

Unit 29: Understanding Retailing

Unit code:	J/502/5503
QCF Level 3:	BTEC National
Credit value:	10
Guided learning hours:	60

● Aim and purpose

The aim of this unit is to introduce learners to the important role that retailing plays in the UK economy; and how it is the final part of the supply chain, before products and services reach the end customer. Learners will examine the structure of the retail industry, the process of distribution, the importance of sales and service functions and how the sector responds to change.

● Unit introduction

Currently, over 2.5 million people are employed in retailing in the UK. Retailing is not just about putting products on shelves and hoping that customers will buy them; it is a dynamic industry which is very important to the UK economy. It is the primary point at which most people make contact with the world of business and, consequently, it is such a common part of people's daily lives that its organisations are taken for granted.

The retail industry has undergone significant change and many retailers are now world leaders in business innovation and service excellence. Retailers are business organisations that sell goods and services to customers for their personal or household use. A fundamental aspect of retailing therefore, is an ability to engage and interact with customers. Customer service and sales activities are critical elements of effective retailing and their functionality needs to be identified across different retail sectors. Retailers give the customer the opportunity to make transactions conveniently and, in a more general sense, they also function as a source of information to both manufacturers and consumers. Sophisticated methods of distribution now exist which facilitate effective management of the supply chain. Retailing, therefore, continues to be a dynamic industry and this unit enables learners to place effective retailing in the context of change.

● Learning outcomes

On completion of this unit a learner should:

- 1 Know the structure of the retail industry
- 2 Understand the role of retailing in the distribution of goods and services
- 3 Understand the sales and service functions in retailing
- 4 Know how the retail sector responds to internal and external change.

Unit content

1 Know the structure of the retail industry

Organisation: definition of retailing; classification of types of store; emerging store types; hybrid stores eg combined coffee and bookshops; online and physical stores eg 'clicks' and 'bricks'; service versus product retailing; classification of retailers eg size, number of employees, sales area, number of enterprises, turnover, type of activity; product strategy; location eg in town, local, out of town, retail parks, regional centres; ownership eg independent, multiple, voluntary chains, franchised retailers

Structure: size; trends in sales; profitability; store size; location; independent retailers; multiple retailers; not-for-profit and public places eg museums; 'third' places; employment characteristics

2 Understand the role of retailing in the distribution of goods and services

Distribution channels: availability of products (time, place, quantity); movement of goods from manufacturer to retailer to consumer; distribution channels for different types of goods eg food, clothing; wholesalers as intermediaries; retail control of the supply chain (own-brands, e-retailing); provision of product enhancing functions eg transport, storage, after-sales service

Distribution process: supply chain; moving goods in the UK and Europe; sourcing (UK and internationally); suppliers; distributors; logistics process (types of transport, carriers; storage locations eg warehouses, distribution centres, stock rooms); use of ICT in the supply chain; distribution of e-retail products and services (fulfilment, stock locations, home delivery); non-conventional channels eg parallel trading, grey markets

3 Understand the sales and service functions in retailing

Customer focus: customer satisfaction (new, repeat); collection and uses of customer information; uses of ICT in communication with customers; Customer Relationship Management (CRM)

Customer service: customer service as an objective; advantages; problems; target marketing; identifying needs; customer service (pre-transaction, transaction, post-transaction); product offer, after-sales service; service quality; sales process, selling skills; sales support; sales techniques

4 Know how the retail sector responds to internal and external change

The retail environment: macro-environment; government policy eg trading hours, planning guidance, implementation of legislation; social changes eg demographics, household structures, mobility; new technologies; information management; economic growth; recession

The competitive environment: competitors; market position; barriers to entry; pricing; product development; new products and services; new retailing concepts eg football club shops; development of shopping for a mobile population eg airport retailing

Assessment and grading criteria

In order to pass this unit, the evidence that the learner presents for assessment needs to demonstrate that they can meet all the learning outcomes for the unit. The assessment criteria for a pass grade describe the level of achievement required to pass this unit.

Assessment and grading criteria		
To achieve a pass grade the evidence must show that the learner is able to:	To achieve a merit grade the evidence must show that, in addition to the pass criteria, the learner is able to:	To achieve a distinction grade the evidence must show that, in addition to the pass and merit criteria, the learner is able to:
P1 describe the structure and organisation of the retail sector [IE]	M1 compare the function of formats and locations in retailing	D1 evaluate the distribution systems in delivering goods and services for a selected organisation
P2 explain the process of distributing goods through different channels from the manufacturer to the customer [IE]	M2 compare the methods used to distribute products and services	
P3 explain how focusing on the customer, by providing good customer service, is essential to retailing [IE]	M3 explain the ways in which sales techniques and customer service have developed in retail organisations.	D2 assess the impact of different sales techniques and customer service in a selected organisation.
P4 identify the competitive factors in the retail environment a selected organisation faces. [IE, RL]		

PLTS: This summary references where applicable, in the square brackets, the elements of the personal, learning and thinking skills which are embedded in the assessment of this unit. By achieving the criteria, learners will have demonstrated effective application of the referenced elements of the skills.

Key	IE – independent enquirers	RL – reflective learners	SM – self-managers
	CT – creative thinkers	TW – team workers	EP – effective participators

Essential guidance for tutors

Delivery

The intention is for learners to see the retail industry holistically. This does not require a detailed or in-depth understanding of, for example, supply chains and service parameters, but rather seeing how these fit together to create effective retailers. The unit can be taught using practical examples that draw on learners' own experiences of shops and shopping, the goods and services they provide, and the changes that are evident through the year and over a longer period.

Learners need to know about the different types of store and their function. The structure of the industry has become increasingly more complex in recent years and this has created many opportunities to attract customers and expand consumption. How places to shop have become diverse can be mapped on a timeline over the past 100 years, which shows the large increase in different types of location and outlets.

Learners need to be able to understand the different ways in which retailing takes place. They should know that the industry structure is now concentrated in the hands of fewer retailers at the expense of many independent and small multiple retailers. At the same time, the average store size and employment have increased. The places where we can shop have become more diverse. Central, local and out-of-town shopping have distinct patterns of development which explain why different size stores, with different specialisations, are found where they are.

Individual sectors of the industry should be explored through visits to different types of store so that learners understand the structure of each sector. For example, in food retailing learners could visit their local shops to explain the decline of specialist butchers, bakers and greengrocers, the growth of discounters and the diversification of large store multiples into other products and services in superstores. E-retailing sites can be explored through computer-based learning, and comparisons made between online and physical stores, such as Marks & Spencer, and purely online operators such as Amazon.

Learners will understand that retailing has an essential economic function with a primary role in the breakdown of bulk supplies into small lots for individual customers. Effective retailing requires organisations to create and manage effective distribution channels with their suppliers. Goods and services must be delivered on time, in the required quantities and in the most efficient and effective ways. The role of manufacturer, wholesaler and distributor must be placed in context. The decline of the wholesaler has been matched by increasing retailer control over the supply chain. Sourcing of own brand goods and the retailer's need to manage own brand supplies has led to sophisticated logistics operations. Transport, distribution centres and stockrooms link the flow of goods towards the retailer and information back down the chain to the supplier.

A guest speaker from a logistics company would add a more detailed, practical understanding of distribution and its significance to the retail industry. A site visit to the stockroom of a superstore, department store or other large store will provide learners the opportunity to assess types of storage for different products, amount of stockholding, information flows and delivery schedules to meet customer demand. Different retail sectors have different requirements and learners can compare distribution processes between sectors, such as food retailing, clothing, and electrical goods, by referencing individual products or product groups. E-retail distribution can draw on learners' individual experiences and could be considered appropriate for a 'live' project tracking an actual purchase. Access to unofficial, parallel markets, sometimes referred to as 'grey markets', should be discussed in terms of supplier-retailer control of markets and distribution. Learners will often be aware of these markets through fake products and non-standard distributors.

Retail transactions clearly require customers, and customer relationships are fundamental to effective retailing. Learners should understand customer service and sales activities at different levels in the organisation. Learners need to focus on the operational and experiential aspects of service at store level. The retailer's position in the market and its corporate objectives determine the type of service it offers. Luxury goods retailers offer different levels of service to discount warehouses, but both can be acceptable. Learners should be clear about matching service with customer expectations by referring to different market sectors and retail formats, so a good understanding of the retail industry structure is helpful.

The distinction between customer service and selling is important. Investigating and discussing the measurement of service levels will make the subject less abstract. Service level parameters can be drawn from academic texts, inferred from company literature and learners can observe them from personal experience in different types of store and for different types of transaction. These can include sales of self-service items, more complex items requiring product information and expert sales assistance, dealing with returns and telephone or internet enquiries. Soft skills have been identified as being particularly important in face-to-face retail sales situations. These too can be explored through experience and role play.

The unit also addresses the dynamics of the retail industry. The aim is to enable learners to think about what causes change in the industry and how it responds positively to, or even initiates, future developments. Effective retailing is responsive to new opportunities, as well as to threats from the competitive and wider environment. There should be focus on the role of government in determining the future of the industry. Among the main issues will be planning guidance determining where stores can be built or modified, and legislation concerning opening hours, employment and competition. This information can be accessed online from government websites and industry bodies such as the British Retail Consortium.

Technological change should examine the role of ICT in capturing customer information for marketing purposes and for managing the flow and sales of goods. Social changes should relate to the retail industry, specifically concerning changes in demographics, household size and structure and issues of independence, individuality and mobility.

Economic forces should be considered from the perspective of the impact of economic growth and decline, and the management of the economy to control consumption. Competition in retailing is generally very strong and learners should understand how it drives change in the industry. This could be linked to learners' visits to their local shops and comparisons with superstores and out-of-town shopping. The industry's need to innovate should be evident through learners studying new products, services and retail concepts. Mobile phone retailers provide consistent examples of innovation and their stores and online sites offer good opportunities for learners to identify innovative practices.

Current issues and retail trends are frequently reported in the national media and retail trade press. New developments reported on TV, newspapers or magazines could form the basis of a project with online or physical site visits, product comparisons, and interviews with store staff, customers and consumers.

By the end of the unit, learners should understand the retail industry, its place in the distribution of goods and how these goods are sold to customers. Learners should also understand that the industry is continually changing and the causes of this change.

Outline learning plan

The outline learning plan has been included in this unit as guidance and can be used in conjunction with the programme of suggested assignments.

The outline learning plan demonstrates one way in planning the delivery and assessment of this unit.

Topic and suggested assignments/activities and/assessment
Introduction to unit and structure of the programme
The structure of the retail industry Learners will receive or participate in <ul style="list-style-type: none">● formal theory input● a group exercise on structure/size of retail sector● pair work on service and product retailing● a case study exercise on classification of retailers in groups● a guest speaker on retailing● a visit to local out-of-town retailing development● an individual exercise searching the internet for different types of retailers● a class discussion on 'successful retailing'● a group exercise on multiple retailing. There may still be formal input during group work.
Research and group work
Assignment 1 – The Structure, Organisation, Formats and Locations in Retailing
Role of retailing in the distribution of goods and services Learners will receive or participate in <ul style="list-style-type: none">● formal theory input● a group exercise on distribution channels● a DVD/video on supply chain management● a group exercise on supply chain management● a class discussion on managing the supply chain● an individual exercise on methods of storage and transportation● a class discussion on the distribution of goods and services. There may still be formal input during group work.
Research and group work

Topic and suggested assignments/activities and/assessment

Assignment 2 – Distribution in Retailing

Sales and service functions in retailing

Learners will receive or participate in

- formal theory input
- a class discussion on the importance of sales and service
- a guest speaker on the importance of customer service/class discussion
- a DVD/video on customer service in retailing
- a guest speaker on Customer Relationship Management/class discussion
- group exercise searching the internet to identify excellence in retail customer service.

There may still be formal input during group work.

Research and group work

Assignment 3 – Customer Service and sales

Internal and external changes

Learners will receive or participate in

- formal theory input
- a class discussion on the retail macro environment and government policy
- individual research into government policy on retailing
- a 5-minute individual presentation on the findings from the research
- an exercise on demographics in groups
- a case study on retail competition as a group exercise
- a review of the unit

Assignment 4 – Competitive Factors Facing Retailing Businesses

Supervised assignment time

Non-supervised study time and completion of assignments

Assessment

For P1, learners will need to define retailing from a number of perspectives and should develop an ability to synthesise information, as definitions are not necessarily exclusive. It is important that they describe the many ways and places in which retail is conducted and the changes that are taking place in the industry structure. This links to learning outcome 4 because to explain the dynamics of the industry learners firstly need to be able to clearly understand the scope of retailing. They should be able to categorise the industry using the various specified frameworks. Learners can refer to their local shopping environment, such as the high street and shopping centres, but also critically assess other environments including local shopping parades, out of town retail parks and regional centres. This criterion could be assessed by an individual or group presentation using visual materials to identify different types of store.

P2 requires learners to look at distribution channels for different types of retailers and consider their different characteristics. Learners should distinguish between channels used by large multiple retailers, that source direct from their suppliers, and smaller, independent retailers who still use wholesalers. The use of distribution channels by retailers in different sectors, such as clothing and food, should also be understood. The means

of moving goods through distribution channels and the logistics function should be explored in relation to retailers' demand for goods, with specific reference to storage locations and methods of transportation. Learners should demonstrate an ability to use information from retailers, logistics organisations and from critical observation of independent and multiple retailers. Evidence is likely to be in the form of a report on the diversity of distribution channels in the industry.

For P3, learners will demonstrate how retailers relate to their customers. Customer service is highly formalised and demanding in some organisations, while others have a lower standard of service. Learners should identify organisational customer service policies and how these are applied at an operational (store) level. They should show how different organisations require different levels of service, and to meet this criterion they will need to understand the industry structure. After-sales service is significant in some retail sectors and the elements of this aspect of customer service should be identified. Similarly, a range of service and quality standards should be identified through store visits. Selling skills and the sales process can be observed and experienced in a range of stores. A suitable assessment would involve a customer service survey in a sample of retailers.

For P4, learners will need to understand competitive factors in the retailing environment that drive change in the industry. Learners should identify aspects of government policy concerning planning guidance for new store locations, specifically the influence of Planning Policy Statements. They should know how the Competition Commission engages with the industry and, more broadly, how retailers' costs and ways of working may be determined by government policy. Other competitive forces should also be studied including competitors, market position, barriers to entry and new retailing concepts.

The use of ICT to drive change should be understood through studying contrasting stores and the application of ICT in marketing and stock management. Social and demographic trends can be evidenced through store-based customer surveys and/or observations. Broader economic trends can be tied into a study of the current performance of the industry as reported in the press. Competition should be explained through a study of a shopping location, such as a high street or shopping centre, in the context of the retail industry structure. Innovative products and services should be identified in one retailer and learners should explain the role of these products and services in creating a dynamic industry. Assessment could be a report based on an innovative retailer and the ways in which it adapted to its environment and how it uses change factors to drive its business.

For M1, learners must move on from accurately describing different types of retailer, to explaining their purpose and the rationale for their location. Different types of format have developed rapidly: retail parks, superstores and centres, regional shopping centres, factory outlet centres characterise out-of-town retailing. These are destination, rather than convenience stores, that provide extensive product choice and services. They can also offer a wide range of leisure opportunities. With more restrictive planning guidance in the 1990s, many of these formats and characteristics have been sought in new developments and re-developments in urban and brownfield locations. Urban locations continue to create opportunities for smaller or specialised retailers. In comparing the different formats, learners should identify why retailers prefer different locations and explain the retail functions they perform.

For M2, learners must distinguish between distribution systems in different sectors. The food and clothing sectors provide good examples of different product requirements. Food retailers source largely from the UK, have short lead times and can be very responsive to customer demand. The design of the distribution chain requires a capacity for frozen, chilled and fresh foods as well as packaged products. Smaller independent and voluntary group retailers continue to use wholesalers. With clothing retailers, most products are sourced overseas, require longer lead times for delivery, are less immediately responsive to customer demand and require flat-pack or hanging facilities. Learners should demonstrate how the configuration of these distribution activities creates more effective retailers in terms of responsiveness, currency (being up to date/having fresh foods), choice and cost efficiencies.

For M3, learners must demonstrate knowledge of the key elements of effective service and selling skills. For example, customer expectations of luxury goods retailing are consistently high. The service dimensions can be compared with other clothing stores. Department stores provide a good opportunity to study differences in service, for example Harrods, John Lewis and Debenhams. These can be compared with multiple variety stores, typically Marks & Spencer and Bhs, and fashion specialists such as Topshop/Man. Customer service in the clothing sector can be compared with other sectors where product knowledge is valued, electrical goods, and where convenience and efficiency is important, for example food.

Learners must be able to define the types of changes taking place in the industry, ie whether they are short term or have longer-term implications. They will explain what causes these types of change by differentiating the key factors in the macro environment and the competitive environment. Key factors and their significance are depend partly on the industry sector: planning restrictions impact more on food, DIY and electrical retailers than clothing and toiletries and cosmetics retailers. Economic trends will impact on consumer spending and have an industry-wide effect; learners should explain that some retailers may be better able to withstand recessions and take advantage of growth opportunities. Competitive trends should be explained with reference to market concentration, power of multiple retailers, low barriers to entry, and innovative practices, including new types of store, refits and introduction of new products and services, including online provision.

For D1, learners must demonstrate their comprehensive knowledge of the structure of the retail industry and make judgements about the role of distribution systems in effective retailing.

For D2, learners will demonstrate an ability to make judgements about the most significant elements of service and selling skills in the industry, and the ways in which they are sustained. They should think creatively about new service solutions that can realistically evolve from current practices.

Programme of suggested assignments

The table below shows a programme of suggested assignments that cover the pass, merit and distinction criteria in the grading grid. This is for guidance and it is recommended that centres either write their own assignments or adapt any Edexcel assignments to meet local needs and resources.

Criteria covered	Assignment title	Scenario	Assessment method
P1, M1	The Structure, Organisation, Formats and Locations in Retailing	You are a journalist who has been asked to produce an article on the structure, distribution, sales and service functions and responses to external changes in the retail industry.	Article/report
P2, M2, D1	Distribution in Retailing	Magazine article as above.	Article/report
P3, M3, D2	Customer Service and Sales	Magazine article as above.	Article/report
P4	Competitive Factors Facing Retailing Businesses	Magazine article as above.	Article/report

Links to National Occupational Standards, other BTEC units, other BTEC qualifications and other relevant units and qualifications

This unit forms part of the BTEC Business suite. This unit has particular links with the following unit titles in the Applied Science suite:

Level 3
The Business Environment
Business Resources
Fashion Retailing
Visual Merchandising in Retail

Essential resources

For this unit learners should have access to a suitable business teaching environment with access to the internet to carry out research. Tutors may consider building a bank of resource materials to ensure there is a sufficient supply of relevant information across a range of retail business types.

Learners can generate evidence from a work placement or from work experience. Other learners may have access to information related to family owned and run retail businesses.

Employer engagement and vocational contexts

Centres should develop links with local retail businesses. Many retail businesses and chambers of commerce want to promote local retail businesses so are often willing to provide work placements, visit opportunities, information about businesses and the local retail business context and visiting speakers.

Indicative reading for learners

Textbooks

Berman B and Evans J R – *Retail Management: A Strategic Approach* (Prentice Hall, 2006) ISBN 0131870165

Brittain P and Cox R – *Retailing: An Introduction* (FT Prentice Hall, 2004) ISBN 0273678191

Kent T and Omar O – *Retailing* (Palgrave Macmillan, 2002) ISBN 0333997697

Varley R and Rafiq M – *Principles of Retail Management* (Palgrave Macmillan, 2003) ISBN 0333792971

Skillsmart produce learning materials on different aspects of retailing to support Modern Apprenticeships at Level 3. The supporting materials for the Technical Certificate at this level are available on a CD, and can be adapted for classroom and training centre use.

Websites

www.arcadia.co.uk	Arcadia Group Ltd – for Evans, Wallis, Dorothy Perkins, Burton, Topshop, TopMan, Miss Selfridges and Outfit
www.bhs.co.uk	Bhs (British Home Stores) online shopping website
www.brc.org.uk	The British Retail Consortium for information on environmental, transport and planning issues
www.communities.gov.uk/pub/821/PlanningPolicyStatement6PlanningforTownCentres_id1143821.pdf	Planning Policy Statement 6: Planning for Town Centres (PPS6, 2005)
www.debenhams.com	Debenhams Online shopping website
www.harrods.com	Harrods Online shopping website
www.johnlewis.com	John Lewis Online shopping website
www.marksandspencer.com	Marks and Spencer online shopping website
www.retail-week.com	<i>Retail Week</i> , an informative trade weekly that provides information on current retail developments

Delivery of personal, learning and thinking skills

The table below identifies the opportunities for personal, learning and thinking skills (PLTS) that have been included within the pass assessment criteria of this unit.

Skill	When learners are ...
Independent enquirers	investigating the structure and organisation of retail businesses investigating the distribution of goods and competitive factors investigating sales and customer service
Reflective learners	reflecting on the competitive factors faced in the retail environment.

Although PLTS are identified within this unit as an inherent part of the assessment criteria, there are further opportunities to develop a range of PLTS through various approaches to teaching and learning.

Skill	When learners are ...
Independent enquirers	planning and carrying out research into the different types of retail businesses, distribution, sales techniques and competitive forces
Creative thinkers	looking at how different retail businesses are classified examining reasons for business change in response to government policies adapting their skills as circumstances change
Reflective learners	setting goals, with success criteria, for researching retail businesses inviting feedback on their own work and dealing positively with praise, setbacks and criticism in one-to-one tutorials evaluating their experiences and learning to inform future progress when undertaking research
Team workers	working in a group to discuss ideas about retail business classifications taking responsibility for their own role when working in groups managing activities to reach agreements and achieve results when working in groups
Self-managers	seeking out challenges or new responsibilities and showing flexibility when priorities change working in groups responding positively to change, seeking advice and support when needed when undertaking research into retail businesses
Effective participators	acting as an advocate for own views and opinions when working in groups.

● Functional Skills – Level 2

Skill	When learners are ...
ICT – Use ICT systems	
Select, interact with and use ICT systems independently for a complex task to meet a variety of needs	researching different types of retail business organisations
Use ICT to effectively plan work and evaluate the effectiveness of the ICT system they have used	tabulating information about retail business classifications
ICT – Find and select information	
Select and use a variety of sources of information independently for a complex task	finding illustrative materials for presentations and tabulations about retail business structures
Access, search for, select and use ICT-based information and evaluate its fitness for purpose	exploring, extracting and assessing the relevance of information from websites about government policy on retailing
ICT – Develop, present and communicate information	
Enter, develop and format information independently to suit its meaning and purpose including: <ul style="list-style-type: none"> • text and tables • images • numbers • records 	bringing together a variety of materials gathered through research preparing information to present to others about retail business types
Bring together information to suit content and purpose	
Present information in ways that are fit for purpose and audience	
Evaluate the selection and use of ICT tools and facilities used to present information	
Select and use ICT to communicate and exchange information safely, responsibly and effectively including storage of messages and contact lists	communicating with other members of a group when undertaking group research

Skill	When learners are ...
Mathematics	
Understand routine and non-routine problems in a wide range of familiar and unfamiliar contexts and situations	using numerical data in relation to retail business size and structures
Identify the situation or problem and the mathematical methods needed to tackle it	
Select and apply a range of skills to find solutions	
Use appropriate checking procedures and evaluate their effectiveness at each stage	
Interpret and communicate solutions to practical problems in familiar and unfamiliar routine contexts and situations	
Draw conclusions and provide mathematical justifications	
English	
Speaking and listening – make a range of contributions to discussions and make effective presentations in a wide range of contexts	<p>carrying out group work investigating retail business types and change management</p> <p>attending team meetings when undertaking group work</p> <p>making presentations about retail business types</p>
Reading – compare, select, read and understand texts and use them to gather information, ideas, arguments and opinions	<p>reading about retail business classifications, structures and sizes</p> <p>reading about retail business change to obtain data to compare and to examine retail trends</p>
Writing – write documents, including extended writing pieces, communicating information, ideas and opinions, effectively and persuasively	<p>writing notes to provide information about retail businesses</p> <p>producing labelled charts and diagrams showing retail business types, structure etc.</p>