An independent review essay

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BUSTER

The proprietor ot a leased department is usually responsible tor all aspects ot Its operations (Including fixtures) and normally pays the store a percent of sales as rent. The store imposes various requirements on the leased department to ensure overall consistency and coordination. *vertical marketing systems occur when successive stages of production and istribution are owned by a manufacturer, wholesaler, or retailer or two of these categories.

A vertically integrated firm can achieve many objectives such as self-sufficiency, lower costs through elimination ot middlemen, direct contact with the consumer, greater bargaining power when dealing with outside suppliers or retailers, a sense of achievement, and time efficiencies in orders and deliveries. *A consumer cooperative is a retail firm that is owned by ts customers. A group of consumers invest, receive stock certificates, elect officers, manage the operations, and hare the profits or savings that accrue. Do you believe that independent retailers will soon disappear from the retail landscape? Explain your answer. No wnlle tne relatlve numDer 0T Independents Is Olmlnlsnlng In Tavor 0T cnalns, independents will still continue to be strong in such areas as restaurants, dry cleaners, specialty clothing stores, appliance repair, etc. Independents also have some major competitive advantages as compared to chains: flexibility in strategy, lower investment costs, specialist strategy, control over strategy, independence, consistency, and a strong entrepreneurial drive.

Why does the concept of ease of entry usually have less impact on chain retailers than on independent retailers? Independents can emerge due to low capital requirements, no licensing requirements, and no zoning concerns.

Large chain retailers are generally much better capitalized, and often compete with multiple formats in multiple markets. *How can an independent retailer overcome the problem of little computerization? The independent retailer can outsource common computerization areas such as accounting, taxes, inventory management, and sales analysis to specialists.

Increasingly, software firms have also targeted independent retailers and smaller chains with software appropriate for these retailers. Many of these firms offer training sessions for store owners and managers. *What difficulties might an independent encounter if it tries to expand into a chain? Independents may encounter over dependence on the owner, limited financial and time resources, limited flexibility, and increased expenses (such as personnel and operating costs). Some consumers may desire to interact only with the owner due to social issues or concerns over employee versus owner expertise.

What competitive advantages and disadvantages do regional chains have in comparison with national chains? Advantages of regional chains over national chains include better managerial control and better ability to adapt to local needs (such as differences in demographics, lifestyles, climate, and other factors). Disadvantages of a regional chain (versus a national chain) are less name recognition outside the region's geographic area, lower bargaining power with vendors, and less access to national media. What are the similarities and differences between chains and franchising? Similarities between chains and franchising include the existence of more than one outlet, access to media, long-range planning, existence of specialists, and economies of scale. Both chains and franchisees desire some degree of

similarity in strategy across store units. Differences between chains and franchising include ownership, control, lower financial requirements of franchises for expansion, and potential conflicts between franchisor and franchisee.

A chain has much greater control over store managers than a franchise has over franchisees. *From the franchisee's perspective, under what circumstances would product/ rademark franchising be advantageous? When would business format franchising be better? In product/trademark franchising, franchised dealers acquire the identity of their suppliers by agreeing to sell the latter's products and/or operate under suppliers' names; yet, tne dealers operate relatlvely autonomously. I nls would De netter Tor franchisees that wish to operate with greater freedom and autonomy.

It is also more appropriate for those franchisees that have greater experience and skills. Product/ trademark franchising reduces the involvement of the franchisor in site selection, training, and troubleshooting. In business format franchising, the relationship between franchisor and franchisee is more interactive. In addition to the right to sell goods and services, assistance is provided on site location, quality control, accounting, startup practices, training, and responding to problems.

This would be better for a franchise seeking greater training and troubleshooting support and for franchisee's with less knowledge and experience in retail management. *Why would a supermarket want to lease space to an outside operator rather than run a business, such as dry cleaning, itself? What would be its risks in this approach? Supermarkets

stores may want to lease space to a dry cleaner to broaden their offerings, have access to specialized skills, avoid training their own employees, minimize time expenditures by management and reduce their own expenses.

A supermarket may lease space if it feels that a dry cleaner would be an excellent traffic draw to the overall store. The dry cleaner could also effectively use dead areas in the supermarket. The supermarket's senior management may also recognize that it lacks the specialized skill to perform dry cleaning. Potential risks include conflicting operating procedures, adverse effects on store mage, and association of the lessee with the store by consumers. *What are the pros and cons of Sherwin-Williams using dual marketing? ros Increased size of target markets, new customers Increased sales volume and profits Additional outlets Ability to reach multiple market segments Shared costs Control over strategy Access to a fully integrated system Cons Division of efforts between two market segments possibly diluting strength of marketing Possible blurring of image to consumers Increased difficulty in managing multiple operations Price competition from other distribution source