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UNIVERZITA**

OBCHODNĚ PODNIKATELSKÁ
FAKULTA V KARVINĚ

Retail management

Introduction



Content

1. Consumer and retail trends
2. Basic concepts in retail



Consumer trends in general



JUL
2022

ESSENTIAL DIGITAL HEADLINES

OVERVIEW OF THE ADOPTION AND USE OF CONNECTED DEVICES AND SERVICES



TOTAL
POPULATION



we
are
social

7.98
BILLION

URBANISATION

57.0%

UNIQUE MOBILE
PHONE USERS



5.34
BILLION

vs. POPULATION

66.9%

INTERNET
USERS



5.03
BILLION

vs. POPULATION

63.1%

ACTIVE SOCIAL
MEDIA USERS



4.70
BILLION

vs. POPULATION

59.0%

SOURCES: UNITED NATIONS; U.S. CENSUS BUREAU; GOVERNMENT BODIES; GSM.A INTELLIGENCE; ITU; G.WI; EUROSTAT; CNNIC; A.P.I.I.; CIA WORLD FACTBOOK; COMPANY ADVERTISING RESOURCES AND EARNING'S REPORTS; OECD; TECHRASA; KEPIOS ANALYSIS. **ADVISORY:** SOCIAL MEDIA USERS MAY NOT REPRESENT UNIQUE INDIVIDUALS. **COMPARABILITY:** SOURCE AND BASE CHANGES. THE U.N. REVISED ITS POPULATION DATA SINCE OUR PREVIOUS REPORT, WHICH MAY AFFECT ALL VALUES THAT COMPARE DIGITAL ACTIVITY TO POPULATION, AND MAY RESULT IN APPARENT DECREASES IN DIGITAL ADOPTION. HOWEVER, WE ADVISE CAUTION WHEN INTERPRETING ANY CHANGES IN THESE COMPARATIVE FIGURES, BECAUSE ANY SUCH CHANGE MAY BE SOLELY THE RESULT OF REVISIONS TO POPULATION DATA.



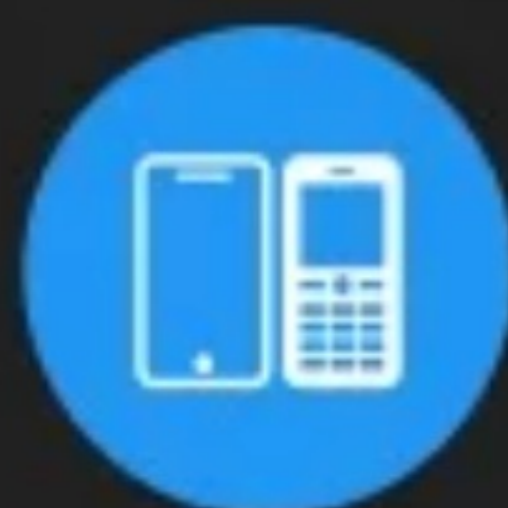
JUL
2022

DEVICE OWNERSHIP

PERCENTAGE OF INTERNET USERS AGED 16 TO 64 WHO OWN EACH KIND OF DEVICE



ANY KIND OF
MOBILE PHONE



GWI.

96.2%

YEAR-ON-YEAR CHANGE
-0.7% (-70 BPS)

SMART
PHONE



we
are
social

96.0%

YEAR-ON-YEAR CHANGE
-0.5% (-50 BPS)

FEATURE
PHONE

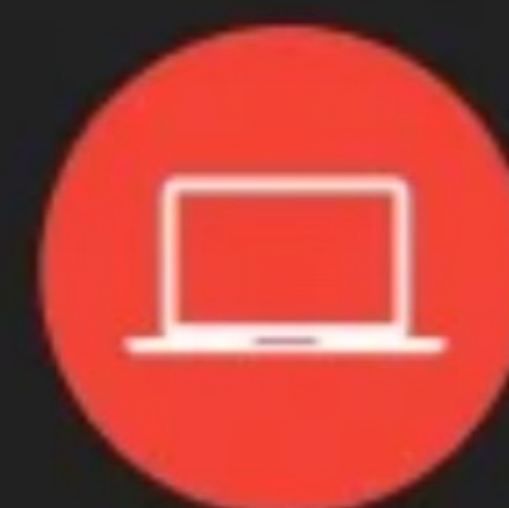


GWI.

8.6%

YEAR-ON-YEAR CHANGE
+3.6% (+30 BPS)

LAPTOP OR
DESKTOP COMPUTER



59.7%

YEAR-ON-YEAR CHANGE
-7.3% (-470 BPS)

TABLET
DEVICE



34.8%

YEAR-ON-YEAR CHANGE
+1.5% (+50 BPS)

GAMES
CONSOLE



20.6%

YEAR-ON-YEAR CHANGE
+0.5% (+10 BPS)

SMART WATCH OR
SMART WRISTBAND

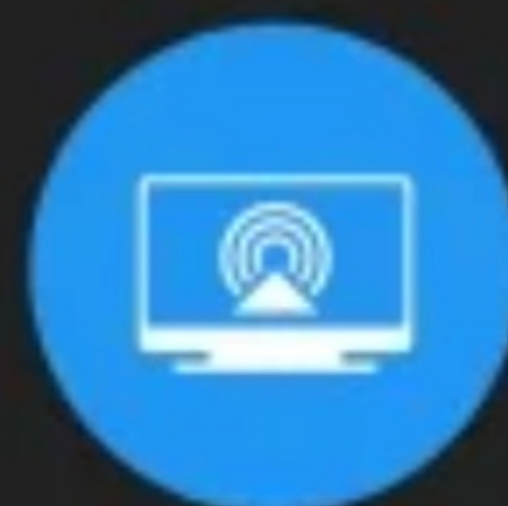


GWI.

29.2%

YEAR-ON-YEAR CHANGE
+14.1% (+360 BPS)

TV STREAMING
DEVICE



16.7%

YEAR-ON-YEAR CHANGE
+13.6% (+200 BPS)

SMART HOME
DEVICE



GWI.

15.6%

YEAR-ON-YEAR CHANGE
+15.6% (+210 BPS)

VIRTUAL REALITY
DEVICE



5.4%

YEAR-ON-YEAR CHANGE
+17.4% (+80 BPS)



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DAILY TIME SPENT WITH MEDIA

THE AVERAGE AMOUNT OF TIME EACH DAY THAT INTERNET USERS AGED 16 TO 64 SPEND WITH DIFFERENT KINDS OF MEDIA AND DEVICES



TIME SPENT USING
THE INTERNET



6H 49M

YEAR-ON-YEAR CHANGE
-1.4% (-6 MINS)

GW.

TIME SPENT WATCHING TELEVISION
(BROADCAST AND STREAMING)

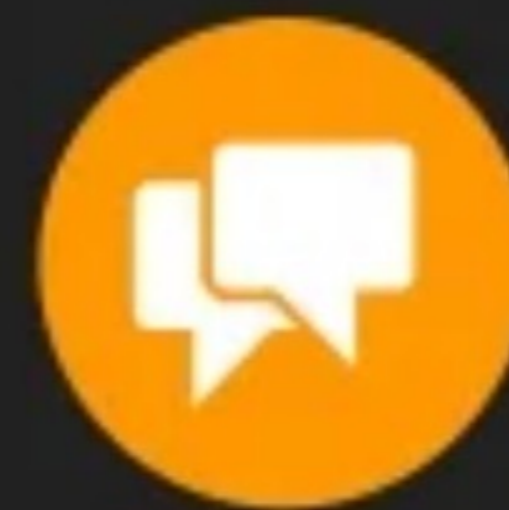


3H 25M

YEAR-ON-YEAR CHANGE
+2.5% (+5 MINS)



TIME SPENT USING
SOCIAL MEDIA

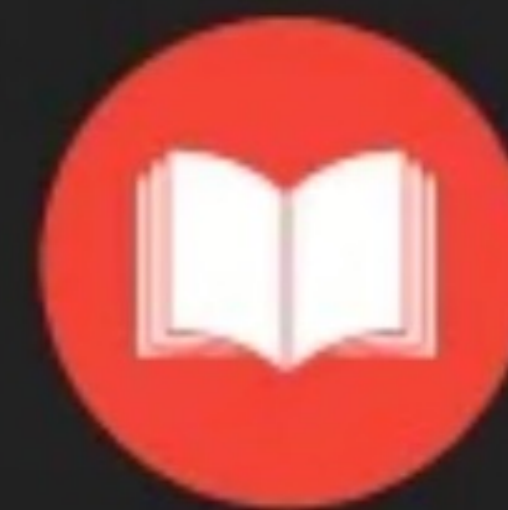


2H 29M

YEAR-ON-YEAR CHANGE
+3.5% (+5 MINS)

GW.

TIME SPENT READING PRESS MEDIA
(ONLINE AND PHYSICAL PRINT)



2H 04M

YEAR-ON-YEAR CHANGE
+0.8% (+1 MIN)

TIME SPENT LISTENING TO
MUSIC STREAMING SERVICES

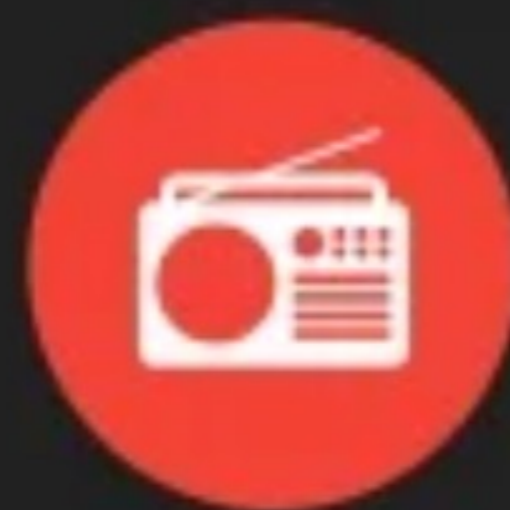


1H 34M

YEAR-ON-YEAR CHANGE
+1.1% (+1 MIN)

we
are
social

TIME SPENT LISTENING
TO BROADCAST RADIO



1H 01M

YEAR-ON-YEAR CHANGE
[UNCHANGED]

GW.

TIME SPENT LISTENING
TO PODCASTS



0H 58M

YEAR-ON-YEAR CHANGE
+5.5% (+3 MINS)



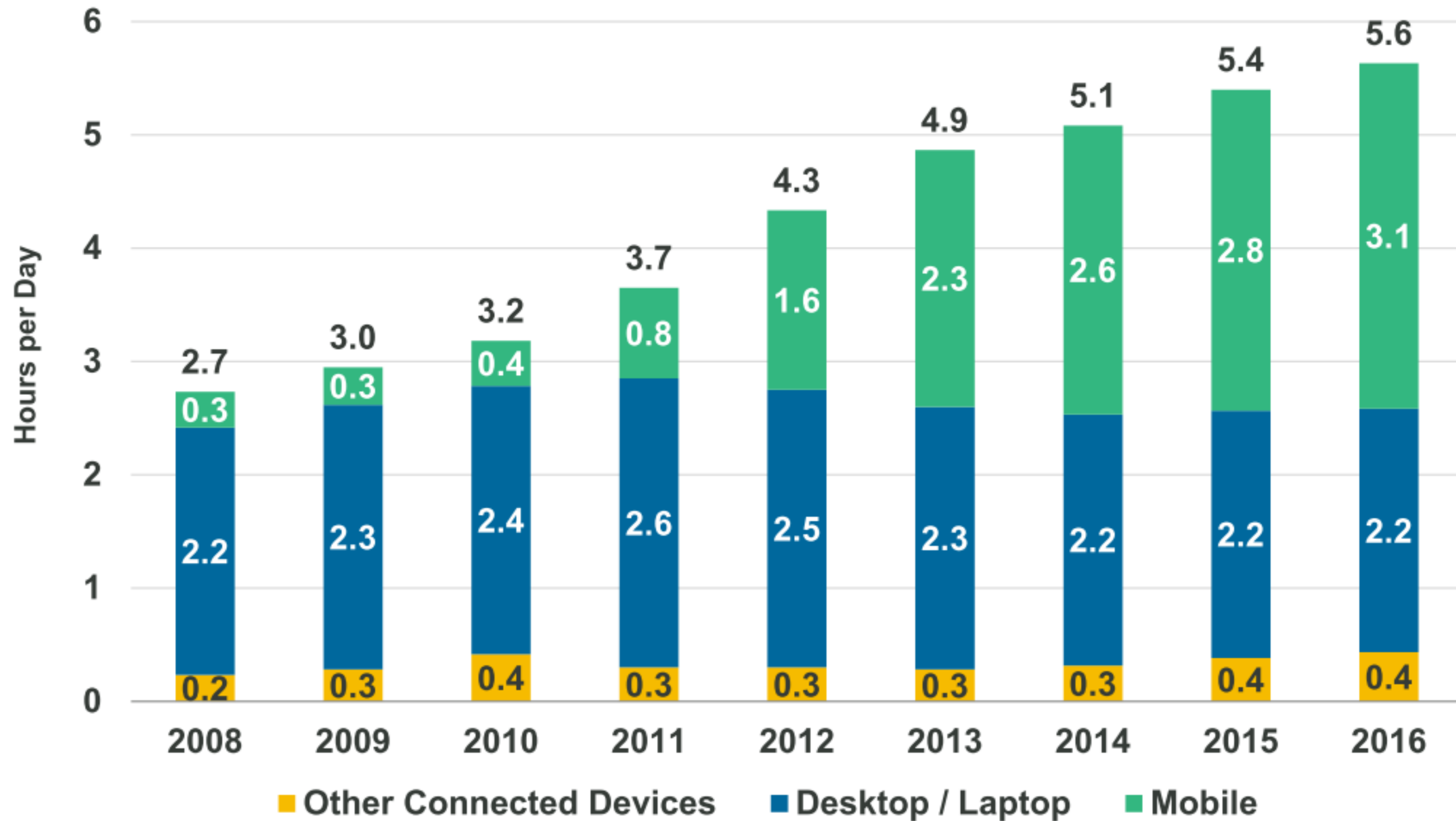
TIME SPENT USING
A GAMES CONSOLE



1H 11M

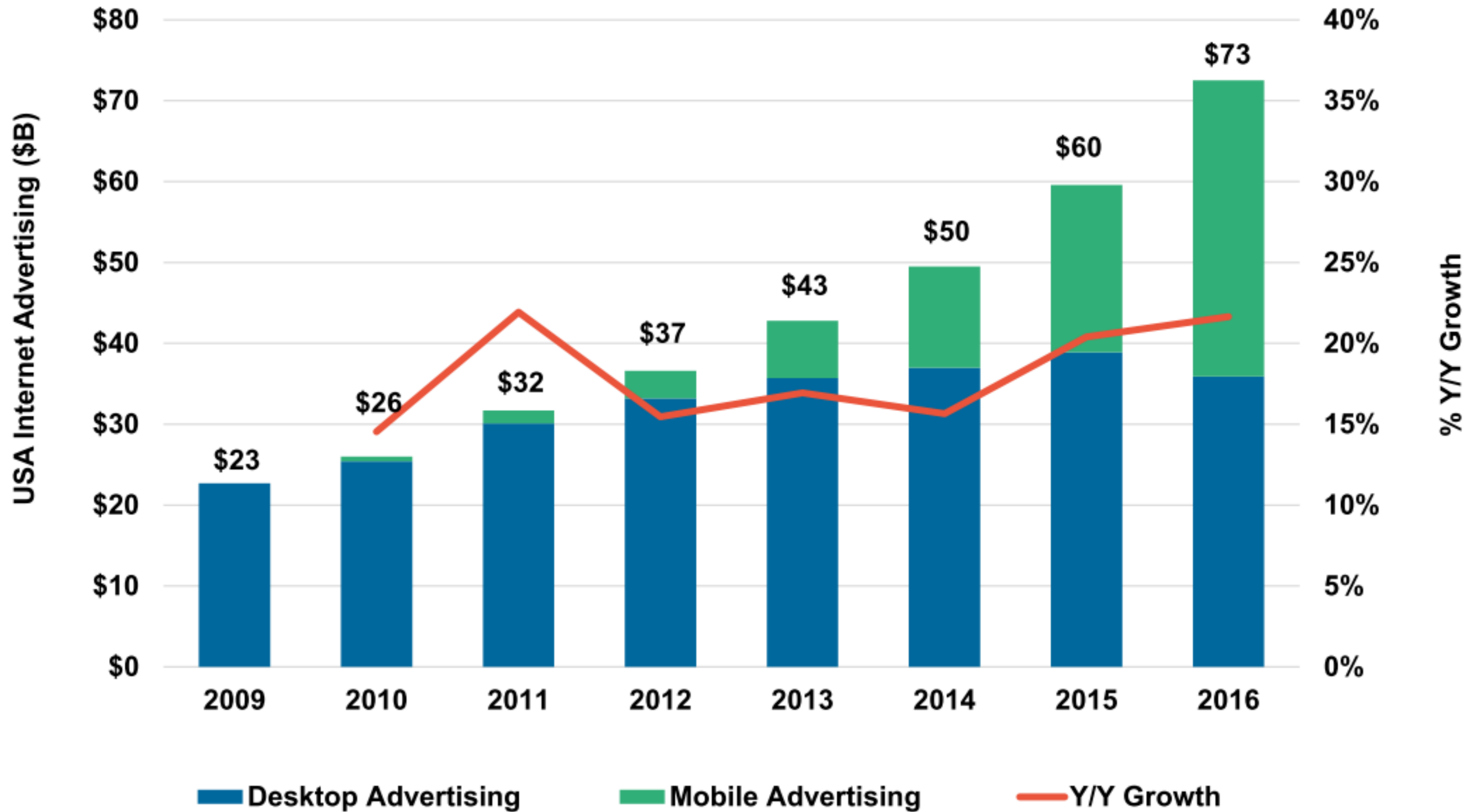
YEAR-ON-YEAR CHANGE
-2.7% (-2 MINS)

Time Spent per Adult User per Day with Digital Media, USA, 2008 – 2016



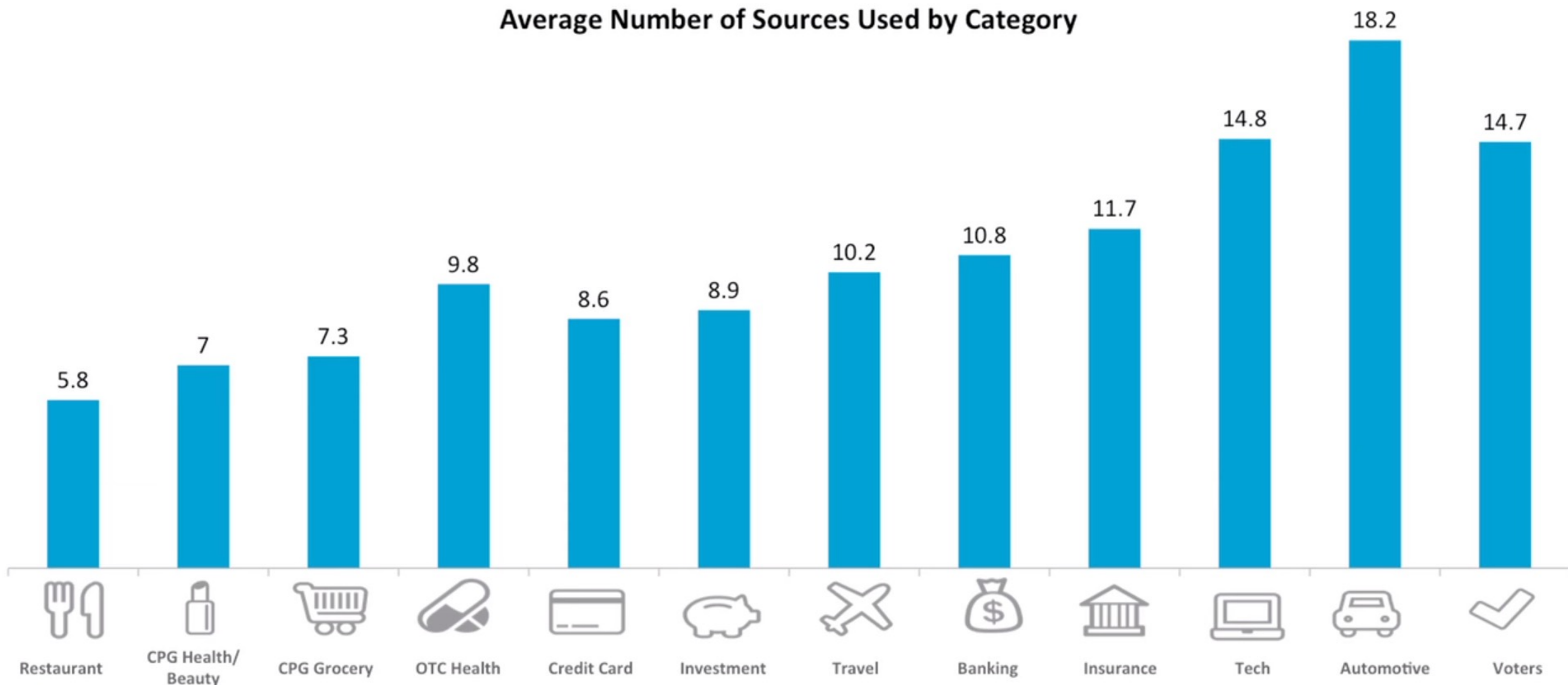
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USA Internet Advertising (\$B), 2009 – 2016



Shopping more considered than ever before

Average Number of Sources Used by Category

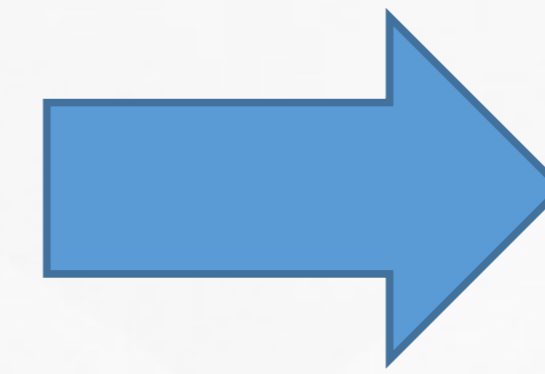


Consumer media consumption development



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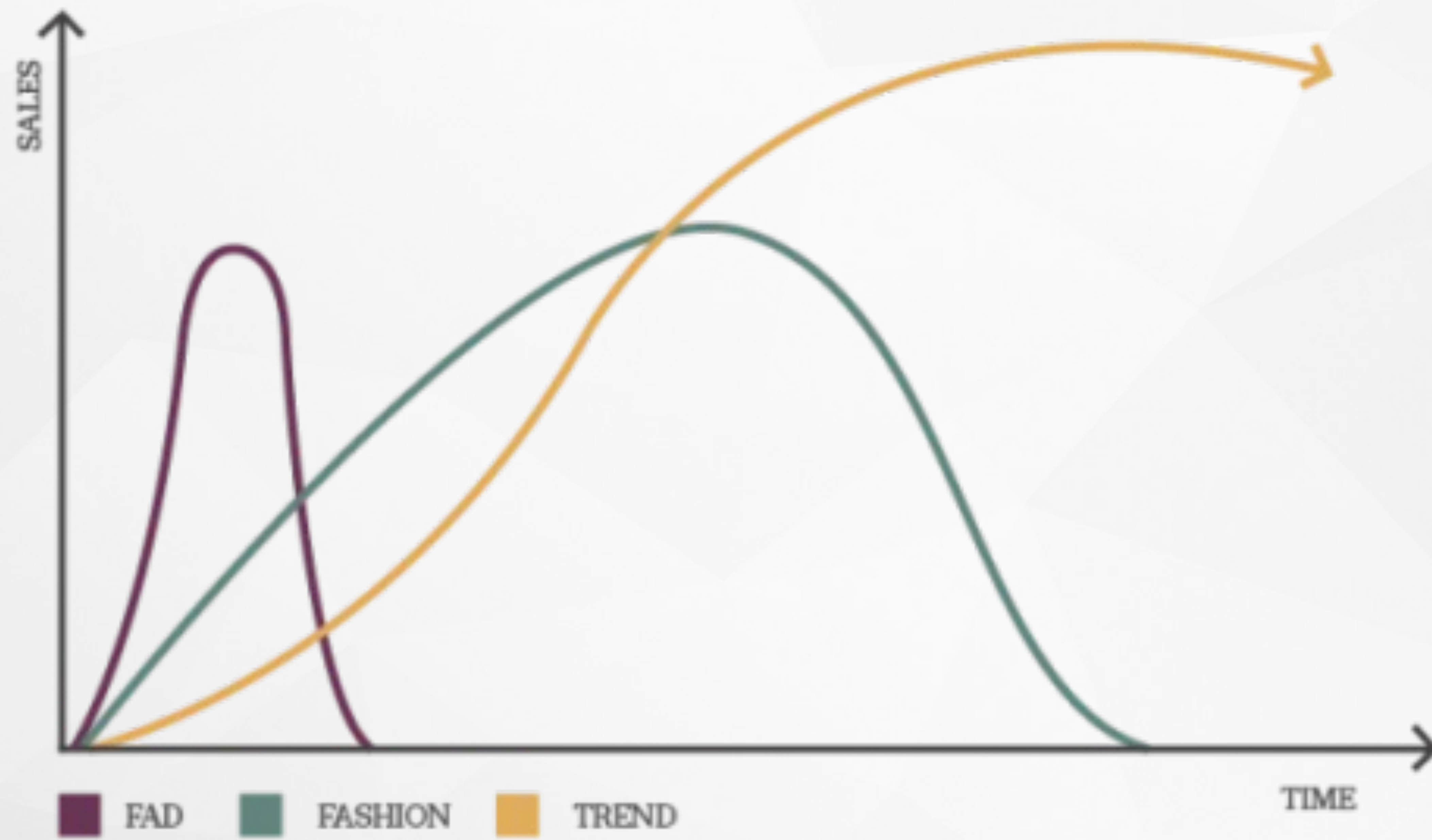
- **1st, 2nd, 3rd screen – TV, notebook, mobile**
 - All connected and consumed at the same time





Retail trends (megatrends)





Globalization

- The concept of globalization was first used by the American economist **Theodore Levitt in 1985** to describe the development of world economy in the previous decade.
- Many of the definitions agree on the basis that the term globalization is actually the collective name for a **set of interrelated economic, ideological, technological and cultural changes.**



Globalization consequences

A MAP OF EUROPEAN SUPERMARKARKETS

LIDL



AUCHAN



MAXIMA



BILLA



METRO



KAUFLAND



TESCO



CARREFOUR



ALDI (SUD & NORD)



WWW.AMAZINGMAPS.SHOP



Globalization effects

- The economic changes include **internationalization** of production, capital mobility, economic interdependence and others.
- Because of these changes new effects can be observed such as:
 - spread of the standardized goods across the globe,
 - the increased mobility of labour,
 - reorganization of production and
 - mutual penetration of sectors across borders.



THE PROCESS OF INTERNATIONALIZATION IS FULFILLED BY:

- **Companies** - their strategies and plans.
- **Customers** - their interests and tastes.
- Unification of needs, lifestyle, preferences of global brands
 - (Tourism development, the influence of mass media and Technological Development).



Internationalization

- The essence is to expand the activities from the domestic country abroad.
- The situation at home versus the situation abroad.
- Internationalization theory - causes of expansion.



Internationalization

- **1st stage: trouble** on the original internal market, expansion mainly to neighboring countries with similar or identical demands of both consumers and business environments, through exporting and importing.
- **2nd stage:** requirement still applies for geographic and cultural proximity, but the number of foreign participations expands, based on **contracts**.
- **3rd stage:** the emphasis on **market opportunities** in individual countries, not on cultural and consumer proximity to the domestic market, based on capital investments and new branches.



Consumer ethnocentrism

- Shimp and Sharma (1987)
 - Based on sociology and Sumner (1906) theory of ingroups and outgroups.
 - Based on ethnocentrism:
 - **View own group as the center of the universe.**
 - **Interpreting other social units from the perspective of their own group.**
 - **Rejecting persons who are culturally dissimilar while blindly accepting those who are culturally like themselves.**
 - CE – Purchasing imported products is wrong, because, in consumer mind, it hurts the domestic economy.



Demographics

- The demographic developments have a major impact on retail. It influences the development and structure of demand and consumption patterns of the population.
- In countries with higher standards of living, the population has a tendency towards an aging population and single household growth.
- Demographic changes affect the level of household equipment, requirements for consumer packaging and increase the popularity of weekly shopping, retail chain structure and stores type preferences.



Everyday consumer behaviour

- **Individual value system** is changing due to changes in the broader context of the living standards of the population. Companies must estimate in advance the future demands of our customers, in order to be ready in time to changes in their needs.
- Money rich time poor families.
- Higher awareness of environmental problems
- Homogenization of needs worldwide
- Smaller families in rich countries.
- Singles.



Financial crisis and discount stores

- The crisis is beneficial for discount stores.
- An example can be found in Germany (as well as all around Europe). The slump in the German economy and the coming recession have their winners - German discount chains.
- According to a recent study, the market share of discount stores specialized in low prices increased from 25.8% to 41.3% in the past 15 years. Especially strongly growing in sales of food. Just last year, the number of food chains stores increased from 14,806 to 15,219.

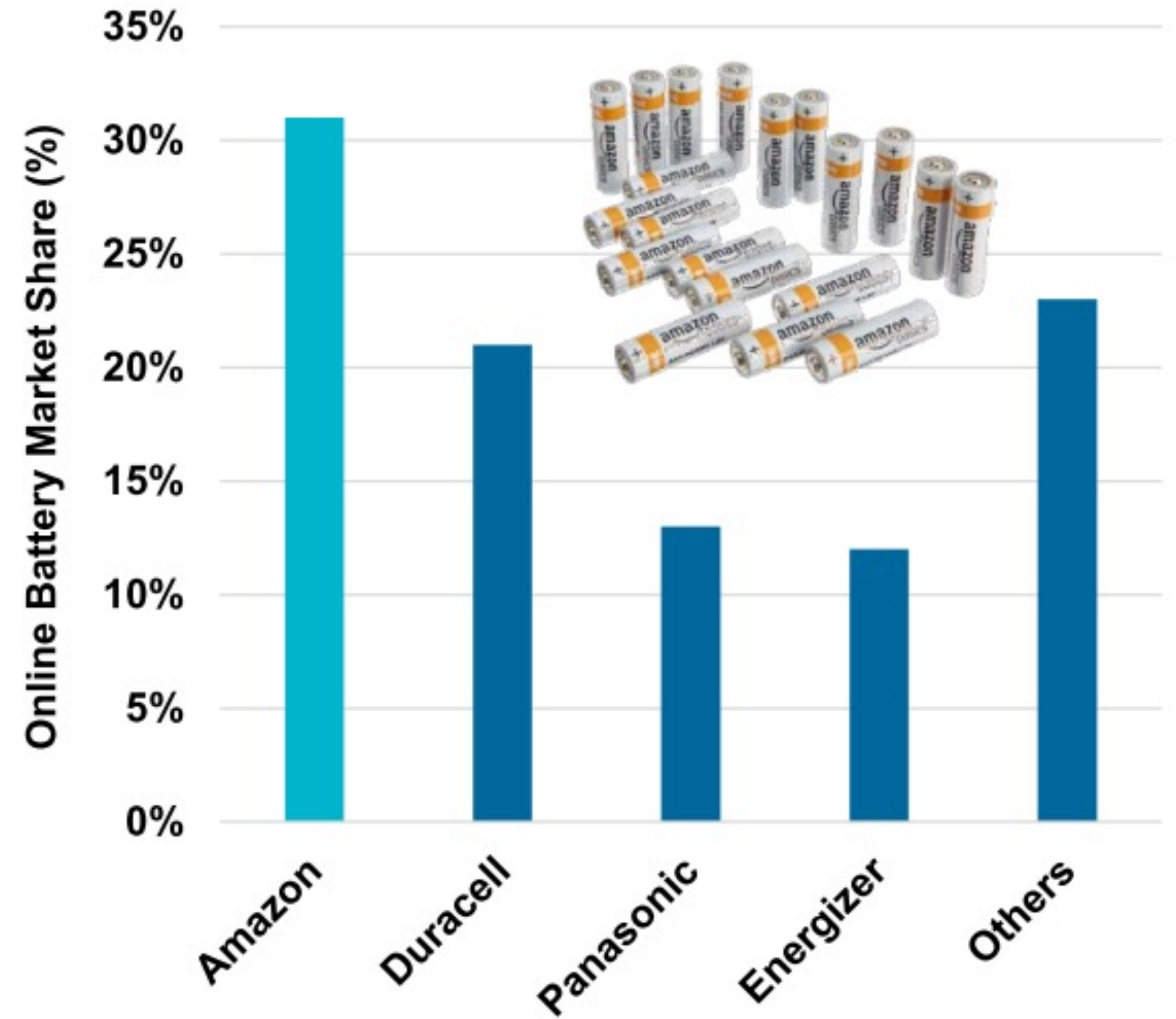
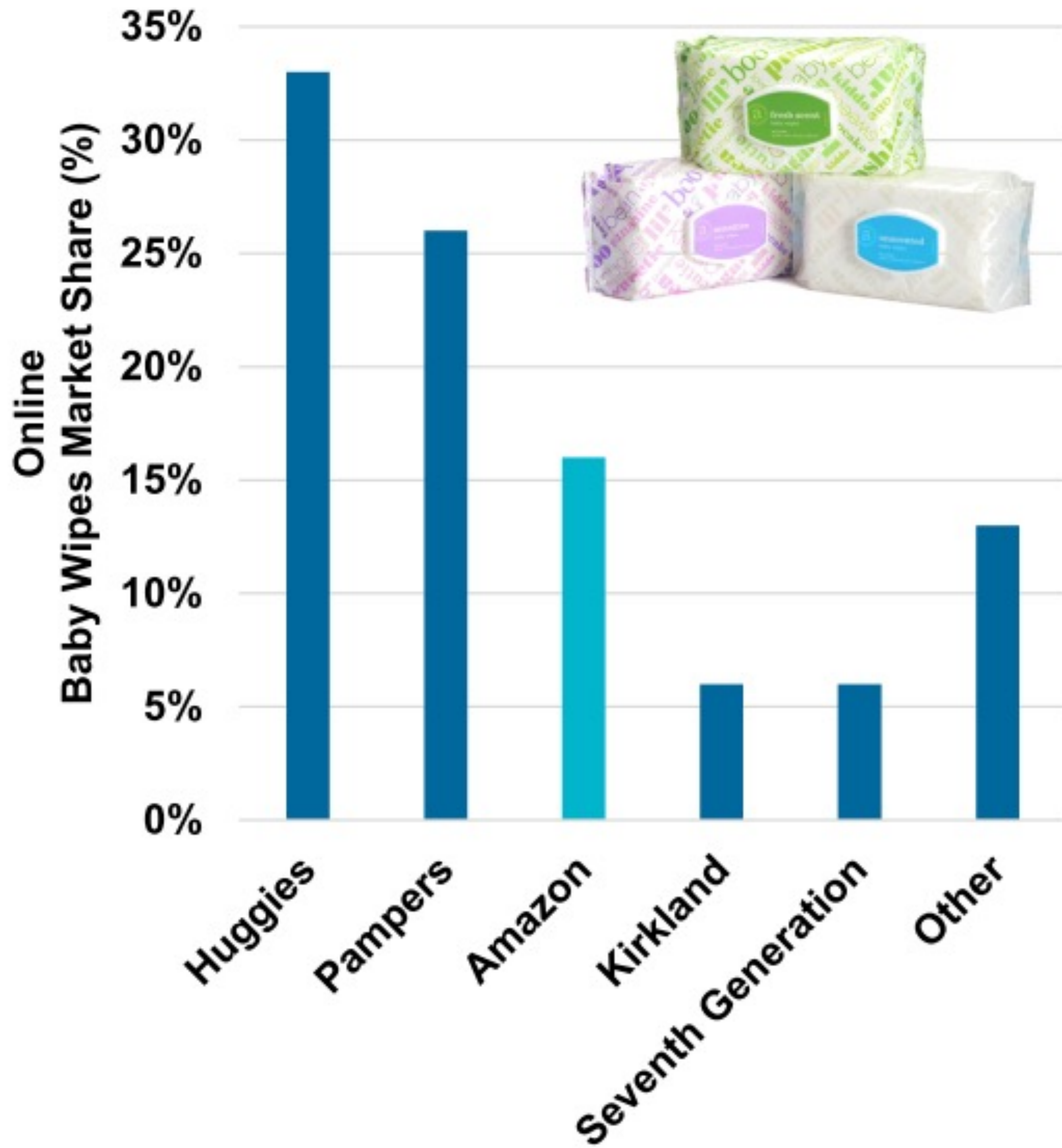


E-tail

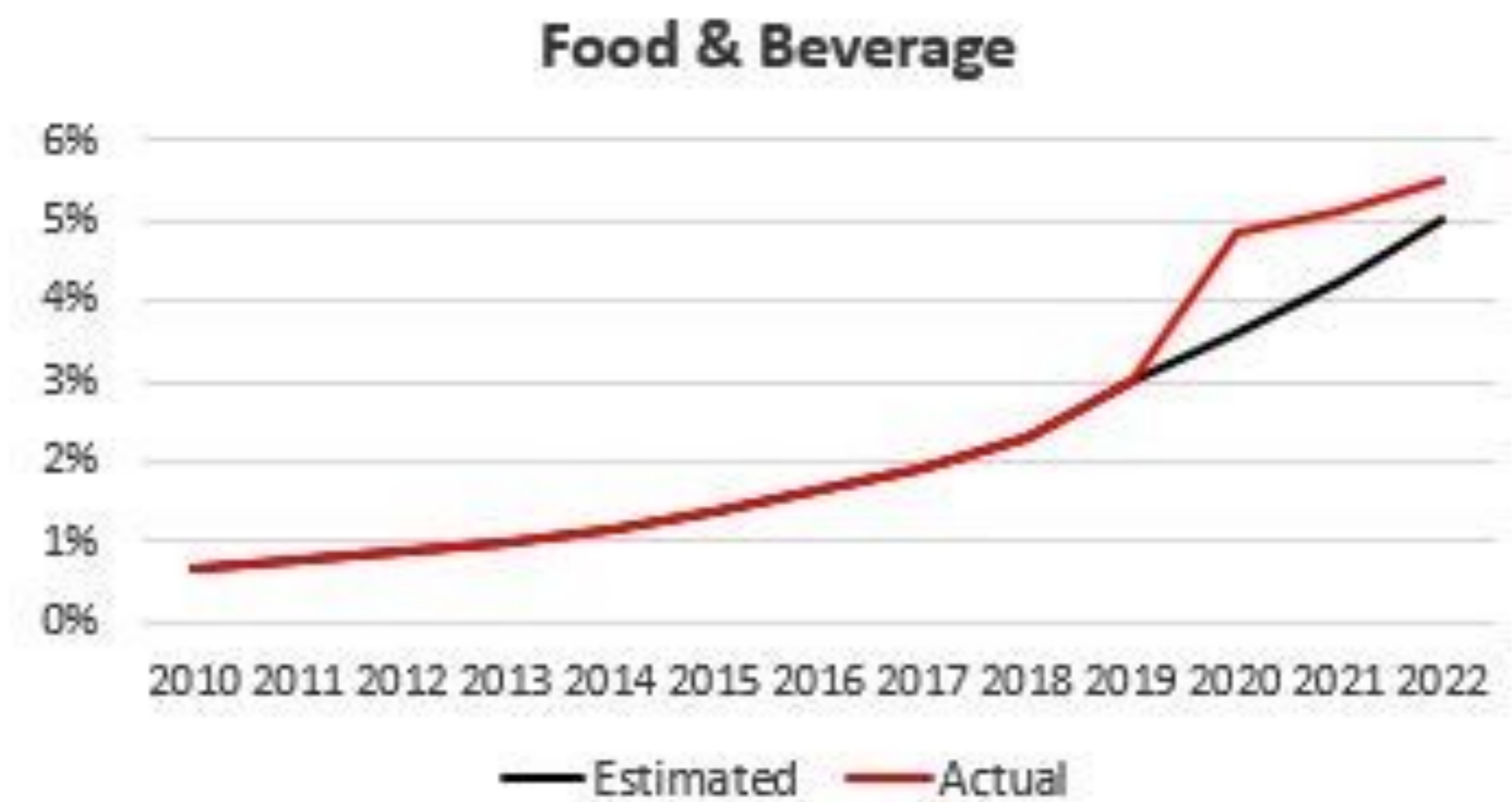
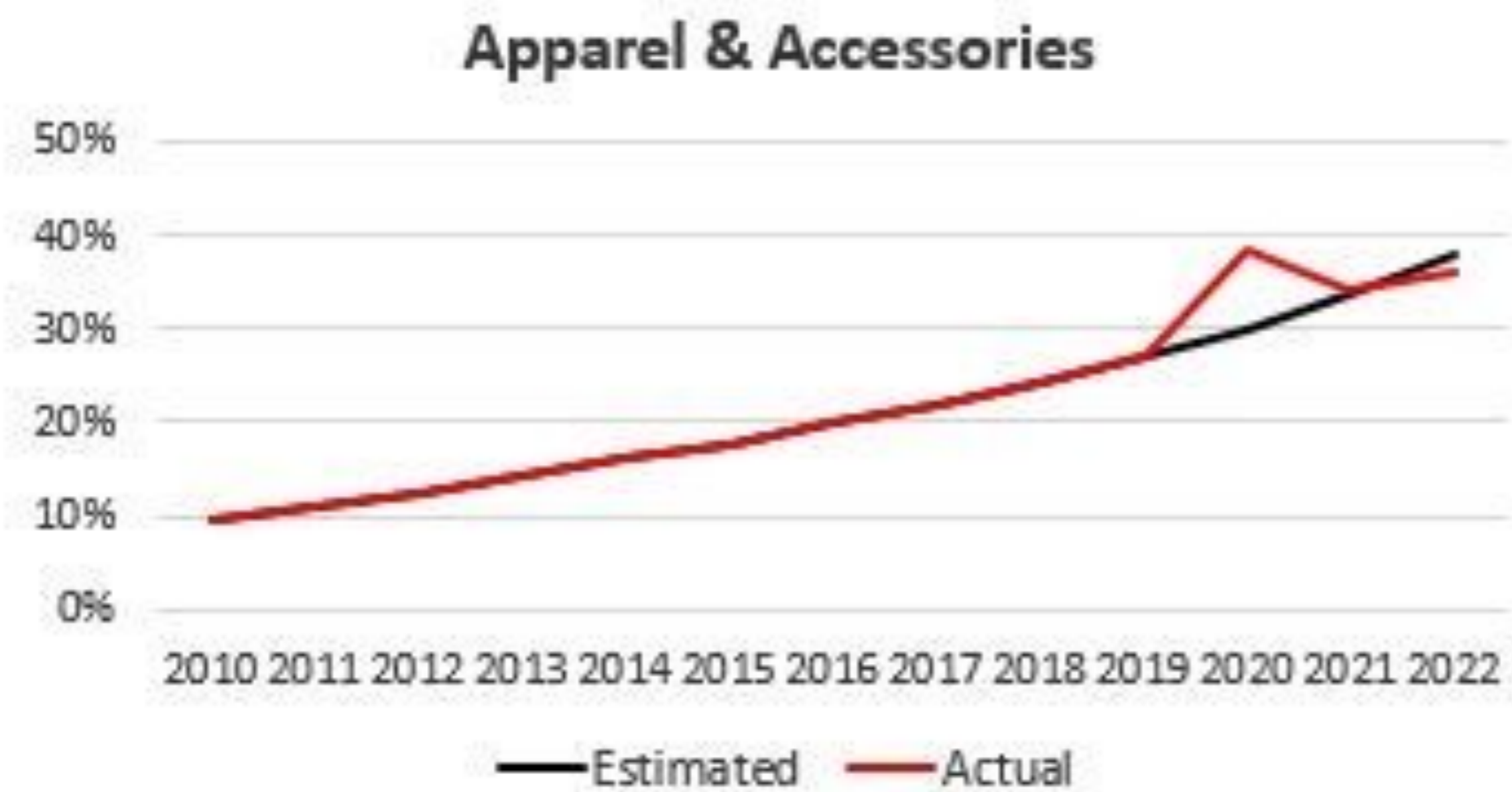
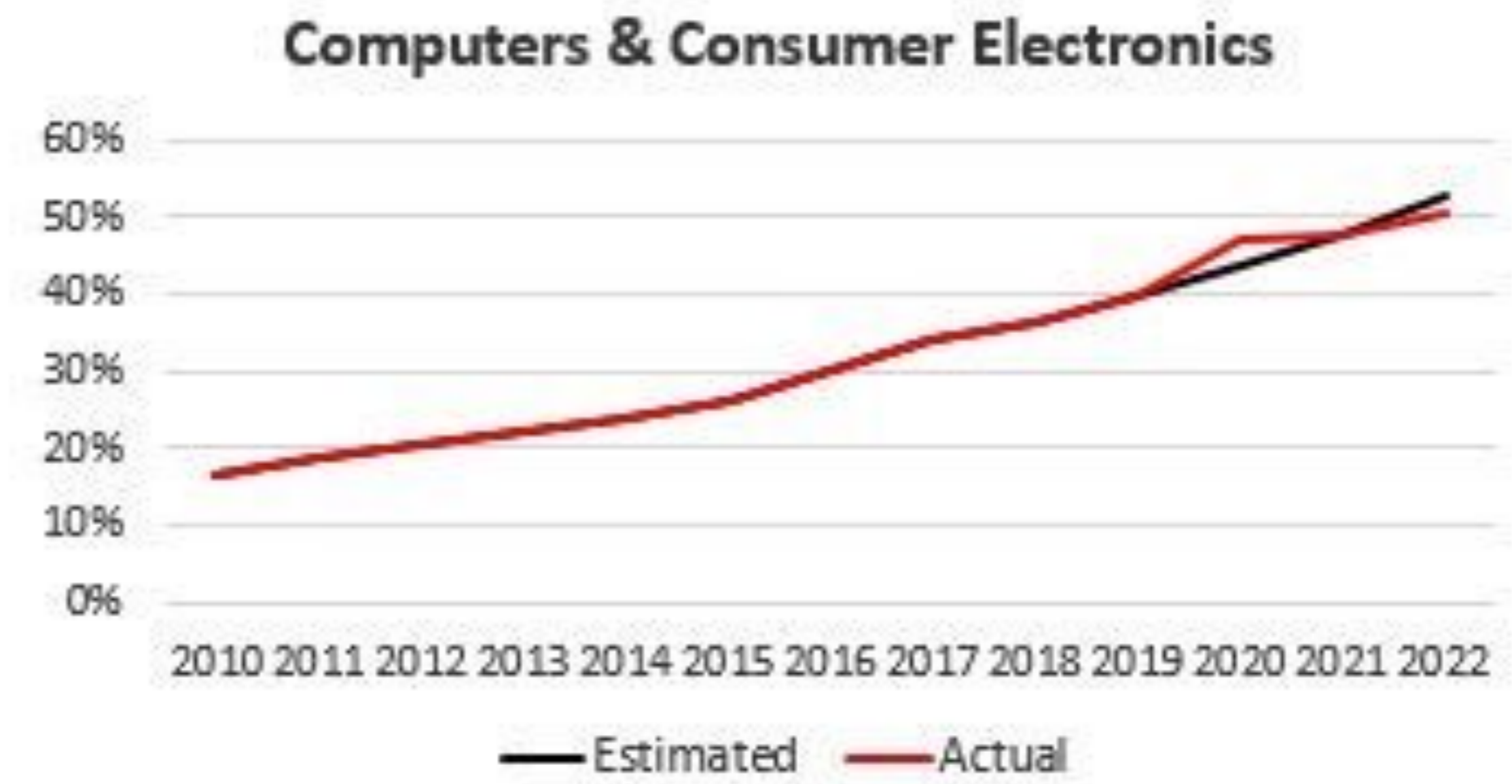
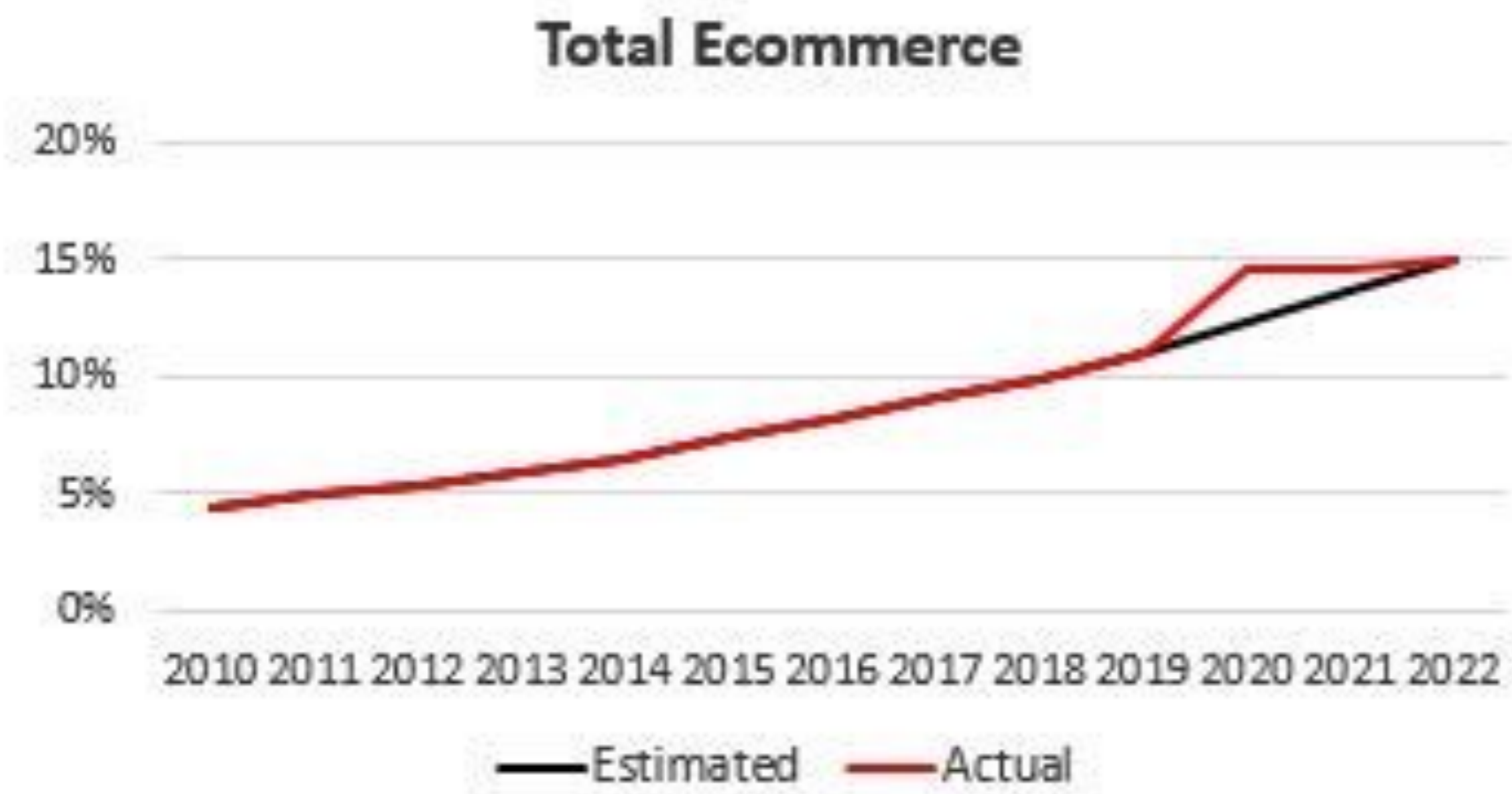
- Retail trade develops **outside the shopping area** and its importance is growing. One of the main trends here is purchasing over the Internet. It has its limitations, mainly in food, but those are being overcome with new technology (Tesco Express delivery, Amazon drone programme). Other types are catalogue sales, mail sales etc.
- How much sales are generated in etail globally?
 - 6,3%
- Nearly 40% of global production is not even available online!



Amazon Basics Market Share, 8/16 USA

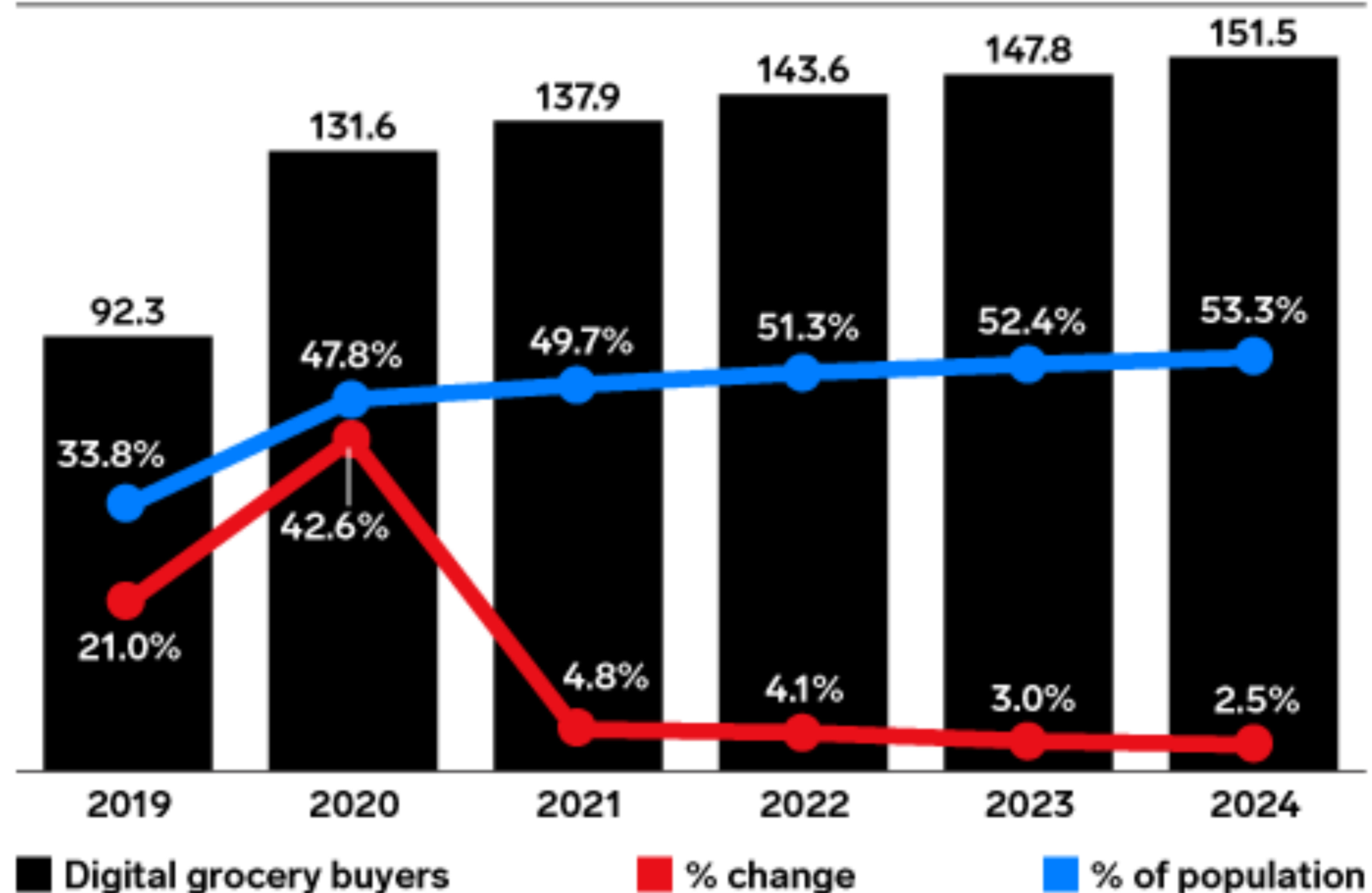


Growing but...



US Digital Grocery Buyers, 2019-2024

millions, % change, and % of population



Note: ages 14+; digital grocery buyers are defined as internet users who have made at least one grocery order via any digital channel during the calendar year regardless of method of payment or fulfillment; includes grocery delivery and pickup

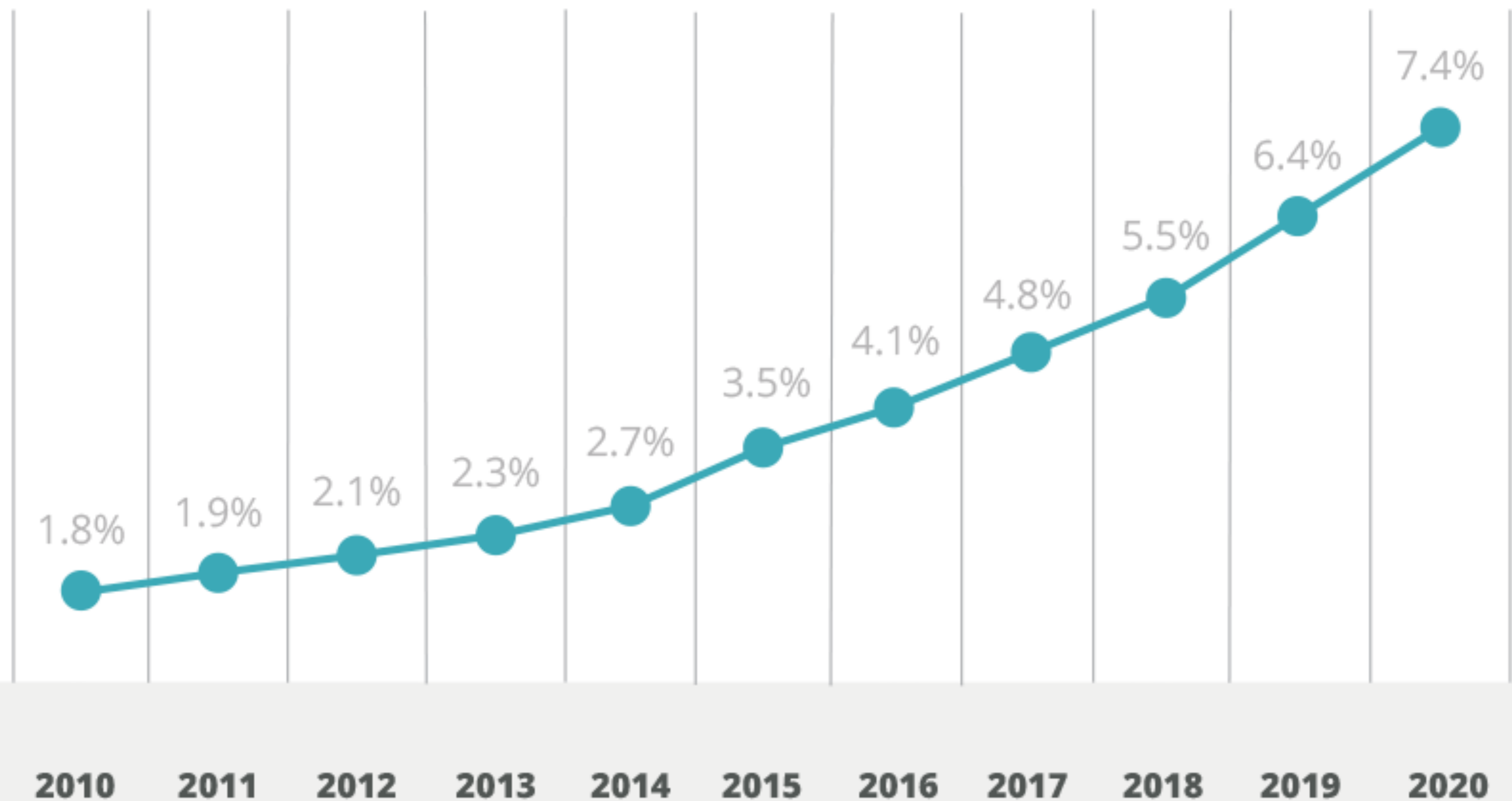
Source: eMarketer, March 2021

263842

eMarketer | [InsiderIntelligence.com](https://www.insiderintelligence.com)



Proportion of U.S. grocery spend online



Source: GlobalData's consumer survey



Business and in-store technology

- **Development of progressive business and storage technology** means in particular the use of computer technology for the creation of perfect information files for sales forecasting, inventory management and ordering of goods.
- New electronic cash register systems, expanding cashless transfers of funds and improved systems of handling of goods using barcodes.
- Cooperation with suppliers is developed using new methods: ECR (Efficient Consumer Response), EDI (Electronic Data Interchange), CD (Cross Docking), MM (Micro Merchandising), DW (Data Warehousing), CRM (Customer Relationship Management) etc.





Why Walmart was so successful?



Walmart use of technology

- Success of Walmart was in change of the rules.
- Paradigm:
 - You cannot build supermarket in the city with less than 20 000 inhabitants.
- Well thanks to technology they did not build supermarket, but they build network.
- Barcodes, predictive algorithms, precise logistics.



Basic concepts in retail



Retail and wholesale

- **Retailing** is a way of selling usually smaller volume to the final end consumer – i.e. doing „small sales“. In the retail sector, there are many different forms of store types, such as the sale rack, self-service stores, supermarkets, hypermarkets, department stores, outlets etc.
- The opposite to a retail is **wholesaler** who represents the sale and distribution of goods on a large scale, often just to retail sales network and NOT the final end consumer. It may be a direct trade between producers and other traders or trade between specialty shops of particular assortment and retailers. Wholesale sales units are mostly supplying other wholesale or retail network.



Retailing

- Retail environment has a high degree of competition (depending on assortment) and a significant downward pressure on consumer prices.
- Depending on the field and assortment it may not be decided purely by price, but also by other factors (luxury, prestige, brand, current trends, different bonuses, competitions and previous positive experiences, etc.).



Wholesale

- It is largely a trade between businesses (business to business, B2B).
- Wholesale prices are always lower than retail prices, which are increased by the appropriate retail margin. This margin must cover transportation to stores, fixed costs for a place in shops, storage, electricity, salaries of clerks, in some cases funds for sales promotion (advertising).
- The partnership of wholesale supplier and retail purchaser is advantageous for both parties, because the supplier gets specific number of sales of its products (easy to plan production). The concern that the goods in question are sold is taken over by the buyer, who buys it at wholesale prices and aims to sell at retail prices thus generating revenue.

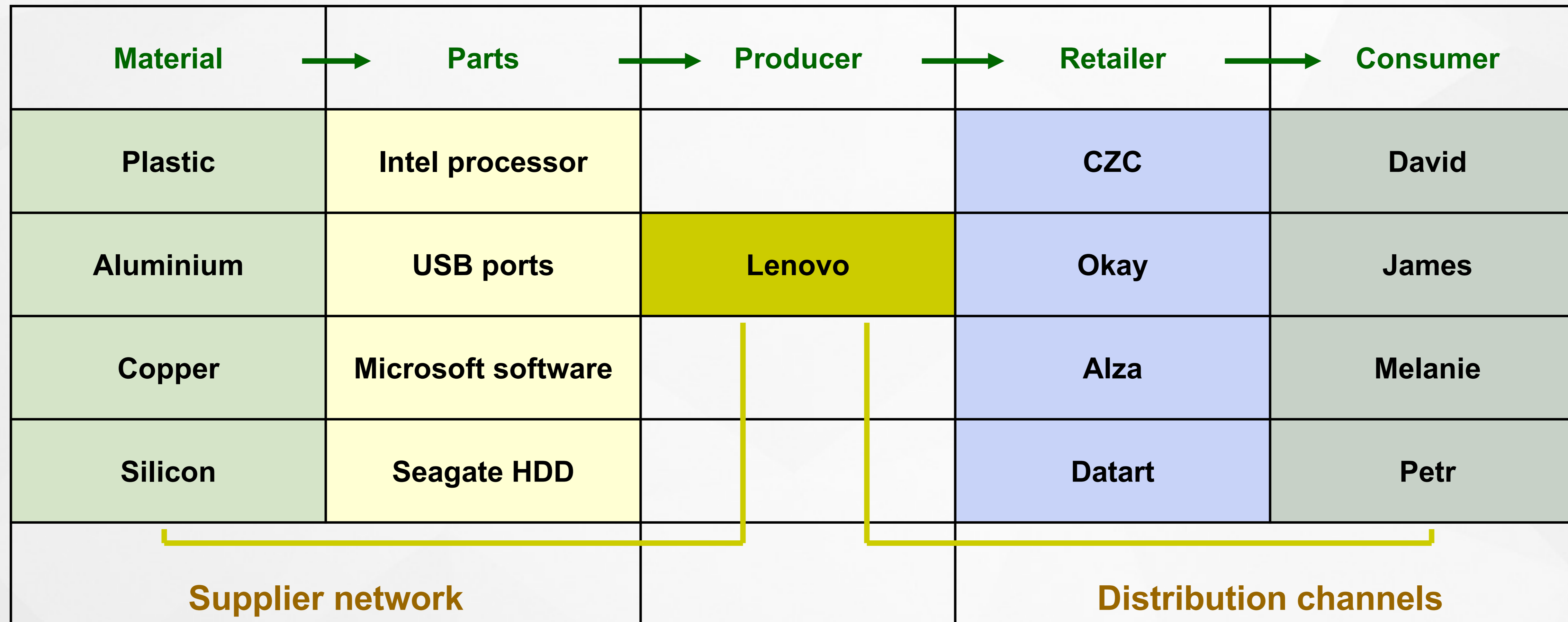


Wholesale






- Wholesale units usually have the form of large warehouses, storage of raw materials, transshipment of goods and materials, supplemented by any necessary administrative and operational background.
- They are sometimes supplemented by a retail store intended for the local population and employees of the company. Some wholesale equipment may also be linked to commercial packaging premises, devices designed for drying vegetables, fruit ripening (bananas), nuts roaster, additional adjusting of goods, etc., including a number of additional technical services (e.g. transport, logistics, handling, maintenance, etc.).



Supply Chain



Distribution channels

PRODUCER				CUSTOMER
PRODUCER			RETAIL	CUSTOMER
PRODUCER		WHOLESALE		CUSTOMER
PRODUCER		WHOLESALE	RETAIL	CUSTOMER
PRODUCER	WHOLESALE	MIDDLEMAN OR BROKER	RETAIL	CUSTOMER

DIRECT DISTRIBUTION – own stores, door-to-door, direct marketing

INDIRECT DISTRIBUTION – one or more intermediator



What are advantages and disadvantages of the two?



Direct distribution



- Direct contact with the customer.
- Feedback and possibility for individual approach.
- No margin for intermediary.



- Need for establishing many contacts.
- Storage and logistic cost.
- Hard to cover whole market.



Indirect distribution



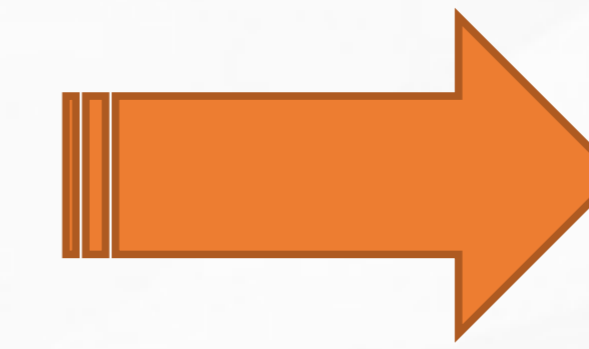
- Less processes for producer.
- Intermediary experience and contacts.
- Lower costs for storage and supplies.



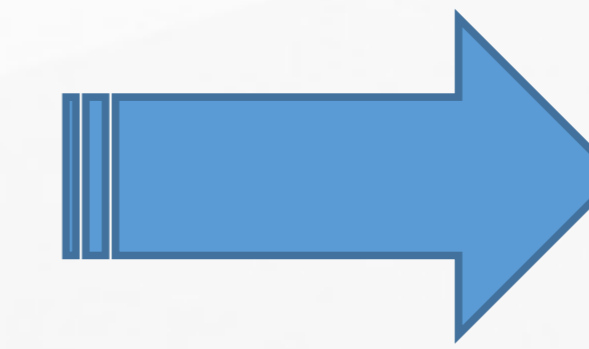
- Producer is partly loosing control over the distribution.
- Information barrier between producer and customer.
- Need for motivation system for intermediaries
- Dependency on retail and wholesale marketing strategy.
- Transaction risks.



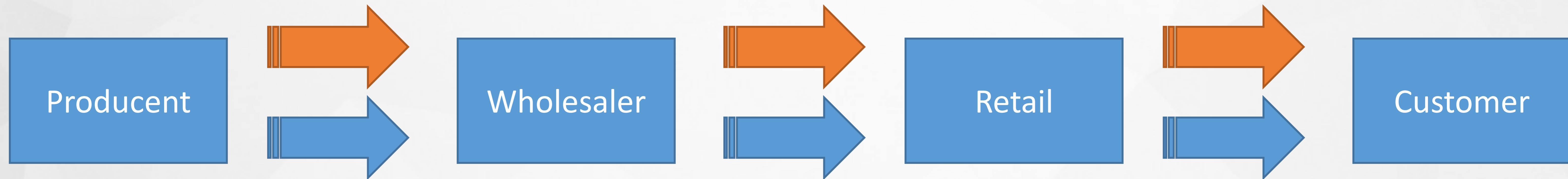
PUSH Strategy



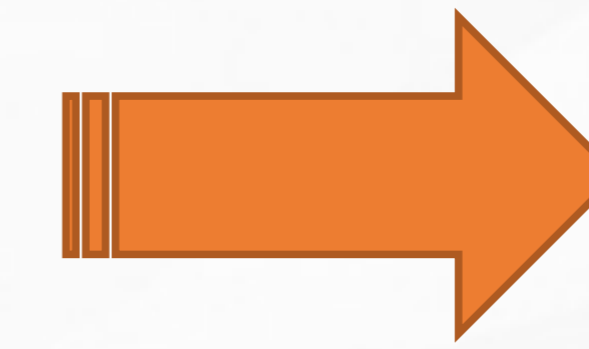
Communication



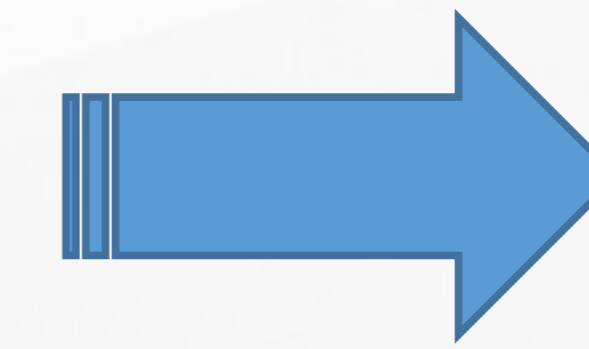
Distribution



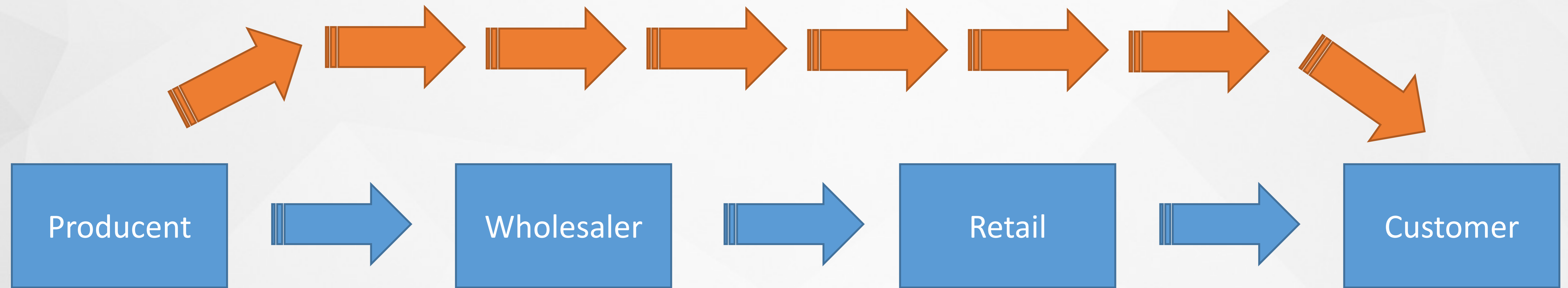
PULL Strategy

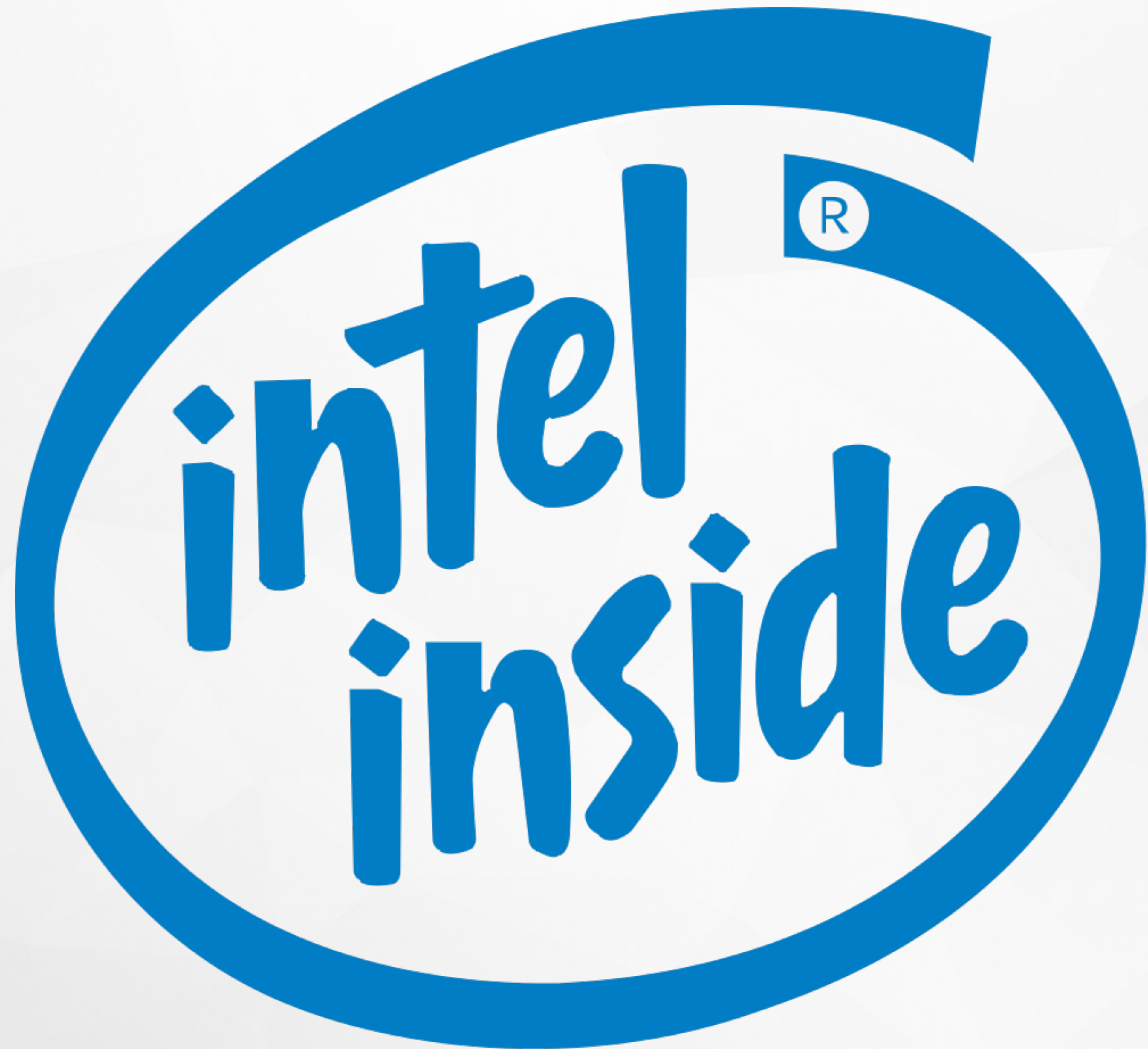


Communication



Distribution





Distribution strategies

Intensive distribution

- sales through as many stores as possible
- in order to make the product commercially available
- FMCG – fast moving consumer goods

Frequent consumption items that are cheap and expensive purchased habitually or goods of an emergency character



Exclusive distribution

sales of products through a very limited number of retailers

expensive, luxury goods,

it has its psychological justification, because it promotes the exceptional nature of the goods



Selective distribution

the manufacturer cooperates with a larger number of distributors who expect a good partnership relationship and above average sales effort

occasional consumer goods that are bought after careful comparison
clothing, footwear, consumer electronics



Thank you for your attention

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