cover

blank

Introduction to RETAILING

Only study guide for

MNM1504



Compiler:
Mrs C Erdis

Department of Marketing and Retail Management
University of South Africa,
Pretoria

© 2010 University of South Africa

All rights reserved

Printed and published by the
University of South Africa
Muckleneuk, Pretoria

MNM1504/1/2011–2013

98644556

InDesign

MNB_style

CONTENTS

		Page
PREFACE		iv
TOPIC 1:	**The basics of retailing**	3
STUDY UNIT 1:	An introduction to retailing	5
STUDY UNIT 2:	The retailing environment	12
STUDY UNIT 3:	Selecting suppliers and supplier relations	22
TOPIC 2:	**The "rights" of retailing**	**31**
STUDY UNIT 4:	Being in the right place	32
STUDY UNIT 5:	Selling the right products of the right quality	43
STUDY UNIT 6:	Selling the right quantity at the right time	50
STUDY UNIT 7:	Selling at the right price	57
TOPIC 3:	**Implementing the retail strategy**	65
STUDY UNIT 8:	Selling the right service	66
STUDY UNIT 9:	Retail promotion	74

PREFACE

1 AIM OF THE MODULE

The aim of this module is to help students of retail management to understand the basics of retailing, the "rights" of retailing and the implementation of the retail strategy for the successful management of a retail organisation.

2 LEARNING OUTCOMES

Students will be able to demonstrate a knowledge and understanding of:

- the basics of retail management in the business environment
- the retailing environment
- the importance of selecting suppliers and supplier relations in the retailing environment
- being in the right place in the retailing environment
- what it means to sell the right products of the right quality at the right time in the retailing environment
- selling at the right price in the retailing environment
- selling the right service in the retailing environment
- retail promotion in the retailing environment
- blending store activities for success in the retailing environment

3 OVERVIEW OF THE MODULE

In this module, we introduce you to the field of retailing, which is extremely dynamic and challenging. An example of the challenges facing retailers is the current tough global economic climate and its influence on their business practices.

We will discuss important topics such as the nature of retailing, the retailing environment, the importance of suppliers and supplier relationships, the "rights" of – or the right things to do in – retailing and blending store activities for success.

The learning content and activities in this study guide will give you opportunities to explore the latest developments in this field and help you to discover the field of retailing as it is practised today. We hope that you will enjoy the module.

4 METHOD OF STUDY

We expect you to master the contents of the study guide and the prescribed books on your own, according to the guidelines provided in the study guide and the tutorial letters.

This module is based on a specific prescribed book. Please consult Tutorial Letter 101 of MNM1504 for the details of the prescribed book.

To keep up to date with changes in the field of retailing and to ensure that you use the prescribed book that we consider as the most appropriate for a particular subject, we often change the book.

If the book does change, we will supply a page reference guide in a tutorial letter that indicates the sections in the new prescribed book that you have to study instead of the sections of the book on which this study guide is based.

5 ASSIGNMENTS

It is important for you to complete the assignments set for this module before you study the guidelines presented in the tutorial letter (see Tutorial Letter 101 of MNM1504 for the topics to be covered for the assignments). If the assignment requires you to write an essay, always apply the theoretical principles to a practical situation, as this counts about 40 to 50 percent of the marks awarded. Have a look at the case studies in the prescribed case study book for examples of how you can apply the theoretical principles to a practical situation.

In order to achieve the highest marks possible in essay questions, your answers should be structured logically. Use appropriate headings and subheadings and include a bibliography at the end. You will find guidelines for the technical presentation of assignments in Tutorial Letter 301 MNALLEQ.

6 EXAMINATIONS

6.1 Prescribed material

As indicated in this study guide, all the study material is relevant for the examinations. We cannot provide you with any demarcation of the study material for the examination. We expect you to know the theoretical principles and be able to apply these principles to a practical situation. You will not, however, be examined on the case studies in the prescribed case study book; use the case study book for completing assignments and for providing practical examples in the examinations.

6.2 The examination

The duration of the examination is two hours and comprises 70 multiple-choice questions.

7 KEY CONCEPTS IN ASSIGNMENTS AND EXAMINATIONS

In assignment and examination questions, you will notice certain key concepts and related verbs or doing words that tell you what is expected of you.

For example, you may be asked in a question to list, describe, illustrate, demonstrate, compare, construct, relate, criticise, recommend or design particular information, aspects, factors or situations. To help you to understand exactly what these key concepts or verbs mean so that you will know exactly what is expected of you, we present the following taxonomy by Bloom. It explains the concepts and indicates the level of cognitive thinking that they refer to:

- **Knowledge**. This is basically memorisation and recall information. At its simplest, it involves recalling specific facts or terminology, such as names, dates and definitions; it can also involve recalling principles and generalisations or recalling ways of doing things. Outcomes or instructions written at this level will typically use verbs (these are the instructions in the questions about what you have to do) such as name, list, define, label, select, state, write, describe, identify and recall.
- **Comprehension**. This involves making meaning of things, rather than just remembering them. Comprehension usually requires you to translate information into your own words. Outcomes or instructions written at this level will typically use verbs (ie what you have to do) such as convert, illustrate, distinguish, interpret, rewrite, discuss, give examples and summarise.
- **Application**. This is the ability to use information and ideas in new situations, such as solving problems that have a single or best answer. Outcomes or instructions written at this level will typically use verbs (what you have to do) such as calculate, demonstrate, construct, compute, solve, relate, show, use and apply.
- **Analysis**. This is the ability to systematically examine information to identify the important ideas, the relative hierarchy of those ideas and the relations between the ideas. Outcomes written at this level will typically use verbs (what you have to do) such as analyse, differentiate, categorise, classify, relate, illustrate, outline, compare, contrast, discriminate, explain and hypothesise.
- **Synthesis**. This is the ability to construct something new by combining several pieces of information to make a coherent whole (such as a plan). Outcomes written at this level will typically use verbs (ie what you have to do) such as plan, adapt, combine, create, compile, compose, construct, model, revise, design, develop, formulate and organise.
- **Evaluation**. This is the ability to make judgements about the quality or value of things (with reference to either internal evidence or external criteria). Outcomes written at this level will typically use verbs such as assess, judge, choose, criticise, rate, argue, justify, evaluate, decide, recommend and conclude.

We hope that these concepts will help you to understand exactly what is expected of you in the examination.

Best wishes for a successful semester of study!

Your Introduction to Retailing lecturers

MODULE FRAMEWORK: INTRODUCTION TO RETAILING MNM1054

Topic 1 THE BASICS OF RETAILING	Study units 1: An introduction to retailing 2: The retailing environment 3: Selecting suppliers and supplier relations
Topic 2 THE "RIGHTS" OF RETAILING	Study units 4: Being in the right place 5: Selling the right products of the right quality 6: Selling the right quantity at the right time 7: Selling at the right price
Topic 3 IMPLEMENTING THE RETAIL STRATEGY	Study units 8: Selling the right service 9: Retail promotion

Certain icons are used throughout the study guide. These are:

Icon	Description
	**Key concepts**. The Key concepts icon draws your attention to certain keywords or concept that you will come across in the topic or study unit.
	**Aim and Learning outcomes.** The Learning outcomes icon indicates what aspects of the particular topic or study units you have to master and demonstrate that you have mastered them.
	**Study**. The Study icon indicates which sections of the prescribed book or the study guide you need to study and internalise.

Icon	Description
	**Read.** The Read icon will direct you to read certain sections of the prescribed book for background information.
	**Activity**. The Activity icon refers to activities that you must do in order to develop a deeper understanding of the learning material.
	**Assessment.** When you see the Assessment icon, you will be required to test your knowledge, understanding and application of the material you have studied.
	**Feedback.** The Feedback icon indicates that you will receive feedback on your answers to the self-assessment activities.
	**Time-out.** The Time-out icon indicates that you should take a rest because you have reached the end of a study unit or topic.
	**Reflection.** The Reflection icon requires you to reflect on the important issues or problems dealt with in the study unit.
	**Summary.** The Summary icon indicates that a brief statement will be provided that summarises the main points discussed in each study unit.

TOPIC 1

The basics of retailing



Learning outcomes

On completion of this topic, students must be able to:

- demonstrate a knowledge and understanding of the basics of retail management.

TOPIC CONTENT

Topic 1	Study unit 1 An introduction to retailing Study unit 2 The retailing environment Study unit 3 Selecting suppliers and supplier relations

Study unit 1

An introduction to retailing

INTRODUCTION

Part of our daily life consists of buying goods and services as consumers. Retailers have to think about making an attractive offering even though consumers complain about inflation and the rising cost of living. Reality has hit consumers all over the world with increased fuel costs, interest rates declining to the lowest levels in many years and rising prices on basic necessities such as bread and milk.

This study unit goes behind the scenes to determine why so many retailers can continue to exist, while their marketplaces are strapped for disposable income. For any future retailer there must be some ground rules to follow to compete fairly among other retailers and yet provide what consumers need in order to keep them coming back.

OVERVIEW

Study unit 1 is an introduction to retailing. The nature of retailing will be introduced, followed by the theory on the wheel of retailing, the changing nature of retailing and the right things to do in retailing. This will set the basis for understanding the bigger picture when we get to study unit 2, which deals with the retailing environment.

Two questions arise, namely:

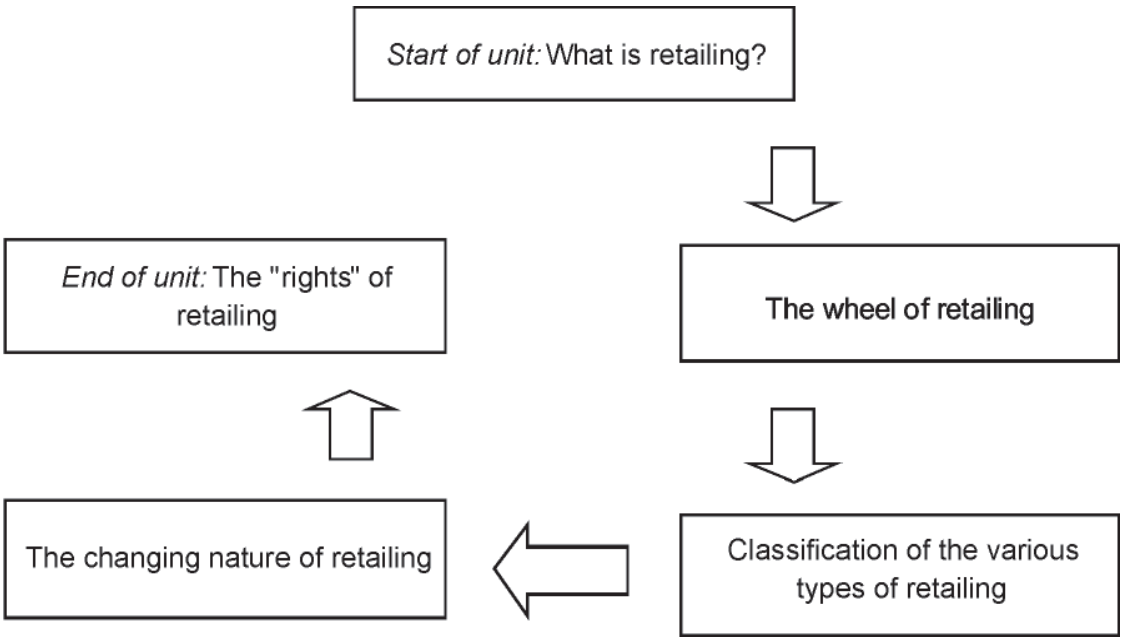
- Why do retailers need to develop their strategies and practices to stay up to date with changes in the retailing world?
- Do all retailers constantly evolve to keep up with these changes?

You will need approximately four hours to work through this study unit.

TABLE OF CONTENTS

1.1 Introduction
1.2 What is retailing?
1.3 The wheel of retailing
1.4 Classification of the various types of retailing
1.5 The changing nature of retailing
1.6 The "rights" of retailing
1.7 Assessment
1.8 Reflection
1.9 Summary

This study unit unfolds as follows:



Key concepts



You will need to master the following key concepts in order to meet the learning outcomes for this topic:

- Wheel of retailing
- Store retailing
- Non-store retailing
- The "rights" of retailing

1.1 INTRODUCTION



Read page 3 of the prescribed book.

Do you remember when you got your first allowance or pocket money from your parents? What did you spend it on? You probably ran to the corner store and bought sweets, chocolates, chips and fizzy soft drinks to "reward yourself" for nothing in particular. Some of you had a very strange sense of self-discipline and saved it for something bigger. Regardless of your spending patterns, you appreciated the retail environment before your knew how to spell it.

Today, you may need to do the monthly shopping, fill up with petrol or diesel and pay for insurance. This is what grown-ups do. All of these qualify as products and services

that you spend your salary on and they all contribute to the retailing environment. As individual customers, we have basic needs for necessities and luxury needs. Retailers stay in business while trying to satisfy all of our needs.

1.2 WHAT IS RETAILING?



Study pages 3 to 4 of the prescribed book.

According to Newman and Cullen (2002:12), retailing can be defined as a set of activities that markets products or services to final consumers for their personal or household use. It is done by organising the availability of products and services on a large scale and providing them to consumers on a relatively small scale. Take note that retailers sell to the final (non-business) consumer.

See if you can identify the retailer in the following scenarios:

1. Farmer-producer-shop (for a can of beans)
2. Producer-Shoprite/Spar/Pick 'n Pay (for deodorant)
3. Hairdresser-you (for that very expensive hairstyle you have now)
4. Producer-vending machine (for when a student has a snack attack)

The point is that whether you shop via the internet or place your orders telephonically, you are one of billions of people involved in retailing consumption. This study unit will now try to teach you about the other side of the story, which involves the machinery that makes retailing so successful.

1.3 THE WHEEL OF RETAILING



(Study pages 4 to 5 of the prescribed book.

Do you know the expression "the wheel turns or comes full circle"? In the South African context the example of clothing will best illustrate this notion. A few years ago, clothing became ridiculously expensive; well-known retail shops such as Foschini, Edgars, Milady's and Woolworths were all competing for the same markets. With the entry of the lower price store, Mr Price, into the marketplace, consumers started switching their loyalties to obtain less expensive clothing. The other retailers retaliated and started importing cheaper clothing from India and China, in order to compete with the low prices of Mr Price. Eventually, Mr Price could not rely on low prices alone and had to raise their prices in order to stay in business with their lowered sales volumes. Since Mr Price currently appears to have generalised average prices, they are also open to more competition from other retail clothing stores, which are different from the ones they were first competing against.

In retailing, many factors play a role in influencing the retail strategy and the wheel of retailing is a way of illustrating retailers' need to adapt, change or grow in order to stay relevant. When studying this section in your prescribed book, ensure that you understand why it is important for retailers to evolve.

1.4 CLASSIFICATION OF THE VARIOUS TYPES OF RETAILING



Study pages 5 to 6 of the prescribed book.

Depending on the number of product categories that a retailer stocks and the manner in which they control their selling environments, we can classify different types of retailers. One major classification is whether retailing takes place in a store or without a store (non-store). Store and non-store retailing will now be discussed in more detail.

1.4.1 Store retailing

Store retailing means that selling takes place from within a store. Many stores are located in major shopping centres in South Africa, for example Eastgate, Menlyn, Brooklyn, Cloisters and Southgate (in Gauteng), The Wheel (in KwaZulu-Natal) and Canal Walk and Victoria & Alfred Waterfront (in the Western Cape).

1.4.2 Non-store retailing

Non-store retailing entails selling that does not take place from a particular store. One example is direct marketing where consumers respond to advertisements in magazines that allow you to order products for personal home delivery.

Another example of non-store retailing is direct selling which takes place when you answer the door to a determined salesperson. Direct selling can take the form of "cold calling" in order to sell expensive book collections and vacuum cleaners on "special promotion". Direct selling can also involve hosting a tea party for, say, newly designed Tupperware containers, lunchboxes and bowls.

According to Dunne and Lusch (2008:18), some of the market forces that have contributed to the rapid growth of non-store retailing include:

- the customer's need to save time
- the customer's desire to shop when they want to and not when the retail store is open
- the decrease in enjoyment in the shopping experience
- the lack of qualified sales staff in stores to provide information on request
- the development of telecommunications equipment that allows online sales
- the customer's preference for cutting out middlemen to save money

If retailers want to stay in business, they should constantly monitor competitors' activity (discussed in more detail in study unit 2) and be aware of the changing non-store ways of retailing such as online shopping (which is also called e-tailing).



Activity 1.1

Research a few South African organisations involved in online retailing. Write a list of some of the websites that you visited in your research and indicate how you experienced the user-friendliness of each site



Feedback

The following are South African websites that you could have visited:

- *www.picknpay.co.za*
- *www.woolworths.co.za*
- *www.kalahari.net*
- *www.sanparks.org*
- *www.edgars.co.za*

Do you agree that user-friendliness is an important factor in deciding whether to shop online or in-store?

1.5 THE CHANGING NATURE OF RETAILING



Study page 7 of the prescribed book.

With the move away from the traditional concept of retailing in a store to non-store retailing, the business focus has also evolved away from products-only retailing to a focus on services retail. Services are intangible (not tangible as in the case of products – we cannot touch them) and require customers to be present in order to take place. Examples of services include banking, hairdressing services, restaurants and insurance services.

When studying this section, you must understand that retailers need to develop a balance between the merchandise on offer (which includes both products and services) and their desired performance objectives. By becoming more customer-focused and developing long-term relationships through database marketing, retailers can evolve with time. It is vitally important that retailers adhere to the "rights" of retailing, which are introduced below.

1.6 THE "RIGHTS" OF RETAILING



Study pages 8 to 9 of the prescribed book.

In order for retailers to be successful in business, they must ensure that they:

- stock the right products (or services to sell) to the customer
- stock the right quantity of product to provide to the customer
- stock the right quality of product to suit the customer's needs
- place their products for resale in the right place at the right time for the customer
- charge the right price for a particular customer
- provide the right service for that customer

These "rights" of retailing – or doing the right things – are very important and we will focus on them in detail in this study guide. At this stage, make sure you understand why they are "rights".

1.7 ASSESSMENT



Work through the following questions to ensure that you have a thorough understanding of the contents of this study unit.

(1) What do you understand by the term "retail"? Highlight your answer with real-life examples of retailers.
(2) Briefly discuss the seven "rights" of retailing and indicate why you think each right is important in achieving retailing success.
(3) Explain the ways of classifying store retailers and how these classifications contribute to the positioning of retailers within their product sector.
(4) Comment on the wheel of retailing and how it affects existing retailers.

1.8 REFLECTION



Before you continue to the next study unit, reflect on the following questions:

(1) Why is it important for retailers to keep abreast of changes in the retail industry?
(2) Did you learn about the various classifications of retailers?
(3) Did you learn what the "rights" of retailing are?
(4) What did you find interesting in this study unit? Why?
(5) How long did you take to work through this study unit? Are you still on schedule or do you need to adjust your study programme?
(6) How do you feel now?

1.9 SUMMARY



By now you should be familiar with all the key concepts of this study unit, which includes an introduction to the nature of retailing, the wheel of retailing theory and how retailing has developed over the years, classifications of retailing including store and non-store retailing, the changing nature of retailing and the "rights" of retailing that all retailers should achieve.

The study unit that follows will discuss the retailing environment and the extent to which variables inside and outside the organisation can influence business.



Study unit 2

The retailing environment

INTRODUCTION

Retailers need to assess the influence of the environment on their performance and on the behaviour of society, and then face the challenges arising from environmental conduct.

South Africa, for example, has been on an accelerating, long-term real economic growth path since the end of apartheid in the early 1990s, which also saw the end of repressive legislation and the removal of economic boycotts and sanctions. After three years of contraction from 1990 to 1992 (resulting from a combination of local political turbulence and weak global conditions), real gross domestic product began to turn upward for the better. Since 2008 the growth rate has slowed down due to external pressures from the international markets. These changes in the economic environment have had an enormous influence on retail organisations, as can be seen from the declining figures published by retailers over the last year or so.

This study unit highlights the influence that the macro-environment and market environment have on retailers. Any retailer also has certain internal areas closest to their business enterprises that they manage and make decisions upon. This chapter will introduce the different variables that belong to each specific environment, and discuss how they can affect a retailing business.

OVERVIEW

Study unit 2 deals with the retailing environment. Two questions arise, namely:

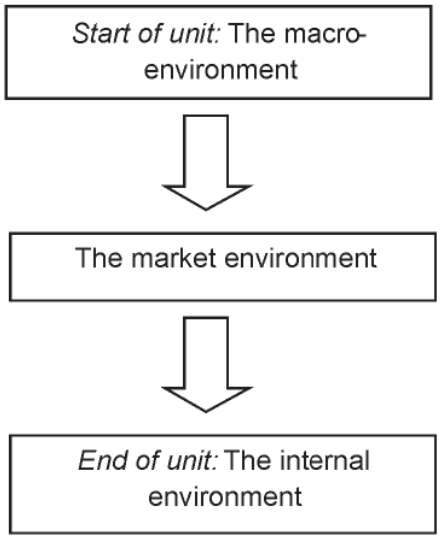
- Why do retailers need to constantly monitor changes in the retailing environment?
- Are all retailers affected by these changes?

You will need approximately six hours to work through this study unit.

TABLE OF CONTENTS

2.1 Introduction
2.2 The macro-environment
2.3 The market environment
2.4 The internal environment
2.5 Assessment
2.6 Reflection
2.7 Summary

This study unit unfolds as follows:



Key concepts



You will need to master the following key concepts in order to meet the learning outcomes for this topic:

- Macro-environment
- Social environment
- Technological environment
- Physical environment
- Economic environment
- Institutional environment
- Market environment
- Consumers
- Suppliers
- Competitors
- Intermediaries
- Internal environment

2.1 INTRODUCTION



Read page 10 of the prescribed book.

The retailer does not exist in a vacuum. There are certain forces that influence the performance of the retail outlet and these forces or factors can be classified under three major categories, namely the macro-economic environment, the market environment and the internal environment. If you consider the retailer as being the centre of the retailing environment (see figure 2.1 in your prescribed book), they make decisions and control

whatever is closest to them. They can arrange merchandise, speak to customers, place orders, train staff and aim to be successful every day in their retailing hours of business. This is their internal environment. It can be compared with what you decide to do in your household.

As soon as they step beyond the centre, retailers enter the marketplace where they have to compete with the offerings of other retailers. This can be compared to the neighbourhood where you live. Further away from the centre is the macro-environment in which the retailers operate as spectators since they are not in charge of variables. This can be compared to the country where your neighbourhood and your house are situated.

We will discuss these points from the "outside in", that is, first the macro-environment is discussed, then the market environment and lastly the internal environment.

2.2 THE MACRO-ENVIRONMENT



Study pages 11 to 22 of the prescribed book.

Beyond the fundamental need for accountability, there are a number of specific macro-environmental factors of concern to the South African retail industry. These factors are often referred to as mega-trends.

The table below indicates the macro-environmental factors that an investor, who wants to invest in a retail outlet, should consider. Study these points carefully in conjunction with the theory in your prescribed textbook.

Table 2.1 Macro-environmental factors

Main environment	Underlying variable	Comment about South African context
Institutional/ Political	Government departments such as the departments of agriculture, finance, health and labour are supported by councils on farming, banking, nursing and labour law respectively. These councils make policies and help to govern retailers.	Retailers do not get involved when the government wants to subsidise farmers or tax their produce. Many laws exist to govern healthy and safe working conditions even for retail workers. Retailers also have to adhere to competition laws for business practices.

Main environment	Underlying variable	Comment about South African context
Economic	Gross National Product (GNP)	The GNP illustrates how one country differs from another in terms of goods and services produced in one year.
	Interest rates	Interest rates are set by the Reserve Bank (the repo rate) and govern the prime rate of lending money to people.
	Rates of inflation	Inflation is caused by the continual rise in the price of one comparative basket of goods over time. The South African target inflation range is between 3–6% per annum.
	Economic cycle	When the economy is growing and prospering, people are optimistic and willing to buy. When inflation is high, sales are low and the downswing causes consumers to be pessimistic.
	National debt	If South Africa spends foreign exchange to import more goods from overseas countries than what the country can export to earn foreign exchange, we will be in deficit (not surplus). When we borrow money from other countries or the World Bank, we have debt as a nation.
	Unemployment	Unemployment means that there is not enough employment for the number of people who are able to work. Without work, consumers do not have enough money to spend on retail offerings.
Social environment	Population growth	When the size of the population increases, people are either moving into South Africa permanently or babies are being born regularly. This means that retailers will have more people to sell to in the future.

Main environment	Underlying variable	Comment about South African context
	Geographic location and urbanisation	Refer to the section on retailer location to determine how it affects the profitability of the retailer. When more people move to urban areas, it means the sales potential is greater there than for rural locations.
	Education levels of consumers	The more educated people are, the more knowledge they may require about products before they spend money on them.
	Age distribution	Retailers need to be aware of how old their target population is and adapt their product portfolio to suit the needs of the consumers. For example, mini-skirts will not appeal to more sophisticated senior citizens, but foods with improved nutritional value would appeal more to the latter group.
	Household and disposable incomes	The assumption is that better educated people have more disposable income to buy from retailers and also that they will be more discerning in choosing merchandise.
Social environment	Family structures	Retailers want to know who the members of households are in order to adapt their product offerings to their specific needs. Unmarried people need different products from people with children and retailers have to plan for these differences. Retailers also need to look out for divorced families and single parents.
	Male-female composition of the population	In South Africa, the male-female split of the population is approximately 40%-60%. This means retailers are more likely to carry greater amounts of stock for females than males.

Main environment	Underlying variable	Comment about South African context
Technological	Computers	Computers are commonplace in South Africa and schoolchildren have access to computers from an early age. Since multimedia interests require equipment and applications that can plug in to computers, retailers can expect constant sales to the younger generation of consumers. Computers also assist in the collection of sales data.
	Universal product coding	This is more commonly known as bar-coding. This computerised series of stripes show retailers what the product is, where it was manufactured, which batch it came from and recommended retail prices.
	Optical scanning	Laser technology allows retailers to speed up the payment process at the till point by allowing the scanning of barcodes. Previously check-out clerks could make errors when manually ringing up purchases in store.
	Electronic funds transfer	Walking around with a salary cheque that you want to cash is considered risky in today's society. Together with paying salaries through the electronic transfer of money between banks, retailers can receive money from debtors and pay creditors such as suppliers much more easily now.
	Electronic data interchange (EDI)	Business-to-business trading partners insist on the same hardware and software systems in order to exchange standardised documents with little effort and fewer human errors.
	Space management	Technology is able to manage the use of shelf space, storage space and its contribution to overall profitability.

Main environment	Underlying variable	Comment about South African context
	Security and shrinkage control	By watching video shots of products in storage and electronically tagging goods that are not to be removed without authorisation, retailers can control theft better.
	The internet/multimedia	Besides advertising goods for sale, the internet allows retailers to communicate in real-time with both suppliers and customers for less than paying postage. Together with pictures, retailers can use sound, video and animation to communicate with customers.
Physical environment	Natural resources	Retailers need to be environmentally responsible and not cause damage to the environment when using raw materials and non-sustainable inputs. Their outputs should also not include waste materials that pollute the environment they do business in. Most Pick n Pay Hypermarkets have recycle centres for a variety of materials. Pick n Pay also offers the Green Bag as an alternative. Made in South Africa by a BEE company out of an environmentally friendly, non-woven polypropylene fabric, the Green Bag is ergonomically designed, washable and long-lasting. Klerksdorp Hypermarket's anti-litter campaign drew the public's attention to the need for recycling when it erected three-metre-high statues of animals made from rubbish in the car park.

In the next section, the market environment will be discussed.

2.3 THE MARKET ENVIRONMENT



Study pages 22 to 28 of the prescribed book.

This section will be explained by using the example of Pick n Pay, a large retailer. Collectively, consumers will exert greater competitive pressure in the market by shopping around for the best deal, regularly reviewing their financial position and moving from one firm to another when it makes sense to do so. Consumers will judge firms on the quality of the products and services provided, including how firms behave when things go wrong – the way in which firms deal with complaints, for example. Following closely from this last point, consumers will feel much more positive about their engagement with the industry if firms deal with their complaints satisfactorily; they will take well-informed decisions based on clear and understandable information and will be clear about their own responsibilities in taking those decisions.

When you study this section in your prescribed book, please ensure that you learn all the elements of the market environment well and are able to apply them in a practical manner.

Table 2.2: Market environment factors

Competitors	Pick n Pay competes in South Africa with retailers such as Shoprite Checkers, Spar, Rite Value and any other smaller retailer.
Suppliers	All fast-moving consumer goods suppliers such as soap from Unilever, chips from Simba and Willards and milk from Clover.
Customers	
Who is the customer?	Customers include both men and women, all age groups and family members.
Where do customers buy?	Customers usually locate a Pick n Pay store in a shopping centre environment. They can also shop from the Pick n Pay website.
What do customers buy?	Customers buy cold foods, non-perishable goods, vegetables, fruit and household items.
How do customers buy?	Customers can pay by cash or credit card in store, but via debit and credit cards online.
Intermediaries	All transport operators, warehouse personnel, customs officials and financial institutions.



Activity 2.1

Foschini Ltd is one of the largest retail groups in South Africa. Discuss how consumers' ever-changing needs have influenced the types of stores within the Foschini group. Do research on Foschini to answer this question.



Feedback

Foschini Ltd is an investment holding company whose core business focus is retail and financial services. Comprising 14 brands trading in over 1 300 stores throughout southern Africa, the group consist of a lifestyle range of brands that are prominent household names in the retail market. The Foschini group consists of 13 trading divisions dealing in lifestyle products that range from fashion, jewellery, accessories, cosmetics, sporting and outdoor apparel and equipment to homewares. Foschini targets mostly women at different stages in life and with different needs. The group also captures the male market through Markhams, Sportscene, Totalsports and Due South. Consider visiting one of the mentioned shops and investigate the type of clothing provided for each market segment.

2.4 THE INTERNAL ENVIRONMENT



Study pages 28 to 33 of the prescribed book.

A retailer will find it difficult to add value outside their organisation if their internal resources do not help to achieve strategic objectives. Apart from finance, good suppliers and great products, the retail environment requires essential services from employees. Human resources is a critical element in the service delivery of a retail outlet. The table below discusses some human resources issues to be considered in the internal environment.

Table 2.3 Analysing human resources

Human resources planning	Retailers have to monitor how many staff members are required in stores and behind the scenes. If growth and profitability necessitate, the work force can be expanded by recruiting new staff members.
Recruitment and selection	Advertisements of vacancies and job descriptions are placed and potential staff members are then shortlisted, interviewed and selected for appointment. Employment equity targets have to be met for legal reasons.
Training and development	New staff members have to be trained in the retailing culture and customer service and helped to interact as a team with existing staff members.

Motivating, evaluating and remunerating personnel	Continuous performance management will ensure that staff members are growing in the retailing environment and salaries can be adjusted accordingly.

When studying this section in your prescribed book, ensure that you understand all the internal factors that organisations need to monitor constantly in order to be successful.

Now that we have come to the end of this study unit, can you see why it is essential for organisations to continually monitor their environments?

2.5 ASSESSMENT



Work through the following questions to ensure that you have a thorough understanding of the contents of this study unit.

(1) Explain how the macro-economic environment can exert an influence on retailers as well as consumers.
(2) Explain why the internal environmental factors must be continually monitored by an organisation such as Woolworths.
(3) Discuss the variables in the market environment and how they impact on a retail organisation.
(4) Dayzee Juices is a black-owned company that has recently started producing juice. It has approached Khethiwe Marketing consultancy to develop a distribution strategy for them. Explain how Khethiwe could use the technological factors to come up with the distribution strategy.

2.6 REFLECTION



Before you continue to the next chapter, reflect on the following questions:

(1) Why are the macro-environmental factors important to retailers?
(2) Did you learn about the technological environment's effect on retailers?
(3) Did you learn about the market environmental factors?
(4) What did you learn about the internal environment?
(5) What did you find interesting in this study unit? Why?
(6) How long did you take to work through this study unit? Are you still on schedule or do you need to adjust your study programme?
(7) How do you feel now?

2.7 SUMMARY



In this study unit, we investigated the different environments that retailers have to be aware of, monitor and work within. We discussed the macro-environment, which is beyond the control of the retail manager and over which he or she as an individual does not have much influence. We then discussed the market environment, which can also change as new competitors enter the market and suppliers change loyalties. Lastly, we

examined the internal environment, which is the environment that the retailer has the most influence over.

In the study unit that follows, an important component of the market environment, namely suppliers and supplier relations. will be discussed.



Study unit 3

Selecting suppliers and supplier relations

INTRODUCTION

How many times have you visited a store in order to purchase something you saw advertised, only to be told that they have not yet received their stock of that particular item or are sold out? Do you blame the organisation's suppliers or do you blame the organisation?

In the previous study units you were introduced to the basics of retailing and the retailing environment. Retailers are the contact point with the end users of products and they rely heavily on their suppliers to be reliable, efficient, adaptive and receptive to the customers' dynamic needs. Hence, suppliers are an important part of the value chain, and a good relationship and understanding between the retailers and the manufacturers will result in a success story.

In South Africa, suppliers are very active in making sure that their products are selling well. For example, most retail shops like Pick n Pay often have weekly specials and promotions in cooperation with the supplier of that particular product.

OVERVIEW

In this study unit, we will be examining factors to be considered when selecting suppliers and developing and maintaining long-term relationships with selected suppliers.

The example that will be used consistently throughout this study unit will be about the running of a tuck shop (a very small retailer) at the local high school.

Study unit 3 deals with selecting suppliers and supplier relations. Two questions arise, namely:

- Why is it important that suppliers are selected on the basis of more than just the cheapest price?
- Do all retailers constantly strive to develop and maintain their supplier relations?

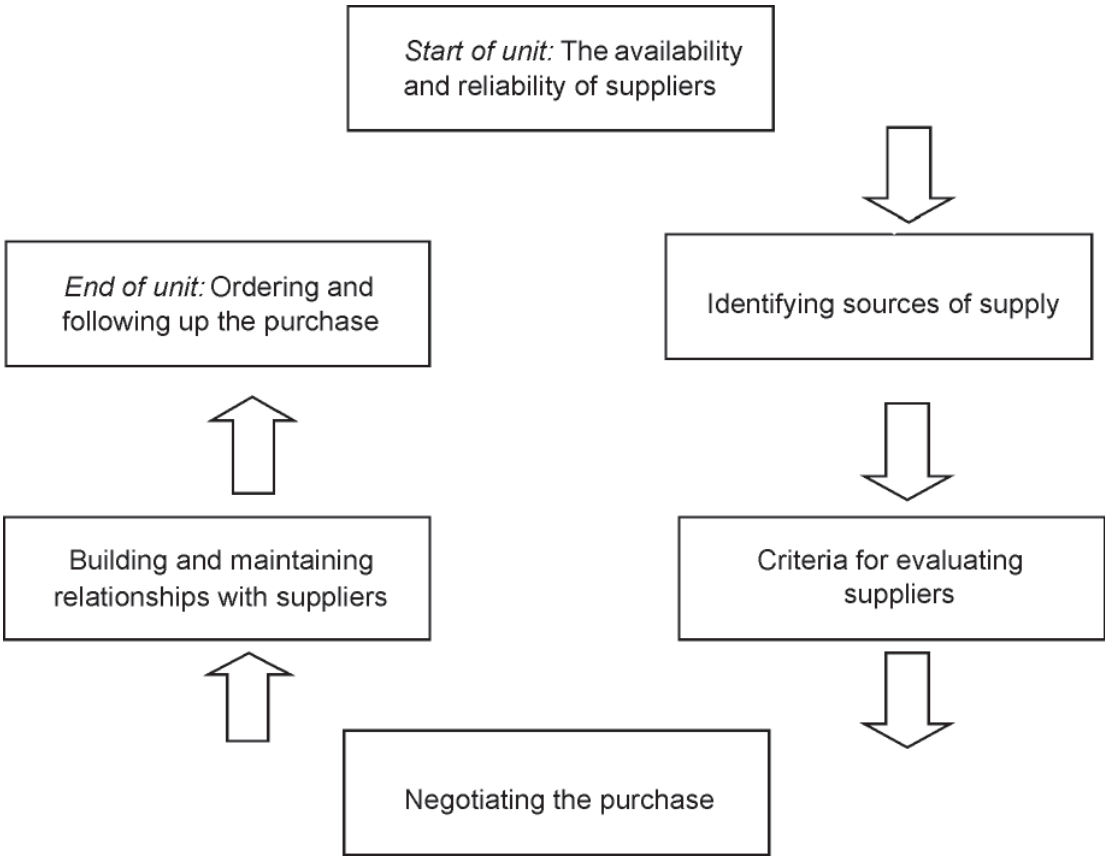
You will need approximately five hours to work through this study unit.

TABLE OF CONTENTS

3.1 Introduction
3.2 The availability and reliability of suppliers
3.3 Identifying sources of supply
3.4 Criteria for evaluating suppliers
3.5 Negotiating the purchase

3.6 Building and maintaining relationships with suppliers
3.7 Ordering and following up on the purchase
3.8 Assessment
3.9 Reflection
3.10 Summary

This study unit unfolds as follows:



Key concepts



You will need to master the following key concepts in order to meet the learning outcomes for this topic:

- Availability of suppliers
- Reliability of suppliers
- Sources of supply
- Criteria for evaluating suppliers
- Negotiating
- Building relationships
- Maintaining relationships

3.1 INTRODUCTION



Read page 35 of the prescribed book.

It is vitally important to have the best possible suppliers for one's retail organisation. In order to achieve this, suppliers must constantly be monitored and evaluated to ensure a consistent and reliable supply of products for a store. Let us illustrate this by means of our practical example of a school tuck shop.

The school tuck shop has been operating for the past 10 years and serves 400 learners during the 10:00 and the 12:00 break times at the school. The school and parents' association have asked you to re-evaluate the menu or selection of sweets, savouries and other snacks that you sell to learners in order to improve value for money and nutritional content.

You consult a dietician who helps you to determine that you need sandwiches, pies, crisps, fruit, chocolates with lower sugar content, fruit juices and milk as the essential list of merchandise to sell to learners. At this point you are not sure whether you currently have the right selection of suppliers, since you depend more on caring mothers and the home industries to supply you with merchandise. Their produce does not have any labelling about nutritional value and you are not sure whether they are the most cost effective and reliable suppliers to do business with.

In the next section, we consider some basic questions in order to determine the availability and reliability of the current and potential suppliers of the tuck shop.

3.2 THE AVAILABILITY AND RELIABILITY OF SUPPLIERS



Study page 35 of the prescribed book.

When studying this section, make sure that you know the factors to consider in determining a supplier's availability and reliability well. Some of the questions you have to ask as the tuck shop owner and manager in our example, are:

- Will both pies and sandwiches be available through the same supplier who delivers them to the tuck shop at 09:00 every morning with her station wagon?
- Will there be an alternative source of supply if needed?
- Will there be any interruptions in the supply of freshly baked pies and ready packed sandwiches?
- When do these suppliers expect to be paid: daily, weekly or monthly?

In terms of reliability, you have to consider whether the suppliers will ever deliver later than the first break time, whether they can keep up with hungry learners who eat more in winter and whether their sandwiches will ever be missing some ingredients. You as

the tuck shop retailer must assess exactly what the tuck shop needs, before deciding to appoint official suppliers.

Remember, this tuck shop example seems basic, but the same principles and procedures can be applied to larger retailers when selecting suppliers. The different sources of supply will be discussed next.

3.3 IDENTIFYING SOURCES OF SUPPLY



Study page 36 of the prescribed book.

When studying this section, make sure that you understand the differences between manufacturers and wholesalers, in order to advise a retailer on the best choice to make depending on their needs. The best way to illustrate the different sources of supply for the tuck shop owner and retailer will be to identify the different tuck shop requirements that are supplied by the different sources.

Sources of supply	**Tuck shop requirements**
The raw material producer	Tomatoes and fresh fruit that can be bought from farmers who harvest them and milk the cows. Miners can also be producers of raw material.
The final manufacturers	Milk in 200 ml containers, chocolate bars with low sugar content. Fruit juice in packaging with their straws attached. Processed coffee or tea that is packaged and given a label like Coffee Time or Five Roses Tea or Rooibos Tea.
The wholesale intermediary can be subdivided into three types:	
Merchant intermediaries	Bulk supplies of potato crisps such as Willards and Simba.
Agent intermediaries	Perhaps pies can be better sourced by using agents to negotiate with large manufacturers such as King Pie.
Contract intermediaries	Perhaps there are suppliers who specialise in tuck shops at schools and can offer lower prices? Do we have a contract in place with these suppliers?
The resident buying office	Perhaps the regional association of tuck shop owners can match buyers and sellers (that is retailers and suppliers) and guarantee the availability of products?

Next the criteria to use when evaluating suppliers will be discussed.

3.4 CRITERIA FOR EVALUATING SUPPLIERS



Study page 38 of the prescribed book.

Since it is possible for small retailers such as the tuck shop owner to become confused when choosing suppliers, this section introduces criteria for evaluating suppliers in order to stay objective and evaluate all potential suppliers on similar, predetermined characteristics. Study these criteria thoroughly.

Perhaps many suppliers can supply suitable merchandise to the tuck shop in the form of pies, sandwiches, fruit, juice and milk, yet their chocolate bars might have too much sugar. As the decision maker, the tuck shop owner will have to score suppliers on set criteria (such as support services, promotional participation, pricing), which can differ from one retailer to the next.



Activity 3.1

Complete the exercise on page 38 of your prescribed book in order to rate your own suppliers or the suppliers of the store where you work.



Feedback

You could have selected any two suppliers and then rated the suppliers by using the table provided below. By allocating a score out of 20 for each of the criteria in the table and adding up the scores, you would have noticed that although one supplier may rate high on a certain criterion, they may score very badly on other criteria, which affects their overall rating.

See the scores below allocated to the two meat pie suppliers of the tuck shop in our example:

Criteria	***Meat King Pies***	***Tasty Pies***
Suitability of merchandise	*15*	*10*
Completeness of lines	*12*	*8*
Profitability of merchandise	*10*	*13*
Delivery	*10*	*10*
Stability of supplier	*7*	*14*
Promotional assistance	*15*	*5*
Dependability of quality	*15*	*10*

Criteria	*Meat King Pies*	*Tasty Pies*
Returns and adjustments	*16*	*16*
Support services	*10*	*10*
Prices and terms of sale	*13*	*12*
Total	*123*	*108*

From the above we can see that Meat King Pies scored the highest overall rating and will therefore be selected as the tuck shop's preferred pie supplier.

3.5 NEGOTIATING THE PURCHASE



Study page 41 of the prescribed book.

If your tuck shop business grows to serve students at 10 different schools, you will have to appoint the chosen suppliers and negotiate what service levels you expect from them. This includes transporting decisions (such as shipping charges) from the suppliers to the schools and whether participation in joint marketing efforts could lead to promotional allowances (discounts for you).

In this section of the prescribed work, ensure that you study the purchase terms that have to be specified, as well as the meaning of discounts, shipping charges and promotional allowances.



Activity 3.2

Visit the website of Woolworths Limited at www.woolworths.co.za and identify joint promotional companies who advertise on their website.



Feedback

Promotional allowances are vitally important issues that must be negotiated with suppliers. Remember that advertising and promotion are very expensive and if an organisation can get a supplier to share costs, it will. Which joint promotional companies did you identify?

Good relations with suppliers depend on how much time and effort an organisation spends on developing supplier relations. In the next section, we will focus on relationship development and management.

3.6 BUILDING AND MAINTAINING RELATIONSHIPS WITH SUPPLIERS



Study page 43 of the prescribed book.

Small retailers (such as the school tuck shop) have to invest considerable time and effort to convince suppliers to stay loyal, handle orders placed in an efficient way and deliver reliably every time.

Orders to the supplier that are not written down can be misinterpreted and not filed correctly, for instance, too few pies may be delivered compared to the number of fruit juices. Miscommunication is the easiest way to strain your relationship with your suppliers, so pay attention to your relationship with suppliers or suffer the effects of lost sales.

Make sure that when you study this section, you also understand what a strategic partnership means.

3.7 ORDERING AND FOLLOWING UP ON THE PURCHASE



Study pages 43 to 44 of the prescribed book.

Capturing data correctly is very important in the order process, so the order form used by retailers must be completed correctly and signed by the authorised person. As with any other factor in business, once orders have been placed with suppliers, control must be kept by following up on the status of orders to see whether they will be delivered on time.

When studying this section in your prescribed book, ensure that you understand these two aspects of supplier relations well.

3.8 ASSESSMENT



Work through the following questions to ensure that you have a thorough understanding of the contents of this study unit.

(1) Discuss how the availability and reliability of suppliers can affect a retailer and provide examples from real life situations that you have encountered.

(2) Identify the various sources of supply and indicate the disadvantages and advantages of each source.

(3) Provide one example of a retail store of your choice and critically evaluate their suppliers based on the criteria for supplier evaluation.

(4) Explain the factors to bear in mind when negotiating the purchase with suppliers.

(5) Discuss why building and maintaining supplier relationships is vitally important to the success of the retailer.

3.9 REFLECTION



Before you continue to the next study unit, reflect on the following questions:

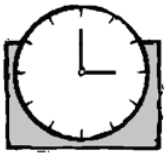
(1) Why are reliable and dependable suppliers important to the success of retailers?
(2) What did you learn about the various sources of supply?
(3) Can you remember the criteria that can be used to evaluate suppliers?
(4) What factors must a retailer bear in mind when negotiating the purchase?
(5) What did you find interesting in this study unit? Why?
(6) How long did you take to work through this study unit? Are you still on schedule or do you need to adjust your study programme?
(7) How do you feel now?

3.10 SUMMARY



In this study unit, we considered the various sources of supply available to retailers, as well as the importance of supplier reliability. We also identified the various sources of supply and the criteria to use to evaluate suppliers. Next we examined how to negotiate the purchase, as well as the importance of building and maintaining supplier relations. We concluded the unit with a discussion on the ordering and follow-up process to be followed with suppliers.

In the topic that follows, we will be examining the "rights" of retailing, which are vitally important to the success of a retail organisation.



TOPIC 2

The "rights" of retailing



Learning outcomes

On completion of this topic, learners must be able to:

- demonstrate a knowledge and understanding of the meaning of the "rights" of retailing in the retailing environment.

TOPIC CONTENT

Topic 2	Study unit 4 Being in the right place Study unit 5 Selling the right products of the right quality Study unit 6 Selling the right quantity at the right time Study unit 7 Selling at the right price

Study unit 4

Being in the right place

INTRODUCTION

Have you ever been grocery shopping on the top of a mountain or in the middle of the Kalahari Desert? I'm sure not! Grocery stores are always conveniently located just where the consumer goes shopping and not in destinations that the consumer would struggle to reach.

This study unit is about finding the right place to locate your retail business. It forms part of the "right" things to do in retailing. Where you choose to locate your retail business will have a major impact on everything your shop does. The difference between selecting the wrong location and the right site could be the difference between business failure and success. Sometimes retail stores have launched new businesses in a particular location, only to close their doors after sales failed to deliver good profits. This section will help you to ensure that an existing location you move into is suitable and that you should not construct an entirely new building in a bad business location.

Before choosing a retail store location, you have to define how you see your business, both now and in the future. Questions to ask could include:

- What do your customers look like?
- Can you visualise your building?
- Do you know what you want to sell and what you want your business to be known for?
- Have you determined how much retail space, storage area or office space you need?

Without the answers to these basic questions, it will be hard to find the perfect location for generating the maximum amount of profit for your retail store.

OVERVIEW

Study unit 4 deals with being in the right place. Two questions arise, namely:

- Why do retailers need to determine the best possible store location in order for their businesses to be successful?
- Do all retailers consider all the factors before deciding on a location?

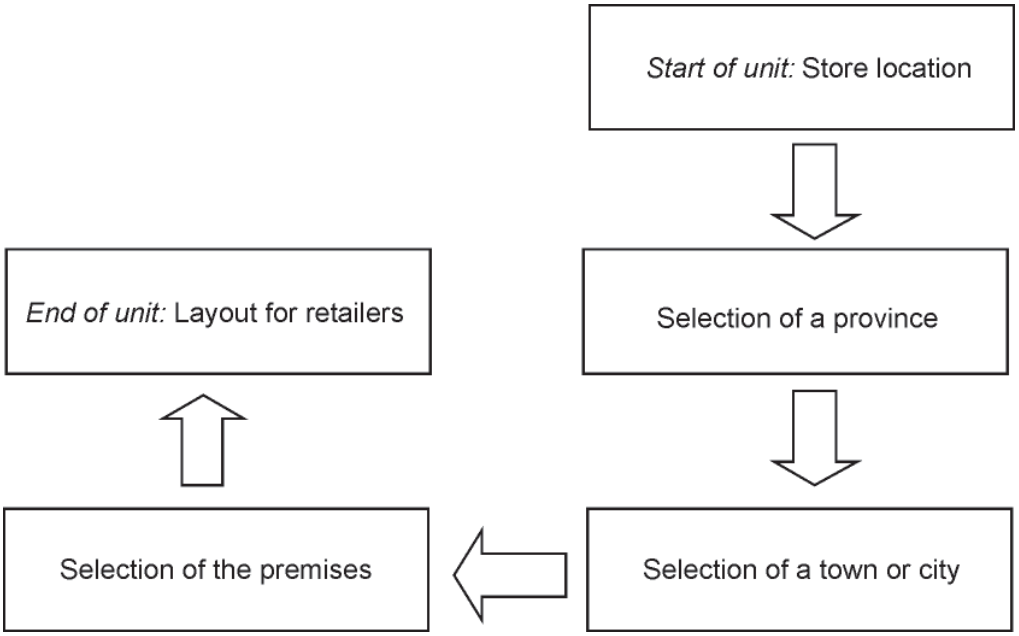
You will need approximately five hours to work through this study unit.

TABLE OF CONTENTS

4.1 Introduction
4.2 Store location

4.3 Selection of a province
4.4 Selection of a town or city
4.5 Selection of the premises
4.6 Basic locations for retailers
4.7 Evaluation criteria for selecting the right building
4.8 Layout for retailers
4.9 Assessment
4.10 Reflection
4.11 Summary

This study unit unfolds as follows:



Key concepts



You will need to master the following key concepts in order to meet the learning outcomes for this topic:

- Store location
- Province selection
- Town or city selection
- Premises selection
- Basic locations for retailers
- Building selection criteria
- Various store layouts

4.1 INTRODUCTION



Read page 51 of the prescribed book.

When you made the decision on where to live, you probably thought about the proximity of your home to roads, schools, places of worship and shops, as well as other factors like affordability. Based on whether it met all the right criteria, you chose a specific location for your home.

In the same way, retailers have to do thorough research and a feasibility analysis before they buy, build or establish their retail business. Choosing a location can be done in simple steps, as you will see. Evaluating a site does not need to be highly technical and can even make the store design and layout a little less difficult afterwards. Firstly, let us consider the store location.

4.2 STORE LOCATION



Study pages 51 to 53 of the prescribed book.

The right store location is vitally important for the success of any retail organisation. Examining what kind of products you sell, will assist in determining location as some goods will require certain types of location. Would your store be considered a convenience store, a specialty shop or a shopping store? *Convenience* goods require easy access, allowing the customer to quickly make a purchase. This product type is lower priced and purchased by a wide range of customers. *Specialty* goods are more unique than most products and customers do not generally mind travelling out of their way to purchase this type of product. This type of store may also do well near other shopping stores. A *shopping* store usually sells higher priced items that are bought infrequently by the customer. Furniture, cars and boutique clothing are examples of goods found at a shopping store. Because the prices of these items are higher, this type of customer will want to compare prices before making a purchase. Retailers would therefore do well to locate their store near stores selling similar products.

The following retail principles should be considered when choosing a location (these should be studied in the prescribed book and you must be able to apply them to a practical scenario):

- adequacy of present market area potential
- customer accessibility
- growth potential
- business interception
- cumulative attraction
- compatibility
- minimising the competition hazard
- site economics

The following factors should also be considered when choosing a retail store location:

- accessibility, visibility and traffic
- signage zoning and planning
- competition and neighbours
- location costs
- personal factors
- special considerations like laws prohibiting Sunday sales

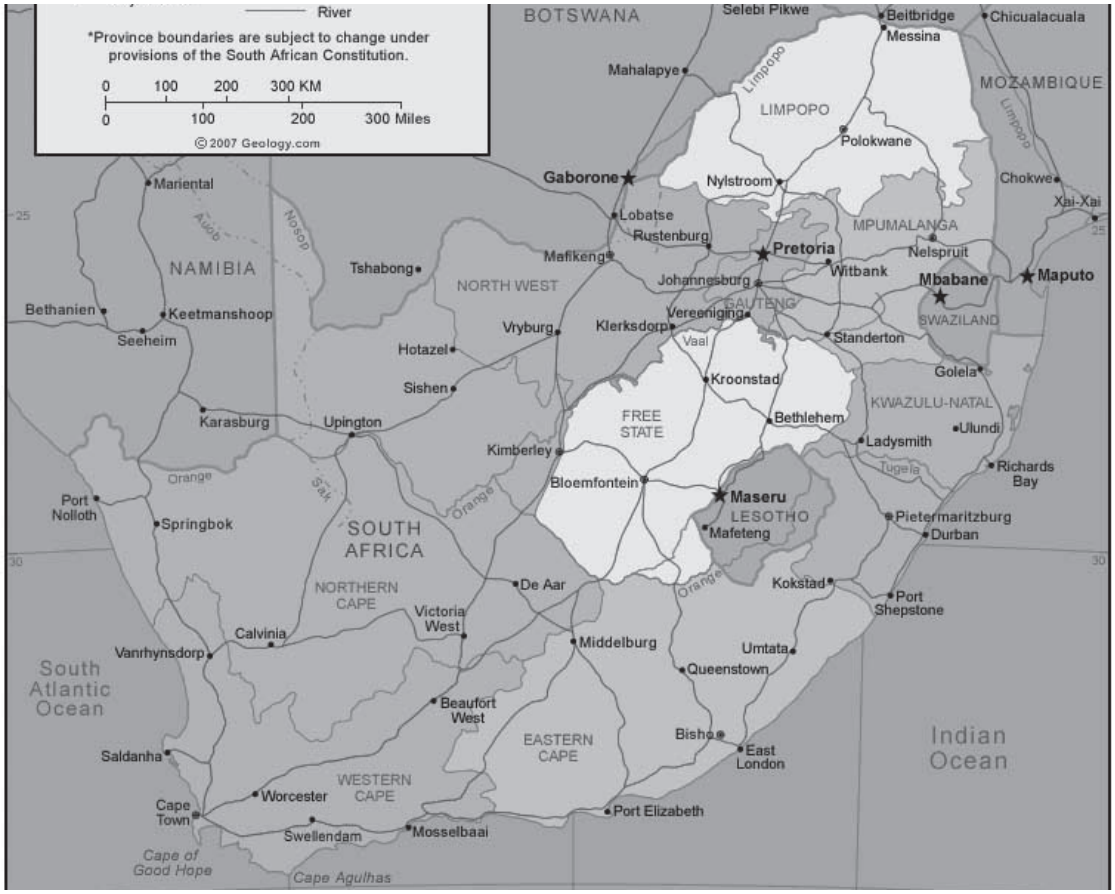
Once the retailer has analysed these factors, the next steps are to consider which province to locate in, then the town and then the actual premises to select.

4.3 SELECTION OF A PROVINCE



Study page 53 of the prescribed book.

When you are situated in a country like South Africa with nine provinces (as indicated in the map below), you need to select the province/s to start operating in.



(Map reference online: http://geology.com/world/south-africa-map.gif.)

Depending on the type of retail establishment you want to find a location for, you have to consider whether customers and suppliers are available in the region (regional compatibility). Figure out how your customers get to your products. Would they need trains, aeroplanes or ships to get to your products and services or can they walk to the coffee shop (proximity to market)?

If you are planning to employ staff members other than yourself to help bake bread or prepare burgers, you have to consider the skills set by province (labour). This is a necessary step since not all provinces have high education levels. If you are more business oriented, you will want to locate in the province where the rate of business is vibrant and dynamic (business climate); it will also not make sense to have a McDonald's drive-through where traffic is low and no-one makes use of the drive-through.

When studying this section, make sure you are able to explain the following factors as discussed above:

- regional compatibility
- proximity to markets
- labour
- business climate

The selection of an appropriate town is discussed next.

4.4 SELECTION OF A TOWN OR CITY



Study pages 54 to 55 of the prescribed book.

Let us say that from the previous challenge of selecting a province, you decide on the Western Cape Province. Now you have to read up to make a decision on the right town in the Western Cape.

When selecting a town to operate in, the following factors should be considered (make sure that you study these well):

- population trends
- local laws and regulations
- competition
- compatibility with community
- the availability of services



(Map reference online: http://www.aboutcapetown.com/maps.htm.jpg. Accessed 2010–06–05)

The selection of the premises will be covered next.

4.5 SELECTION OF THE PREMISES



Study pages 55 to 57 of the prescribed book.

Now we have selected a province (Western Cape). If we select Hout Bay for any of our retail businesses under consideration above, we have to take some general and specific factors into account. Make sure that you are able to discuss these in detail.

- *General considerations*

General considerations include whether we select old or newly built premises and whether to buy, build or lease the premises.

- *Specific considerations*

Suppose you decide that a new development near the waterfront in the town of Hout Bay would be ideal to rent from the developers. Specific factors to consider include whether you will catch the stream of customers (the trading area), whether they will buy (sales potential) and other surrounding businesses (atmosphere). Consider the following regarding the franchises under consideration: McDonald's might not have the space available for a drive-through facility; Burgundy's may have to serve cocktails together with coffee; the bakery will have to bake fancy pastries together with bread; and the BP express shop will need all residents and tourists to buy petrol so that their sales improve.



Activity 4.1

Discuss important factors that you would need to consider when deciding on a location for a new retail store selling ice-cream and sweets. Provide examples of how each of the factors would impact on the performance of the shop.



Feedback

Before choosing a retail store location, define how you see your business, both now and in the future. In defining the business, you need to consider the type of goods you need to sell as some goods will require certain types of locations. Would your store be considered a convenience store, a specialty shop or a shopping store? A store selling ice-cream and sweets would be classified as a convenience goods store.

If you are choosing a city to locate your retail store, research the area thoroughly before making a final decision. Read local papers and speak to other small businesses in the area. Obtain location demographics from the local library, chamber of commerce or the census bureau. Any of these sources should have information on the area's population, income and age. You know who your customers are (in the case of an ice-cream and sweet store your customers would be mainly children), so make sure you find a location where your customers live, work and shop.

Here are other factors to consider:

Accessibility, visibility and traffic. Do not confuse a lot of traffic for a lot of cars. Retailers want to be located where there are many shoppers but only if those shoppers meet the definition of their target market. Small retail stores may benefit from the traffic of nearby larger stores:

- *How many people walk or drive past the location?*
- *Is the area served by public transport?*
- *Can customers and delivery trucks easily get in and out of the parking lot?*
- *Is there adequate parking?*

Depending on the type of business, it would be wise to have somewhere between five to eight parking spaces per 100 square meters of retail space (for the children's mothers). When con-

sidering visibility, look at the location from the customer's view point. Can the store be seen from the main flow of traffic? Will your sign be easily seen?

In many cases, the better visibility your retail store has, the less advertising is needed. A specialty retail store located two kilometres out of town in a freestanding building will need more marketing than a shopping store located in a mall.

Signage, zoning and planning. Before signing a lease, be sure you understand all the rules, policies and procedures related to your retail store location. Contact the local city hall and zoning commission for information on regulations regarding signage. Ask about any restrictions that may affect your retail operation (such as a licence to sell ice-cream and sweets) and any future planning that could change traffic, such as highway construction.

Competition and neighbours. Other businesses in your prospective location can actually help or hurt your retail shop. A retailer must determine if the types of nearby businesses are compatible with their store. For example, a fashion boutique may not be successful next door to a discount variety store. Place it next to a nail or hair salon and it may do much more business.

Location costs. Besides the base rent, consider all costs involved when choosing a retail store location, such as:

- *Who pays for lawn care, buildings maintenance, utilities and security?*
- *Who pays for the upkeep and repair of the heating or air units?*
- *If the location is remote, how much additional marketing will it take for customers to find you?*
- *How much is the average water and lights account?*
- *Will you need to make any repairs; is any painting or remodelling needed to be done to fit your needs?*
- *Will the retailer be responsible for property taxes?*

The location you can afford now and the one that you can afford in the future should vary. It is difficult to create sales projections for a new business. One way to get help in determining how much rent you can pay, is to find out that sales that similar retail businesses are making and how much rent they are paying.

Personal factors. If you plan to work in your store, think about your personality, the distance from the shop to home and other personal considerations. If you spend much of your time travelling to and from work, the commute may overshadow the exhilaration of being your own boss. In addition, many restrictions are placed on a tenant by a landlord, management company or community that can hamper a retailer's independence.

(Source: http://retail.about.com/od/location/a/retail_location.htm)

4.6 BASIC LOCATIONS FOR RETAILERS



Study pages 57 to 59 of the prescribed book.

Once the province and town have been selected, a particular location must be selected that is best suited to the retail store. For example, within the town of Hout Bay, you have to determine if there is a centralised business environment, shopping complex or only small neighbourhood retail locations. Central Cape Town would house the central busi-

ness district (CBD), whereas Hout Bay may have neighbourhood malls or a community shopping centre. Since Hout Bay is much smaller in terms of population than the city of Cape Town, Hout Bay may use regional shopping centres and power centres with great drawing power for consumers combined with easy access. However, any of these basic locations still require you to make a choice about the actual building to locate the retail store in and the interior design and layout to make it user friendly towards consumers.

Study the following basic locations that should be considered as basic locations for retailers:

- central business district
- neighbourhood locations
- shopping centre
- shopping mall
- downtown area
- free-standing locations
- office building
- home based
- community shopping centre

In the section that follows, the evaluation criteria for selecting the right building will be discussed.

4.7 EVALUATION CRITERIA FOR SELECTING THE RIGHT BUILDING



Study pages 59 to 63 of the prescribed book.

The retail store size, its storefront, signage and display windows all have to work together to attract customers into our retail environment. There are also other criteria to consider when finding the right building for you store.



Activity 4.2

Assume that there are other criteria to consider when looking for the right building for your retail shop. Make a list of any unique characteristics of your business that need to be addressed.



Feedback

The list could include the following: Will the store require special lighting, fixtures or other hardware to be installed?

- *Are restrooms for staff and customers available?*
- *Is there adequate fire and police protection for the area?*
- *Is there a sanitation service available?*
- *Do the parking lot and building exterior have adequate lighting?*
- *Does the building have a canopy that provides shelter if raining?*

- *What is the crime rate in the area?*
- *Are there restrictions on Sunday sales?*

4.8 LAYOUT FOR RETAILERS



Study pages 63 to 67 of the prescribed book.

The layout that a retailer selects must suit the products sold by the organisation as well as the retailer's image. Have you ever walked into a retailer's store where you could hardly move due to all the boxes on the floor or because the shelves were overstocked?

When selecting an ideal store layout, three main options are available, namely the grid layout, the free-flow layout and the boutique layout. When studying this section in your prescribed book, ensure that you know these types well and are able to recommend a particular layout for a particular type of store.

4.9 ASSESSMENT



Work through the following questions to ensure that you have a thorough understanding of the contents of this study unit.

(1) The next time you drive into a town where you do not live, look at the retail businesses and think about the decision making regarding their locations.

(2) Explain the factors that should be considered when you are choosing a province for the location of your business. Provide practical examples and elaborate on why it is important to select the correct province.

(3) Explain the three types of layout style that a retailer could consider for his or her store.

(4) Discuss the evaluation criteria that need to be considered when selecting the right building for a retail outlet.

4.10 REFLECTION



Before you continue to the next study unit, reflect on the following questions:

(1) Why is a retailer's store location so important?

(2) Why is the selection of a province, town and premises so important to a retailer?

(3) Do you understand the various layout options available to retailers?

(4) What did you find interesting in this study unit? Why?

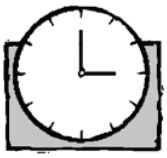
(5) How long did you take to work through this study unit? Are you still on schedule or do you need to adjust your study programme?

(6) How do you feel now?

4.11 SUMMARY



In this study unit, we discussed the importance of locating a retail store in a specific province, town and physical location, as well as the factors to consider in these decisions. We also examined the various layouts that retailers could consider and the evaluation criteria for selecting the right building. Once these decisions have been made, a retailer can focus on stocking the store with the right products of the right quality, which will be discussed in the next study unit.



Study unit 5

Selling the right products of the right quality

INTRODUCTION

Consumers have a certain level of expectation when they enter retail stores. They would like to have the products they want on the shelf for their selection. Choosing a product for your retail store to sell, may very well be the most difficult decision you have to make when starting a retail business. The choices are unlimited and the task may be overwhelming at first. Not only should there be a demand for your products, but they must be profitable and something you enjoy selling. Before you commit to a product or product line, you should consider certain factors while deciding what products to sell. There is a fundamental reason why retailers are in business – to sell the right products, of the right quality, in the right quantities, at the right time to willing consumers.

We will be using an example, not found in the prescribed book, of selling and stocking dairy produce (milk, yoghurt and milk-based fruit juice) to illustrate the concepts of the study unit.

OVERVIEW

Study unit 5 deals with selling the right products of the right quality. Two questions arise, namely:

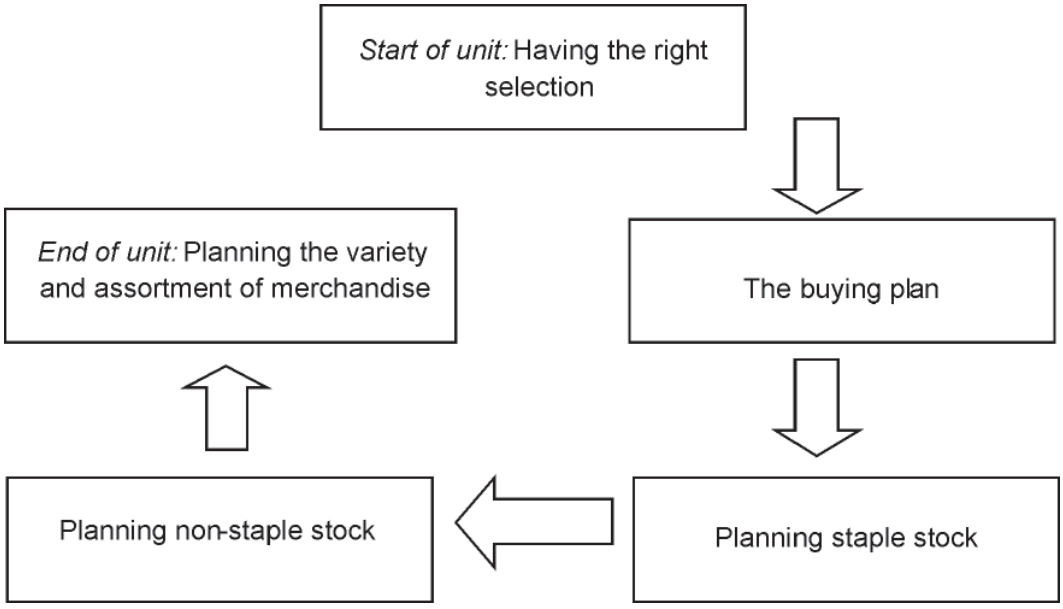
- Why do retailers need to determine the best possible merchandise selection in order for their businesses to be successful?
- Do all retailers consider all the factors before deciding on a merchandise assortment?

You will need approximately six hours to work through this study unit.

TABLE OF CONTENTS

5.1 Introduction
5.2 Having the right selection
5.3 The buying plan
5.4 Planning staple stock
5.5 Planning non-staple stock
5.6 Planning the variety and assortment of merchandise
5.7 Assessment
5.8 Reflection
5.9 Summary

This study unit unfolds as follows:



Key concepts



You will need to master the following key concepts in order to meet the learning outcomes for this topic:

- The right selection
- Planning for staple and non-staple stock
- Variety and assortment of merchandise
- Merchandise classifying methods
- Correct merchandise selection

5.1 INTRODUCTION



Read pages 70 to 73 of the prescribed book as well as the section that follows.

What is meant by "the right" or a "balanced" stock or merchandise selection? Newman and Cullen (2002:142) define a balanced assortment as a well-planned variety of merchandise. A clothing retailer needs a range of styles, sizes and colours for their target market. A florist will need enough red, pink and white roses and carnations in store when a special occasion such as Valentine's Day arrives.

Likewise, for our dairy products example, the retailer has to buy a balanced assortment of milk, yoghurt and fruit juices from the respective manufacturers in order to have the right products of the right quality available for sale.

Customer demand, in the case of our dairy products example, will provide us with a stock assortment as follows:

Product	Characteristics
Fresh milk	Low fat, 2% fat and full cream
Yoghurt	Fat-free, sugar-free, low-fat One litre tubs and small 200 ml containers
Fruit juice	Mango, orange, strawberry

We will now examine having the right selection and what it means in more detail.

5.2 HAVING THE RIGHT SELECTION



Study pages 70 to 73 of the prescribed book.

When studying this section in your prescribed book, ensure that you study the factors that retailers use to plan their merchandise assortments. You will agree that the right selection of merchandise can reinforce the customers' impression that they are buying from the right retailer and enhance the store's image and the sense of compatibility. When we stock brands of yoghurt that have been advertised quite often on television, our store appears quite trendy and "in fashion".

One important assumption that you need to keep in mind is that the retailer is not the manufacturer of the products that they sell. It therefore becomes the buyer's or procurement officer's task to source whatever should be stocked. On page 65 of the prescribed book, you will find an assortment check list to complete. This must take place regularly, since customer sales will let you know whether the price and quality of the merchandise appeal to them.

We should have the right quantities available to coincide with promotions, offer enough variety and make it easy for the consumer to shop from us. Again, new products should only be added to our selection, provided that they do not confuse the customer and add to our profitability in the long run. However, the question is: how do we do this in practice?



Activity 5.1

You will have noticed how some retailers have focused mainly on one product line. Provide an example of such a specialty shop and how they select their products.



Feedback

An example of a retail store that specialises in one type of product is Toys"R"Us. It is part of a group of retailers called "category killers". This type of retailer offers enormous depth within a restricted number of product categories. Their name is derived from the notion that the offer is so extensive that any competitive, nearby retailer trading in this category is killed off. Toys"R"Us is like a toy hypermarket. On entering the warehouse-like store, the shopper is introduced to row after row of toys from well-known brands like Barbie, Action Man, Spiderman, Fisher Price, Tomy and V tech to the retailer's own branded alternatives. The customer shops like in a supermarket, moving up and down in the shop and serving themselves. Prices are kept generally low, for branded products give shoppers on a budget an opportunity to purchase good quality toys at excellent prices. The group is affected by the seasonality challenges that all toy retailers face and this factor should be considered when determining stock levels.

5.3 THE BUYING PLAN



Study page 73 of the prescribed book.

How do you think buyers from large retail organisations buy merchandise? Do you think that they buy as much as they like of whatever product they like? Of course not! Buyers work according to a buying plan that helps them to plan exactly which products to buy and how much to buy as well. When you study this section, bear in mind that the buying plan depends on how much our customers buy.

In the next section, we discuss buying staple and non-staple stock. These are two very different concepts that have implications for the retailer.

5.4 PLANNING STAPLE STOCK



Study pages 73 to 74 of the prescribed book.

Staple stock is stock that retailers always have in store. For example, Ackermans always has underwear, socks and children's school wear in stock no matter the time of year. It is easy to plan for staple stock as a retail organisation can simply look at how much of a specific product was sold in previous years.

For example, if we know that one family easily finishes a litre of milk per day by using it for breakfast cereal, tea and coffee, we can plan ahead to carry enough stock for our neighbourhood families' daily requirements. It is easy to order specific quantities from the producers when we know the demand pattern.



Activity 5.2

Before reading further, run to the grocery cupboard and take stock of which food items you always have on your shelf. Extend your inventory inspection to the refrigerator as well. What items are really essential for your daily requirements? As you can imagine, a retailer has to know these stock-keeping units for his or her store quite well.



Feedback

You probably found milk, bread, eggs and porridge in your grocery cupboard and fridge. These products are examples of staple products stocked by Pick n Pay as they would always be in stock no matter which store you visited.

5.5 PLANNING NON-STAPLE STOCK



Study pages 74 to 75 of the prescribed book.

Planning staple stock is relatively simple as an organisation can merely analyse its past sales to order for the future. Planning for non-staple stock is not as simple though. Non-staple stock is new stock that has never been ordered before by an organisation. Many organisations therefore first order small quantities to determine if the products will sell before ordering large quantities. When Ackermans, for example, first introduced baby car seats into its stores, they only stocked three per store, in very plain colours. Once it had been determined that they sold well, purchasing management decided to order more in a variety of colours.

When studying this section in your prescribed book, ensure that you also know the factors to consider when selecting non-staple items and are able to apply the factors to a practical scenario as illustrated above.

Our focus now moves to planning the variety and assortment of merchandise.

5.6 PLANNING THE VARIETY AND ASSORTMENT OF MERCHANDISE



Study pages 75 to 80 of the prescribed book.

If you knew the combination of numbers that would win on a lottery ticket every week, you would continuously apply the same winning formula. Likewise, a retailer must try to

determine which of their products sell the best and which selection of stock needs to be sustained for success. The following parts of the discussion will be about how the retailer plans to stock the right variety and assortment of merchandise for a variety of customers.

According to Newman and Cullen (2002:143), the term "merchandising" is used to describe the planning and presentation of stock. This takes place in four stages, namely planning, sourcing, buying and arranging in displays. The planning part includes the classification of merchandise as well as specific product decisions. People working in this area are responsible for the overall feel of the store and for creating a pleasant environment in which customers can shop. Visual merchandisers display products favourably inside the store and in store windows

Since retailers carry a big variety of products (think of everything that fills the shelves and the aisles in the supermarkets), it may be easier if they divide products into groups, classes and categories. In the dairy category we have three distinct classes: yoghurt, milk and fruit juices. In the fruit juice class, you will find various fruit flavours and sizes of bottles or cartons. Note that there are no set rules on how to classify your products and this may differ from one retailer to the next.

Classifying merchandise is an important section of the chapter in your prescribed book. Study it and the sections on the product life cycle, brand and quality considerations well.

5.7 ASSESSMENT



Work through the following questions to ensure that you have a thorough understanding of the contents of this study unit.

(1) Review the scope of merchandising in retailing. Choose a retailer to use as an example to illustrate your discussion.
(2) Explain the process of merchandise budget plans and why it is important to have such a plan.
(3) Refer to the case study at the end of the chapter in the prescribed book; explain why Jet's stock turnover was more impressive than Edgars'.
(4) Analyse the contribution that merchandise selection makes to the positioning of retailers within their product sector. Use Woolworths as your example.
(5) Comment on Woolworths' planning of the variety and assortment of their merchandise.

5.8 REFLECTION



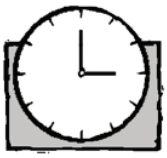
Before you continue to the next study unit, reflect on the following questions:

(1) Why is a retailer's merchandise so important?
(2) Do you understand what the purpose of a merchandise budget plan is?
(3) What did you find interesting in this study unit? Why?
(4) How long did you take to work through this study unit? Are you still on schedule or do you need to adjust your study programme?
(5) How do you feel now?

5.9 SUMMARY



In this study unit we looked at the importance of having the right product selection and how retailers should plan for staple and non-staple stock. We also examined the various product considerations and planning for the variety and assortment of merchandise. Once the right merchandise has been determined, the right quantity of merchandise must be determined at the right time to suit customers' needs. This will be dealt with in the next study unit.



Study unit 6

Selling the right quantity at the right time

INTRODUCTION

I am sure that most of you have walked into a shop intending to buy a specific product and found to your frustration the product is out of stock. This problem becomes worse if the retail shop advertised product specials and you especially drove there in response to the advertisement. The retailer can also not afford for products to be out of stock because if consumers cannot find what they are looking for or what has been promised to them, they will simply buy the product from a competitor.

OVERVIEW

Study unit 6 deals with selling the right quantity at the right time.

In this study unit, the focus will be on how merchandise is controlled in an organisation. This is an extremely important element of retail management; an inability to effectively manage merchandising could have detrimental effects for both the consumer and the retailer. The level of merchandise and timing of ordering will be discussed as well as how to handle merchandise in terms of receiving and marking of stock. Merchandise budget plans will be divided into a five-step process with each element explained in detail.

Two questions arise, namely

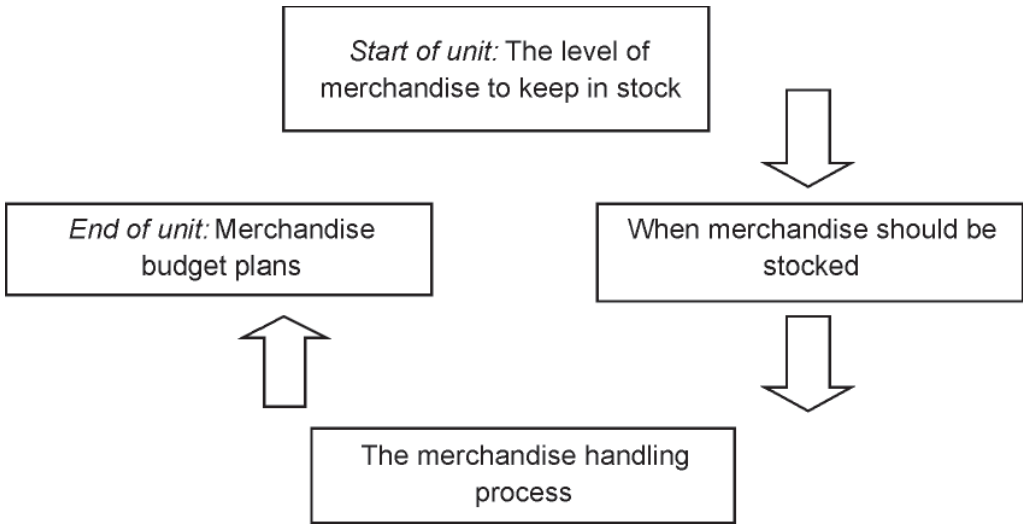
- How should merchandise be handled to ensure effective processes and procedure?
- How do retailers plan and budget for merchandise?

You will need approximately six hours to work through this study unit.

TABLE OF CONTENTS

6.1 The level of merchandise to keep in stock
6.2 When merchandise should be stocked
6.3 Merchandise handling process
6.4 Merchandise budget plans
6.5 Assessment
6.6 Reflection
6.7 Summary

This study unit unfolds as follows:



Key concepts



You will need to master the following key concepts in order to meet the learning outcomes for this topic:

- The level of merchandise to keep in stock
- How merchandise should be stocked
- Determining reorder points
- The merchandise handling process
- Receiving and checking merchandise
- How merchandise is stocked and marked

6.1 THE LEVEL OF MERCHANDISE TO KEEP IN STOCK



Study pages 83 to 85 of the prescribed book.

You will notice that the optimum order quantity is influenced by three factors, namely carrying costs, ordering costs and out of stock costs. Ensure that you are able to differentiate between these types of cost and understand how they are related.

Students often misunderstand the difference between the width and depth of assortment. The key difference is that the width of an assortment includes all the product lines that an organisation has on offer to customers.

Pick n Pay, for example, has various product lines such as dairy, dog food and bread – it is normally easy to recognise the lines that a large retailer carries by looking at the sign above each aisle. The depth of an assortment on the other hand indicates the specific product items in each product line. Let us go back to our dairy example, under the prod-

uct line "dairy", there would be cheese, yoghurt and milk and all the types of yoghurt, flavours and brand names.

Dog food would, for instance, include soft canned food, dry food and sauces; breads would consist of items such as whole-wheat bread, seed loaves and white bread, all with their respective brand names.

Ensure that you understand and are able to explain the advantages and disadvantages of retailers that focus on extensive product lines (width) and retailers that specialise in a specific product line with many types, variations and alternatives (depth).

It is important to note that a basic stock list is the absolute minimum amount of stock that a retailer has to carry to satisfy the basic needs of customers. It is not optional; if these items are not stocked, customers will purchase these products from competitors.



Activity 6.1

Explain what a basic stock list would contain for a company such as Baby City. Explain how Baby City can ensure optimum order quantity, bearing in mind that storage costs and risks become very significant when stock levels are extensive. Please go to www.babycity.co.za to view the existing product lines and ranges as part of your exercise.



Feedback

The basic stock list for Baby City would probably contain the following: nappies, wipes, baby toiletries, bottles, formula and maternity products. These would be the most basic products that a consumer would expect to find at a retailer like Baby City. Should these products not be available at the retailer, customers' expectations will not be met.

Baby City could ensure an optimum order quantity by analysing past sales figures, looking at trends in the economic environment and forecasting consumer behaviour patterns and demands. They could also have a system whereby consumers can place an order for a specific item for which there is not a great demand, thus lowering inventory costs without losing customers.

6.2 WHEN MERCHANDISE SHOULD BE STOCKED



Study pages 85 to 87 of the prescribed book.

You will notice that costs are cut considerably when orders are placed less frequently and the size of orders is increased. You should be able to explain comprehensively why this is the case.

Make sure to note that perishable and non-durable products cannot be bought in bulk and there are various reasons why carrying stock of these items is a very risky and costly exercise.

You need to be able to differentiate between *order points* and *lead times*. Students often misunderstand the difference between these concepts and they also confuse the concepts with safety stock.

Note that JIT systems cover only the basic products to be stocked and aspects such as lead times and order points apply only in the case of routine and special orders.

In past examinations, we have found that students have difficulty determining the reorder point when provided with a scenario. Ensure that you know the mathematical calculations for determining this point. Also familiarise yourself with the advantages that a JIT system offers over those of traditional reordering methods.



Activity 6.2

Fruit and Veg City claims in all their advertisements and positioning statements that their products are "fresh from the farm". How can the retailer determine when the order point is and what their lead time is? Can a company such as Fruit and Veg City carry safety stock? This exercise requires you to visit the store if possible and consult with the manager.



Feedback

This retailer has existing contracts with suppliers of fresh produce, which in many cases supply to Fruit and Veg exclusively. This ensures that they can deliver on the promise of freshness.

Their lead time does not depend on outsourced transportation companies or other intermediaries. Fruit and Veg City have acquired their own distribution channel in the form of branded Fruit and Veg City trucks. By doing this, they have eliminated problems as far as lead time is concerned. There is no possibility of Fruit and Veg City carrying any safety stock as all their products are perishable with the exception of products such as cheese, pasta and sauces that have a slightly longer shelf life.

6.3 MERCHANDISE HANDLING PROCESS



Study pages 87 to 89 of the prescribed book.

There are three checkpoints when receiving stock, namely the invoice check, quantity check and quality check.

You will notice that costs are cut considerably when orders are placed less frequently and the size of orders is increased. You should be able to explain why this is the case.

It is important to note that perishable and non-durable products cannot be stored for later consumption. Therefore, buying in bulk might not be an option, unless the demand for the product is so high that it will sell before the shelf life expires.

Students often misunderstand quality and quantity checks for the simple reason that the concepts sound very similar and students sometimes misread it in the examination. Quantity deals with how many of the items were received (such as 10 boxes) whereas quality checks examine the quality that was ordered (for example, are all items well made?). The quality needs to be exactly the same as was ordered, for instance, A-grade meat and not B-grade. Be sure that you know all the items that should be noted upon delivery of stock.

In past examinations, students have had difficulty explaining the difference between the manual and mechanical pricing of items. Manual pricing means that a person physically marks items with a price as was the case in the past in all retail shops. Mechanical pricing includes optical scanning devices as are currently used by most major retailers such as Shoprite and OK. It is interesting to note how product pricing has become more efficient as the availability of technology has increased.

Do you agree that there are countless ways in which just mechanical pricing methods have been beneficial to the retail industry? Be sure that you understand these advantages and study them for the examination; also study how efficient receiving and checking points are beneficial to the retail industry.

Ensure that you are able to explain why it is both preferable and profitable to sell stock as soon as possible. You should be able to explain this by means of a mathematical calculation.



Activity 6.3

See if you can find the following information in your community. Many of the smaller retailers do not use technology such as optical scanners. Discuss with these retailers what problems they have with manual pricing.

If you find a good example in your community, send the information to us and we may include it in the general feedback to students before the examination and give you recognition for your contribution



Feedback

The following are general problems that retailers and shop owners encounter (please remember that depending on the retailer you consulted, they may experience additional problems):

Frequent errors, slower performance, lack of security, loss of sales, unorganised sales floors, difficulty in changing prices, loss of product items, time-consuming, expensive, outdated.

It is important that retailers are aware of these general problems and try to monitor them regularly.

6.4 MERCHANDISE BUDGET PLANS



Study pages 89 to 92 of the prescribed book.

You will notice that the merchandise budget plan is divided into five steps. You need to be able to explain each of these steps comprehensively and to calculate the percentage increase in sales for a given period. Be sure that you understand why a retailer needs to plan stock levels and what the consequences are if the planning is not done properly.

Also note the difference between markdowns, discounts and shrinkages. In past examinations students had difficulty calculating the amount of merchandise that a retailer should purchase in a month.

Ensure that you know the calculation and do not confuse the calculation with the percentage increase in sales. Also ensure that you can calculate the profit margin that a retailer desires. Study the three calculations together as this will keep you from getting confused and misunderstand the question in the examination.



Activity 6.4

Explain how economic conditions in the past three years have influenced sales and the percentage increase in sales. Also comment on the specific industries in which sales have decreased. You will have to read newspapers and business magazines and listen to news headlines in order to answer this question. Remember to take the new National Credit Act into consideration. Visit www.statssa.co.za for more information.



Feedback

With the enforcement of the Credit Act, consumers cannot purchase as many items on credit as they previously could. The interest rates have also influenced the amount of money that consumers borrow. The petrol price has resulted in less disposable income for consumers to spend on luxury items and many can now only buy the basic necessities for their households.

Retailers that sell luxury items such as expensive clothing, jewellery, interior decorating items and cosmetics will probably see their sales increasing slower, compared to basic necessity markets. You will also find that in some cases sales have decreased, for instance in the motor vehicle industry.

6.5 ASSESSMENT



Work through the following questions to ensure that you have a thorough understanding of the contents of this study unit.

(1) How would a retailer use monthly sales as well as future forecast sales to plan the sales budget?

(2) *What are the benefits of conducting the receiving and checking procedures in an efficient manner?*
(3) *Differentiate between the order point, lead time and safety stock.*
(4) *What are the advantages of a JIT system as opposed to reordering stock in a routine manner?*
(5) *Why is it important to consider the level of merchandise that a retailer keeps in stock?*
(6) *What is a reorder point and how is it calculated?*
(7) *Explain how a JIT philosophy is implemented.*
(8) *Discuss the five steps of a merchandise budget plan.*

6.6 REFLECTION



Before you continue to the next study unit, reflect on the following questions:

(1) *How important is it to control the stock levels in a retail shop?*
(2) *Did you learn more about how stock is controlled and quality assured?*
(3) *Do you understand how technology has changed stock control and pricing?*
(4) *What did you find interesting in this study unit? Why?*
(5) *How long did you take to work through this study unit? Are you still on schedule or do you need to adjust your study programme?*
(6) *How do you feel now?*

6.7 SUMMARY



In this study unit we examined the level of merchandise to keep in stock and when merchandise should be stocked. We also discussed the merchandise handling process and the importance of merchandise budget plans.

In the next study unit, we will look at selling merchandise at the right price, which is vitally important to determine once the correct quantities and qualities have been determined.



Study unit 7

Selling at the right price

INTRODUCTION

Retailers would like to charge what they like when setting the prices for their products, but as we know, this cannot be done in these difficult financial times. Price is an important determinant when consumers decide on what products and services to purchase, but can also be used to influence consumers to buy.

There are several price-setting determinants that retailers need to take into account when determining prices. These include demand considerations, competitive considerations, cost considerations, product considerations and legal considerations.

OVERVIEW

In this study unit, the focus will be on how merchandise is controlled through accounting principles. While the control of merchandise is important, measures of merchandise performance need to be generated to provide retailers with insights into past mistakes and a basis to plan better for the future. Different measures of merchandise performance will be dealt with in detail. Markdowns are adjustments to the original selling price of an item and are used by retailers to serve several purposes. Different forms of markdowns will be discussed and the differences between these various forms highlighted. However, retailers need to be cautious in applying markdowns to ensure the correct consumer behaviour.

Study unit 7 deals with selling at the right price. Three questions arise, namely:

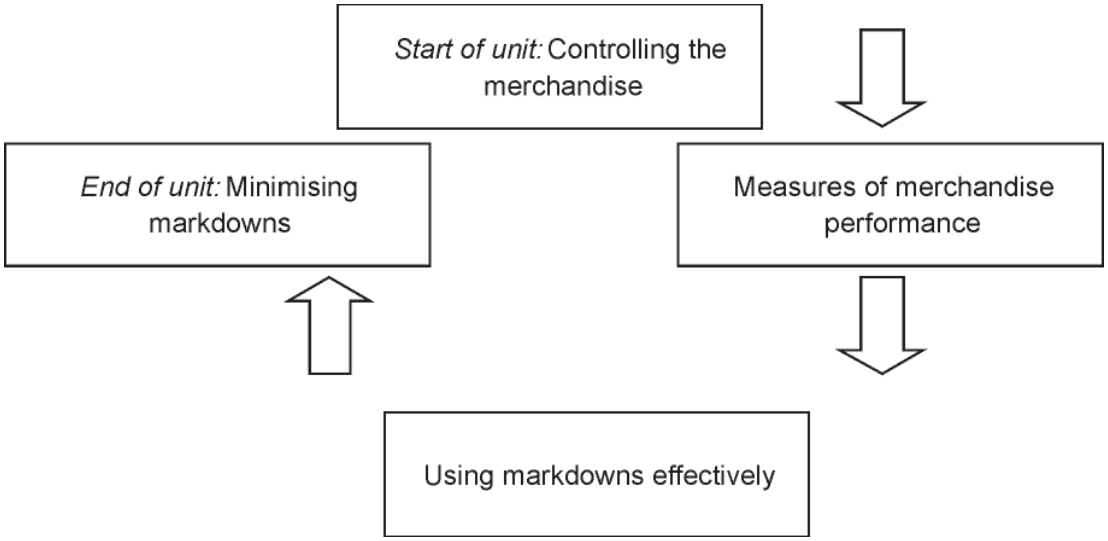
- How can accounting principles be used in the control of merchandise?
- What are the various ratios for measuring merchandise performance?
- What are the various forms of markdowns that retailers can use?

You will need approximately six hours to work through this study unit.

TABLE OF CONTENTS

7.1 Introduction
7.2 Controlling the merchandise
7.3 Measures of merchandise performance
7.4 Using markdowns effectively
7.5 Minimising markdowns
7.6 Assessment
7.7 Reflection
7.8 Summary

This study unit unfolds as follows:



Key concepts



You will need to master the following key concepts in order to meet the learning outcomes for this topic:

- Control merchandise
- Measures of merchandise performance
- Promotional markdowns
- Seasonal markdowns
- Minimise markdowns

7.1 INTRODUCTION



Read pages 94 to 95 of the prescribed book.

In tough economic times, many of us cannot understand why prices are increasing, even though transportation costs might have gone down due to decreasing petrol prices. As consumers, we must bear in mind that retailers have to take many factors into consideration, such as overheads and competitor prices. All these factors must be worked into a retailer's pricing structure.

We will now begin this study unit with a discussion on controlling the merchandise.

7.2 CONTROLLING THE MERCHANDISE



Study pages 95 to 98 of the prescribed book.

Stock control is the process by which retailers are able to determine which products are missing. While retailers are able to estimate shrinkage based on shrinkage as a percentage of annual sales, basic accounting principles can also be used to determine shrinkage and allow for better control of stock. You therefore need to familiarise yourself with these accounting principles that are used to control merchandise. For examination purposes you should be able to perform basic calculations based on the three accounting principles for controlling merchandise.

Controlling merchandise begins with the basics and this includes being able to determine how much stock is available for sale through the use of a basic accounting equation.



Activity 7.1

If a retailer has 100 items priced at R20 each to sell at the beginning of the period, and he orders a further 75 items, what is the total stock for sale in terms of actual items and value?



Feedback

Based on accounting principles, the total stock for sale is equal to opening inventory plus invoices (orders received). Given the above information, total stock for sale is equal to opening inventory of 100 items plus 75 items ordered which is equal to 175 items.

In Rand value this is 100 items at R20 each plus another 75 items at R20 each, which is equal to R3 500 worth of stock for sale.

For examination purposes, you need to be able to perform the next step in controlling merchandise, which is determining book inventory by taking into consideration the value of sales as well as markdowns.



Activity 7.2

Based on the above activity, where stock available for sale was determined to be worth R3 500, what is the book value of inventory if the retailer sells 125 items at the normal price of R20 and a further 20 items at a markdown price of R15?

Feedback

Book inventory is determined as total stock available for sale less total sales less the amount of markdowns. In other words, this is total stock available for sale at R3 500 less total sales (125 items at a normal price of R20 plus 20 items at a markdown price of R15, which equals R2 800) less the value of markdowns (20 items at R5, in other words R100). Therefore, book inventory is equal to R600 (30 items at R20 each).

For examination purposes, you should be able to perform the last step of stock control, which is determining shrinkage. You should also be familiar with the definition of shrinkage.

A monthly maintained margin report shows a retailer how much profit has been made in the past period and serves as a control measure to determine the wellbeing of a business. You should familiarise yourself with the calculation of maintained profit margin and ending inventory.

In the section that follows, measures of merchandise performance will be discussed.

7.3 MEASURES OF MERCHANDISE PERFORMANCE

Study pages 98 to 102 of the prescribed book.

Retailers can use various ratios to measure the performance of merchandise and in the process gain insights into past mistakes and are able to plan better for the future. For examination purposes, you should be able to explain and calculate the following ratios used for measuring stock performance: the stock turnover ratio, stock-to-sales ratio, gross margin return on inventory investment ratio and sales per square metre ratio.

Regarding stock turnover ratios, you should be able to discuss the two basic strategies of stock turnover, the advantages of high stock turnover and ways to improve stock turnover.

Activity 7.3

If a retailer has annual sales of R200 000 and an average inventory of R40 000, what will:

- the stock turnover ratio be?
- the stock turnover ratio be if sales increase by R40 000?
- the stock turnover be if average inventory increases by R50 000?

Feedback

- *The average inventory turnover will be annual sales of R200 000 divided by average inventory of R40 000, which is equal to 5.*

- *If sales increase by R40 000 to R240 000, average inventory turnover will be equal to annual sales of R240 000 divided by average inventory of R40 000, which is equal to 6.*
- *If average inventory increases to R50 000, then the average inventory turnover will be equal to annual sales of R200 000, divided by average inventory of R50 000, which is equal to 4. Therefore, if the average inventory increases more than sales, percentage wise, the turnover ratio will decrease.*

As regards stock-to-sales ratio, you need to be familiar with the factors that lead to changes in the ratio. You should also be able to explain the correlation between stock turnover ratio and stock-to-sales ratio.



Activity 7.4

- What will a retailer's stock-to-sales ratio be if he has R1 500 inventory at the beginning of the month and his total sales for the month are R300?
- What will the ratio be if he increases his sales for the month to R500? Is there a correlation between stock turnover ratio and the stock-to-sales ratio?



Feedback

- *The stock to sales ratio will be equal to inventory at the beginning of the month divided by sales for the month, which is R1 500 / R300 = 5.*
- *If sales increase to R500, the ratio will equal 3. There is a correlation between stock turnover ratio and stock-to-sales ratio. The correlation is indirect. When the turnover ratio increases, it means that more merchandise is being sold in comparison to stock held. If more merchandise is sold, the stock-to-sales ratio will decrease.*

With regard to gross margin return on inventory investment, you should be able to discuss the ratio highlights in terms of merchandise performance. Regarding sales per square metre ratio, you should be able to discuss the importance of calculating the ratio in determining merchandise performance.

7.4 USING MARKDOWNS EFFECTIVELY



Study pages 102 to 104 of the prescribed book.

Every retailer makes mistakes and this may include choosing the wrong product, colour or size or having too many products. In these instances markdowns will have to be used to sell the stock, a very costly exercise for retailers. For examination purposes, you should be able to discuss circumstances under which markdowns are used. Discuss and differentiate between the various types of markdowns, including promotional markdowns, regular markdowns and seasonal markdowns.

Sometimes retailers have too much merchandise. They then have more merchandise to mark down than they had originally budgeted for. You should be able to list some of the reasons why retailers often have too much merchandise. It is important, however, that these markdowns be minimised, which will be discussed next.

7.5 MINIMISING MARKDOWNS



Study page 104 of the prescribed book.

While markdowns are often an effective tool, it is important for retailers to know when to use markdowns and when not to use them. You should be able to discuss when the use of markdowns is effective and when the use of markdowns may drive the wrong customer behaviour.

7.6 ASSESSMENT



Work through the following questions to ensure that you have a thorough understanding of the contents of this study unit.

(1) Define the stock turnover ratio as a means of controlling merchandise.
(2) Discuss the advantages of a high stock turnover ratio.
(3) Discuss the various means of increasing the stock turnover ratio.
(4) Define the stock-to-sales ratio and how it relates to stock turnover ratio.
(5) Define the gross margin return on inventory investment and what it highlights about merchandise.
(6) Define what a markdown is and differentiate between the various forms of markdowns.
(7) Discuss issues arising from the effective use of markdowns by retailers.

7.7 REFLECTION



Before you continue to the next study unit, reflect on the following questions:

(1) Why is the control of merchandise important to retailers?
(2) Did you learn about the accounting principles for the control of merchandise?
(3) Did you learn what the various measures of merchandise performance are?
(4) Did you learn more about the importance of various forms of price markdowns and how they should be minimised?
(5) What did you find interesting in this study unit? Why?
(6) How long did you take to work through this study unit? Are you still on schedule or do you need to adjust your study programme?
(7) How do you feel now?

7.8 SUMMARY



There are several price-setting determinants that retailers need to take into consideration when determining prices. In this study unit, we looked at how retailers can control merchandise. We focused on how one can calculate the stock for sale (for the month) and how margins can be maintained. We concluded this study unit by focusing on how markdowns can be used effectively.

Now that we have discussed the right quantity and quality of product, and selling it at the right price, in the study unit that follows selling the right service will be discussed.



TOPIC 3

Implementing the retail strategy



Learning outcome

On completion of this topic, students must be able to:

- demonstrate a knowledge and understanding of selling the right service and retail promotion in the retailing environment.

TOPIC CONTENT

Topic 3	Study unit 8 Selling the right service Study unit 9 Retail promotion

Study unit 8

Selling the right service

INTRODUCTION

As a customer in South Africa, most of us have been at the receiving end of bad service. If retailers do not provide the desired level of service, they will lose existing customers to competitors and run the risk of negative publicity being circulated in the market place. Retailers are dealing with more demanding customers than ever before and excellent service has become one of the best methods to obtain a competitive advantage.

OVERVIEW

Study unit 8 deals with selling the right service.

In this study unit, the focus will be on how retailers can ensure that the service they deliver to customers is of a high standard and is aligned with the customers' expectations. Retailers also need to put in place processes and structures for measuring service performance. The objectives of customer service and how these objectives can be met will be divided into four categories that form the basis of what customers want during their shopping experience.

Two questions arise, namely

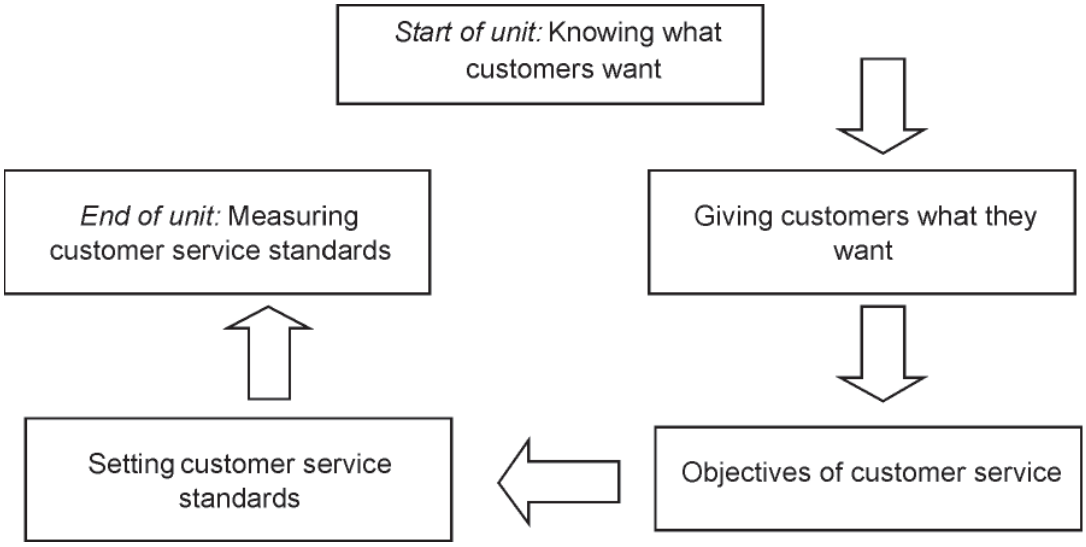
- What are the service expectations of customers and how do retailers measure them?
- How do retailers ensure that these expectations and service performance levels are realised?

You will need approximately six hours to work through this study unit.

TABLE OF CONTENTS

8.1 Introduction
8.2 Knowing what customers want
8.3 Giving customers what they want
8.4 Objectives of customer service
8.5 Setting customer service standards
8.6 Measuring service performance
8.7 Assessment
8.8 Reflection
8.9 Summary

This study unit unfolds as follows:



Key concepts



You will need to master the following key concepts in order to meet the learning outcomes for this topic:

- What customers want
- Service goals
- How service performance can be measured
- Setting customer service standards
- Objectives of customer service

8.1 INTRODUCTION



Read page 106 of the prescribed book.

When do we as customers become satisfied? When our service expectations are met or exceeded. How often has this happened to you lately?

Retailers need to commit to consistently high service standards, setting service goals and continually measuring service performance.

In the section that follows, knowing what customers want will be discussed.

8.2 KNOWING WHAT CUSTOMERS WANT



Study pages 106 to 107 of the prescribed book.

Shopping at a retailer is not simply an activity to satisfy basic needs; it has evolved into a shopping experience and social interaction. There is therefore more pressure on retailers to make this experience exceptional and better than that of a competitor.

It is imperative that you understand how research can assist retailers in doing this and also that consumer demands change. Relationship marketing is extremely important in establishing a competitive advantage in the market and ensures that retailers retain customers.



Activity 8.1

You need to interview four customers of a retail shop where you regularly shop at. Determine which elements of the retail offering they are not pleased with. Ensure that you include aspects such as how fast the service is, if the staff is helpful, if the location is convenient to them, what they think of the design and layout of the retail shop, etc. Next, compare the answers of the four customers and provide a report on your research results.



Feedback

The answer to this question will depend purely on what the customers provided as feedback (such as slow service received and unhelpful staff). Make sure you include all the customers' comments.

8.3 GIVING CUSTOMERS WHAT THEY WANT



Study pages 107 to 108 of the prescribed book.

Remember that the customers are a retailer's main source of income – if customers are not satisfied, they will not support the retailer. There are six aspects that you need to consider when creating a positive shopping experience. Refer to the next activity for an example of how questions could be posed.

Note that you should be able to discuss each of these aspects in detail and understand how you would utilise them to create the desired shopping experience.



Activity 8.2

Let us assume that the following research results were obtained from your project in Activity 8.1:

Sales people were not helpful and there were many products out of stock. The queues at the tills were extremely long and the shop was disorganised and dirty. In the example we will be using a food retailer.

How could you use the six aspects of a positive customer experience to rectify the situation?



Feedback

Before any changes are attempted, the retail store should undertake a research project to determine which problematic issues customers think should be addressed. The customers could also make recommendations as the positive customer experience is from the customer's viewpoint, not that of the retailer.

One of the aspects to address in order to rectify the situation, is to train sales people better and ensure that they have sufficient knowledge to assist customers. These customers want reassurance and peace of mind that they are making the correct choice in purchasing the retail products. Customers thus need sales people that are familiar with the products to reinforce their product choice. The total service offering in terms of displays, assortment of products and the design and layout of the store would need to be evaluated. Convenience is a crucial element for customers when visiting a retail outlet. The fact that products are out of stock needs to be addressed and customers should be consulted on the product assortment they prefer.

8.4 OBJECTIVES OF CUSTOMER SERVICE



Study pages 108 to 110 of the prescribed book.

The objectives of customer service can be divided into four categories; these objectives aim at providing better customer service to existing and prospective customers. You should familiarise yourself with these four categories as well as with the forms of customer service that a retailer can use to gain customer loyalty and support. You should also be able to differentiate between pre-purchase services (such as displays), post-purchase services (such as gift wrapping) and ancillary services (such as repairs). It is not always beneficial to classify products into these groups; you need to explain why this is the case. Ensure that you are able to differentiate between essential services, expected services and optional services.



Activity 8.3

See if you can find the following information in your community:

Many retailers are now offering ancillary services as additional draw cards to attract customers to their stores. Can you name a few of these retailers



Feedback

You might have mentioned the gift-wrapping service offered at all Woolworths stores or the free coffee and tea that is offered at John Craig stores. Can you think of other examples?

In the following section, setting customer service standards will be discussed.

8.5 SETTING CUSTOMER SERVICE STANDARDS



Study pages 110 to 111 of the prescribed book.

For examination purposes, you need to understand why customer service is important and what the implications are if customer service standards are not adhered to. The first step of setting service standards is an exploration of the service problems. It is important to note how technology can be utilised to enable retailers to provide better service. You should also understand why retailers have difficulty in providing the desired level of customer service from a resource and financial viewpoint.

The second step entails a role definition of service providers. Ensure that you are able to discuss how guidelines are applied in this situation. With regard to setting service goals, which is the third step, consistency is the key concept that is important for you to focus on and understand. For examination purposes, you should be able to explain what is meant by measurable and specific goals and be able to differentiate between these two concepts.



Activity 8.4

Environ Paving supplies and lays brick work and paving. They make use of an office number only and send faxes to customers for quotes. Explain how the company could make better use of technology to enhance their customer service offering.



Feedback

The company needs to have a website where potential customers can view their products and examples of completed work. The company could also create e-mail addresses for employees and a general information e-mail address for potential clients to obtain quotes and lodge queries.

Cellphone numbers would be a very important part of the service provided to clients. When the team is busy on projects away from the office, they could still receive calls rather than be unavailable to new clients.

In the next section, measuring service performance will be discussed.

8.6 MEASURING SERVICE PERFORMANCE



Study pages 112 to 113 of the prescribed book.

The way in which retailers should equip service providers is extremely important and the four elements of this process are important as well. You should understand why it is so important to give store employees information and how interpersonal skills will enable them to deal more effectively with customers. You should be able to differentiate between instrumental and emotional support for employees. You also need to know how conflict is managed between the customer's needs and those of the retail firm. Finally, can you explain why empowerment of employees improves service quality?



Activity 8.5

A major clothing retailer has to deal with the following situation:

Employees are complaining that the customers are extremely angry with them because they are unable to assist them with problems. They are unable to handle the situation because they have to ask the supervisor about everything first before giving the customer an answer.

They also do not know how to deal with difficult customers and they feel that they do not know enough about the company and the products that are offered. The employees also suggest that additional services be offered to customers that will set the retailer apart from competitors. They have contacted you to provide recommendations and suggestions on how the situation can be handled.



Feedback

You could suggest that the organisation introduce an induction programme and train the employees comprehensively on products that the company offers on the market. This will help the employees to provide better customer service as they will be able to recommend alternatives or choices to customers. This will also assist the employees to deal with customer complaints and problems more effectively.

Empowering the employees with some decision-making authority will result in fewer conflict situations with customers. The retailer could create a forum or support group to give customer-facing staff emotional support in dealing with the difficulties they face on a daily basis.

Additional services should be unique and entice the customer to visit the retail store as opposed to that of a competitor. These could include beautiful window displays, a coffee shop in the shop, display and layout of the store, newly designed dressing rooms, promotions and short queues.

8.7 ASSESSMENT



Work through the following questions to ensure that you have a thorough understanding of the contents of this study unit.

(1) Using examples, discuss the objectives of customer service comprehensively.
(2) Explain the six things that customers are looking for in their shopping experience.
(3) Name 10 forms of customer service that retailers can use to gain customer loyalty and support. Include examples of how these forms are utilised in the case of a large food retailer.
(4) Explain the advantages and disadvantages of classifying retail services.
(5) Explain how you could better equip service providers to enhance the service experience for customers.
(6) Why is it important to know what the needs of customers are before attempting to provide a specified level of service to them?
(7) Name the four categories of objectives that retailers should formulate to deliver good customer service.
(8) What is the difference between pre-purchase and post-purchase services?
(9) What are customer service standards and why are they important to an organisation?
(10) How is service performance measured?

8.8 REFLECTION



Before you continue to the next study unit, reflect on the following questions:

(1) Why is customer service so important to retailers?
(2) Did you learn more about what customer service entails?
(3) Do you understand that employees play a vital role in the delivery of customer service and that if they are not equipped to deal with customers, it has a detrimental effect on the retailer?
(4) What did you find interesting in this study unit? Why?
(5) How long did you take to work through this study unit? Are you still on schedule or do you need to adjust your study programme?
(6) How do you feel now?

8.9 SUMMARY



In this study unit, we discussed why it is important to give customers what they want and to know what they want.

We also examined the objectives of customer service and the importance of setting customer service standards. Measuring customer service standards was also discussed.

In the next unit, we will look at retail promotion, with which retailers can inform consumers.



Study unit 9

Retail promotion

INTRODUCTION

As consumers, we are bombarded by advertisements, billboards and electronic media. Consumers are over-exposed to these various forms of media and in the process apply selective exposure techniques, such as when we "flip" through television channels when advertisements come on. It is a challenge for retailers and any business to design and implement promotional strategies that will break through the "clutter".

OVERVIEW



Study unit 9 deals with retail promotion.

In this study unit the focus will be on how retailers communicate the availability of their products to customers. The elements of the marketing communication mix will be discussed in detail as well as how the store location, layout and design help attract customers to the store. The promotional objectives of informing, reminding and persuading will be included in each of the elements of the marketing communication mix.

Two questions arise, namely

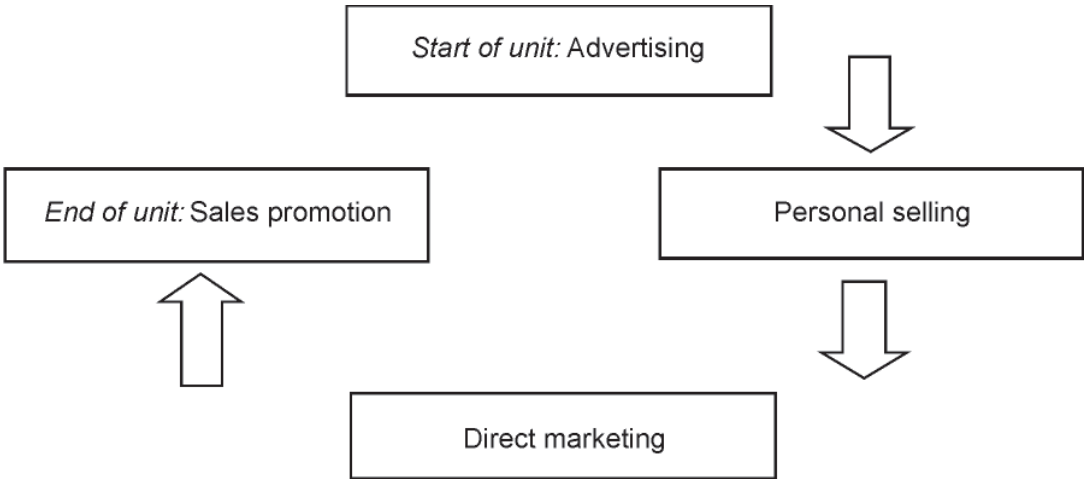
- Why is promotion so important to a retail store?
- How should retailers combine the various elements of the marketing communication mix to ensure optimal exposure to customers?

You will need approximately six hours to work through this study unit.

TABLE OF CONTENTS

9.1 Introduction
9.2 Advertising
9.3 Personal selling
9.4 Direct marketing
9.5 Sales promotion
9.6 Assessment
9.7 Reflection
9.8 Summary

This study unit unfolds as follows:



Key concepts



You will need to master the following key concepts in order to meet the learning outcomes for this topic:

- Advertising
- Steps in an advertising campaign
- Personal selling
- Direct marketing
- Sales promotion

9.1 INTRODUCTION



Read page 117 of the prescribed book.

How did you know that a particular store was having a sale or stocking a new range of winter boots? You were informed by marketing communication, which is what retailers use to communicate information to their customers. In this study unit we will be discussing the ways in which marketers can communicate with customers, namely advertising, sales promotion, personal selling and direct marketing.

9.2 ADVERTISING



Study pages 118 to 121 of the prescribed book.

First familiarise yourself with the definition of advertising. For examination purposes, you should be able to discuss the characteristics of advertising comprehensively and understand why these characteristics are important when developing an advertising campaign.

With regard to the steps in managing the advertising campaign, you must be able to name and discuss each of these steps. It is important to note that whenever steps, phases or processes are used, the order of your discussion becomes important. You cannot, for instance, discuss step 4 before step 2 in the examination, as this would not be logical; steps are always consecutive. You need to understand why a market analysis is done and how segmentation influences the market analysis (refer back to study unit 2 if you are unsure of what segmentation is). It is important to note that a market analysis includes competitors as well and does not refer only to customers. You should familiarise yourself with the considerations that apply to an advertising budget.

You should know the various forms of media that can be used for product advertising and be able to apply these forms to a given situation (refer to the activity for an example of how these forms are applied). Make sure you know the three basic elements of print advertising and understand what pre-testing as a concept entails.



Activity 9.1

Pep Stores has contacted you to develop an advertising campaign for them, and specifically to help them select advertising media.

The company is currently launching a new, more fashionable line of clothing than their current line to appeal more to the younger market. The purpose is to grow their target market.



Feedback

First you have to consider the segmentation variables of the target market. You need to know exactly who these customers are to ensure that the media you recommend will reach these individuals. If the target market does not have access to radio and television, Pep could use billboards, posters at bus stops, branded busses and signage to ensure that its advertising message gets to the intended consumer.

Next we will be discussing the important role played by personal selling in retailing.

9.3 PERSONAL SELLING



Study pages 121 to 124 of the prescribed book.

You first need to know the definition of personal selling and how it differs from the other elements of the marketing communication mix. The steps of the retail selling process are very important for examination purposes. Make sure you know the difference between preparing for customers and prospecting. You should understand how perceived risk is

lowered for a customer as well as how customers can be actively involved in the sales process. For examination purposes you must be able to identify the physical clues that customers give when they are interested in buying a product.

It is also important to focus on the advantages and disadvantages of personal selling and apply them to a scenario (see the activity for an example of this).



Activity 9.2

Like most car dealerships, Toyota makes use of personal selling in the form of sales consultants to sell their vehicles. Explain how the advantages of personal selling apply in this situation.



Feedback

The fact that personal selling contributes to a high level of customer attention works well in this situation, as the product is visible and the customer can experience the product with all of his or her senses. The customer is present during the presentation, therefore, it becomes easier for the sales person to adapt the message to the customer.

The customer can then immediately respond and provide feedback about the product. Difficult and complex information, such as how the engine operates, can be discussed while the customer is present. The performance of the car can be demonstrated by means of a test drive. Because the service can be customised and a business relationship can be built with the customer, long-term support from the customer can be established.

9.4 DIRECT MARKETING



Study pages 124 to 125 of the prescribed book.

The definition of direct marketing is extremely important and again you must be able to differentiate it from the other elements of the marketing communication mix. For examination purposes, you need to know the media and methods available for direct marketing. Please note that telemarketing is not done via television; many students find this confusing in the examination. You should be able to identify the correct methods of marketing for a given situation (refer to the activity as an example).



Activity 9.3

You are required to design a direct marketing campaign for a new jewellery range that is imported from the United States of America. Explain which direct marketing methods you would apply in the campaign.

Feedback

A catalogue could be used with great success as this will ensure that potential customers are able to see the products in colour and it could contain photos of what the jewellery looks like when worn. Telemarketing might not be a good idea as jewellery is a visual product and marketing over the telephone does not provide any visual appeal. Television could also be used, whereas radio is not an alternative as customers cannot see the jewellery. Print media are also an option that could be used with success.

9.5 SALES PROMOTION



Study pages 125 to 126 of the prescribed book.

The first important aspect to focus on is why organisations use sales promotions and what the benefits are to retailers. For examination purposes, you should be familiar with the various sales promotion techniques and should be able to select appropriate techniques for a given situation. In order to do this, you should understand the preferences of the consumers. It is important to note that all sales promotions are only valid for a limited time. Students often confuse sales promotion with advertising in cases where the campaigns are very similar. For instance, Roman's Pizza has a product offering of buy one, get one free. This sounds like a special offering, but because it is not offered for a limited time only, it is not classified as sales promotion.



Activity 9.4

Indicate which forms of sales promotion you would consider in the following situation:

A new craft shop that sells exclusive African-made crafts will be opening soon in Cresta Shopping Centre in Randburg, Johannesburg. Which sales promotional techniques could be used to increase sales and attract customers to the retail shop? Please ensure that you give reasons for your answer.

Feedback

Remember that the sales promotion technique used must suit the particular target market that is being focused on. Coupons might not be suitable for customers from wealthier areas. Competitions, for example, could attract "feet" into the shop and introduce customers to the retailer's unique product offering. Demonstrations of how the artists make the crafts would create more interest in the industry and also give customers an appreciation of the amount of work that is required to create the final products. The retailer could also offer small or free gifts if customers purchase crafts for a specified amount. The store could introduce a card point system or loyalty programme, which gives consumers points for purchasing frequently or making large purchases. Point of purchase displays and exhibitions could be used to draw attention to the merchandise.

9.6 ASSESSMENT



Work through the following questions to ensure that you have a thorough understanding of the contents of this study unit.

(1) Discuss the advantages and disadvantages of personal selling.
(2) Explain the steps in the retail selling process.
(3) Discuss the steps in the management of an advertising campaign.
(4) Draw a comparison between the characteristics of advertising as opposed to other elements of the marketing communication mix.
(5) Explain which forms of direct marketing and sales promotion would be applicable to a second-hand car dealership.
(6) Discuss the four elements of the marketing communication mix.
(7) Name the types of advertising media that can be used in the management of the advertising campaign.
(8) Explain the physical clues that need to be considered when attempting to close a sale.
(9) Discuss the various forms of sales promotion that could be used to attract customers to a retail store.

9.7 REFLECTION



Reflect on the following questions:

(1) Why is marketing communication so important to retailers?
(2) Did you learn more about what marketing communication entails?
(3) Do you understand the difference between the various elements of the marketing communication mix?
(4) What did you find interesting in this study unit? Why?
(5) How long did you take to work through this study unit? Are you still on schedule or do you need to adjust your study programme?
(6) How do you feel now?

9.8 SUMMARY



Retailers are completely dependent on customers for profits. If customers are unaware of the products that retailers offer, it is impossible for them to support the retailer. Marketing communication serves the very important purpose of bringing together customers and retailers. Competition has also increased considerably at a national and international level, which means that marketing communication has to convince customers to use the retailer's product exclusively and not make use of substitute products.

We have now come to the end of this study guide. Can you see how all the elements of retailing must be managed correctly to ensure that the store is a success?



REFERENCES

http://www.geology.com/world/south-africa-map.gif Accessed 2010–06–22.

http://www.aboutcapetown.com/maps.htmjpg Acessed 2010-06-05.

Newman, AJ & Cullen, P. 2002. *Retailing: environment and operations.* Thomson Learning: London.

Dunne, PM & Lusch, RF. 2008. *Retailing.* 6th edition. Thomson South- Western: Mason, Ohio.