Retail Business Models by Ownership

PPTLS

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Ownership Forms

- Independent
- Chain
- Franchise
- Leased department
- Vertical marketing system
- Consumer cooperative

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Independent Retailers

- 2.3 million independent U.S. retailers
- Account for one-third of total store sales
- 70% of independents operated by owners and their families
- Why so many? **Ease of entry**

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Competitive State of Independents

Advantages

- Flexibility in formats, locations, and strategy
- Control over investment costs, personnel functions, and strategies
- Personal image
- Consistency and independence
- Strong entrepreneurial leadership

Disadvantages

- Lack of bargaining power
- Lack of economies of scale
- Labor intensive operations
- Over-dependence on owner
- Limited long-run planning

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Chain Retailers

- Operate multiple outlets under common ownership
- Engage in some level of centralized or coordinated purchasing and decision making
- In the U.S., there are roughly 110,000 retail chains operating about 1 M establishments

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Competitive State of Chains

Advantages

- Bargaining power
- Cost efficiencies
- Efficiency maintained by computerization, warehouse sharing, and other functions
- Defined management philosophy
- Considerable efforts in long-run planning

Disadvantages

- Limited flexibility
- Higher investment costs
- Complex managerial control
- Limited independence among personnel
- Excessive standardization due to extreme concern for bargaining power

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Leased Department

- A leased department is a department in a retail store that is rented to an outside party
  - The proprietor is responsible for all aspects of its business and pays a percentage of sales as rent
  - The department store sets operating restrictions to ensure consistency and coordination

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Competitive State of Leased Departments

Benefits

- Provides one-stop shopping to customers
- Lessees handle management
- Reduces store costs
- Provides a stream of revenue

Potential Pitfalls

- Lessees may negate store image
- Procedures may conflict with department store
- Problems may be blamed on department store rather than lessee

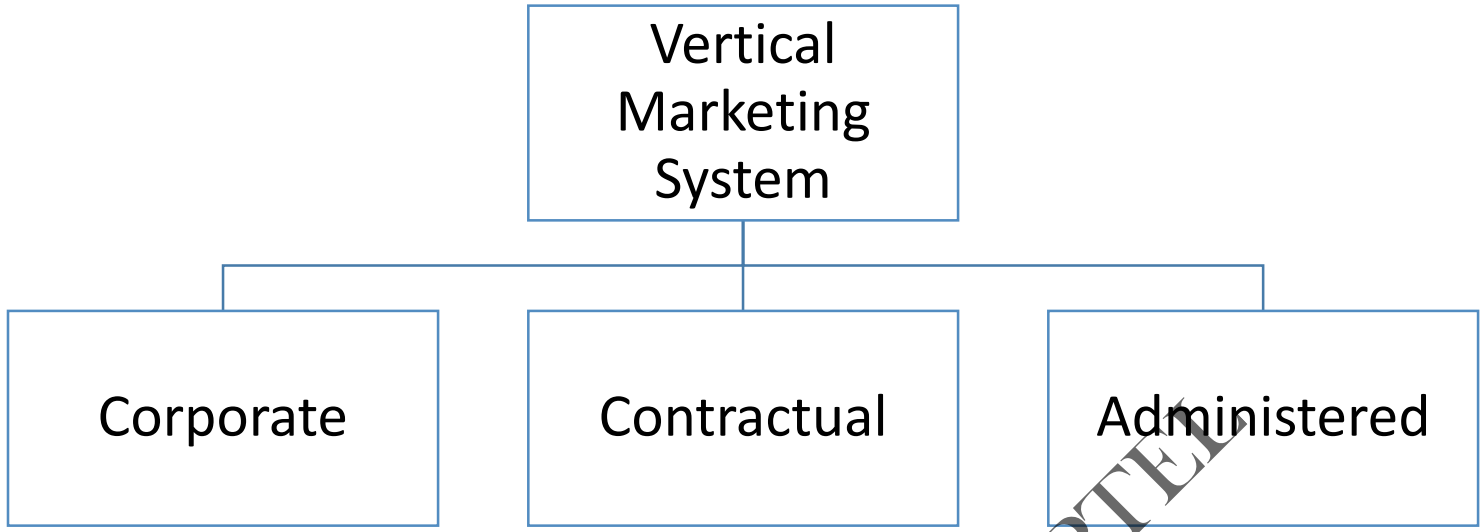
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Vertical Marketing System

- A vertical marketing system is the type of cooperation between the members of a distribution channel. It includes a producer, a wholesaler, and a retailer collaborating to deliver necessary products to their customers and aims at achieving better efficiency and economies of scale.

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https://sendpulse.com/support/glossary/vertical-marketing-system


Vertical Marketing System
Corporate
Contractual
Administered

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Amway


Domino's


P&G

Thank You

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