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BUS348: Retail Management

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Module 2 Assignment

- 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)?**

Independent retailers own one retail unit. Independent retailers capitalize on a highly targeted customer base and please shoppers in a friendly, informal way. Word-of-mouth communication is important. These retailers should not try to serve too many customers or enter into price wars. An example from my local community is a clothing store for children. I believe that independent retailers will disappear from business as chains get bigger: Some will disappear faster and some slower depending on the market, but since chain can lower their prices, independent retailer will have to stick to their prices and will eventually lose their customers.

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

Franchising involves a contractual arrangement between a franchisor (a manufacturer, wholesaler, or service sponsor) and a retail franchisee, which allows the franchisee to conduct business under an established name and according to a given pattern of business. An example of a major franchising company is McDonald's. Some advantages of franchising are:

1. They own a retail enterprise with a relatively small capital investment.
2. They acquire well-known names and goods/service lines.
3. Standard operating procedures and management skills may be taught to them.

Some disadvantages are:

1. Oversaturation could occur if too many franchisees are in one geographic area.
2. They may be locked into contracts requiring purchases from franchisors or certain vendors.
3. In some industries, franchise agreements are of short duration.

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

According to the wheel of retailing theory, retail innovators often first appear as low-price operators with low costs and low profit margin requirements. The wheel is based on

four principles: (1) Many price-sensitive shoppers will trade customer services, wide selections, and convenient locations for lower prices. (2) Price-sensitive shoppers are often not loyal and will switch to retailers with lower prices. In contrast, prestige-oriented customers enjoy shopping at retailers with high-end strategies. (3) New institutions are frequently able to have lower operating costs than existing formats. (4) As retailers move up the wheel, they typically do so to increase sales, broaden the target market, and improve their image. The wheel of retailing reveals three basic strategic positions: low end, medium, and high end. The medium strategy may have some problems if retailers in this position are not perceived as distinctive. In a mature format such as department stores, competitors at the higher-end and lower-end can steal market share from a middle-of-the-road retailer such as Sears. Its merchandising strategy of selling a vast array of mid-priced goods and services, and a failure to anticipate and react as department stores have diverged into two separate approaches (one at the low end and one at the high end), is threatening its survival as a retailer.

4. Briefly describe the retail life cycle.

The retail life cycle concept states that retail institutions—like the goods and services they sell — pass through identifiable life stages: introduction (early growth), growth (accelerated development), maturity, and decline. The direction and speed of institutional changes can be interpreted from this concept. Retailers are going through these stages during their lives. The life-cycle concept highlights the proper retailer response as formats evolve. Expansion should be the focus initially, administrative skills and operations become critical in maturity, and adaptation is essential at the end of the cycle.

5. Describe two ways that retail companies are evolving.

Forward-looking firms know their individual strategies must adapt as retail institutions evolve over time. Two ways that retail companies are evolving are mergers, diversification, and downsizing and cost containment and value-driven retailing. Mergers involve the combination of separately owned retail firms. With diversification, retailers become active in businesses outside their normal operations, perhaps adding stores in different goods/service categories. Even though stronger firms are expanding, we are also witnessing downsizing—whereby unprofitable stores are closed, or divisions are sold off—by retailers unhappy with performance. With a cost-containment approach, retailers strive to hold down both initial investments and operating costs.

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

Single-channel retailing sells to consumers through one retail format. That one format may be store-based or nonstore-based. Multichannel retailing sells to customers through multiple retail formats. To optimize efficiency and enhance customer experiences, the beset retailers turn to omnichannel retailing, and deliver a consistent, uninterrupted, and seamless experience regardless of channel or device. Retailers—single-channel, multichannel, and omnichannel—engage in nonstore retailing when they use strategies that are not store-based to reach consumers and complete transactions.

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

The potential for electronic retailing is enormous. Consumers may switch between retail formats – online or in-store based in their shopping orientation at each online purchase occasion. The future may mean that less stock is displayed in-store, but it is displayed with more flair as more space is available to create displays. The Web offers many advantages for retailers. It is usually less costly to operate a Web site than a store. The potential marketplace is huge and dispersed, yet relatively easy to reach. Web sites can be quite exciting, due to their multimedia capabilities. People can visit Web sites at any time, and their visits can be as short or as long as they desire. However, the Web also has disadvantages for retailers. For example, if consumers do not know the Web address, it may be hard to find. For various reasons, some people are not yet willing to buy online.

8. 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.

A company that offers franchising is H&R Block Tax Services LLC. Franchisees operate a tax return preparation business and may have the right to offer bookkeeping, payroll services, and training. New franchisees are required to attend the franchisor's initial training programs held in Kansas City, Missouri, or virtually as the franchisor designates. In addition, the franchisor may require the franchisee's management-level employees to attend initial training. Initial training may consist of 35 hours of classroom or virtual instruction and 16 hours of on-the-job training. Franchisees and their employees may also be required to take annual training on H&R Block's products and services or on other compliance-related matters that the franchisor designates as required training. The Franchise Agreement grants franchisees the right to operate the franchised business from a location or locations within a prescribed franchise territory approved by the franchisor in writing. When operating in rural location, the franchise territory is generally described as the municipal boundaries of a city, town, or village. The franchise territory for a franchise located in a metropolitan area will vary but is typically limited to a specific address or a mapped territory. Nothing in the Franchise Agreement prohibits franchisees from performing tax return preparation services at an approved location within the franchise territory for persons residing outside the franchise territory, and they are not prohibited from advertising in media originating in the franchise territory that extends beyond the franchise territory. During the term of the Franchise Agreement, franchisees are obligated to operate the franchised business during certain hours of the tax season and during certain hours of the preseason to maintain the highest degree of competitiveness in their regional market. Franchisees need not be personally present in the office during all business hours. But franchisees need to have qualified employees and staff to assist them in operating the franchised business. Franchisees must offer or sell only those services and products that the franchisor has expressly approved for sale in writing. The length of the initial franchise term is 10 years ending June 1 following the 10th full tax season after

the effective date unless otherwise specified. There is no automatic renewal, but the franchisor may, at its option, offer franchisees another franchise.