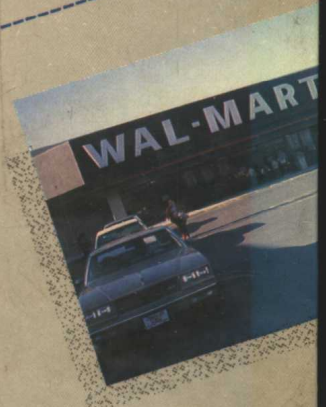
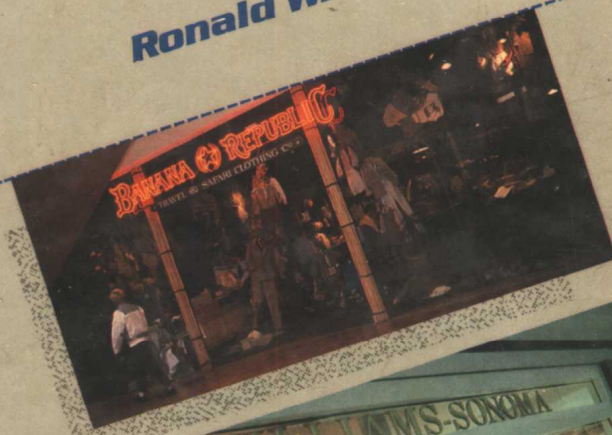
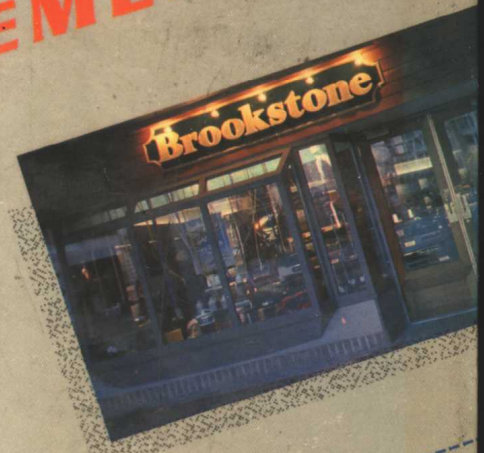


RETAILING MANAGEMENT 61E

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RETAILING MANAGEMENT

SIXTH EDITION

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PREFACE

This sixth edition is a revision of a widely used text and reference book. In its fifth edition the text was so substantially changed from previous editions that many considered it an essentially new work. This revision incorporates changes that have occurred and new knowledge that has become available since the publication of the fifth edition. These changes have been and continue to be very evident in the various environments of retailing, including the economy, consumer markets, competitive structure, resource markets, human resources, communications, and technology. This book is also a response to the increasing concern about strategic planning and productivity by retail management.

As explained later, changes in this edition are the most evident in the early chapters, which contain considerable new material. Retained almost intact are our materials on merchandising and store operations. We hope that users of earlier editions will be pleased to see the retention of the strong strategic and financial emphasis and also the continuation of in-depth treatment of merchandising in a series of chapters that constitute a major part of the book.

We have refrained from making changes for the sake of change, but the careful reader will find throughout updated data in examples, clarifications of our statements, and (in a few instances) corrections of small errors brought to our attention by our academic colleagues. In this preface, we not only give details of these changes but also restate from the fifth edition preface our perception of the basic character of this book and its distinctive features.

FOCUS AND SCOPE

The book's focus is on professional management in large multiunit retailing companies, which comprise the largest field of retail career opportunities for people with professional education in business. In early parts of the book, we are concerned with the strategic management of the total company. Strategic management is visualized as a continuing challenge of profitable market share management in a set of external environments of finite opportunity. We teach strategy as the planned use of company resources in a manner that is responsive to consumer and competitive environmental opportunity but that must also produce the right numbers in the

strategic profit model. Throughout, marketing strategy is integrated with consideration of financial strategy.

In later parts of the book, we address all levels of management responsibility (strategic, administrative, and operating) within the two largest functional divisions of retail organizations, namely the merchandising and the store operations divisions. These two functional areas comprise some 75 to 80 percent of the employment and career opportunities in large companies; they are the most unique areas of management in retailing; and they are the most critical with respect to revenue production, management of assets, and productive use of resource funds expended in operations. Attention is given to other functions (finance, facility planning, real estate, research, personnel, advertising, and so on), but primarily as they relate to merchandising and store operations.

The scope of the book includes the retailing of physical products as well as consumer services—especially services for which buying decisions are made on an individual consumer or household basis and which are or can be offered in a retailing mode of operation.

INTENDED USE

We have positioned this book as a basic text for intermediate or advanced university courses in retailing or channels of distribution management. However, we believe the book can also be used effectively in lower-level (first or second year) courses in community or junior colleges where ambitious students may be in pursuit of high achievement.

We have tried to write this text in such a way that it will build on and enrich the knowledge acquired in previous work in economics, marketing, accounting, and finance. Such previous work is not a prerequisite to an understanding of the material, however. When technical considerations or quantitative relationships are introduced, we have attempted to make them comprehensible to the unsophisticated reader by the use of diagrams or models. Photographs and charts are used to illustrate situations likely to be beyond the experience of some students.

This book is also intended to be useful in management education programs in retailing companies and as material for self-study or reference by those already in, or interested in, retailing management careers.

CHANGES FROM THE PREVIOUS EDITION

The most conspicuous changes from the fifth edition are in the early chapters in which we have substantially increased factual, conceptual, and testable content. Specifically, we have done the following.

- Detailed, in a highly factual manner, the retailing revolution which began some fifteen years ago (Chapter 1).
- Moved the career-oriented material of Chapter 2 to Appendix A and replaced it with a unique new chapter emphasizing conceptual and theoretical foundations for retailing management.
- Provided intensified coverage of market segmentation, retail markets, and consumer market segments in Chapter 3.
- Expanded and separated our treatment of the spatial environment into what are now Chapters 7 and 8.

We retain the following features, which were new to our fifth edition, and make them more prominent in this book.

- Emphasis on specialty stores and various forms of mass merchandising and low-margin retailing.
- Attention to the growing interest of advanced students in career opportunity evaluation.
- Placing all library references in a sizable bibliography at the end of the book, in lieu of chapter footnotes.
- An appendix containing comprehensive departmental merchandising and operating information, a feature of the third edition missed by some users of the fourth.
- Creative teaser questions to open each chapter, to arouse interest before study, as a replacement for review questions at the end of chapters.
- A summary of marketing and financial strategic implications at the end of appropriate chapters (Chapters 6 to 18).

CASES

This edition contains a separate section of potential supplementary assignments. For convenience, these are all referred to as *cases*, although they consist of several types of materials.

- Comprehensive case studies, sometimes in a series based on one company.
- Short vignettes or incidents that can be discussed in class after a few moments of reading.
- Problems calling for an arithmetic solution.
- Reading assignments based on internal company publications or speeches by prominent retail executives.

All these cases are based on actual company experiences or some real-situation composites. All are concerned with real situations and issues that are related to parts of the text or individual chapters. Some of the cases are entirely new, whereas others are updated revisions of old favorites. Some are taken from cases used in the executive development programs and conferences of Management Horizons, Inc., A Division of Price Waterhouse.

Fictitious names are used in the titles and within the content of most of the cases. Actual names are used with company permission in some of the cases based on well-known, easily identified public corporations.

We have attempted to offer a wide selection of supplementary materials so that the teacher can vary assignments from one year to another or have material for a second course on the same subject. We hope that this wide selection will also minimize the student's dependence on other sources of materials.

CREDITS

Many of our friends and associates have contributed to this book. We have benefited greatly from advice offered by Professors Kenneth R. Evans, Arizona State University; Dale Achabal, University of Santa Clara; Julien Yudelson, Rochester Institute of Technology, and Len Berry, Texas A&M University. We are similarly indebted to many other users and friendly critics of our earlier publications for sharing their experiences and preferences with us.

We are very grateful for the cooperation of and permission granted by Management Horizons, Inc., A Division of Price Waterhouse, for use of materials from its publications, data bases, and library resources. All photographs, except those otherwise credited, are from the Management Horizons Audio Visual Center. We acknowledge especially the assistance or prior contributions of the following Management Horizons associates: Dr. Cyrus C. Wilson, James E. Samples, Thomas M. Murnane, Thomas I. Rubel, Linda Hyde, Jon Leffler, Rebecca Morris, Yvonne Speece, Dr. Peter Doherty, Ruth Spade, Teresa Williams, Kassie Steegman, Donna Porter, Mandy Putman, and Ginger Colley. We are also grateful for the assistance of Steve Udell and Marlene Stum, graduate students at the University of Wisconsin.

We acknowledge the influence of our coauthor of earlier editions, Dr. Alton F. Doody. Some of his previous contributions are retained in this revision.

We hope that this book meets the expectations of those who read, study, and teach it. We look forward to learning about the experiences of those who use it.

William R. Davidson
Daniel J. Sweeney
Ronald W. Stampfl

January 1987

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Part 1

FOUNDATIONS FOR RETAILING MANAGEMENT: UNDERSTANDING THE EXTERNAL ENVIRONMENT

This is a book about professional management in retailing—what it is, how it is done, how it can be improved, what it is like now, what it will be like in the future.

The book focuses on professional management in large multiunit retailing companies. These offer the most career opportunities for people with professional education in business. When examples are used, they tend to be of well-known companies with which most readers can identify; however, examples are intended to be representative also of less well-known companies with which most readers can identify.

The subject matter is concerned with total company strategic management and with all levels of management responsibilities within the two largest functional divisions of retail organizations, namely, the merchandising and the store operations divisions. These two divisions comprise 75 to 80 percent of employment and of management positions in large companies. Each is, moreover, a unique area of management in retailing.

Attention is also given to other functions (finance, store planning, real estate, research, personnel, advertising, etc.), but primarily as they support merchandising and store operations.

The total content encompasses the functions essential to the retail marketing of consumer products. However, much of the content is also applicable to the marketing of services, especially those services for which buying decisions are made on an individual basis by consumers or households and that are, or can be, offered in a retailing mode as a part of the total product offer of a diversified company or as the main offer of a specialized service establishment.

The book is divided into six parts. We start by laying a careful factual and conceptual foundation for the study of retailing management by helping the reader grasp the external environment of retailing. We finish with our views about the future of retailing management. In between, the typical reader should learn a lot about what the authors have taken a very long time to learn.