

Retailing

Retailing

TONY KENT AND OGENYI OMAR

palgrave
macmillan



© A. E. Kent and O. E. Omar 2003

All rights reserved. No reproduction, copy or transmission of this publication may be made without written permission.

No paragraph of this publication may be reproduced, copied or transmitted save with written permission or in accordance with the provisions of the Copyright, Designs and Patents Act 1988, or under the terms of any licence permitting limited copying issued by the Copyright Licensing Agency, 90 Tottenham Court Road, London W1T 4LP.

Any person who does any unauthorised act in relation to this publication may be liable to criminal prosecution and civil claims for damages.

The authors have asserted their rights to be identified as the authors of this work in accordance with the Copyright, Designs and Patents Act 1988.

First published 2003 by
PALGRAVE MACMILLAN

Houndmills, Basingstoke, Hampshire RG21 6XS and 175 Fifth Avenue, New York, N.Y. 10010
Companies and representatives throughout the world

PALGRAVE MACMILLAN is the global academic imprint of the Palgrave Macmillan division of St. Martin's Press, LLC and of Palgrave Macmillan Ltd. Macmillan® is a registered trademark in the United States, United Kingdom and other countries. Palgrave is a registered trademark in the European Union and other countries.

ISBN 978-0-333-99769-7 ISBN 978-0-230-37410-2 (eBook)

DOI 10.1007/978-0-230-37410-2

A catalogue record for this book is available from the British Library.

10 9 8 7 6 5 4 3
12 11 10 09 08 07 06 05

Contents

| | |
|---|-----------|
| Acknowledgements | x |
| Preface | xi |
| PART ONE | |
| THE RETAIL ENVIRONMENT | 1 |
| 1 Retailing in the Economy | 3 |
| Introduction | 3 |
| The historical development of retailing | 4 |
| The contribution of retailing to the economy | 7 |
| Classifications of retailing | 17 |
| Summary | 27 |
| Case study | 28 |
| 2 The Changing Retail Environment | 32 |
| Introduction | 32 |
| The retail environment | 33 |
| The external environment: political, economic, social and technological factors | 35 |
| Change and the retail industry | 49 |
| Change theories | 50 |
| Summary | 55 |
| Case study | 56 |
| 3 Channels of Distribution | 59 |
| Introduction | 59 |
| Channels of distribution: manufacturing, wholesaling and retail | 60 |
| The process of distribution | 68 |
| Branded distribution channels | 72 |
| Changing patterns of distribution | 74 |
| Parallel trading and 'grey' markets | 78 |
| Summary | 79 |
| Case study | 81 |
| 4 Competitive Strategies in the Retail Industry | 84 |
| Introduction | 84 |
| Defining retail competition | 84 |
| Definitions of strategy | 89 |
| Internal resources and competitive advantage | 93 |

| | |
|---|------------|
| Strategic choice | 99 |
| Strategic directions | 103 |
| The fit of the strategy to the organisation | 108 |
| Summary | 110 |
| Case study | 112 |
| 5 International Retailing | 116 |
| Introduction | 116 |
| The development of international and global markets | 116 |
| The internationalisation of retailing | 118 |
| Retail structures | 120 |
| The process of internationalisation | 133 |
| Market-entry strategies | 135 |
| Issues in implementing international strategies | 140 |
| Summary | 141 |
| Case study | 143 |
| PART TWO | |
| STRATEGIC RETAIL FUNCTIONS | 149 |
| 6 Marketing Functions in Retailing | 151 |
| Introduction | 151 |
| Definitions of marketing | 152 |
| Marketing in retailing | 153 |
| Classifying consumers | 155 |
| Consumer behaviour | 157 |
| A model of buying behaviour and its application to the retail industry | 160 |
| Consumer profiles and market segmentation in retailing | 161 |
| Relationship marketing in retailing | 169 |
| The marketing mix in retailing | 171 |
| Summary | 175 |
| Case study | 176 |
| 7 Financial Planning and Control | 180 |
| Introduction | 180 |
| Finance and management accounting in retailing | 181 |
| Risk assessment and project appraisal techniques | 190 |
| Sources of finance | 198 |
| Cost of finance | 200 |
| Budgeting and financial control of resources | 203 |
| Summary | 206 |
| Case study | 207 |
| 8 Retail Location Strategy | 210 |
| Introduction | 210 |
| Location strategy | 210 |
| Types of location | 212 |
| Spatial patterns of retail location | 220 |
| Site assessment and evaluation | 222 |
| Government intervention in locational development | 229 |

| | |
|---|------------|
| Site acquisition | 231 |
| Renovation and redevelopment of sites | 232 |
| Summary | 233 |
| Case study | 234 |
| 9 Human Resource Management (HRM) | 238 |
| Human resource strategy | 238 |
| Organisational structure | 240 |
| Culture and human resources | 245 |
| Human resource management | 249 |
| The people factor | 251 |
| Effective working practices | 257 |
| Motivation and rewards | 261 |
| Summary | 263 |
| Case study | 264 |
| | |
| PART THREE | |
| MERCHANDISE MANAGEMENT | 269 |
| 10 Product Planning and Selection | 271 |
| The buying function | 271 |
| Supplies selection and evaluation | 278 |
| Product selection | 279 |
| Sales planning and forecasting | 284 |
| Branch plans and space management | 288 |
| Summary | 293 |
| Case study | 294 |
| 11 Supply-Chain Management | 297 |
| Introduction | 297 |
| Sourcing | 297 |
| Assessment of global sources of supply | 302 |
| The supply chain | 305 |
| Importation | 316 |
| Summary | 319 |
| Case study | 320 |
| 12 Inventory Management and Control | 324 |
| Planning and controlling stock levels | 324 |
| Ordering, allocation and replenishment | 328 |
| Warehousing and distribution centres | 335 |
| Summary | 346 |
| Case study | 347 |
| 13 Retail Pricing: Policies and Practice | 350 |
| Introduction | 350 |
| The theory and concept of pricing | 351 |
| Retail pricing calculations | 359 |
| Pricing strategies | 364 |
| Summary | 372 |
| Case study | 374 |

PART FOUR**OPERATIONAL MANAGEMENT 377**

| | | |
|-----------|--|------------|
| 14 | Store Design | 379 |
| | Introduction | 379 |
| | Development of store design | 379 |
| | Communication through design | 386 |
| | The design process | 390 |
| | Store layout and customer flow | 393 |
| | Window display and visual merchandising techniques | 395 |
| | Summary | 401 |
| | Case study | 402 |
| 15 | Retail Communications | 405 |
| | Introduction | 405 |
| | Retail promotion | 406 |
| | Retail advertising | 411 |
| | Sales promotions | 419 |
| | Public relations and publicity | 422 |
| | Budget strategies for retail communications | 424 |
| | Legal issues in retail advertising | 426 |
| | Summary | 427 |
| | Case study | 429 |
| 16 | Customer Service | 432 |
| | Introduction | 432 |
| | Aims and objectives of customer service | 433 |
| | Customer service activities | 435 |
| | The customer service package | 440 |
| | Measurements of service quality | 446 |
| | The process of retail selling | 450 |
| | Staff training and development | 452 |
| | Summary | 455 |
| | Case study | 456 |

PART FIVE**NEW DEVELOPMENTS IN RETAILING 461**

| | | |
|-----------|--|------------|
| 17 | Information Technology in Retailing | 463 |
| | Introduction | 463 |
| | The development and use of IT in retailing | 464 |
| | IT and product management | 469 |
| | IT and financial management | 473 |
| | Electronic data and marketing | 476 |
| | Strategic implications of IT development | 482 |
| | Summary | 485 |
| | Case study | 487 |
| 18 | Non-Store and Internet Retailing | 491 |
| | Introduction | 491 |
| | Developments in mail order | 492 |

| | |
|---|-----|
| TV shopping, kiosks and CD-RUM | 495 |
| The Internet | 498 |
| Marketing and communication on the Internet | 505 |
| Site location and design | 506 |
| Payment and delivery systems | 508 |
| The future potential of the Internet | 512 |
| Summary | 513 |
| Case study | 514 |
| Index | 519 |

Acknowledgements

The authors and publishers wish to acknowledge the following for permission to reproduce copyright material:

Simon & Schuster Inc. for material from Michael E. Porter, *Competitive Strategy* (© The Free Press 1980, 1998); John Wiley & Sons for material from G. Johnson (ed.) *Business Strategy in Retailing*, and also from S. McKie, *E-business Best Practices: Leveraging*; Henry Stewart Publications for material from Keith Dugmore in *Journal of Targeting, Measurement and Analysis for Marketing*; The World Advertising Research Centre for material from *The Retail Pocket Book 2001*; Roland Berger Strategy Consultants for material from *Category Management Best Practices Report*; Emerald Publishing for material from its journals, *International Journal of Retail and Distribution Management*, *International Marketing Review* and *Fashion Marketing and Management*; Blackwells for the diagram on page 250 from *Developments in the Management of Human Resources* by J. Storey; *Financial Times* for excerpts on pages 245, 246, 344, 265; J. Sainsbury for the layout of their Greenwich store; Ashgate Publishing Limited for the diagram on page 346 from P.G. Eibl, *Computerised Vehicle Routing and Scheduling and Road Transport*, published by Avebury; Kogan Page for diagrams from M. Stone and B. Foss, *Successful Customer Relationship Marketing* and A. Ruston and J. Oxley, *A Handbook of Logistics and Distribution Management*; Palgrave Macmillan for a diagram from *Retail Power Plays* by A. Wileman and M. Jary.

Every effort has been made to contact all the copyright-holders, but if any have been inadvertently omitted the publishers will be pleased to make the necessary arrangement at the earliest opportunity.

Preface

The retail industry is increasingly imposing itself in a number of fields. In the economy it is a major employer and creator of wealth; it provides many opportunities for consumption, not only of products but also of experiences. Shopping is a leisure activity for many, an agreeably social way to spend time (although families may disagree on this). In a changing world, retailers are a reassuringly familiar part of our everyday landscape, and retail brands provide consistent, if sometimes disappointing, reference points. If anything retailers at least partly shape these changes, driven by the energy of competition to offer new products and services in enjoyable and occasionally entertaining shopping environments. And with the Internet, these physical environments can now virtually extend into our homes. The industry is nothing if not relevant.

For these reasons the retail industry has come more specifically to the attention of academics. At its most prosaic, where primary and manufacturing industries have declined and fallen, distribution has remained in place and the focus simply shifts. However the industry has become more complex offering extensions to existing fields of study as well as inviting enquiry into new ones. Some highlights stand out; the development and application of information technology has been a key driver of change in critical areas of customer service and in the management of suppliers and merchandise; and brand management has become an altogether more sophisticated activity as has locational planning.

Given this context the purpose of this book is to provide a study of retailing from a Eurocentric perspective. As emphasis is placed on independent student learning, so the need has emerged for an accessible textbook that embraces the main issues facing the retail industry. In part, then, the book is designed to meet the needs of student learners, providing both underpinning knowledge and analytical and conceptual tools. In this respect, a specific feature is the relation of theory to practice in the retail industry. For the same reasons, it aims to shine some light into some of the more obscure corners of the industry so that students are made aware of the linkages and relationships between different functions and activities. Where appropriate, examples have been drawn from countries outside the UK to emphasise the differences both in retail practice and the application of underlying principles.

The other objective of the book has been to support the traditional management pedagogical approach of lectures and seminars. The book is structured to move from higher level and external issues to more detailed internal and developmental ones:

Part 1 begins with an overview of retailing and continues into an analysis of the macro environment. Chapter 3 introduces the process of distribution, and Chapters 4 and 5 deal in more detail with competitive retail strategies and the internationalisation of retailing.

Part 2 develops the key functions of marketing, financial planning and control, location and human resources and their relationship to strategic-level decisions.

Part 3 deals with the issues concerning merchandise management in more detail. This is an area that deserves close attention, and the authors draw on their retail management experience to define the *sequence* of management activities as it takes place in the industry. The section opens with a chapter on *product planning and selection*, progresses logically into *supply-chain management*. Decisions about which products and from where they are to be sourced relate closely to the next chapter on *inventory management and control*: the movement of products through the company's internal distribution chain and into the store. The final chapter assesses *pricing* policies and merchandise pricing practices available to retailers. Therefore this section deals with the process of merchandise management from planning to in-store availability.

Part 4 concerns the store, or operational environment. Chapter 13 distinguishes the design process from management approaches before moving to discuss operational functions. Chapters on communication and service develop customer-focused issues that have a bearing on the store itself.

Part 5 introduces information technology and non-store retailing including e-commerce, and new developments. This needing recognises the constantly changing and dynamic nature of these functions.

Each chapter is supported by a case study, with specific questions for classroom discussion, as well as more general questions on the substance of the chapter to stimulate further thinking about an exciting and dynamic industry.

Many people have contributed their time, views and suggestions in the course of preparing and writing this book. Colleagues and students at the London Institute have provided numerous insights into the retail industry over the past six years. In particular we should like to thank Jonathan Baker, Helen Beswick, Alan Hirst and Dawn Lavelle for their comments. Professor Barry Davies and Dr Charles Blankson have contributed valuable advice. We have benefited from considerable help and advice, too, from the retail industry in meetings with long-suffering training managers in London, we extend our particular thanks to Alexandra Logan. Other experts have contributed generously in different fields, and here David Zinkin, John Serocold, Emma Brown and Richard Kent have been most helpful. Most of all we should thank Elizabeth-Anne and Victoria for their forbearance over the time taken to prepare the book.

TONY KENT
OGENYI OMAR

