Store Size

Further insight about the changes occurring in retailing today can be obtained by looking at the average store size for various retail categories. The largest increase in store size in recent years has been in drugstores, a reflection of the rapid growth of chains such as Walgreens and Eckerd. In addition to drugs, these stores sell a variety of general merchandise; in fact, the majority of their sales now comes from many different unrelated items, including food products, convenience goods, greeting cards, seasonal items such as gardening supplies and Christmas decorations, and even clothing. This phenomenon is referred to as scrambled merchandising. For example, convenience stores are said to be using a scrambled merchandising approach when they sell gasoline, bread, milk, beer, cigarettes, magazines, and fast food. The same can be said of drugstores that have a couple aisles of groceries as well as of supermarkets that sell clothing and gasoline. This scrambling of merchandise also applies to services; for instance, many supermarkets now offer banking and dry cleaning.

There has also been an increase in the average store size by the more traditional general merchandise stores, which in many cases are combining with supermarkets to form supercenters. In contrast, some grocery stores have been shrinking in both size and the range of merchandise carried, reflecting their targeted customer's increased desire for convenience. Likewise, the average department store is now smaller; many of these retailers are closing their downtown locations, which often were their largest stores, because the downtown areas of many cities have become "ghost towns." Thus, retailers today are seeing a trend emerge: Retail stores are now either larger or smaller than their counterparts from the past. In fact, nowhere in this fact of retailing better described than with "category killers." The category killer got its name from its marketing strategy: Carry a large amount of merchandise in a single category at such low prices that it makes it impossible for customers to walk out without purchasing what they need, thus "killing" the competition.

Toys "R" Us, which began operations in 1948, has the distinction of being the first category killer. Well-known category killers include Best Buy, Home Depot, Blockbuster Video, Circuit City, Office Depot, CompUSA, PetsMart, and Bed Bath & Beyond. Category killers have diverted business away from traditional wholesale supply houses. For example, Home Depot appeals to the professional contractor and Office Depot to the business owner who traditionally purchased supplies from hardware wholesalers and office supply and equipment wholesalers.

However, many other category killers from the past decade have suffered financial reverses. These specialty superstore chains failed because they had a poor strategy, weak execution, or too much "me too" competition. In addition, the continued rapid growth of general merchandise discounters, such as Wal-Mart and Target, has contributed to their demise because these discounters can increase store space for toys during Christmas season and decrease it during the slower toy seasons, such as summer, when they expand the space for lawn care products. Such actions enable the discounter to reduce costs and offer lower prices, whereas the "killer" must carry the full line year round. Likewise, many other time-strapped consumers started taking their business away from the "killers" by going to the Internet or shopping at smaller, more convenient outlets closer to home, even if prices were higher.

Success in retailing depends on a retail manager's ability to properly interpret what changes are occurring and what these changes mean to the store's customers, and building a strategy to respond to those changes. Therein lies the excitement and challenge of retailing as a career. After all, 45 years ago, the Wal-Mart strategy of building a major enterprise in small-town America and offering "everyday low prices" was probably considered foolhardy. This was a time when retailers though growth could be achieved only by competing in the big cities where large population bases were located. Yet someone who purchased 100 shares of Wal-Mart when it went public on October 1, 1970, for $16.50 a share would by 2003 be holding more than 204,800 shares worth nearly $12 million, not counting cash dividends, which could have been reinvested. (This is the reason that the Waltons are the richest family in America—Sam Walton invested everything he had in this stock. Anyone else who invested a similar amount of money in WMT stock in 1970 would be equally wealthy.)

Of course, the future can never be predicted with certainty. The answer to what the future will bring lies in the disquieting fact that retailers do not operate in a static, closed environment; they operate in a continuously changing and competitive environment.

Dunne, Patrick M. and Robert F. Lusch. Retailing. 5 ed. Mason: South-Western, 2005.