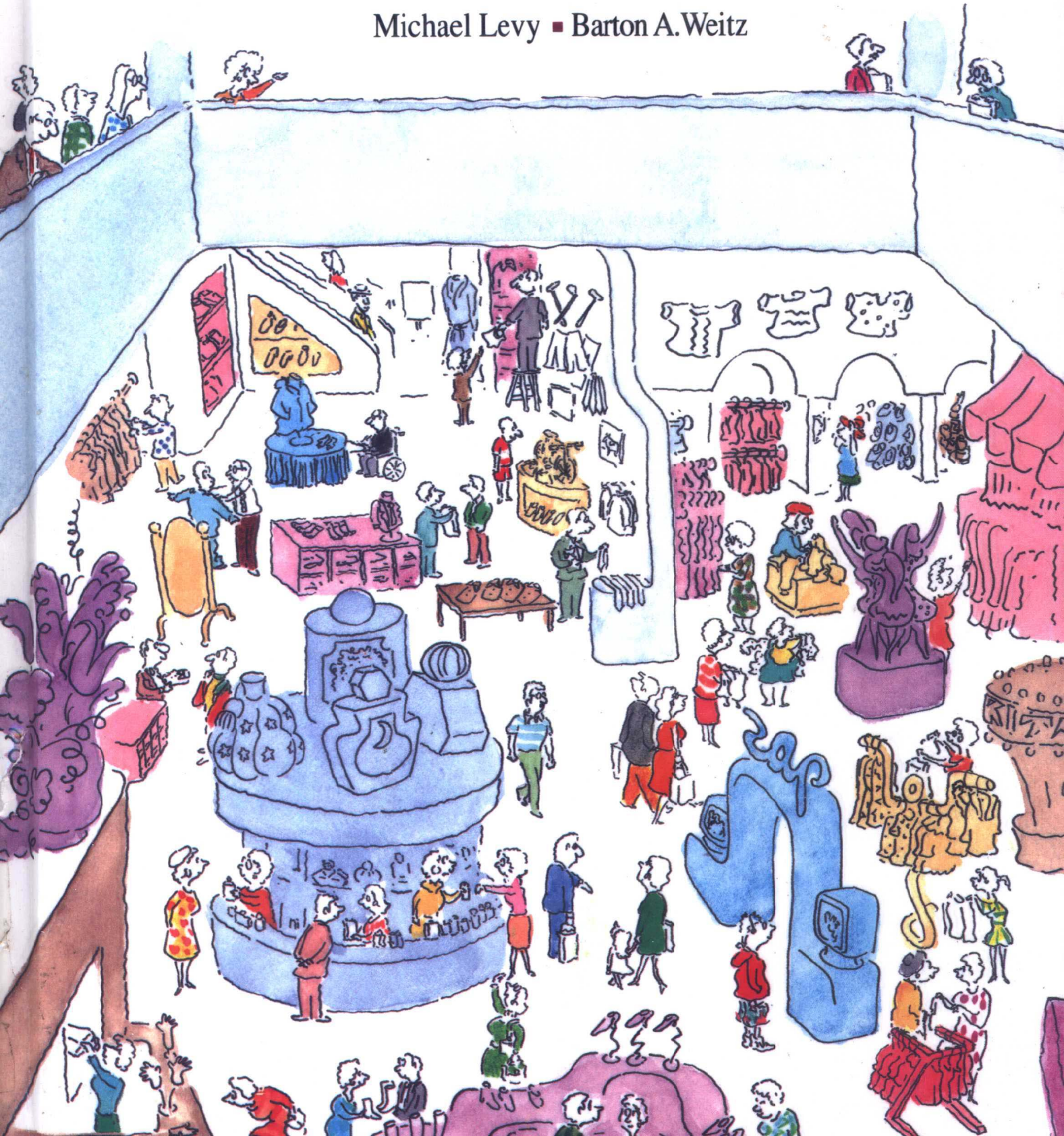


Retailing Management

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Retailing Management

The Irwin Series in Marketing

Gilbert A. Churchill, Jr.
Consulting Editor
University of Wisconsin, Madison

To our fathers,
Norman Levy and
Edward Weitz, who
instilled in us an
appreciation for
scholarship and an
interest in the
distributive trades.

Preface

Our objectives in writing *Retailing Management* were three-fold: (1) to provide information about an important institution in our society—retailing; (2) to introduce students to the exciting and challenging environment confronting retail managers; and (3) to teach students state-of-the-art retail management practices. We designed the text to be accessible and informative to a broad spectrum of students, including business and fashion merchandising majors in universities and two-year colleges.

The retailing industry is going through a particularly turbulent era in the 1990s. Customer needs and demographics are changing; new retail formats are replacing older, traditional ones; new location opportunities are being exploited; new technologies are drastically affecting retail operations; and ownership of large retail chains is changing through a wave of mergers, acquisitions, and divestitures.

Retailing Issues in the 90s

Retail Strategy

Strategic thinking is a key factor affecting performance in highly competitive retail markets. In addition to covering the more tactical merchandise buying and store management issues, *Retailing Management* emphasizes the broader, strategic perspective. Some of the strategic issues discussed in the text include:

- How firms compete against each other (Chapter 2).
- The dynamic nature of retail markets (Chapter 3).
- How firms develop strategic advantage and pursue growth opportunities (Chapter 6).
- Long-term financial analysis (Chapter 7).
- The organization of retail firms to achieve strategic objectives (Chapter 8).

Financial Performance

In response to increasing competition, the business and financial sides of retailing are also becoming increasingly important. The financial implications of retail decisions are considered throughout *Retailing Management*. Chapter 7 examines the relationship between retail strategy and financial performance.

Competitive Advantage

Retailers in the 90s are developing sustainable competitive advantages by building long-term relationships with key vendors, improving customer service to build

customer loyalty, and using technology to improve efficiency. Chapter 14 focuses on building strong vendor relationships. Providing customer service is addressed in Chapter 17. And Chapter 20 examines information and distribution systems and how these technologies impact management decision making.

Store Management

Traditionally, retailers have emphasized the function performed by buyers—merchandise planning, management, and promotions. Over the last 10 years, the number of career opportunities in buying has actually decreased due to mergers among department store chains and the growth of national specialty and discount store chains with centralized buying. Store management now plays an increasingly important role. Four chapters in Section 4 examine store management issues: recruiting, selecting, motivating, compensating, and evaluating store employees and preventing inventory losses (Chapter 16); providing customer service and handling complaints (Chapter 17); selling merchandise (Chapter 18); and designing a store and displaying merchandise (Chapter 19).

Balanced Managerial, Decision-Oriented Approach

Retailing Management provides a balanced descriptive, how-to, and conceptual approach to retailing.

Descriptive Information

The chapters in Section 1 provide the background to introduce students to the world of retailing. These chapters describe:

- The nature of retailing and the types of decisions made by retailers (Chapter 1).
- The types of retailers (Chapter 2).
- Trends in the retail environment (Chapter 3).
- The needs of retail customers and factors affecting their store choice and purchase decisions (Chapter 4).
- The ethical and legal issues confronting retailers (Chapter 5).

How-To Information

Retailing Management goes beyond descriptive information to explain *how* retail managers make decisions and *why* they make them the way they do. Step-by-step procedures with examples are provided for making many important retail decisions such as:

- Evaluating and selecting strategic investment opportunities (Chapter 6).
- Analyzing and identifying approaches for improving financial performance (Chapter 7).
- Evaluating and selecting retail locations (Chapters 9 and 10).
- Developing a merchandise budget plan and an assortment plan (Chapters 11 and 12).
- Pricing merchandise (Chapter 13).
- Negotiating with vendors (Chapter 14).
- Setting an advertising budget, selecting media, and designing promotions (Chapter 15).

- Managing store employees (Chapter 16).
- Selling to customers (Chapter 18).
- Allocating floor space to merchandise categories and displaying merchandise (Chapter 19).

Each of these areas is discussed in enough detail that students could make strategic decisions without additional information. Thus, the text provides useful information for students with entrepreneurial interests who desire to start their own retail business. It will also be useful as a reference guide for students who embark on careers in large retail chains. Appendixes B and C to the text provide additional information on how to start retail businesses and franchises.

Conceptual Information

Retailing Management presents retailing concepts so that students understand why decisions are made using the procedures outlined. To quote Mark Twain, “There is nothing as practical as a good theory.” Students need these basic concepts as they approach the new problems and situations that will occur in an ever-changing world of retailing.

Examples of conceptual material presented in the text include:

- Customer decision-making process (Chapter 4).
- Establishing sustainable competitive advantages (Chapter 6).
- Market attractiveness-competitive strength portfolio model (Chapter 6).
- The strategic profit (SPM) model (Chapter 7).
- The direct product profitability (DPP) model (Chapter 7 Appendixes).
- Decentralized versus centralized decision-making process (Chapter 8).
- Location theory (Chapter 10).
- Marginal analysis, price theory (Chapters 13 and 15).
- The GAP model of service quality (Chapter 17).

To provide an opportunity for interested students to explore these conceptual issues further, extensive references are made throughout each chapter, and a list of additional sources of information is provided at the end of each chapter.

Examples are used extensively to illustrate the information presented in the text. Each chapter has several Retailing Views—short vignettes that amplify the text material by describing how specific retailers confront issues discussed in the chapter. Four-color photographs and exhibits aid the understanding of complex material.

The text draws on examples involving many different retailers. However, J.C. Penney (national department store chain), Burdines (regional department store chain), Neiman Marcus (upscale specialty department store chain), The Gap (national specialty store chain), and Kmart, Wal-Mart, and Toys “R” Us (national discount chains) are emphasized in examples throughout the text. These firms represent a cross-section of retailers that actively recruit college students for management trainee positions. Thus, *Retailing Management* teaches students about retailing in general and about specific firms for which they might work after graduation. Appendix A provides additional information about career opportunities in retailing and how to get a retail management job.

Illustrations and Examples

We have devoted considerable time preparing this text, and we are very interested in improving it in future editions. We welcome any comments or suggestions you might have.

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