Lecture 13

Retailing
Lecture 13: Retail

I. • Point of Sale
II. Store Location
III. Behind the Storefront
IV. Landscapes of Desire
I. Point of Sale

A. General Stores
B. Specialty Stores
C. High, Low & Ethnic
D. Home Shopping
Before stores – bazaars & fairs
Evolution of retail generalists

- General stores > 1810
- Department Stores > 1850
- Supermarkets > 1930
- Big Box Stores > 1980
  - Mostly big and bigger…
Classic Department Stores
Evolution of Safeway
Mega-Stores

- 100 - 200,000 sq ft.
- 30-50,000 products
- Still by departments
The logic of large

- Volume sales & prices
- Variety
- Inventory
- Brand name
- Local dominance

Also sales methods (section IV)
Self-service –
Freedom from employees...
I. Point of Sale

A. General Stores
B. Specialty Stores
C. High, Low & Ethnic
D. Home Shopping
Specialty stores

- Product focus
  - Baby, beauty, cookware, cell phones, etc.

- Eclipse and renewal
  - Death of the artisan
  - Return of the boutique
Logic of specialty stores

- Niche markets
- Economies of scope (knowledge)
- Personal service
- Intimacy
Convergence?

- Mega-specialty, sub-general & chain specialty
  - See below on chains
I.  Point of Sale

A.  General Stores
B.  Specialty Stores
C.  •High, Low & Ethnic
D.  Home Shopping
Selling class

- High end for the rich
  - Neiman-Marcus, Saks, Abercrombie & Fitch

- Middle-brow for the middle class
  - Macy’s, Eddie Bauer, Gap

- Low-brow for working class
  - K-mart, Old Navy, Ross
Ethnic niches

- Targeting immigrants & subcultures
- Growth area for specialty stores
- New ethnic general stores
I. Point of Sale

A. General Stores
B. Specialty Stores
C. High, Low & Ethnic
D. •Home Shopping
Catalogue sales
Door-to-door sales
TV & Phone sales
Internet sales

- Rapid growth in 2000s
- Varies by product

Sales Penetration Rate of Select US Retail E-Commerce Categories, 2005 & 2010 (% of total category sales)

<table>
<thead>
<tr>
<th>Category</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer hardware/software</td>
<td>48.2%</td>
<td>54.5%</td>
</tr>
<tr>
<td>Books</td>
<td>19.9%</td>
<td>28.1%</td>
</tr>
<tr>
<td>Toys/video games</td>
<td>11.7%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Jewelry/luxury goods</td>
<td>7.5%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Apparel</td>
<td>5.9%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Health and beauty</td>
<td>5.6%</td>
<td>13.8%</td>
</tr>
</tbody>
</table>

Source: Forrester Research, December 2005; eMarketer calculations, April 2006
Logic of Home Sales

- Eliminate cost of stores
- Ease of shopping
- Target goods
- Direct access to customers
  - Sales promotion & tracking
  
  stores respond with catalogues & websites
Lecture 13: Retail

I. Point of Sale
   • Store Location

II. Behind the Storefront

III. Landscapes of Desire
II. Store Location

A. Individual Stores
B. Shopping Centers
C. Towns & Cities
D. Larger Scales
Basic retail geography

- Access to customers
  - Minimum total distance
  - Threshold numbers

- Repetitive & ubiquitous
  - Basic products
  - Local market areas
Market areas

- Max. customer access (proximity)
- Min. customer numbers (threshold)
- Hierarchy of places & store size
II. Store Location

A. Individual Stores
B. Shopping Centers
C. Towns & Cities
D. Larger Scales
Store clusters

- Types
  - Downtowns
  - Strips
  - Malls

- Collective logic
  - Access to many stores
  - Large variety of goods
  - Comparison shopping
Downtowns

- Shopping ‘districts’
  - Peak c 1900
  - Centrality for transit (streetcars)
  - Access to offices & tourists
Shopping Strips

- Auto Age (> 1920s)
- Visibility
- Linear (major streets)
- Freeway exits
Malls

- Shopping Centers, 1950s
  - Giant parking lots
  - Groups of stores,
  - Major anchor stores
  - Single developers

- Regional Malls, 1980s
  - Larger scale
  - Multiple anchors
  - Chain outlets
Ethnic malls
II. Store Location

A. Individual Stores
B. Shopping Centers
C. • Towns & Cities
D. Larger Scales
Towns as retail centers

- Local services
Death of small towns

- Big Box stores
- Vs. store clusters
- Wider service area
- Kill off small towns

- Wal-Mart wars
- Some resistance
Cities as malls

- Home of modern shopping
- Wealth
- Concentration of people
- Culture of consumption
Malls as mini-cities
II. Store Location

A. Individual Stores
B. Shopping Centers
C. Towns & Cities
D. Larger Scales
San Francisco is No. 1 — in books and booze
Survey distills purchasing habits in U.S. cities

By Steve Rubenstein
Chronicle Staff Writer

There are more well-read drinkers in San Francisco than anywhere else in the land. That's because, according to a new federal survey, San Franciscans spend more on alcohol and books than residents of any other U.S. city.

The two-year study of spending habits, released by the Bureau of Labor Statistics, found that New Yorkers spend the most on clothes, Bostonians spend the most on tobacco, Chicagoans spend the most on utilities and Washingtonians spend the most on entertainment — not counting admission to sessions of Congress, which is free.

The average San Franciscan, however, spent $744 on booze and $266 on books, out of an annual income of $70,237. The average resident of Los Angeles, by comparison, spent only $412 and $148 for the same items, out of an annual income of $53,514.

That means a San Franciscan spent 1.1 percent of his money on booze. An Angeleno spent only 0.77 percent.

North Beach barkeep Ed Moore, proprietor of Moose's,
Going global
Even in Europe

- Different tastes
  - Product types
  - Product look, smell, etc.
  - Product names

- Different retailers & practices

Wal-Mart withdraws from Germany, 2006
  - Bested by domestic chains
  - Lost advantage of Sunday and long shopping hours
  - No brand name recognition
Uneasy in Asia

- Small shop tradition
  - India has only one large retailer
    - Reliance Industries Group
  - China’s shops have 90% of sales
    - China's top 100 retail chains account for only 10% of sales

- Regional differences
  - China’s regions: "There are thousands of uniquenesses," says Walmart official.
Lecture 13: Retail

I. Point of Sale
II. Store Location
III. • Behind the Storefront
IV. Landscapes of Desire
III. Behind the Storefront

A. •Chains

B. Distribution

C. Supply
Birth of chain stores

- Groceries (1910s-20s)
  - A&P, Kroger, Ralph’s, Safeway

- Gas Stations (1920s-30s)
  - All of them..

- Department Stores (1940s-50s)
  - Sears, Penney’s, Wards
Lords of the chains

- Fast Foods
  - McDonald’s, Burger King

- Clothing
  - Benetton, Next, Gap, etc.

- Big Box
  - K-Mart, Wal-Mart, Target, etc.
Advantages of chains

- Branding & advertising
  - See section III

- Management & finance
  - See lecture 16

- Distribution & supply
  - See below
Franchise chains

- Variation on model
  - Cars, hotels, fast foods
    - See *Fast Food Nation*

- Independent ownership
  - Licensed by major corp.
  - Corporate standards & directives
  - Personal management & risk

- Corporate distribution & supply
Chains of chains

- Mega-chains
  - Gap
    - Gap Kids, Old Navy, Banana Republic
  - Federated
    - Macy’s, Bloomingdale’s, May's, Marshall Field's and Filene’s
  - Safeway
    - Ralph’s, etc.

- Chain malls
  - Westfield Malls
III. Behind the Storefront

A. Chains

B. Distribution

C. Supply
Beyond the middleman

- Merchant wholesalers
  - Distribute to small retailers

- Chains as wholesalers
  - Vertical integration
  - Own warehouses
  - Own transport
Advantages of integration

- Internalized profits
- Rationalized flow
- Rationalized geography
III. Behind the Storefront

A. Chains

B. Distribution

C. Supply
Retail-led supply chains

- (Sub)Contract supply
  - Bulk discounts
  - Quality control
  - Own labels

- Retailers v. farmers & manufacturers
Geography of Supply

- Scales
  - Regional
    - Supermarkets, Fast-foods
  - National
    - Fast-foods, Supermarkets
  - Continental
    - Supermarkets, Big Box
  - Global
    - Clothing, Big Box, Supermarkets
Overall Wal-Mart system

- Mega-stores
- Cheap labor in stores
- Distribution efficiency
- Global suppliers
Catalogue & Internet

- No stores
  - Amazon, LL Bean etc

- Focus on distribution
  - Warehouses
  - FedEx, UPS, etc.

- Orchestrate supply chain
Lecture 13: Retail

I. Point of Sale
II. Store Location
III. Behind the Storefront
IV. Landscapes of Desire
IV. Landscapes of Desire

A. Economics of Demand

B. Spaces for Sale

C. Advertising & Branding
Personal Demand

- ≠ ‘inherent needs’
  - Non-satiety?

- Social nature of wants
  - Ideas & needs
  - Historical development
  - Collective habits

- Personal choice?
  - Within parameters
  - Ideology of choice
Industrial demand

- Abundance of things
  - Falling prices
  - New & useful things
- Affluence & ability to buy
  - Rising wages
  - Growing markets
- Evolution of ‘needs’
  - New uses
  - Fashion & the new
  - Keeping up with Joneses
Global demand

- Consuming the world
- Consumer for world
- National ideology
  - ‘world without limits’
- Excess demand
  - Trade deficit
  - Even when it stops making sense...
    - Personally, nationally & globally
Capitalist demand

- Manufacturers must sell products
- Retailers must clear shelves
  - A capitalist imperative
IV. Landscapes of Desire

A. Economics of Demand

B. Spaces for Sale

C. Advertising & Branding
Landscapes of allure

- Geography sells

Geography is a flavor.

Each growing region imparts a distinct flavor profile to the coffees grown there, a result of local climate, altitude and soil conditions.

Starbucks travels the world in search of the finest coffees from each region, then carefully roasts them to release their inherent qualities.
Store interiors

- Bounteous world of goods & glamour
Store fronts & malls

- Window shopping
- Hanging at the mall
Cityscapes

- Dream-worlds of abundance
- Walter Benjamin
- Free to shop...
- Liberty of consumer
IV. Landscapes of Desire

A. Economics of Demand

B. Spaces for Sale

C. Advertising & Branding
A world awash in ads

- Print, TV, roadside, etc.
  - Evolution of media
- Advertising industry
  - Madison Avenue
Brand names

- Product brands
  - c. 1900
    - E.g., Coca-Cola, Chevy, etc.
  - New media
    - National magazines
    - Radio & TV

- Corporate brands
  - > WW2, esp. > 1980
    - E.g., Chevron, Del Monte
  - Corp > product brand
    - E.g. ‘Virgin’, ‘Apple’
What difference?

- Technologies of desire
- Are we dupes?
Consumer habits

- Consumer attachment
  - Getting to kids

- Building brand allegiance
  - Customer care

- Fine-tuning demand
  - Ideology of choice
  - Sense of worldly command
Getting into your head

- Home selling & social networks
  - Tupperware parties, Amway, etc.
- Tracking sales & tastes
  - ‘Cookies’, ‘related goods’, etc.
- Consumer feedback & enthusiasts
  - Blogs & tweets