# CONTENTS

## SECTION I  THE WORLD OF RETAILING

### CHAPTER 1  INTRODUCTION TO THE WORLD OF RETAILING  4

- What Is Retailing?  6
- The Retailer's Role in a Supply Chain  6
- Retailers Create Value  7
- Social and Economic Significance of Retailing  8
  - Social Responsibility  8
  - Retail Sales  9
- Retailing View 1.1: Socially Responsible Retailers  9
  - Employment  10
- Structure of Retailing and Distribution Channels around the World  10
  - Global Retailers  10
  - Differences in Distribution Channels  11
- Opportunities in Retailing  12
  - Management Opportunities  12
  - Entrepreneurial Opportunities  13

### CHAPTER 2  TYPES OF RETAILERS 28

- Retailer Characteristics  30
  - Type of Merchandise  30
- Retailing View 2.1: Rent Some Luxury  31
  - Variety and Assortment  32
  - Services Offered  33
  - Prices and the Cost of Offering Breadth and Depth of Merchandise and Services  33
- Food Retailers  35
  - Supermarkets  35
- Retailing View 2.2: ALDI: Provides Excellent Value in the United States  36
  - Supercenters  38
  - Warehouse Clubs  39
  - Convenience Stores  40
- General Merchandise Retailers  40
  - Department Stores  41
  - Full-Line Discount Stores  42
  - Specialty Stores  42
  - Drugstores  44
- Retailing View 2.3: Specializing in Everything Video Games ... Buy, Play, Sell  44
  - Category Specialists  45
  - Extreme-Value Retailers  46
  - Off-Price Retailers  46
- Services Retailing  48
  - Differences between Services and Merchandise Retailers  50
- Types of Ownership  51
  - Independent, Single-Store Establishments  51
  - Corporate Retail Chains  52
  - Franchising  52
- Retailing View 2.4: Tart Frozen Yogurt—the Sweet Franchise  52
- Summary  53
- Key Terms  54
- Get Out and Do It!  54
- Discussion Questions and Problems  55
- Suggested Readings  55
- Appendix IA: Careers in Retailing  25

### CHAPTER 3  MULTICHANNEL RETAILING 56

- Retail Channels  58
  - Internet Channel  58
  - Catalog Channel  58
  - Direct Selling  59
- Retailing View 3.1: Direct Selling in China  59
  - Television Home Shopping  60
  - Automated Retailing  60
- Retailing View 3.2: Bass Pro Shops Makes Shopping Fun  62
  - Catalog Channel  63
  - Internet Channel  63
- Benefits Offered by the Retail Channels  61
  - Store Channel  61
- Summary  53
- Key Terms  54
- Get Out and Do It!  54
- Discussion Questions and Problems  55
- Suggested Readings  55
CHAPTER 4 CUSTOMER BUYING BEHAVIOR 78

The Buying Process 79
- Need Recognition 81
- Information Search 83

Retailing View 4.1: The Internet Has Changed the Car-Buying Process 84
- Evaluation of Alternatives: The Multiattribute Model 86

Retailing View 4.2: Do It Herself at Lowe’s 89
- Purchasing the Merchandise or Service 90
- Postpurchase Evaluation 91

Retailing View 4.3: Using Digital Displays to Stimulate Unplanned Purchases 93

Types of Buying Decisions 91
- Extended Problem Solving 91
- Limited Problem Solving 92
- Habitual Decision Making 92

Retailing View 4.4: Retailing to Tweens 95

Social Factors Influencing the Buying Process 94
- Family 94
- Reference Groups 94

Retailing View 4.5: Retailing to Tweens 96

Market Segmentation 96
- Criteria for Evaluating Market Segments 97
- Approaches for Segmenting Markets 98
- Composite Segmentation Approaches 102

Summary 103

Key Terms 103

Get Out and Do It! 103

Discussion Questions and Problems 104

Suggested Readings 105

Appendix 4A: Customer Buying Behavior and Fashion 105

SECTION II RETAILING STRATEGY

CHAPTER 5 RETAIL MARKET STRATEGY 110

What Is a Retail Strategy? 112
- Definition of Retail Market Strategy 112

Target Market and Retail Format 113

Building a Sustainable Competitive Advantage 114
- Relationships with Customers—Customer Loyalty 115

Retailing View 5.1: The IKEA Way 118
- Relationships with Suppliers 119
- Efficiency of Internal Operations 120
- Location 121
- Multiple Sources of Advantage 121

Growth Strategies 122
- Market Penetration 122

Retailing View 5.2: The Container Store—Building a Competitive Advantage by Selling Products That Make Life Simpler 122
- Market Expansion 123
- Retail Format Development 123
- Diversification 124
- Growth Opportunities and Competitive Advantage 124

Global Growth Opportunities 125
- Attractiveness of International Markets 125

Retailing View 5.3: The Fashion Mavens Are Men in India 125
- Keys to Success 128
- Entry Strategies 130
### Chapter 6: Financial Strategy

#### Objectives and Goals
- Financial Objectives
- Societal Objectives

#### Strategic Profit Model
- Profit Margin Management Path

#### Retailing View 6.1: Teeing Up Kids

#### Retailing View 6.2: Family Dollar and Nordstrom—Retailers Targeting Customers at the Opposite Ends of the Income Distribution

#### Analysis of Financial Strength
- Cash-Flow Analysis
- Debt-Equity Ratio

#### Retailing View 6.4: Private Equity Firms Invest in Retailers

#### Setting and Measuring Performance Objectives
- Top-Down versus Bottom-Up Process
- Who Is Accountable for Performance?
- Performance Objectives and Measures
- Types of Measures
- Assessing Performance: The Role of Benchmarks

#### Financial Objectives

#### Societal Objectives

#### Retailing View 6.3: Cutting Costs at Costco

#### Retailing View 6.5: Private Equity Firms Invest in Retailers

#### Setting and Measuring Performance Objectives
- Top-Down versus Bottom-Up Process
- Who Is Accountable for Performance?
- Performance Objectives and Measures
- Types of Measures
- Assessing Performance: The Role of Benchmarks

#### Current Ratio

#### Quick Ratio

#### Retailing View 6.4: Private Equity Firms Invest in Retailers

#### Setting and Measuring Performance Objectives
- Top-Down versus Bottom-Up Process
- Who Is Accountable for Performance?
- Performance Objectives and Measures
- Types of Measures
- Assessing Performance: The Role of Benchmarks

#### Summary

#### Key Terms

#### Get Out and Do It!

#### Discussion Questions and Problems

#### Suggested Readings

### Chapter 7: Retail Locations

#### Types of Locations
- Unplanned Retail Locations
  - Freestanding Sites
  - City or Town Locations
- Retailing View 7.1: Gentrified Cleveland
- Retailing View 7.2: Magic Johnson Brings Retailing to the Inner City
- Shopping Centers
  - Neighborhood and Community Shopping Centers
  - Power Centers
  - Shopping Malls
- Retailing View 7.3: Mega Malls in Asia
  - Lifestyle Centers
  - Mixed-Use Developments
  - Outlet Centers
  - Theme/Festival Centers
  - Larger, Multiformat Developments—Omnicenters

#### Other Location Opportunities
- Retailing View 7.4: Subway Goes to Church
  - Pop-Up Stores and Other Temporary Locations
  - Store within a Store

#### Merchandise Kiosks

#### Airports

#### Location and Retail Strategy
- Shopping Behavior of Consumers in Retailer’s Target Market
- Retailing View 7.5: Beall’s Locations Support Its Strategy

#### Legal Considerations
- Environmental and Sustainability Issues
- Zoning and Building Codes

#### Summary

#### Key Terms

#### Get Out and Do It!

#### Discussion Questions and Problems

#### Suggested Readings
CHAPTER 8  RETAIL SITE LOCATION  188

Evaluating Specific Areas for Locations  190
   Economic Conditions  190
   Competition  191
   Strategic Fit  191
Retailing View 8.1: Who Needs a Kitchen When You Have Whole Foods or Trader Joe's Downstairs?  192
   Operating Costs  193
Number of Stores in an Area  193
   Economies of Scale from Multiple Stores  193
   Cannibalization  193
Evaluating a Site for Locating a Retail Store  194
   Site Characteristics  194
   Traffic Flow and Accessibility  194
   Location Characteristics  196
Retailing View 8.2: The Importance of a Right Turn  196
   Restrictions and Costs  197
   Locations within a Shopping Center  197
Trade Area Characteristics  199
   Trade Area Definition  199
   Factors Affecting the Size of the Trade Area  200
   Measuring the Trade Area for a Retail Site  201
   Sources of Information about the Trade Area  202
Retailing View 8.3: Customer Spotting for Multichannel Retailers  202
   Competition in the Trade Area  207
Estimating Potential Sales for a Store Site  207
   Huff Gravity Model  207
   Regression Analysis  209
   Analog Approach  210
Illustration of Site Selection: Edward Beiner Optical  210
   Conduct Competitive Analysis  211
   Define Present Trade Area  211
   Identify Trade Area Characteristics  212
   Match Characteristics of Present Trade Area with Potential Sites  212
Negotiating a Lease  213
   Types of Leases  213
   Terms of the Lease  214
Summary  215
Key Terms  215
Get Out and Do It!  216
Discussion Questions and Problems  216
Suggested Readings  217

CHAPTER 9  HUMAN RESOURCE MANAGEMENT  218

Objectives of Human Resource Management  220
Retailing View 9.1: Men's Wearhouse: Using Human Resources to Build a Competitive Advantage  221
Issues in Retail Human Resource Management  222
   Balancing the Human Resource Triad  222
   Expense Control  222
   Part-Time Employees  223
   Utilizing Diverse Employee Groups  223
   International Human Resource Issues  223
Designing the Organization Structure for a Retail Firm  224
   Organization of a Single-Store Retailer  224
   Organization of a National Retail Chain  226
Retail Organization Design Issues  228
   Centralization versus Decentralization  229
Retailing View 9.2: My Macy's: Centralize Expenses and Decentralize Merchandising Decisions  229
   Coordinating Merchandise and Store Management  230
Winning the Employee Talent War  231
   Attracting Talent: Employment Marketing  231
   Developing Talent: Selection and Training  232
Retailing View 9.3: Careful Employee Selection = Low Employee Turnover at The Container Store  233
   Motivating Talent: Aligning Goals  234
Retailing View 9.4: Peet's Knows Its Tea  234
   Keeping Talent: Building Employee Commitment  237
Retailing View 9.5: Walmart Cares about Its Employees  237
Managing Diversity  239
   Diversity Training  240
   Support Groups and Mentoring  240
   Career Development and Promotions  240
Legal Issues in Human Resource Management  241
   Equal Employment Opportunity  241
   Compensation  241
   Labor Relations  242
   Employee Safety and Health  242
   Sexual Harassment  242
   Employee Privacy  242
   Developing Policies  242
Summary  243
Key Terms  243
Get Out and Do It!  244
Discussion Questions and Problems  245
Suggested Readings  245
CHAPTER 10 INFORMATION SYSTEMS AND SUPPLY CHAIN MANAGEMENT

Creating Strategic Advantage through Supply Management and Information Systems
- Strategic Advantage
- Improved Product Availability
- Higher Return on Assets

The Flow of Information and Products in a Supply Chain

Retailing View 10.1: Zara Delivers Fast Fashion

Information Flows
- The Physical Flow of Merchandise—Logistics

The Distribution Center
- Management of Inbound Transportation
- Receiving and Checking
- Storing and Cross-Docking
- Getting Merchandise Floor-Ready
- Preparing to Ship Merchandise to a Store
- Management of Outbound Transportation

System Design Issues
- Outsourcing Logistics

Retailing View 10.2: How Netflix Makes Sure You Enjoy Your Movie
- Pull and Push Supply Chains
- Distribution Centers versus Direct Store Delivery
- Reverse Logistics

Retailing View 10.3: Quick Response and Efficient Consumer Response
- Using EDI

Retailing View 10.4: West Marine Uses CPFR to Build a Competitive Advantage
- Types of RFID Tags
- Benefits of RFID

Retailing View 10.5: RFID at American Apparel

Summary
- Key Terms
- Get Out and Do It!
- Discussion Questions and Problems
- Suggested Readings

CHAPTER 11 CUSTOMER RELATIONSHIP MANAGEMENT

The CRM Process
- What Is Loyalty?
- Overview of the CRM Process

Collecting Customer Data

Retailing View 11.1: Harrah's Hits the Jackpot with CRM
- Customer Database
- Identifying Information
- Privacy and CRM Programs

Analyzing Customer Data and Identifying Target Customers
- Retail Analytics
- Identifying the Best Customers

Retailing View 11.2: Tesco Uses Data from Its Frequent-Shopper Program

Retailing View 11.3: CRM at CVS Caremark, Inc.

Developing CRM Programs
- Customer Retention

Retailing View 11.4: CRM at Neiman Marcus

Retailing View 11.5: REI's Retail Community Provides Value and Builds Customer Loyalty
- Converting Good Customers into Best Customers
- Dealing with Unprofitable Customers

Implementing CRM Programs

Summary
- Key Terms
- Get Out and Do It!
- Discussion Questions and Problems
- Suggested Readings

SECTION III MERCHANDISE MANAGEMENT

CHAPTER 12 MANAGING THE MERCHANDISE PLANNING PROCESS

Merchandise Management Overview
- The Buying Organization
- Merchandise Category—The Planning Unit
- Evaluating Merchandise Management Performance
- Managing Inventory Turnover
- Merchandise Management Process

Retailing View 12.1: Fast Fashion at Mango

Forecasting Sales
- Forecasting Staple Merchandise
- Forecasting Fashion Merchandise Categories

Retailing View 12.2: Weather's Effect on Retail Sales
- Sales Forecasting for Service Retailers
Developing an Assortment Plan 314
Category Variety and Assortment 314
Determining Variety and Assortment 315

Setting Inventory and Product Availability Levels 316
Model Stock Plan 316
Product Availability 317

Establishing a Control System for Managing Inventory 318
Control System for Managing Inventory of Staple Merchandise 318
Control System for Managing Inventory of Fashion Merchandise 321
Open-to-Buy System 322

Allocating Merchandise to Stores 323
Amount of Merchandise Allocated 323
Type of Merchandise Allocated 323

Retailing View 12.3: Customer-Centric Merchandise Allocation at Saks Fifth Avenue 324
Retailing View 12.4: Home Depot Takes Vendor Evaluations Seriously 328

Setting Inventory and Product Availability Levels 316

Summary 329
Key Terms 329
Get Out and Do It! 330
Discussion Questions and Problems 331
Suggested Readings 331

Appendix 12A: Merchandise Budget Report and Open-to-Buy System for a Fashion Merchandise Category 332
Appendix 12B: Retail Inventory Method 337

CHAPTER 13 BUYING MERCHANDISE 340

Brand Alternatives 342
National Brands 342
Private-Label Brands 343
Retailing View 13.1: U.K.'s Asda Loves Private-Label Brands 343
Retailing View 13.2: Only at Kohl's 347
Buying National-Brand Merchandise 348
Meeting National-Brand Vendors 348
National-Brand Buying Process 348
Developing and Sourcing Private-Label Merchandise 349
Developing Private-Label Merchandise 349
Retailing View 13.3: Datang, China, Is Sock City 350
Sourcing Merchandise 351
Retailing View 13.4: It Isn't Easy to Sell to Walmart 352
Negotiating with Vendors 353
Knowledge Is Power 353
Negotiation Issues 354
Tips for Effective Negotiating 356

Retailing View 13.5: Where Did T.J.Maxx Get Its Coach Handbags? 364
Corporate Social Responsibility 365

Summary 367
Key Terms 367
Get Out and Do It! 367
Discussion Questions and Problems 368
Suggested Readings 369

CHAPTER 14 RETAIL PRICING 370

Pricing Strategies 372
High/Low Pricing 372
Everyday Low Pricing 372
Advantages of the Pricing Strategies 373
Considerations in Setting Retail Prices 373
Customer Price Sensitivity and Cost 373
Competition 376
Retailing View 14.1: U.K. Grocery Chains Battle It Out 376
Pricing Services 377
Setting Retail Prices 378
Setting Prices Based on Costs 379
Pricing Optimization Software 380

Retailing View 14.2: Hey, Wanna Buy a Ticket? 386
Retailing View 14.3: Haggling for a Better Price 387
Retailing View 14.4: Men Are Winning the Battle against Gender-Based Pricing 389
Leader Pricing 390
Price Lining 391

Profit Impact of Setting a Retail Price: The Use of Break-Even Analysis 381
Markups 382
Reasons for Taking Markups 382
Pricing Techniques for Increasing Sales and Profits 385
Variable Pricing and Price Discrimination 385

Corporate Social Responsibility 365

Summary 367
Key Terms 367
Get Out and Do It! 367
Discussion Questions and Problems 368
Suggested Readings 369
Odd Pricing 391
Using the Internet to Make Pricing Decisions 393
Legal and Ethical Pricing Issues 393
Predatory Pricing 393
Resale Price Maintenance 394
Horizontal Price Fixing 394
Bait-and-Switch Tactics 394
Scanned versus Posted Prices 394
Deceptive Reference Prices 395
Summary 395
Key Terms 395
Get Out and Do It! 396
Discussion Questions and Problems 397
Suggested Readings 397

CHAPTER 15 RETAIL COMMUNICATION MIX 398

Using Communication Programs to Develop Brand Images and Build Customer Loyalty 400
Value of Brand Image 400
Retailing View 15.1: “Even If You Can’t Afford It, You Respect It”: J. Crew’s Reputation for Quality 401
Building Brand Equity 402
Retailing View 15.2: L.L. Bean Celebrates the Outdoors 404
Extending the Brand Name 405
Methods of Communicating with Customers 406
Direct Marketing 407
Online Marketing 408
Retailing View 15.3: YouTube and HSN 410
Sales Promotions 411
Retailing View 15.4: Pop-Ups Go Virtual 414
Personal Selling 415
Advertising 415
Public Relations 417

Retailing View 15.5: Neiman Marcus Fantasy Gifts 418
Planning the Retail Communication Program 420
Establish Objectives 420
Determine the Communication Budget 421
Allocate the Promotional Budget 425
Plan, Implement, and Evaluate Communication Programs—Two Illustrations 425
Sales Promotion Opportunity 426
Summary 427
Key Terms 428
Get Out and Do It! 428
Discussion Questions and Problems 429
Suggested Readings 429

SECTION IV STORE MANAGEMENT

CHAPTER 16 MANAGING THE STORE 432

Store Management Responsibilities 434
Recruiting and Selecting Store Employees 435
Job Analysis 435
Job Description 436
Locating Prospective Employees 436
Screening Applicants to Interview 436
Selecting Applicants 438
Legal Considerations in Selecting and Hiring Store Employees 439
Orientation and Training Programs for New Store Employees 440
Orientation Programs 440
Retailing View 16.1: Transition from Student to Management Trainee 440
Training Store Employees 441
Motivating and Managing Store Employees 443
Leadership 443
Motivating Employees 444
Setting Goals or Quotas 445
Retailing View 16.2: Should Managers Make Them Do It? 445
Maintaining Morale 446
Sexual Harassment 446
Retailing View 16.3: Motivating Different Generational Cohorts 447
Evaluating Store Employees and Providing Feedback 448
Who Should Do the Evaluation? 448
How Often Should Evaluations Be Made? 449
Format for Evaluations 449
Evaluation Errors 450
Compensating and Rewarding Store Employees 451
Extrinsic Rewards 451
Intrinsic Rewards 451
Compensation Programs 452
Legal Issues in Compensation 455
Controlling Costs 455
Labor Scheduling 455
Retailing View 16.4: Increasing Operating Efficiency 456
Green and Energy-Efficient Stores 457
Store Maintenance 457