

CASES *in* RETAILING

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SOUTH-
WESTERN

CASES *in* RETAILING

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PREFACE

Cases in Retailing was developed because we were constantly hearing from professors teaching retailing courses that there was a lack of case material that could be accessed in one convenient place. At the same time, it was generally felt that many of the cases included in retailing textbooks were simply too short and simplistic. Often, these cases were more case vignettes of one page or less. What professors seemed to be telling us was that they wanted material that was more challenging to their students and that they could use to illustrate some of the more complicated and sophisticated management issues that retailers face. We would also occasionally hear from a professor who was teaching cases in a retailing course who was having trouble finding a retailing casebook. Consequently, the casebook we set out to develop consisted primarily of moderate to long cases with a few short cases. On average, the cases are 8 to 12 pages in length and address a variety of retailing issues and concerns.

Not surprisingly, the feedback we received on the desired industry setting of the cases was quite varied. Those teaching fashion merchandising wanted almost exclusively fashion-oriented cases. While those teaching retailing at community colleges generally wanted a fair number of cases on small independent retail operations. Many faculty believe that too many cases in the past have focused on department stores and they urged us not to concentrate on these retailers. Other faculty emphasized the importance of franchising in the economy and the need to not ignore this line of trade. In short, the more we talked to potential users of a casebook we learned that their needs and preferences were quite varied. We decided to cover a wide variety of industries and issues in retailing and include 21 cases. Most teachers will use 8 to 10 cases per semester in a retailing course, thus they have a high degree of flexibility in selecting the cases to use. At the same time, we believe the casebook, if used for a cases in retailing course, has a sufficient number of cases to allow it to be the primary book for that course.

All of the cases in this book are about actual retail firms, many of which the student will readily recognize. In a few cases, we disguised the name of the retail firm for proprietary reasons. This is done in such a fashion as to not destroy any of the pedagogical aspects of the case. We are pleased that we have been able to cover such a wide variety of lines of retail trade to include apparel retailing, office supply stores, food/grocery stores, fast food franchising, department stores, convenience food stores, direct marketing retailers, drug stores, craft/gift stores, discount department stores, and retail banking. The cases are on such well known companies as JCPenney, Wal*Mart, Circle K, and Spiegel--E Style.

Although the cases in this book have been contributed by over twenty authors, we have made an effort to standardize the writing style and writing level. Although addressing complex issues the cases are written with the student in mind. We avoid the use of unnecessary jargon and try to simply state the issues and circumstances confronting the retail managers in each case. This is not to suggest that the student will not need to dig to find the data or key issues, but rather that he or she will not get laden with an overly burdensome writing style.

Finally we would like to acknowledge each of the contributing authors for their assistance and interest in this project. This is a much better book because of their contributions and we are very appreciative. At Southwestern Publishing Company, we would like to thank Holly Terry for her efforts in helping us bring this book to market. Finally, we are indebted to Grainne Krasovic for her diligent efforts in preparing the final manuscript for production.

Robert F. Lusch
Norman, Oklahoma

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DEDICATION

This book is dedicated to Marion Bachrach, Nancy Leubner, Robert John Dunne, and Maureen Dunne who have all been a source of support and wisdom.

Robert F. Lusch
Patrick Dunne

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E STYLE: REACHING THE AFRICAN-AMERICAN WOMAN*

By Marilyn Lavin, University of Wisconsin--Whitewater

"In today's fragmented marketplace, where there is no single, monolithic consumer, we have to recognize the diversity of consumer attitudes and fashion requirements." This statement by John J. Shea, the vice chairman, president, and chief executive officer of Spiegel, Inc., reflects retailers' growing recognition of the importance of ethnic and racial minority markets. *E Style* catalog, a joint venture of Spiegel and Johnson Publishing Company's *Ebony* magazine, is an effort to meet the special needs of one ethnic/racial minority consumer segment, the African-American woman.

The African-American Market in the 1990s

As late as the 1980s, few major retailers made special efforts to reach the 31 million African-Americans who make up 12 percent of the U.S. population. A number of factors account for this neglect. The African-American market is relatively small when compared with the nation's 80 million Baby Boomers or its 53 million Senior Citizens. The African-American populace has not grown as dramatically in recent years as has its Hispanic counterpart. African-Americans, unlike Spanish-speaking ethnics, do not represent a linguistically distinct segment of the population. In addition, lingering racial stereotypes that portrayed the majority of black Americans as impoverished, as well as retailers' past success with strategies that ignored the racial differences of their customers, contributed to the slow recognition of the importance of the emerging African-American market segment.

By the 1990s, however, many retailers could no longer ignore the major changes occurring within the African-American populace. Between 1980 and 1993, the aggregate purchasing power of African-Americans grew from \$127 billion to \$270 billion. Moreover, data gathered by the U.S. Bureau of the Census indicate that two-thirds of African-Americans have incomes above the poverty line, while 14 percent or approximately 2 million black households earn more than \$50,000 annually. The Census data also show that in 1992, 67.7 percent of African-American youths completed high school as compared with 51.2 percent in 1980. The percentage of blacks with 4 or more years of college education rose between 1980 and 1992 from 8.4 percent to 11.9 percent. Finally, black participation in white collar and craft occupations increased from 23.7 percent in 1983 to 26.8 percent in 1992, data that offers further evidence of the growth in African-American upper and middle classes.

While a sizeable number of African-Americans advanced in economic status and educational attainment, Americans became increasingly aware of the cultural diversity of their nation. As a consequence, the "melting pot" model, which puts forth the expectation that ethnic and racial minorities will ultimately be absorbed into a single, seamless society, began to give way to the "multicultural" theory -- which stresses the limits of group absorption and the resiliency of ethnic and racial identification. The growing acceptance of cultural diversity within the social order of the U.S. undoubtedly contributed to the willingness of ethnic and racial groups to emphasize their particular heritage and to distinguish themselves from the nation's mainstream. The acknowledgment of the existence of differences among the nation's peoples also legitimated retailer efforts to assist ethnic and racial consumer markets that may wish to maintain separate identities within American society.

Purchasing Patterns of African-Americans

Exhibit 1 displays selected data reported by the Bureau of Labor Statistics in its Consumer Expenditure Survey for 1991. Those data show the average income of African-Americans is well below the national average, while the mean household size is considerably larger than the national norm. The data also indicate that black households purchase goods and services in a manner that is somewhat different from the spending patterns of other segments of the population.

* Used with permission of Marilyn Lavin

According to the Expenditure Survey data, 41 percent of African-Americans, as compared with 68 percent of the remainder of the population, are homeowners. Black households devote proportionately more of their incomes than do other households to housing, food, utilities, personal care products, and tobacco products; but less to household furnishings and equipment, health care, entertainment, and insurance. In absolute dollars, African-Americans spend more than other groups on clothing, footwear, and laundry and cleaning supplies.

Although the spending patterns of African-Americans are somewhat different from those of other Americans, a number of studies indicate that blacks have positive attitudes toward shopping, and may even be more willing than contemporary consumers to spend. Soft Sheen Products, Inc., a company specializing in black hair care and beauty aids, found that African-American women even in the 1990s continue to "use shopping as a social occasion" and that they are "avid consumers." Nielsen Marketing Research in Northbrook, Illinois reported that African-Americans, like other U.S. consumers, make about 15 shopping trips per month. Finally, Stillerman & Jones, shopping-center consultants in Indianapolis, found that blacks spend \$51.21 on each trip to a mall, which is 5.1 percent more than the average for whites.

Product Dissatisfaction

In recent years, African-Americans have increasingly indicated that a wide range of products do not adequately fulfill their specific needs, and a number manufacturers have responded by developing new offerings. For example, the complaints of black women regarding the limited range of colors and ill-fit of pantyhose led Acme-McCrary Corporation to launch Essence Hosiery, the first upscale line for African-Americans. Mattel designed Shani, a doll with skin tones, hair styles, and fashions that reflect the diversity of African-American women to address the concern that the blond, blue-eyed Barbie undermined the self-esteem of young black girls. Pleasant Company addressed the same issue by adding the Addy doll to its American Girl Collection. Addy, which retails at more than \$80 and is the heroine of a complementary series of books that describe her escape from slavery and adjustment to freedom, is one of Pleasant Company's most successful products. Among other companies that have responded to the particular preferences of the African-American market are Kentucky Fried Chicken, which sells "soul food" at selected locations; Tinkerbelle Cosmetics, which designed "The First Play Makeup for Black Children;" and National City Bank in Louisville, Kentucky, which offers checks featuring the pictures of noted African-Americans.

The fit, color, and style of clothing has been a particular source of dissatisfaction for African-American women. Jeans are a major source of complaint; those that fit at the hips tend to be too big at the waist. African-American women also argue that brighter colors such as yellow and orange are more flattering to darker skin tones than are the more neutral shades favored by Caucasian women. Finally, African-American women favor dressier styles. The *E Style* catalog, a joint partnership of Johnson Publishing Company's *Ebony* magazine and Spiegel, Inc. was designed to address the problems black women voiced about clothing selections.

The *E Style* Partners

E Fund. The *E Style* project brought together two corporations with different and critical competencies--Johnson Publishing Company, Inc. and Spiegel, Inc. The former is a black-managed business with a special understanding of the needs of the African-American market; the latter is a leading multi-channel retailer of fashion apparel and home furnishings. Lori Scott, a Spiegel spokesperson, commented that the combined effort of the two companies provides "the industry's best possible vantage point for identifying what African-American women are looking for when it comes to fashion." The name *E Style* was chosen to reflect the importance of the Johnson-Spiegel partnership; "E" is for Johnson's *Ebony* magazine and "Style" is for Spiegel.

Founded in 1942, Johnson Publishing Company, Inc. is a diversified enterprise with publishing, cosmetic, and broadcast entertainment interests. The company publishes three magazines targeted at the African-American market: *Ebony*, a monthly general interest magazine founded in 1945; *Jet*, a weekly news magazine founded in 1951; and *EM*, a monthly men's magazine founded in 1985. The company also owns several cosmetic and beauty aid lines: Fashion Fair

Cosmetics, which are marketed in the U.S., Europe, Africa, the Bahamas, Bermuda, and the Virgin Islands; Supreme Beauty Products, which feature Duke hair care products for men and Raveen hair care products for women; and Ebone' Cosmetics, a line of skin care products sold through mass retailers throughout the U.S.. Johnson also has a book division that publishes the work of black authors. In addition, it produces the *Ebony/Jet* Showcase, a weekly, nationally-syndicated television series; as well as the *American Black Achievement Awards*, a nationally syndicated annual special begun in 1978. Johnson also sponsors the *Ebony* Fashion Fair, the world's largest traveling fashion show that, since 1958, has contributed more than \$40 million to charity.

Spiegel's origins date from 1865, when Joseph Spiegel founded a retail furniture store in Chicago. In 1905, the company began its mail order division, and started to offer clothing through its catalog in 1912. Spiegel currently issues more than 80 catalogs including: the Spiegel catalog, the "Big Book," published twice each year that features men's and women's clothing, home furnishings, and electronics; *Apart*, a catalog of sophisticated European career clothing; *For You From Spiegel*, a specialty catalog of larger size women's apparel; *Together!*, a collection of value-priced casual clothing; *Eddie Bauer*, a series of men's and women's casual wear and home furnishings catalogs; and *Newport News* and *JRT*, moderately priced specialty catalogs. In addition to its direct mail businesses, Spiegel operates more than 300 full-price and off-price retail stores located throughout the U.S. and Canada. The company is involved with Time Warner Entertainment in *Catalog One*, a cable television channel, and in the development of an interactive television channel. Spiegel also has a number of subsidiaries including First Consumers National Bank, Cara Corporation, and Spiegel Acceptance Corporation. In the mid-1970s, Spiegel identified working women as its target market. The company continues to focus its efforts on this group--employed women, with a median age of 41, and an average household income of \$51,000. In 1993, Spiegel's revenues amounted to \$2.6 billion.

Although neither Johnson Publishing nor Spiegel has provided the exact terms of the companies' *E Style* association, Spiegel's president, John Shea, has reported that "it basically is a licensing agreement." Under the terms of the agreement, Spiegel ran a program of advertisements in *Ebony*, and the magazine provided its subscriber list to the catalog retailer. The latter action was a "first" for *Ebony*. According to Linda Johnson Rice, president and chief operating officer of Johnson Publishing, "We have never given our subscriber list to anyone before. This is something we really believe in." A profile of the *Ebony* readership is shown in Exhibit 2.

Research for *E Style*

E Style is an attempt to respond to the distinctive fashion tastes and clothing needs of the African-American woman. To accomplish those purposes, Spiegel and *Ebony* conducted two years of research before launching the catalog. Those efforts relied upon traditional techniques to ascertain African-American women's attitudes toward clothing, although they also employed innovative methods that assured that the clothing produced for the new catalog would fit the intended market.

Spiegel first conducted telephone and mail interviews with more than 800 of its current African-American customers. It then held nine focus groups in several major U.S. cities; participants in those discussions included persons on Spiegel mailing lists, subscribers to *Ebony*, and black women believed likely to be patrons of the catalog. Those efforts reaffirmed the African-American women's desire for brighter-colored, dressier, better-fitting apparel.

To improve the fit of the planned catalog offerings, the *E Style* Technical Team measured 16 body points of 1,300 African-American women volunteers. The areas measured included: bust, waist, high hip, low hip, cross shoulder, front waist, back waist, thigh, inseam waist height, knee height, arm length (both wrist to wrist and shoulder to wrist), total rise, wrist circumference, and neck circumference. When the measurements were completed, the results were compared to Spiegel sizes that follow the standards set by the fashion industry for Missy sizes 6-16 and Women's sizes 16-24. As expected, that comparison revealed that the proportions of the African-American woman's body are somewhat different from those set forth in the guidelines that determine the sizing of clothing produced for the general market of women.

Promotion for *E Style*

For a number of years, Spiegel has advertised in magazines that have large circulations among their target markets of working women. Those ads generally feature an item sold in the company's "big book" and a coupon the reader can use to order a catalog. For *E Style*, print ads were also used to attract new customers. In June 1993, three months prior to the first mailing of its new catalog, an advertisement for *E Style* appeared in *Ebony*. The full-page, color ad featured an African-American woman wearing a red suit trimmed in faux leopard skin and a matching leopard skin hat, the outfit that was also on the cover of the first *E Style* catalog. The ad copy announced "The new fashion catalog from *Ebony* and Spiegel for the African-American woman." Readers were asked to "reserve yours free," by either calling the 800 number that appeared in the ad or by returning one of two postcards inserted in the magazine. The ad generated 300,000 requests for *E Style* (based on its experience with similar advertisements, Spiegel had anticipated 65,000 catalog requests) and led Spiegel to increase the printing of the first *E Style* from 1 million to 1.2 million copies. In addition, the enthusiastic reaction of thousands of women who wanted to know the price and availability date of the fur-trimmed suit prompted the catalog retailer to increase its fabric orders by 50 percent.

In September 1993, *Ebony* carried a three-page article describing the *E Style* catalog. The text discussed the *Ebony*-Spiegel association and noted the efforts that had been made to meet the fashion and fit needs of African-American women. The major portion of the article, however, was devoted to color photographs of the clothing in the catalog. The featured fashions included jeans "with customized fit [that] is an *E Style* exclusive" and a denim jacket trimmed with kente-print fabric; also shown was a red beaded dress, a three-piece evening ensemble trimmed with bugle beads and sequins, and a pinstripe suit that was described as "ideal for the office, church, luncheons or dinner."

In addition to the advertisement and article in *Ebony*, Spiegel's main catalog carried an *E Style* announcement, and cards that could be used to request free copies of the catalog were inserted into Spiegel's other mailings. Spiegel also placed ads on cable television's, Black Entertainment Network. Finally, Spiegel announced that it would donate a percentage of every sale charged to any FCNB Preferred Charge card used for an *E Style* purchase to the United Negro College Fund.

The First Catalogs

The first *E Style* catalog was mailed in September 1993. The catalog featured clothing in the bright colors preferred by survey respondents as well as shoes, jewelry, and other accessories. The apparel styles and fabric designs reflected the strong influence of African-American ethnic heritage. Most notably, the catalog displayed fancy hats with many outfits. This was somewhat of a new venture for Spiegel, and the company's president acknowledged that "we didn't do much with hats until now." African-American women, however, consider hats to be an important accessory. Consequently, of the 65 outfits shown in the 64-page catalog, 19 included hats. Many pages of the catalog also made note of the fact that the merchandise had been resized to take account of the proportions of the African-American woman's figure.

The merchandise in the catalog was "value priced." Accordingly, dress and suit prices started at \$99. In keeping with Spiegel's practice in its other catalogs, however, dresses and suits were generally shown with several complementary items. As an example of a typical *E Style* outfit, a \$79 black jacket trimmed in authentic African fabric was shown with a \$34 mock turtleneck pullover top, a \$29 ribbed skirt, \$88 suede platform booties, \$29 beaded *Ebony* earrings, and a \$36 "3-D cap" trimmed in fabric matching the jacket. The total cost of all the items in this ensemble amounted to \$295. By contrast, in the Spiegel's main catalog for fall-winter 1993, a private-label outfit retailed for \$263, one from Liz Claiborne was offered at \$499, and another carrying the DKNY label sold for \$1,345.

Spiegel also issued a special *E Style* catalog for the 1993 Holiday season. This mailing displayed festive apparel, but made no explicit mention of Christmas. One double-page spread, however, proclaimed: "Ethnicity. The art of a people is the heart of a people. Collect it, display it. Cherish it." Merchandise featured on those pages included a "Nubian Dancer" wall hanging, a black porcelain Santa, black cherub ornaments, and a Kwanzaa candleholder.

Announcing that the first *E Style* catalogs had been "very well received" during the fall of 1993, Spiegel issued a 64-page spring edition in February 1994. Like its predecessors, this catalog featured bright colors including red, fuchsia, lime, and royal blue. The apparel was decorated with such detailing as embroidery, beading, and tassels. Some clothing, including a baseball jacket reinterpreted in a printed kente pattern, was constructed of fabric produced in Africa. The spring *E Style* edition also contained an expanded collection of decorative home accessories for the customer who wishes to "make a cultural statement that goes beyond her wardrobe." Among the items offered were carved wooden ceremonial masks from Ghana, Ashanti fertility dolls, African-influenced art prints, and pillows and throws made in a West African-inspired "Karogho" print.

The summer edition of *E Style* presented a collection of swimwear ranging in price from \$42 to \$82. The catalog featured brightly colored suits and dresses, but it also offered approximately 20 outfits that were stark white or other neutral colors. The activewear shown in *E Style* was "dressy;" T-shirts were embroidered in gold, a magenta bomber jacket had seashell appliqués, short sets were made of rayon, and thongs were often decorated with beads and sequins or made of gold-colored materials. A number of items in this catalog were also offered at reduced prices. Several of the swimsuits were reduced 25 percent, and a 4-page insert in the middle of the book announced an "End of the Season Clearance Sale" on 18 items that had appeared in the Spring catalog.

The *Ebony*-Spiegel partnership is committed to the *E Style* project. During its second year, four editions of the catalog--fall, holiday, spring, and summer--are again planned. *E Style* will continue to emphasize apparel designed for the African-American woman. Customers' positive responses to the household and gift items presented in the initial catalogs, however, has prompted the catalog developers to provide additional offerings in those areas. In particular, the 1994 Holiday catalog will feature a greater selection of African-heritage related gifts, dolls, tree decorations, and items associated with the celebration of Kwanzaa.

Other Efforts to Market to African-Americans

E Style represents probably the most ambitious retail effort to meet the special needs of African-Americans. It is not, however, the only attempt to respond to this market. The success of those enterprises have not, however, been consistent.

In 1993, Marshall Field, a division of Dayton Hudson Corporation, opened an Afrocentric Shop in its flagship Chicago store, but abandoned the project after only four months of operation. The location of the boutique between women's sportswear and coats appears to have contributed to its failure. According to its manager, not too many customers were seeking home accessories, the Afrocentric's primary product lines, in this area. JCPenney encountered problems related to quality standards and timely delivery when it tried to expand its African boutiques from 22 trial markets to 350 stores. The difficulties proved so intractable that the chain ultimately closed the boutiques so that it could focus its efforts on its specialty *Fashion Influences* catalog that is mailed to 800,000 African-American households.

Stores that have succeeded with formats targeted to African-Americans include the Hudson Division of the Dayton Hudson Corporation and Montgomery Ward & Co. In response to customer demand, Hudson's established "global bazaars" with Afrocentric products in several of its mall locations. A spokesperson indicated, "That's why you're going to find a bunch of Kwanzaa cards to choose from-not two." Likewise, Montgomery Ward opened "Homeland Authentics" boutiques in about eight percent of its stores. The boutiques carry a collection of approximately 100 items from baseball caps to plastic trash cans that are decorated with colorful kente patterns. A Ward's manager commented: "We have found this niche to be profitable."

Questions for Discussion

1. Describe the *E Style* target market as specifically as possible. Use both demographic data and information about the catalog to develop your answer.
2. What kinds of retailers should be most interested in the African-American market? What kinds of retailers might not have much interest in this demographic segment at the present time?
3. Why might a mail-order catalog prove more effective than a traditional retail store in reaching the African-American woman?
4. Is *E Style* appealing to a lasting, retail segment of consumers, or is the interest in the catalog a passing fad?

Exhibit 1
Consumer Expenditure Survey, 1991 Selected Data

Item	All Consumer Units	White and Othe	Black
Number of Consumer Units	97,918	87,115	10,763
Consumer Unit Characteristics			
Income before taxes	\$33,901	\$35,311	\$21,544
Income after taxes	30,729	31,929	20,544
Average number of persons per unit	2.6	2.5	2.8
Number of earners	1.4	1.4	1.3
Number of vehicles	2.0	2.1	1.1
Percent homeowners	63%	68%	41%
Percent renters	37%	34%	59%
Average Annual Expenditures	\$29,614	\$30,794	\$20,091
Food	\$4,271	\$4,387	\$3,352
Food at home	2,651	2,676	2,448
Cereals and bakery	404	412	347
Meats, poultry, fish, eggs	709	682	922
Dairy products	294	306	200
Fruits and vegetables	429	436	373
Other food at home	815	841	607
Food away from home	1,620	1,711	904
Alcoholic Beverages	\$297	\$314	\$139
Housing	\$9,252	\$9,570	\$6,692
Utilities	\$1,990	\$2,005	\$1,866
Household Furnishings/Equipment	\$1,200	\$1,255	\$760
Furniture	294	303	222
Major appliances	132	134	121
Small appliances	81	87	30
Laundry and Cleaning Supplies	\$116	\$116	\$119
Personal Care Products & Services	\$399	\$404	\$352
Tobacco and Smoking Supplies	\$276	\$282	\$228
Apparel and Services	\$1,735	\$1,726	\$1,803
Men and boys	429	431	405
Women and girls	706	706	703
Footwear	242	226	364
Other apparel/services	277	281	246
Transportation	\$5,151	\$5,413	\$3,029
Health Care	\$1,554	\$1,640	\$857
Entertainment	\$1,472	\$1,578	\$620
Fees and admissions	378	410	114
TV, radio, and sound equipment	468	482	351
Cash Contributions	\$950	\$1,001	\$536
Personal Insurance	\$2,787	\$2,925	\$1,665

Source: U.S. Department of Labor, Bureau of Labor Statistics, Bulletin 2425, Table 7 (September 1993).

Exhibit 2
***Ebony* Magazine Demographic Profile**

Characteristics	Total	Men	Women
Average issue audience (000)	11,173	4,604	6,569
Sex	100.00%	41.2%	58.8%
Age 18-34	48.1%	47.0%	48.9%
Age 18-49	79.0%	82.6%	76.5%
Median age (years)	35.7	35.9	35.4
Attended/graduated college	38.6%	41.6%	36.5%
Employed	69.4%	80.2%	61.8%
Professional/managerial	7.5%	6.7%	8.2%
Household income \$50,000+	21.3%	24.7%	19.0%
Household income \$40,000+	32.8%	34.8%	31.4%
Household income \$30,000+	48.4%	52.1%	45.8%
Average household income	\$34,564	\$37,160	32,744
Children in household under 18	54.6%	44.7%	61.5%
Married	38.2%	42.1%	35.5%
Own home	46.7%	45.9%	47.3%

Source: Mediamark Research, Inc., 1994.

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