RETAIL MARKETING MANAGEMENT

PRINCIPLES AND PRACTICE

Helen Goworek
Peter McGoldrick

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Brief contents

xiii Preface

xiv About the authors

xv Acknowledgements

1 **CHAPTER 1** Introduction to retail marketing management

33 **CHAPTER 2** Retail marketing strategy

55 **CHAPTER 3** Retail consumer behaviour and market segmentation

83 **CHAPTER 4** Retail product and brand management

109 **CHAPTER 5** Retail buying and merchandising

136 **CHAPTER 6** Retail pricing

161 **CHAPTER 7** Retail marketing communications

190 **CHAPTER 8** Retail location

216 **CHAPTER 9** Retail design and layout

246 **CHAPTER 10** Retail customer service

266 **CHAPTER 11** Multichannel retailing

289 **CHAPTER 12** Legislation and ethics in retailing

311 **CHAPTER 13** International retail marketing and emerging markets

331 Glossary

337 Index

Contents

xiii Preface
xiv About the authors
xv Acknowledgements

1 **CHAPTER 1**

Introduction to retail marketing management

2 Introduction
2 Definitions of retailing
4 History and development of retail marketing
9 The development and scope of retail marketing theory and practice
10 Retail industry associations
11 Retailer categories
11 Retail business formats
13 Non-store retailing (home shopping)
13 Retail concepts and theories
14 The retail life cycle
18 Recent developments affecting the retail environment
24 Retailing management
26 The future of retailing
27 Studying retail marketing
27 Exercises and questions
28 References
31 Further reading
32 **Case study: Re-evaluating the store**

33 **CHAPTER 2**

Retail marketing strategy

34 Introduction
34 Retail marketing strategy
35 Retail marketing planning
36 Situation analysis
36 SWOT analysis
38 Mission statements
38 Setting goals and objectives
39 Identifying consumers
39 Developing retail strategies
40 Implementation of the marketing plan
43 Internal and external marketing audits
47 Market attractiveness
47 Value chain

48 Sources of competitive advantage
48 Market penetration and diversification
49 Portfolio analysis
49 Competitive marketing objectives
50 Marketing strategy in relation to HRM and finance strategy
50 Chapter summary
51 Exercises and questions
51 References
52 Further reading
53 **Case study: WH Smith upbeat despite sales doldrums**

55 **CHAPTER 3**
Retail consumer behaviour and market segmentation

56 Introduction
56 Retail consumer behaviour and attitudes
57 Consumer motivation and needs
58 Consumer decision-making
61 Experiential consumer behaviour
61 Influences on consumer purchasing behaviour
66 Customer loyalty
67 Negative consumer behaviour
72 Customer profiles
73 Retail marketing research
76 Chapter summary
76 Exercises and questions
77 References
80 Further reading
81 **Case study: Targeting the female consumer**

83 **CHAPTER 4**
Retail product and brand management

84 Introduction
84 New product development
86 The Product Life Cycle
91 Retail product assortment
92 The product/service continuum
93 Brand management
94 Brand names
95 Brand identity and brand image
95 Brand equity
95 Brand extensions
96 Retail brand positioning – perceptual maps
98 Rebranding
98 Branded and own-label merchandise
102 Chapter summary
103 Exercises and questions
104 References
104 Further reading
106 **Case study: GLOBAL brands – ups and downs: Consumers luxuriate in shopping on the web**

109 **CHAPTER 5**
Retail buying and merchandising

110 Introduction
110 Buying and merchandising roles
111 Centralised and decentralised buying
112 Organisational buying theories
113 Buying branded and 'designer' merchandise
115 Buying own-label merchandise
116 The retail buying cycle
123 Retail buying for online and mail order (home shopping) companies
127 Supply chain management and stock control by retailers
128 Retail space planning and allocation
129 Retail sales forecasting and budget planning
129 Chapter summary
130 Exercises and questions
130 References
132 Further reading
133 **Case study: Supply chain – back to the source**

136 **CHAPTER 6**
Retail pricing

137 Introduction
137 Retail market levels – mass market, middle market and luxury
139 Retail pricing – objectives and strategies
141 Implementing demand-based pricing strategies
147 Calculating retail prices
148 Price elasticity
151 The relationship between price and value
152 Markdowns: seasonal sales, reductions and offers
155 Chapter summary
155 Exercises and questions
156 References
158 Further reading
159 **Case study: Price Wars threaten to reshape landscape of supermarkets**

161 **CHAPTER 7**
Retail marketing communications

By Helen Goworek and Kristine Pole

162 Introduction
162 Retail marketing communication strategies
162 Retail advertising
172 Public relations
175 Sponsorship
175 Sales promotions
177 Direct marketing
177 Retail marketing communications via digital and social media
181 Word-of-mouth
181 Personal selling
182 Relationship marketing
182 Chapter summary

183 Exercises and questions
184 References
185 Further reading
187 **Case study: Marketing communications at Superdry**

190 CHAPTER 8
Retail location

By John Pal

191 Introduction
192 Why are locations important – even in the digital world?
193 A framework for location decision-making
198 What types of locations do retailers use?
203 How do retailers make location decisions?
206 Site-specific issues
209 The planning system
211 Chapter summary
212 Exercises and questions
212 References
214 **Case study: Rolling out a new breed of local discount store**

216 CHAPTER 9
Retail design and layout

217 Introduction
217 Retail store design
228 Visual merchandising
234 Retail atmosphere
238 The non-store retail selling environment
240 Chapter summary
241 Exercises and questions
242 References
243 Further reading
244 **Case study: Anthropologie moves out of London**

246 CHAPTER 10
Retail customer service

By Sheilagh Resnick

247 Introduction
248 Characteristics of services
250 Service quality models
253 The service encounter
255 Electronic service delivery
257 Service culture
259 Service recovery
261 Chapter summary
261 Exercises and questions
262 References
263 Further reading
264 **Case study 1: Customer service at Boots UK**
265 **Case study 2: Self-scan checkouts**

266 CHAPTER 11
Multichannel retailing
By Anthony Kent
267 Introduction
267 Mail order
271 Direct marketing
273 Online retailing
275 Consumer engagement
275 Long tail effect
276 New technology
277 Website design
281 Online communications
281 Fulfilment and delivery systems
282 Multichannel retailing
284 Chapter summary
285 Exercises and questions
285 References
287 Further reading
288 **Case study: Asos**

289 CHAPTER 12
Legislation and ethics in retailing
290 Introduction
290 Legislation and regulations affecting retailing
292 Pricing
292 Promotion
293 Product
294 Place (location)
295 Legislation and ethics within the extended marketing mix
296 Sustainability and corporate social responsibility
298 Social sustainability
300 Environmental sustainability
302 Chapter summary
302 Exercises and questions
303 References
306 Further reading
307 **Case study: Some challenges in product sourcing in global retail supply chains**

311 CHAPTER 13
International retail marketing and emerging markets
By Lisa Qixun Siebers
312 Introduction
312 Defining international retailing
314 International retailing and its development
319 The international retail environment: an emerging market perspective
320 Psychic distance
321 Infrastructure and distribution in emerging markets
322 Retail internationalisation strategies
324 Chapter summary

325 Exercises and questions
325 References
328 Further reading
329 **Case study: Indonesia’s ecommerce industry awakens**
331 Glossary
337 Index

Preface

Retailing is a dynamic industry in a constant state of evolution, which both reflects and influences changes in society. As the retail industry is global in terms of the sourcing of products and their distribution to consumers, it consequently has significant impacts upon the economy, society and the environment worldwide. Retail marketing is an integral component of the retail industry that affects every part of the business. The book explains that marketing activities are not confined to the marketing department of retailers but take place throughout the company, with each element of retailing playing a part in brand image to a greater or lesser extent. There are several other Retail Marketing books available which will prove useful to studying this subject, but in recent years very few have been published that concentrate on the European market, which has many different characteristics to US markets, for example. The content of the book differs from most of its competitors by exploring in further depth the impact of product development and store design upon retailing.

The main aim of this book is to inform students, academics and practitioners about the wide range of options that are available in the implementation of Retail Marketing and the career roles that relate to this discipline, with a view to ultimately optimising retail organisations' performance and contribution to society. Readers who wish to prepare for a career in the challenging field of Retail Marketing are encouraged to gain any form of retail experience they can initially, even if this is not in the same product sector or price bracket that they would ideally like to work. Jobs that involve direct interaction with customers will provide a useful grounding as this will help to provide the awareness of consumer needs that is central to marketing. The book provides a current picture of developments in the arenas of retailing and marketing, although these are subject to such rapid change that it is important not to simply read this book in isolation but to also maintain a contemporary perspective by reading trade journals such as *Retail Week* and articles about retailing in newspapers. For this reason, supplementary online materials are available that provide updates on the topics discussed in the book.

This book is designed with various potential audiences in mind. It can be read independently by undergraduate and postgraduate students who are interested in working in retailing, by academic staff who teach a module or individual lectures on the topic, or by retail employees who wish to reflect upon current practice in the industry. Those who are employed in the various stages of the supply chain that provides retailers with its products may also wish to read it to gain insights into how retailers operate. Each chapter can form an individual lecture and together they form a comprehensive overview of the key areas of Retail Marketing from both contemporary and historical perspectives. Examples of both research and practice feature throughout the book, with interviews and quotes from people working in a broad selection of marketing-related roles in the industry, from traditional customer-facing roles in small enterprises to newer occupations such as Business Intelligence Manager and Consumer Neuroscientist in large multinational companies. Learning objectives are met through the inclusion of a variety of content including relevant theories, cases on retailers and research, supported by visual input. Chapters end with a summary of the key content and retail case studies with questions. The exercises are intended to be used to provide content for discussion in seminars that are connected to retailing lectures or to be answered by individual students. Answers to the case study questions and exercises are available to academics via the book's online content.

Helen Goworek

About the authors

Helen Goworek lectures at the University of Leicester's School of Management where she teaches marketing in consumer and business-to-business contexts. Before becoming an academic she worked in buying for retailers and as a design manager for manufacturers. She developed the UK's first Fashion Buying degree course and is currently involved in research that focuses on retailing and sustainability. Helen has worked on research projects funded by Defra relating to clothing sustainability and she is a member of the organising committee for the International Colloquium on Design, Branding and Marketing (ICDBM).

Peter J. McGoldrick is Professor of Retailing at Manchester Business School within the University of Manchester. He chaired the CRSg then CRIS (Consumer, Retail, Innovation & Service) Research Centre at MBS from 2007 to 2012 and is the Founder of the Retail Research Forum, an industry–university collaboration of fifteen years' standing. His research has attracted extensive peer-reviewed and industrial funding, including several grants from the ESRC, EPSRC, DTI, OFT, EU and other funding organisations. Peter has published over 150 books and papers, mainly within the fields of retailing and consumer behaviour.

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Table 1.1 from Deloitte Global Powers of Retailing 2015, http://www2.deloitte.com/global/en/pages/consumer-business/articles/global-powers-of-retailing.html Deloitte Touche Tohmatsu Limited (DTTL); Table 3.2 from Source of population percentages: NRS, 2014b, http://www.nrs.co.uk/, *National Readership Survey*; Table 4.1 with permission from Dr Edmund O'Callaghan, Head of Department of Retail Management Studies, Dublin Institute of Technology; Table 5.3 with permission from Rosemary Varley, Subject Director: Fashion Retail and Marketing at University of the Arts (London College of Fashion), London; Table 8.2 adapted from Toward a contemporary perspective of retail location, *International Journal of Retail and Distribution Management*, 25(2), pp. 59–69 (Clarke, I., Bennison, D. and Pal, J. 1997), Emerald Group Publishing; Table 8.3 adapted from A framework for network planning, *International Journal of Retail & Distribution Management*, 22(6), pp. 6–10 (Davies, M. and Clarke, I 1994), Emerald Group Publishing; Table 8.4 adapted from The importance of context in store forecasting: The site visit in retail location decision-making, *Journal of Targeting, Measurement and Analysis for Marketing*, 2, pp. 139–155 (Wood, S. and Tasker, A. 2008), Palgrave Macmillan; Table 10.1 adapted from A multi-item scale for measuring consumer perceptions of service, *Journal of Retailing*, 64(1), pp. 12–37 (Parasuraman, A., Zeithaml, V.A. and Berry, L.L 1988), Elsevier; Table 10.2 from Customer switching behaviour in service industries: an exploratory study, *Journal of Marketing*, 59 (April), pp. 71–82 (Keaveney, S., 1995), American Marketing Association; Table 13.1 from *Retail Marketing Management*, 2nd ed., Harlow: Pearson Education Ltd. (Gilbert, D. 2003) Pearson Education.

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CHAPTER 1

Introduction to retail marketing management

Learning objectives

The objectives of this chapter are to:

- discuss competing definitions of retailing;
- define and categorise store and non-store aspects of retailing and be able to discuss their similarities and differences;
- explain the development and scope of retail marketing theory and practice;
- evaluate theories of retail change.

Introduction

This chapter introduces key themes which will be expanded upon in later sections. It offers an overview of the history of retailing and the development of retail marketing theory, then categorises types of retailer and retail business formats before specifying recent trends which have impacted upon retailing. Retail marketing has achieved an accelerated rate of change in recent years, with **multichannel retailing** and **Corporate Social Responsibility (CSR)** at the forefront of this change (Berman and Evans, 2010; Freestone and McGoldrick, 2008). Additionally, new retail formats are developing, responding to the demands of increasingly sophisticated consumers in highly segmented markets and in emerging economies. These factors are counterbalanced by the need for retailers in various parts of the world to deal with the ongoing repercussions of the global economic crisis which began in 2008. Retail sales form a significant part of the economy, with the global retail market being valued at US$10,500 billion in 2010, groceries being worth 63 per cent of the retail sector (Datamonitor, 2011). In recent decades, several large retailers have become more powerful than the manufacturers and brands that supply them with products (McGoldrick, 2002). Furthermore, the annual financial turnover of the world's largest retailer, Walmart, is greater than the gross domestic product (GDP) of most countries, as it generated revenue worth $476,294 million in 2013 and employs over two million staff worldwide (Walmart, 2014) (see Table 1.1). Walmart's financial turnover is currently close in size to the GDP of Norway at $417 billion and Saudia Arabia at $435 billion in the same year (World Bank, 2012). Although most retailers operate on a small scale, they form a high proportion of the market and the retail sector is very significant to the world's economy. Walmart itself began as a small family store in 1962. Consequently, it is useful to be aware of the operation of the many small-to-medium enterprises (SMEs), as they form the majority of the retail sector in most countries and some of them may become dominant retailers in the future.

Definitions of retailing

Gilbert (2003) defines retail as 'any business that directs its marketing efforts towards satisfying the final consumer based upon the organisation of selling goods and services as a means of distribution' (p. 6). This typifies the traditional perspective on retailing as an exclusively business-based enterprise. However, Lusch *et al.* (2011) offer a slightly different perspective, stating that retailing 'consists of the final activities and steps needed either to place a product in the hands of the consumer or to provide a service to the consumer . . . the last step in a supply chain that may stretch from Europe or Asia to your hometown. Therefore, any firm that sells a product or provides a service to the final consumer is performing the retailing function' (p. 4). Both of the definitions offered here indicate that the scope of retailing incorporates companies selling services directly to consumers via their businesses. Retailers can be seen to comprise banks and petrol stations through to firms in the leisure sector, such as restaurants, gyms and hairdressers. Definitions of retailing have traditionally been reliant on the notion of retailing being confined to **business-to-consumer (B2C)** markets. However, retailing is an activity that is not restricted to taking place within the business sector, as charities and other not-for-profit organisations also engage in retailing to support their income. The advent of sales transactions via the internet on websites such as eBay has also resulted in the increasing power of the **consumer-to-consumer (C2C)** market. It would be useful to think about this situation from your own viewpoint, considering to what extent, if at all, you, your friends and family have moved towards buying in C2C markets in recent years.

Table 1.1 Top 20 global retailers

Retail revenue rank (FY13)	Name of company	Country of origin	2013 net retail revenue (US$m)	2013 parent company/ group revenue (US$m)	2013 parent company/ group net income (US$m)	Dominant operational format 2013	# countries of operation 2013	2008–2013 retail revenue CAGR
1	Wal-Mart Stores, Inc.	U.S.	476,294	476,294	16,695	Hypermarket/Supercenter/Superstore	28	3.3%
2	Costco Wholesale Corporation	U.S.	105,156	105,156	2,061	Cash & Carry/Warehouse Club	9	7.7%
3	Carrefour S.A.	France	98,688	101,844	1,812	Hypermarket/Supercenter/Superstore	33	−3.0%
4	Schwarz Unternehmens Treuhand KG	Germany	98,662	98,662	n/a	Discount Store	26	6.5%
5	Tesco PLC	U.K.	98,631	100,213	1,529	Hypermarket/Supercenter/Superstore	13	2.9%
6	The Kroger Co.	U.S.	98,375	98.375	1,531	Supermarket	1	5.3%
7	Metro Ag	Germany	86,393	86,393	588	Cash & Carry/Warehouse Club	32	−0.9%
8	Aldi Einkauf GmbH & Co. oHG	Germany	81,090	81,090	n/a	Discount Store	17	5.5%
9	The Home Depot, Inc.	U.S.	78,812	78,812	5,385	Home Improvement	4	2.0%
10	Target Corporation	U.S.	72,596	72,596	1,971	Discount Department Store	2	2.9%
11	Walgreen Co.	U.S.	72,217	72,217	2,450	Drug Store/Pharmacy	2	4.1%
12	CVS Caremark Corporation	U.S.	65,618	126,761	4,592	Drug Store/Pharmacy	3	6.0%
13	Casino Guichard-Perrachon S.A.	France	63,468	64,613	2,023	Hypermarket/Supercenter/Superstore	29	11.1%
14	Groupe Auchan SA	France	62,444	63,859	1,109	Hypermarket/Supercenter/Superstore	13	4.0%
15	Amazon.com, Inc.	U.S.	60,903	74,452	274	Non-Store	14	26.7%
16	Edeka Zentrale AG & Co. KG	Germany	59,704	61,399	n/a	Supermarket	1	5.9%
17	Aeon Co., Ltd.	Japan	57,986	64,271	835	Hypermarket/Supercenter/Superstore	10	3.9%
18	Woolworths Limited	Australia	54,457	55,974	2,258	Supermarket	2	4.3%
19	Seven & I Holdings Co., Ltd.	Japan	54,258	56,600	1,890	Convenience/Forecourt Store	18	−0.1%
20	Lowe's Companies, Inc.	U.S.	53,417	53,417	2,286	Home Improvement	4	2.1%

Source: Deloitte Global Powers of Retailing 2015 (available online at: http://www2.deloitte.com/global/en/pages/consumer-business/articles/global-powers-of-retailing.html)

History and development of retail marketing

Retailing has always been interconnected with consumers' lifestyles and broader historical trends. Humans have continually engaged in consumption of different kinds to meet various needs, including survival and self-esteem, and therefore they have always been consumers. Retailing is a somewhat recent intervention in consumption. While humans were initially dependent upon their own small communities for the products they consumed, retailing developed alongside improved communication and transport channels which helped to connect communities on a wider scale through trading. Consumers both influence and react to the environmental conditions in which retailing operates by making purchases which reflect and impact upon the prevailing political, economic, societal and technological factors of the time.

Retailing has developed from a primarily localised system of providing product and services, where customers often knew the tradesperson producing the goods personally. Markets have existed for thousands of years (Evans, 2011) and in mediaeval times they became widespread, enabling producers to distribute goods regularly across a greater distance, even across continents in the case of certain products such as spices. For example in Leicester, the marketplace was established in the late 13th century and it remains in the same location in the centre of the city over 800 years later (Leicester Market, 2012). By the 14th century, Britain was dotted with market towns to which many people migrated for work, often adopting the names of their trade rather than place of birth as surnames, and retailing therefore had a major impact on society. More than a third of overseas trade in this period passed through London, reinforcing the significance of the capital city as a trade centre (Rubin, 2006). Traditional markets remain a central part of the economy and culture in many cities around the world (see Figure 1.1). The origin of language used in retailing demonstrates the close relationship between retailing and marketing. Around 1520, the word 'shopkeeper' entered the English language, signifying a seller, rather than a tradesperson, followed by a new verb in the mid-16th century, 'marketing', to mean 'the act of buying and selling in a central place' (Byrne Paquet, 2003:19).

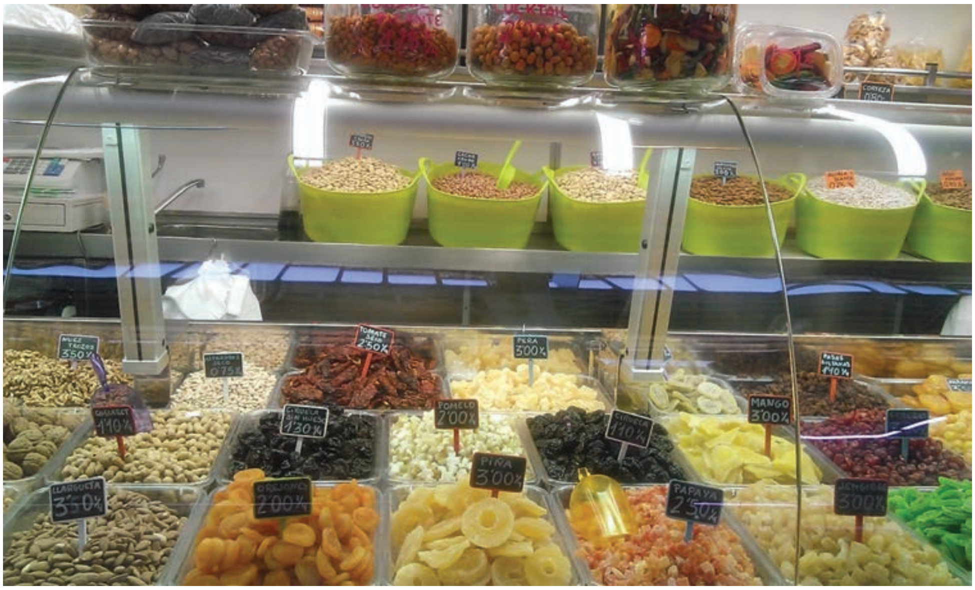

Figure 1.1 Valencia indoor market

Source: with permission from Christina Goworek

DOMICILI
Zespri fans, cada día somos más
Moixamer
HERBO

Figure 1.1 (*continued*)

Ultimately, traditional methods of selling have developed into a sophisticated, global network for the exchange of goods and services. The Industrial Revolution began in the 18th century with the introduction of machinery utilised for mass production. Additionally, swifter transport via railways in the 19th century led to easier transportation of goods, helping to facilitate the development of larger-scale retailing. Key retailing innovations have been introduced in different decades, some of which have proceeded to dominate the retail market. For example, in the 1940s, the supermarket was an innovative retail format which was destined to eventually take over from local specialist shops in the Western world (Blythman, 2004; Byrne Paquet, 2003).

Businesses can adopt either a production orientation or a marketing orientation. A production orientation tends to have an internal focus, prioritising the technical aspects of products and manufacturing processes, with marketing being viewed mainly as a way of divesting the company of the resulting goods, with the emphasis on selling. The development of marketing has been entwined with the progress of retailing. Marketing's origins lie in the Industrial Revolution, when manufacturing became increasingly productive due to the widespread use of machinery. This resulted in a higher availability of products and a wider need for **advertising** and distribution channels to deliver them to consumers. Organisations with a marketing orientation take the reverse approach to a production orientation in that they are outward-looking and consider consumers' needs first before seeking potential opportunities to develop products and services to meet those needs. As Blythe (2009:8) states: 'The idea of placing customers at the centre of everything the company does is basic to marketing thought: this idea of customer centrality is the key concept in marketing'. Retailing is generally far more aligned with a marketing orientation than a production orientation in that retail organisations very rarely manufacture the products that they sell and their business is to regularly deal with consumers.

The traditional supply chain starts with manufacturers producing goods then selling them on to retailers, who in turn sell to consumers. Sometimes intermediaries could be involved, such as **wholesalers** who 'break bulk' by buying in large quantities and selling in smaller quantities at a slightly higher price to make it worthwhile for them to offer this service to small retailers. In effect, brands operate as wholesalers as they mainly have their products made by manufacturers and then supply it to retailers. However, unlike wholesalers brands provide added value by being responsible for the design and promotion of their products, thus offering enhanced products and services. Many well-known brands also have store chains as an opportunity to offer their whole range to customers in a retail environment where they have control of the **brand identity**, with the opportunity to promote the brand to consumers through their presence on the High Street. Wholesale companies have become less prevalent in recent years and the dual factors of globalisation and the internet now challenge the traditional supply chain to create new ways of doing business.

Globalisation and disparities in the cost of living around the world have meant that much of the manufacture of products sold in the West has moved mainly to the East. Consequently, companies that used to manufacture in the West have tended to either close or to become suppliers who still provide a design and **product development** service to retailers but arrange their manufacture offshore, rather than being responsible for production themselves. Suppliers are now more likely to be intermediaries with retailers than wholesalers are, particularly in the case of medium and large retailers. Furthermore, the internet has reduced barriers between brands and consumers, so customers can now quite easily find and order the brands they like online and buy from them directly, without the intervention of a retailer. Additionally, consumers can now quite easily sell products to each other that they have made or bought elsewhere, creating a thriving consumer-to-consumer (C2C) market facilitated by websites such as eBay.

A brief history of retail developments in the UK

A recent history of retail developments is outlined here. The Centre for the History of Retailing and Distribution provides some useful links on this topic for further investigation (CHORD, 2014). There is a well-worn phrase that Britain is 'a nation of shopkeepers' and the reasons for this are explored by Ugolini and Benson (2002) in their book of this name, which provides a detailed review of the history of retailing since the 16th century.

1950s	In the UK, post-World War II rationing[1] was in place at the start of the decade, with growing economic prosperity towards the end. Retailers were mostly small-scale local stores. Manufacturers had more power than retailers, owing to the Resale Price Maintenance Act (Gilbert, 2003), allowing manufacturers to control retail prices. Department stores in urban areas were the major store groups, selling a broad selection of **branded products**, targeting the growing groups of consumers with disposable income.
1960s	The Resale Price Maintenance Act was repealed in 1964, allowing retailers to gain more power in relationships with suppliers. A strong economy allowed consumers to have more disposable income, thereby increasing discretionary spending power, particularly in the new category of the 'teenage consumer'. Improved transport systems facilitated the wider distribution of products both nationally and internationally. Boutique fashion shops gained popularity and several expanded into store chains.
1970s	Supermarkets flourished and **own-label** retailers opened branches throughout the UK, particularly in the clothing, homeware and electrical sectors. Mail order catalogues thrived by offering a wide range of products to consumers on a 'buy now, pay later' basis. Stores offered consumers access to large electrical products such as fridges and colour TVs through conveniently spreading out payments in rental or hire-purchase arrangements.
1980s	Company mergers and acquisitions led to store groups dominating sectors within the UK mass market, e.g. Kingfisher, Storehouse and the Burton Group. Small-scale retailers declined accordingly (Blythman, 2004; Gilbert, 2003). **Market segmentation** became used increasingly by retailers, with menswear store Hepworth being transformed into Next in 1982, aimed mainly at a demographic of women in their 30s. Out-of-town retail parks were constructed throughout the UK. Electronic point-of-sale technology was introduced in stores, speeding up customer queues and the transfer of sales data to retail head offices.

1990s	Supermarkets became more acquisitive, buying up smaller competitors to expand their numbers of outlets and extending their product ranges. The internet was commercialised in 1990, thus enabling the introduction of online retailing. A financial recession took place from 1990–1991 in the US and from 1990–1992 in the UK (Hall, 1993; Taylor and Bradley, 1994), affecting retailers adversely. Chain stores increasingly dominated the mass market. Store opening times were extended due to pressure from supermarkets and Sunday opening became legal, although typically limited to six hours. US retailer Walmart entered the UK market through the acquisition of supermarket chain Asda in 1999.
2000s	Supermarkets expanded into the convenience store sector and small-scale stores continued to decline. By the end of the decade, the groceries sector was led by ‘the big four’: Tesco, Asda, Sainsbury’s and Morrisons. Internet retailing became an established distribution channel. **Sustainability** became more of a priority for UK retailers, with many companies adopting CSR policies. Own-label retailers continued to dominate, Marks & Spencer (M&S) being the market leader in clothing. Low-price ‘value retailers’ expanded, benefitting from the economic downturn which began in 2008, whereas several long-standing High Street retail chains closed down, e.g. Woolworth, Dolcis footwear and MFI furniture,[2] which had opened in the UK in 1909, 1920 and 1964, respectively.
2010s	Social and environmental responsibility have become increasingly significant issues for retailers. M&S’s wide-ranging CSR policies are influencing competitors to adopt CSR strategies as standard practice. The economic downturn appears likely to have a longer term impact, resulting in consumers spending more cautiously and several other well-established retail chains faced closure in the first half of the decade. Fast-changing digital technology affects the ways in which retailers acquire, sell and promote their products.

[1] Rationing was enforced until 1954 by using coupons to restrict the amount of goods such as food, clothing and fuel that UK citizens could buy, in order to save the country’s resources.

[2] It is notable that MFI was revived in 2011 as an internet-only retailer (Centre for Retail Research, 2012) thereby suggesting that this channel could be more financially viable for a furniture company than using bricks-and-mortar outlets.

RETAIL MARKETING CAREERS

Margaret Chaplin, owner of an independent retailer

Chaplin’s butcher’s shop has been located in Groby, Leicestershire, since Victorian times. Margaret Chaplin and her brother now own the shop that was set up by their great-grandfather and grandfather. The shop is at the heart of the old village, which has a very long and famous heritage, having been the home of two former queens of England, Elizabeth Woodville (‘The White Queen’) and Lady Jane Grey (‘The Nine Days Queen’). The building was originally a house rented by the Chaplins from Lord Stamford, who owned the village, until it was bought by the family in the 1920s for around £500, when it was partially converted into a shop. Margaret began working in the business in the 1970s when it was owned by her father, alongside other family members. At that time the shop was thriving and Margaret delivered meat to people in local villages in a van, especially to farms. The business also employed a boy to deliver meat on a bike, until around 1990. When demand reduced and regulations changed so that vans needed to be refrigerated to deliver meat, Chaplin’s stopped offering a delivery service. Margaret says ‘it’s come full circle now that the big supermarkets deliver to customers at home’ and she feels that these companies ‘have had a massive effect because you can’t compete with them on price’. A Co-operative store has also been based in Groby for over 100 years and recently moved into new larger premises next to Chaplin’s, which has impacted upon the butcher’s sales.

New housing developments have seen the village grow substantially since the 1980s, along with supermarkets to cater for the growing population. Margaret has noticed how the changes in women’s lifestyles have affected the way in which they shop over the years. She says ‘women work now and are not in the village during

→

Chaplin's shop in the 1920s and the present day
Source: with permission from Margaret Chaplin

the day, whereas my mother didn't work when she got married, except to help my Dad, and that was what the majority of women did. They tend to shop at one place now rather than walking to different shops and don't usually take their children into the shop, whereas this used to be commonplace. Our hours are getting less and less because there are just not the people around and it's gradually declined'.

Chaplin's was originally a vertically integrated business in that they raised some of their own animals and slaughtered meat on the premises until the 1970s. They also sold meat from animals bought from the cattle market in Leicester, as well as making their own sausages. However, when regulations about slaughtering meat changed the amount of work needed to alter the premises meant it was no longer viable to do so and it became more economical to buy meat from abattoirs in the area. Things have now changed to the extent that the meat is bought wholesale from an abattoir in Staffordshire, as it's now difficult to find in Leicestershire. The business also buys cheese from a wholesaler in Leicester and used to sell a range of international cheeses that were popular because they weren't available at other shops in the village. However, Margaret has found that the demand has reduced since the NHS began to advise people against eating products such as cheese that are considered to be high in cholesterol. Margaret also cooks fresh pies and pasties in the shop and she required a training certificate to be allowed to do this.

For anyone considering setting up a butcher's shop Margaret says there are several different areas to consider. First, she says 'it's necessary to understand what the meat is and how to cut it the right way'. Margaret learnt by example from her father, who was trained as a master butcher and she learnt how to pluck poultry such as partridges and pheasants as a child. Second, she says 'you've got to have something that attracts people into the shop, especially if you're not established there'. Margaret acknowledges the importance of brand heritage when she says 'we're lucky that we run on a name that our grandparents started for us and we try to keep up that tradition of being old-fashioned. I'm not sure that it's always worked but we have tried to alter things slightly, like setting out meat on trays in the shop. If we have too much meat cut though, it starts to go dark and people don't want it, even if it's okay. We can end up wasting it because customers have been indoctrinated into expecting bright red coloured meat in supermarkets, although it isn't what it would naturally look like'. Third, Margaret says that 'a shop needs to have an image and keep it up, especially when it's in a small community, and preferably something that's not already there, or else you can upset all of the other shops. Then the community goes, people don't talk to each other as much and a whole way of life seems to disappear. It's already happening. If you go in a big supermarket you don't get the personal touch you get in a small shop where people will say "hello, how are you?". Customers still talk a lot to us and you become a person they can confide in. You should try and make friends with customers and enjoy what you're doing, otherwise there's no point doing this sort of business, or any other sort. Unless you want to work with people in your community, setting up a shop won't work'.

The development and scope of retail marketing theory and practice

Retail marketing is defined by Fernie *et al*. (2003: 105) as 'the application of marketing concepts, theories and actions within the context of retail organisations'. Retail marketing has evolved as a discipline alongside the development of marketing theory and it is possible for marketing principles to be applied throughout the retail sector. Nevertheless, retailing has some of its own unique systems that differ from marketing in other sectors, for example in its usage of distribution and logistics. The **marketing mix** is a classic marketing model, also known as the **4Ps**: Product, Price, Promotion, Place. Since the 1960s, when the model was developed, these four elements have been viewed as the key areas on which marketers should focus, ensuring that they are blended effectively to communicate a consistent message to consumers. However, the marketing mix's dominant position in marketing theory has been challenged, as the significance of building positive relationships with customers has been at the forefront of marketing theory and practice in recent years, via **Relationship Marketing** and **Service Dominant Logic**, in which services take priority over products (Vargo and Lusch, 2004).

There is obviously a great deal of emphasis on the 'place' element within the retail marketing mix, since the physical location of stores has long been the focus of retailing. However, this is beginning to change somewhat since the advent of electronic retailing (etailing). Consequently, the marketing mix requires adaptation to make it suitable for the retail sector; for example, the display of products within stores may have a greater impact than an advertising campaign could. Whereas a high advertising spend is well suited to manufacturer brands in order for them to communicate a **brand image** directly to consumers, advertising is generally utilised less by retailers because the presence of their stores ensures that customers are frequently reminded of their existence. In 2011, 24 per cent of the UK's top 100 advertisers were retailers and 6 per cent were banks, with 42 per cent being manufacturer brands (Nielsen Media Research, 2011). In 2013, fast-moving consumer goods (FMCG) group Procter and Gamble gained second place on the list with an annual advertising spend of £177 million and the highest spending retailer was Tesco at £116 million (Nielsen Ad Dynamix, 2013). Retailers that sell manufacturer brands benefit from the brands conducting their own promotional campaigns to encourage sales of their products.

Many authors have argued for an **extended marketing mix** or **7Ps**, developed to apply more effectively to service organisations. This extended mix adds people, physical evidence and process and could be said to be more suited to the retail sector than the traditional 4Ps (Blythe, 2009). Retail marketing theory and practice have been highly influenced by the widespread development and implementation of marketing strategies and techniques in the late 20th and early 21st century. In recent years there has been a drive towards Relationship Marketing, which has been accompanied by increasing criticism of the marketing mix by academics, owing to its product-centred perspective (discussed further in Chapter 7). The move towards the Relationship Marketing paradigm potentially lends itself well to retail marketing, since retailing typically consists of numerous and repeated individual customer–retailer transactions (McGoldrick, 2002).

Retail marketing theory is published primarily within marketing and retailing journals, with a surprisingly limited selection of books being available on this topic, despite its significance to the global economy. Academic journals are therefore the best locations in which to find the widest variety of retail marketing literature. The topic of retailing also extends outside the arena of marketing to be discussed in several other academic disciplines, sometimes under the guises of consumer culture or shopping, emphasising its importance as a social and leisure activity. Anthropologists and geographers have taken an interest in the social impact of shopping centres (Miller *et al*., 1998) and retailing has also been discussed from the perspectives of architecture (Luna, 2005), history (Stobart, 2008) and sociology (Lury, 1996), among others. These subjects relate in particular to retail consumption, architecture and planning, each of which will be covered later within this book.

Retail industry associations

The British Retail Consortium (BRC) is the main trade association for UK retailers, covering all product sectors, and its mission is 'to make a positive difference by advancing vibrant and consumer-focused retail' (BRC, 2014). Most of the major High Street retailers are members of the BRC and they fund the organisation by contributing a fee based on the size and turnover of the company. The BRC runs conferences, roundtable discussions, webinars and training, as well as producing publications about the sector, many of which can be accessed for free from their website. Another key function of the BRC is to lobby government on behalf of the sector.

Retail Trust is another industry-wide body that was founded in 1832. Retail Trust comprises various charitable initiatives, one of the most well-known being Cottage Homes, which can support former retail industry workers with accommodation in their retirement. Other initiatives include retailCORe, which helps people develop careers and opportunities in retail and retailRIGHT, a project to help develop future retail leaders with pre-employment training and work experience (see www.retailtrust.org.uk). Richard Boland, Chief Executive of the Retail Trust, explains how this charity operates and offers his views on the industry as a whole:

> It's the longest established and largest charity servicing the industry. Our mission is to improve the lives of all of those involved in retail: yesterday, today and tomorrow, including all of those supplying retailers, so it's not just those employed in shops, it's also the support services. Retail is the biggest single employment group in the UK and the nearest equivalent to it would be the National Health Service (NHS). However, retailing can be quite fragmented and one in four people working in retail work in small, family-type businesses, so it cuts across the spectrum, ranging from some of the largest to some of the smallest companies, which makes it unique.
>
> This is an industry with a high element of young workers. A quarter of 16–24-year-olds who are working are employed in retail, so this industry has strong links with young people. Historically the Retail Trust has been more known for our retirement homes and now we're focusing more on younger people. Retail is often students' first ever experience of working life and I don't think we recognise this enough in the UK and think about how it might affect our views on employment. We need to think how to make students feel this industry is something worth staying in, rather than something they just view transiently while they're being educated. It's an industry where you can start as a shelf-stacker when you're 16 and end up being the CEO. The only way you understand the customer is by being on the shop floor. Knowing how to serve the customer is more important than academic prowess, so it's quite a democratic industry. We can support those who want to get into retail and can offer benefits such as bursaries and grants. We could do a lot more of that kind of work if only students would make themselves known to us. We're available to support them but they may not even realise that.

Various other industry bodies are available to serve the retail sector. The British Independent Retailers' Association focuses on supporting smaller retailers (see www.bira.co.uk). The IMRG was set up over 20 years ago to cater for online retailing (see www.imrg.org). There are also industry bodies concentrating on specific retail sectors, such as the National Farmers' Retail and Markets Association (see www.farma.org.uk). As well as providing useful information and various other forms of support, all of these retail trade associations can be viewed as potential employers for those interested in a career that can impact upon many different companies in the retail sector.

Retailer categories

Retail stores can be categorised as described in Table 1.2. Evans (2011) believes that modern retailing formats such as those listed below have evolved from previous versions, rather than being completely new innovations. To emphasise this, Evans (2011:9) states that ‘modern retailing is the accumulation of incremental steps over time’.

Retail business formats

Retailers can be categorised by the business format in which they operate, alongside the categories of retailers mentioned above. It is viable for a store to fit into more than one category in Table 1.3. For example, a store could be both a multiple and a specialist, such

Table 1.2 Retailer categories

Retail format	Description
Specialist store	Offers a narrow line of products, e.g. groceries or electricals
Department store	Offers several product lines of mainly manufacturer branded goods, located in separate departments
Variety chain	Sells a variety of product lines, but unlike the department store, these are mostly under the store’s own label
Supermarket	Self-service store selling groceries and household products
Superstore/hypermarket	Large self-service store selling groceries and/or other products
Convenience store	Small store selling groceries and household products, traditionally located in residential areas
Catalogue store	Offers a wide selection of goods at competitive prices, stocked in a warehouse and collected by customers from the store
Discount store	Offers a discount on standard prices, either by stocking in high volume or to sell off discontinued products
Outlet store	Sells discounted merchandise, usually from previous seasons, outlet stores are often grouped together in an outlet village
Market trader/stallholder	Individual rented stall, usually selling a narrow range of merchandise at low prices

Table 1.3 Retail business formats

Business format	Description
Chain store/multiple	Two or more outlets under the same name, product buying usually centralised
Independent store	Individual store or small chain of stores which does not belong to another company
Retail co-operative	A retailer which is owned by its members and has centralised buying
Franchise	A franchisee runs a store via a contract to sell the franchisor’s goods or services, under the name of the franchisor’s company
Concession	A retailer which rents a proportion of space within another retailer’s store

as sports footwear chain ‘Foot Locker’. While chain stores and independent stores are mutually exclusive, co-operatives are usually chain stores and independent retailers with a small number of outlets can be chain stores.

A recent development in retailing has been the use of temporary or ‘pop-up’ shops (see Figure 1.2). This is when a store is rented on a short-term basis, often for the purpose of promoting a specific brand which does not ordinarily have its own stores. Pop-up shops became popularised in the mid 2000s and fashion brands in Japan were early adopters of

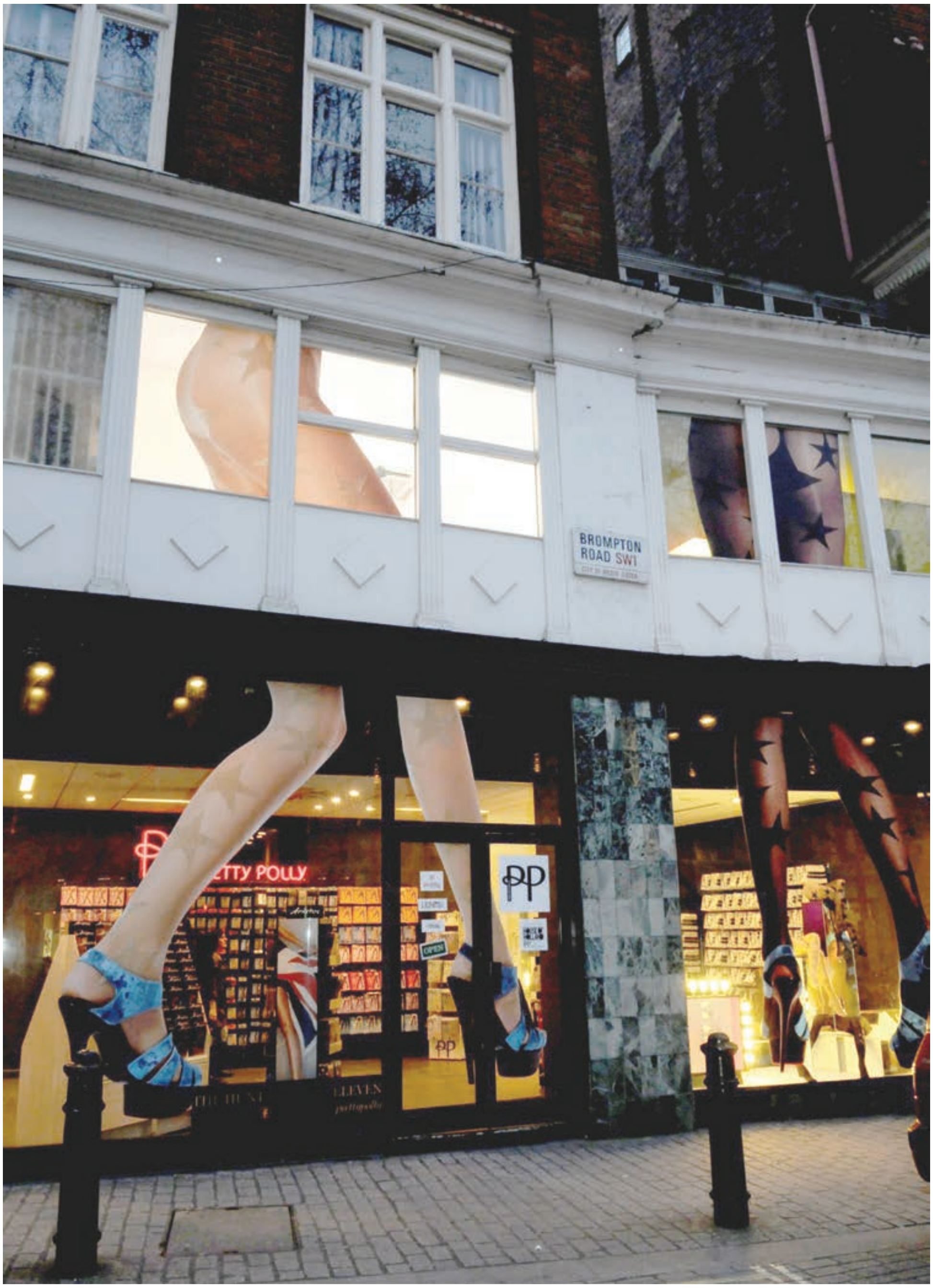

Figure 1.2 Pop-up store

Source: with permission from City Dressing, www.citydressing.co.uk this trend. The wider availability of retail premises, owing to the financial climate and store closures, has made this a viable option to gain brand recognition or as a trial run for opening a permanent store (Dean, 2012).

Non-store retailing (home shopping)

Non-store retailing via **home shopping** was heading into decline (Mintel, 2009) until online retailing began to revive the notion that shopping does not need to be confined to bricks-and-mortar retailers. Methods of non-store retailing can often fit more conveniently with consumers' lifestyles and, in the case of party plan, can be combined with the customer's social life.

Mail order catalogue retailing is based on purchasing products from a catalogue which is posted to the customer or which is distributed via local agents who make a commission on sales.

Direct mail is a method of targeting specific customers. Brochures featuring the company's products are posted directly to potential customers via a mailing list or products can be purchased from an advertisement in newspapers or magazines which appeal to the retailer's target customers.

Etailing *(online retailing)* takes place via transactional websites of multichannel retailers (i.e. those which also have bricks-and-mortar stores and/or catalogues) or **pure players** (who only offer their product range online).

TV retailing includes sales via specialist sales channels such as QVC and 'infomercials' which sell products directly from advertisements.

Party plan and door-to-door selling involves **personal selling** via an agent for the retailer, e.g. Tupperware, Ann Summers, Avon and Amway.

Consumer-to-consumer retailing covers informal methods of retailing, where the seller and purchaser engage in events including car boot sales, yard sales and jumble sales or sell via classified advertisements in the press. This can also include informal etailing such as auctioning products on eBay.

Automatic vending refers to convenience and snack products being sold via vending machines, often bought by customers on impulse.

Retail concepts and theories

Retailing literature has relatively few academic models in comparison to other elements of marketing, since its emphasis has been on more practical considerations. The retailing theories which are widely published are from previous eras and may be less applicable to today's dynamic retailing environment, which has been influenced by recent rapid developments in technology, amongst other factors. These theories are included here largely to illustrate the historical background and development of the academic study of retailing. However, as with all models and theories they can offer food for thought to influence your thinking about retail development and change. There is no one correct answer, theory or interpretation; some ideas are more persuasive than others. A major impediment in accounting for retail change is that retailing has not traditionally been a very theoretical area of marketing. Three cyclical theories are discussed here: the retail life cycle, the wheel of retailing and the retail accordion, which are then followed by conflict theory. There is much scope for new models to be introduced in the retailing literature to relate to the ways in which the industry currently functions and how it will operate in the future. By reviewing established theories of retailing the opportunity is for you to identify where the models seem less relevant and could be amended. If possible, you should think about how you would improve and update the models.

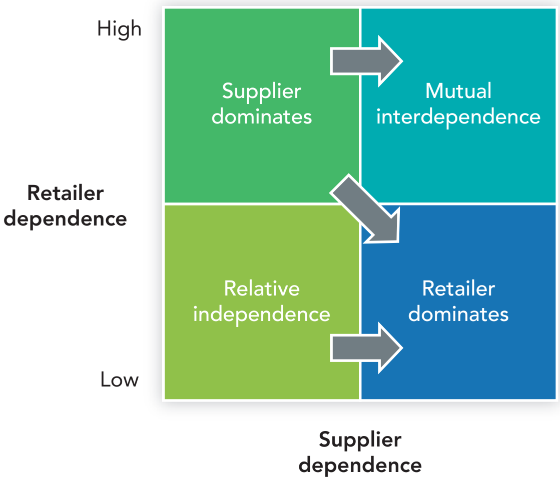

Figure 1.3 Dependence and power in retailer–supplier relationships

Source: adapted from McGoldrick, P. (2002), *Retail Marketing*, 2nd edn, based upon Hogarth-Scott and Parkinson, 1993 and Kumar, 1996. © 2002. Reproduced with the kind permission of McGraw-Hill Education. All rights reserved.

Retailer power

During the 19th and early 20th century manufacturers were usually viewed as being dominant over retailers, due to the power they achieved through their relatively large scale in comparison to retailers. This has changed more recently, as retailers have increased in size, with many being among the largest organisations in the world and the balance has therefore shifted in some cases. However, the retail industry has companies of a variety of sizes and this is a key factor that determines the power of the retailer in its relationships with suppliers. Another important factor is status, so for example a supplier or retailer that is viewed as particularly innovative or upmarket in its field can be relatively powerful without having a high financial turnover, since it may have a high level of influence. Retailers and suppliers are mutually dependent to differing extents and this is reflected in the four different quadrants of Figure 1.3 that can vary from the supplier or retailer dominating the relationship. In between these two extremes, retailers and suppliers can either be relatively independent of each other or be mutually interdependent.

The retail life cycle

The retail life cycle (RLC) (see Figure 1.4) is similar in style to the product life cycle (see Chapter 4 Retail product and brand management), based on the theory that retailers progress through four different stages from introduction to decline.

- *Introduction*: at this stage, retailers require a unique selling proposition which differentiates them from the competition, such as an exclusive product range or an offering similar to competitors but sold at lower prices or with better **customer service**. For example, Japanese retailer Uniqlo sells a mix of classic and fashionable clothing in numerous colours, with similar products and store display to its more expensive US competitor 'Gap'.
- *Growth*: this is the stage when retailers increase their sales volume and aim to become profitable; for example, Amazon.com was in business for several years before it grew sufficiently to enter this stage and became a profitable enterprise.
- *Maturity*: after growth, retail sales can level off and reach a plateau. This can be a long stage for successful retailers which implement effective marketing planning. Originally

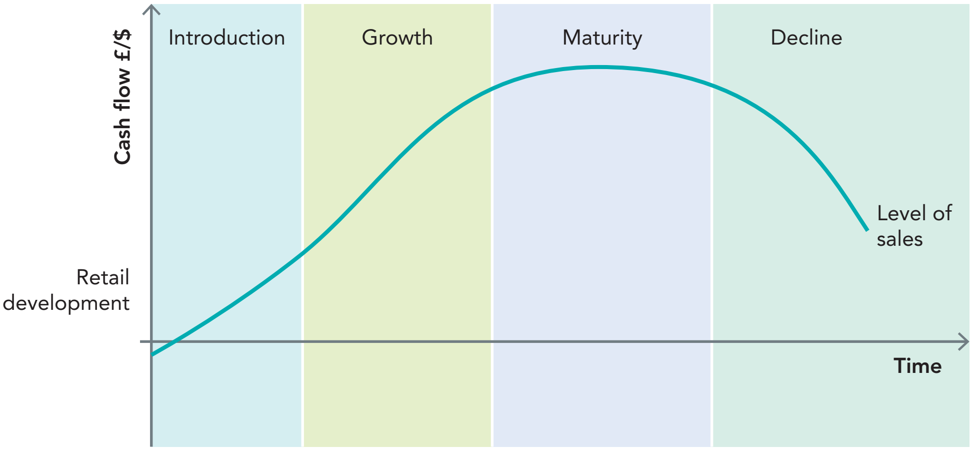

Figure 1.4 The Retail Life Cycle

Source: adapted from McGoldrick, P. (2002), *Retail Marketing,* 2nd edn © 2002. Reproduced with the kind permission of McGraw-Hill Education. *All rights reserved.*

introduced in the 1930s in the US (Byrne Paquet, 2003) self-service supermarkets currently fall into this category and mobile phone retailers have reached this stage in the UK within three decades.

- *Decline*: once retail sales begin to drop and profitability is low, the company heads into the decline stage. For some retailers, this can be a very sudden process with stores closing for good, as happened with the Woolworth chain in 2008, despite having traded in the UK for 99 years. More often, the decline can be gradual, taking place over a number of years, resulting in branch closures and a reduction of the product lines on offer.

After retailers reach the decline stage it is possible that they will become popular again and start again at the introduction stage. For example, the pawnbroker was a very traditional form of shop, offering consumers loans secured against second-hand goods. Pawnbrokers had virtually disappeared from the High Street but have now resurfaced in the UK in a new, updated form, buoyed by the recent recession. Coffee shops were originally popular during the 1950s but were considered unfashionable from the 1970s until chains such as Starbucks and Caffè Nero became widespread in the late 1990s. A criticism of the RLC could be that it presumes that retailers will inevitably follow the pattern within the model. However, retailers in a certain market sector may reduce the number of outlets they operate during an economic recession and open more a later time, when conditions are more favourable. Also, there is no indication with the RLC of the time span for each stage, since this is clearly very difficult to predict. Therefore, if two retailers launch simultaneously, one may reach decline whilst the other remains in the growth phase. It is also possible for sales to level off or reduce at any phase, then take off again, resulting in a stepped pattern to the RLC, rather than a smooth curve. Such criticisms have also been made of the Product Life Cycle model. However, an advantage of using the RLC can serve the purpose of indicating the current stage at which a retailer finds itself and to allow it to develop appropriate retail strategies for that stage.

The wheel of retailing

The wheel of retailing (Figure 1.5) is another cyclical theory which proposes that retailers pass through three stages of development after their introduction into the market

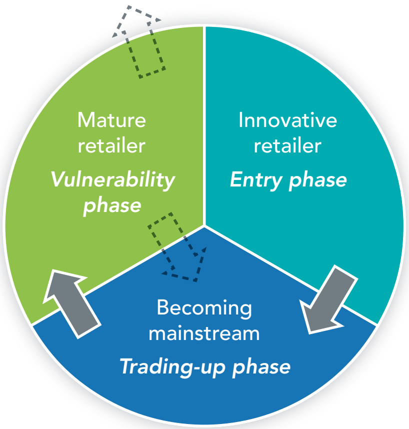

Figure 1.5 The wheel of retailing

Source: after McNair, 1958 and Brown, 1988

(McNair, 1958). In the entry phase, the wheel of retailing suggests that the retailer combines low prices with a limited product offering before trading up to become a more traditional retailer with better services and products at higher price levels. This second stage has been referred to as the 'big middle' (Levy *et al*., 2005), as many US and European retailers fit into this category. In the final phase of the wheel, vulnerability, retailers reach maturity, characterised by conservative attitudes and declining returns on investment (Brown, 1990).

The wheel of retailing is a logical theory, yet it does not always apply in practice and is therefore open to criticism. Brown (1990: 143) is one of its major critics, pointing out its 'lack of universality' and its limited scope on price and quality, describing the theory as 'a marketing enigma, revered and reviled in almost equal measure'. However, there are various cases which support this theory. For example, M&S started out as a low-price retailer on a market stall in Leeds, England in 1884, set up by a Polish refugee named Michael Marks (Marks & Spencer, 2014). The stall initially had a sign stating 'Don't ask the price, it's a penny', and M&S has since traded up to become a traditional retailer which has led the UK clothing sector for several years (Mintel, 2010). The theory can also be applied successfully to supermarkets Tesco and Aldi, both of which initially traded at low prices and have moved into selling more upmarket products in recent years. However, many other examples contradict the wheel of retailing theory, since upmarket retailers, including jewellers, fashion retailers and delicatessens, frequently enter the market as start-up businesses. Moreover, large traditional stores such as Walmart can sell products at low prices, with the advantage of economies of scale. It is also possible for retailers to revert to an earlier stage of the wheel in certain respects. For example, whilst in the trading-up stage, UK supermarkets Tesco and Waitrose, amongst others, introduced low-price food ranges ('Value' and 'Essentials' respectively) which are more representative of the entry phase in this model.

Retail accordion

The retail accordion theory (see Figure 1.6) was developed in the 1960s by Hollander (1966) and suggests that retailers alternate their product offering, starting with a wide range then narrowing it down to a more specialised selection. Like the wheel of retailing theory, this may have had relevance at the time it was introduced. However, the retail accordion is rarely useful as a predictive model since many retailers do not follow this

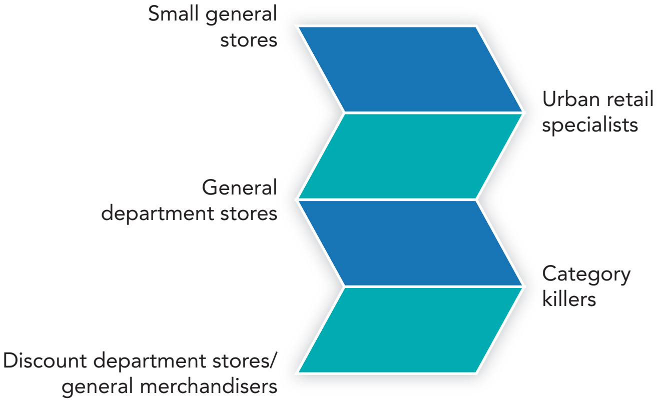
Small general stores
Urban retail specialists
General department stores
Category killers
Discount department stores/ general merchandisers

Figure 1.6 Retail accordion theory

Source: adapted from Hollander, 1966

pattern of development. For example, Amazon.com started out in 1995 with a narrow product range, as an online book retailer and has since moved on to stock many different products, as diverse as electronics and toiletries. While US retailers historically started as general stores before tending to specialise in certain product types, nowadays many retailers have never offered a broad range of goods and remain niche retailers, such as joy-ofsocks.com, which sells only socks and tights. Traditional retailers requiring specialist skills such as bakeries or confectioners also usually start as niche retailers (see Figure 1.7). The rise of etailing offers increased opportunities for specialist start-up businesses, since a niche product range can now cover a wide geographical area at a fraction of the cost of setting up bricks-and-mortar stores with the same coverage. Etailers can also offer a broad product range.

PISTO
1'20€ ud
1'50€ ud
Morcilla
cebolla
1'50€
0'60 ud

Figure 1.7 Sweet shops and bakeries are examples of traditional niche retailers

Source: authors' own photographs

Conflict theory

There has often been conflict between different types of retail innovations, ranging from competitive to anti-competitive practices. It is therefore not surprising to find that much of the terminology used within retailing and marketing is derived from military terms, such as ‘strategy’ and ‘campaign’. Brown (1987) suggests that innovations in particular can lead to conflict where existing retailers progress through the four stages of shock, defensive retreat, acknowledgement and assessment, then adaptation. Despite appearing to apply only to negative situations, conflict can be credited with generating new forms of retailing which bridge the gap between one type of retailer and another. This happens when retailers operating in an established retail format react to the threat of newcomers in the market by adopting an aspect of the competitors’ advantage over them. For example, when supermarket chains began to gain market share, traditional independent grocers formed alliances and voluntary groups to increase their buying power, as well as adopting the supermarkets’ self-service strategy (Gilbert, 2003). After German discount supermarket Aldi began to increase its UK market share in 2007 (Hall, 2008), market leader Tesco hit back by copying its competitor’s branding strategy. Instead of using its name on its own-label products, Aldi uses different names that mimic the presentation of manufacturer brands but are exclusive to its stores, e.g. ‘Oakhurst’ meat and ‘Holly Lane’ cakes. Tesco has adopted a similar approach, selling products exclusively under brand names such as ‘Nutricat’ pet food, which goes as far as having its own website (www.nutricat.com) providing veterinary advice in order to imitate branded catfood.

Some of the retail theories discussed here are potentially compatible with each other and all have tangible examples of how they can work in practice. However, none of them can be said to apply to the whole retailing sector, since each one has numerous exceptions. It would appear that an overarching retailing theory which can be applied universally has yet to be devised. Since each of these theories is organisation-centred, this calls for the introduction of a more consumer-focused retailing model in the future, which can be applied in various product sectors and in different countries. You are recommended to keep up-to-date with developments in retailing theory in academic journals, particularly the *Journal of Retailing*, as newer theories may be introduced by the time you read this book.

Recent developments affecting the retail environment

Retailing operates within the context of society and the environment in which it takes place and it is therefore influenced and affected by a variety of trends. Datamonitor (2011) estimates that by 2015, the global retailing industry will increase in value to more than $13,000 billion, an increase of around 26 per cent since 2010. This projected increase can be explained in part by demographic changes, since the world population reached 7 billion in 2011. An additional factor is that ageing populations have been on the rise in many countries (African Development Bank, 2011; Ashford, 2007; UK National Statistics, 2012) where average lifespans have been extended by improved living standards and healthcare. Retailers will need to respond to this ageing demographic, taking a more inclusive approach to age and reducing the traditional emphasis on appealing mainly to younger consumers (Lusch *et al.*, 2011).

Developments in technology, particularly the increasingly widespread use of computers, have had a significant impact on retailing. This impact began when computers started to be used by retailers for recording sales data using **electronic point-of-sale (EPoS)** systems