

RETAIL MANAGEMENT

RON HASTY JAMES REARDON



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ABOUT THE AUTHORS

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This book is dedicated to our wives for their support,
encouragement, and constant love.

Thank you Sharlott and Tricia.



This book is for students in Principles of Retailing, Retail Management, and Fashion Merchandising classes in two- and four-year colleges, universities, and technical institutes. We believe you are enrolled in a class that has the potential to be one of the most interesting and stimulating in your educational career. Retailing is a world of change featuring goods, services, and entertainment that make our lives more comfortable and enjoyable. You may be interested in a career in the exciting and dynamic world of retailing with its tremendous opportunities for well-paid positions. Business majors may be interested in understanding how consumer markets and retailing are the driving forces in business development and expansion. Nonbusiness majors can become better consumers by understanding the retail environment and the role of retailing in the economy. Whatever your objective, we believe this textbook is an important resource to refer to as a student and throughout your career.

We wrote the book because the world of retailing has changed so much in recent years that a fresh new approach was needed. The changes have been driven by several forces in the retailing environment. The first of these is the explosion in information technology, which has changed the way retailing is practiced. Your text integrates coverage of information technologies such as electronic data interchange, quick response, electronic mail, geographic information systems, computer-aided design, and the use of the Internet. In addition a unique technology-based chapter on the *virtual store and database retailing* opens a whole new world of nonstore merchandising. Technology has also been responsible for the globalization of retailing, the second major force of change.

This is not an international retailing book, but it recognizes that the *globalization of retailing* is as much a reality as the globalization of manufacturing or finance. Virtually every retailer is affected by *global sourcing*. Buyers search the world for quality goods at the lowest possible price, assisted by efficient global logistics and distribution providers who keep the cost of getting the goods to the store or distribution centers low. Many retailers face competition from foreign retailers who have entered North American markets in search of new opportunities. Dozens of the largest European and Asian retailers own operations in the United States. America is a nation of immigrants. In many urban markets there are growing ethnic neighborhoods where the *customers* have many of the attitudes, languages, and cultures similar to those

found in their home countries. Retailing in these markets requires the firm to have the same sensitivity to cultural differences as it would in entering a foreign market.

Your text recognizes that retailers are actively exploring *global opportunities* as domestic markets become more saturated. To compete in a global economy, retailers must build on skills, expertise, and knowledge of diverse attitudes, languages, and cultures, and form synergistic business partnerships with vendors and logistics providers around the world. Therefore, the text features an integrated coverage of the impact of globalization on retailing practice. Also, a comprehensive treatment of global concepts is included in Chapter 16, which also considers other significant factors including retailing as entertainment, retail theater, and the changing retail formats.

The third major force of change is the dramatic reduction in the number of retailers as a result of competition, technology, and globalization. In the United States, where we have seen a reduction of nearly 500,000 stores in just over a decade, not only are there fewer stores, but they are larger as well. This change requires more and better trained professional managers. The number of firms recruiting professionally educated young people to enter retailing is rapidly growing.

There are many other new concepts that are important to understanding today's retail environment. We have provided up-to-date coverage on strategic alliances, just-in-time delivery, supply chain management, total quality management, continuous quality improvement, relationship marketing, and partnering.

Many of you are working in stores while completing your education. We hope the book helps you do your job better by providing a more complete understanding of contemporary retailing practice. At the end of the class you will have mastered fundamental principles and be able to apply the more complex technical aspects of retailing, including market analysis and market research, merchandise budgeting, assortment planning, markups, markdowns, inventory control and evaluation, and analysis of financial statements. You will be able to implement the latest concepts in areas such as advertising, selling, buying, store design and layout, and display. And you will understand how changes in the legal environment—like the Americans with Disabilities Act and the Family Leave Act—impact retailing practice.

ORGANIZATION OF THE BOOK

The sixteen chapters of the book are based on a logical flow of concepts and skills as suggested and defined by a survey of numerous professors. It is designed to take you through the course much the way you would think of retailing if you were starting a store. The first part of the book provides an overview. Chapter 1 describes the world of retailing. Chapter 2 provides a comprehensive strategic and operational framework for the rest of the book as it examines how retailers seek to create a competitive advantage. Chapter

3 offers the framework for understanding the external competitive, social, economic, and legal environment. An examination of the ethical dilemmas retailers face completes the chapter. The second part of the book discusses the tools and concepts that help retailers understand markets. Chapter 4 offers approaches to understanding and identifying the customer, and Chapter 5 looks at how research can help us gain a better understanding of the customer and markets. Part 3 takes an in-depth look at the store itself. Chapter 6 is a comprehensive treatment of the critical area of store location and site evaluation. Chapter 7 covers store layout and design. Human resource management and store organization are the subject of Chapter 8. Chapter 9 examines in detail the important area of planning and managing financial resources. Chapters 10 and 11 in Part 4 discuss merchandise planning and the buying function. Chapter 12 covers pricing the merchandise and managing the pricing process. In Part 5 we explore the role of retail communications through advertising (Chapter 13) as well as sales promotion, personal selling, and publicity (Chapter 14). Part 6 begins with the exciting new areas of the virtual store and retail database marketing (Chapter 15). The book concludes with a more comprehensive treatment of retailing in a global environment, the changes associated with retailing as entertainment, and possible changes in retail formats (Chapter 16).

LEARNING FEATURES

Learning objectives, chapter summaries, and key terms. Each chapter begins with six to eight learning objectives that frame the content of the chapter in terms of outcomes. These will help guide your study of the chapter as will the chapter summaries and lists of key terms with page number references.

The presentation of the material. The design of the book was created to capture the colors and textures of contemporary retailing environments. Our students and colleagues who have read our manuscript praised the writing style, calling it “clear,” “engaging,” and “user-friendly.” We believe that this style will reinforce your learning and help you absorb and retain important chapter concepts. The book contains numerous relevant examples, which follow the presentation and explanation of principles and concepts. Students and faculty have noted that “the examples are up to date and valuable.”

Cases, situations, questions, and problems. Each chapter has a “wrap case” consisting of an opening and closing section. The opening section is based on an actual retail firm’s experience and current practice, bringing to life important concepts that are later addressed in the body of the chapter. Many of these stores—such as Gap, L. L. Bean, Nordstrom, and Wal-Mart—will be familiar to you. The closing section “revisits” the same retailer and examines issues that the firm will face in the future. Each chapter concludes

with questions, situations, and additional cases that will help you apply the material you've studied.

Photo essays. One of the unique features of your book is the photo essay program. The authors selected key concepts in every chapter, chose photo examples to match the concepts, and then wrote detailed photo captions that teach the concepts. The photos help make the concepts come alive and help you remember them.

Boxed material and figures. Throughout your text boxed material is used to highlight and expand on key concepts, including at least one retailing ethical dilemma per chapter. About 100 attractive full-color figures illustrate key chapter coverage.

An understandable approach to the quantitative elements of retailing. It has long been our experience that students occasionally have difficulty understanding quantitative concepts in retailing such as the retail method of inventory, merchandise budgets, inventory control and evaluation, ratio analysis, location models, and markup. To facilitate student comprehension, each quantitative concept is carefully explained, worked, and illustrated with an example.

A World Wide Web page for career information and updates. You can access our Web site at <http://www-LAN.UNT.EDU/HASTY> for current career information, ideas for resume preparation, and interviewing techniques. When you have news about your job search, interesting experiences at work, or just want to talk about retailing, E-mail us at Hasty@Cobaf.unt.edu or Reardon@utkuki.utk.edu.

INSTRUCTOR TEACHING FEATURES

A complete set of instructors' materials is available to adopters. The *Instructor's Manual* (IM) has discussion guidelines and suggested solutions for all the cases, situations, and problems. Chapter outlines are keyed to the boxed material, figures, and end-of-chapter material. There is also a "Projects and Activities" section for each chapter in the *Instructor's Manual* along with additional cases. A semester project, "Starting a Retail Store," is included in the IM. The project is keyed to the text so that the students are working on each section of the project as they go through the course. The project includes spreadsheet problems that can be worked with a calculator or with a spreadsheet program. This project and the spreadsheets are available to adopters on disk. Nearly 1,600 multiple-choice and true-false exam questions are available to instructors in a printed test bank and on computer disk.

A set of videotapes provides additional current examples to enhance the teaching and learning process. Also, a set of full-color transparencies is available to adopters of *Retail Management*.

ACKNOWLEDGMENTS

A VERY SPECIAL RECOGNITION

In February 1994 the Professional Services and Certified Public Accounting Firm of Coopers & Lybrand and Lebhar-Friedman, Inc., sponsored a CEO-level symposium entitled "The 21st Century: Thriving in a Global Market." At the symposium, Coopers & Lybrand unveiled an exhaustive groundbreaking study, *Retailing in the 21st Century: A Global Perspective*. The study set forth the many and complex dimensions of the strategic imperative of retail globalization. The study was directed by Michael J. Gade, who at the time was partner and chair of International Retail Group. Mr. Gade graciously granted the authors permission to use portions of the study throughout the text, which are integrated with global materials and examples from many sources and the international experience of the authors. Tom Dodderidge, then vice president of AT&T Global Information Solutions, D. Michael Grimes, president of Retail Technology Group, and James Traxler, vice president of Telxon Corporation, played significant roles in shaping the study. Citicorp—through Arnold Ziegel, managing director of Citicorp Securities Inc.—was the corporate sponsor for the project.

A special issue (Volume 69, No. 12/Special Issue) of *Chain Store Age Executive* published under contract from Coopers & Lybrand by Lebhar-Friedman, Inc., was devoted exclusively to an executive summary of *Retailing in the 21st Century: A Global Perspective*. It was prepared and written by Michael Gade and the professionals at Coopers & Lybrand. *Chain Store Age Executive* regularly publishes such special studies and reports that provide insight into how rapidly the practice of retailing is taking on a global dimension.

The authors are also indebted to Murray Forseter, editor of *Chain Store Age Executive*, at Lebhar-Friedman for his role in organizing the symposium. The presentations by the speakers were exceptional. The keynote speech by Alfred F. Lynch, president of J. C. Penney International, Inc., and the luncheon address by Clark A. Johnson, chairman and CEO of Pier One Imports Inc., were particularly helpful in crystallizing the way the global dimensions of your text would be presented. The findings, analysis, and insight provided under Michael Gade's direction will give each of you as business and retail leaders of tomorrow a valuable start as you prepare to enter the business world of the twenty-first century.

Numerous retail firms allowed us to use their materials and photos. We are indebted to them for their support. Robert Kahn, former retail executive and now editor and publisher of *Retailing Today*, allowed the use of material from his publication for the preparation of ethical dilemmas that are current and relevant. This book also carries the imprint of Ted Will, coauthor and mentor of the senior author, who is now a retail executive in Colorado. His guidance is deeply appreciated.

The professional staff at McGraw-Hill College Division are responsible for making the ideas and words of the authors come alive in this book. The

support and encouragement of Karen Westover, the editor, are deeply appreciated. Dan Alpert's constant concern for innovation that would make the book interesting and useful for students, and his attention to detail, made an indelible mark on the work. We are grateful for his long-term commitment to the success of the project. Kate Scheinman did a masterful job in her role as project supervisor. She constantly held the authors to high standards of quality and excellence, and did so with humor and grace. Your senior author has worked with a number of copy editors on book projects, none were as capable as Leslie Weber. She handled the technical aspects of her job with accuracy and insight. The book reflects her constant concern that students clearly understand every concept. Elyse Rieder did the photo research for the book. She conducted a worldwide search for photos that would capture the concepts in the photo essays. Richard Mason served as senior editing supervisor. The designer, Juan Vargas, created a colorful and exciting design to enhance student learning.

The authors are indebted to Betty Tuggle and Richard Brown, professional staff in the marketing department at the University of North Texas, for their assistance and encouragement. Richard is always ready to help the faculty create the best possible learning materials for students. Betty's constant attention to detail and delightful approach to work and life are responsible for creating an administrative environment that lets the faculty concentrate on students, research, and service.

Students are never bashful about telling a professor what can make his or her teaching better. Hundreds of our students have contributed immeasurably to this project as they have used cases, projects, and problems, and have read the manuscript. Kim Miller, now a customer service manager at Sprint, was particularly helpful. She read the manuscript numerous times. Former graduate students at the University of North Texas—Phil Wilson, Charlotte Allen, and Victor Massad—contributed to the manuscript.

This book reflects the feedback from numerous professors as they read various drafts of the manuscript. Our hope is that we have faithfully incorporated the excellent suggestions made by the following individuals: Vicki Blakney, University of Dayton; David J. Burns, Youngstown State University; Louis M. Capella, Mississippi State University; Joseph C. Hecht, Montclair State College; Charlane Bomrad Held, Onondaga Community College; Tony Henthorne, University of Southern Mississippi; John Lloyd, Monroe Community College; Irving Mason, Herkimer County Community College; Roger A. Pae, Siena Heights College; Duane Schechter, Muskegon Community College; Ray Tewell, California State University, Sacramento; Joan Weiss, Bucks County Community College; and David Wiley, Anne Arundel Community College.

Ron Hasty
James Reardon

CONTENTS IN BRIEF

Preface xix



THE RETAILING ENVIRONMENT 2

- Chapter 1** An Overview of Retailing 4
- Chapter 2** Retail Strategy: Creating the Competitive Advantage 46
- Chapter 3** The Environment of Retailing and Decision-Making Issues 84



THE RETAIL CUSTOMER 116

- Chapter 4** Understanding and Identifying the Customer 118
- Chapter 5** Customer Information from Research 164



THE RETAIL STORE 198

- Chapter 6** Store Location and Site Evaluation 200
- Chapter 7** Store Design and Layout 252
- Chapter 8** Human Resource Management and Store Organization 290
- Chapter 9** Financial Analysis and Management 332



RETAIL MERCHANDISING AND PRICING 368

- Chapter 10** Planning Merchandise Needs and Merchandise Budgets 370
- Chapter 11** Assortment Planning, Buying, and Vendor Relations 410
- Chapter 12** Pricing Merchandise 454



COMMUNICATING WITH THE RETAIL CUSTOMER 490

- Chapter 13** Retail Advertising 492
- Chapter 14** Retail Selling, Sales Promotion, and Publicity 530



RETAILING CHALLENGES AND CHANGES 566

- Chapter 15** The Virtual Store and Retail Database Marketing 568
- Chapter 16** Globalization and Changing Retail Formats 606

References R0
Photo Credits PC1
Glossary GL1
Name Index NI1
Subject Index SI1



Preface xix

PART I: THE RETAILING ENVIRONMENT 2

CHAPTER I: AN OVERVIEW OF RETAILING 4

Introduction	6		
Retailing as Customer Satisfaction		7	
Retailing Is Marketing	10		
Identifying Retail Transactions		12	
The Benefits of Retailing	15		
How Retailing Benefits Customers		15	
How Retailing Benefits Manufacturers and Wholesalers	17		
Retailing and Economic Utility		19	
The Nature of the Retailing Industry	19		
Diversity in Store Types		19	
Buyers Seek Sellers	20		
Competitiveness	21		
Retail Competition: Types of Stores	21		
Classification by Type of Ownership		22	
Associations of Independent Retailers		23	
Franchise Systems	24		
Consumer Cooperatives		26	
Classification by Size	27		
General-Line Retailing	27		
Limited-Line Retailing	31		
Factory Outlet Stores		33	
Food Retailing		33	
Service Retailing	35		
Services with Merchandise		36	
Services without Merchandise		36	
Nonstore Retailing	37		
Winning in the Twenty-First Century	38		
Lower Cost/Lower Margins		39	
New Technology	39		
Smaller Stores	40		
Focus on Long-Term Customer Value	40		
A Global Marketplace		40	
Summary	42		
Key Terms and Concepts	43		
Questions	44		
Situations	44		
Cases	44		
Case 1A: Around Your Neck Co.		44	
Case 1B: Around Your Neck Co. Again	45		

CHAPTER 2: RETAIL STRATEGY: CREATING THE COMPETITIVE ADVANTAGE 46

Introduction 48

Strategies for a Competitive Advantage 49

Location 50

Merchandise 52

Price 54

Service 55

Communications 59

Achieving Strategic Positioning 60

Operations 60

Purchasing/Logistics 60

Market Research 61

Financing 61

Technology 61

Retail Planning 62

Step 1: Identifying Market Opportunities 62

Step 2: Determining a Market Position 64

Step 3: Developing a Formal Marketing Plan 65

Step 4: Implementing the Plan 68

Quality: The Result of Successful Strategic Planning 68

Total Quality Management: Continuous Quality Improvement 70

Achieving a Competitive Advantage in a Global Environment 74

The Global Frontier 74

Truly Global Retailers 76

Summary 79

Key Terms and Concepts 80

Questions 80

Situations 81

Cases 82

Case 2A: Star's Center 82

Case 2B: Customer Service: A New Competitive Advantage in Singapore 82

CHAPTER 3: THE ENVIRONMENT OF RETAILING AND DECISION-MAKING ISSUES 84

Introduction 86

The Social Responsibility Environment 86

A Change in Attitudes 87

Nonbusiness Influences on Decision Making 88

Criticism of Business 89

Retailing and Social Needs 89

Consumerism 90

Basic Consumer Rights 91

What Can Retailers Do? 91

Personal Ethical Decision Making 94

A Legalistic Ethic 94

Professional Codes of Ethical Behavior 95

A Personal Ethical Framework 96

The Legal Environment 100

Laws and Regulation and Their Effect on Retailing 100

Antitrust Laws 101

The Economic Environment 102

Growth and Inflation 103

The Competitive Environment 105

Effects of a Competitive Environment 105

Changes in Retailing in Response to Competition 106

The Technological Environment 108

The Global Environment 109

Global Expansion of Retailing 110

Summary	112
Key Terms and Concepts	112
Questions	113
Situations	113

Cases	114
Case 3A: Retailers Imposing Conduct on Manufacturers	114
Case 3B: The Global Economic Environment —Discounting in Japan	115

PART 2: THE RETAIL CUSTOMER 116

CHAPTER 4: UNDERSTANDING AND IDENTIFYING THE CUSTOMER 118

Introduction	120
A Focus on Customer Satisfaction	121
Lifetime Value	121
Market Segmentation	122
Identifying Customer Needs and Wants	124
Maslow's Hierarchy of Needs	124
Inventories of Motives	126
Secondary Motives	129
Patronage Motives	129
Learning and Consumer Behavior	130
Learning	130
Attitudes and Opinions	131
Attention and Perception	131
Consumer Lifestyles	132
Customers Buy Benefits	136
The Changing U.S. Marketplace	136
Population	137
Race and Ethnicity	140
Age	140
Household Composition	142
Education	143
Occupation	144
Income	144
Sociocultural Characteristics	147
Reference Groups	147
Social Classes	147
Family Life Cycle	148
The Purchase Decision Process	150
Unsatisfied Need Recognition	151

Search for Information and Identification of Alternatives	152
Alternative Evaluation	153
Purchase Decision	153
Postpurchase Behavior	154
Decision Feedback	154
Involvement in the Decision Process	155
Routine-Involvement Responses	155
Limited-Involvement Problem Solving	155
Extensive-Involvement Problem Solving	156
The Global Consumer	156
The "Carriage Trade"	157
The Only Child	157
"Emerging Middle Class"	157
Two-Income Families	157
Implications for Global Retailers	158
Summary	159
Key Terms and Concepts	160
Questions	161
Situations	161
Cases	162
Case 4A: Highland Shores Fitness Center	162
Case 4B: "Eldermall"	162
Case 4C: Tourists in the West Edmonton Mall	163

CHAPTER 5: CUSTOMER INFORMATION FROM RESEARCH 164

Introduction	166		
Problems That Require Research	167		
Types of Investigations	169		
The Research Process	169		
Situation Analysis	170		
Preliminary Investigation	171		
Project Objectives and Hypotheses	171		
Developing the Research Design	171		
Analysis and Interpretation	172		
Presentation of Findings	173		
Secondary Data	174		
Retail Uses of Secondary Data	174		
Where to Find Secondary Information	175		
Selecting a Methodology to Collect Primary Data	179		
Observation	181		
Censuses and Samples	183		
Retail Information Sources	185		
Want Slips	185		
Information from Store Records	185		
		Comparison Shopping	186
		Information from Vendors	186
		Information from Sales Personnel	186
		A Retailing Research Example	186
		Situational Analysis	187
		Preliminary Investigation	187
		Choosing Specific Objectives	189
		Developing a Research Design	189
		Selecting a Methodology	190
		Collecting Data	191
		Analysis and Interpretation	191
		Presentation of Findings	192
		Summary	193
		Key Terms and Concepts	194
		Questions	194
		Situations	195
		Cases	195
		Case 5A: Bass Pro Shops	195
		Case 5B: Research Information for Merchandising and Promotion	196

PART 3: THE RETAIL STORE 198**CHAPTER 6: STORE LOCATION AND SITE EVALUATION** 200

Introduction	203		
Importance of Location Decision	204		
Retailing Strategy and Location Characteristics Used in Location Analysis	205		
Country and Regional Analysis	207		
Demographics	207		
Economic	208		
Cultural	209		
		Demand	210
		Competition	210
		Infrastructure	212
		Trade Area Analysis	212
		Trade Area Considerations	213
		Defining the Trade Area	216
		Reilly's Law	217
		Huff's Model	218
		Concentric Zones	221
		Geodemographics	222