Business Strategy and Initial Market Assessment for a Retail Company
Retail Industry

According to Hoovers, the internet and mail-order retail industry in the US includes about 20,000 companies with combined annual revenue of about $350 billion. Key growth drivers are consumer spending habits and technology innovations.

Demand is driven by consumers’ personal income. Profitability of individual companies depends on effective marketing to build a customer base. Larger firms enjoy central purchasing efficiencies and economies of scale in inventory management, customer service, and telecommunications. Smaller firms compete on outstanding customer service and providing niche products. According to the Hoovers data on the Internet Auction industry, the industry is concentrated: the top 50 companies account for about 60 percent of industry revenue.

Companies also use technology to track customer data such as purchase history. The customer database is the source for marketing and promotional campaigns. Due to customer privacy and security issues, Internet retailers have invested in encryption technology to protect sensitive customer information transmitted over the Web.

Mobile technology is a key driver of e-commerce growth as retailers seek to reach the rapidly growing number of consumers who shop via smartphones and tablets. Mobile retail
accounts for about 15 percent of all US e-commerce sales, according to eMarketer\(^1\). This share is expected to grow to more than 25 percent of all e-commerce sales by 2017.

Consumers are the major customers of mail-order and Internet retailers, although business-to-business Internet retailing is increasing. Many companies have an advertising campaign that uses national, regional, and local media, including network and cable TV and consumer magazines. Internet retailers also use sponsored links, email, and cooperative advertising with vendors. Internet retailers sponsor ads on other websites, and create “pop-up” ads and special portals for online shopping.

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According to Hoovers, other retailers, catalogers, and Internet retailers receive the majority of revenue in fourth quarter. Catalog companies mail catalogs throughout the year and usually offer seasonal specials each quarter to try to smooth revenues. Internet traffic is lowest in summer; some Internet retailers are copying catalogers and offering special deals throughout the year to try and spur sales.

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Independent Retailers

According to April 2014 data from AYTM Market Research, personal service was the No. 2 reason why US internet users preferred small businesses vs. large companies, cited by 52.7%. Independent Retailers gain their dominance from their great customer service and niche products that they provide. Independent retailers are willing to go that extra mile when it comes to satisfying their customers and providing them with insight on products that they have selected. According to an eMarketer article entitled Consumers Favor Small Businesses Because of Their Customer Focus², customers get a more intimate and personal experience when shopping with Independent retailers which increases their loyalty to the retailers.

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**E-Commerce**

E-Commerce offers a low barrier to entry. Because of this, there are a plethora of new competitors constantly entering the field. A downside to having an online retail presence is that you have to continually “pull” or drive traffic to your site. For brick and mortar stores, they can attract consumers with window displays, evoke strong feelings of their customers, or have wonderful staff that encourages repeat business. We believe that your company will benefit from the best of both worlds. By utilizing your current sales channel through bricks and mortar stores, you are now positioned nicely to take the next step into selling online. Your company has a reputation, history with several retail stores, and a regional base of past customers to expand upon.

Businesses tend to try pay-per-click advertising to attract consumers when they have launched an e-commerce site. However, according to FeedBlitz, roughly 9 percent of all internet ads are being blocked from users. There is a downloadable application (app) called Ad Block Plus that consumers have downloaded and installed on personal devices more than 300 million times. The irony is that companies can pay Ad Block Plus to be “white listed” meaning that there ads will show up despite the app blocking them. Those who don’t pay Ad Block risk not having their ads reach consumers.