

CD2024 633EC RETAIL & CHANNEL MANAGEMENT

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**UNIVERSITÀ
DEGLI STUDI
DI TRIESTE**

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Office hours

- Only by prior appointment

Lectures time

- Monday – from 14:00 to 17:00
- Tuesday – from 8.00 to 10:00

Aim of the course



- Understand the retail **format** and **strategy**, what lies behind them and their possible consequences



Exam

- **Writing and Presenting** a paper in the form of a thesis analysing a retailer:
 - The work should be conducted **preferably in workgroups**;
 - The company analysed must manage **two or more retail points**;
- The aim of the paper is to understand the **retailer's format and strategy**, including its strengths and weaknesses.
 - Based on that each group should **propose one (or more) strategy, innovation, or significant improvement** for the analysed company

How to start the project

1. **Form a workgroup** (preferably of 2 students)
2. **Choose a company**
 - Focus on the shops and not the product
 - Check whether a) you could **visit one or more shops** and b) you could **retrieve data from AIDA database**
3. **Write your proposal on teams excel file** (ready in the next weeks) and wait for our green light
4. Enjoy working on your case

Mid term test for extra points

- At the end of the first part of the course a brief written exam will be scheduled:
 - **Based on the furnished material associated to the textbook**
- The result will **give each students a maximum of 3 extra points** for the exam.
 - If you do not attend or score 0 points you could still reach the maximum grade
 - Students who score 3 points will start the exam with already three points in the bag.

Project structure (must have points)

- Names, Surnames, StudentIDs
- TITLE
- Executive Summary
- **Chapter 1. Overview of the Company and Market**
 - **Company Analysis**
 - Organizational mission and structure
 - Goods/service category offered
 - **Analysis of the market scenario**
 - Competitive environment
 - **Identification of Consumers**
 - Choice of the target market

- **Objectives**
 - Positioning
- **Overall Strategy and Retail format proposed**
 - Retail format proposed, including:
 - Goods/services strategy
 - Location strategy
 - Pricing strategy
 - Target market technique and Promotion strategy
- **SWOT analysis**
- **Chapter 2. Your Strategic Proposal**
 - **Strategic Proposal/Innovation/Significant Improvements**
 - **Risk/Opportunity of the Proposed Strategy**
- **Conclusions**
- **References**



Retail Management

A Strategic Approach

THIRTEENTH EDITION

Barry Berman • Joel R. Evans • Patrali Chatterjee



PART 1 An Overview of Strategic Retail Management 21

Chapter 1 An Introduction to Retailing 22

Chapter 2 Building and Sustaining Relationships in Retailing 44

Chapter 3 Strategic Planning in Retailing 71

PART 2 Situation Analysis 109

Chapter 4 Retail Institutions by Ownership 110

Chapter 5 Retail Institutions by Store-Based Strategy Mix 130

Chapter 6 Web, Nonstore-Based, and Other Forms of Nontraditional Retailing 151

PART 3 Targeting Customers and Gathering Information 187

Chapter 7 Identifying and Understanding Consumers 188

Chapter 8 Information Gathering and Processing in Retailing 211

PART 4 Choosing a Store Location 239

Chapter 9 Trading-Area Analysis 240

Chapter 10 Site Selection 264

PART 5 Managing a Retail Business 291

- | | | |
|-------------------|---|-----|
| Chapter 11 | Retail Organization and Human Resource Management | 292 |
| Chapter 12 | Operations Management: Financial Dimensions | 315 |
| Chapter 13 | Operations Management: Operational Dimensions | 332 |

PART 6 Merchandise Management and Pricing 357

- | | | |
|-------------------|----------------------------------|-----|
| Chapter 14 | Developing Merchandise Plans | 358 |
| Chapter 15 | Implementing Merchandise Plans | 382 |
| Chapter 16 | Financial Merchandise Management | 404 |
| Chapter 17 | Pricing in Retailing | 427 |

PART 7 Communicating with the Customer 459

- | | | |
|-------------------|---|-----|
| Chapter 18 | Establishing and Maintaining a Retail Image | 460 |
| Chapter 19 | Promotional Strategy | 482 |

PART 8 Putting It All Together 515

- | | | |
|-------------------|---|-----|
| Chapter 20 | Integrating and Controlling the Retail Strategy | 516 |
|-------------------|---|-----|

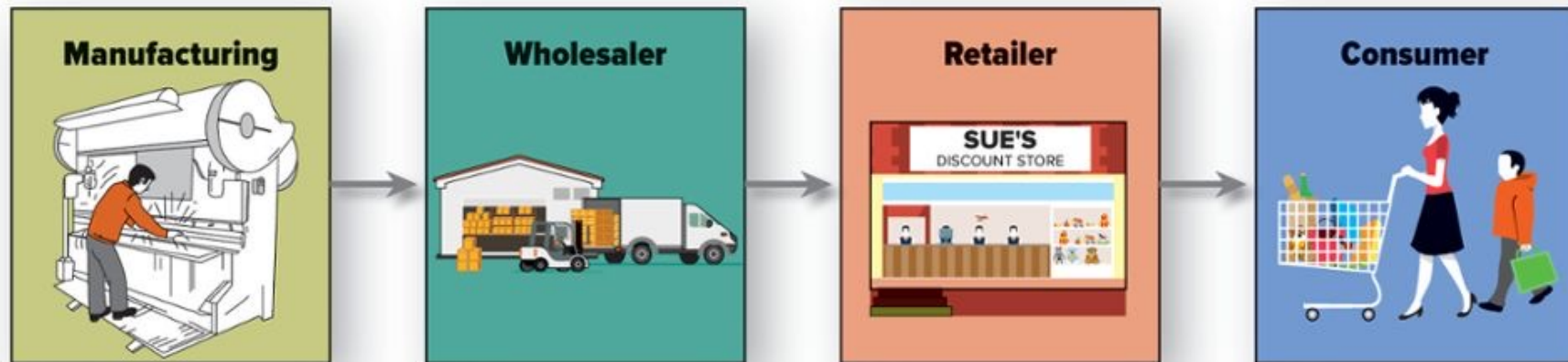
Retailing

- Retailing encompasses the **business activities involved in selling goods and services to consumers** for their personal, family, or household use. It includes every sale to the final consumer.

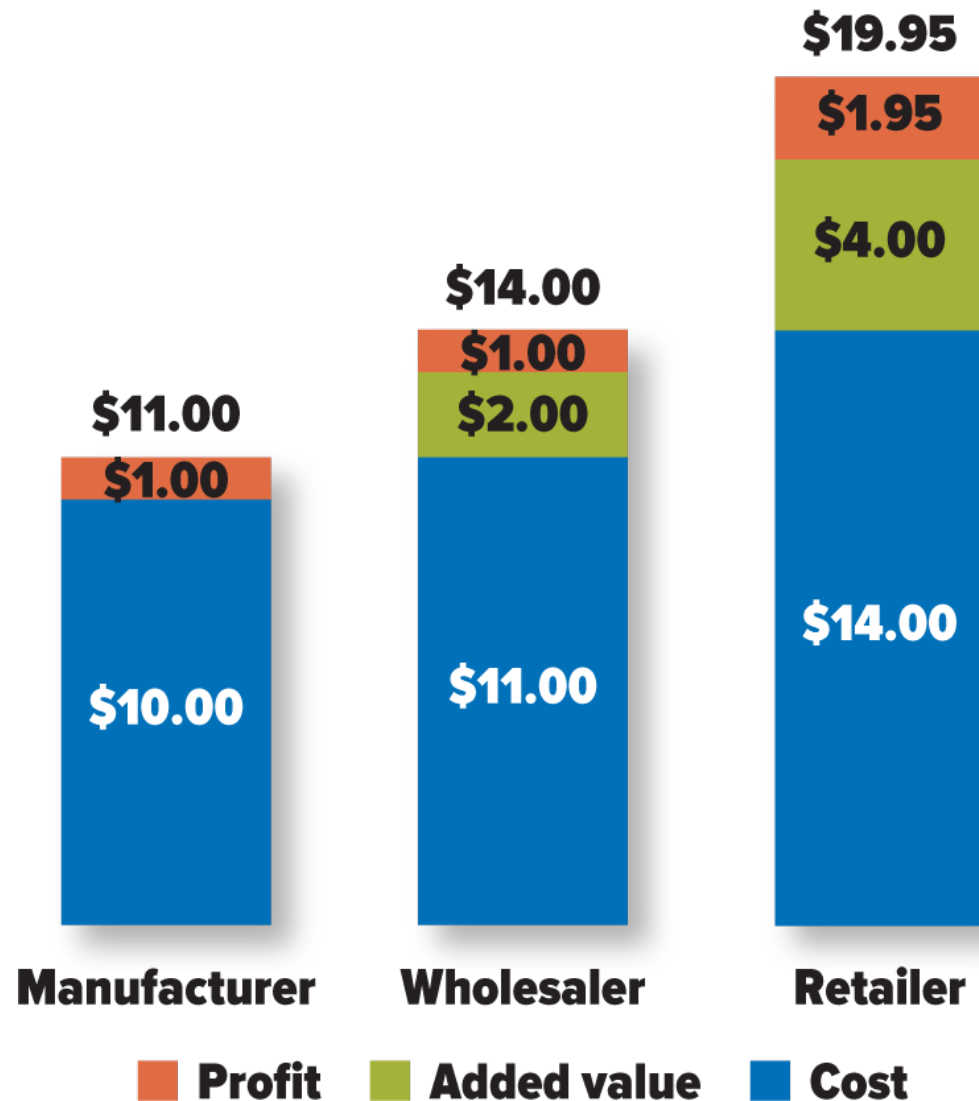
**DOES NOT HAVE TO
INVOLVE A STORE**

The Retailer's Role in a Supply Chain

- Retailing – adds value to products and services sold to **consumers**
 - Not always in stores, services too!
 - May include lodging in a motel, home-delivered pizza
- Retailer – **sells products and services to consumers**
 - Supply chain



Costs of Value-Added Activities in the Distribution Channel for a T-Shirt



Retailers may not only retail!

Retailers Perform Wholesaling and Production Activities



**Vertical
integration**

**Backward
integration**

**Forward
integration**



The 10 Largest Retailers in the World

Global Powers of Retailing Top 250, FY2019

FY2019 retail revenue rank	Name of company	Country of origin	FY2019 retail revenue (US\$M)	FY2019 parent company/group revenue ¹ (US\$M)	Dominant operational format	# countries of operation
1	Walmart Inc	United States	523,964	523,964	Hypermarket/supercenter	27
2	Amazon.com, Inc.	United States	158,439	280,522	Non-store	17
3	Costco Wholesale Corporation	United States	152,703	152,703	Cash & carry/warehouse club	12
4	Schwarz Group	Germany	126,124	126,124	Discount store	33
5	The Kroger Co.	United States	121,539	122,286	Supermarket	1
6	Walgreens Boots Alliance, Inc.	United States	115,994	136,866 **	Drug store/pharmacy	9
7	The Home Depot, Inc.	United States	110,225	110,225	Home improvement	3
8	Aldi Einkauf GmbH & Co. oHG and Aldi International Services GmbH & Co. oHG	Germany	106,326 ^e	106,326 ^e	Discount store	19
9	CVS Health Corporation	United States	86,608	256,776	Drug store/pharmacy	1
10	Tesco PLC	United Kingdom	81,347	82,711	Hypermarket/supercenter	8

Source: [Global Powers of Retailing 2021 – Deloitte](#)

And the Italians?

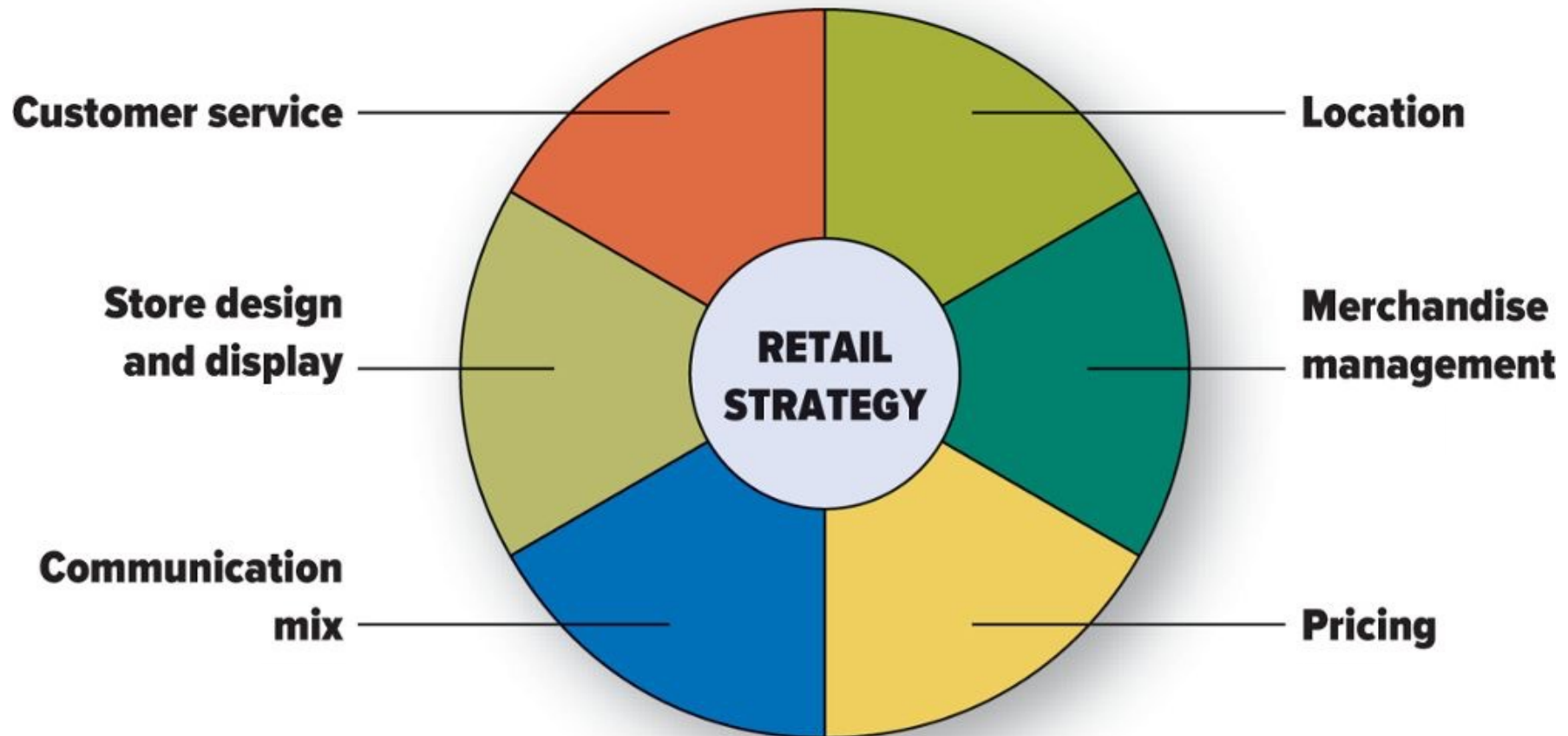
Global Powers of Retailing Top 250, FY2019

FY2019 retail revenue rank	Name of company	Country of origin	FY2019 retail revenue (US\$M)	FY2019 parent company/group revenue ¹ (US\$M)	Dominant operational format	# countries of operation
73	Coop Italia	Italy	13,498 ^e	16,005 ^{ge}	Hypermarket/supercenter	1
118	Esselunga S.p.A.	Italy	8,953	8,953	Hypermarket/supercenter	1
157	EssilorLuxottica SA	Italy	6,975	19,463 ^{**}	Apparel/footwear specialty	80
163	Gruppo Eurospin	Italy	6,599 ^{**}	6,670 ^{**}	Discount store	2

Source: [Global Powers of Retailing 2021 – Deloitte](#)

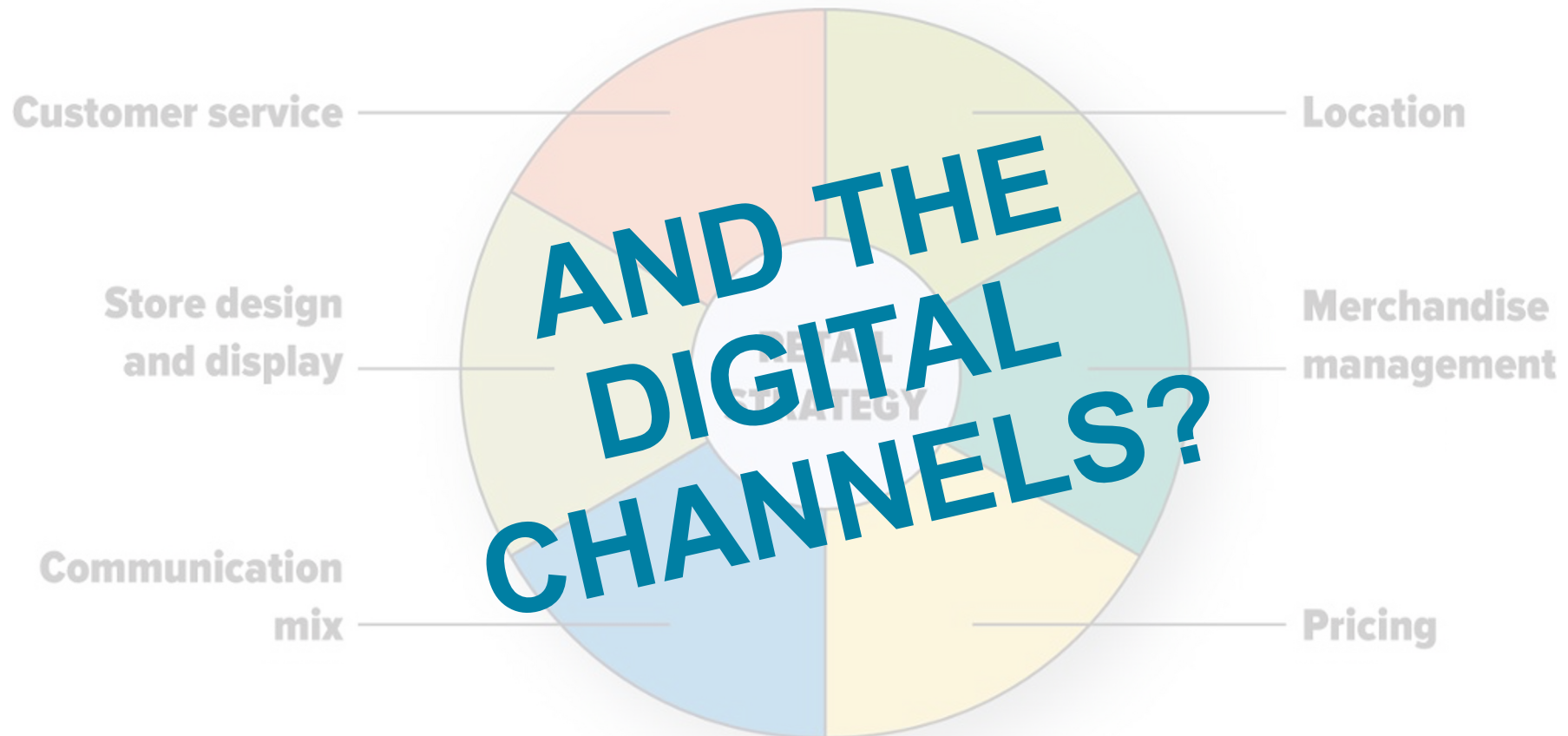
The Retail Mix

- Retailers are more than a bunch of stores. The word of retailing is vast, and its players are fluid and increasingly like platforms.



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Issues in Retailing

- **How can we best serve our customers** while earning a fair profit?
- How can we **stand out in a highly competitive environment** where consumers have so many choices?
- Low consumer confidence and high savings rates have **reduced consumer spending**. At the same time retail **competition has increased** through increased format blurring (e.g., sales of cameras at office supply stores, carpeting and major appliances at home improvement centers).
- **How can we grow our business while retaining a core of loyal customers?**

The Philosophy

- Retailers can best address these questions by fully understanding and applying the basic principles of retailing, as well as the elements in a well-structured, systematic, and focused **retail strategy**.

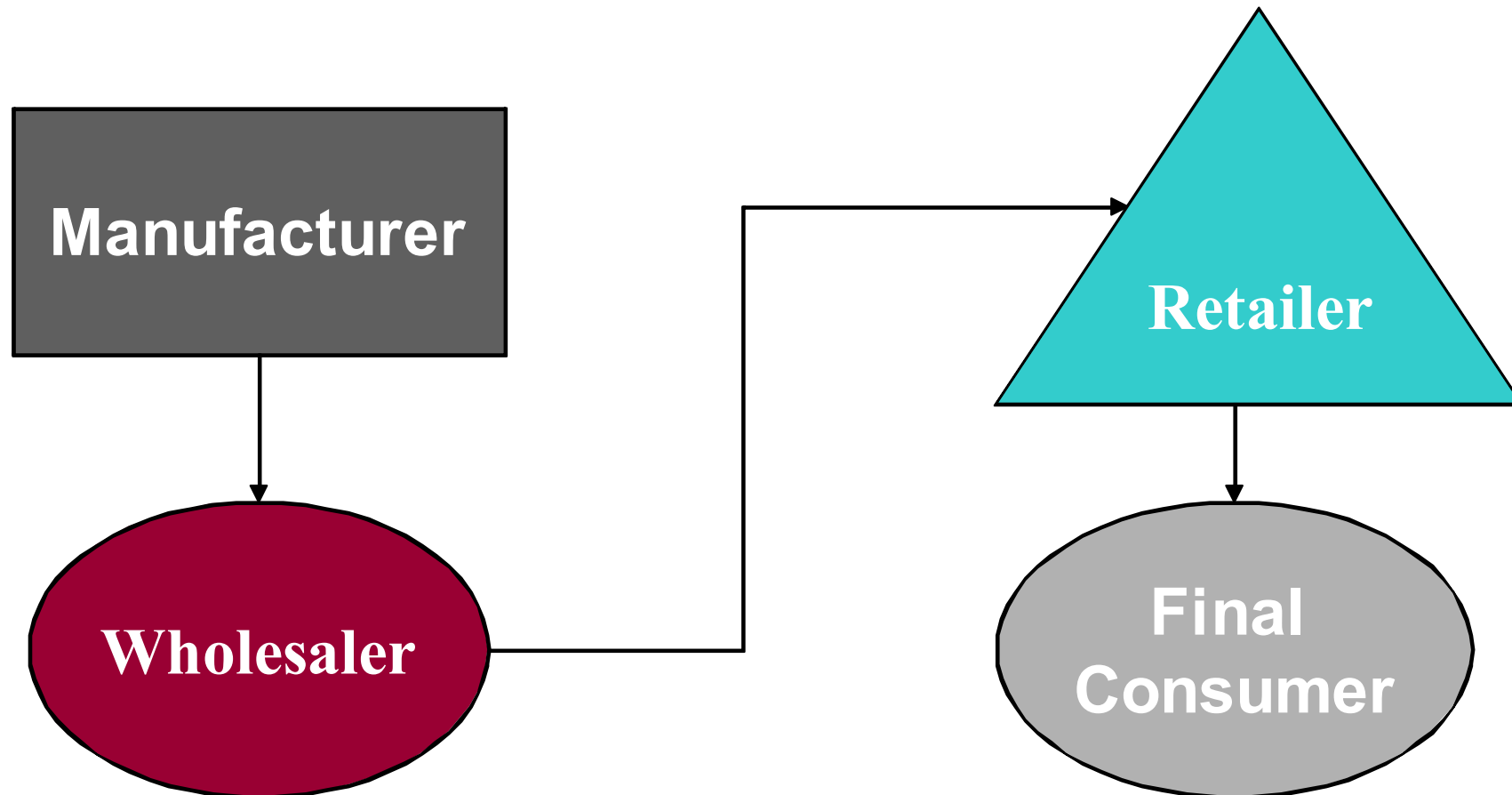


Willingness to Adapt Is Essential

- **The most successful retailers are those which recognize that consumers and the marketplace are constantly evolving.** They do research to get feedback and act accordingly.

A Typical Channel of Distribution

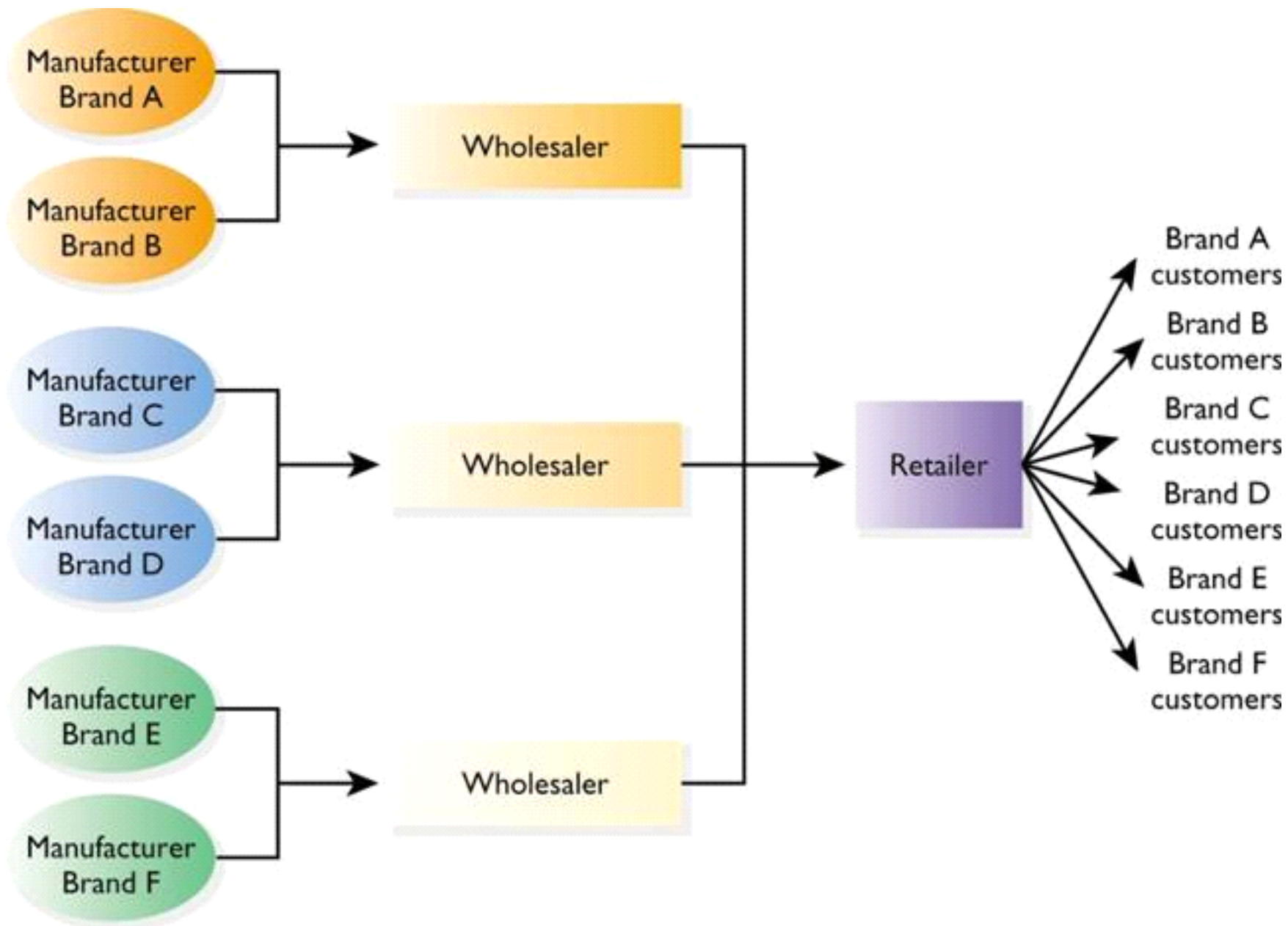
- **Retailing is the last stage in a channel of distribution.** It is the last step before the final consumers.



The Retailer's Role in the Sorting Process

- **Manufacturers:** want to sell large quantities to few buyers
- **Customers:** want to chose from an array of options
- **Retailers:** buy large quantities and sell small amounts (**sorting process**)

The Retailer's Role in the Sorting Process



Omnichannel Retailing (1 of 2)

- A retailer sells to consumers through multiple retail formats:
 - **Web sites**
 - **Physical stores**
 - **Smartphone apps**
 - **Social media**

Omnichannel Retailing (2 of 2)

- **Cross selling across channels** (in-store product availability info on Web site)
- **Consistent pricing** in all channels (credibility)
- **Can buy, and return product regardless of channel**
- Role of each channel
 - **Store** – try on, ease of return, fast availability (immediacy), compare offerings
 - **Web** – 24/7, product information, product reviews by customers, personalization (tailored assortment based on past purchases), most current pricing, closeout sales

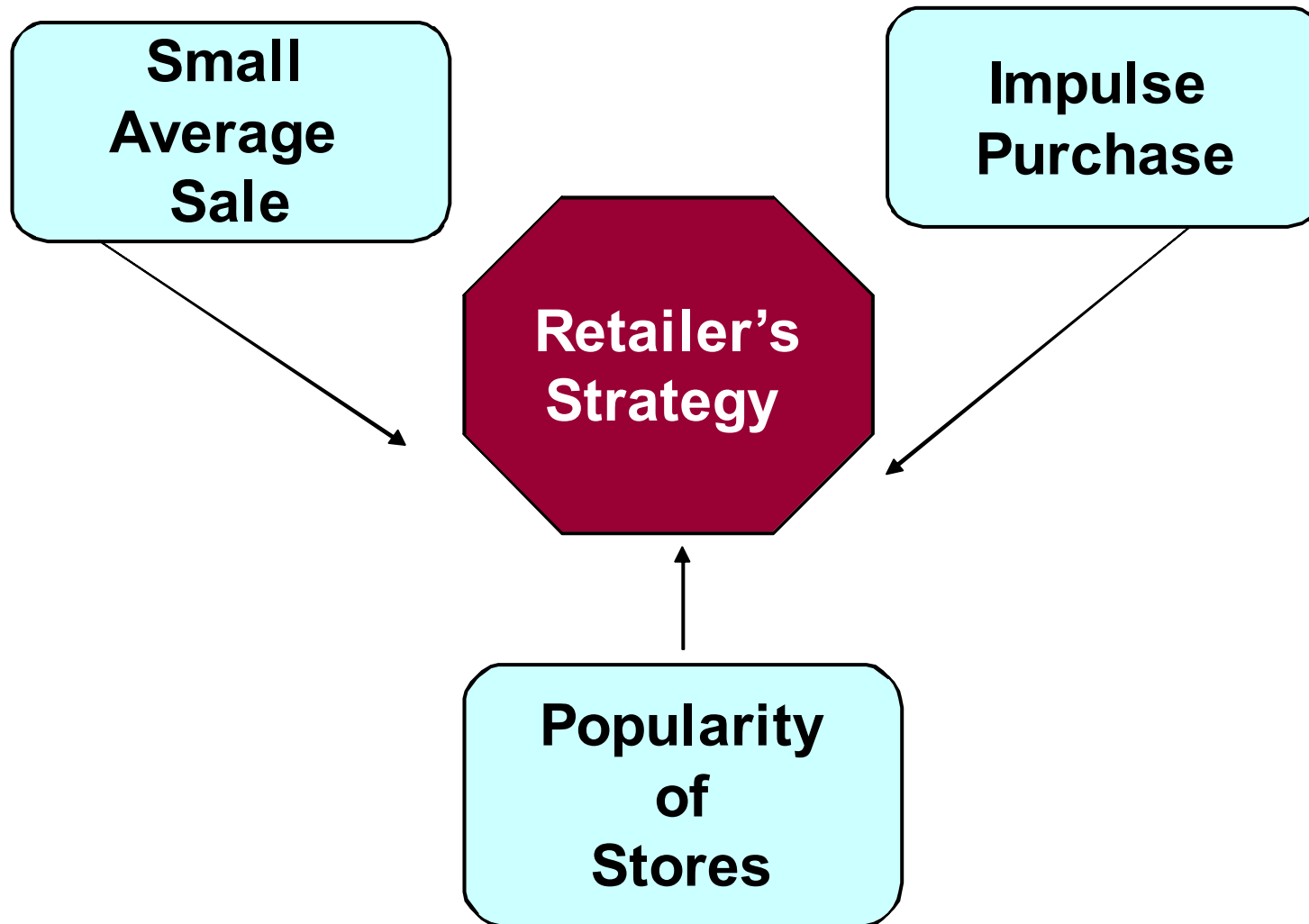
Distribution Types

- **Exclusive:** Suppliers make agreements with one or few retailers, designating such retailers as the only ones to carry certain brands or products within a specified geographic area
- **Intensive:** Suppliers sell through as many retailers as possible
- **Selective:** Suppliers sell through a moderate number of retailers

Exclusive Vs Intensive Distribution

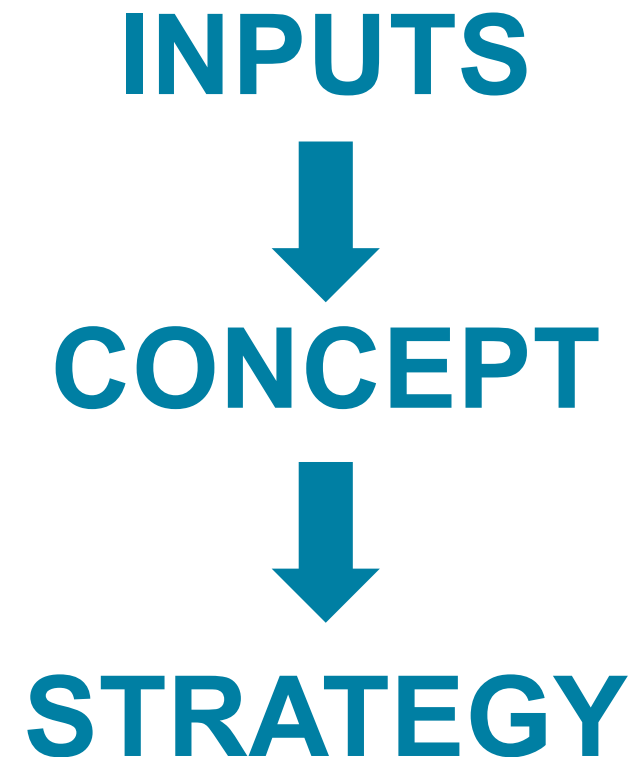
- **Exclusive Distribution:** Fate of retailer is tied to manufacturer success, retailer has no “free-rider” concerns, retailer has less price competition, manufacturer is better assured of high levels of customer support
- **Intensive Distribution:** Manufacturer is better assured of maximizing sales (especially for convenience goods), retailers face strong competition for price and service, intratype competition

Special Characteristics Affecting Retailers (compared to other players)

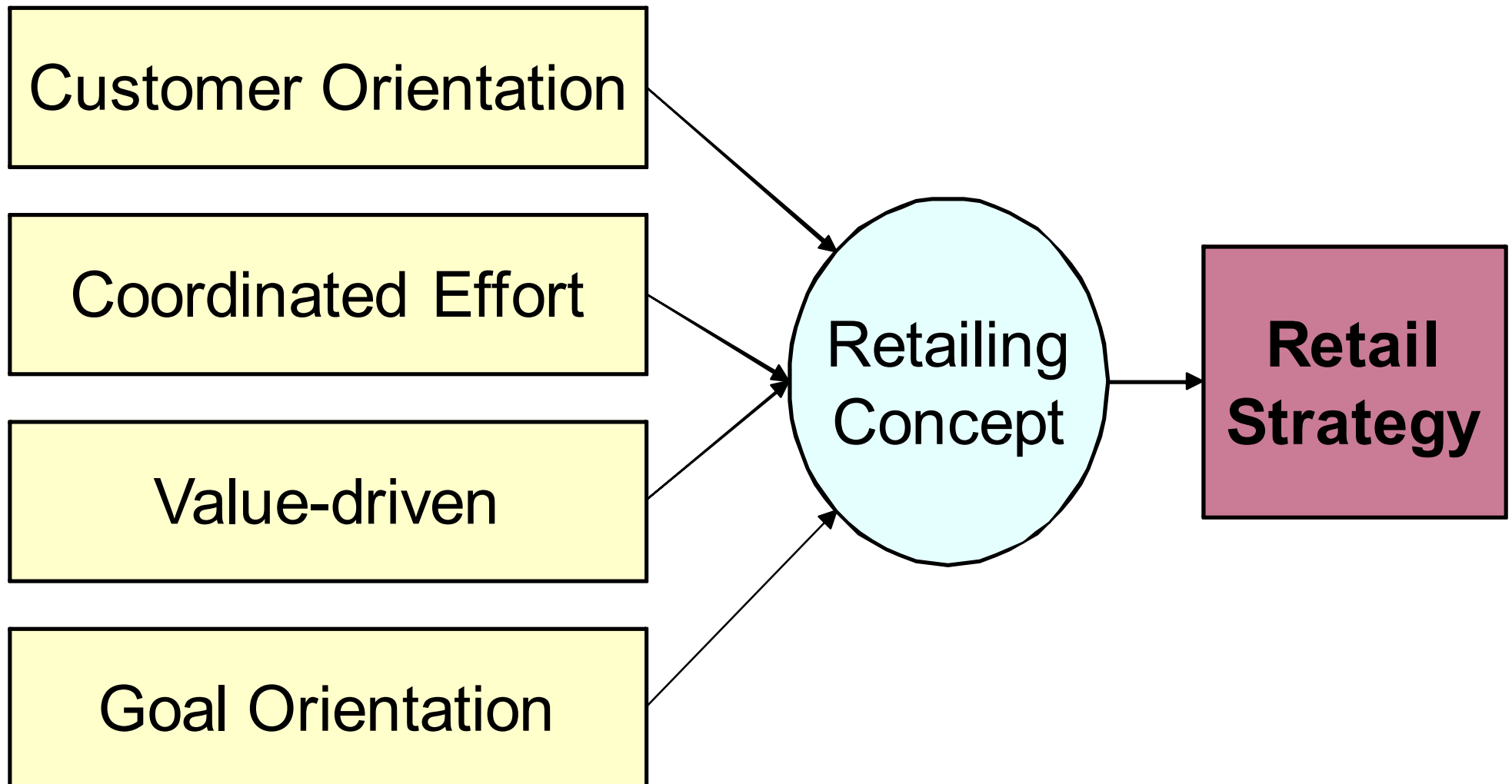


Retail Strategy

- An overall plan for guiding a retail firm
- Influences the firm's business activities
- Influences firm's response to market forces
- Retail strategy represents how retailers adapt to and try to succeed in the market.



Inputs behind concept and strategy



Six Steps in Strategic Planning

1. Define the **type of business** (corporate mission)
2. Set long-run and short-run **objectives**
3. Determine the **customer market**
4. Devise an overall, **long-run plan**
5. Implement an **integrated strategy**
6. Evaluate and correct (**fine-tune**)

Customer satisfaction is a crucial factor in strategy evaluation.

Customer Service

- **Activities undertaken by a retailer in conjunction with the basic goods and services it sells.**
- This includes:
 - Store hours
 - Parking
 - Shopper-friendliness
 - Credit acceptance
 - Salespeople

A Customer Respect Checklist

- Do we trust our customers?
- Do we stand behind what we sell?
- Is keeping commitments to customers important to our company?
- Do we value customer time?
- Do we communicate with customers respectfully?
- Do we treat all customers with respect?
- Do we thank customers for their business?
- Do we respect employees?

Relationship Retailing

- Retailers seek to **establish and maintain long-term bonds with customers**, rather than act as if each sales transaction is a completely new encounter
 - Concentrate on the total **retail experience**
 - **Monitor satisfaction**
 - Stay in touch with customers

Feedback is key!

Effective Relationship Retailing

- Use a “win-win” approach
 - **It is easier to keep existing customers happy than to gain new ones** (present value of current customers income stream – cost of keeping existing customers content versus cost of replacing them with new customer)
- Develop a customer database (loyalty programs)
 - Ongoing **customer contact is improved with information on people’s attributes and shopping behaviors**

Where may issues come from?

- Disagreements may occur in the following areas (channel conflict):
 - control over channel (private label)
 - profit allocation (resale price control)
 - number of competing retailers (exclusive, selective or intensive distribution)
 - product displays
 - promotional support (cooperative advertising funds and restrictions)
 - payment terms (payment on time)
 - operating flexibility
 - gray market sales
 - markdown monies, chargebacks by dominant retailers