



RETAIL MANAGEMENT

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RETAIL MANAGEMENT

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SF62AA
PUBLISHED BY

SOUTH-WESTERN PUBLISHING CO.
CINCINNATI, OH WEST CHICAGO, IL DALLAS, TX LIVERMORE, CA

Library of Congress Cataloging in Publication Data

Lusch, Robert F.

Retail management / Robert F. Lusch, Patrick Dunne, Myron Gable.

p. cm.

Includes bibliographical references.

ISBN 0-538-80294-4

1. Retail trade—Management. I. Dunne, Patrick M. II. Gable,
Myron III. Title.

HF5429.L785 1990

658.8'7—dc20

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Cincinnati, Ohio

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1 2 3 4 5 6 7 D 4 3 2 1 0 9

Printed in the United States of America

Cover Photo: Sears, Perisur Mall, Mexico City
Courtesy of Retail Planning Associates,
645 South Grant Avenue, Columbus, OH 43206

*To our fathers
for their early instruction in retailing.*

*Robert F. Lusch
Patrick M. Dunne*

Preface

This book on retail management was written because we believe that the current offering of retail textbooks can be improved. We believe that most retail texts are too descriptive and do not focus on explaining retail phenomena. Retailing is not a simple process; thus simple description will not suffice at creating the understanding necessary to prepare students for careers in retail management. The understanding we attempt to develop is based on the premise that the sophisticated retail manager must apply both creative and analytical problem-solving skills. In addition, we believe that a solid understanding of the financial and performance dimensions of retail organizations is critical to success.

Retailing is a complex subject and, we believe, one of the most fascinating areas of study in marketing. Retailing combines not only marketing principles and concepts, but also concepts and theories from accounting, finance, economics, and management. In brief, the effective retail manager must be able to integrate all business disciplines in order to operate a successful retail organization.

This book begins in Part I to acquaint the student of retailing with the field of retail management by presenting a discussion of retail planning and management. Emphasis is placed on the need for good strategic planning as well as good operations and administrative management. In Part II of the text we examine the environmental factors that have an influence on the strategic planning process. Special attention is given to marketing channels, retail customers, competition in retailing, and the legal environment of retailing. Part III is a look at location analysis. Treatment is given to the proper market area in which to locate and then to the selection of the best store site in that market area. The location decision is the most long-term of the retail decisions. Management of retail operations is discussed in Part IV. Special attention is given to merchandising, pricing, promotion, store design and atmosphere, and customer service. It is not until Part V that retail planning, administration, and control are discussed in detail. Clearly, strategic development should come early in the retail management process; nonetheless we cover it late in the book be-

cause we believe the student must first develop a good understanding of operations management and the retail environments. We conclude the book with a chapter on the future of retailing in 2001. This chapter should help to prepare the student for the rapidly changing decade of the 1990s.

We believe that the ability to understand sophisticated retail concepts and theories requires an exploration of these concepts and theories through case study. Consequently this book incorporates 31 case studies. These case studies cover many retail lines of trade including department stores, hardware stores, furniture stores, drugstores, apparel stores, and many others. By being able to apply retail concepts and theories in these cases and by exploring them in classroom discussion, the student will be better able to grasp the complexity of retailing.

This book is "student-friendly." It is written with the student always in mind. The writing style is lively and clear. The graphics, design, photos, and plentiful examples are intended to capture the interest of the student. Each chapter includes at least two retailing-in-action vignettes that illustrate how retail enterprises are applying retail concepts and theories. In a sense these are mini-case studies for the student and serve to enhance student understanding of complex material. The end-of-chapter discussion questions, chapter summaries, case studies, and glossary were all developed and prepared with the student in mind. Happy reading!

Part I Photo: West Edmonton Mall

Part III Photo: Lukens Steel Company

Acknowledgments

The completion of any text is never the work of only the author or authors. In our case many outstanding individuals played an important role in shaping the final product.

First and foremost, we want to express our deepest appreciation to Dr. Myron (Mike) Gable of Shippensburg University. A past president of the American Collegiate Retailing Association, Mike not only served as our consulting editor, but also took over the arduous task of case editor.

We were also fortunate in having the expertise of three outstanding reviewers for our final draft: Dr. Charles Ingene, University of Washington; Dr. Frederick Langrehr, University of Nebraska at Omaha; and Dr. Antigone Kotsiopulos, Colorado State. Through their contributions, *Retail Management* not only resembles the real world of retailing, but also is student-oriented.

We also would like to acknowledge and thank the following professors who have reviewed, criticized, and made suggestions on earlier drafts and outlines of this text:

Dale Achabal, University of Santa Clara
Edward Blair, University of Houston-University Park
Terri Coons, University of Southern California
Jack Gifford, Miami University
Donald Granbois, Indiana University
Shelley Harp, Texas Tech University
Bruce Kellam, Eastern Washington University
George Lucas, Memphis State University
Louise Luchsinger, Texas Tech University
Donald McBane, Texas Tech University
Lewis Neisner, SUNY College at Buffalo
Charles Patton, Pan American University
Michael Pearson, Bowling Green State University
Rodger Singley, Illinois State University
Shirley Stretch, California State University—Los Angeles

Scott Vitell, University of Mississippi
Terrell Williams, Utah State University
Julian Yudelson, Rochester Institute of Technology

Several retailers and other organizations have provided us with valuable information for this text. We are particularly indebted to the Distribution Research Program at the University of Oklahoma, especially Dr. Bert C. McCammon, Jr.; Julie Davis of Seville Industries; Roy Chapman of J.C. Penney Co.; Randall Gebhardt of Retail Planning Associates, Inc.; Melissa Stenicka, H.E.B. Grocery Company; Mark Blankenship of Meier and Frank Department Stores; James Penny of J.W. Robinson Department Stores, and the staff at the National Retail Merchants Association (NRMA).

Not to be overlooked is the contribution of our wives—Virginia Lusch and Judith Dunne—who have contributed in so many ways to the completion of this book, especially Judy for typing the entire manuscript. Their enthusiasm and support helped to make the long hours involved in writing this text a more pleasant experience.

We are also indebted to the following people at South-Western Publishing Co.: Linda Sullivan, our Acquisitions Editor, who gave us the early encouragement to do this text the way we wanted; Sue Ellen Brown, our Production Associate Editor, who saw to it that production problems were minimal; and Jim Sitlington, our Publisher, who facilitated our endeavor whenever possible.

Finally, while many others have also provided invaluable contributions to this text, we authors take sole responsibility for any errors that may appear in the book.

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Patrick M. Dunne
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Part
Introduction to
Retailing

1 Chapter

Perspectives on Retailing

OVERVIEW

The purpose of this chapter is to acquaint you with the nature and scope of retailing. It will look at retailing as a major economic force and as a significant area for career opportunities. Finally, it will introduce the approach to be used throughout the text to study and learn about the management of retail enterprises.

CHAPTER 1 Perspectives on Retailing

- I. What Is Retailing?
- II. The Nature of Changes in Retailing
- III. The Magnitude of Retailing
 - A. Exec 100: Retailing's Top Achievers
 - B. Entry Barriers
- IV. Retailing from Two Perspectives
- V. A Retail Career
 - A. Common Beliefs
 - 1. College Education
 - 2. Salary
 - 3. Career Progression
 - 4. Geographic Mobility

- 5. Women in Retailing
- 6. Societal Perspective
- B. Prerequisites for Success
 - 1. Analytical Skills
 - 2. Creativity
 - 3. Decisiveness
 - 4. Flexibility
 - 5. Initiative
 - 6. Leadership
 - 7. Organization
 - 8. Risk Taking
 - 9. Stress Tolerance
- VI. Two Methods of Retail Management
 - A. Analytical Method
 - B. Creative Method
 - C. Two-Pronged Approach
- VII. A Proposed Orientation
- VIII. The Book Outline
 - A. Introduction to Retailing
 - B. The Retailing Environment
 - C. Location Analysis
 - D. Managing Retail Operations
 - E. Retail Planning, Administration and Control
 - F. Future of Retailing
- IX. Summary

Have you thought about the impact of retailing on a country's economic growth? On your way home from class today look around you. It is likely that you will see many fast food restaurants (such as Wendy's or Pizza Hut), convenience stores (such as 7-Eleven or Circle K), or a neighborhood shopping center with a grocery store (such as Food Giant or Safeway). You might even pass a regional shopping mall with several large department stores, hundreds of specialty stores, and approximately one million square feet of retail selling space.

Retailing is all around us and has contributed to the economic prosperity that we enjoy so much. Throughout history the nations that have enjoyed the greatest progress have been those with strong economic and retail sectors. Because strong retail performance is such an important factor in economic growth, this text will focus on how to manage and plan retail enterprises to achieve high levels of performance. To do this, we will be using a micro, rather than a macro, approach. We will concentrate on how individuals in retail enterprises manage and plan, rather than how the retail sector of the economy, in aggregate, should be structured, managed, or planned through government policies.¹

Although progressive societies have always had strong retail sectors, the retail trades have not always been admired. Often, persons employed