



Retailing

CHAPTER

14

Essentials of Marketing Lamb, Hair, McDaniel

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The Role of Retailing

Retailing



Represents the activities directly related to the sale of goods and services to the ultimate consumer for personal, nonbusiness use and has enhanced the quality of our lives.

Retail Facts



- The millions of goods and services provided by retailers mirror the needs and styles of modern society.
- The US economy depends greatly on the retail sector
 - 2/3 of GDP come from retail activity
- Retail industry is one of the largest employers in the US
 - 1.5 retailers employing 15 million people
 - Expected to grow to over 16 million by 2018
- Retail trade accounts for 30% of consumer spending

Still a Mom & Pop Business



- 9/10 retail businesses employ fewer than 20 employees
- 90% of all retailers operate just one store
- There are a few giants that dominate the retail industry
 - Walmart
 - Costco
 - Walgreen
 - Home depot
 - Target
 - CVS
 - BestBuy

Apple Store



What makes the Apple Store so popular?



Apple Success

- The Apple Store is a chain of retail stores owned and operated by Apple Inc., dealing with computers and consumer electronics.
- The stores sell Macintosh personal computers, software, iPads, iPhones, iWatch, third-party accessories, and other consumer electronics such as Apple TV.

All stores offer a Genius Bar for technical support and repairs, as well as free workshops available to the public.

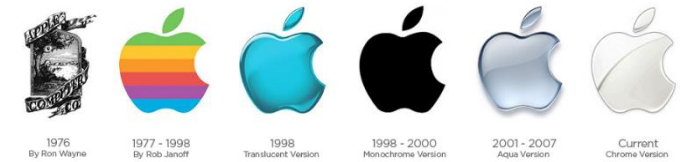
- Been responsible for "[turning] the boring computer sales floor into a sleek playroom filled with gadgets"



NAME AND LOGO

- The history about the **name** of **Apple** Inc. is **Steve** gave his team members one day's time to think about a good **name** of his company otherwise he will put the company **name** A for **Apple**.
 - He got many names but didn't like any of them.
 - So next day he named his company **Apple**.
- The first Apple logo was designed by Ron Wayne, co-founder of Apple Computer.
 - It was rather a picture than a logo.
- It showed Sir Isaac Newton sitting beneath the famous Apple tree thinking about gravity.

NAME AND LOGO



- The famous rainbow design was created a year later by Rob Janoff
 - Only logo concept shown to Steve Jobs, and was created in two weeks.
 - The colors designed to make Apple products look user-friendly,
 - to make them attractive to school-children
 - emphasize the Apple II's unique color display.
- Simple shape of an Apple, bitten into, with the colors of the rainbow in the wrong order.
- The first Apple computers to feature the new logo were the new PowerBook G3s in 1998

Steve Jobs in the 1980's:
Apple company mission statement:

"Apple is committed to bringing the best personal computing experience to students, educators, creative professionals and consumers around the world through its innovative hardware, software and internet offerings."



Steve Job's mission Statement

"To make a contribution to the world by making tools for the mind that advance humankind."

The start...



- 1975 – Steve Wozniak was working for Hewlett Packard (calculator manufacturers) by day and was a computer hobbyist by night.
- He realized that the prices of some computer parts had gotten so low he could buy them himself.
- Decided to work with fellow hobbyist Steve Jobs to build their own computer
- On 4/1/1976 – released the Apple I (for \$666) and started Apple Computers. Had **8 KB of RAM**.



APPLE I
(LAUNCHED ON 1 JULY 1976)

Apple Computer Design Evolution

with Base Prices



Apple I – \$667
1976



Apple II – \$1298
1977



Apple III – \$7800
1980



Apple Lisa – \$9995
1983



Macintosh – \$1995
1984



Apple II GS – \$999
1986



Macintosh II – \$5500
1987



PowerMac 5200 – \$1900
1995



iMac G3 – \$1299
1998



iMac G4 – \$1299
2002



iMac G5 – \$1299
2004



iMac Unibody – \$1199
2009

The evolution of iMac.



1998



2000



2002



2004



2005



2007



2009

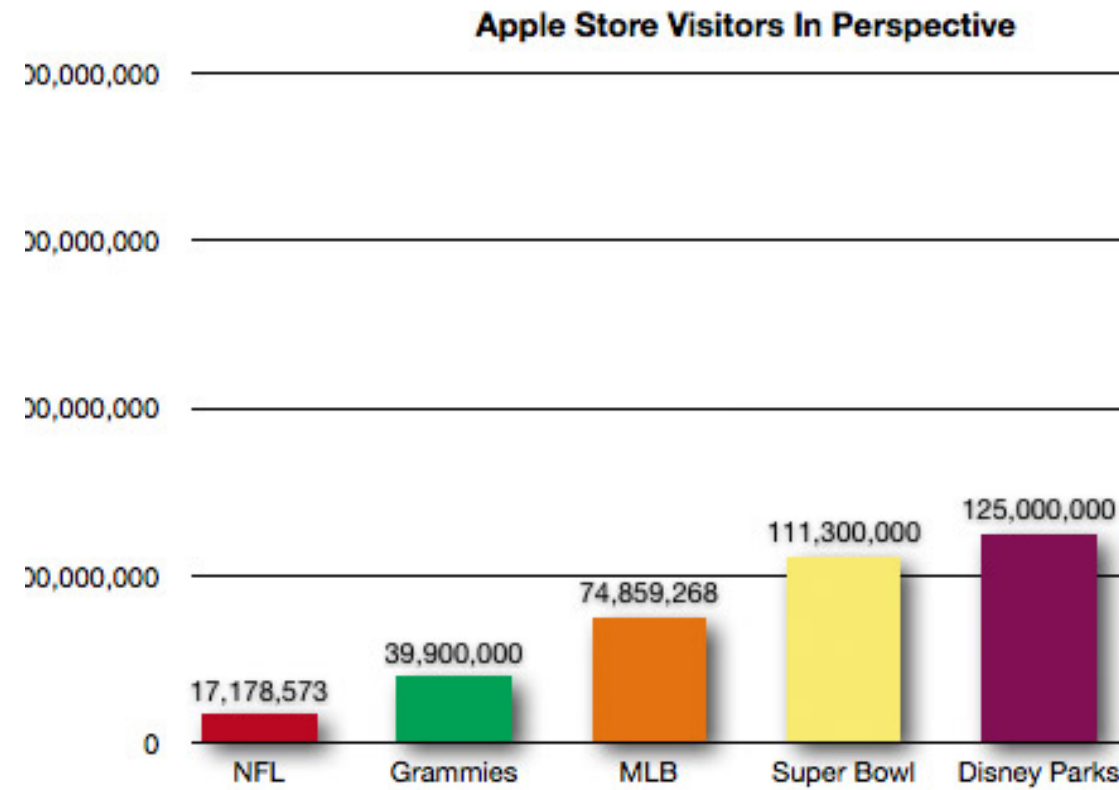


Today



Retail Facts

- Apple has opened **506** retail stores across 24 countries, including **272** in the United States and **234** elsewhere, since May 2001.
 - 37 UK, 29 Canada, 20 Australia, 16 France, 14 Italy, 12 Germany, 10 Spain, 9 China, 7 Japan, 3 Switzerland, 3 Hong Kong (China), 2 Sweden, 1 Netherlands)
- Online store (available in 38 countries)
- Biggest anchor of Apple's success is its chain or brick-and-mortar retail stores



Retail store facts



New York



Istanbul



Amsterdam (biggest)
Santa Rosa (smallest)





China
(Most Expensive)

Boston & The Netherlands



Store Facts

- 78 million people visited Apple's stores in 4th quarter 2016 than the visitors to Walt Disney's four biggest theme parks last year
 - Disneyland
 - Disneyworld
 - California Adventure
 - Disney Cruise
- Same amount of people that paid to attend a Major League Baseball game last season





Store Facts

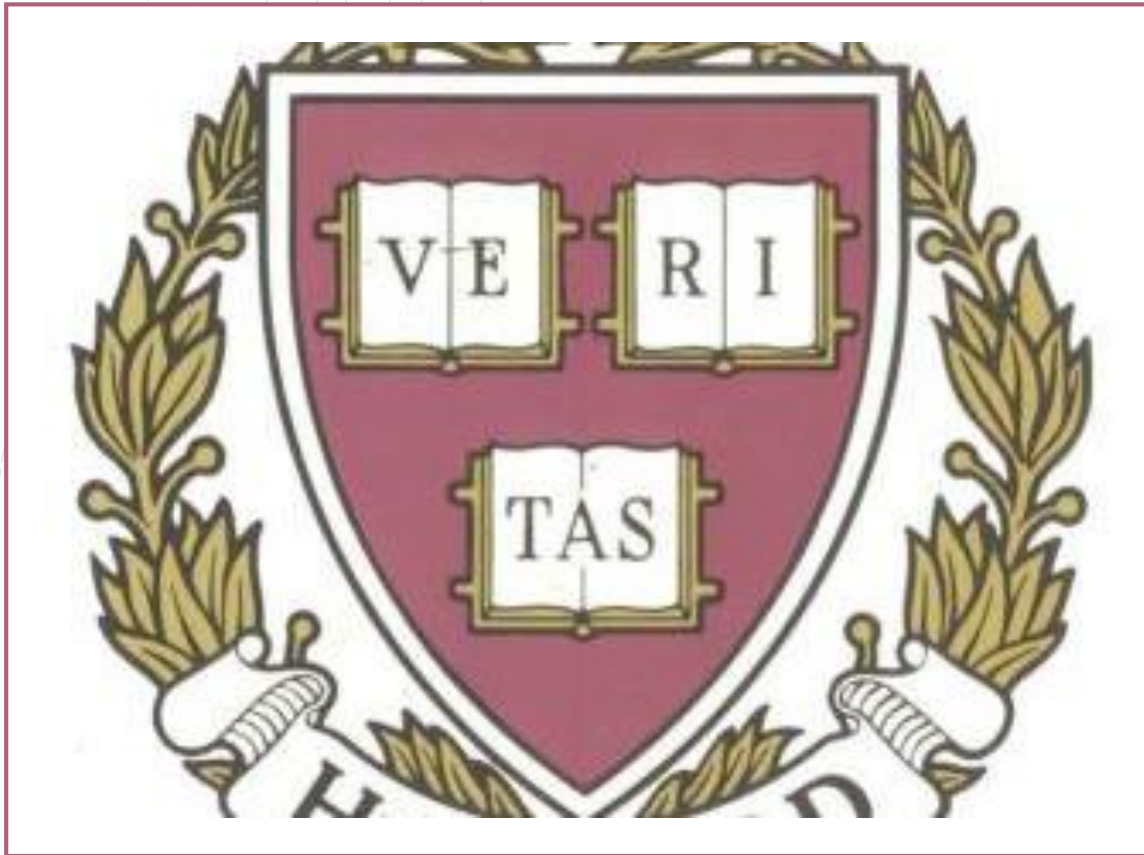
- \$18 billion of revenue per year.
- Apple's stores also generate an astounding 26% profit margin, allowing the company to rake in \$4.4 billion of retailing operating profit a year.
- Apple now employs a vast number of store employees--more than 42,200 worldwide and 30,000 in the U.S. alone.
- The average store employee helps generate about \$420,000 of annual sales for Apple each year but takes makes between \$13 – 15/hour. \$30 for Genius Bar
 - Generate \$278/hour



Store Facts

- The disparity between what Apple makes from its stores and the amount it pays its store employees is unmatched in the retail world.
- Many of the jobs we create are "McJobs" that don't pay enough to live on and have little upward mobility.
- Some believe that the rise in Apple stock in 2012, caused the rent increase
 - Apartment bubble in San Francisco

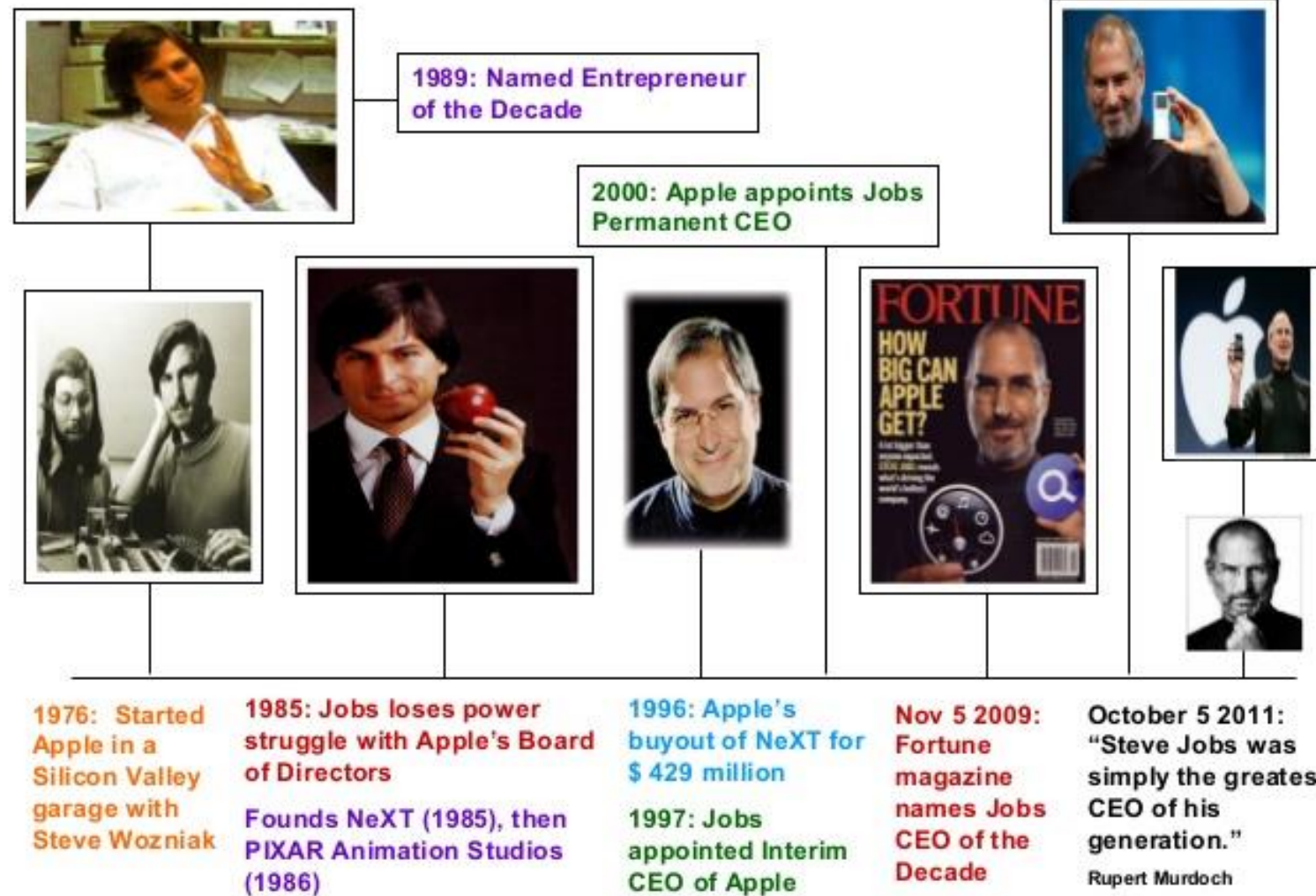
Hiring Process



- Selective hiring process
 - Online application
 - Invite to a hiring event (see if you show up)
 - Follow-up call
 - 6 interviews (one-on-one with each manager in the store + district manager)
- Once in, it's almost impossible to move up the ladder, you will be poorly paid, you will probably never see a raise above basic inflation, you will be overworked, and you will be abused day-in and day-out by customers.
- Getting a job at an Apple Store can be more selective than getting into Harvard.
- Title: Specialist or Genius



Steve Jobs (1955 – 2011) – Apple Co-Founder and CEO





Think different.

Once Back at apple

Jobs becomes obsessed with the retail part of Apple.



Job's Insight

- New products being developed would never sell if people could not find them
- Study for stand alone "store within a store" for 34 sites in Japan.
 - This study became the validation for Apple's retail market appeal and prototypes began for CompUSA
- Jobs recognized the limitations of third party retailing and began investigating options to change the model.

“Apple Retail” white paper written outlining the virtues of separate Apple retail stores as a core touch point to directly drive the Apple brand experience based The North Face and Nike stores, who also recently transitioned into independently controlled branded retail as part of their overall retail strategy.





Gapple

- Jobs knew the Apple retail program had to fundamentally change the relationship with the customer and provide more **control** over the presentation of Apple products and the Apple brand message.
- In 1999, Jobs personally recruited Millard Drexler to serve on Apple's board of directors, Drexler was the CEO of Gap Inc. whose explosive growth had been attributed to retailing environments and marketing rather than its products or competitive prices.
- Drexler was one of the few directors who supported Jobs' retail stores initiative, the others on the board were skeptical



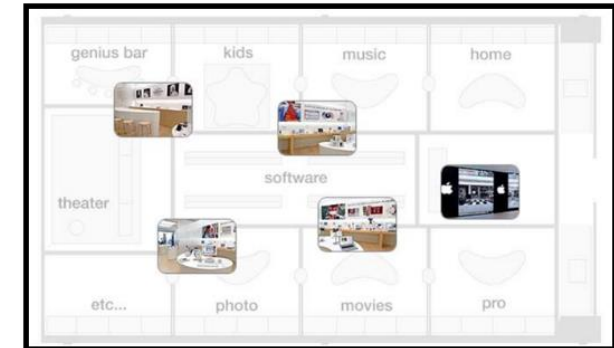
Next crazy move

- In 2000, Jobs hired Ron Johnson from Target
- He had been vice president of merchandising responsible for launching the exclusive “higher end” lines of consumer products
- Raised Target's image beyond that of just an upscale K-Mart
- At Drexler's suggestion, the retail team began a series of mock-ups for the Apple store inside a warehouse near the company's headquarters in Cupertino.

Four products to fill 6,000 square feet... but it ended up being the ultimate opportunity, because we did not have enough products to fill a store that size, let's fill it with the ownership experience."

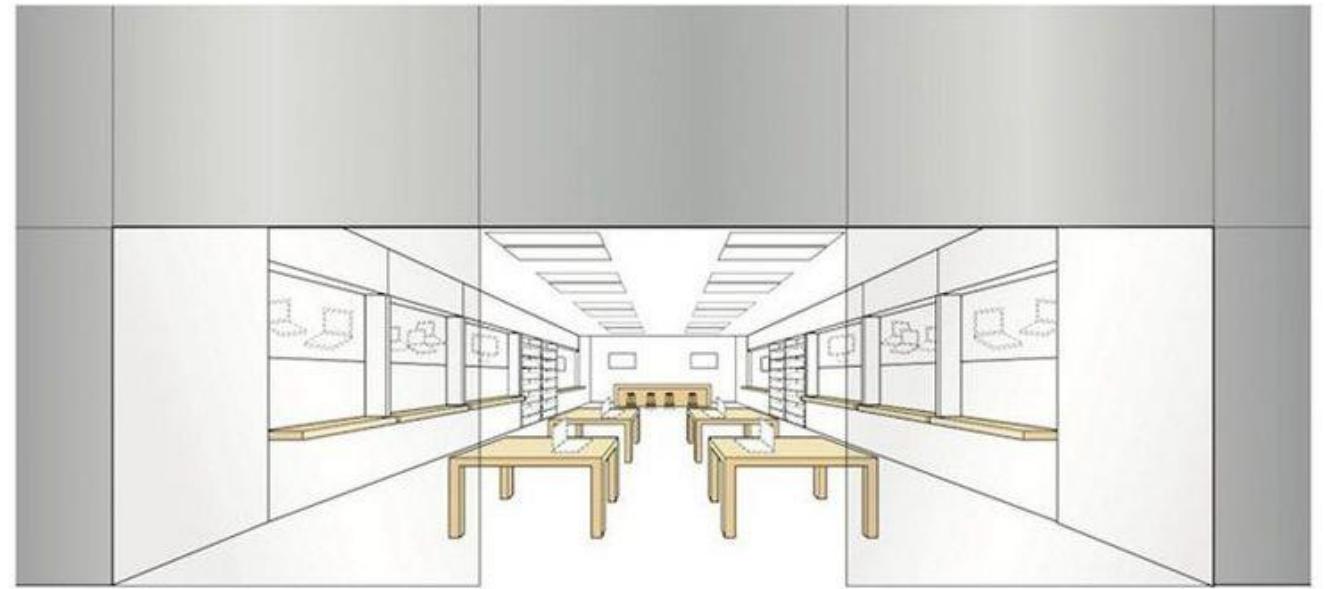
Bubb Road

- January 2005 began to build a prototype store in a warehouse in Cupertino, near headquarters
- Store layout masterminded
 - Staging of the products
 - Interaction with products
 - Store materials
 - Flow



Trademark filed
for store layout

A Distinct Design and Layout of a Retail Store



Patently Apple

www.patentlyapple.com

Test Market

- Market testing lasted one year before opening first two stores in Virginia's high-end Tysons' corner shopping mall and in Glendale Galleria in Glendale, California
 - Weeks before opening, Steve Jobs delayed store opening by 6 months
- Two years later, opened 70 stores



Day after opening

“Sorry, Steve: Here’s Why Apple Stores Won’t Work,” proclaimed a headline in BusinessWeek in May 2001.

Published the day after Apple opened its first retail store in Tyson’s Corner, Va., the opinion piece argued that Apple’s focus on a few products and a “perfectionist attention to aesthetics” would limit the company’s appeal.

"Apple's problem is it still believes the way to grow is serving caviar in a world that seems pretty content with cheese and crackers," the article quotes former CFO Joseph Graziano as saying.

INTRODUCING THE FIRST APPLE

2001



Introducing
the first Apple
store, 2001

<http://www.youtube.com/watch?v=OJtQeMHGrqc>



Cost of a Store

- Overall, it costs about \$1 million to build out a mall store, \$8-10 million to build out an impressive store, and \$20-40 million to build out a crazy-impressive store.
- Apple supposedly spends \$315,000 per store on wood furniture.

Carefree Atmosphere

- Airy interiors
- Attractive lighting
- Casual atmosphere
- Stores feel like gathering places
- Bright lights and equally bright acoustics
- Maple veneer tables
- Natural woods, stone and steel
- Genius Bar for technical support and repairs
- Free workshops available to the public





Stage products
to highlight use



In Working Order



Patented
spiral glass
staircase



Service Staff

Apple Floor Staff Training

- Minimum two rounds of interviews
- Applicants questioned about their leadership and problem-solving skills
 - Enthusiasm for Apple products
 - Apple stores never post job openings (that flooded with applicants)
- Extensive training program
 - Recruits are drilled in classes that apply Apple's principles of customer service
 - New hires shadow more experienced colleagues and aren't allow to interact with customers on their own until they are deemed ready
 - Sometimes weeks or months

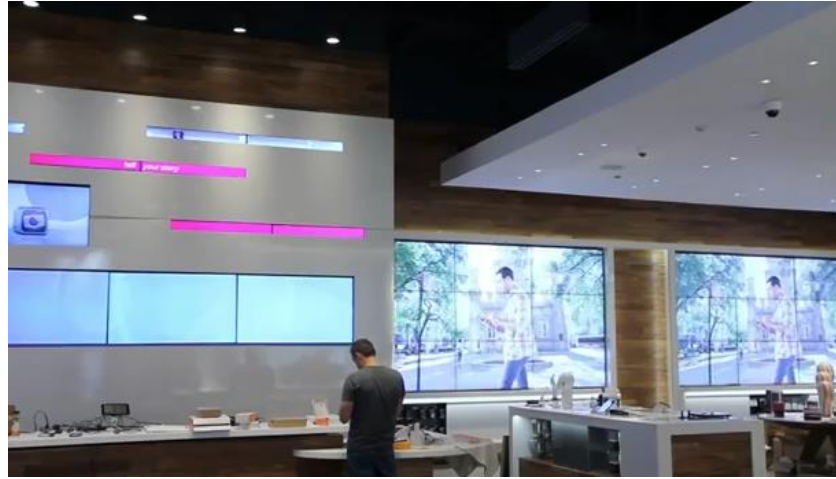




Genius Bar Staff

- Training in facilities worldwide (\$40/hour)
- Certified and regularly tested on their skills
- Language training (what and how to say things...)
 - “as it turns out vs. unfortunately”
- Not on commission,
 - No incentive to push an expensive new computer
- Their job is to figure out what you need and help you get it, even if it's a product Apple doesn't carry.
- No one came to the Genius Bar during the first years.
 - Evian water in refrigerators for customers to try to get them to sit down and spend time at the bar.
 - Stuck with it because knew that face-to-face support was the very best way to help customers.
 - Three years after the Genius Bar launched, it was so popular we had to set up a reservation system.

At&t,
Microsoft,
Samsung





Copycat apple
stores, china

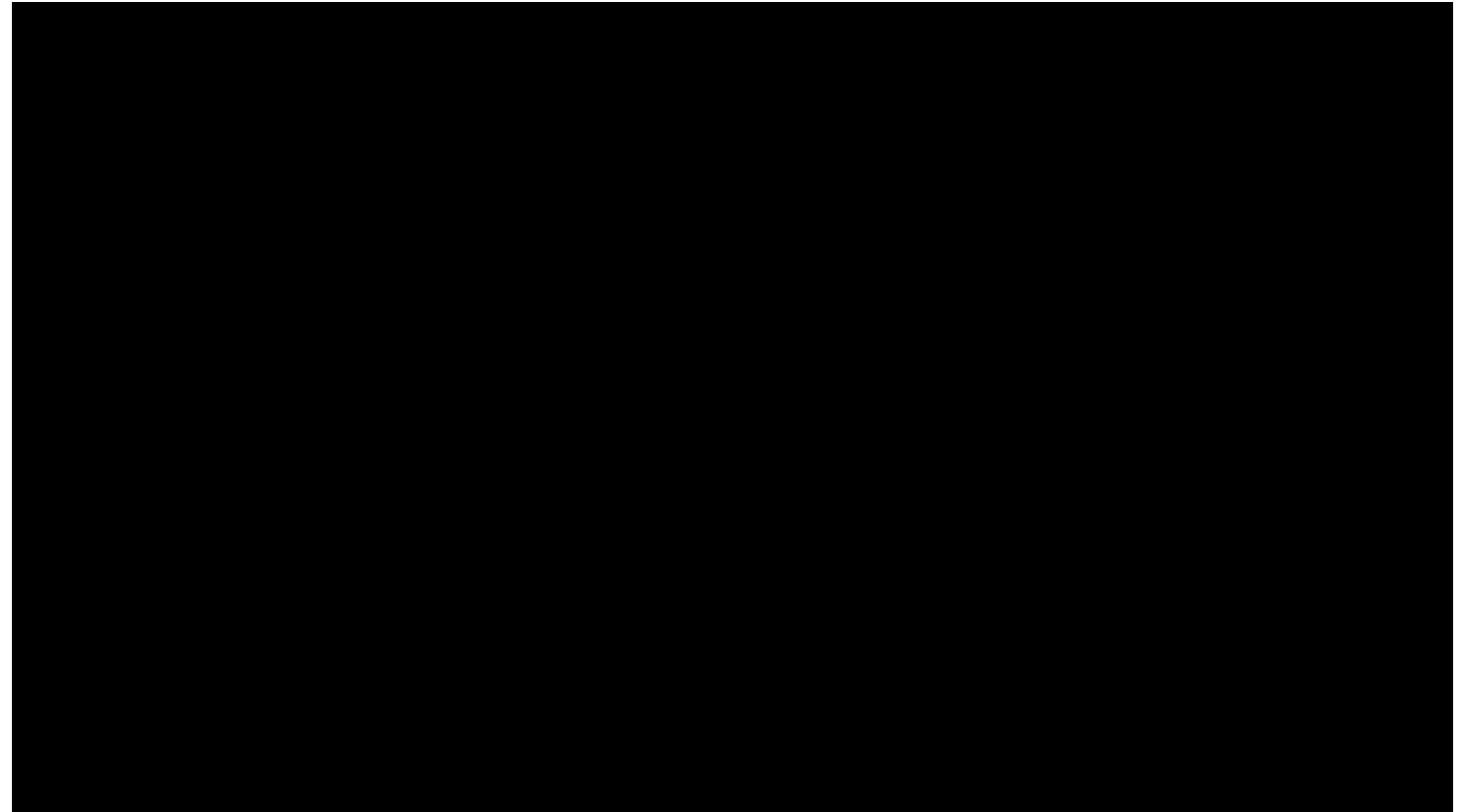


George
Blankenship VP
of Design and
store
development
for Tesla



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Doug Stephens The Future of Retail



Classifying Retailers



Classification of Retail Operations

Ownership

Level of Service

Product Assortment

Price

1. Classification of Ownership

Independent Retailers

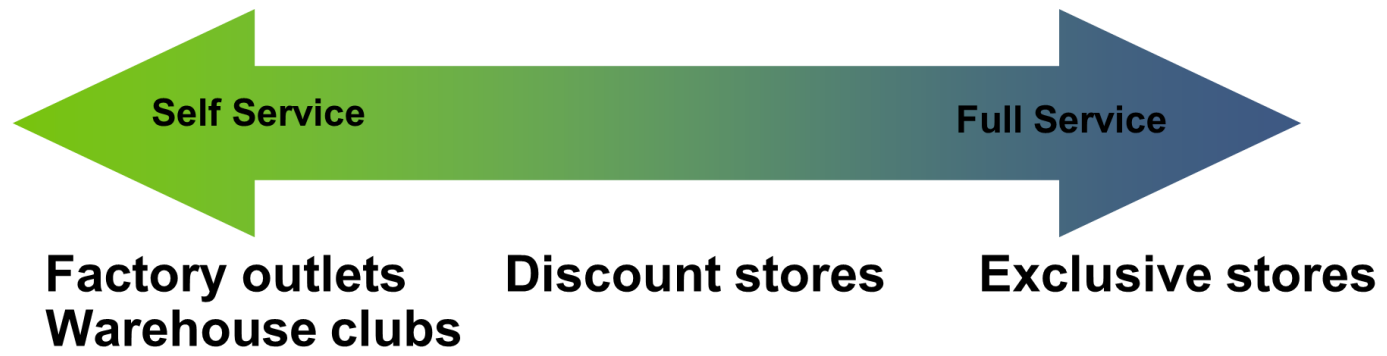
Owned by a single person or partnership and not part of a larger retail institution (flower shop, ethnic foods market)

Chain Stores

Owned and operated as a group by a single organization (Gap & Starbucks)

Franchises

The right to operate a business or sell a product (Subway, Quiznos)



2. Level of Service

3. Product Assortment

- Broad – Costco, Supermarket
- Medium – Target, Walmart
- Narrow – GameStop, Bestbuy, Toys “R” Us

4. Price

Gross Margin

The amount of money the retailer makes as a percentage of sales after the cost of goods sold is subtracted.



Type of Retailer	Service Level	Assortment	Price	Gross Margin
Department Store	Mod Hi-High	Broad	Mod-High	Mod High
Specialty Store	High	Narrow	Mod-High	High
Supermarket	Low	Broad	Moderate	Low
Convenience Store	Low	Med-Narrow	Mod High	Mod High
Drugstore	Low-Mod	Medium	Moderate	Low
Full-line Discounter	Mod-Low	Med-Broad	Mod Low	Mod Low
Specialty Discounter	Mod-Low	Med-Broad	Mod Lo-low	Mod Low
Warehouse Clubs	Low	Broad	Low-very low	Low
Off-price Retailer	Low	Med-Narrow	Low	Low
Restaurant	Low-High	Narrow	Low-High	Low-High

Major Types of Retail Operations

Department Stores

Carries a wide variety of shopping and specialty goods, including apparel, cosmetics, housewares, electronics, and sometimes furniture. Each department is treated as a separate buying center, and central management sets broad policies about the types of merchandise carried and prices.

Macy's

JC Penney

Sears

Dillard's

Nordstrom's

Specialty Stores

Specializing in a given type of merchandise. A typical specialty store carries a deeper buy narrower assortment of specialty merchandise, and its knowledgeable sales clerks offers more attentive customer service. Price is considered secondary.

Crate and
Barrel

Restoration
Hardware

Foot Locker

Victoria
Secret

DSW

Super Markets

Large departmentalized, self-service retailers that specialize in food and some nonfood items. Some being replaced by bigger superstores which meet needs of convenience, variety, and service by offering one stop shopping for many food and nonfood needs – also pharmacies, flower shops, salad bars, photo processing, banking, eye exam, etc.

Safeway

Costco

Wal-Mart



The diagram features a large green speech bubble on the left containing the text "Convenience Store". To its right is a block of text defining convenience stores. Below the speech bubble are three green rectangular boxes, each containing a brand name: "7-11", "Circle K", and "Mini Stop". The background of the slide has faint, curved, concentric lines in the top-left and bottom-right corners.

Convenience Store

Defined as miniature supermarkets, carrying only a limited line of high-turnover convenience goods.

Self service stores are located near residential areas and are often open twenty-four hours a day, seven days a week. Prices are almost always higher than a supermarket

7-11

Circle K

Mini Stop

Discount Store

Competes on the basis of low prices, high turnover, and high volume. Discounters can be classified into several major categories:

Full line discount stores (Walmart)

Specialty Discount Stores (Best-Buy, Staples, Office Depot, IKEA)

Warehouse membership club – Sam's Club, Costco, BJ's wholesale Club

Off Price Retailers

Sells at prices 25% or more below traditional department store prices because it pays cash for its stock and usually does not ask for return privileges. Factory outlets is an off price retailer that is owned and operated by a manufacturer. Retailers can regulate where their surplus is sold, and they can realize higher profit margins than they would disposing the goods through independent wholesalers and retailers.

TJ Maxx

Ross

Marshall

Restaurants

In-between retail establishments and service establishments. Do sell tangible products, food and drink – but also provide a service.

Mexican
Restaurants

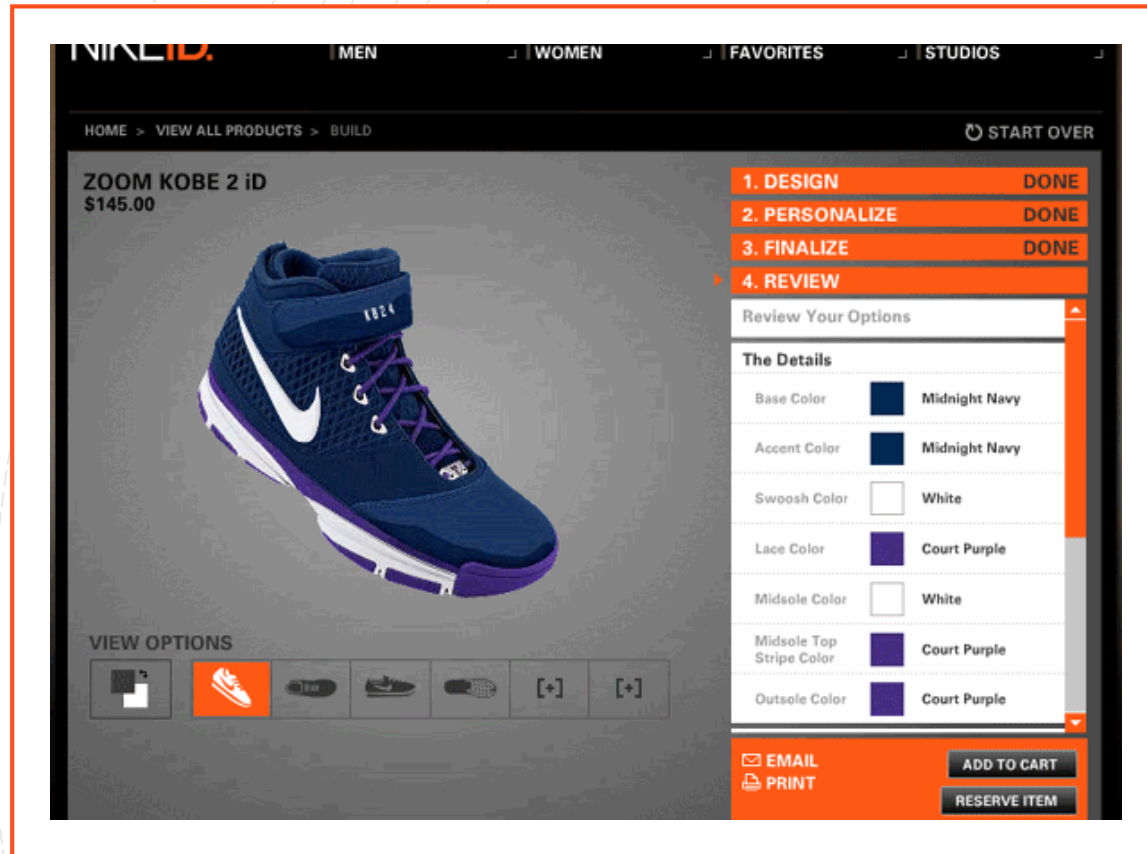
McDonalds

Outback
Steak House



Nonstore Retailing

Nonstore Retailing



- Shopping without visiting a store.
- Currently growing faster than in-store retailing
 - Customers demand convenience
 - eBay, same day
 - Amazon
 - Zappos



Nonstore Retailing

Automatic Vending

Direct Retailing

Direct Marketing

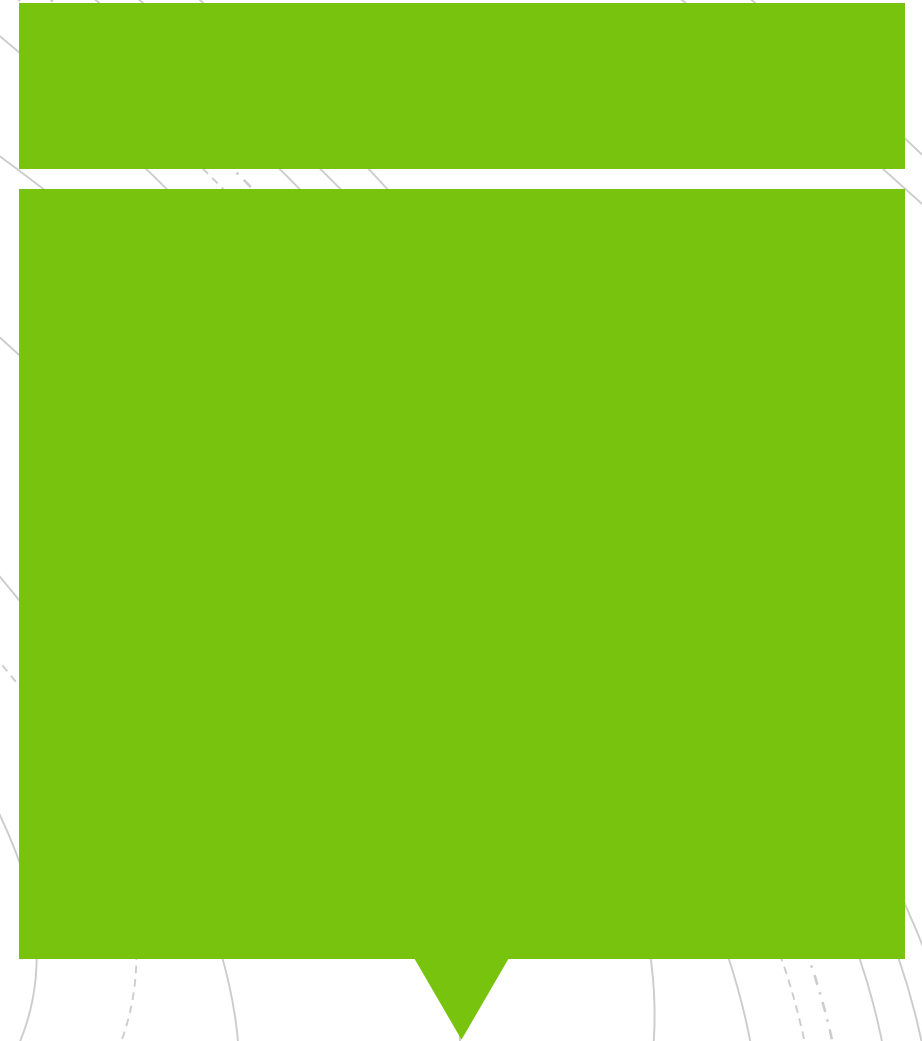
Electronic Retailing

Proactive Vending Machine



iPod Vending Machine





Ice Cream vending machines





Representatives sell product:

Direct Retailing

Door-to-Door

Office-to-Office

**Home Sales
Parties**

Techniques used to get customers to make a purchase from their home, office, or other nonretail setting

Types of Direct Marketing

Direct Mail

Catalogs & Mail Order

Telemarketing

Electronic Retailing

**Shop-at-home networks
On-line retailing**



Franchising

Franchise

Continuing relationship in which a franchisor grants to a franchisee the business rights to operate or sell a product.

Franchising

Franchisor

**Originates the trade name,
And product methods of
operation**

Franchisee

**Pays the franchisor for the
right to use its name, product,
or business methods**

Relationship lasts between 10 – 20 years

Largest US Franchises

1. McDonald's. \$1M - \$2.2M.

2. 7-Eleven Inc. \$38K - \$1.1M.

3. Dunkin' Donuts. \$229K - \$1.7M.

4. The UPS Store. Request More Info. \$178K - \$403K.

5. RE/MAX LLC. \$38K - \$225K.

6. Sonic Drive-In Restaurants. \$1.1M - \$2.4M.

7. Great Clips. \$137K - \$258K.

8. Taco Bell. \$525K - \$2.6M.

The background is a dark gray with several concentric circles of varying line weights. A dashed line forms a circle that passes through the text.

▼ Retail Marketing Strategy

Retail Marketing Strategy: Key task

**Define & Select
a Target Market**

**Choose a retail mix and
develop the
“Six Ps”**

**Product, price, promotion,
placement, personnel, and presentation**



**STEP 1:
Segment the Market**

Demographics

Geographics

Psychographics



```
graph LR; A[STEP 2: Choose the Retailing Mix] --- B[Product]; A --- C[Place]; A --- D[Price]; A --- E[Personnel]; A --- F[Promotion]; A --- G[Presentation];
```

STEP 2:
Choose the
Retailing Mix

Product

Place

Price

Personnel

Promotion

Presentation

Step 3: Choosing the Product Offering

Product Offering



The mix of products offered to the consumer by the retailer; also called the *product assortment* or *merchandise mix*.

4: Price

Retailing's goal is to sell products to consumers at the right price

Step 5: Retail Promotion

Advertising

Public Relations

Publicity

Sales Promotion



Step 6: Place



Convenience
is a key
ingredient to
success



The Proper Location

Choosing a Community

Economic growth potential

Competition

Geography

Choosing a Site

Freestanding Store

Shopping Center

Mall

7: Presentation of the Retail Store

Atmosphere



The overall impression conveyed by a store's physical layout, décor, and surroundings

Presentation of the Retail Store

Employee type and density

Merchandise type and density

Fixture type and density

Sound

Odors

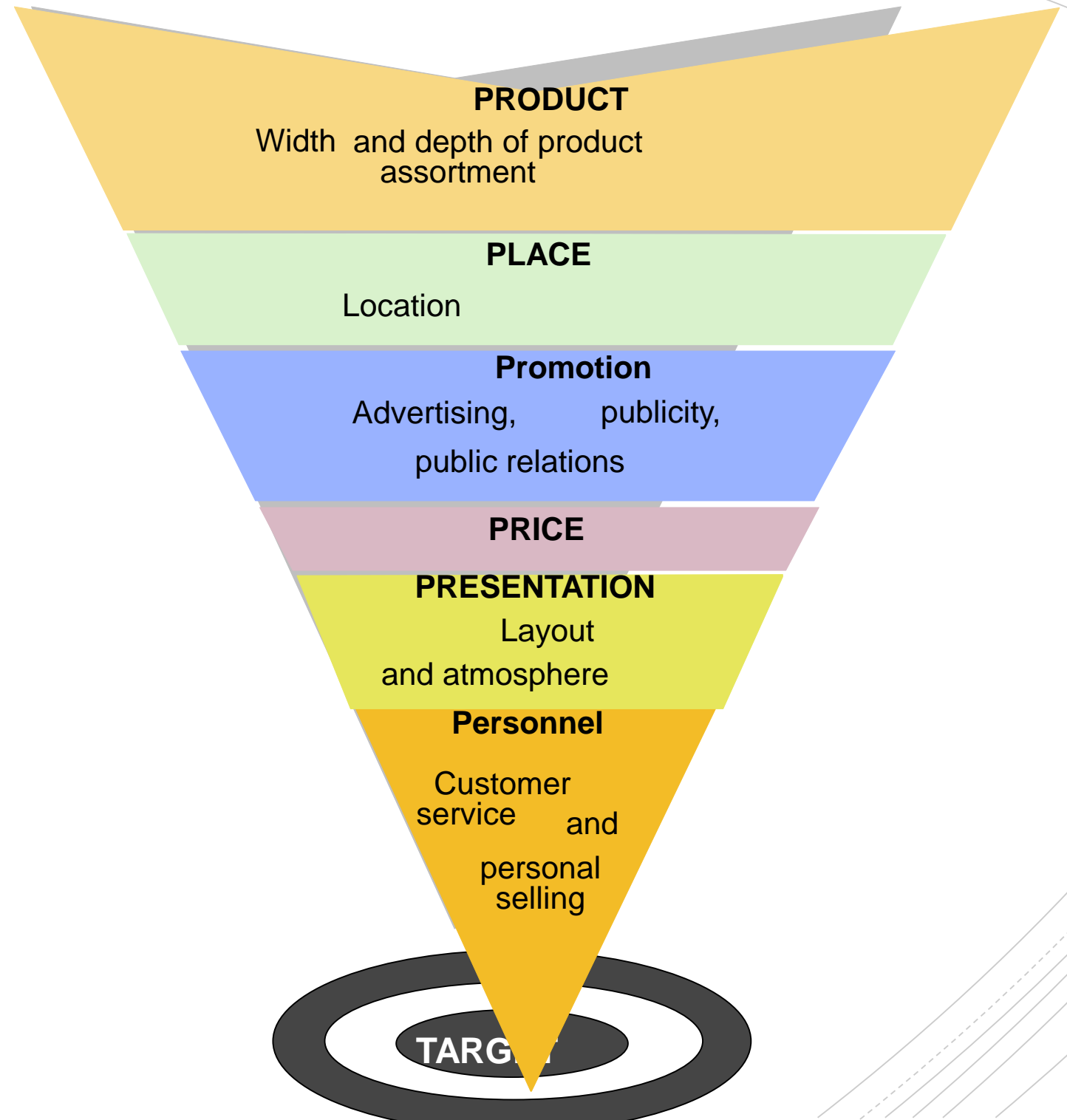
Visual factors

Personnel



- Customer service
- Personal selling
- Age
- Appearance
 - Clothing
 - Haircut
 - Facial Hair
 - Articulate

Developing a Retail Marketing Strategy



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The Future of the Store

