2 Retail Formats - Food

Retailers have various ways of meeting customer needs through organising and designing their retail outlets. The objective of this Chapter is to describe the different types of food-oriented retail institutions that represent different types of retailer strategies in selling their goods and services.

2.1 Types of Retail Institutions

From a managerial point of view, understanding the different types of retail institutions is important because they have a competitive impact on the retail business. Several types of retail institutions mirror retailer business operations. Thus, each type represents a specific retailing strategy.

Several systems of retail classification have been developed by governmental institutions in order to collect and analyse business data more effectively. One of the first classification systems was the Standard Industrial Classification (SIC) code, which was developed for the US Census Bureau in 1930 and uses special codes (special sets of numbers) to identify types of retailers (Ogden/Ogden 2005, pp. 88-89). This served as the basis for the further development of classification systems that are also applied on an international basis such as the International Standard Industrial Classification of all Economic Activities (ISIC) of the United Nations, the NAICS (North American Industrial Classification System) or the NACE (Nomenclature statistique des Activités économiques dans la Communauté Européenne) of the European Union (see Figure 2.1).

In these classification schemes, retailers are assigned hierarchical codes based on the types of products and services they sell. However, it has to be noted that retailers that sell the same category of merchandise do not necessarily compete directly. These classification schemes, therefore, are mainly used for data collection and statistical analysis to provide insight into the development of the various retail institutions at a national or international level. For retail managers, though, the more strategic aspects of the different types of retail institutions are of primary importance. Therefore, for strategy development and competitive analysis, the classification of retail institutions in terms of the characteristics of the strategies that retailers employ in selling goods and services is important. Such types of retail institutions are referred to as retail formats. Retail formats are specific configurations of the retail marketing mix that are maintained consistently over time (e.g. type of store design and atmosphere, merchandise offered, services provided, pricing policy, type of location, approach to advertising and promotion, etc.).
2.2 Theories of Retail Evolution

2.2.1 Overview

A number of theories explain the present structure of the retail industry and predict the future development of current and new retail formats. The wheel of retailing and the retail life cycle are two particularly important theories.

2.2.2 The Wheel of Retailing

The wheel of retailing (McNair 1931) is a well-established framework for explaining developments in retail institutions. The theory suggests that retail institutions go through cycles (see Figure 2.2). The rationale is that as low-end retailers upgrade their strategies to in-