

# Common Myths of Retailing

Retailing has been defined by business authors Levy and Weitz as a set of business processes that add value to products and services and that deliver them to consumers for their personal use. Retailing is an exciting and valuable business profession that provides diverse career choices for over 20 million people in the U.S. Retailing is all around us and takes on many forms. We don't often think about retailing as a profession nor give it due credit for its contributions to our communities and our economy. Unfortunately, retailing is sometimes done poorly, leading to dissatisfied customers. At the same time, retailing is often done with a level of excellence that compels customers to return again and again. We believe that retailing disciplines are often misunderstood and the profession is under served by academic professional development services. This article will examine common myths of retailing with an eye toward promoting the career opportunities for energetic, caring, and thoughtful retail professionals to become tomorrow's retailing leaders.

## **MYTH - RETAILING IS NOT "BIG BUSINESS"**

Retailing is a very broad industry, with very diverse business channels, outlets, formats, brands, and ownership structures. Channels are differentiated by product lines such as food, fashions, technology, general merchandise, hardware, home improvements, automotive, restaurants, and entertainment, to name a few. Retail outlets take many forms including malls, freestanding stores, catalogs, kiosks, the web, and direct sales. Formats descriptions include upscale, traditional, discount, extreme value, and convenience stores. Retail brands include national leaders such as locally based Best Buy and Target, and strong regional brands such as Cub, Famous Dave's, Lunds/Byerly's, and Snyder Drug. Ownership structures vary as well, including public stock companies, private equity firms, partnerships, franchises, and the ubiquitous single proprietorship.

Now, let's examine a few numbers. Retailing made up approximately 34% of last year's \$10 trillion U.S. Gross Domestic Product. The recently reported February 2002 current retail inventories were estimated at \$406 billion. The current Fortune 500 lists 160 retailers, with Wal-Mart now the world's largest business as measured by sales, at \$220 billion. Now that's big business!

## **MYTH - RETAILING IS EASY; ANYONE CAN DO IT**

Some forms of retailing have a low entry threshold. An entrepreneur could purchase several watches and sell them on the beach (with proper license, of course) and be in retailing. Others have a very high entry threshold. Food retailers, for example, must invest millions in land, buildings, special refrigeration and storage areas, material handling equipment, and technology before they invest an additional million dollars per store in inventory. Aside from the investment, retailers must have diverse skills and deep knowledge about a wide range of issues: finance, accounting, procurement, logistics, products and brands, merchandising, marketing, regulations and laws, managing people, supplier relationships, community relations, loss prevention, and so on. One-time learning is not enough; retailers must stay current in their thinking on these matters. To win in today's competitive environment, retailers must think holistically and leverage all of their knowledge and assets in the ever-changing marketplace.

## **MYTH - STRATEGY DOESN'T REALLY MATTER**

Strategy should drive everything a retailer does. It is the means by which to focus all other decisions about what business to be in, in which markets, in which formats, with which products, from which suppliers, using which business processes, at which service levels, and at what prices. These decisions drive the shape of the retail business, its mission, its business

functions, its processes, infrastructure, organization design, and culture. Absent a clear strategy, a retailer can not maximize marketplace opportunities. Strategy establishes marketplace positioning for a retailer. A winning strategy must be supported by a firm's core competencies and be developed by passionate, skilled, knowledgeable, and thoughtful leaders.

## **MYTH - IN RETAILING, PRODUCTS ARE ALL THAT COUNT**

Retailing is not just the business of selling products at a margin of profit. Decisions on product assortment, quality, brand, fashion, and means of display are important, but only in the context of how they meet the needs of customers. Peter Drucker once wrote, "The purpose of business is to create and keep a customer." No customers, no business. This seems simple, but how many times have retailers attempted to sell products for other reasons such as vendor preference, getting a great cost, or promoting a private brand? Better said, retailing is about selling the right products, but with the added value of having them in the right place, at the right time, with the right levels of service and convenience, and at the right price—according to the customer.

## **MYTH - SERVICE IS EASY**

If service is so easy, why do consumers consistently rank it as an area of frustration for them and an opportunity for the retailers they patronize? If one listens carefully, one can hear the frequent lament, "Whatever happened to customer service?" Retailers must think of service strategically, as one element of the customer offering. Getting to the proper blend of services requires some hard thinking, because service comes in many forms, each of which requires investment cost. Direct service includes things such as bagging groceries, custom tailoring clothes, preparing prescriptions, custom cutting window shades, and bringing meals to a restaurant table.

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These services have a direct labor investment, and retailers must support those costs in their pricing structure to remain profitable. Said differently, high touch and low price often do not mix. Indirect services include things such as providing useful product information, running advertisements, maintaining a clean and friendly shopping environment, having a Web site, offering coupons or frequent shopper cards, providing guarantees of product and service quality, or having a safe and brightly-lit parking lot. These things make a real difference in a retailer's position to the customer but are not often recognized as services. These indirect services must also be factored into a retailer's cost structure and be supported by its profit mix.

### MYTH - YOU CAN BE EVERYTHING TO EVERYONE

If a retailer tries to be everything to every customer, it stands to be ineffective in establishing a clear market position. That retailer will also be more susceptible to competition, because it will be competing against everyone. Business author and lecturer Michael Treacy points out that a firm must decide on one of three main areas of focus: product leadership, operational excellence, or customer intimacy. He makes the point that, strategically, a firm must choose how to establish its competitive edge and strategically focus its attention, resources, and objectives around that area. The firm must, at the same time, achieve perceived competitive parity in the other two areas, so as not to be overly vulnerable to competition. But no firm can be the best in all three areas. This is a liberating concept, one that retailers can use to establish differentiation in the marketplace.

### MYTH - IF YOU OPEN, THEY WILL COME

It is not enough to have a solid retailing concept, a well-placed location (whether a physical place or a virtual e-place), an appealing visual layout, and an attractive product mix. A retailer must execute a well-planned marketing strategy to generate

customer interest and create trial shopping trips. A multi-media approach is best, using a combination of various paid advertising methods, free public relations activities, word-of-mouth, and, if possible, hard news stories.

The opening of a new business is news, and a multi-media effort will encourage the natural curiosity of customers and motivate them to come see for themselves. It is vitally important for retail success that the trial visit be a satisfying one that encourages a return trip, and that the return trip leads to more return trips. The real key is "when you open it, will they come back?"

### MYTH - RETAILING IS AN EXACT SCIENCE

Retailing remains as much an art as a science. A great deal of research and analysis takes place, much of it useful in enabling retailers to meet customer needs. But marketing and merchandising remain exciting creative art forms. Why? Well, most retailing analyses do a great job of looking at last year, last month, and last week. They give a great look in the rear-view mirror, but they cannot anticipate with certainty how customers will respond to new items, new promotion methods, or new store concepts. Meeting the future is still largely done through trial and error. Retailing is continually evolving in response to changes in consumer needs, product concepts, demographics, fashion trends, societal and environmental forces, the economic outlook and competition.

### MYTH - MANAGING A RETAIL BUSINESS IS A NARROW, BORING JOB

Retailing holds tremendous career opportunities for the leaders of tomorrow. While these are critical jobs, retailing is not just a world of store managers, stock clerks, and cashiers. Let's look at just a few of the types of jobs that are done in retailing: management, clerking, warehousing, truck driving, logistics, strategic planning, finance, accounting, legal, marketing, advertising, merchandising, procurement, process improvement, information technology, personnel and labor relations, training, administration, interior design, architecture, and so on. The exciting pace of retailing adds an element of job satisfaction for many people. They react to a changing and highly competitive marketplace with both enduring strategies and constantly changing tactics. Retailers face the customer and deal with the needs of their associates every day and doing so creates an exciting and challenging work environment.

By addressing these myths of retailing we hope we have shown that really great retailers must gain and employ a broad range of skills and knowledge in order to be successful as they grow their businesses and their careers. In doing so, today's growing retailing professionals will be well positioned to become tomorrow's retailing leaders.

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*Leadership demands making the impossible happen,  
being prepared for the unexpected,  
and learning from the lessons of history.  
It is the human spirit that makes the difference.*

*Lady Margaret Thatcher*