unit (SKU).

Services Offered

- Customers expect retailers to provide some services--accepting credit cards, providing parking, and displaying merchandise.
- Some retailers go beyond this and provide other services such as gift wrapping and home delivery, at a charge.

Price

- Offering more depth and breadth of merchandise is appealing to customers.
- Offering services attracts customers.
- To make a profit with more depth and breadth or services retailers must charge higher prices.

Sales and Growth Rate for Retail Sectors

	Estimated 2010 Sales \$ Millions	Estimated Percentage Compounded Sales Growth, 2005-2010
Food Retailers		
Conventional supermarkets	\$521,126	2.4%
Supercenters	331,558	11.1
Warehouse clubs	125,114	6.6
Convenience stores	669,393	7.1
General Merchandise Retailers		
Department stores	79,813	-1.0
Apparel and accessory specialty stores	184,766	4.4
Jewelry stores	36,053	4.9
Shoe stores	27,011	1.9
Furniture stores	73,655	4.6
Home furnishing stores	35,242	4.8
Office supply stores	26,073	3.8
Sporting goods stores	40,417	5.4
Book stores	18,257	1.9
Building material, hardware, and garden supply stores	485,106	6.6
Consumer electronics and appliance stores	134,675	6.0
Drug stores	227,836	5.5
Full-line discount stores	134,220	1.0
Food and general merchandise extreme value stores	47,631	3.4
Nonstore Retailers		
Nonstore retailing	263,220	10.3
E-commerce	285,000	26.5

Sources: Softgoods Economic Forecast: Outlook to 2010 (Columbus, OH: Retail Forward, May 2006); Homegoods Economic Forecast: Outlook to 2010 (Columbus, OH: Retail Forward, May 2006); Food Drug Mass Economic Forecast: Outlook to 2010 (Columbus, OH: Retail Forward, May 2006).

Food Retailers

- ⊙ Conventional Supermarket
- ⊙ Limited Assortment Supermarket
- ⊙ Supercenter
- ⊙ Warehouse Club
- ⊙ Convenience Store

Characteristics of Food Retailers

	Conventional Supermarket	Limited Assortment Supermarket	Supercenter	Warehouse Club	Convenience Store
Percentage food	70-80	80-90	30-40	90	80
Size (000 sq ft)	20-30	7-10	100-220	100-150	2-3
SKUs (000)	20-40	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	10-10	12-15	25-30

Supermarket

- Self-service
- Offer
 - Groceries
 - Meat
 - Produce
 - Limited non-food items

Supercenters

- ⊙ Fastest growing sector of food retailer.
- ⊙ 150,000 to 200,000 sq. ft. stores that combine a superstore and a full-line discount store.
- ⊙ Sell groceries at low prices to build store traffic.
- ⊙ One stop shopping

Warehouse Clubs

- ⊙ Large (about 100,000 sq. ft.) and located in low rent districts.
- ⊙ Little service at low prices to ultimate consumers and small businesses.
- ⊙ Reduce costs by carrying a limited assortment of fast-selling items.
- ⊙ Members must pay an annual fee

Convenience Stores

- ⊙ Modern versions of the neighborhood mom-and-pop stores.
- ⊙ Convenient location in a 2,000 to 3,000 sq. ft. store with a speedy checkout.
- ⊙ Limited variety and assortment of merchandise.
- ⊙ Gasoline and cigarettes account for over 55% of annual sales.

General Merchandise Retailers

- ⊙ Department stores
- ⊙ Full-line discount stores
- ⊙ Specialty stores
- ⊙ Drug stores
- ⊙ Category specialists
- ⊙ Home improvement centers
- ⊙ Off-price retailers.

Characteristics of General Merchandise Retailers

Type	Variety	Assortment	Service	Prices	Size (1000 sq. ft.)	SKUs (1000)	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	4-17	0	Regional malls
Category specialists	Narrow	Very deep	Low to high	Low	50-120	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	3-15	3-4	Office, strip

Department Stores

- ⊙ Broad variety and deep assortment
- ⊙ Offer considerable customer services
- ⊙ Organized into separate departments for displaying merchandise
 - women's , men's and children's clothing and accessories
 - home furnishing and furniture
 - kitchenware and small appliances.

Department Stores

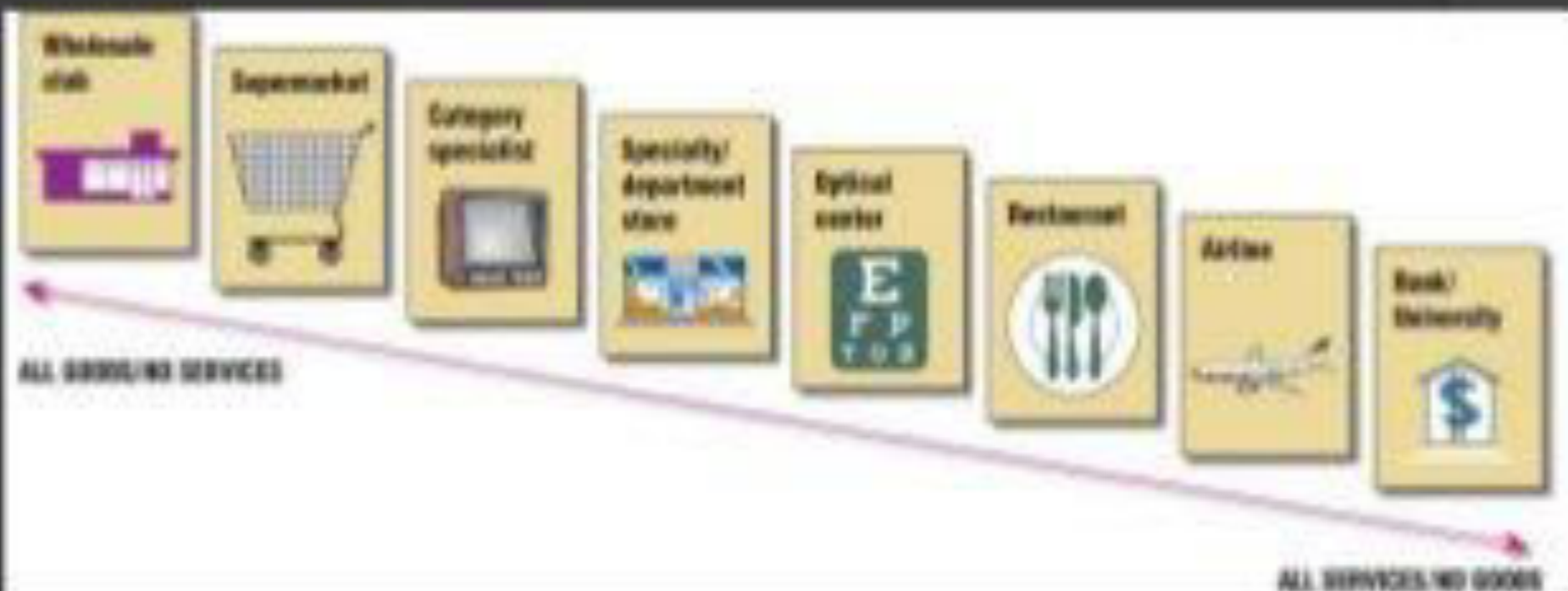
Categorized into three tiers

- Tier One
 - Upscale
 - High-fashion chains
 - Exclusive designer merchandise
 - Neiman Marcus
 - Bloomingdale's
 - Saks Fifth Avenue

Services Retailing

- Sell services rather than products
- Important differences
 - Intangibility
 - Simultaneous Production and Delivery
 - Perishability
 - Inconsistency of the Offerings

Continuum of Merchandise and Services Retailers



Types of Ownership

- ⊙ Another way to classify retailers is by their ownership.
 - Independent, Single-Store Establishment
 - Corporate Chains
 - Franchises

Independent, single-store establishments

- ⊙ Many retail start-ups are owner-managed
- ⊙ Direct contact with customers
- ⊙ Not bound by bureaucracies inherent in large retail organizations
- ⊙ Very flexible
 - React quickly to customer needs and market changes

Corporate Retail Chain

- ⊙ Operates multiple retail units under common ownership.
- ⊙ Centralized decision making for defining and implementing strategy.
- ⊙ May be two stores or many thousand stores.

Franchising

- ⦿ Contractual agreement between a franchiser and a franchisee that allows the franchisee to operate a retail outlet using a name and format developed and supported by the franchiser.
- ⦿ More than 40 percent of all U.S. retail sales are made by franchisees.

Franchising

- ⦿ Franchisees are motivated to make their store successful because they receive the profits after the royalty is paid.
- ⦿ The franchiser is motivated to develop new products and systems to promote the franchise because it receives a royalty on all sales.

Retailers Using Franchise Business Model

Food Retailers

T-Dives
Arby's
Ben & Jerry's
Cold Stone Creamery
Doritos
Dunkin' Donuts
Johnny Rockets
McDonald's
Olive Garden
Panera Bread
Schnitzel
YUM! Brands

Services Retailers

1-800-GOT-JUNK?
AMSCO
Cash King
Century 21 Real Estate
Circuit City
Cores
Maple's Inn
i-Tech

InterContinental Retailers

Jackson Hewitt Tax Service
Just-King
Jazzercise
Jilly Labs
LA Weight Loss
Lowe's Bedding
Liberty Tax Service
Mail Boxes
MMA
Payless Car Rental
RE/MAX
Rent-a-Wreck
UPS Store

Merchandise Retailers

Ace Hardware
Caltique
GNC
Hobby Tools
Home Depot
Presto Video
Ugo-A-Bingo

Baskin  Robbins,



PEARLE VISION



Curves



RE/MAX