

Module 2 Assignment

Short Answer (4 to 5 sentences)

1. Briefly define an independent retailer and provide an example from your local community. Will independent retailers disappear from business as chains get bigger (no right or wrong, but support your opinion)?

An independent retailer is defined as a retailer who opens its business independently without the support of a franchisor. As an example from my area, I can use the hair salon "Jenny O' Hair Salon" in Jersey City. I believe that independent retailers will be able to stay in the market and will not disappear. This, in my opinion, is because independent retailers, unlike franchisees, have freedoms and bring their own not "bought" identity to the business. This makes independent local businesses authentic and ensures potential customers are willing to support them.

2. What is franchising? Provide an example using a major company. What are some advantages and disadvantages of franchising?

Franchising describes a contractual agreement between a franchisor and a franchisee. The franchisor offers the franchisee the opportunity to adopt the franchisor's identity and name in return for a fee and/or a monthly percentage of gross sales. A classic example of a franchise is McDonald's. Franchising offers the franchisor the advantage of being able to expand quickly. A disadvantage for the franchisor is that its name and reputation can be dragged through the mud by a bad branch. An advantage for the franchisee is that he can already rely on an established brand and thus on an existing customer base. A disadvantage for the franchisee is that he can be bound by the franchisor to regulations that restrict him in his decision-making ability.

3. Describe the wheel of retailing as shown in Figure 5-1.

The wheel of retailing can be described as follows on the basis of Figure 5.1. At the beginning of the wheel are the low-end strategy retailers, which have low prices, limited facilities and services and thus price-sensitive consumers as customers. If the retailer of this segment now improves its strategy, it moves up to the middle strategy. In the middle strategy, the retailer then has moderate prices, improved facilities, and a broader base of value- and service-conscious consumers. If a retailer now improves its strategy further to generate more sales and profits, it moves up to the high-end strategy. In the high-end strategy, the retailer has high prices, excellent facilities and services, and high-end consumers. By changing strategy, a retailer can work its way up from a low-end strategy retailer to a high-end strategy retailer, and thus enters the retail wheel. Briefly describe the retail life cycle.

4. Briefly describe the retail life cycle.

The retail life cycle can be explained on the basis of the book (Page 135, Figure 5-4) as follows. In the beginning, a retail company must develop a new retail concept. Then, the retail company uses this development and introduces it. This ensures that the concept is tried by the consumer. Due to the early growth, revenue increases slowly in this context. Next in the cycle comes growth, which accelerates development. This ensures that the company becomes more popular and that revenues and profits increase exponentially. The next stage is maturation, in which the retail company reaches the peak of its popularity and competence. The company must now fight to stay in the market. Sales stagnate during this stage, while profits slowly decline. The final stage in the retail life cycle is declined. This phase is characterized by a loss of popularity and a sharp decline in sales and profits. As a result, these retailers have to discontinue their service, as the concept is no longer lucrative and viable.

5. Describe two ways that retail companies are evolving.

One way a retail company could evolve would be by specifying certain products. By specifying on certain products, the company would save a lot of money on products that would widen the store and customers would have a clear vision of what they can expect from the company. Another way a retail company could evolve in the future would be to stand out through special interactions with the customer. As an example, a food retailer could offer cooking classes or organize special exhibitions with food from different countries. By interacting with the customer in this way, a retailer continues to have a reputation and offers customers an incentive to visit its store and buy products. Through both approaches, retail companies can continue to develop in the future.

6. Compare and contrast single-channel, multichannel, and omnichannel retailing.

In single-channel retailing, a retailer sells its products through only one sales channel. The sales channel is determined by the target group that the company wants to address. In comparison to single-channel retailing, in multichannel retailing the company sells its products via several sales channels. The individual sales channels exist side by side, but do not interact with each other. Omnichannel retailing offers customers the opportunity to access all available sales channels. The sales channels are therefore networked with each other and give the customer the option of accessing the channel that is best for them. All three retail channels thus differ from each other in their implementation.

7. Electronic retailing continues to grow. How do you think the Internet and Web will continue to alter the retailing experience?

In times of technologization and digitalization, it is clear that electronic retailing is on the rise. In my opinion, electronic retailing will continue to play an increasingly important role in retailing in the future. The Internet and the Web give retailers the opportunity to offer and market their products online. In addition, many customers today are too comfortable to go to the retail store and they prefer to buy products from home via the Internet and Web and have the products assembled and delivered. This process ensures that the stationary retail trade will in my eyes slowly disappear and the majority of products will be bought online. This means that while stationary retail is losing popularity, electronic retail is gaining it.

Long Answer (8 to 10 sentences)

1. Find some company that offers franchising and discuss what the franchising details are. For example, how much do you need to spend to get a retail store or gas station? What are some of the 'rules' to follow? Etc.

As a company that offers franchising, I can mention my mother's German company "Ihr Hochzeitsservice". This is a wedding planning and event agency company that offers service franchises. In their case, the franchisee has to abide by the rules and regulations in the contract. In return, the franchisee receives the name of the wedding planning agency and a turnkey business with infrastructure. The rules to which a franchisee must adhere include, for example, that the franchisee must contribute a percentage of any advertising costs, if these occur. The franchisee must also pay an 8% monthly revenue fee to the company "Ihr Hochzeitsservice". In return, the franchisee does not have to pay any entry fees to the company. It is furthermore of great support to the franchisee that he/she receives liquidity support when setting up a retail business. The amounts of support vary depending on the size and location of the store to be set up.