

Types of retail business activity

Retail channels

Physical stores/ shops

These are buildings that are located all over the country. Those located in cities and towns are often referred to as the high street.

Also located in out-of-town retail parks, shopping centres, local roads, and streets.

They come in many different sizes, shapes, and design. However, they all tend to have the same main facilities, features, and services within the shop.

Physical stores can attract many customers by having the products they sell on display.

Footfall is important for physical retail shops. This is the measurement of the number of people entering a shop.

Concessions

The owner of the concession retailer pays another retailer to sell its products in its store. It is one retailer located in another retailer or other venue. The concession space is usually smaller in size and will take up a small space within the larger (host) store.

Concessions can be manned or unmanned.

Online

Online shopping, which is also referred to as e-commerce and e-tailing, is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the Internet. The Internet has made it much easier for retailers of all sizes and in different markets to sell their products and services to a wider range of customers.

Recently there has been an increase in sales from wireless handheld devices; this is referred to as m-commerce.

Online retailing allows customers to buy products without visiting a physical store. Can include retailer's own website or a third-party marketplace such as Amazon.

Markets

Markets are places, either indoor or outdoor, where there are many stalls that sell a range of products. Market stall owners, usually small-scale and independent, run the stalls.

Some markets are permanent in a specific location, others are temporary and may move location.

Catalogues

These are usually an in-print format displaying all the products available for sale. They've become less popular in recent years with the growth of e-commerce and environmental concerns.

Multi-channel

Multi-channel is using more than one of the retail channels to sell through. For most retailers this means selling in a physical store and online.

Often referred to as 'clicks and bricks' which means that businesses need to have a web presence (clicks), plus a physical presence on the high street or in shopping centres (bricks).

Using a multi-channel approach can increase the number of potential customers and therefore increase sales and profit.

Temporary shops

Temporary or pop-up shops often use vacant premises for a short period of time.

Some pop-up shops create and build their own temporary shops on the high street or in shopping malls.

Hybrid

A hybrid is a mix of two things to form one. Hybrid retail stores link the importance of a physical store with E-commerce and/ or hospitality and leisure facilities.

Include services such as cafés, bars, beauty parlours, fitness centres, and barber shops.

Hybrid stores aim to give shoppers a unique experience and links buying products to lifestyle.

Types of retail business activity

Types of retailers

Department

Usually located in large premises and sales space, selling a wide range of different products. Each area within the store will specialise in a certain product category.

Typically located on high streets and in shopping centres.

They have struggled in recent years with the fall in footfall on the high street and having to pay high rates and rents. Examples include John Lewis, House of Fraser and Marks and Spencer.

Warehouse

Large retailers normally selling products for home improvement, gardening, furniture carpets and electrical goods, usually located in out-of-town locations or retail parks.

Many retail warehouse stores offer a large choice of products, encourage bulk buying and stock products on no frills high shelving.

Some are referred to as discount warehouses and can sell end-of-line products.

Convenience

A shop that is located near to homes or workplaces for convenience, often referred to as the corner shop.

The shop will sell a small range of different types of groceries, beverages, snacks, sweets, and frozen foods.

These stores are often open long hours and will have much lower footfall than the larger supermarkets.

Supermarket

A large self-service store selling a wide range of foods, beverages, household goods and clothes.

Most consumers in the UK use a supermarket to buy their groceries and they dominated by a small number of established and very large businesses. These include Tesco, Asda, Sainsbury's, and Morrisons.

In recent years they have faced competition from discount grocery retailers such as Aldi and Lidl.

Clothing/ fashion

Come in many different types and sizes, including national chains and local small-scale independent stores. They can be targeted for men and women and children, but sometimes at just one customer type.

Fashion retailers can be aimed at the mass market selling, mass produced products. Also, they can be aimed at customers with higher disposable income with branded or designer labels.

Fashion is seasonal, so these stores will have different stock throughout the year to match the upcoming season.

Speciality

A retail store that specialises in selling one type of product or products related to one market. Examples include cosmetics, sport, optician, car dealership, travel agent, music store, wine store, and bookstore. They can offer a higher level of customer service and a greater range of specific products than offer retailers.

Discount

A store that sells products at a cheaper price than usually available in other retail outlets. These businesses often buy a narrow selection of products in large quantities at cheaper unit prices.

Independent

A retail business that tends to be a sole trader, partnership or a private limited company that operates on a local and small scale. The retail business is built up from nothing and the owner will usually run the store.

Discount stores focus on price rather than the quality of the service. Aldi and Lidl are examples of these stores.

Charity

A charity is an example of a not-for-profit organisation. The money earned by or donated to a charity is used in pursuing the organisation's aims. Examples include Oxfam, British Heart Foundation and Age UK.

Types of retail business activity

Types of retail products

Mass

Standardised products that are produced in large quantities and bought by many people.

The large-scale production of these products allows for lower costs which can be passed on to the customer.

Examples include Coca-Cola, iPhone, Ford cars and Primark.

Specialist/ niche

These are products that are not mass produced and are made for a smaller specialised market.

Niche products are made to satisfy the needs of a small number of customers and will sell much less than mass produced products.

The cost of producing niche products can be higher, resulting in a higher price for customers.

Examples include high-quality coffee, vinyl records, customised made toys for children, vegan pet food and designer clothes.

High value

Products that are expensive and only bought occasionally by customers.

Examples include, cars, holidays, diamond rings, expensive champagne, antiques, and home improvements such as a new kitchen or bathroom.

Branded

A branded product is an easily recognisable product that customers see as being different or superior to other products and services.

It will have a recognisable image, design, name, logo, promotion, and packaging.

A brand allows a business to charge a higher price and often develops a loyal customer following.

Own-label

A product that is sold by a retailer using its own name.

The product can be manufactured by the retailer or by other manufacturers.

Own-label brands are often cheaper than the branded product. For example, Tesco baked beans, M&S Prosecco, and Boots' make-up range.

Perishable

A product that has a short life span and a limited shelf life.

For example, fresh foods, fresh drinks, dairy products, flowers, and pharmaceuticals.

Restricted

These are usually age-restricted products where there is a minimum legal age to buy them.

Restricted products can also include products where a special licence is needed to buy them.

The most common restricted products include alcohol, fireworks, tobacco, some forms of pharmaceuticals, pets, video games, solvents, knives, national lottery, and aerosol spray paint.

High volume

Products that are usually low in price and bought frequently and/ or in high quantities by customers.

Examples include, bread, chocolate, fruit, toilet rolls, shampoo, pet food and bottled water.

Low volume

Products that are bought infrequently by customers; these can be low or high prices.

Examples include electrical goods such as kettles and laptops, household furnishings, garden furniture, tableware, and clothing such as winter coats and pyjamas.

Types of retail business ownership

Unlimited liability

Means that the owners of a business are responsible for all the debts of a business. Personal belongings may need to be given up paying the business' debts. Sole traders and partnerships have unlimited liability.

Sole trader

A business that is owned and run by one person. Other people can be employed but there is only one owner.

Sole traders usually finance the business through the owner investing their own savings, money borrowed from friends or family, or a bank loan.

Many sole traders will operate on a small-scale local level.

Advantages:

- can keep all profit / no need to share
- can making decisions without consulting others
- own boss
- independence - can work at own pace etc.
- easy to set up with few formalities.

Disadvantages:

- unlimited liability
- big responsibility to make decisions
- may work long hours and have limited holidays
- limited sources of resources
- lack of some business skills.

Partnership

A partnership is an agreement between two or more people to take joint responsibility for the running of a business, to share the profits and to share the risks.

A partnership is almost as easy to set up as a sole trader; if no formal agreement is drawn up everything is split equally between the partners.

However, it is advisable for partners to draw up a special agreement, called the Deed of Partnership, which will outline how profits or losses will be shared amongst the partners, how much money each partner invests, voting rights and the number of votes each partner has, arrangements for ending the partnership due to the leaving or death of a partner and the details of each partner's duties and responsibilities - who does what.

Advantages:

- partnerships are cheap and easy to set up
- there is no complicated paperwork to complete to set up the business
- extra capital is available, as more than one person is investing into the business
- the workload is shared between the partners
- there is less stress for the owners as decisions and workload are shared
- each owner will bring their own skills and ideas to the business, meaning that more expertise is available within the business
- partners can specialise in areas of the business.

Disadvantages:

- profits must be shared among partners
- there may be disagreements between partners when making decisions or over workload
- partners must share the control and work as a team; they will not be their own boss
- partners still have unlimited liability.

Types of retail business ownership

Limited liability

When the owners of a business are not responsible for the business' debts. Personal belongings will not need to be given up to pay the debts of the business. The owners however will lose the money they invested in the business if it fails.

Private limited company

These businesses which are owned by shareholders, who have limited liability. Their shares are not available to others except with the agreement of other shareholders. They are generally recognised with Ltd after the business name.

Advantages:

- the owners have limited liability
- additional capital can be raised by selling more shares
- the company can keep trading even if a shareholder died
- has its own legal status separate from the shareholders, it can sue and be sued
- a private limited company can also own property
- relatively cheap to set up in comparison with public limited companies
- cannot be taken over, as shareholders must agree the sale of shares to others
- usually run by the major shareholders and so there are few arguments regarding the aims of the business.

Disadvantages:

- they are more expensive to set up than sole traders or partnerships
- the company must publish its accounts every year. These are available for the public and competitors to see
- there is separation of ownership and control – directors are elected to run the business
- it may be difficult to raise additional finance as it can be difficult to find suitable new shareholders.

Public limited company

A public limited company can sell shares to anyone, they can be bought by any member of the public. They are sold publicly on the stock exchange. They are generally recognised with PLC after the business name. Many private limited companies can aim to achieve growth by expanding their business and becoming a public limited company.

Advantages:

- PLCs have limited liability
- additional capital can be easily raised – more shares can be sold as there is no upper limit to the number of shareholders
- usually, well-known organisations with a good reputation that makes it easier for them to raise finance
- can keep trading even if a shareholder dies, a shareholder's shares can be transferred to someone else
- has its own legal status, separate from the shareholders, it can sue and be sued, and it can own property
- can take advantage of its size to lower costs by producing and selling larger quantities of products.

Disadvantages:

- it is expensive to set up a PLC, at least £50 000 of share capital must be available and legal paperwork needs to be produced
- the company must publish its accounts every year, and these are available for the public and competitors to see
- unwanted takeovers are possible as shares can be bought by anyone
- there is separation of ownership and control as directors are elected to run the business
- value of shares can go down as well as up and can be impacted by negative publicity or external factors.

Types of retail business ownership

Co-operative

An organisation that is owned and controlled by a group of people who have an equal say in the running of the business and receive a share of any profits the business makes. The share they receive is called a dividend.

The owners of a co-operative are known as members. All members invest in and run the business in a democratic way.

Co-operatives are set up by the people for the people and are run according to a set of values and principles.

Advantages:

- the members feel that they have a real impact in the running of the business
- co-operatives often focus less on profit, which leads to better customer service and an emphasis on ethical business practices
- profits are distributed fairly among the members
- members enjoy working together and get great job satisfaction
- there is less likelihood of arguments as members share the same aims
- members are more likely to be aware of their responsibilities to the local and larger communities
- the initial investment required in buying shares and becoming a member is less than other ways of starting a business (sometimes just a pound).

Disadvantages:

- decision-making can be difficult and may take a long time
- all members have an equal right to speak and contribute to the decision-making process, even if they have little knowledge of the subject being discussed
- it may be hard for members to make tough decisions that will affect their co-workers
- a co-operative's focus on fairness and ethical business practice may limit opportunities for growth and maximising profit
- workers in worker co-operatives may find internal promotion or career moves difficult
- co-operatives may find it difficult to recruit top quality management.

Not-for-profit and charity

A not-for-profit organisation is a type of organisation that does not earn profits for its owners. All the money earned by or donated to a not-for-profit organisation is used in pursuing the organisation's aims.

For example, charity shops, voluntary organisations, and social enterprises, they often exist to promote a cause. Social enterprises are formed to provide help within a society.

A social enterprise may also be established to raise awareness of, or provide a solution to society's problems, such as crime and drug abuse.

Charities are organisations that aim to raise money to support a cause, such as cancer research or wiping out poverty in third world countries. Charities will focus on minimising costs and organising activities to maximise donations.

Many charities employ paid workers to undertake specialist work, but also rely on volunteers to minimise wage costs.

Scale of retail businesses

Local

A retail business that operates at a local level is often small, limited in size, the number of people it employs and the revenue it creates.

Characteristics of local and small-scale businesses include:

- Small number of owners, usually one person, the ownership structure is simple and likely to be an unlimited business.
- Relatively low amounts of money invested in the business, generates lower amounts of revenue with lower costs than larger businesses.
- A much smaller market than larger businesses, often serving local communities.
- Usually focusing on a single area, many are run from home and do not have multiple outlets.
- Usually very few employees, owners will often staff the business themselves and may employ workers at busy times.
- Community based - attract loyal customers who see the business as a vital part of the local community.
- Technology - the growth of social media and blogs have been utilised by many small businesses due to its effectiveness and low cost.

National

A national retail business will operate all over one country. It may have multiple retail outlets throughout the country, and a distribution network to ensure it can distribute its products to where they are being sold.

A national business will offer the same products or services, usually at the same prices, to customers all around the country or over a large area of the country.

Compared to a local business, a national business will have more resources to use in carrying out its activities. The extra capital can be spent superior marketing activities and employing highly skilled workers.

The ownership of national businesses is more complicated than a local business, often having multiple owners and likely to be a private or public limited company.

The market size of a national business is much greater than a local business so there is a great opportunity to attract a greater number of customers to obtain a high level of sales. The population of the UK is 67 million, for a national business these are all potential customers.

Tend to have highly developed websites which allow for online purchases with quick delivery times.

Global

A global retail business will operate internationally throughout the world.

The factors of trading at a global scale include:

- A much bigger market, the potential to sell products to more people across the globe is an obvious attraction to retail businesses who wish to increase their sales.
- Manufacturing or sourcing products from different countries at lower costs. Some UK retail businesses may not have the necessary raw materials to produce in the UK or other countries may be able to produce some goods and services more efficiently than we can.
- Improved communications as the internet makes it possible to trade efficiently across the globe. Improved transportation systems have led to cost effective transportation of materials and products across large distances.
- Global brands are products and services that are recognised throughout the world. The same products are sold in numerous countries are easily identified by customers. Coca-Cola, Apple and Ikea are examples of global brands.
- Complicated ownership and management structure as many global businesses will be owned by a parent company who in turn will own other businesses.

Aims of retail businesses

Survival/breakeven

For many new retail businesses, the initial objective is to survive the difficult time of gaining customers, establishing a good local name and building a reputation.

Also, this applies for some large businesses in times of difficulty.

To survive, a business must at least breakeven. This means that it makes neither a profit nor a loss.

Increase market share

The market share is the proportion of sales made by a business in relation to the whole market. The market share is calculated by the number of customers a business has and is usually given as a percentage.

Market share is important as it shows how well the business is doing compared to the competition.

Customer satisfaction

Customer satisfaction measures how goods or services supplied by a retail business meet or surpass a customer's expectation.

If a retailer fails to meet customer satisfaction, then it could result in a decrease in sales and profit.

Profit maximisation

Increasing profit is different from increasing revenue as profit is what remains after all the costs of running the business have been met.

Sales revenue - costs = profit

Increasing profit is possibly the main objective for most retail businesses.

Aims are used by retail businesses to focus the business and reach future targets. Many retailers will use their aims to create more specific objectives such as increasing profits by 10% over the next 12 months.

Specific retail aims

Aims that are specific to the retail industry, examples include:

- introducing an additional service such as click and collect or a home delivery service
- introducing a multi-channel approach by starting a website to accompany the physical store
- training staff to improve their product knowledge
- replacing the manual stock control with IT systems.

Increase sales revenue

Sales revenue is the total value of the products and services sold.

An increase in sales revenue can be achieved through selling more products to existing customers, selling products to new customers or changing prices.

Ethical, environmental and social

Ethical, environmental, and social elements go beyond the activities of the business. Retailers operate in the wider community and their actions can affect society.

Examples include:

- reducing the carbon footprint of the business
- switching suppliers to source organic food and local produce
- developing Fairtrade Foundation objectives
- supporting local charities.

Diversification

Diversification is expanding the business into different markets selling different products.

Diversification can increase sales and profits through new revenue streams and limit a negative impact in its original market.

Functional areas of retail business

Purchasing

Also known as procurement.

This is the buying of stock that will be sold in the retail businesses physical outlets, online or any other retail channel.

A retail business will purchase stock from suppliers, it is important that the stock is at the quality and quantity needed, at a suitable price, and delivered at time that is suitable for the retail business.

Sales

Is responsible for selling the product to the customer.

The sales function determines how the business interacts with its customers and receives revenue. The sales function will include all the activities needed to sell products and includes the sale staff that make sales and keep customers loyal to the business.

Customer service

Is the support that a retail business gives to its customers. This takes place before, during and after a customer has bought the product or service.

Logistics

Manages the process of getting the right products to the right customers in the right place at the right time.

Logistics involves the purchasing and transportation of products, the warehousing of products, managing stock, fulfilling orders, and making sure the stock is safe and secure.

Warehousing

Part of the logistic function, warehousing is the storing of products before they are moved to the retail stores or delivered to customers.

The products need to be stored securely and be able to be moved quickly to the store or to customers.

Finance

Manages the money that flows into and out of the business.

Looking for sources of finance for start-up, growth and to pay the running expenses of the business.

Creating financial documents, such as profit and loss accounts and cash flow forecasts.

Maintaining financial records and analysing financial records and business performance.

Human resources

Is responsible for all staff-related issues.

These include including the recruitment of new staff, the induction, training and development of staff, staff performance systems, disciplinary procedures, ending employment and complying with relevant government legislation.

Administration and ICT

The supportive functions that help the retail business run efficiently and achieve its aims.

ICT is responsible for the infrastructure, hardware, software and networking of computers in a retail business. They are also responsible in providing support to staff and making sure data is secure.

Marketing

Finding out who your customers are, known as market segmentation.

Finding out what your customers want, known as market research.

Offering a product that meets customer needs, calculating a price that customers will pay, promoting the product or service to persuade customers to buy it and making the product or service available to buy at the right place, known as the marketing mix.

Supply chain of retail businesses: the various stages of the movement of supplies from their source to the end user

Sourcing

A retail business needs to identify suitable suppliers who will provide the goods and services needed for the business to carry out its activities.

A retail business needs to consider the cost, quality, quantity, delivery time and the reliability of the supplier. They should also consider the reputation of the supplier, the ethical and environmental actions of the supplier, and payment terms and contractual issues (late or non-delivery of stock penalties).

The growth of globalisation has resulted in many UK retail businesses sourcing their other supplies from all around the world.

Logistics

The management of the flow of products, services, equipment, people, money, and information from the source to the end user.

Logistics includes transportation of supplies, storage (warehousing) of stock, packaging of products, transportation, and distribution of products to customers and the security of products.

The growth of e-commerce and online shopping has changed the way many retail businesses organise their logistics.

Stock control

Effective stock management is an important part of the supply chain. A retail business cannot function effectively if it does not control its stock. Retail businesses must ensure that the right stock is available for sale when the customer wants it.

Many retail businesses will operate a stock control system to make sure they have the required stock when they need it. The storage and use of stock by retail businesses when largely depend on the types of stock they sell.

Businesses can monitor what has been used and the frequency of use. Many computerized stock control systems will order the stock automatically.

Electronic point of sale systems (EPOS), a computer system that scans bar codes at the tills produces reports on what stock has been sold. This takes sales payments from customers, records the sales and monitors stock levels. Many EPOS systems will have automated stock ordering.

Competitive and dynamic environment

Competitive

Retail businesses must compete in a competitive environment. This means that they are not the only business providing a particular product. Therefore, consumers usually have a choice on what they spend their money on.

Products are sold to consumers in markets and there is a market for every product. Different markets will have different levels of competitiveness, the more sellers in the market, the more competitive it is likely to be. Some markets are dominated by very few large retail businesses, so these are considered to have reduced competition.

Retail businesses compete in market by having cheaper prices, offering quality products, and offering a wider range of products. They also compete by using good levels of customer service, advertising, carrying out promotional activities, the design of the store, use of multi-channels and staff training.

Dynamic

Retail business activity is constantly changing, in other words, it is dynamic.

Retail businesses must respond to these changes to remain competitive. To remain profitable, a business cannot just stand still. What made the business successful yesterday will not automatically make the business successful tomorrow.

Consumers needs and wants are not static. Their tastes, preferences, attitudes, demands, and expectations are constantly changing. New production techniques, new technology, new competitors, and new markets present businesses with opportunities (as well as threats) to succeed in a dynamic and competitive environment. Other drivers of change include consumer expectations, social factors, and economic factors.

The dynamic business environment should be seen by most retail businesses as an opportunity and not a threat.

If a retail business fails to recognise the competitiveness and dynamic nature of the market, it will struggle to gain the sales it needs to be successful.

Location of retail businesses: types of physical stores and shops

Urban

Located in town and city areas where there is a high concentration of people.
Tend to have a high footfall and will attract people from other geographical areas.

Rural

Located outside cities and towns and are less populated. These can include small villages and areas in the countryside.
Tend to be focused on the local population and will have a much lower footfall than urban areas. There is often much less choice for shoppers in rural areas.

High street

Usually located in urban area in the town or city centre, but can also refer to a main area of shops in a more rural area.
The high street is the main concentration of shops in one area and will have many other businesses located near the shops, such as hospitality and leisure.
High street locations have very high levels of footfall with excellent transport links, but in recent years, the high street has faced many difficulties.

Local

Many retailers are sole traders or small businesses and will have only one physical store in one location. Their customers are local people, and they will concentrate their business on providing a service to these people.
Local retailers can be in urban or rural locations.

Out-of-town retail parks

Usually located away from city centres with easy access and good parking facilities. Many out-of-town retail parks can also be shopping centres.
Most out-of-town retail parks are open air and will not have the different stores all under one roof as each retailer will have their own entry from the outside. Many retailers who locate in out-of-town retail parks will have larger stores that are not possible in urban areas and high streets, and often open for longer hours.

Shopping centres

Usually located in urban areas where a range of different retailers are housed under one roof. These shopping centres will usually have other hospitality and leisure facilities to satisfy a wide range of customer needs and will have a high footfall.
Many of these shopping centres will be in the centre of town and city centres near to the main high street, but some are located away from the centre in out-of-town locations.

Transport hubs

A place where passengers and cargo are exchanged between vehicles or between transport modes. These include bus stations, train stations, airports, and ferry ports.
Major transport hubs will have high footfall.
Retail outlets that locate in a transport hub must sell suitable products that travellers are willing to buy.

Location of retail businesses: the characteristics of different types of physical stores and shops

Cost

A major factor when deciding where to locate a retail store is the cost of the premises. These costs can include buying or renting the premises and business rates.

The size of the store/land and the geographical location will affect the cost.

Size

It is important that a retail business selects a site that is not too small and not too big. This will depend on what the retailer sells and the possible future plans.

Buying a site too large will be expensive and a waste of money. While buying a site that is too small could result in lost sales as there is limited space to display products.

Also consider the space needed to store products, receive deliveries and if any office space is needed.

Footfall

Retailers need a good number of customers to make the business successful.

Stores located on busy high streets or in shopping centres or transport hubs tend to get high levels of footfall, whereas those located on side streets or rural areas tend to get lower levels of footfall.

By having a high level of passing trade, a business is more likely to attract new customers and customers making an impulsive purchase.

Access

Access is all about entering and exiting the store as easily as possible.

Access is very important for retail stores. All retailers need good access for their customers, and some need good access for their deliveries.

Customers must be able to get there by car or public transport, park their car, walk to the store, get into the store, or find it, if they are new customers.

Parking

Choosing a location that has plenty of parking and/or free parking car parks may help to increase footfall. Parking is a major consideration when people go shopping. The increase in the number of cars on the road has consequently caused access problems into town centres and city centres.

Infrastructure

Retail businesses need good sources of energy and water, efficient drainage and waste disposal and good transportation.

Good communications and postal services can also be important. In the digital age, internet coverage (Wi-Fi) can be essential to infrastructure.

Competition

The closeness of the shop to the business' competitors is a major decision when deciding where to locate. Many retailers selling the same product will decide to locate near to competitors to increase footfall. Though some will wish to locate where there is little or no competition.

Local demographics

The demographics of the area where the retail store is to be located is very important. Demographics is concerned with the population size, the age distribution, types of households, ethnic minority groups and income of customers.

External factors and retail businesses

Economic

Business activity can be affected by the state of the economy. The state of the economy will affect how much consumers spend on goods and services. Consumer incomes will rise and fall depending on several economic factors:

- disposable income
- employment and unemployment
- interest rates
- tax rates
- inflation.

Technological

The increasing levels of technology has had a major impact on all retail businesses and how they operate. Technological change includes:

- the internet, e-commerce and m-commerce and apps
- high-speed broadband
- cloud-based storage
- Wi-Fi access
- self-serve checkouts
- contactless payments
- delivery drones
- virtual mannequins.

Environmental

Retail activity can have a negative effect on the environment, contributing to climate change, pollution, congestion, destruction of the environment and waste disposal.

Protecting the environment is now a mainstream business issue, increasing pressure from consumers and governments has resulted in retail businesses acting in a responsible manner, often referred to as sustainability.

Sustainable business actions include:

Reduce packaging on products, increase recyclability of packaging, encourage the re-use of carrier bags, use alternative sources of energy, reduce carbon footprint, encourage smarter use of transport and switching to more sustainable suppliers.

Social

Retailers must be aware of the ever-changing social factors. These include:

- demographic change, the size, location, and distribution of the population
- lifestyle changes of the population
- customer tastes and attitudes
- cultural changes.

Ethical

The moral values that direct business behaviour. An ethical business takes into consideration its social responsibilities.

Ethical considerations include how the business treats its employees, customers, suppliers, animal welfare and Fairtrade.

Acting ethically can improve profitability by increasing customer loyalty and improving public relations.

Acting ethically can have a negative impact upon profitability by increasing costs.

Seasonality and retail businesses

Throughout the year, there will be times and events that will impact the footfall, sales and profits of retail businesses.

Types of seasonality:

- The seasons of the year - spring/summer/autumn/winter.
- Calendar events such as Christmas, Halloween, Black Friday, Valentine's Day, Mother's Day, Eid, Easter, etc.
- Special events such as the Olympics, royal events, music festivals, Football World Cup, etc.

Impact of seasonality

The demand for products will change depending on seasonality and can impact on some retailers more than others.

Some retailers rely on certain seasons and calendar events to keep them in business.

There will be times when demand for the products being sold are high and times when demand is low, which can reduce profits.

Retail businesses that are affected by seasonality must plan carefully to make sure they are able to take advantage of the peaks in demand, but also be prepared for the quiet periods by looking at ways to increase sales and reduce costs.

The main areas that a retailer must consider when preparing for seasonality include:

- product range
- services offered
- opening hours
- staffing
- sales revenue and turnover
- promotions
- customer types.

Using retail businesses data

Qualitative data

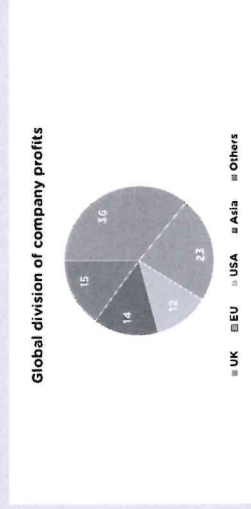
Text and words used to describe, analyse and evaluate situations. This data is not in numerical form. This is descriptive information found by experiences or in textbooks, newspapers or reports.

Qualitative data allows retail businesses to analyse, make judgements and offer solutions to retail business issues.

Qualitative data is not as easy to present as quantitative and can be more complicated to analyse.

Qualitative data is presented in written reports, articles and summaries.

Quantitative data



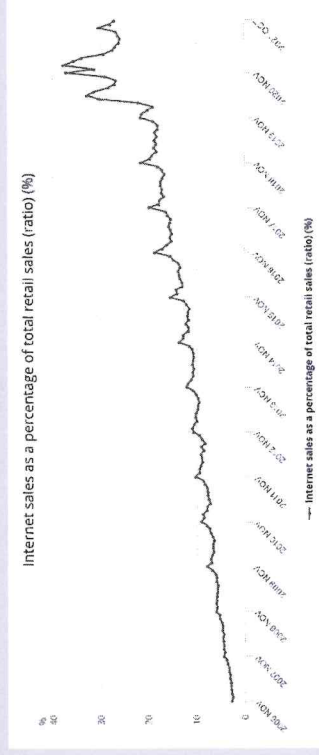
	May 2021	August 2012
Tesco	27%	30.9%
Sainsbury's	15.3%	16.4%
Asda	14.8%	17.5%
Morrisons	10%	11.5%
Aldi	7.8%	3%

Information about quantities and can be measured and written down with numbers. The numerical data can be interpreted to analyse business activity and to solve problems and make decisions.

Quantitative data includes figures, numbers and calculations shown that can be presented in text, tables, charts and graphs.

Quantitative data is used throughout the retail business world and when studying retail business, students have to deal with a range of quantitative data. This can include:

- sales quantities
- sales revenue
- profit/loss
- market share
- footfall
- economic data.



Using mathematical techniques

When quantitative data is presented in numerical or graphical form, it may be necessary to carry out mathematical calculations to interpret and explain the data. The numerical data could include:

- the size/value of the retail sector
- sales revenue
- profits/losses
- economic data
- sales quantities
- market share
- market research data
- footfall.

Percentages

Divide one number (the part) by another (the whole) and multiply the result by 100.

Example:

$$\frac{15}{50} \times 100 = 30\%$$

Percentage changes

$$\frac{\text{Difference between figures (new - original)}}{\text{Original figure}} \times 100$$

For example, Olivia runs a pet shop that sells dog and cat food. In 2020, her shop made an annual sales turnover of £92 000. In 2021, Olivia's annual sales turnover was £95 000. Olivia wants to know by how much her sales changed between the two years.

$$\frac{3000}{92\ 000} \times 100 = 3.3\%$$

Therefore, Olivia's sales increased by 3.3% between 2020 and 2021.

Averages

Add up the figures provided and divide the total by the number of items you have added up.

For example, Gifts Online has the following sales revenue for the last six months:

£1500	£1800	£1400	£2100	£1600	£1500
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To calculate the average sales revenue for the six months, add up the six monthly figures:

$$1500 + 1800 + 1400 + 2100 + 1600 + 1500 = £9900$$

Then, divide this by six:

$$\frac{9900}{6} = £1650$$

Sales revenue

Sales revenue is calculated by multiplying the selling price per unit by the quantity sold.

For example, Junaid sold 121 customised mugs online at £9.99 each. His sales revenue is:

$$121 \times 9.99 = £1208.79$$

Profit/loss

Profit or loss is calculated by subtracting the costs from the sale revenue.

For example, Junaid's total cost per mug is £4.85. His profit per mug is:

$$9.99 - 4.85 = £5.14$$

His total profit is the total mugs sold multiplied by profit per mug:

$$121 \times 5.14 = £621.94$$

Interpreting retail business data

Interpreting data involves filtering and recognising the important points in the data to give:

- Explanations
- Analysis
- Solutions/Recommendations

Skills required to interpret data

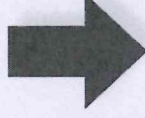
Interpreting retail business data requires a good understanding of the subject content; it is important to recognise what the data actually shows.

Data can be presented in many ways, such as text and words, numerical data and a combination of text and numbers in tables and graphs. It is important that data presented in these different forms is understood and that the important points are recognised. Consideration should be also given to the suitability and validation of the data. For example, is it up to date and relevant to the issue?

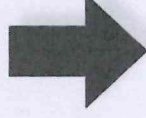
When the important points within the data have been identified, the next stage is interpreting the data. Interpreting data can be challenging as an explanation and often, an evaluation of the data is required.

Interpreting data involves:

Being able to identify the points in the data



Explaining or analysing the reasons and the impacts for retail businesses



Offering solutions or recommendations

Making judgements and offering solutions to retail business issues

Evaluation involves making judgements and then offering solutions for retail businesses.

To do this, it is important to correctly use retail business data, use mathematical techniques to calculate data and then interpret the data through explanations and analysis.

Judgement

A good judgement will link to the original data and the explanation. It should also be balanced and consider both sides of the discussion.

Giving a balanced answer that looks at both the positive and the negative side is important.

When making judgements it is important to make sure that they are based on the data and the explanation.

Solutions

Recommending solutions to retail issues is important. In many different retail situations, there is often a range of options that a retail business can take to achieve its objectives.

The solutions given must be based on the information and the context provided, be balanced so that the advantages and the disadvantages of the different options are considered and use the information to support the recommendations/solutions.

If the given data includes text and numerical data, then both types of data should be used when suggesting solutions or recommendations.

A

Automated stock ordering – When the quantity of stock decreases or increases, the database is updated instantly which allows for accurate stock checks and the automatic reordering of stock if the level falls below the reorder level (the level of stock at which a new order is placed).

B

Branded products – A branded product is an easily recognisable product that customers see as being different or superior to other products and services. It will have a recognisable image, design, name, logo, promotion and packaging. A brand allows a business to charge a higher price and often develops a loyal customer following.

Business performance – A process that measures the success (or failure) of a business. This is based on achieving its business aims. Measuring business performance is achieved through reviewing actual performance against financial and nonfinancial aims.

C

Click and collect – A facility that allows a customer to buy/order products online from the retail business website and then collect them from a local branch or another local collection point.

Climate change – The change in the global climate pattern resulting in higher carbon dioxide, higher global temperatures and unusual weather patterns. The awareness of climate change has risen rapidly and is a major concern. The cause of climate change is a result of human action from burning fossil fuels, which has resulted in the greenhouse effect.

Competitive environment – Retail businesses have to compete in a competitive environment. This means that they are not the only business providing a particular good or service. Consumers usually have a choice on what they spend their money on and factors such as price, quality, image and choice of retail channels will determine which retail business they will buy from. If a business fails to recognise the competitiveness in the market it competes in, it is likely to struggle and gain the sales in order to create enough revenue to be successful.

Computerised stock control systems – Retail businesses today hold their stock details on computer databases. This improves efficiency and accuracy. Businesses can monitor what has been used and the frequency of use. Many computerised stock control systems will even order the stock automatically. The best example of this is the stock control systems used by the main supermarkets. The system is connected via computers to the checkout tills, and when products are scanned, the stock control database is automatically updated.

Concessions – The owner of the concession retailer pays another retailer to sell its products in its store. In other words, it is one retailer located in another retailer. The concession store is usually smaller in size and will take up a small space within the larger (host) store. The concession store will pay the larger store to do this, either by a lease (rent) or by a percentage of its profits. Concessions mainly operate in retail outlets but also take place in other venues such as airports, shopping malls, sporting venues, cinemas, etc.

Customer service function – Customer service is the support that a retail business gives to its customers. This takes place before, during and after a customer has bought the product or service. In a competitive market customer service is important to all businesses. Good customer service can result in customer loyalty and ensuring customers return to the business time and time again to make repeat purchases. Poor customer service can result in losing customers and gaining a poor reputation in the marketplace.

D

Department stores – These are usually retailers who have large premises and sales spaces who sell a wide range of different products. Each area within the store will specialise in a certain product category. Located on high streets and shopping centres, department stores are very popular with customers, but in recent years have struggled with the drop of footfall on the high street and the growth of online retailing. Examples in the UK include John Lewis, House of Fraser and Marks & Spencer. Debenhams, another example, closed in 2021 due to falling sales.

Disposable income – The more a person earns, the more they will spend. Businesses are concerned about disposable income, which is the amount of money that households have available for spending and saving after taxes and other costs have been deducted. Disposable income is what businesses hope consumers will spend on their products and services. If wages and salaries rise faster than a rise in prices, then disposable income will increase, and this leads to a higher level of spending. It is good for an economy if disposable income is rising.

Diversification – This is a business aim. A retail business may wish to expand its business into different markets selling different products. This is called diversification. A retail business may wish to open up new stores selling completely different products, or it may wish to buy a factory that produces the products they sell. Diversification can increase sales and profits through new revenue streams and also limit a negative impact in its original market; however, it can be risky and expensive.

Dynamic environment – The retail business world does not stand still; business activity is constantly changing. In other words, it is dynamic. Retail businesses have to respond to these changes to remain competitive. The business world can change in many different ways and a successful business must recognise these changes and make sure they are not left behind. To remain profitable, a business cannot just stand still; what made the business successful yesterday will not automatically make the business successful tomorrow. The rapid growth in selling online via the internet and more recently through wireless handheld devices, such as smart phones and tablets (m-commerce), has drastically changed the way in which businesses can communicate and sell to their customers. The dynamic business environment should be seen by most businesses as an opportunity and not a threat.

E

Economic factors – These are the various factors that affect the economy. The success of a retail business can be affected by the state of the economy. There are a number of important factors, including disposable income, levels of employment and unemployment, interest rates, tax rates and inflation.

Environmentally friendly practices – Learners should understand how retail businesses can reduce their impact through adapting environmentally friendly practices and acting in a sustainable way such as reusable shopping bags, alternative energy and less plastic packaging.

F

Fairtrade – This is a movement that supports the fair treatment of farmers in getting a fair price for their products. Farmers who engage in fair trade also aim to pay their workers a fair price and engage in environmentally friendly practices. Fairtrade aims to improve living standards for poor farmers in developing countries. Fairtrade offers consumers a direct way to reduce poverty through their everyday shopping. When a product carries the Fairtrade mark it means the producers and traders have met Fairtrade Standards. Fairtrade products are becoming more widespread and include tea, coffee, sugar, chocolate and cotton.

G

Global scale – A global business will operate internationally and throughout the world. This includes retail businesses trading with customers in one or two countries and businesses that trade with many countries across the world. Global scale retail businesses have a much bigger market. The UK population is 67 million; the world population is over 7 billion. The population of Europe is over 740 million; the population of the USA is over 320 million. The potential to sell products to more people across the globe is an obvious attraction to businesses who wish to increase their sales. These businesses will have global brands. These are products and services that are recognised throughout the world. The same products (maybe with some slight changes for different countries) are sold in numerous countries and are easily identified by customers. Coca-Cola, Apple and IKEA are examples of global brands.

I

Increase sales – This is a business aim. Many businesses will focus on increasing sales, which is selling as many of its goods and services as possible. Some businesses will spend large amounts of money to sell more products and hope that this will lead to greater profits in the long term. So, in the short term, they may have to keep prices low to sell more. Then, when they have obtained customer loyalty, they increase prices to help increase profits.

Inflation – Inflation is the rate at which the general level of prices is rising. The government measures inflation through the use of regular pricing of a 'basket of goods'. This basket of goods is meant to reflect the spending habits of the average person within the UK and includes over 600 goods and services. The basket contains such things as petrol, cars, travel, holidays, consumer electrics, food, medicines, housing, and even lottery tickets and online dating. By judging and measuring the difference in the cost of purchasing this basket of goods monthly, we are able to obtain an inflation figure. The target rate of inflation is known as The Consumer Price Index (CPI). Inflation is usually shown as a percentage, for example 2%. If inflation is currently 2%, it means that prices are 2% higher than they were this time last year – a basket of goods bought last year for £100 would today cost £102, even though the goods bought are identical. The UK has experienced relatively low levels of inflation for the last 18 years. Inflation varies between 0% and 5%. Although, in 2022 the inflation rate increased sharply.

Infrastructure – Retail businesses need good sources of energy and water, efficient drainage and waste disposal and good transportation. Generally, in a developed country such as the UK, energy, water and waste services are very good and can be supplied to most parts of the country. Good transport facilities are important to retail business for numerous reasons: it is important that goods can be delivered to customers over long distances and also vital to allow easy access to the store both for customers and employees. This is often an issue in older town centres that were not designed with modern transport needs in mind. The pedestrianisation of town centres has improved areas for customers but has made making deliveries more difficult. Good communication and postal services can also be important, and in the digital age, where many retail businesses communicate via the internet and through handheld devices, internet coverage (Wi-fi) can be essential.

L

Local-scale – A business that operates at a local level is often small and limited in size. A local-scale retail business is often owned and run by the same person and may employ a small number of workers. The business activity is based in a local area focusing on customers who live, or visit, the area. Usually there are relatively low amounts of money invested in the business (low start-up costs), which generates less revenue with lower costs than larger businesses. Low levels of money are available for marketing activities, technological improvements and business growth. Local-scale businesses have a much smaller market than larger businesses, often serving local communities. However, many local businesses sell to customers across the world through the internet.

M

M-commerce – More recently there has been an increase in sales from wireless handheld devices; this is referred to as m-commerce. M-commerce is the buying and selling of goods and services through wireless handheld devices such as mobile phones and tablets. This means ‘having your retail outlet in your consumer’s pocket’. Through mobile technology, it is now possible to reach customers 24 hours a day. M-commerce does not just mean buying, it is about providing customers with product information and promotions. Consumers use m-commerce to compare prices online, take photos for future reference and research their potential purchases online.

Marketing function – Marketing is a key function to all retail businesses and needs to work closely with the other business functions to make sure the retail business can achieve its aims. Marketing involves the following activities: finding out who your customers are, known as market segmentation; finding out what your customers want, known as market research; producing a product or service that meets their needs; calculating a price that customers will pay; promoting the product or service to persuade customers to buy it; and making the product or service available to buy at the right place.

Multi-channel – Multi-channel is using more than one of the retail channels to sell through. For most retailers this means selling in a physical store and online. Multichannel retailing allows retailers to sell the same products to the same customers in the same way – the only difference is the medium the customer uses to interact with the retailer. This is often referred to as 'clicks and bricks' which means that businesses need to have a web presence (clicks), plus a physical presence on the high street or in shopping centres (bricks).

Multinationals – Retail businesses who operate in many countries are usually large multinational companies that employ thousands of employees, manufacture and sell a large number of products and create vast amounts of revenue and profit.

O

Out-of-town retail parks – These are usually located away from city centres with easy access and good parking facilities. Many out-of-town retail parks can also be shopping centres. Most out-of-town retail parks are open air and will not have the different stores all under one roof; each retailer will have their own entry from the outside. Many retailers that are located in out-of-town retail parks will have larger stores that would not be possible in urban areas and high streets. They are often open for longer hours. The majority of stores will be larger national scale retailers.

P

Product range – Most retail businesses will not offer just one product for sale. They are likely to have many products that they will sell to a range of customers. More established businesses and businesses operating on a larger scale, such as multinationals, will tend to have a wide product range. For most retail businesses, the products they have in their product range will be similar, however, some businesses will have an extensive product range that includes a wide range of different products and different markets. Most businesses produce a range of similar products because different consumers want different products. A business can sell more and make more profit by satisfying different consumers' wants by targeting different customers.

Production – This is the making or manufacturing of products that a retail business will sell. Some retailers will produce their own products in their factories or pay others to make the product for them.

Profit and loss – Profit or loss is calculated by subtracting the costs from the sale revenue.

Promotion – The activities a retail business carries out to communicate its products and services to consumers. The aim is to make consumers aware of what it is selling and tries to persuade them to buy from them. Promotion includes advertising, sales promotion, websites, social media and events.

Purchasing – This is the buying of products from another business, such as a manufacturer or wholesaler, which the retail business will then sell to its customers. Retail businesses will purchase stock from suppliers at a lower price and then sell on to customers at a higher price.

Purchasing function – Also known as procurement, this is the buying of stock that will be sold in the retail business' physical outlets and online. A retail business will purchase stock from suppliers, often many different suppliers, and it is important that the stock is at the quality and quantity needed at a suitable price and delivered at time suitable for the retail business. Many retail businesses will purchase stock from all over the world.

R

Rural locations – These are areas located outside cities and towns which are less populated. They can include small villages and areas in the countryside. Retailers may locate themselves here. They will tend to be focused on the local population and will have a much lower footfall than urban areas. There is often much less choice for shoppers in rural areas. Many shops in rural areas sell products that consumers need, such as grocery stores, convenience stores, clothes, pharmacies, butchers and bakeries. It is likely that the owners of the shop will also live locally and will have a connection to their customers and the community they all live in.

S

Sales function – This is the part of the retail organisation that is responsible for selling the product to the customer. The sales function will include all the activities needed to sell products and includes the sale staff that make sales and keep customers loyal to the business. Sales figures are used and analysed to look at what is and what is not selling well so that the business can make sure it is selling the right products.

Shopping centres – Many towns and cities in the UK have shopping centres. They are usually located in urban areas where a range of different retailers are housed under one roof. These shopping centres will usually have other hospitality and leisure facilities to satisfy a wide range of customer needs and will have a high footfall. Many of these shopping centres will be located in the centre of towns and cities near to the main high street, but some are located away from the centre in out-of-town locations.

Social media – Internet platforms that allow people to communicate and share content through social networking. Social media has drastically changed the way in which a retail business can communicate with its customers. Social media is used by over 2 billion people in the world and most internet users use a social media website on a regular basis. The most popular of these social websites have become huge sources of information for retailers and a new platform to target consumers. Examples include Facebook, Twitter, Instagram and Snapchat.

Social responsibility – This is a business aim. Not all retail businesses will look to maximise profits or aim for increased sales; some will have other aims. There are businesses that will try to minimise the impact of their business activities on the environment, consider the needs of society and have aims which are based on their beliefs. For example, retail businesses may try to ensure suppliers in developing countries have fair working conditions, ensure employees are earning a fair wage and sourcing raw materials from sustainable sources. Having ethical and environmental aims may impact on the profit that can be made, however, businesses that focus on ethical and environmental aims are happy to do this as they believe that they have an important role to play and that the focus for the business is not profit but society and the environment.

Sourcing – This is the finding and purchasing of products to be sold. A business needs to identify suitable suppliers who will provide the goods and services needed for the business to carry out its activities. When sourcing supplies, a business needs to consider the cost, the quality, the delivery time, reliability of the supplier, reputation of the supplier, ethical and environmental actions of the supplier and payment terms and contractual issues (late or non-delivery of stock penalties).

Stock control – The management of the products that the retail business will sell. Businesses must ensure that the right stock is available for sale when the customer wants it. Many retail businesses will operate a stock control system to make sure they have the required stock when they need it.

Supermarkets – A large self-service store selling a wide range of foods, beverages, household goods and clothes. Most consumers in the UK use a supermarket to buy their groceries, and the retail space is dominated by a small number of established and very large businesses, including Tesco, Asda and Morrison's. There are also some local and regional scale supermarkets. In recent years they have faced competition from discount grocery retailers Aldi and Lidl.

Survival / break even – This is a business aim. Many businesses fail within 2 years of being set up so for a small business, the initial aim is to survive the difficult time of gaining customers, establishing a good local name, and building a reputation. Even for some big businesses, survival can become a priority. Many established high street retailers have struggled in recent years. The main aim of these retailers was to survive in the short term, however, retailers such as BHS, JJB Sports and Comet have all ceased to exist. To survive, a business must at least break even. This means that it makes neither a profit nor a loss. If a business continually makes a loss, it will almost certainly go out of business. During times of economic recession (when sales can be low) larger businesses will have to adjust its aims; they may be able to cope with making a loss for a short while, but eventually they will have to carry out actions to turn this around and this can involve making workers redundant or closing a number of outlets.

Sustainability – All businesses are under increasing pressure from consumers and governments to act in a responsible manner and to ensure that our environment and resources are available for future generations to enjoy. This is often referred to as sustainability. A business that acts in a sustainable way will strive to have a minimal negative impact on the global or local environment, community, society or economy. A business that aims to be sustainable will attempt to minimise its overall impact on the environment.

T

Technological factors – The factors that affect the operations of a retail business. In the last 20 years, the pace and advancement of technology has been countless and the increasing levels of automation and use of information and communications technology (ICT) has had a major impact on all retail businesses and how they operate. Technological factors include the internet, websites, apps, availability of hi-speed broadband, cloud-based storage, digital media, social media, Wi-Fi access, smart phones, self-serve checkouts, contactless payments, delivery drones and virtual mannequins.

Third-party online marketplaces – An internet-based platform that connects retailers with customers. The website sells products from different retailers, which is useful for retailers who do not have the resources to develop and manage their own website. The sales are processed by the third-party marketplace and not the retailer. Examples include Amazon, eBay, Wayfair, and Etsy.

U

Unethical practices – Retail businesses that ignore their social responsibility and continue to act in practices that do not consider the needs of all its stakeholders and do not meet the standards of acceptable business operations. Examples of unethical practices include the exploitation of workers, sourcing products from manufacturers that have no employee welfare, unethical marketing activities, ignoring safety issues around the product performance and using toxic chemicals or producing toxic waste.

Urban locations – Retailers that are in urban areas are located in towns and city areas where there is a high concentration of people. Within these urban areas, there will be a clearly defined shopping area that will have a large concentration of physical stores. Also, within urban areas there are less dense areas (areas with fewer people and less footfall), such as smaller shopping hubs and high streets. Retailers may also locate themselves in residential areas where they may be the only physical store in that area. Many largescale, well-known retailers will locate themselves in these urban areas. Urban areas tend to have a high footfall and will attract people from other geographical areas.