Global Retailing

PPTs

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Global Retailing

- Global retailing is the concept of selling products (i.e., goods and services) across the geographical boundaries of a country to the consumers available in the different parts of the world to attain global presence and recognition and to capture the opportunities prevailing in the potential overseas markets.

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https://theinvestorsbook.com/global-retailing.html

Global Retailing Trends



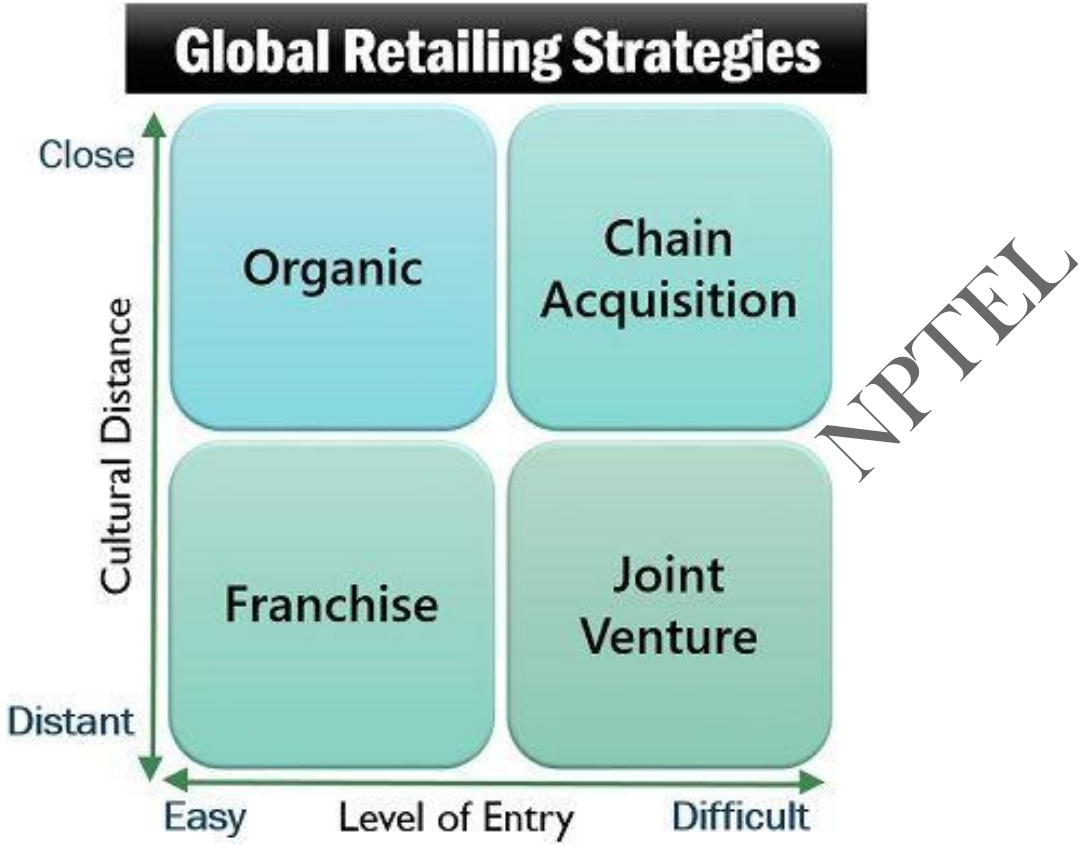
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Additional Concerns for Global Retailing

- In addition to the strategic planning process:
  - assess your international potential
  - get expert advice and counseling
  - select your countries
  - develop, implement, and review an international retailing strategy

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Global Retailing Strategies



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Factors Affecting the Success of a Global Retailing Strategy

- Timing
- A balanced international program
- A growing middle class
- Matching concept to market
- Solo or partnering
- Store location and facilities
- Product selection

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Challenges Faced by Global Retailers
Coping Up with Changing Technology
Language Barriers and Varrying Communication Styles
Consumer Empowerment
Cultural Complexities
International Shipping Policies

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Retail Business Models by Ownership

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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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Franchising and Other formats

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Franchising

- A contractual agreement between a franchisor and a retail franchisee that allows the franchisee to conduct business under an established name and according to a given pattern of business
- Franchisee pays an initial fee and a monthly percentage of gross sales in exchange for the exclusive rights to sell goods and services in an area

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Franchise Formats

Product/ Trademark

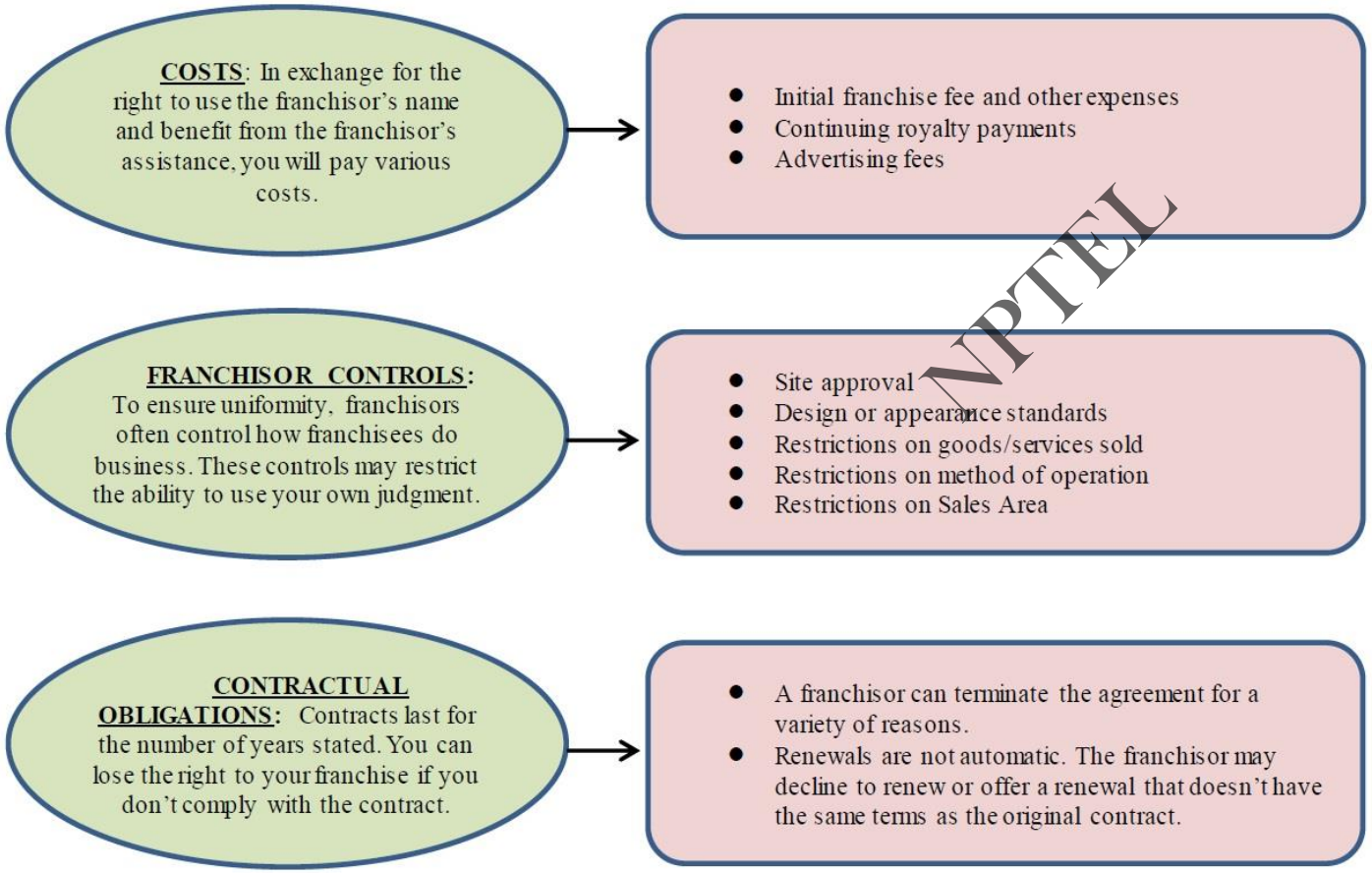
- Franchisee acquires the identity of a franchisor by agreeing to sell products and/or operate under the franchisor name
- Franchisee operates autonomously
- 60% of retail franchising sales

Business Format

- Franchisee receives assistance: location, quality control, accounting systems, startup practices, management training
- Common for restaurants, real-estate

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Figure 4.5 Selected Factors for Prospective Franchisees to Consider



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Pros and Cons of Dunkin' Donuts Franchise

- Pros:
  - No company owned stores
  - Outside suppliers can be approved
  - No markup on approved signs
  - Average sales in Metro NY $914,992– 41.4 percent at or above average
  - 19 day initial training program

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Pros and Cons of Dunkin' Donuts Franchise (1 of 2)

- Cons
  - No exclusive territory, can license other retailers to sell donuts, seek to convert other donut shops to Dunkin' Donuts, can sell donuts in supermarkets, convenience stores, airports, universities
  - Referral incentives to existing franchises, franchise brokers
  - Litigation history. In one case DD settled with payment of $780,000 to plaintiff; in another repurchased franchise for $1.1 million
  - Continuing franchise fees 5.9 percent of sales, continuing advertising fee 5.0 percent of sales, loan guarantee fee 1 percent of loan amount

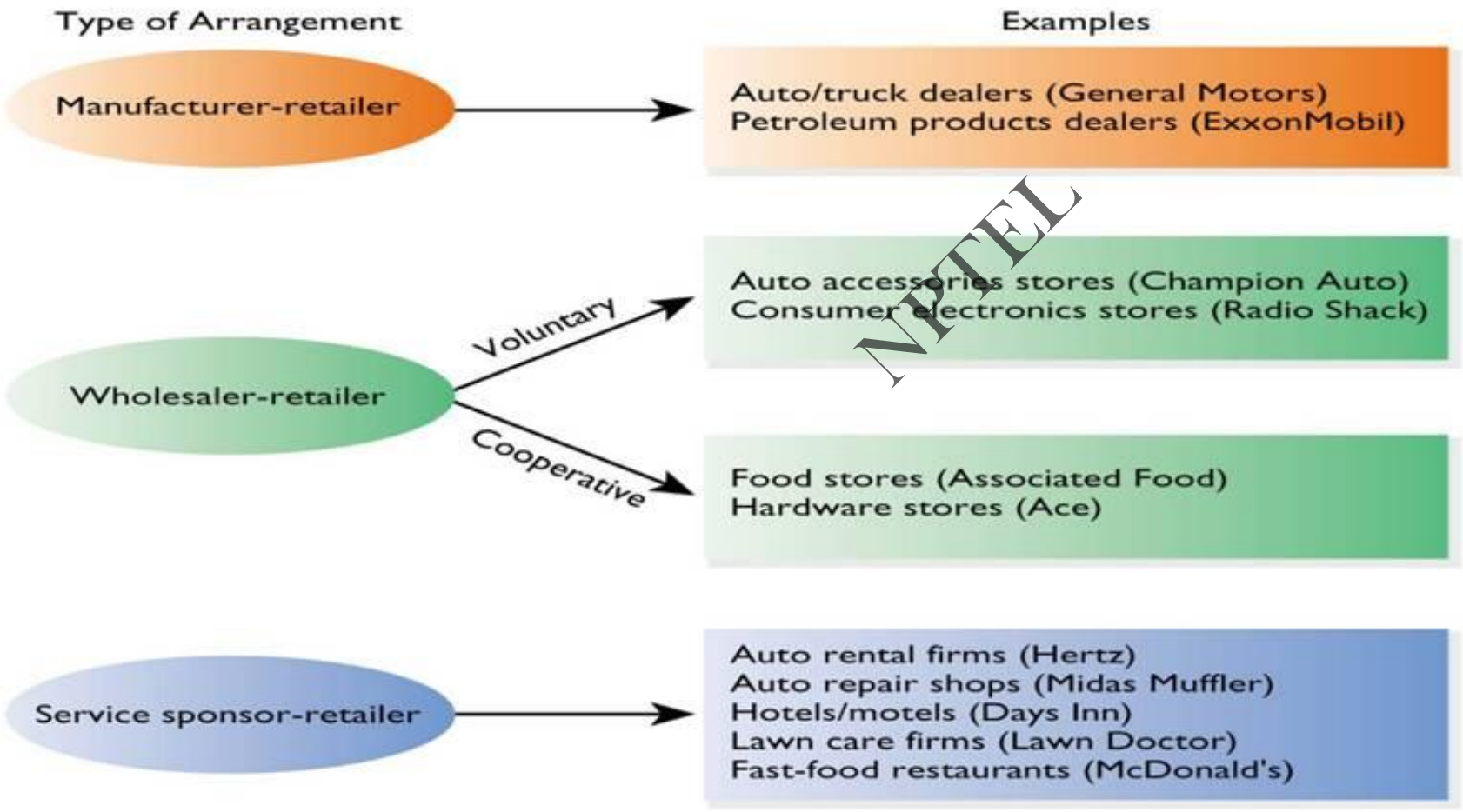
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Pros and Cons of Dunkin' Donuts Franchise (2 of 2)

- Cons
  - Board member sells eggs
  - DD has right to approve advertising
  - DD can appoint additional members to Brand Advisory Council, can dissolve council, council is only advisory

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Figure 4.6 Structural Arrangements in Retail Franchising



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Wholesaler-Retailer Structural Franchising Arrangements

- **Voluntary:** A wholesaler sets up a franchise system and grants franchises to individual retailers

- **Cooperative:** A group of retailers sets up a franchise system and shares the ownership and operations of a wholesaling organization

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Competitive State of Franchising

Advantages

- low capital required
- acquisition of well-known names
- operating/ management skills taught
- cooperative marketing possible
- exclusive rights
- less costly per unit

Disadvantages

- over-saturation could occur
- franchisors may overstate potential
- contractual confinement
- agreements may be cancelled or voided
- royalties are based on sales, not profits

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From the Franchisor's Perspective

Benefits

- national or global presence possible
- qualifications for franchisee/operations are set and enforced
- money obtained at delivery
- royalties represent revenue stream

Potential Problems

- potential for harm to reputation
- lack of uniformity may affect customer loyalty
- ineffective franchised units may damage resale value, profitability
- potential limits to franchisor rules

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Potential Conflicts Between Franchisor and Franchisee

- High power of franchisor relative to franchisee. Franchisee needs franchisor approval to sell business, and to extend franchise. Lease is generally in name of franchisor
- Franchisor obtains profit based on gross sales, not on franchisee's profitability
- Franchisor requires goods and services to be purchased from itself or approved vendor
- Franchisor can break up territory of existing franchisee, reducing its sales and profitability

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Leased Departments (1 of 2)

- 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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