

## Strategies That Transform the Retail

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### Abstract

The objective of the present investigation is to analyze the strategies that the companies implement and the changes that originate in the retail trade and the retail trade and in the commercial establishments in the developed countries. Based on a literary review, it identifies the framework of the current situation, encompassing all the social products and services that cause the new mechanisms of sale of products and services by the firms and the different ways of buying products and services by Los Consumers Concluding that this variation is mainly present due to the technological level, the culture of the purchase and the strategies of sale, that owns and develops the consumers and the companies.

**Keywords:** “Strategies, retail, commercial establishment, purchase, sale”

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### 1. Introduction

Companies to maintain their position in the market and seek their expansion, need to create strategies, which consist of aligning or directing their internal resources to modify, adapt and survive environmental conditions (Vargas and Guillen 2014). In a globalized environment, where free trade agreements allow import and export, without the intervention of the government that establishes tariffs, prohibitions or limitations, it has developed a high degree of risk and uncertainty for all companies. Previously, the competition was only local, regional and national, but now the competition is international, in any sector or industry.

On the other hand, rapid technological advancement raises and prompts new challenges and opportunities to companies around the world. In countries like Mexico that are in development, are imminent the changes that require the formulation and implementation of business strategies, that establishes mechanisms of adaptation to avoid the loss of competitiveness and the lag, ensuring their development and well-being. This process of globalization and technological progress has as its most obvious manifestation the elevation of the standards of quality of life of individuals, the modification of their way of life and work.

Among the many changes that are being presented, the technological advance has developed a new way of selling products and services, through the internet with the already popular electronic commerce or e-commerce as it is also known. Therefore, retail or retail in commercial establishments as it is known in the English language has changed. Companies are increasingly betting on e-commerce, because it facilitates in time and form the relations with customers, and has allowed the design and creating new products, reducing costs and offering cheaper products with better quality and service.

The retail trade is any purchase and sales operation directed to the final consumer that purchases the product for personal use or consumption without commercial purposes, also called retail or retail. Performed mainly in establishments or stores in the street (Paz, 2008). Paz also considers that the new demands of the market and competition has necessarily brought a renewal. The traditional small retailer will be reduced in number, but will be important to generate added value in providing services to its customers.

Therefore, large companies that are at the forefront of innovation and technology studying the changes, trends, needs and opportunities of markets and customers, constantly seeking to meet consumer demand and increase their profits by modifying their resources and capacities according to the strategists formulated.

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In this paper, it is analyzed the cases of Bebe Store and Ralph Lauren companies that carried out strategies, which transformed their retail sales into commercial establishments.

## 2. Background of The Problem

Electronic commerce is any type of commercial transaction carried out through the Internet (Bachs, López-Jurado and Yaguez, 2002). This new modality of commerce has modified the way of selling by the companies and to buy by the part of the consumers, neglecting the retail trade in the commercial establishments.

The benefits that companies have when using electronic commerce are:

- A. Lower costs in ordering processes
- B. Internet as an effective distribution channel
- C. Reduction of errors in orders and in processing times
- D. Access to more customers
- E. There are no geographical barriers to customer access

among other according to Bachs, López-Jurado and Yaguez (2002).

All companies want these benefits. Therefore, they investigate, formulate and implement strategies to include electronic commerce in their sales processes. In such a way, that the companies are leaving behind the retail trade in commercial establishments, diminishing the necessity of personnel to carry out the traditional sales.

Retail trade in commercial establishments in developed countries such as the United States of America has undergone major changes, such as the closure of establishments of some commercial chains, caused by the commitment to electronic commerce for the sale and distribution of its products; and by the consumer's buying culture, preferring the internet as a buying and selling channel, living conditions are completely influenced by technology.

In countries such as developing Mexico, retail trade in commercial establishments still generates more benefits than electronic commerce, caused by the culture of purchase, where consumers prefer to carry out the traditional purchase of their products and services, physically, to use the Internet.

## 3. Delimitation of The Problem

The Internet transforms the internal management of companies, therefore, they must prepare themselves for the new technological, political, cultural and economic challenges, that is, of the market and its agents (Bachs, Lopez-Jurado and Yaguez, 2002). As a result, retail trade in commercial establishments has changed, companies are increasingly betting on e-commerce, because it facilitates customer relations and timing, has allowed the design and creation of new products, reducing costs and offering cheaper products and with better quality and service.

One of the most important changes that created e-commerce is to present the sales or commercial transactions, in the way of establishing relations between company and consumer is that the exchange is realized without the human intervention (Bachs, Lopez-Jurado and Yaguez, 2002). The retailer according to Paz (2008) is very important within the chain of distribution to the extent that it adds a value to the products it sells, in developing countries like Mexico it is characterized by presenting a trade that does not generate value by excess supply and are doomed to disappear.

The changes are socially negative, because the chances of the disappearance of commercial establishments where the largest amount of retail trade is made today are very high. Currently, commercial transactions or sales are being carried out through the Internet. This process in developing countries such as the United States of America is very frequent, but not in developing countries such as Mexico, where consumers still do not fully trust trade electronically, which is developing slowly. Therefore, when closing the establishments, the staff requirement to perform the work of direct sales with the clients, maintenance of the premises, among others, decreases.

From the economic point of view, they can be positive, that is to say, for companies to reduce operating costs is one of their best strategies, with retail pay rent of establishments, sales personnel, electricity, maintenance, inventories, among others. With

e-commerce these costs and operating expenses are greatly reduced. Consequently, companies continue to sell and their profit margin is higher.

#### **4. Justification**

The reason that led to investigate the effects of the use of electronic commerce in retail or retail, as mentioned by Bachs, López-Jurado and Yaguez (2002) is that technological advances impels and constantly causes changes in industrial and economic processes, and consequently in the way of life.

One of the technological advances is information technologies. The use of this tool in companies has developed the automation of many business processes with a decrease in costs and an improvement in lead times. This development facilitates the development of business models that involves IT, transforming the retail trade, through telecommunications and information technologies, since they allow operations that can be performed without physical presence, therefore, the place where is carried out the market is no longer determining factor to assess its operation.

It is important to analyze where it is and how vulnerable international trade is in all industries. Technology is presenting unprecedented changes, such as the closure of commercial establishments, overriding the need for personnel.

Jack Ma, the founder of the Alibaba Group, whose main activity is the largest commercialization of products and services in China, through e-commerce, says a new "seismic movement" is occurring at the technological level, with potentially disastrous consequences. This will provoke social conflicts in the next thirty years, which will have a strong impact on all types of industries, the rise of artificial intelligence and a longer life expectancy will lead to an aging workforce that will fight for fewer jobs.

#### **5. Theoretical Assumption**

E-commerce is transforming retail or retail and developing business strategies focused on the closure of establishments and dismissal.

#### **6. Theoretical Conceptual Framework**

##### **6.1. Strategies**

Mention Quintero (2003) that strategic planning is then a constant practice that relates the means or paths (strategies) to the purposes, purposes and results. To properly carry out this practice requires gathering and analyzing information about the internal situation of the organization and what is happening or could occur in its external environment. By identifying the options available to arrive at a desirable and probable outcome, strategic planning contributes in a rational way to improved decision making.

It also says that strategic planning has also played an important role in formulating policies, in defining goals and indicators and in allocating resources to programs, projects or activities that are essential in the implementation of strategies or in achieving their goals, purpose, mission, vision, It is therefore also a learning process in which organizations, through successive trials of successes and mistakes, derive important lessons about how to perform and deal with both present and future, their problems, weaknesses, challenges, strengths, threats and opportunities.

Therefore, the planning process allows to establish the direction and an environment conducive to an informed and innovative business management within a space delimited by the institutional characteristics and the dynamics of the environment. In addition, this managerial technology requires a systematic and careful adoption that aims at increasing productivity, quality and competitiveness.

According to Lopez and Martin (2012) in his book *Strategies for Entrepreneurship*, to begin they present a very precise definition of strategy by G. Hamel and C.K. Prahalad, which is the following: Business strategy is to create competitive advantages in less time than competitors. The authors mention that the strategic formulations have not changed in their definition, what has changed has been the relative weight of each of them in business practice. Vargas and Guillén (2014) refer that companies are created and integrated by rational and social individuals, who by nature and instinct tend to seek, learn, create, change and develop their customs in their environment, to improve their quality of life, this raises its evolution; The same

happens with companies that are born and are transformed by the needs of individuals to survive, progress and face the adversities of the environment to survive.

Therefore, for companies to survive, strategies are needed, defined as follows: it is the alignment or direction given to the internal resources of an organization to modify, lead, adapt and in the worst case to survive the conditions. They consider that the companies make strategic decisions to achieve the established objectives, to implement or to carry out the plans formulated by the executives of the top management, in consideration to the changes of the environment, that have caused the evolution of the processes of strategic transformation of the companies.

## **6.2. Resources and Capabilities**

In the theory of resources and capabilities from the point of view of Vargas and Guillén (2014) it focuses on the use of resources and capabilities of the company for the development of an effective strategy by companies. It is also mentioned by Peng (2012) in his work global strategy, argue that the main difference between firms lies in the kind of resources and capacities that counts how to accumulate and use them to succeed. On the other hand, a current industrial company defines it as a set of operational units, each with its own facilities and specific personnel, whose combination of resources and activities are coordinated, supervised and assigned by subordinates.

Vargas and Guillén (2014) also mention that the development of new technologies and the opening of new markets led to economies of scale and scope and to lower transaction costs. Emphasizing that production and distribution facilities acquired to fully utilize economies of scale and scope lead to the growth of the company. Mahoney (2010) points out that this dynamic theory can become an approach to strategic management that contributes an important part to science in the evolution of the organization. They see the need for an empirical basis to establish both the nature of dynamic capabilities and the impact of dynamic capabilities on sustainable competitive advantage evident. The capabilities that can be especially useful in dynamic business environments are operational flexibility and strategic flexibility.

One of the main activities that companies develop is the sale of their products or services. This action is of relevant importance, because it is the one that generates the income that the company needs to survive and where the profits are reflected, for carrying out its preponderant activity. Sánchez and Herrera (2016) believe that throughout history, companies have presented different ways of marketing products and / or services in the customer - supplier chain, in addition to considering their competitors. This has allowed the perspective of the management of resources and capacities, this evolving with the passage of time, caused because it is a factor of yields within the organizations.

It is also important to note that in an organization, human resources can be a potential source of sustainable competitive advantage, according to Sánchez and Herrera (as cited in Wright, Dunford & Snell, 2001). They say that all companies stand out in the constitution of human capital, where they assume a shared responsibility to achieve the mission, vision and objectives of the company, through the provision of its resources and capabilities. Consequently, organizations set their actions, according to their commercial activity, to satisfy their clients, seeking to remain in the market.

Companies faced with globalization have experienced very sudden and diverse changes that have generated new parameters of competitiveness in different domains, since globalization is conceptualized as the integration of economies (Brunner, 2000). This has led to the pursuit of strategies by companies that help shape a solid organizational performance, to stay and / or survive in this highly competitive global market.

## **6.3. Electronic Commerce**

One of the commonly accepted definitions of electronic commerce is the use of computers interconnected between them to create and transform business relationships between companies and their customers (Bachs, López-Jurado and Yaguez, 2002). These applications are to provide solutions that improve the quality of goods and services, increase the speed of delivery and reduce operating costs.

Silva (2009) mentions that in the first instance "e-commerce" or "e-commerce" had the meaning of "electronic purchase" or "online sale", with the passage of time and the constant E-commerce is the process of buying and selling goods and services electronically, through transactions via the Internet, networks and other digital technologies (Silva as cited in Laudon 2002).

Another definition that Silva refers to (as cited in McLEOD, 2000) is e-commerce as the use of computers to facilitate all company operations. Most of the operations are internal: as in the areas of finance, human resources, information services, manufacturing and marketing. Then e-commerce is understood as the online sale, it is said that the purchase / sale of products and services is made, also considering the market, e-commerce can interact not only with customers but also with suppliers, investors, competitors and others that will lead to different forms of exchange of products and services; and also to consider other search options and purchase these.

On the other hand, Fernández, Sánchez, Jiménez and Hernández (as cited in the Ganga and Águila, 2006) point out that electronic commerce is an innovation that produces effects in organizations, even generating changes that improve organizational structure, management decisions, productivity, effectiveness and competitive advantages, as well as processes through its simplification. Fernández, Sánchez, Jiménez and Hernández (as quoted in Canals, 2001) also consider that innovation in online commerce generates new business opportunities, allowing diversification of traditional sales channels, reducing the cost of business activities and generating new products and services, allowing the company to reorganize its production structure in order to reach more customers.

#### **6.4. Retail or Retail**

The concept of retail is a business management orientation that maintains that the key tasks of a retailer are: a) to determine the needs and desires of its target market and b) to direct the company toward the satisfaction of those needs and desires in a more Efficient than its competitors (Quintero, 2015). They also state that retail is classified according to the activity of the products sold, which corresponds to the economic activity. The classification of the general direction of the domestic trade and other commercial formats is characterized by the products they sell.

Retail is a term in the English language of the retail trade, meaning any purchase and sales operation directed to the final consumer that purchases the product for personal use or consumption without commercial purposes, also called retail or retail, performed mainly in establishments or stores in the street (Paz, 2008). Cavalcante and Akemi (2015) refer that retail definitions seem to characterize it as a mere place for product supply. On the other hand, it is a place where value, objective and subjective exchanges are carried out. On the one hand, the client receives physical products, services, convenience and various experiences and, on the other hand, pays with his time, money and energy. Therefore, the benefits that are obtained in the purchase must be greater than the costs or sacrifices related.

A great potential for competitive gain for retailers is the creation of situations and incentives that increase the perceived benefits of the customer during the act of purchase. In retail, it is necessary to understand the buyer, who is the role played by a person in the buying process, who chooses where and what to buy, once they decide to go to a physical store, online or interact with other channel purchases. The buying behavior is different from the consumer behavior, since its motivations, the influence of the environment, the answers and the results obtained through this process are peculiar and influenced by the conflict of comparison and choice.

They consider that consumer behavior and the buying process during leisure time have changed due to social, economic and cultural factors, generating new patterns of behavior and new demands for products and services (Molina, García and Gómez, 2011). They focus mainly on the economic aspect of the purchasing process; Where it satisfies the customer, as well as other elements related to the act of purchase (quality of service, variety and price of products, purchase preferences and spending of tourists in destination).

They also include elements such as the experiential and intangible values of establishments or in shopping centers. However, these investigations do not establish the factors that could actually condition the behavior according to the perceptions obtained in commercial establishments. Buyers participating in a shopping experience are immersed in a number of activities, in addition to the purchase of the product or service.

## **7. Contextual Framework**

A company must be dynamic in all its operations. This is required by belonging to a dynamic environment, in which it is unknown how the influence of external variables mainly and their consequences internally. Consequently, the uncertainty and economic instability of the environment and of the organizations is multiplied, automatically generating a difficult environment to create and develop competitive strategic maneuvers (Dess and Beard, 1984).

This complicated environment at the global level, has led to the creation and establishment of business strategies with high social and economic impact. Some cases are presented below, in the United States a developed country.

### **7.1. Bebe Store Case**

Bebe Store Women's clothing chain, has announced the closure of all its stores and inventory liquidation by the end of May 2017. The company mentioned that it is studying strategic alternatives for restructuring the business to focus on internet sales or e-commerce, after of having losses of approximately 20 million dollars. The Bebe Store adds to the long list of retail victims in the United States, taking the painful decision, as it recently did Ralph Lauren, to close all its physical sales points to avoid the deep crisis that the retail lives.

First in the month of March 2017 announced the closure of 12% of its stores, after seeing that the sales of the first quarter of the year fell and registered losses of 5 million dollars. It concluded and informed that closed the entire network of 175 stores in the United States in a developed country.

## **7.2. Ralph Lauren Case**

High-end fashion retailer Ralph Lauren said on Tuesday, April 2, 2017 that it would cut jobs and shut down its Polo store on Fifth Avenue in New York, seeking to cut costs. The company declined to mention details, although it had already announced 50 store closures during the fiscal year ending March 31. Bomey (2017) CEO of the company said that these changes would save \$ 140 million in annual expenses and cost \$ 370 million in unique restructuring charges. The plans include an unspecified number of store closures, a reduction in the workforce and the closing of certain corporate operations, according to its public statement.

The strategy to be implemented, which the company called the Way Forward Plan, includes the restructuring of its current digital operations and the switch to a more profitable and flexible e-commerce platform in an agreement with the software provider Salesforce, according to "Together, these actions are an important part of the Company's efforts to achieve its declared goal of returning to sustainable and profitable growth and investing in the future," said Ralph Lauren.

The new strategy includes exploring "new retail concepts," such as the Ralph's Coffee brand, and "developing new store formats," the company said. The company has suffered from a heavy dependence on department store business, namely including its deal with Macy, and insufficient online business. Other headaches included swollen inventory, frequent brands, too many businesses in too many outlet stores, and a new generation of customers who act, think, communicate and dress differently than previous generations of the brand, wrote Jane Singer, in February for a retail analysis The Robin Report.

The transformation of retail into commercial establishments, i.e. sales physically, is evolving very fast in developed countries as in the United States; Companies are formulating strategies to close their stores, thus creating uncertain scenarios for shopping malls, where hundreds of stores are set up for retail sale.

## **7.3. Malls**

Traditional retailers are in a critical situation of high risk and uncertainty, as stores close and e-commerce giants like Amazon.com Inc. are on the rise. Analyzing this scenario arise a series of questions What will happen with the malls? How will they survive? Or are they going to disappear? As a consequence of the sharp strategies of the commercial chains in closing the stores.

Bloomberg (2017) mentioned that earlier this year a REIT Symposium was held at New York University, which was attended by executives from different companies in the United States to address the issue of the retail or trade crisis retail and the uncertain scenario of shopping centers. In the symposium they said that the warnings of deaths should be discarded, at least for a category. Shopping malls are not going to go extinct, but are changing, sometimes by a healthy natural selection. It is common knowledge that store closures are painful, often depicting a Darwinian moment. In addition, they mentioned that shopping malls are not the same as open-air shopping centers and, more importantly, high-quality malls - or "A" class - are different from "B" and "C" . According to the consensus, high quality malls will perform better.

Mathrani, CEO of shopping center operator GGP Inc. commented, "If you have the best real estate, you will thrive," quality is what matters, and says that the ideal mall today includes a department store, a grocery store, an Apple store, A Tesla agency and a business that started online, such as Warby Parker stores. Kenneth Bernstein, CEO of Acadia Realty Trust, said "Food is the new fad, and physical fitness is the new food." They also concluded that shoppers are now not as willing to travel as far as they once were for a day at the mall, so location and convenience are also important. "Outdated shopping malls will continue to exist, provided they are in the right location."

## **8. Method**

In the present investigation the qualitative method based on the literary revision is used, starting from analyzes realized of companies in the United States, in order to explain and describe the phenomenon under study.

## **9. Conclusions and Recommendations**

After analyzing some strategies that are being carried out by large companies in the United States of America, it is considered that electronic commerce is a process for the commercialization of products and services at a global level, which was developed

thanks to the internet and constant technological progress. Therefore, it is an indispensable element or factor in the formulation of sales strategies in any company, which has significantly modified the retail in the commercial establishments, mainly reduces the need for personnel in the sales process.

These new technological elements are transforming the way companies sell and how consumers buy, therefore, it must also be kept in mind the positive or negative effects that are being presented, which are the result of our evolution. Therefore, it is indispensable to be prepared to act in accordance with the new economic structures.

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