

Maren Wolf

Professor Nicholas Bowersox

BUS348: Retail Management

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Modul 1 assignment

1. Define retailing.

Retailing comprises the business activities involved in selling goods and services to consumers for personal, family, or household use. It includes every sale to the final consumer, ranging from cars to apparel to meals at restaurants to movie tickets. It is the last stage in the distribution process. Retailing is at a complex crossroad, with many challenges ahead. Retailing encompasses all of the businesses and people involved in physically moving and transferring ownership of goods and services from producer to consumer.

2. What kind of information do retailers communicate to customers? To suppliers?

Retailers are responsible for the communication with both customers as well as manufacturers and wholesalers. Information retailers have to communicate is the availability and characteristics of goods and services, store hours, sales, warranty information, exchange privileges, and so on. Manufacturers and wholesalers are informed by their retailers with regard to sales forecasts, delivery delays, customer complaints, defective items, inventory turnover, and more. For small suppliers, retailers can provide assistance by transporting, storing, marking, advertising, and pre-paying for products. Small retailers may need the same type of help from their suppliers. The tasks performed by retailers affect the percentage of each sales dollar they need to cover costs and profits.

3. Explain the retailing concept? Apply it to your school's bookstore.

The retailing concept has four elements: customer orientation, coordinated effort, value-driven, and goal orientation.

1. *Customer orientation:* The retailer determines the attributes and needs of its customers and endeavors to satisfy these needs to the fullest.
2. *Coordinated effort:* The retailer integrates all plans and activities to maximize efficiency.
3. *Value driven:* The retailer offers good value to customers, whether it be upscale or discount. This means having prices appropriate for the level of products and customer service.
4. *Goal orientation:* The retailer sets goals and then uses its strategy to attain them.

Our school bookstore is able to follow the retailing concept as well. Therefore, the bookstore needs to understand the characteristics and needs of its customers. Furthermore, an integrated strategy needs to be developed, value-driven services need to be provided, as well as a goal orientation needs to be maintained.

4. Why should a retailer devote special attention to its core customers? How should it do so?

A retailer should devote special attention to its core customers because loyal, long-term customers may spend more money, use less company time, may be less price sensitive, and engage in positive word-of-mouth communication. It is generally much more costly for a firm to attract new customers than for it to keep its core customers content. A retailer can devote special attention to its core customers by first identifying these customers. A firm should know which customers are its most profitable and loyal and which customers highly value the firm's offerings. Special attention may consist of advance notice of all sales, access to special sales consultants and events, a loyalty club with extra discounts, special advice on product selection, and so on.

5. Differentiate between social responsibility and consumerism from the perspective of the retailer.

A retailer exhibiting social responsibility acts in the best interests of society as well as in its own. Examples include recycling and conservation programs, sponsoring community activities such as a softball team, and hiring handicapped personnel. Consumerism, from the perspective of the retailer, entails implementing programs to protect a consumer's right to safety, to be informed, to be heard, and to make choices. These policies may include product-testing programs, policies for handling customer complaints, reviewing the clarity of advertising messages, training retail personnel to be honest in suggesting products, and sponsoring consumer education programs.

6. How would situation analysis differ for a shoe store chain and an online shoe retailer?

Situation analysis is the candid evaluation of the opportunities and potential problems facing a prospective or existing retailer. A shoe store chain may evaluate opportunities and problems such as increased competition from department stores, new developments affecting a large number of store units (such as increased sales of shoes to tourists in certain markets), and may explore such overall competitive advantages as free delivery, etc. The online shoe retailer should devote more attention to global influences, other Web-based competitors, delivery arrangements over longer distances, the quality and ease of use of its website, and pricing comparisons with other Web-based shoe retailers. The online shoe retailer may also need to explore the possibility of free return shipping due to issues with fit and color accuracy.

7. What are the pros and cons of starting a new hair salon versus buying an existing one?

Starting a new hair salon offers a greater flexibility in location, atmosphere, and choice of the consumer market. It allows a strategy to be fully tailored to the new owner's desires and strengths. However, starting a new hair salon entails construction or renovation costs, a time lag until the store is ready to open (and then until planned sales levels and profits are earned), an unknown name and image, and the need to establish new supplier relationships. Buying an existing hair salon allows a retailer to acquire an established name, customer following, location, trained personnel, and facilities; to open faster; to generate ongoing sales and profits; and to possibly obtain good lease terms and/or financing from the seller. On the other hand, store fixtures may also be older; there is less flexibility in developing and enacting a strategy tailored to the new owner's desires and strengths; the seller's inventory of shampoos, hair conditioners, and nail polish may have to be purchased; and contractual obligations for alarm and other services may have to be continued. Lastly, the value of goodwill will also have to be determined.

8. When a consumer shops at an upscale apparel store, what factors determine whether the consumer feels that he or she got a fair value? How does the perception of value differ when the same consumer shops at a low-end apparel store?

Customers of an upscale restaurant for example will take several aspects to consider whether they have got a fair value. In a restaurant, the quality of the food is more important to the customers than the quantity. Another important factor for customers in an upscale restaurant is the quality of the overall service. The customer pays a part of the whole amount because of the service. A third aspect is about the location of the restaurant itself. The customer needs to feel comfortable to be willing to pay an over-average amount for their food. In addition, the restaurant needs to have an above-average standard of cleanliness and hygiene. On the other side, a fast-food chain follows a strategy that is completely different. The aspects a customer focuses on in a fast-food restaurant are different from the aspects a customer focuses on in an upscale restaurant. In fast-food restaurants, the customer focuses on the portions of the meal and how quickly it has been prepared and served. A customer then feels to get a fair value if the fast-food restaurant is able to meet those expectations. In these restaurants it is less about the service or the atmosphere of the restaurant, however, the restaurant still needs to have an above-average standard of cleanliness and hygiene.

9. A competing bicycle store has a better location than yours. It is in a modern shopping center with a lot of customer traffic. Your store is in an older neighborhood and requires customers to travel farther to reach you. How could you use a merchandising, pricing, and communications strategy to overcome your disadvantageous location?

As an older neighborhood bicycle store, merchandising needs to be used to increase the width and depth of the assortment of goods. A better selection of goods or concentration should attract more customers who then come to the bicycle store even if it is further

away. Regarding bicycles, a concentration on special segments could be the concentration on mountain bikes, bikes for enthusiasts, three-wheel bikes for seniors, or folding bikes for apartment dwellers. The staff in the store should be comprised of bike enthusiasts who have special knowledge about bicycles. Another option to use merchandising is to offer to double the manufacturer's warranty at a low cost or have a special offer such as a free bike tune-up within the first year after the bike purchase. The prices in the neighborhood bicycle store should be lower than those of the competitor. However, the prices still need to be high enough to allow a reasonable profit. The bike retailer has to match all competitor price levels but needs to balance the price to have better prices than the competitors but prices that allow a profit. Regarding communications, the store can focus on communicating low prices, product selection, exclusive merchandise, and personal service with the customer. The store needs to launch slogans that make the customers want to go the longer way. The communication needs to include everything that the competitor cannot offer.