

**SOS POLITICAL SCIENCE AND PUBLIC ADMINISTRATION**

**MBA FA 406(B)**

**SUBJECT NAME: FUNDAMENTALS OF RETAIL MANAGEMENT**

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**UNIT-V**

**TOPIC NAME: RETAIL ECONOMICS**

**RETAIL:**

Retail, by definition, is the sale of goods or service from a business to a consumer for their own use. A retail transaction handles small quantities of goods whereas wholesale deals with the purchasing of goods on a large scale. Retail transactions are not to be confused with online transactions; goods must be sold from a single point directly to a consumer for their end users.

**RETAILER:**

A retailer is a person or business that you purchase goods from. Retailers typically don't manufacture their own items. They purchase goods from a manufacturer or a wholesaler and sell these goods to consumers in small quantities.

**RETAILING:**

Retailing is the distribution process of a retailer obtaining goods or services and selling them to customers for use. This process is explained through the supply chain.

**IMPORTANCE OF RETAILING:**

Retailing is important for the creators, customers, as well as the economy.

Retail stores are the places where most of the actual sales to the customers take place. They act as both a marketing tool for the brands and a support tool for the customers to exchange and communicate important information.

Besides this, retailing is a great asset to the economy. It provides jobs, adds to the GDP, and acts as a preferred shopping channel during the holiday season.

## **How Retail Works?**

Retail works on a simple revenue model of mark-up. The retailers buy the goods at a cost price, add up the cost of labor, equipment, and distribution to it along with the desired profit margin, and sell it at a higher price.

## **RETAILING TYPES:**

Retailing can be divided into five types. Here are the types of retailing that exists today:

- 1. Store retailing:** This includes different types of retail stores like department stores, specialty stores, supermarkets, convenience stores, catalogue showrooms, drug stores, superstores, discount stores, extreme value stores etc.
- 2. Non-store retailing:** Non-store retailing is a type of retailing where the transaction happens outside conventional shops or stores. It is further divided into two types – direct selling (where the company uses direct methods like door-to-door selling) and automated vending (installing automated vending machines which sell offer variety of products without the need of a human retailer).
- 3. Corporate retailing:** It involves retailing through corporate channels like chain stores, franchises, and merchandising conglomerates. Corporate retailing focuses on retailing goods of only the parent or partner brand.
- 4. Internet retailing:** Internet retailing or online retailing works on a similar concept of selling small quantities of goods to the final consumer but they serve to a larger market and doesn't have a physical retail outlet where the customer can go and touch or try the product.
- 5. Service retailing:** Retailers not always sell tangible goods, retail offerings also consists of services. When a retailer deals with services, the process is called service retailing. Restaurants, hotels, bars, etc. are examples of service retailing.

## **CHARACTERISTICS OF RETAILING:**

Retailing can be differentiated from wholesaling or manufacturing because of its certain distinct characteristics which include –

- 1. Direct contact with the customer:** Retailing involves direct contact with the end customer and are a mediator between the wholesaler and the customer or the manufacturer and the customer depending upon the distribution channels used.
- 2. Relationship with the customers:** Retailers form a bond with the customers and help them decide which products and services they should choose for themselves.
- 3. Stock small quantities of goods:** Retailers usually stock small quantities of goods compared to manufacturers and wholesalers.
- 4. Stock goods of different brands:** Retailers usually stock different goods of different brands according to the demand in the market.
- 5. Customers' contact with the company:** Retailers act as the representatives of the company to the end customers who give their feedback and suggestions to them.
- 6. Has a limited shelf space:** Retail stores usually have very limited shelf space and only stock goods which have good demand.
- 7. Sells the goods at maximum prices:** Since retailing involves selling the products directly to the customers, it also witnesses the maximum price of the product.

## **FUNCTIONS OF RETAILING:**

Retailers have many important functions to perform to facilitate the sale of the products. These functions include –

- 1. Sorting:**

Manufacturers produce large quantities of similar goods and like to sell their inventories to few buyers who buy in lots. While customers desire many varieties of goods from different manufacturers to choose from. Retailers balance the demands of both sides by collecting and assorting the goods from different sources and placing them according to the customers' needs.

## **2. Breaking Bulk:**

Retailers buy the goods from manufacturers and wholesalers in sufficiently large quantities but sell to the customers in small quantities.

## **3. Channel of Communication:**

Since retail involves direct contact with the end consumers, it forms a very important channel of communication for the companies and manufacturers. The manufacturer tries to communicate the advantages of their products as well as the offers and discounts through retailers.

Retail also acts as a mediator between the company and the customer and communicates the feedback given by the customers back to the manufacturer or wholesaler.

## **4. Marketing:**

Retail stores are the final channels where the actual decisions are made. Hence, they act as important marketing channels for the brands. Smart placements, banners, advertisements, offers, and other strategies are executed by the manufacturers to increase their sales in retail stores.

## **RETAIL ECONOMICS:**

Retail economics is an independent economics research consultancy focused on the UK consumers and retail industry.

## **RETAIL ECONOMICS IS BUILT ON THREE CORE PILLARS:**

### **1. Insight:**

- Helping you understand the key economic drivers behind UK retail and consumer sectors.
- Giving you a competitive edge through deeper insights of the retail industry by category, channel and region.

## **2. Data:**

- Providing proprietary data on market sizes, market shares and forecasts enabling you to deepen your understanding of the industry and the future outlook.
- Saving you valuable time by accessing all the need-to-know retail data in one place with quick and easy downloadable time series data.

## **3. Consultancy:**

- Providing you with data visualization tools to compare and benchmark key metrics vital for your business.
- Offering you bespoke and tailored reporting to transform information into actionable insights.

## **WHO USES RETAIL ECONOMICS?**

### **1. Retailers:**

- Benchmark UK retail sales performance.
- Concise, timely and succinct retail insights.
- Forecast spending power, market performance and consumer confidence.

### **2. Financial • legal • property:**

- Understand your client's operating environment.
- Communicate authoritatively.
- Quickly absorb key trends and statistics with our succinct and punchy retail insight reports.

### **3. Providers:**

- Identify market opportunities.
- Integrate actionable insight into your business.

- Secure your retail knowledge for upcoming events, meetings and sales pitches.