16 Retailing and Wholesaling

LEARNING OBJECTIVES

After reading this chapter you should be able to:

LO 16-1	Identify retailers in terms of the utilities they provide.
LO 16-2	Explain the alternative ways to classify retail outlets.
LO 16-3	Describe the many methods of nonstore retailing.
LO 16-4	Classify retailers in terms of the retail positioning matrix, and specify retailing mix actions.
LO 16-5	Explain changes in retailing with the wheel of retailing and the retail life-cycle concepts.
LO 16-6	Describe the types of firms that perform wholesaling activities and their functions.

Shoppers Are Wearing the Future of Retailing!

What will retailing look like in the future? What may be the most influential change taking place for retailers today? Don't look now but the answer is: you are wearing it!

Wearable technology has the potential to completely change the way we shop, and just as importantly, the way retailers sell. You may already own some of the early forms of wearable technology, such as the wristbands that track your activity. More recently, new products such as smartwatches and connected glasses have added many new capabilities. How will these technologies change retailing?

For consumers, wearable technology has the potential to create an enhanced customer experience. Smartwatches can provide information about deals, locations of products, and faster checkout. Target and Kohl's, for example, send messages about special offers to Apple Watch wearers who are near their stores. Once shoppers are in the store their smartphone app will direct them toward sale items and alert them when they are near a selected product. Marsh Supermarkets use the List Ease shopping app developed by mobile marketing company InMarket to guide shoppers to groceries on their list. "Think of it as a list on your wrist," explains InMarket's Dave Heinzinger. Similarly, Apple Watch users who "like" a recipe on cooking app Epicurious will be directed to the ingredients needed to make the meal!

Smartphones will also change the checkout experience for shoppers. Valpak has created an app to provide Apple Watch wearers access to coupons for stores within a 25-mile radius of their location. Similarly, loyalty card apps will eliminate the need to carry, and find, the cards as they will store the barcodes and provide them for display when needed. Even more dramatic is the growing use of near field communication (NFC) products such as Apple Pay and Google Wallet, which permit consumers to pay by holding a device near a payment terminal. In the case of an Apple Watch wearer, simply moving the watch near the scanner will initiate a payment from the shopper's credit card.

Retailers will benefit also. Connected glasses, such as Google Glass, resemble a pair of eyeglasses with a small display screen visible to the wearer. Image and voice recognition capabilities allow relevant information to be displayed on the screen. While consumers have been slow to adopt the glasses because of their appearance, enterprise applications have been much more successful. Retail clerks, salespeople, and technicians use the glasses to check manuals for technical information, verify stock inventories, place orders, or even check out customers from anywhere in the store.

VIDEO 16-1

Apple Watch

kerin.tv/13e/v16-1

In the near future smart contact lenses will be available to consumers and retailers. The lenses will have the potential to create an *augmented* reality that overlays the physical, real-world environment with stored images or graphics. For example, customers could see how a new piece of furniture would look in their apartment or if the color of a pair of shoes matches clothes at home in their closet.[1]

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Source: Virgin Airlines

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These are just a few examples of the many exciting changes occurring in retailing today. This chapter examines the critical role of retailing in the marketplace and the challenging decisions retailers face as they strive to create value for customers.

What types of products will consumers buy through catalogs, television, the Internet, or by telephone? In what type of store will consumers look for products they don't buy directly? How important is the location of the store? Will customers expect services such as alterations, delivery, installation, or repair? What price should be charged for each product? These are difficult and important questions that are an integral part of retailing. In the channel of distribution, retailing is where the customer meets the product. It is through retailing that exchange (a central aspect of marketing) occurs. **Retailing** includes all activities involved in selling, renting, and providing products and services to ultimate consumers for personal, family, or household use.

THE VALUE OF RETAILING

LO 16-1

Identify retailers in terms of the utilities they provide.

Retailing is an important marketing activity. Not only do producers and consumers meet through retailing actions, but retailing also creates customer value and has a significant impact on the economy. To consumers, the value of retailing is in the form of utilities provided (see **Figure 16–1**). Retailing's economic value is represented by the people employed in retailing as well as by the total amount of money exchanged in retail sales (see **Figure 16–2**).

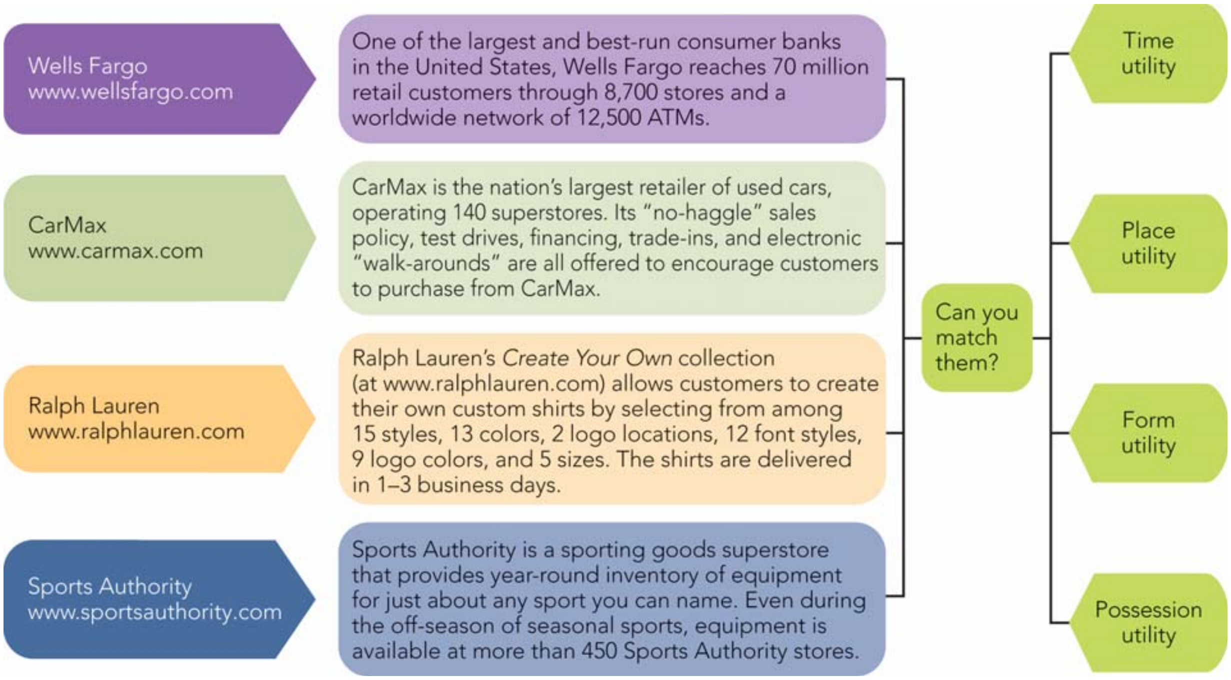

Figure 16–1 Which retailer best provides which utilities?

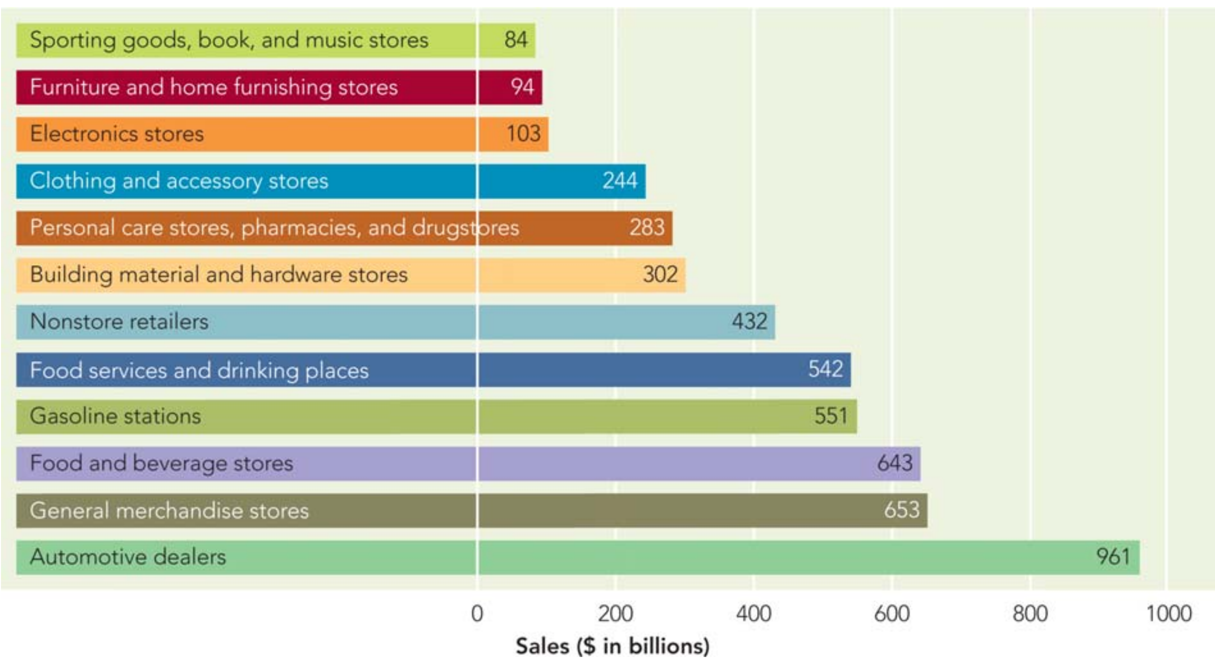

Figure 16–2 Are you surprised by the relative sales of different types of retailers?

Consumer Utilities Offered by Retailing

The utilities provided by retailers create value for consumers. Time, place, form, and possession utilities are offered by most retailers in varying degrees, but one utility is often emphasized more than others. Look at **Figure 16–1** to see how well you can match the retailer with the utility being emphasized in the description.

VIDEO 16-2

CarMax

kerin.tv/13e/v16-2

Providing mini banks in supermarkets, as Wells Fargo does, puts the bank's products and services close to the consumer, providing place utility. By providing financing or leasing and taking used cars as trade-ins, CarMax makes the purchase easier and provides possession utility. Form utility—production or alteration of a product—is offered by Ralph Lauren through its online *Create Your Own* program, which offers shirts that meet each customer's specifications. Finding the right sporting equipment during the off-season is the time utility provided by Sports Authority. Many retailers offer a combination of the four basic utilities. Some supermarkets, for example, offer convenient locations (place utility); are open 24 hours a day (time utility); customize purchases in the bakery, deli, and florist (form utility); and allow several payment and credit options (possession utility).

The Global Economic Impact of Retailing

Tesco is one of the largest retailers outside the United States.
© *Keenretail/Alamy*

Retailing is important to the U.S. and global economies. Four of the 40 largest businesses in the United States are retailers (Walmart, Costco, Home Depot, and Target). Walmart's $485 billion in annual sales in 2014 surpassed the gross domestic product of all but 38 countries for that same year. Walmart, Costco, Home Depot, and Target together have more than 3 million employees—more than the combined populations of Jacksonville, Florida; Austin, Texas; and San Jose, California.[2] **Figure 16–2** shows that many types of retailers, including food stores, automobile dealers, and general merchandise outlets, are also significant contributors to the U.S. economy.[3]

Outside the United States large retailers include Aeon in Japan, Carrefour in France, Metro Group in Germany, and Tesco in Britain.[4] In emerging economies such as China and Mexico, a combination of local and global retailers is evolving. Walmart, for example, has more than 6,300 stores outside the United States, including stores in Argentina, Brazil, China, India, Japan, Mexico, and the United Kingdom. Despite the presence of these large retailers, however, most international markets are dominated by local retailers.[5]

learning review

16-1. When Ralph Lauren makes shirts to a customer's exact preferences, what utility is provided?

16-2. Two measures of the impact of retailing in the global economy are ________________ and _________________.

CLASSIFYING RETAIL OUTLETS

LO 16-2

Explain the alternative ways to classify retail outlets.

For manufacturers, consumers, and the economy, retailing is an important component of marketing that has several variations. Because of the large number of alternative forms of retailing, it is easier to understand the differences among retail institutions by recognizing that outlets can be classified in several ways. First, **form of ownership** distinguishes retail outlets based on whether independent retailers, corporate chains, or contractual systems own the outlet. Second, **level of service** is used to describe the degree of service provided to the customer. Three levels of service are provided by self-, limited-, and full-service retailers. Finally, the type of **merchandise line** describes how many different types of products a store carries and in what assortment. The alternative types of outlets are discussed in greater detail in the following pages. For many consumers today, retail outlets are also evaluated in terms of their environmentally friendly, or green, activities, in addition to their level of service and merchandise line. The Making Responsible Decisions box gives examples of the green activities of several retailers.[6]

Making **Responsible Decisions** Sustainability

How Green Is Your Retailer? The Rankings Are Out!

In a recent Nielsen survey of consumers from 60 countries, 55 percent of the respondents said they are willing to pay more for products and services provided by companies that are committed to positive social and environmental impact. In response, many retailers are “going green” and developing comprehensive and sophisticated business practices that reflect a new focus on social and environmental responsibility. The trend has become so important that *Newsweek* evaluates eight indicators of environmental performance to provide annual “green rankings” of large companies.

Source: Newsweek, LLC

The U.S. Green Retail Association offers guidance for retailers who are getting started at implementing new practices, and also provides a third-party certification that recognizes a commitment to “green” values. Some practices are intuitive and simple, such as encouraging the use of reusable shopping bags, installing LED lighting, and using nontoxic cleaning products. Many retailers are even using recyclable materials for credit and gift cards, rather than plastic. Other practices, such as reducing CO_2 emissions with economical delivery vehicles, using rainwater for landscape maintenance, or finding alternative uses for landfill waste require a larger effort. Very often, however, these environmental initiatives also have financial benefits. When

Home Depot switched light displays to CFL and LED light bulbs, painted the roofs of stores white, and installed solar panels, it reduced its energy use by 20 percent.

Shopping malls are adopting the practices also. In Syracuse, New York, for example, Destiny USA mall implemented water harvesting, air quality protection, landfill reclamation, and energy conservation practices to become the largest LEED (Leadership in Energy and Environmental Design) certified retail building in the world. Similarly, Walgreens became the first retailer to construct a Net Zero Energy store by using solar panels, wind turbines, daylight harvesting, and energy efficient building materials.

Do sustainability practices such as these influence your purchase decisions? If the answer is yes, you may want to review the green rankings at **http://www.newsweek.com/search/site/green**. Are your favorite retailers "green"?

Form of Ownership

There are three general forms of retail ownership—independent retailer, corporate chain, and contractual systems.

Independent Retailer

One of the most common forms of retail ownership is the independent business owned by an individual. Independent retailers account for most of the 1.1 million retail establishments in the United States and include hardware stores, convenience stores, clothing stores, and computer and software stores. In addition, there are 26,700 jewelry stores, 18,500 florists, and 22,100 sporting goods and hobby stores. For the independent retailer, the advantage of this form of ownership is simple: The owner is the boss. For customers, the independent store can offer convenience, personal service, and lifestyle compatibility.[7]

Corporate Chain

© R Heyes Design/Alamy

A second form of ownership, the corporate chain, involves multiple outlets under common ownership. Macy's, Inc., for example, operates 773 Macy's department stores in 45 states. Macy's also owns 37 Bloomingdale's, which compete with other chain stores such as Saks Fifth Avenue and Neiman Marcus. Finally, Macy's recently acquired Bluemercury, which includes 62 specialty beauty and spa services stores.

In a chain operation, centralization in decision making and purchasing is common. Chain stores have advantages in dealing with manufacturers, particularly as the size of the chain grows. A large chain can bargain with a manufacturer to obtain good service or volume discounts on orders. Target's large volume makes it a strong negotiator with manufacturers of most products. For consumers, the buying power of chains translates into lower prices compared with other types of stores. Consumers also benefit in dealing with chains because there are multiple outlets with similar merchandise and consistent management policies.

Retailing has become a high-tech business for many large chains. Walmart, for example, has developed a sophisticated inventory management and cost control system that allows rapid price changes for each product in every store. In addition, stores such as Walmart and Target are implementing pioneering new technologies such as radio frequency identification (RFID) tags to improve the quality of information available about products.

Contractual Systems

Contractual systems involve independently owned stores that band together to act like a chain. Recall that in **Chapter 15**, we discussed three kinds of contractual vertical marketing systems: retailer-sponsored cooperatives, wholesaler-sponsored voluntary chains, and franchises (see **Figure 15–6**). One retailer-sponsored cooperative is Associated Grocers, which consists of neighborhood grocers that all agree with several other independent grocers to buy their goods directly from food manufacturers. In this way, members can take advantage of volume discounts commonly available to chains and also give the impression of being a large chain, which may be viewed more favorably by some consumers. Wholesaler-sponsored voluntary chains such as Independent Grocers Alliance (IGA) try to achieve similar benefits.

In a franchise system, an individual or firm (the franchisee) contracts with a parent company (the franchisor) to set up a business or retail outlet. The franchisor usually assists in selecting the location, setting up the store or facility, advertising, and training personnel. The franchisee usually pays a one-time franchise fee and an annual royalty, usually tied to the franchise's sales. There are two general types of franchises: *business-format franchises*, such as McDonald's, 7-Eleven, Subway, and Anytime Fitness and *product-distribution franchises*, such as a Ford dealership or a Coca-Cola distributor. In business-format franchising, the franchisor provides step-by-step procedures for most aspects of the business and guidelines for the most likely decisions a franchisee will face. In product-distribution franchising, the franchisor provides a few general guidelines and the franchisee is much more independent.

Anytime Fitness is a popular business-format franchisor.
© Roberto Herrett/Alamy

Franchising is attractive because it offers an opportunity for people to enter a well-known, established business for which managerial advice is provided. Also, the franchise fee may be less than the cost of setting up an independent business. The International Franchise Association recently estimated that there are 769,782 franchised businesses in the United States, which generate $845 billion in annual sales and employ more than 8.5 million people. Franchising is popular in international markets also: More than half of all U.S. franchisors have operations in other countries. What is one of the fastest-growing franchises? Subway now has 42,227 locations, including 15,610 stores outside the United States.[8]

Franchise fees paid to the franchisor can range from $15,000 for a Subway franchise to $45,000 for a McDonald's restaurant franchise. When the fees are combined with other costs such as real estate and equipment, however, the total investment can be much higher. Franchisees also pay an ongoing royalty fee that ranges from 5 percent for a Papa John's pizza franchise to 30 percent for an H&R Block tax preparation franchise. **Figure 16–3** shows the top five franchises, as rated by *Entrepreneur* magazine, based on factors such as size, financial strength, stability, years in business, and costs. By selling franchises, an organization reduces the cost of expansion but loses some control. A good franchisor, however, will maintain strong control of the outlets in terms of delivery and presentation of merchandise and try to enhance recognition of the franchise name.[9]

***

Franchise	Type of Business	Total Start-up Cost	Number of Franchises
Hampton Hotels	Hotels	$4,000,000 –$14,000,000	1,964
Anytime Fitness	Fitness centers	$79,000–$371,000	2,839
Subway	Sandwiches	$117,000–$263,000	42,227
Jack in the Box	Hamburgers	$1,000,000–$2,000,000	2,251
Supercuts	Hair salons	$114,000–$243,000	2,469

***

Figure 16–3 The top five franchises in the United States vary from hotels to hair salons.

Level of Service

Although most customers have little reason to notice form of ownership differences among retailers, they are typically aware of differences in terms of level of service. In some department stores, such as Loehmann's, very few services are provided. Some grocery stores, such as the Cub Foods chain, encourage customers to bag their groceries themselves. In contrast, outlets such as Neiman Marcus provide a wide range of customer services, from gift wrapping to wardrobe consultation.

Self-Service

Redbox provides a service without clerks.
© Ross Dettman/AP Images

Self-service requires that customers perform many functions during the purchase process. Warehouse clubs such as Costco, for example, are usually self-service, with all nonessential customer services eliminated. Many gas stations, supermarkets, and airlines today also have self-service lanes and terminals. Video retailer Redbox has 35,000 kiosks throughout the United States—and operates without a single clerk. New forms of self-service are being developed at convenience stores, fast-food restaurants, and even coffee shops! Shop24 offers self-service, automated convenience stores in more than 200 international locations and is expanding into the college and university market. At Zipcar you sign up, receive a Zipcard, book online, walk to a car, scan your card across a reader on the windshield to open the doors, and drive away! In general, the trend is toward retailing experiences that make customers co-creators of the value they receive. A recent survey showed that airline terminals with automated kiosks reduce the wait time for travelers by 22 percent.[10]

Limited Service

Limited-service outlets provide some services, such as credit and merchandise return, but not others, such as clothing alterations. General merchandise stores such as Walmart, Kmart, and Target are usually considered limited service outlets. Customers are responsible for most shopping activities, although salespeople are available in departments such as consumer electronics, jewelry, and lawn and garden.

Full Service

Full-service retailers, which include most specialty stores and department stores, provide many services to their customers. Neiman Marcus, Nordstrom, and Saks Fifth Avenue, for example, all rely on better service to sell more distinctive, higher-margin goods and to retain their customers. Nordstrom offers a wide variety of services, including on-site alterations and tailoring; free exchanges and easy returns; gift cards; credit cards through Nordstrom Bank; a 7-days-a-week customer service line; a live chat line with beauty, design, and wedding specialists; online shopping with in-store pickup; catalogs; and a four-level loyalty program called Nordstrom Rewards. During the next few years the company plans to spend $4.3 billion on additional services and improvements such as an in-store return capability for online purchases, personalized offers to rewards program members, and “smart” fitting rooms.[11]

Type of Merchandise Line

Retail outlets also vary by their merchandise lines, the key distinction being the breadth and depth of the items offered to customers (see **Figure 16–4**). **Depth of product line** means the store carries a large assortment of each item, such as a shoe store that offers running shoes, dress shoes, and children's shoes. **Breadth of product line** refers to the variety of different items a store carries, such as appliances and books.

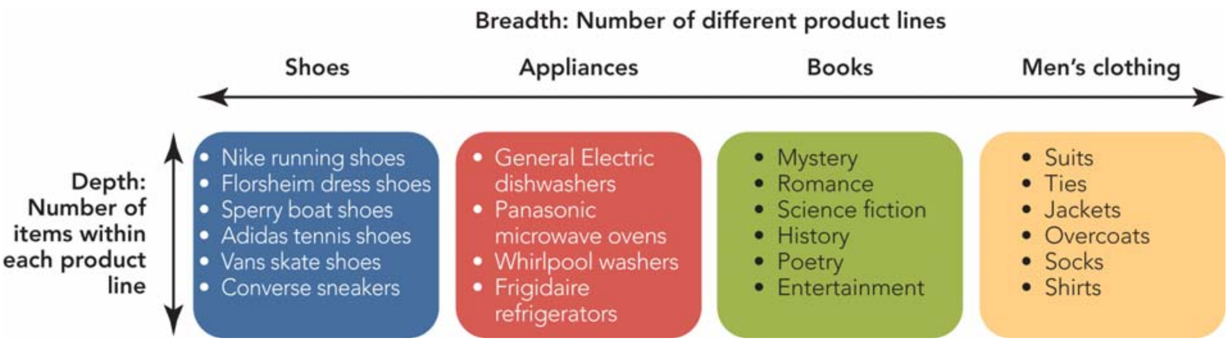

Figure 16–4 Stores vary in terms of the breadth and depth of their merchandise lines.

Depth of Line

Stores that carry a considerable assortment (depth) of a related line of items are limited-line stores. Sports Authority sporting goods stores carry considerable depth in sports equipment ranging from weight-lifting accessories to running shoes. Stores that carry tremendous depth in one primary line of merchandise are single-line stores. Victoria's Secret, a nationwide chain, carries great depth in women's lingerie. Both limited- and single-line stores are often referred to as *specialty outlets*.

Staples is the category killer in office supplies because it dominates the market in that category.

© McGraw-Hill Education/Editorial Image, LLC, photographer

Specialty discount outlets focus on one type of product, such as electronics (Best Buy), office supplies (Staples), or books (Barnes & Noble), at very competitive prices. These outlets are referred to in the trade as *category killers* because they often dominate the market. Best Buy, for example, is the largest consumer electronics retailer with more than 1,650 stores, Staples operates more than 1,900 office supply stores, and Barnes & Noble is the largest book retailer. Interesting trends in this form of retailing include a shift to smaller stores, such as Best Buy Mobile stores, and the use of price matching to compete with online retailers.[12]

Breadth of Line

Stores that carry a broad product line, with limited depth, are referred to as *general merchandise stores*. For example, large department stores such as Dillard's, Macy's, and Neiman Marcus carry a wide range of different types of products but not unusual sizes. The breadth and depth of merchandise lines are important decisions for a retailer. Traditionally, outlets carried related lines of goods. Today, however, **scrambled merchandising**, offering several unrelated product lines in a single store, is common. For example, the modern drugstore carries food, camera equipment, magazines, paper products, toys, small hardware items, and pharmaceuticals. Supermarkets sell flowers and videos and print photos, in addition to selling groceries.

A form of scrambled merchandising, the **hypermarket**, has been successful in Europe. Hypermarkets are large stores (often more than 200,000 square feet) based on a simple concept: Offer "everything under one roof," thus eliminating the need to stop at more than one location. These stores provide variety, quality, and low prices for groceries and general merchandise items. Carrefour, one of the largest retailers in this category, has 1,459 hypermarkets, including 237 in France, 489 in the rest of Europe, 291 in Latin America, and 375 in Asia. The growth of hypermarkets may be slowing in Europe, however, as consumers' interest in smaller stores and convenient locations has increased. In response, retailers have been cutting prices on food to attract customers and lure them away from competitors. Despite its declining popularity in some parts of the world, the original hypermarket concept is still growing in popularity in many countries; in China, for example, Carrefour, Tesco, and Walmart are expanding the number of stores they operate.[13]

VIDEO 16-3

Walmart

kerin.tv/13e/v16-3

In the United States, retailers have discovered that shoppers are uncomfortable with the huge size of hypermarkets. In response, they have developed a variation of the hypermarket called the *supercenter*, which combines a typical merchandise store with a full-size grocery store. Walmart, Kmart, and Target now use this concept at 3,427 Walmart Supercenters, 11 Kmart Supercenters, and more than 249 SuperTarget stores. Due to the increasing popularity of online retailers, however, the large size of these supercenters is no longer a certain advantage; Amazon.com, for example, is able to offer an even larger selection than these huge stores. Also, due to modern supply chain management techniques, smaller retailers are now able to keep shelves stocked without a lot of inventory. As customer interest shifts, retailers are modifying the supercenter concept to accommodate consumers' interest in smaller, more convenient stores. Walmart, for example, is expanding the number of its grocery stores, Walmart Neighborhood Markets. **Figure 16–5** shows the differences between the supercenter and hypermarket concepts.[14]

	Hypermarket	Supercenter
Region of Popularity	Europe	United States
Average size	90,000–300,000 sq. ft.	100,000–215,000 sq. ft.
Number of products	20,000–80,000	35,000
Annual revenue	$100,000,000 per store	$60,000,000 per store

Figure 16–5 Hypermarkets are popular in Europe, and supercenters are popular in the United States.

Scrambled merchandising is convenient for consumers because it eliminates the number of stops required in a shopping trip. However, for the retailer this merchandising policy means there is competition between very dissimilar types of retail outlets, or **intertype competition**. A local bakery may compete with a department store, discount outlet, or even a local gas station. Scrambled merchandising and intertype competition make it more difficult to be a retailer.

learning review

16-3. Centralized decision making and purchasing are an advantage of _______________ ownership.

16-4. What are some examples of new forms of self-service retailers?

16-5. A shop for big men's clothes carries pants in sizes 40 to 60. Would this be considered a broad or a deep product line?

NONSTORE RETAILING

LO 16-3

Describe the many methods of nonstore retailing.

Most of the retailing examples discussed thus far in the chapter, such as corporate chains, department stores, and limited- and single-line specialty stores, involve store retailing. Many retailing activities today, however, are not limited to sales in a store. Nonstore retailing occurs outside a retail outlet through activities that involve varying levels of customer and retailer involvement. **Figure 16–6** shows six forms of nonstore retailing: automatic vending, direct mail and catalogs, television home shopping, online retailing, telemarketing, and direct selling.

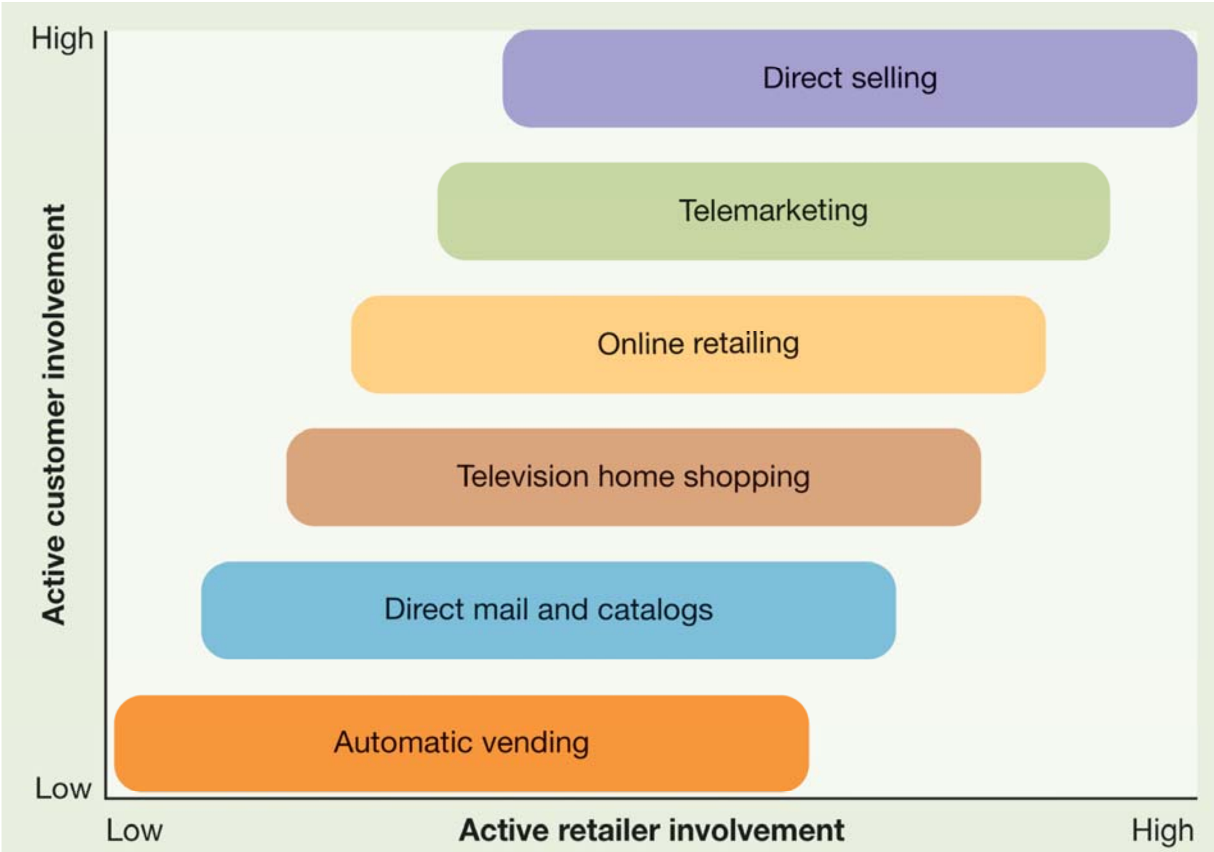

Figure 16–6 Many retailing activities do not involve a store. How many forms of nonstore retailing have you used?

Automatic Vending

Nonstore retailing includes vending machines, or *v-commerce*, which make it possible to serve customers when and where stores cannot. Machine maintenance, operating costs, and location leases can add to the cost of the products, so prices in vending machines are often higher than those in stores. About 34 percent of the products sold from vending machines are cold beverages, another 28 percent are candy and snacks, and 7 percent are food. Many new types of products are quickly becoming available in vending machines. Best Buy now uses vending machines to sell mobile phone and computer accessories, digital cameras, flash drives, and other consumer electronics products in airports, hospitals, and businesses. Similarly, HealthyYou Vending manufactures machines designed to distribute healthy drinks, snacks, and entrées in offices, health clubs, hospitals, schools, and colleges. The 4.8 million vending machines currently in use in the United States generate more than $19.5 billion in annual sales.[15]

Vending machines offer a variety of products. Which types of products are most common in a vending machine? For the answer, see the text.
Source: HealthyYOU® Vending

Improved technology is making vending easier to use. Many vending machines now have touchscreens and credit card readers. In addition, some vending machine companies are testing wireless technology to allow consumers to make vending machine purchases using their mobile phones. Wireless technology is also being used by companies to monitor sales; this information is used to schedule trips to restock machines when items are sold out. Another improvement in vending machines is the trend toward "green" machines, which consume less energy by using more efficient compressors, more efficient lighting, and better insulation. Vending machines are popular with consumers; recent consumer satisfaction research indicates that 82 percent of consumers believe purchasing from a vending machine is equal to or superior to a store purchase. For today's consumers, vending machines represent an extension of brands that are already available in stores, through catalogs, and online.[16]

Direct Mail and Catalogs

VIDEO 16-4

IKEA

kerin.tv/13e/v16-4

Direct-mail and catalog retailing has been called "the store that comes to the door." It is attractive for several reasons. First, it can eliminate the cost of a store and clerks. Dell, for example, is one of the largest computer and information technology retailers, and it does not have any stores. Second, direct mail and catalogs improve marketing efficiency through segmentation and targeting, and they create customer value by providing a fast and convenient means of making a purchase. Finally, many catalogs now serve as a tool to encourage consumers to visit a website, a social media page, or even a store. Online retailers such as Zappos, Amazon, and eBay, for example, now offer catalogs. The average U.S. household today receives 24 direct-mail items or catalogs each week. The Direct Marketing Association estimates that direct-mail and catalog retailing creates $642 billion in sales. Direct-mail and catalog retailing is popular outside the United States, also. Furniture retailer IKEA delivered 217 million copies of its catalog in 32 languages last year.[17]

Specialty catalogs appeal to market niches. They create value by providing a fast and convenient way to shop.
Sources: Left: Inter IKEA Systems B.V.; Middle: Crate and Barrel; Right: L.L.Bean Inc.

Several factors have had an impact on direct-mail and catalog retailing in recent years. The influence of large retailers such as IKEA, Crate and Barrel, L.L.Bean, and others has been positive as their marketing activities have increased the number and variety of products consumers purchase through direct mail and catalogs. Higher paper costs and increases in postage rates, the growing interest in do-not-mail legislation, the concern for “green” mailings and catalogs, and the possibility of the U.S. Postal Service reducing delivery to five days, however, have caused direct-mail and catalog retailers to search for ways to provide additional customer value. One approach has been to focus on proven customers rather than prospective customers. Some merchants, such as Williams-Sonoma, reduce mailings to zip codes that have not been profitable. Another successful approach used by many catalog retailers is to send specialty catalogs to market niches identified in their databases. L.L.Bean, for example, has developed an individual catalog for fly-fishing enthusiasts.[18]

New, creative forms of direct-mail and catalog retailing are also being developed. For example, retailers are creating digital versions of catalogs, which can be accessed through catalog-aggregating apps such as Google Catalogs. In the future, you will also see merchants using direct mail and catalogs to direct customers to personalized URLs (PURLs), such as **www.JohnSmith.offer.com**, which are web pages preloaded with information and offerings specific to an individual.[19]

Television Home Shopping

Television home shopping is possible when consumers watch a shopping channel on which products are displayed; orders are then placed over the telephone or the Internet. Currently, the three largest programs are QVC, HSN, and ShopNBC. QVC ("quality, value, convenience") broadcasts live 24 hours each day, 364 days a year, and reaches 198 million cable and satellite homes in the United States, United Kingdom, Germany, Japan, and Italy. The company generates sales of $8.8 billion from its 60 million customers by offering more than 1,000 products each week. The television home shopping channels offer apparel, jewelry, cooking, home improvement products, electronics, toys, and even food. Of all these products, the best-selling item ever was a Dell personal computer.[20]

In the past, television home shopping programs attracted mostly 40- to 60-year-old women. To attract a younger audience, QVC has invited celebrities onto the show. For example, Heidi Klum has been on the show promoting her jewelry collection, and Kim, Khloe, and Kourtney Kardashian have been hosts selling their apparel line. Singer Dolly Parton recently appeared on the show to sell her newest album. Broadcasting events such as the Red Carpet Style show at the Four Seasons Hotel in Beverly Hills also helps attract new customers. In addition, QVC supports its television program with retail stores, a website, mobile apps, text alerts, and online chats during programming. Similarly, Home

Television home shopping programs serve millions of customers each year. See the text to learn how they are attracting new customers.
© Rick Diamond/Getty Images for Webster PR

Shopping Network now offers a multiplatform shopping experience. Some experts suggest that television shopping programs are becoming a modern version of door-to-door retailing by combining elements of reality TV programs, talk shows, and infomercials.[21]

Online Retailing

Online retailing allows consumers to search for, evaluate, and order products through the Internet. For many consumers, the advantages of this form of retailing are the 24-hour access, the ability to comparison shop, in-home privacy, and variety. Early studies of online shoppers indicated that men were initially more likely than women to buy something online. As the number of online households has increased, however, the profile of online shoppers has changed to include all shoppers.

Shopping "bots" like mysimon.com find the best prices for products specified by consumers. Read the text to learn more!
Source: CBS Interactive Inc.

Today, traditional and online retailers—"bricks and clicks"—are melding, using experiences from both approaches to create better value and experiences for customers. For example, Walmart (**www.walmart.com**) offers its Site-to-Store service that allows customers to place an order online and pick it up at a Walmart store. In addition, Walmart now offers its HomeFree option, which provides free shipping to customers' homes when they order $50 or more of selected items. The Walmart Mobile app allows shoppers to order products using their smartphones and tablets. Two of the biggest days for online retailing are the Friday after Thanksgiving—Black Friday—and the Monday after Thanksgiving—Cyber Monday—which generated $2.4 billion and $2.6 billion in online sales, respectively. Online sales account for approximately 6.5 percent of all retail sales and are expected to reach $500 billion in 2018.[22]

Online retail purchases can be the result of several very different approaches. First, consumers can pay dues to become a member of an online discount service such as **www.netmarket.com**. The service offers thousands of products and hundreds of brand names at very low prices to its subscribers. Another approach to online retailing is to use a shopping "bot" such as **www.mysimon.com**. This site searches the Internet for a product specified by the consumer and provides a report listing retailers with the best prices. Consumers can also use the Internet to go directly to online malls (**www.fashionmall.com**), apparel retailers (**www.gap.com**), bookstores (**www.amazon.com**), computer manufacturers (**www.dell.com**), grocery stores (**www.peapod.com**), music and video stores (**www.tower.com**), and travel agencies (**www.travelocity.com**). Another approach is the online auction such as **www.ebay.com**, where 157 million buyers and 25 million sellers trade "practically anything."[23] A final approach to online retailing is "flash sales" at sites such as **www.gilt.com** and **www.hautelook.com** which will send you text messages announcing limited-time offers at big discounts.[24]

One of the biggest problems online retailers face is that nearly two-thirds of online shoppers make it to "checkout" and then leave the website to compare shipping costs and prices on other sites. Of the shoppers who leave, 70 percent do not return. One way online retailers are addressing this issue is to offer consumers a comparison of competitors' offerings. At Allbookstores.com, for example, consumers can use a "comparison engine" to compare prices with Amazon.com, Barnesandnoble.com, and as many as 25 other bookstores. Experts suggest that online retailers should think of their websites as dynamic billboards if they are to attract and retain customers, and they should be easy to use, customizable, and facilitate interaction to enhance the online customer experience.[25] For example, BMW, Mercedes, and Jaguar encourage website visitors to "build" a vehicle by selecting interior and exterior colors, packages, and options; view the customized virtual car; and then use Facebook, Twitter, or e-mail to share the configuration.

Online retailing is also evolving to include social shopping options, including: *intermediaries*, such as Groupon and LivingSocial, that match consumers with merchants; *marketplaces*, such as Google Offer and Storenvy, that provide a self-service advertising site; and *aggregators*, such as Yipit, that crawl the Web to find deals to list on their own site. Many consumers also use online resources as price comparison sites that influence their offline shopping at local stores.[26]

Telemarketing

Another form of nonstore retailing, called **telemarketing** , involves using the telephone to interact with and sell directly to consumers. Compared with direct mail, telemarketing is often viewed as a more efficient means of targeting consumers. Insurance companies, brokerage firms, and newspapers have often used this form of retailing as a way to cut costs but still maintain access to their customers. According to the Direct Marketing Association, annual telemarketing sales exceed $332 billion.[27]

The telemarketing industry has recently gone through dramatic changes as a result of new legislation related to telephone solicitations. Issues such as consumer privacy, industry standards, and ethical guidelines have encouraged discussion among consumers, Congress, the Federal Trade Commission, and businesses. As a result, legislation created the National

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Do Not Call Registry (**www.donotcall.gov**) for consumers who do not want to receive telephone calls related to company sales efforts. Currently, there are more than 221 million phone numbers on the registry. Companies that use telemarketing have already adapted by adding compliance software to ensure that numbers on the list are not called.[28]

Direct Selling

McGraw-Hill Education, Mark A. Dierker, photographer

Direct selling, sometimes called door-to-door retailing, involves direct sales of products and services to consumers through personal interactions and demonstrations in their home or office. A variety of companies, including familiar names such as Avon, Fuller Brush, Mary Kay Cosmetics, and World Book, have created an industry with more than $31 billion in U.S. sales by providing consumers with personalized service and convenience. In the United States, there are more than 15 million direct salespeople working full time and part time in a variety of product categories, including wellness, home durables, and personal care.[29]

Growth in the direct-selling industry is the result of two trends. First, many direct-selling retailers are expanding into markets outside the United States. Avon, for example, has 6 million sales representatives in 80 countries. More than one-third of Amway's $11.8 billion in sales now comes from China and 90 percent comes from outside the United States. Similarly, other retailers such as Herbalife and Electrolux are rapidly expanding into new markets.[30] Direct selling is likely to continue to grow in markets where the lack of effective distribution channels increases the importance of door-to-door convenience and where the lack of consumer knowledge about products and brands increases the need for a person-to-person approach.

The second trend is the growing number of companies that are using direct selling to reach consumers who prefer one-on-one customer service and a social shopping experience rather than online shopping or big discount stores. The Direct Selling Association reports that the number of companies using direct selling is increasing. Pampered Chef, for example, has 60,000 independent sales reps who sell the company's products at in-home "Cooking Shows." Interest among potential sales representatives grew during the recent economic downturn as people sought independence and control of their work activities.[31]

learning review

16-6. Successful catalog retailers often send ________________ catalogs to ________________ markets identified in their databases.

16-7. How are retailers increasing consumer interest and involvement in online retailing?

16-8. Where are direct-selling retail sales growing? Why?

RETAILING STRATEGY

This section describes how a retailer develops and implements a retailing strategy. Research suggests that factors related to market and competitor characteristics may influence strategic choices and that the combination of choices is an important consideration for retailers.[32] **Figure 16–7** identifies the relationship between strategy, positioning, and the retailing mix.

Figure 16–7 Retailing strategy is related to store positioning and the retailing mix. Note the similarity between the retailing mix and the marketing mix.

Positioning a Retail Store

LO 16-4

Classify retailers in terms of the retail positioning matrix, and specify retailing mix actions.

The classification alternatives presented in the previous sections help determine one store's position relative to its competitors. The **retail positioning matrix** is a matrix developed by the MAC Group, Inc., a management consulting firm.[33] This matrix positions retail outlets on two dimensions: breadth of product line and value added. As defined previously, *breadth of product line* is the range of products sold through each outlet. The second dimension, *value added*, includes elements such as location (as with 7-Eleven stores), product reliability (as with Holiday Inn or McDonald's), or prestige (as with Saks Fifth Avenue or Brooks Brothers).

The retail positioning matrix in **Figure 16–8** shows four possible positions. An organization can be successful in any position, but unique strategies are required within each quadrant. Consider the four retailers shown in the matrix:

1. Bloomingdale's has high value added and a broad product line. Retailers in this quadrant pay great attention to store design and product lines. Merchandise often has a high margin of profit and is of high quality. The stores in this position typically provide high levels of service.

2.

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Walmart has low value added and a broad line. Walmart and similar firms typically trade a lower price for increased volume in sales. Retailers in this position focus on price with low service levels and an image of being a place for bargains.

3. Tiffany & Co. has high value added and a narrow line. Retailers of this type typically sell a very restricted range of products that are high in status and quality. Customers are also provided with high levels of service.
4. Payless ShoeSource has low value added and a narrow line. For example, it carries athletic shoes at a discount. Economies of scale are achieved through centralized advertising, merchandising, buying, and distribution. Stores are usually the same in design, layout, and merchandise; hence they are often referred to as “cookie-cutter” stores.

Figure 16–8 Positioning strategies for retailers are based on breadth of product line and value added.
Walmart: © Frederic J. Brown/AFP/Getty Images; Bloomingdale's: © Richard Levine/Alamy; Tiffany & Co: © Ethan Miller/Getty Images; Payless ShoeSource: © Philip Scalia/Alamy

Retailing Mix

In developing a retailing strategy, managers work with the **retailing mix** , which includes activities related to managing the store and the merchandise in the store. The retailing mix is similar to the marketing mix and includes retail pricing, store location, retail communication, and merchandise (see **Figure 16–7**).

Retail Pricing

In setting prices for merchandise, retailers must decide on the markup, markdown, and timing for markdowns. As mentioned in **Appendix B** (following **Chapter 14**), the *markup* refers to how much should be added to the cost the retailer paid for a product to reach the final selling price. Retailers decide on the *original markup*, but by the time the product is sold, they end up with a *maintained markup*. The original markup is the difference between retailer cost and initial selling price. When products do not sell as quickly as anticipated, their price is reduced. The difference between the final selling price and retailer cost is the maintained markup, which is also called the *gross margin*.

Discounting a product, or taking a *markdown*, occurs when the product does not sell at the original price and an adjustment is necessary. Often new models or styles force the price of existing models to be marked down. Discounts may also be used to increase demand for complementary products.[34] For example, retailers might take a markdown on the price of cake mix to generate frosting purchases.

The *timing* of a markdown can be important. Many retailers take a markdown as soon as sales fall off to free up valuable selling space and cash. However, other stores delay markdowns to discourage bargain hunters and maintain an image of quality. There is no clear answer, but retailers must consider how the timing might affect future sales. Research indicates that frequent promotions increase consumers' ability to remember regular prices.[35]

© Ian Dagnall/Alamy

Although most retailers plan markdowns, many retailers use price discounts as part of their regular merchandising policy. Walmart and Home Depot, for example, emphasize consistently low prices and eliminate most markdowns with a strategy often called *everyday low pricing* (EDLP).[36] Because consumers often use price as an indicator of product quality, however, the brand name of the product and the image of the store become important decision factors in these situations.[37] Another strategy, *everyday fair pricing*, is advocated by retailers that may not offer the lowest price but try to create value for customers through service and the total buying experience.[38] Consumers often use the prices of *benchmark* or *signpost* items, such as a can of Coke, to form an overall impression of a store's prices.[39] In addition, price is the most likely factor to influence consumers' assessment of merchandise value.[40] When store prices are based on rebates, retailers must be careful to avoid negative consumer perceptions if the rebate processing time is long (e.g., six weeks).[41]

A special issue for retailers trying to keep prices low is *shrinkage*, or breakage, theft, and fraud by customers and employees. The National Retail Federation estimates that the average retailer loses 1.4 percent of sales to shrinkage each year, totaling approximately $34 billion. Fraudulent returns alone account for close to $9 billion. About 44 percent of retail shrinkage is due to employee theft. Some retailers have noticed an increase in theft and fraud as economic conditions have declined. In general, the issue has increased retailers' interest in new technical and surveillance techniques designed to detect and reduce shrinkage.[42]

At off-price retail stores like T.J. Maxx, prices are low but selection may be unpredictable.
© Tim Boyle/Bloomberg via Getty Images

Off-price retailing is a retail pricing practice that is used by retailers such as T.J. Maxx, Burlington Coat Factory, and Ross Stores. **Off-price retailing** involves selling brand-name merchandise at lower than regular prices. The difference between the off-price retailer and a discount store is that off-price merchandise is bought by the retailer from manufacturers with excess inventory at prices below wholesale prices. The discounter, however, buys at full wholesale prices but takes less of a markup than traditional department stores. Because of this difference in the way merchandise is purchased by the retailer, selection at an off-price retailer is unpredictable, and searching for bargains has become a popular activity for many consumers. "It's more like a sport than it is like ordinary shopping," says Christopher Boring of Columbus, Ohio's Retail Planning Associates.[43] Savings to the consumer at off-price retailers are reportedly as high as 70 percent off the prices of a traditional department store.

There are several variations of off-price retailing. One is the *warehouse club*. These large stores (100,000 to 140,000 square feet) are rather stark outlets that typically lack elaborate displays, customer service, or home delivery. Warehouse clubs require an annual membership fee (ranging from $30 to $100) for the privilege of shopping there. While a typical Walmart stocks 30,000 to 60,000 items, warehouse clubs carry 4,000 to 8,000 items and usually stock just one brand of appliance or food product. Service is minimal, and customers usually pay by cash or check. Customers are attracted by the ultra-low prices and surprise deals on selected merchandise, although several of the clubs have recently started to add ancillary services such as optical shops and pharmacies to differentiate themselves from competitors. The major warehouse clubs in the United States include Walmart's Sam's Club, BJ's Wholesale Club, and Costco's Warehouse Club. Sales of these off-price retailers have grown to approximately $410 billion annually.[44]

Off 5th provides an outlet for excess merchandise from Saks Fifth Avenue.

© Paul Sakuma/AP Images

A second variation is the *outlet store*. Factory outlets, such as Van Heusen Factory Store, Bass Shoe Outlet, and Gap Factory Store, offer products for 25 to 75 percent off the suggested retail price. Manufacturers use the stores to clear excess merchandise and to reach consumers who focus on value shopping. Retail outlets such as Nordstrom Rack and Off 5th (an outlet for Saks Fifth Avenue) allow retailers to sell excess merchandise and still maintain an image of offering merchandise at full price in their primary store. Increasingly, retailers are offering merchandise made expressly for the outlet division. The recessionary economic climate has increased demand for this type of off-price retailing, and many retailers have responded by opening more outlet stores. For example, Bloomingdale's recently opened its first outlets. According to Michael Gould, Bloomingdale's CEO, "Outlets deliver a compelling combination of fashion, quality, and value."[45]

A third variation of off-price retailing is offered by *single-price*, or *extreme value*, *retailers* such as Family Dollar, Dollar General, and Dollar Tree. These stores average about 6,000 square feet in size and attract customers who want value and a "corner store" environment rather than a large supercenter experience. Some experts predict extraordinary growth of these types of retailers. Dollar General, for example, already has 11,800 stores in 43 states and plans to open more.[46]

Store Location

A second aspect of the retailing mix involves choosing a location and deciding how many stores to operate. Department stores, which started downtown in most cities, have followed customers to the suburbs, and in recent years more stores have been opened in large regional malls. Most stores today are near several others in one of five settings: the central business district, the regional center, the community shopping center, the strip mall, or the power center.

The **central business district** is the oldest retail setting, the community's downtown area. Until the regional outflow to suburbs, it was the major shopping area, but the suburban population has grown at the expense of the downtown shopping area. Consumers often view central business district shopping as less convenient because of lack of parking, higher crime rates, and exposure to the weather. Many cities such as Louisville, Denver, and San Antonio have implemented plans to revitalize shopping in central business districts by attracting new offices, entertainment, and residents to downtown locations.

© Stars and Stripes/Alamy

Regional shopping centers consist of 50 to 150 stores that typically attract customers who live or work within a 5- to 10-mile range. These large shopping areas often contain two or three *anchor stores*, which are well-known national or regional stores such as Sears, Saks Fifth Avenue, and Bloomingdale's. The largest variation of a regional center in North America is the West Edmonton Mall in Alberta, Canada. This shopping center is a conglomerate of more than 800 stores, the world's largest indoor amusement park, more than 100 restaurants, a movie complex, and two hotels, all of which attract 30 million visitors each year.[47]

A more limited approach to retail location is the **community shopping center**, which typically has one primary store (usually a department store branch) and often about 20 to 40 smaller outlets. Generally, these centers serve a population of consumers who are within a 10- to 20-minute drive.

Not every suburban store is located in a shopping mall. Many neighborhoods have clusters of stores, referred to as a **strip mall**, to serve people who are within a 5- to 10-minute drive. Gas station, hardware, laundry, grocery, and pharmacy outlets are commonly found in a strip mall. Unlike the larger shopping centers, the composition of these stores is usually unplanned. A variation of the strip mall is called the **power center**, which is a huge shopping strip with multiple anchor (or national) stores such as Home Depot, Best Buy, or JCPenney. Power centers combine the convenience of location provided by strip malls with the power of national stores. These large strip malls often have two to five anchor stores and contain a supermarket, which brings the shopper to the power center on a weekly basis.[48]

Retail Communication

A retailer's communication activities can play an important role in positioning a store and creating its image. While the typical elements of communication and promotion are discussed in **Chapter 18** on advertising, sales promotion, and public relations, **Chapter 19** on social media, and **Chapter 20** on personal selling, the message communicated by the many other elements of the retailing mix is also important.

Deciding on the image of a retail outlet is an important retailing mix factor that has been widely recognized and studied since the late 1950s. Pierre Martineau described image as "the way in which the store is defined in the shopper's mind," partly by its functional qualities and partly by an aura of psychological attributes.[49] In this definition, *functional* refers to mix elements such as price ranges, store layouts, and breadth and depth of merchandise lines. The psychological attributes are the intangibles such as a sense of belonging, excitement, style, or warmth. Image has been found to include impressions of the corporation that operates the store, the category or type of store, the product categories in the store, the brands in each category, merchandise and service quality, and the marketing activities of the store.[50]

Closely related to the concept of image is the store's atmosphere, or ambience. Many retailers believe that sales are affected by layout, color, lighting, music, scent,[51] and other elements of the retail environment. This concept leads many retailers to use **shopper marketing**—the use of displays, coupons, product samples, and other brand communications to influence shopping behavior in a store. Shopper marketing can also influence behavior in an online shopping environment and when shoppers use smartphone apps to identify shopping needs or make purchase decisions.[52] In creating the right image and atmosphere, a retail store tries to attract a target audience and fortify beliefs about the store, its products, and the shopping experience in the store. While store image perceptions can exist independently of shopping experiences, consumers' shopping experiences influence their perceptions of a store.[53] In addition, the physical surroundings of the retail environment influence a store's employees.[54]

Merchandise

The final element of the retailing mix is the merchandise offering. Managing the breadth and depth of the product line requires retail buyers who are familiar with both the needs of the target market and the alternative products available from the many manufacturers that might be interested in having a product available in the store. A popular approach to managing the assortment of merchandise today is called **category management**. This approach assigns a manager the responsibility for selecting all products that consumers in a market segment might view as substitutes for each other, with the objective of maximizing sales and profits in the category. For example, a category manager might be responsible for shoes in a department store or paper products in a grocery store. As such, he or she would consider trade deals, order costs, and the between-brand effects of price range changes to determine brand assortment, order quantities, and prices.[55]

Retailers have a variety of marketing metrics that can be used to assess the effectiveness of a store or retail format. First, there are measures related to customers such as the number of transactions per customer, the average transaction size per customer, the number of customers per day or per hour, and the average length of a store visit. Second, there are measures related to the stores and the products such as level of inventory, number of returns, inventory turnover, inventory carrying cost, and average number of items per transaction. Finally, there are financial measures, such as gross margin, sales per employee, return on sales, and markdown percentage.[56] The two most popular measures for retailers are *sales per square foot* and *same-store sales growth*. The Applying Marketing Metrics box describes the calculation of these measures for Apple Stores.[57]

Applying **Marketing Metrics**

Why Apple Stores May Be the Best in the United States!

How effective is my retail format compared to other stores? How are my stores performing this year compared to last year? Information related to these questions is often displayed in a marketing dashboard using two measures: (1) sales per square foot and (2) same-store sales growth.

Your Challenge

You have been assigned to evaluate the Apple Store retail format. The store's simple, inviting, and open atmosphere has been the topic of discussion among many retailers. To allow an assessment of Apple Stores, use *sales per square foot* as an indicator of how effectively retail space is used to generate revenue and *same-store sales growth* to compare the increase in sales of stores that have been open for the same period of time. The calculations for these two indicators are:

$$\text{Sales per square foot} = \frac{\text{Total sales}}{\text{Selling area in square feet}}$$

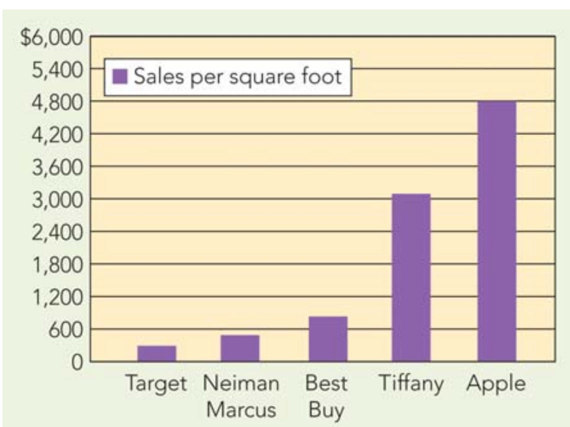
$$\text{Same-store sales growth} = \frac{\text{Store sales in year 2} - \text{Store sales in year 1}}{\text{Store sales in year 1}}$$

Your Findings

You decide to collect sales information for Target, Neiman Marcus, Best Buy, Tiffany, and Apple Stores to allow comparisons with other successful retailers. The information you collect allows the calculation of *sales per square foot* and *same-store growth* for each store. The results are then easy to compare in the graphs below.

Your Action

The results of your investigation indicate that Apple Stores' sales per square foot are higher than any of the comparison stores at $4,798. In addition, Apple's same-store growth rate of 22 percent is higher than all of the other retailers. You conclude that the elements of Apple's format are very effective and even indicate that Apple may currently be the best retailer in the United States.



learning review

16-9. What are the two dimensions of the retail positioning matrix?

16-10. How does original markup differ from maintained markup?

16-11. A huge shopping strip mall with multiple anchor stores is a(n) ________________ center.

THE CHANGING NATURE OF RETAILING

LO 16-5

Explain changes in retailing with the wheel of retailing and the retail life-cycle concepts.

Retailing is the most dynamic aspect of a channel of distribution. New types of retailers are always entering the market, searching for a new position that will attract customers. The reason for this continual change is explained by two concepts: the wheel of retailing and the retail life cycle.

The Wheel of Retailing

The **wheel of retailing** describes how new forms of retail outlets enter the market.[58] Usually they enter as low-status, low-margin stores such as a drive-in hamburger stand with no indoor seating and a limited menu (**Figure 16–9**, box 1). Gradually these outlets add fixtures and more embellishments to their stores (in-store seating, plants, and chicken sandwiches as well as hamburgers) to increase the attractiveness for customers. With these additions, prices and status rise (box 2). As time passes, these outlets add still more services and their prices and status increase even further (box 3). These retail outlets now face some new form of retail outlet that again appears as a low-status, low-margin operator (box 4), and the wheel of retailing turns as the cycle starts to repeat itself.

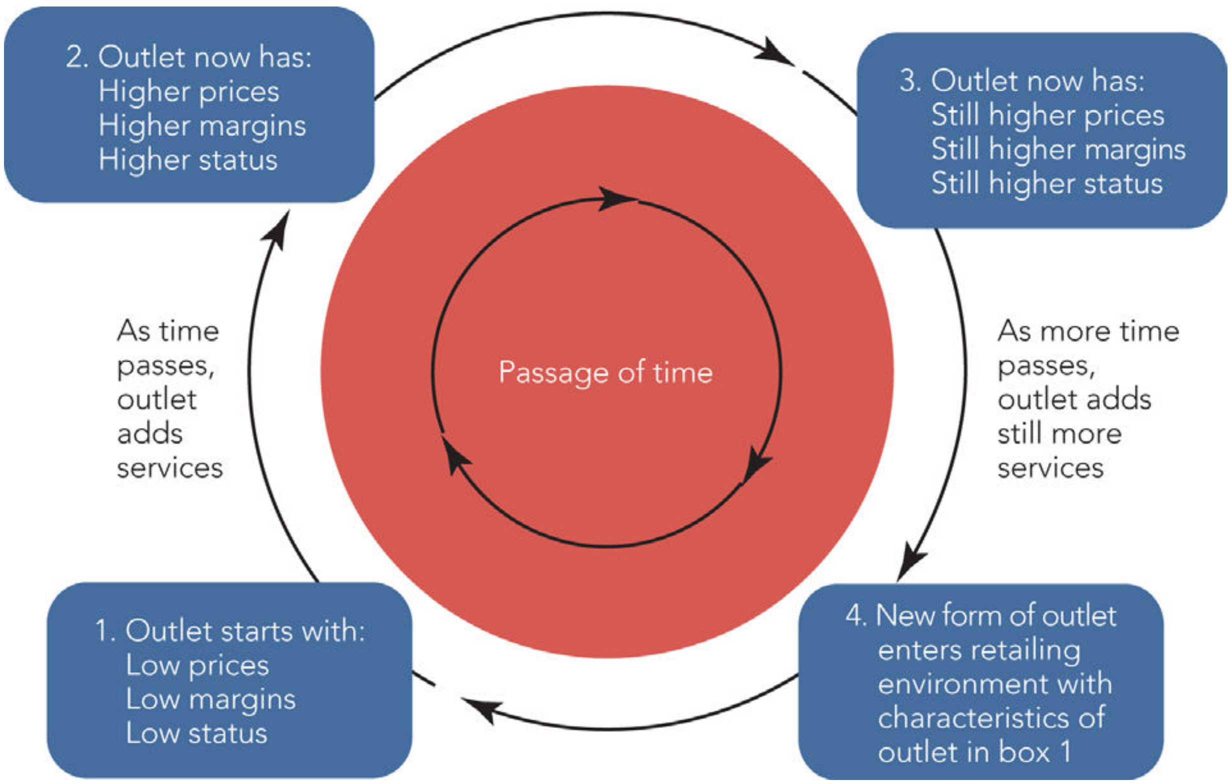


Figure 16–9 The wheel of retailing describes how retail outlets change over time. Read the text to find out the position of McDonald's and Checkers on the wheel of retailing.

VIDEO 16-5

McDonald's

kerin.tv/13e/v16-5

When Ray Kroc bought McDonald's in 1955, it opened shortly before lunch and closed just after dinner, and it offered a limited menu for the two meals without any inside seating for customers. Over time, the wheel of retailing has led to new products and services. In 1975, McDonald's introduced the Egg McMuffin and turned breakfast into a fast-food meal. Today, McDonald's offers an extensive menu, including oatmeal and premium coffee, and it provides seating and services such as wireless Internet connections and kid-friendly PlayPlaces. For the future, McDonald's is testing new food products including cakes and pastries, all-day breakfast, antibiotic-free chicken, and a "Create Your Taste" option, which allows consumers to select their own toppings for a gourmet burger, and new services such as touch screen kiosks and even a bicycle drive-thru.[59]

Outlets such as Checkers enter the wheel of retailing as low-status, low-margin stores.
© McGraw-Hill Education/Mark Dierker, photographer

These changes are leaving room for new forms of outlets such as Checkers Drive-In Restaurants. The Checkers chain opened fast-food stores that offered only basics—burgers, fries, and cola, a drive-thru window, and no inside seating—and now has more than 800 stores. The wheel is turning for other outlets, too—Boston Market has added pickup, delivery, and full-service catering to its original restaurant format, and it also provides Boston Market meal solutions through supermarket delis and Boston Market frozen meals in the frozen food sections of groceries. For still others, the wheel has come full circle. Taco Bell is now opening small, limited-offering outlets in gas stations, discount stores, or "wherever a burrito and a mouth might possibly intersect."[60]

The wheel of retailing is also evident in retail outlets outside the restaurant industry. Discount stores were a major new retailing form in the 1960s and priced their products below those of department stores. As prices in discount stores rose in the 1980s, they found themselves overpriced compared with a new form of retail outlet—the warehouse club. Today, off-price retailers and factory outlets are offering prices even lower than warehouse clubs.

The Retail Life Cycle

The process of growth and decline that retail outlets, like products, experience is described by the **retail life cycle**.[61] **Figure 16–10** below shows the stages of the retail life cycle and where various forms of retail outlets are currently positioned along its spectrum. *Early growth* is the stage of emergence of a retail outlet, with a sharp departure from existing competition. Market share rises gradually, although profits may be low because of start-up costs. In the next stage, *accelerated development*, both market share and profit achieve their greatest growth rates. Usually multiple outlets are established as companies focus on the distribution element of the retailing mix. In this stage, some later competitors may enter. Wendy's, for example, appeared on the hamburger chain scene almost 20 years after McDonald's had begun operation. The key goal for the retailer in this stage is to establish a dominant position in the fight for market share.

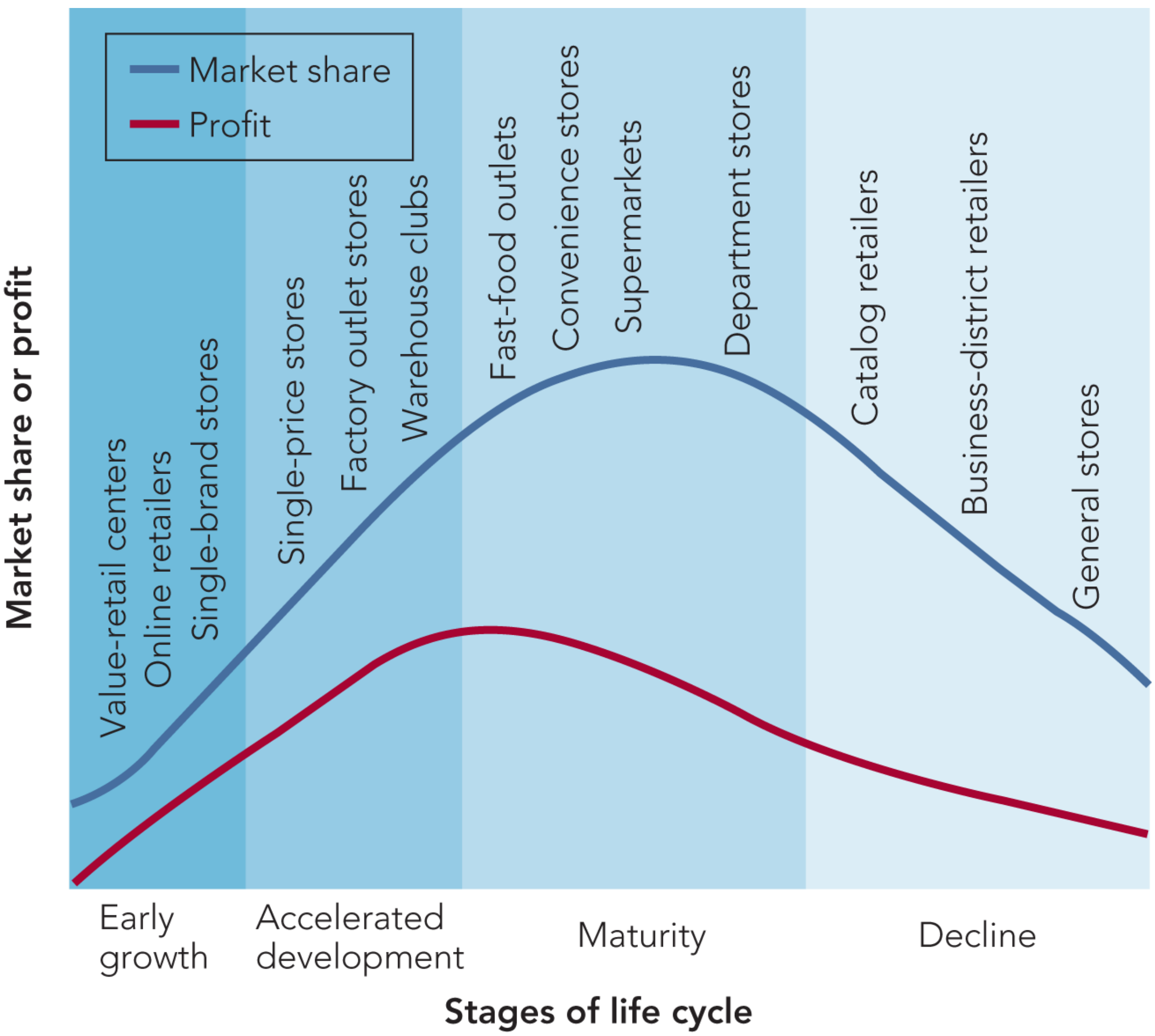


Figure 16–10 The retail life cycle describes stages of growth and decline for retail outlets.

The battle for market share is usually fought before the *maturity stage*, and some competitors drop out of the market. In the war among hamburger chains, Jack in the Box, Gino's Hamburgers, and Burger Chef used to be more dominant outlets. In the maturity stage, new retail forms enter the market (such as Fatburger and In-N-Out Burger in the hamburger chain industry), stores try to maintain their market share, and price discounting occurs.

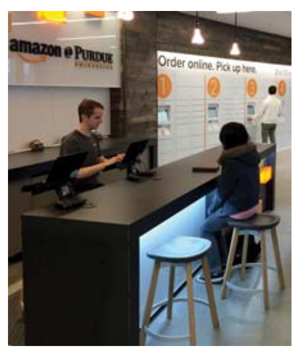
The challenge facing retailers is to delay entering the *decline stage*, in which market share and profit fall rapidly. Specialty apparel retailers, such as the Gap, Limited, Benetton, and Ann Taylor, have noticed a decline in market share after years of growth. To prevent further decline, these retailers will need to find ways of discouraging their customers from moving to low-margin, mass-volume outlets or high-price, high-service boutiques.[62]

FUTURE CHANGES IN RETAILING

Two exciting trends in retailing—the growth of multichannel retailing and the increasing use of data analytics—are likely to lead to many changes for retailers and consumers in the future.

Multichannel Retailing

The retailing formats described previously in this chapter represent an exciting menu of choices for creating customer value in the marketplace. Each format allows retailers



Amazon is opening physical stores where consumers can shop and pick up orders.
© *Joseph Paul*

to offer unique benefits and meet the particular needs of various customer groups. While each format has many successful applications, retailers in the future are likely to combine many of the formats to offer a broader spectrum of benefits and experiences and to appeal to different segments of consumers.[63] These **multichannel retailers** will utilize and integrate a combination of traditional store formats and nonstore formats such as catalogs, television, home shopping, and online retailing. Barnes & Noble, for example, created Barnesandnoble.com to compete with Amazon.com. Similarly, Office Depot has integrated its store, catalog, and Internet operations, and Amazon has recently opened its first physical stores on college campuses.[64]

Multiple retail channels have often been viewed as alternatives that might cannibalize each other. When the channels are integrated, however, they can offer many opportunities to interact with and create value for a consumer. The various channels become a series of touch points. For example, a consumer might use a mobile app to scan a QR (quick response) code from a catalog, place an order online, pick up the product from the nearest store, call customer service for installation, and provide feedback on the retailer's social media page. In this way, the channels become complementary. Experts suggest this integration of various retail channels should be described with a new term—*omnichannel retailing*.

Multichannel retailers also benefit from the synergy of sharing information among the different channel operations. Online retailers have recognized that the Internet often serves as a source of information and a transactional tool rather than a relationship-building medium, and they are working to find ways to complement traditional customer interactions.[65] The benefits of multichannel marketing are also apparent in the spending behavior of consumers, as described in the Marketing Matters box.[66]

Marketing **Matters**

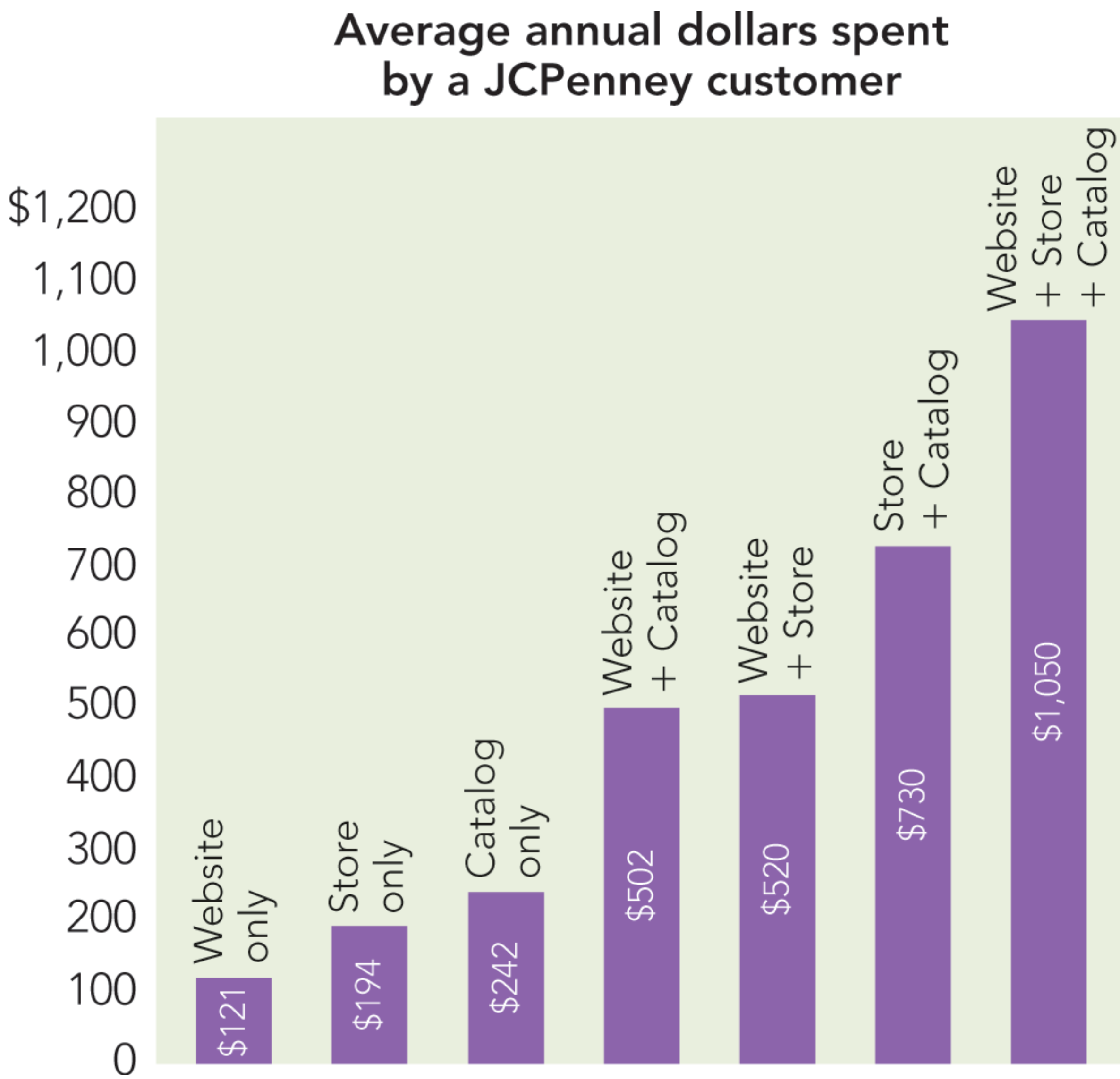
customer value

The Multichannel Marketing Multiplier

Multichannel marketing is the blending of different communication and delivery channels that are mutually reinforcing in attracting, retaining, and building relationships with consumers who shop and buy in the traditional marketplace and marketspace. Industry analysts refer to the complementary role of different communication and delivery channels as an *influence effect*.

Retailers that integrate and leverage their stores, catalogs, and websites have seen a sizable lift in yearly sales recorded from individual customers. Eddie Bauer is a good example. Customers who shop only one of its channels spend $100 to $200 per year. Those who shop in two channels spend $300 to $500 annually. Customers who shop all three channels—store, catalog, and website—spend $800 to $1,000 per year. Moreover, multichannel customers have been found to be *three times* as profitable as single-channel customers.

JCPenney has seen similar results. The company is a leading multichannel retailer and reports that a JCPenney customer who shops in all three channels—store, catalog, and website—spends *four to eight times* as much as a customer who shops in only one channel, as shown in the chart.



Data Analytics

Data analytics has been described as the "new science of retailing." Data now available from the use of wearable technology (described earlier in this chapter) and the growth of multichannel marketing complement the substantial amounts of data already collected through scanner and loyalty card systems. The combination of these data sources has the potential to enable a new, comprehensive, and integrated analytical tool for retailers. In fact, a survey of 418 managers in eight industries indicated that firms in the retail industry have the most to gain from deploying customer analytics.

The use of data analytics can benefit retailers in at least three ways. First, understanding how consumers use multiple channels, information sources, and payment options can help retailers predict shopping behavior. Second, detailed customer-specific data will allow merchants to provide personalized, real-time messaging and promotions. Finally, tracking customer needs allows retailers to offer innovative products, maintain optimal inventory levels, and manage prices to remain competitive and profitable. As one retailing expert explains, "this information is invaluable."[67]

learning review

16-12. Using the wheel of retailing, describe the characteristics of a new retail form that has just entered the market.

16-13. Market share is usually fought out before the ________________ stage of the retail life cycle.

16-14. What is an influence effect?

WHOLESALING

Many retailers depend on intermediaries that engage in wholesaling activities—selling products and services for the purposes of resale or business use. There are several types of intermediaries, including wholesalers and agents (described briefly in **Chapter 15**), as well as manufacturers' sales offices, which are important to understand as part of the retailing process.

LO 16-6

Describe the types of firms that perform wholesaling activities and their functions.

Merchant Wholesalers

Merchant wholesalers are independently owned firms that take title to the merchandise they handle. They go by various names, including *industrial distributor*. Most firms engaged in wholesaling activities are merchant wholesalers.

Merchant wholesalers are classified as either full-service or limited-service wholesalers, depending on the number of functions performed. Two major types of full-service wholesalers exist. *General merchandise* (or *full-line*) *wholesalers* carry a broad assortment of merchandise and perform all channel functions. This type of wholesaler is most prevalent in the hardware, drug, and clothing industries. However, these wholesalers do not maintain much depth of assortment within specific product lines. *Specialty merchandise* (or *limited-line*) *wholesalers* offer a relatively narrow range of products but have an extensive assortment within the product lines carried. They perform all channel functions and are found in the health foods, automotive parts, and seafood industries.

Four major types of limited-service wholesalers exist. *Rack jobbers* furnish the racks or shelves that display merchandise in retail stores, perform all channel functions, and sell on consignment to retailers, which means they retain the title to the products displayed and bill retailers only for the merchandise sold. Familiar products such as hosiery, toys, housewares, and health and beauty items are sold by rack jobbers. *Cash and carry wholesalers* take title to merchandise but sell only to buyers who call on them, pay cash for merchandise, and furnish their own transportation for merchandise. They carry a limited product assortment and do not make deliveries, extend credit, or supply market information. This type of wholesaler is common in electric supplies, office supplies, hardware products, and groceries.

Drop shippers, or *desk jobbers*, are wholesalers that own the merchandise they sell but do not physically handle, stock, or deliver it. They simply solicit orders from retailers and other wholesalers and have the merchandise shipped directly from a producer to a buyer. Drop shippers are used for bulky products such as coal, lumber, and chemicals, which are sold in extremely large quantities. *Truck jobbers* are small wholesalers that have a small warehouse from which they stock their trucks for distribution to retailers. They usually handle limited assortments of fast-moving or perishable items that are sold for cash directly from trucks in their original packages. Truck jobbers handle products such as bakery items, dairy products, and meat.

Agents and Brokers

Unlike merchant wholesalers, agents and brokers do not take title to merchandise and typically perform fewer channel functions. They make their profit from commissions or fees paid for their services, whereas merchant wholesalers make their profit from the sale of the merchandise they own.

Used with permission of Manufacturers' Agents National Association.

Manufacturers' agents and selling agents are the two major types of agents used by producers. **Manufacturers' agents** , or *manufacturers' representatives*, work for several producers and carry noncompetitive, complementary merchandise in an exclusive territory. Manufacturers' agents act as a producer's sales arm in a territory and are principally responsible for the transactional channel functions, primarily selling. They are used extensively in the automotive supply, footwear, and fabricated steel industries. The Manufacturers' Agents National Association (MANA) facilitates the process of matching manufacturers' representatives with logical products and companies.

By comparison, *selling agents* represent a single producer and are responsible for the entire marketing function of that producer. They design promotional plans, set prices, determine distribution policies, and make recommendations on product strategy. Selling agents are used by small producers in the textile, apparel, food, and home furnishing industries.

Brokers are independent firms or individuals whose principal function is to bring buyers and sellers together to make sales. Brokers, unlike agents, usually have no continuous relationship with the buyer or seller but negotiate a contract between two parties and then move on to another task. Brokers are used extensively by producers of seasonal products (such as fruits and vegetables) and in the real estate industry.

A unique broker that acts in many ways like a manufacturer's agent is a food broker, representing buyers and sellers in the grocery industry. Food brokers differ from conventional brokers because they act on behalf of producers on a permanent basis and receive a commission for their services. For example, Nabisco uses food brokers to sell its candies, margarine, and Planters peanuts, but it sells its line of cookies and crackers directly to retail stores.

Manufacturer's Branches and Offices

Unlike merchant wholesalers, agents, and brokers, manufacturer's branches and sales offices are wholly owned extensions of the producer that perform wholesaling activities. Producers assume wholesaling functions when there are no intermediaries to perform these activities, customers are few in number and geographically concentrated, or orders are large or require significant attention. A *manufacturer's branch office* carries a producer's inventory and performs the functions of a full-service wholesaler. A *manufacturer's sales office* does not carry inventory, typically performs only a sales function, and serves as an alternative to agents and brokers.

learning review

16-15. What is the difference between merchant wholesalers and agents?

16-16. Under what circumstances do producers assume wholesaling functions?

LEARNING OBJECTIVES REVIEW

LO 16-1 *Identify retailers in terms of the utilities they provide.*

Retailers provide time, place, form, and possession utilities. Time utility is provided by stores with convenient time-of-day (e.g., open 24 hours) or time-of-year (e.g., seasonal sports equipment available all year) availability. Place utility is provided by the number and location of the stores. Possession utility is provided by making a purchase possible (e.g., financing) or easier (e.g., delivery). Form utility is provided by producing or altering a product to meet the customer's specifications (e.g., custom-made shirts).

LO 16-2 *Explain the alternative ways to classify retail outlets.*

Retail outlets can be classified by their form of ownership, level of service, and type of merchandise line. The forms of ownership include independent retailers, corporate chains, and contractual systems that include retailer-sponsored cooperatives, wholesaler-sponsored voluntary chains, and franchises. The levels of service include self-service, limited-service, and full-service outlets. Stores classified by their merchandise line include stores with depth, such as sporting goods specialty stores, and stores with breadth, such as large department stores.

LO 16-3 *Describe the many methods of nonstore retailing.*

Nonstore retailing includes automatic vending, direct mail and catalogs, television home shopping, online retailing, telemarketing, and direct selling. The methods of nonstore retailing vary by the level of involvement of the retailer and the level of involvement of the customer. Vending, for example, has low involvement, whereas both the consumer and the retailer have high involvement in direct selling.

LO 16-4 *Classify retailers in terms of the retail positioning matrix, and specify retailing mix actions.*

The retail positioning matrix positions retail outlets on two dimensions: breadth of product line and value added. There are four possible positions in the matrix—broad product line/low value added (Walmart), narrow product line/low value added (Payless ShoeSource), broad product line/high value added (Bloomingdale's), and narrow product line/high value added (Tiffany & Co.). Retailing mix actions are used to manage a retail store and the merchandise in a store. The mix variables include pricing, store location, communication activities, and merchandise. Two common forms of assessment for retailers are sales per square foot and same-store growth.

LO 16-5 *Explain changes in retailing with the wheel of retailing and the retail life-cycle concepts.*

The wheel of retailing concept explains how retail outlets typically enter the market as low-status, low-margin stores. Over time, stores gradually add new products and services, increasing their prices, status, and margins, and leaving an opening for new low-status, low-margin stores. The retail life cycle describes the process of growth and decline for retail outlets through four stages: early growth, accelerated development, maturity, and decline.

LO 16-6 *Describe the types of firms that perform wholesaling activities and their functions.*

There are three types of firms that perform wholesaling functions. First, merchant wholesalers are independently owned and take title to merchandise. They include general merchandise wholesalers, specialty merchandise wholesalers, rack jobbers, cash and carry wholesalers, drop shippers, and truck jobbers. Merchant wholesalers can perform a variety of channel functions. Second, agents and brokers do not take title to merchandise and primarily perform marketing functions. Finally, manufacturer's branches, which may carry inventory, and sales offices, which perform sales functions, are wholly owned by the producer.

LEARNING REVIEW ANSWERS

16-1 **When Ralph Lauren makes shirts to a customer's exact preferences, what utility is provided?**
Answer: form utility—involves the production or alteration of a product

16-2 **Two measures of the impact of retailing in the global economy are ___________ and ___________.**
Answer: the total annual sales—four of the 40 largest businesses in the United States are retailers; the number of employees working at large retailers

16-3 **Centralized decision making and purchasing are an advantage of ___________ ownership.**
Answer: corporate chain

16-4 **What are some examples of new forms of self-service retailers?**
Answer: New forms of self-service are being developed at warehouse clubs, gas stations, supermarkets, airlines, convenience stores, fast-food restaurants, and even coffee shops.

16-5

A shop for big men's clothes carries pants in sizes 40 to 60. Would this be considered a broad or deep product line?

Answer: deep product line; the range of sizes relates to the assortment of a product item (pants) rather than the variety of product lines (pants, shirts, shoes, etc.)

16-6 **Successful catalog retailers often send ___________ catalogs to ___________ markets identified in their databases.**

Answer: specialty; niche

16-7 **How are retailers increasing consumer interest and involvement in online retailing?**

Answer: Retailers have improved the online retailing experience by adding experiential or interactive activities to their websites, allowing customers to "build" virtual products by customizing their purchases. And to minimize consumers leaving a website to compare prices and shipping costs on other sites, some firms now offer them the ability to compare competitors' offerings.

16-8 **Where are direct-selling retail sales growing? Why?**

Answer: Direct-selling retailers are (1) expanding into global markets outside the United States and (2) reaching consumers who prefer one-on-one customer service and a social shopping experience rather than shopping online or at big discount stores.

16-9 **What are the two dimensions of the retail positioning matrix?**

Answer: The two dimensions of the retail positioning matrix are: (1) breadth of product line, which is the range of products sold through each outlet; and (2) value added, which includes elements such as location, product reliability, or prestige.

16-10 **How does original markup differ from maintained markup?**

Answer: The original markup is the difference between retailer cost and initial selling price, whereas maintained markup is the difference between the final selling price and retailer cost, which is also called the gross margin.

16-11 **A huge shopping strip mall with multiple anchor stores is a(n) ___________ center.**

Answer: power

16-12 **Using the wheel of retailing, describe the characteristics of a new retail form that has just entered the market.**

Answer: a low-status, low-margin, low-price outlet

16-13 **Market share is usually fought out before the ___________ stage of the retail life cycle.**

Answer: maturity

16-14 **What is an influence effect?**

Answer: An influence effect is the complementary role that different communication and delivery channels have on sales.

16-15 **What is the difference between merchant wholesalers and agents?**

Answer: Merchant wholesalers are independently owned firms that take title to the merchandise they handle and make their profit from the sale of merchandise they own. Agents do not take title to merchandise, typically perform fewer channel functions, and make their profit from commissions or fees paid for their services.

16-16 **Under what circumstances do producers assume wholesaling functions?**

Answer: Producers assume wholesaling functions when there are no intermediaries to perform these activities, customers are few in number and geographically concentrated, or orders are large or require significant attention.

FOCUSING ON KEY TERMS

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APPLYING MARKETING KNOWLEDGE

1. Discuss the impact of the growing number of dual-income households on (*a*) nonstore retailing and (*b*) the retail mix.
2. How does value added affect a store's competitive position?
3. In retail pricing, retailers often have a maintained markup. Explain how this maintained markup differs from original markup and why it is so important.
4. What are the similarities and differences between the product and retail life cycles?

5. How would you classify Walmart in terms of its position on the wheel of retailing versus that of an off-price retailer?
6. Develop a chart to highlight the role of each of the four main elements of the retailing mix across the four stages of the retail life cycle.

7.

Refer to **Figure 16–8** and review the position of Payless ShoeSource on the retail positioning matrix. What strategies should Payless ShoeSource follow to move itself into the same position as Tiffany & Co.?

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8. Breadth and depth are two important components in distinguishing among types of retailers. Discuss the breadth and depth implications of the following retailers discussed in this chapter: (*a*) Nordstrom, (*b*) Walmart, (*c*) L.L.Bean, and (*d*) Best Buy.
9. According to the wheel of retailing and the retail life cycle, what will happen to factory outlet stores?
10. The text discusses the development of online retailing in the United States. How does the development of this retailing form agree with the implications of the retail life cycle?
11. Comment on this statement: "The only distinction among merchant wholesalers and agents and brokers is that merchant wholesalers take title to the products they sell."

BUILDING YOUR MARKETING PLAN

Does your marketing plan involve using retailers? If the answer is "no," read no further and do not include a retailing element in your plan. If the answer is "yes":

1. Use **Figure 16–8** to develop your retailing strategy by (*a*) selecting a position in the retail positioning matrix and (*b*) specifying the details of the retailing mix.
2. Develop a positioning statement describing the breadth of the product line (broad versus narrow) and value added (low versus high).
3. Describe an appropriate combination of retail pricing, store location, retail communication, and merchandise assortment.
4. Confirm that the wholesalers needed to support your retailing strategy are consistent with the channels and intermediaries you selected in **Chapter 15**.

Video Case 16 Video Case 16: Mall of America®: America's Biggest Mall Knows the Secret to Successful Retailing!

VIDEO 16-6

Mall of America Video Case

kerin.tv/13e/v16-6

The secret to success at Mall of America is continually creating "new experiences for our guests," explains Jill Renslow, senior vice president of business development and marketing. "We want to make not only our locals, but also our tourists have a unique experience every time they come and visit," she adds.

That's an ambitious undertaking for any retailer, but it is particularly challenging for Mall of America because it attracts more than 40 million guests each year. To create new experiences the mall uses a combination of constantly changing retail offerings, entertainment options, and special attractions. From new stores, to musical acts, to celebrity book signings, to fashion shows, and even two appearances by Taylor Swift, Mall of America has become the "Hollywood of the Midwest." "The key truly is being fresh and exciting," says Renslow.

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THE BIG IDEA FOR A BIG MALL

The concept of a huge mall was the result of several trends. First, covered shopping centers began to replace downtown main-street shopping areas in the United States. Second, retail developers observed that casinos were adding non-gambling activities to attract entire families. Taking their cue from Las Vegas, a Canadian family, the Ghermezians, built the West Edmonton Mall as a destination venue with shopping, restaurants, hotels, and a theme park. The success of the West Edmonton Mall led to the search for another location for the destination mall concept, and soon Mall of America was under construction in Minneapolis, Minnesota!

According to Dan Jasper, vice president of communications at Mall of America, the Ghermezians are a “wonder family that are visionaries.” “They dream really big dreams, and they bring them to reality; they did that in Edmonton with the West Edmonton Mall, and they did that here in Minnesota with Mall of America," he explains. Today Mall of America is the largest mall in the United States with 4.8 million square feet of shopping and entertainment space. And it's getting bigger! "We're opening our new grand front entrance and that will bring us to 5.5 million square feet, making us by far not only the busiest, not only the most successful, but the largest, most massive mall in the nation," says Jasper.

Executives at Mall of America face several important challenges. First, they must keep a huge and diverse portfolio of retailers and attractions in the Mall. Second, they must attract millions of visitors each year. Finally, they must increase its marketing and social media presence in the marketplace. The combination of these three activities is essential to the mall's continued success. This is particularly true at a time when e-commerce and online shopping are growing in popularity.

MANAGING THE MALL

The size of Mall of America is difficult to comprehend. There are more than four miles of store front in an area the size of 88 football fields. Three anchor stores--Macy's, Nordstrom, and Sears--are complemented by more than 500 specialty stores. The diversity of the retail offerings is equally amazing. The types of stores range from familiar names such as Banana Republic, Apple, and True Religion to unique stores such as Brickmania, which offers custom LEGO® building kits, and Games by James, which offers thousands of board games and puzzles. According to Renslow, "That's what's special about Mall of America, that's what attracts people from around the world."

To encourage entrepreneurs to come to the mall there is a specialty leasing program that offers the new retailers an affordable entry-level lease in exchange for flexibility related to their location. Mike Pohl, owner of the ACES Flight Simulation store, is one example of the unique businesses the program attracts. "I decided to locate at Mall of America because it's the single biggest retail location in the country," Mike explains. "There are 40 million people who come here every year, and it's primarily an entertainment mall compared to a traditional mall, so it was a wonderful match for ACES," he adds.

Mall of America also includes more than 20 restaurants, the House of Comedy for touring comedians, and an American Girl store with a doll hair salon and party facilities. The 14 Theaters at Mall of America include a 200-seat 3D theater equipped with D-Box motion seating, and a 148-seat theater for guests 21 and older.

Additional unique features of Mall of America include:

- Nickelodeon Universe®, a seven-acre theme park with more than 20 attractions and rides, including a roller coaster, Ferris wheel, and a water chute in a skylighted area with more than 400 trees.
- Sea Life® Minnesota aquarium, where visitors can see jellyfish, stingrays, and sea turtles, snorkel with tropical fish, or even SCUBA with sharks!
- Two connected-access hotels including a 342-room JW Marriott and a 500-room Radisson Blu.
- The Chapel of Love, which offers custom weddings and wedding packages and has performed more than 5,000 weddings in the mall!

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Regular events and activities include the Art + Style Series, Toddler Tuesdays, the Mall Stars program for people who want to walk and exercise in the Mall, and the Mall of America Music Series. Mall of America also hosts corporate events for organizations with large groups. There are more than 12,000 free parking spaces available to accommodate any size group!

THE MARKET

From its opening day, visitors have been going to Mall of America at the extraordinary rate of 10,000 visitors per day. This is possible because the mall attracts shoppers from more than 18 states including Minnesota, Wisconsin, Kentucky, Michigan, Ohio, and Pennsylvania and from more than 11 countries including Canada, Great Britain, France, Mexico, Germany, Scandinavia, Italy, Netherlands, Japan, China, and Spain. The mall has worked closely with airlines and other partners to offer "Shop Till You Drop" packages that bring shoppers from around the world.

As Renslow explains: "Mall of America shoppers are literally from ages 3 to 83, which is a great opportunity for us but also a challenge. We need to be able to make sure that we communicate with each one of our guests. So we focus on the local market, which makes up 60 percent of our shoppers, and we also focus on our tourists who are 40 percent of our shoppers, and we have different messages to those different audiences." Another key target audience for the mall includes young women. Unmarried women have disposable income and like to travel, and married women are the primary purchase decision makers in their households and often bring their spouses, children, and girlfriends to the Mall.

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MARKETING, SOCIAL MEDIA, AND MALL OF AMERICA

Another key to Mall of America's success has been its ability to manage its presence in the marketplace. According to Sarah Schmidt, public relations manager for Mall of America, "A typical campaign for Mall of America includes TV, radio, and print and we also include social media campaigns." A recent campaign called "The Scream Collector," for example, started with a TV ad and then followed up with progress reports on billboards. Another campaign created a blizzard in the mall. The "blizzard was a tweet-powered blizzard where guests had to tweet #twizzard, and once it hit a certain number of tweets it started snowing in the mall," Schmidt says.

Social media are important elements of Mall of America campaigns. Dan Jasper explains, "Mall of America is at the forefront of social media and digital technology within the retail industry; for shopping malls nobody has us beat." The mall has created a communication hub that integrates social media, texting, phone, and security all in a single system. "What that allows us to do is to speak with one voice, and to give real-time answers, suggestions, and advice to consumers," he says.

What is in the future for Mall of America? According to Jasper the answer is an even bigger mall. "In the coming years we're going to double the size of Mall of America" he says. So, prepare yourself for an even more extraordinary retailing experience![68]

Questions

1. What is the key to success at Mall of America?
2. What trends contributed to the idea for the Mall of America? How did it get started?
3. What challenges does Mall of America face as it strives to continue its success?
4. What specific actions has Mall of America taken to address each challenge?

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