

1.19: The Retailing Concept

Learning Objectives

- Explain the retailing concept

Now that you have a better understanding of the retail marketing strategy and how the retail mix supports the strategy let's round out our Introduction to Retailing by discussing the **Retailing Concept**.

There are most certainly a number of environmental, political, economic, and social factors that affect all segments of the retailing industry. In addition, there are also other factors such as customer demand, new technologies, and competition that impact the industry as well. The retailing concept is an idea that examines the evolution of the and transformation of the retail life cycle. This concept was first introduced by Professor McNair from Harvard University.

The retailing concept suggests new retailers will typically begin with low-cost and low-margin operations. The low prices of these retailers are generally due to the low cost and often times cost cutting does attract competition (Stage 1). They will later evolve into a high price and high service operation once they gain more experience in the market and enlarge the customer base. The intent at this point is to increase market share (Stage 2). In the third stage the company is established and the company is able to expand at a moderate pace and attract more customers. At this stage competitors also begin to think about how they can enter the market as well. In stage 4 the retailer is highly established with better products, services, and locations most likely. The cost, and therefore prices, become higher for the retailer in this stage. In this stage competitors can now try to penetrate the market in stage 1.

Let's look at an example of how the retailing concept works using Barnes & Noble as an example.

- Stage 1: Barnes & Noble began with a variety of books in one location at a low cost.
- Stage 2: Barnes & Noble expanded to various locations thus increasing sales, brand image, value, and profit.
- Stage 3: As time progressed Barnes & Noble established themselves, opened even more stores, and saw greater profits. Smaller shops closed down and an increasing number of customers came to Barnes & Noble.
- Stage 4: Although Barnes & Noble increased presence in the overall retail landscape they still mostly had traditional brick and mortar stores. Amazon entered the market allowing customers to browse the book selection and have it delivered right to their door step! Consider how much in sales Barnes & Noble might have lost over time due to Amazon's entry to the market!

Can you see how the retailing concept is an evolution? Take a few moments before we move on and see if you can provide an example using your favorite retailer we discussed initially.

Practice Questions

<https://assessments.lumenlearning.co...essments/9136>

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