

# MODERN RETAILING

Theory and Practice  
Mason and Mayer

**Third Edition**

# **MODERN RETAILING**

**Theory and Practice**

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*Both of The University of Alabama*

1984



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# Preface

Our third Preface! Our partnership and commitment to *Modern Retailing: Theory and Practice* commenced some eight years ago. Our affection for, and dedication to, the subject of retailing has grown with each year. We can't believe that our perspective is now the mid 1980s and beyond. Wasn't it only yesterday that we eagerly anticipated the new decade from the vantage point of Macy's "new" Cellar; Bloomingdale's "new" dramatic Italian black-marble first floor; the exciting inner-city Water Tower Place in Chicago; the Faneuil Hall redevelopment in Boston; and the Gallery in Philly?

Is retailing still, as we said first in 1977, "exciting, dynamic, and extraordinarily diverse?" Of course it is. Picture "Herald Center," the "vertical" shopping complex at Herald Square in Manhattan, on the single most travelled location in the United States—anchored by Macy's and Gimbels—a phenomenal, seven-acre retail "happening" shaping up as this text goes to press. Consider Stanley Marcus, the retail director of Herald Center, chronicling retailing again in *His and Hers, The Fantasy World of the Neiman-Marcus Catalogue* following his 70s *Quest for the Best*; DDL Food Show, the beautifully elegant "theater" for Northern Italian delicacies produced by the renowned director, Dino de Laurentis, who selected for his first site the upper west side of Manhattan close-by the world's busiest delicatessen, Zabars; Baltimore's successful and beautiful Harbor Place, another Rouse inner-city development.

Notice T. J. Maxx, Marshalls, and other off-price chains capturing the imagination of the American public as off-price and factory outlet shopping centers spring up across the nation; Famous Amos vying with David's Cookies for the chocolate-chip, sweet tooth award of the coming decade; personal, home computer stores within stores and the basic

(and fancy) telephone as the newest “hot” item in the merchandise mix of many retail firms—and more, much more.

In our first-edition Preface, we reminisced about some things that were not a part of our milieu at that time—like general stores, nickel-odeons, five-and-dime stores, and others. We asked ourselves as we were preparing the revised edition Preface if things had happened in the period between editions. We collected several items which should be remembered for posterity such as A&P’s being a part of the German Tengelmann empire and Detroit’s Ren Cen being a highly questionable success; and we wondered if Penney’s Fox would compete effectively with the Izod Alligator. Now, four years later we conclude that indeed the alligator has assumed something of a less important status symbol and Penney’s Fox is alive and well, but so are the other names like Halston which can be found there.

We also said a fond farewell to the grand old lady of downtown Detroit, J. L. Hudson. Sears became an enormous financial organization as well as the world’s largest retail firm; Sakowitz moved into Neiman-Marcus’ Dallas territory just as N-M had done some years before in Sakowitz’ Houston domain; Macy’s announced that it was moving into South Florida as Macy’s, not Davisons; Woolco joined Grants as a major retail closing at the end of 1982, sending shock waves throughout the discount world; older shopping centers were being renovated as major markets became saturated; and E.T. became the darling of the country. A busy time between our second and third editions.

Finally, we glanced back at our first-edition predictions again as we did several years ago. We can repeat much of what was included in our last preface.

There has indeed been progress in electronic funds transfer systems (EFTS), but the real progress lies in the future; point-of-sales systems (POS) with wands, scanning, universal product codes (UPC), optical character recognition (OCR-A), and other technological phenomena are with us to stay, and management information systems (MIS) in retailing are not “futuristic,” but real; government’s impact is in evidence; consumerism is still with us, and in progressive retail firms institutionalized consumer affairs departments exist. Yes, our predictions are realities. Most of them at any rate!

We thus approach this edition with the same enthusiasm as before. We see retailing as a challenging career potential for those with the desire to enter a constantly changing environment armed with the proper knowledge and background skills to compete effectively in a growing professional arena. The successful manager of the future must be equipped with the ability to think strategically—this text provides a framework and a focus to assist in this development. The perspective of the book is oriented toward both upper- and middle-management and

the decision-making tasks that face these people. We attempt to show the student how retail managers plan strategically, organize for profitability, and control operations. Specifically, the objectives we have set for this text are:

1. To present a strategic, marketing-oriented framework within which the student can appreciate the complex decisions facing management in retailing.
2. To instill an appreciation for the institutional structure of retailing, its past and probable future patterns.
3. To introduce a strategic planning format to assist students in mastering the numerous decision areas facing retailing managers.
4. To stress the importance of and appreciation for the complex environmental forces that affect retail decisions at all levels of management.
5. To focus on the consumer and markets as a management orientation.
6. To help the student develop a lasting understanding of the fundamental concepts and practices in retailing.

As the title suggests, the text is a blend of theory and practice—there is a substantial base of retailing theory. However, the most pragmatic will find sufficient attention paid to the “practice” of retailing. The approach is one of substance and practicability.

## ORGANIZATION OF THE TEXT

Part One presents the structure of retailing. The highly visible, vast, complex, and dynamic retailing structure is introduced in Chapter 1, wherein the student is shown the different ways in which retailing can be classified. Chapter 2 is concerned with the evolution, explanations, and conjectures about the firms which make up the market structure of retailing.

Chapter 3 presents the framework for the strategic approach to the study of retailing. It also provides the student with a philosophy—the marketing concept—which expresses a point of view and philosophy compatible with the times. Continuing reference to the framework is encouraged so that the student may fit the pieces together throughout the text and, in addition, be ever aware of the marketing philosophy and central strategic focus. Chapter 4 elaborates on this focus as it guides the student through the development of an overall grand strategy for the firm.

Chapter 5, a new chapter, is concerned with *information*, the basis for decision making. The chapter is followed by two chapters (6 and 7) which provide the framework for monitoring the environments which affect strategic decisions.

Part Four, understanding markets in which to compete, emphasizes the critical value of knowing as much as possible about consumer behavior in order to launch effective competitive strategies.

Retail strategists must compete by developing and implementing competitive strategy—Chapter 9 a new chapter directly related to the corporate strategy management of Chapter 4—which is best for the delineated mission. Chapters 10 and 11 complete Part Five on “how to compete” by developing the financial and human resources plans.

The final, major part of the text focuses on developing the marketing plan. This is the pragmatic, “nuts and bolts” part of the book and is supported by the material which precedes it. Chapters 12 through 19 cover the merchandising plan, the promotion plan, the presentation (design and layout) plan, the pricing plan, and the distribution plan. The logic of the text is thus complete—the strategic focus with a broad, environmental concern leads to determining markets in which to compete, how to compete, and finally an action plan, within a marketing context.

One change which we have made in the text is to place the career material in Appendix A. We believe that some faculty members want to handle career information at the outset of a course in retailing; some prefer to use career discussions to “wrap up” the course; and still others wish to bring in career discussions toward the middle. By placing this unquestionably essential material in an appendix, each instructor may assign the reading whenever it is most appropriate. Additionally, students have the appendix for ready reference at any time, and being completely “separate” from body chapters, makes it easy to locate.

## **NOTE TO THE STUDENT**

Let us tell you about some additional pluses that will help you in the process of learning about retailing. The text is divided into six parts. We encourage you to refer back to the framework to see the interrelations among the parts of the book.

Each chapter is introduced by a direct quotation from a leading practitioner in the field, who speaks from experience, concern for the practice of retailing, and a sincere interest in the student who will read this text. These outstanding businesspeople represent a most diverse group—areas of the country, types of retailing, functions, ages, and perceptions. You will be getting real concerns and commitments from people who have spent their careers in or serving the retailing industry. Consider their words carefully, as they will help you appreciate the topics that are introduced by their statements.

Watch how each chapter is organized. The topical headings, tied in

with the outline at the beginning, will make it easy to study and put the material into a simple perspective. Also note that in each chapter the purposes or objectives are spelled out. In this way you know why that topic is included and what you should gain from studying the material. The summary at the conclusion of each chapter will provide a ready reference when reviewing the material in connection with the questions that appear in each chapter for your self-testing and before-examination reviews.

We are strong believers in involvement by students in the real world of retailing. Consequently, we have included “Discussion Motivators” in each chapter. These are relatively short cases that have direct application to the material in the chapter in which they appear, as well as application to others that you have read or will read. Regardless of whether your instructor assigns any of these cases, we suggest that you read them and come up with some answers for yourself regarding the issues in the situations. They are fun to think about and are good for applying the theoretical concepts to a real-world situation.

Even more “hands-on” experiences are provided by the projects that are suggested in most of the chapters. Many of them will force you into the field to see how it really happens out there. Again, even if such projects are not required in your course, you will benefit greatly by attempting to do some of the things suggested in these projects. We have tested them with our students and have found them to be meaningful learning experiences, which complement their other activities.

A continuing feature of this third edition should be brought to your attention. In Appendix B we have included a group of relatively long, quite comprehensive cases which are keyed to particular parts of the text. These cases are challenging and represent real-world situations, which will allow you to apply theory and practice in this course. Whether the cases are used in your class will depend on the instructor’s course plan. Again, we suggest that reading them, whether or not they are assigned, will be extremely beneficial, as the facts of the cases have substantial learning dimensions. We are pleased to have these invited cases in this edition.

Enjoy your first retailing course. Based on the visibility of retailing alone, it may be one of the most valuable courses you take as a part of your college career. It provides a good opportunity to evaluate retailing as a career path and at the very least, *Modern Retailing: Theory and Practice* will provide new insights into the dynamics and challenges of today’s retail marketplace and that of the future.

## **ACKNOWLEDGMENTS**

Numerous persons from both business and academics have made valued contributions to our thinking. Specifically, numerous prominent



businesspersons have reviewed portions of the material and have provided valuable introductory statements at the beginning of each chapter to help students see the material from the perspective of today's sophisticated businessperson.

Among our academic friends and colleagues at Alabama who have evaluated portions of the material, we particularly would like to thank Robert Robicheaux, and Arthur Thompson.

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JOSEPH BARRY MASON  
MORRIS LEHMAN MAYER

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# Part One

## ***Market Structure***



**INTRODUCTION**

Retailing is exciting, dynamic, and extraordinarily diverse! Picture the glamour of Texas-based Sakowitz and Neiman-Marcus or the lifestyle merchandising genius exhibited by The Cellar at Macy's Herald Square store in New York City. Dramatic, spectacular, and successful inner-city retailing developments such as North Michigan Avenue's Water Tower Place in Chicago, Boston's magnificent Faneuil Hall-Quincy Market redevelopment, and Baltimore's Harbor Place demonstrate what can be done in deteriorating, blighted areas with imagination, creativity, and the cooperation of developers, financial institutions, and "city fathers." Consider foreign investment in such venerable institutions in this country as Saks Fifth Avenue and The Great Atlantic and Pacific Tea Company; the \$40 billion mail-order business with more than 5 billion catalogs mailed in 1982; J. C. Penney featuring Halston as well as Plain Pocket Jeans; off-price retailing presenting an entirely new concept to the marketplace with such firms as Marshalls and T. J. Maxx setting the pace; the personal computer and the telephone being featured as the stars of the retailing stage in the mid-1980s.

Note the vast assortment of types of outlets in the food segment of retailing such as supermarkets, superstores, combo stores, convenience stores, limited-assortment box stores, warehouse stores, and the prevalence of takeout deli departments as well as bakeries and cheese and wine shops. Consider computerized point-of-sale systems (POS) using wands and scanners to immediately record sales; Wal-Mart encroaching on K mart's traditional discount market by moving into larger, secondary markets; Sears becoming potentially the largest financial institution in America; exits of note from the retailing scene such as Woolco, Grant's, and New Orleans's Maison Blanche; the explosion of ethnic fast-food offerings in "food courts" found in many regional malls of the 80s. Other mall-oriented stores specialize in ice cream (Swensons, Baskin Robbins, and Haagen Dazs), chocolate chip cookies (Famous Amos and Davids Cookies), cheese (Hickory Farms and Swiss Colony), books (Waldenbooks and B. Dalton), and more, much more.

This is just to give you a glimpse of the panorama that is retailing. When you complete these two chapters you will have a firm handle on what retailing is all about: its pervasiveness, economic impact, and structure.