Lecture-39

RETAILING

Retailing---Tail-end of the Commercial Tunnel

Retailing consists of the sale of Goods/Merchandise for Personal or Household Consumption either from a fixed location such as a department store or kiosk.

In Commerce, a retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells individual items or small quantities to the general public or end user customers, usually in a shop, also called store.

Retailers are at the end of the Supply Chain. Marketers see retailing as part of their overall Distribution Strategy.

Shops may be

- In Residential Streets,
- In Shopping Streets with little or no houses,
- Or in a Shopping Centre.

Shopping streets may or may not be for pedestrians only. Sometimes a shopping street has a partial or full roof to protect customers from precipitation.

Shopping is buying things, sometimes as a Recreational Activity. Cheap versions of the latter are window shopping (just looking, not buying) and browsing.

Shops and Stores

There are three major types of retailing.

- Two of which have buildings that the customer can visit to do business with.
- The first is counter-service, once the only type of shop, but now rare except for selected items.
- The second, and now more widely used method of retail, is self-service.

•Quickly increasing in importance are online shops, the third type, where products and services can be ordered for physical delivery, downloading or virtual delivery.

Even though most retailing is done through self-service, many shops offer counter-service items, e.g. controlled items like medicine and liquor, and small expensive items.

Shops used to deal with just one type of article.

In the nineteenth century, in France, arcades were invented, which were a street of several different shops, roofed over. From this there soon developed, still in France, the notion of a large store of one ownership with many counters, each dealing with a different kind of article was invented; it was called a department store. In cities, these were multi-story buildings which pioneered the escalator. In the mid-twentieth century in the United States there developed the mall, midway between the arcade and the department store. A mall consists of several two-storey department stores linked by arcades (many of whose shops are owned by the same firm under different names). All the stores rent their space from the mall owner.

A recent development is a very large shop called a superstore. Local shops can be known as brick and mortar stores in the United States.

Many shops are part of a chain

A number of similar shops with the same name selling the same products in different locations. The shops may be owned by one company, or there may be a franchising company that has franchising agreements with the shop owners.

Some shops sell second-hand goods

Often the public can also sell goods to such shops. In other cases, especially in the case of a nonprofit shop, the public donates goods to the shop to be sold. In give-away shops goods can be taken for free.

The term retailer is also applied where a service provider services the needs of a large number of individuals, such as with telephone or electric power.

Retail Functions

- Presentation
- Offering
- Pricing
- Reach
- Convenience
- Product information
- Packing
- Delivery
- Choice
- Variety

Retail Pricing

The pricing technique used by most retailers is **cost-plus pricing.** This involves adding a markup amount (or percentage) to the retailers cost.

Another common technique is **suggested retail pricing.** This simply involves charging the amount suggested by the manufacturer and usually printed on the product by the manufacturer.

In Western countries, retail prices are often so-called **psychological prices** or odd prices: a little less than a round number, e.g. $6.95.

In Chinese societies, prices are generally either a round number or sometimes a lucky number. This creates price points.

Often prices are fixed and displayed on signs or labels.

Alternatively, there can be **price discrimination** for a variety of reasons. The retailer charges higher prices to some customers and lower prices to others. For example, a customer may have to pay more if the seller determines that he or she is willing to. The retailer may conclude this due to the customer's wealth, carelessness, lack of knowledge, or eagerness to buy.

Price discrimination can lead to a bargaining situation often called haggling — a negotiation about the price. Economists see this as determining how the transaction's total surplus will be divided into consumer and producer surplus. Neither party has a clear advantage, because the threat of no sale exists, whence the surplus vanishes for both.