

RETAILING

FOURTH EDITION

DALE M. LEWISON



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RETAILING

Fourth Edition

DALE M. LEWISON

University of Akron



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PREFACE

Goal for the Text

Courses in retailing have never been more popular than they are today. The demand for practical, job-oriented courses that enhance students' chances of finding entry-level management positions is clear, and certainly helps to explain the increase in course offerings and growing enrollments.

With the growing emphasis on job-oriented skills, though, comes the need to "balance" the material presented. Students as well as the business community view retailing as a practical, operations-oriented discipline. Accordingly, operations-oriented policies, methods, and procedures must be an integral part of a retailing course. Academic credibility requires, however, that course materials be couched within a conceptual, theoretical framework. To meet these dual needs, the goal for this fourth edition of *Retailing* has been to strike a balance between academic credibility and the basic, operations-oriented needs of the job-seeking student.

Plan for the Text

The organization and plan for *Retailing*, Fourth Edition, combined with many features from previous editions and several new features, accomplish this text goal. The book is organized into six parts, divided into 20 chapters, that provide comprehensive yet manageable learning modules. The book covers all major topics: consumers; retail site location; designing, staffing, and organizing the retail store; developing the retail offering and getting the merchandise into the store; developing and controlling the merchandise plan; setting and adjusting retail prices; promotional activities; the importance of environmental influences in retail business; and retail financial statements and operations control. All chapters have been thoroughly updated and reviewed to include the most recent developments in the field and to reinforce the decision-making approach.

The fourth edition involves several significant changes and improvements that will help in achieving the book's goals. They include:

- Reduction of the textbook from 24 chapters to a more manageable 20 chapters. The lighter structure was achieved by careful editing and by combining six compatible chapters.
- Reorganization of the chapter sequence. The first 17 chapters are devoted to the basics of retailing within a tactical management perspective; the remaining 3 chapters deal with strategic management issues. The new organization will permit greater flexibility in course design.

- Repositioning of the material on retail careers within Appendix B. The career dimension can be covered at any point in the course deemed appropriate by the professor.
- A new chapter, “Retailing Dynamics—Future Trends and Directions.” This chapter examines which consumer demographic and lifestyle trends are impacting retail operations and how retail organizations are adapting to their changing environment.
- A new chapter section on business ethics in Chapter 4, “The Legal and Ethical Aspects of Retailing.” Ethical issues and concerns are reinforced throughout the text with boxed inserts, student projects, and case problems.
- Expanded coverage of retailing technologies in Chapter 5, “Retail Information Systems and Technologies.” New technologies and their applications are interjected throughout the text with additional text discussions, chapter graphics, boxed inserts, and student projects.
- Greater emphasis on global retailing in terms of expanded text coverage, boxed inserts, and case situations.
- New chapter organization. The student learning process is enhanced through the expanded use of learning aids, study guides, and application manuals.
- Addition of end-of-chapter tactical cases, supported by supplementary cases in Appendix A.
- A new text design and revised art program. Key concepts and processes are presented in both verbal and graphic form, complementing and reinforcing the student learning process. Several photo essays highlight contemporary retailing issues.

Learning Aids

- Chapter-opening outlines that preview the important topics covered in each chapter help students organize their reading of the chapter.
- Learning objectives guide students’ reading and help them identify important ideas for review and application.
- Opening chapter vignettes spark students’ interest and establish the tone of the chapter’s subject matter.
- “The World of Retailing,” a series of boxed inserts, highlights such key issues as business ethics, retail technologies, and international retailing.
- “Retail Strategies and Tactics,” a series of boxed inserts, focuses students’ attention on key decision-making and problem-solving examples.
- Brief, end-of-chapter summaries reflect the chapter objectives and streamline students’ review of major concepts.
- The end-of-chapter Student Study Guide provides students with a convenient means of reviewing the chapter, preparing for tests, and obtaining greater understanding of the materials. The guide consists of Key Terms and Concepts, Review Questions, and a Review Exam.
- The end-of-chapter Student Applications Manual provides the student with investigative projects that expand student skills through field studies, library searches, and survey assignments. Short, pragmatic tactical cases that provide problem-solving opportunities and practice in applying analytical skills and improving presentation skills are also included.
- Key terms and concepts, including both technical and nontechnical terms, are conveniently defined in a glossary at the end of the book.

Ancillaries and Supplements

Instructor’s Manual: The Instructor’s Manual contains complete lecture outlines, answers to review questions, review exams, project investigations, and solutions to both tactical and supplementary cases.

Transparency Masters: Transparency Masters of key text illustrations and lecture organization are available to all adopters.

Test Bank: Updated and revised 2,000-item test banks (paper and computerized) are available to all adopters.

Supplementary Lecture Series: Fifty nontext, supplementary lectures, consisting of a lecture outline and a colored or shaded transparency, are available to all adopters.

Video: A videotape and video instructor's manual are available to all adopters. The videotape contains a variety of corporate cases covering different retailing subjects. The video instructor's manual includes information on the video and suggestions for integration of the video into your course curriculum.

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THE NATURE OF RETAILING

RETAILING—THE WINDS OF CHANGE

Retailing is a dynamic activity. Hence, retailers must be adaptive organizations to survive; status quo is never good enough to accommodate the ebb and flow of market upheaval. In today's retailing environment, the winds of change are blowing stronger than ever before. Several writers have described this dynamic nature of retailing:

- *The word "retail" has been around for more than five centuries, and the concept is as old as commerce itself. But the patterns and systems of retailing undergo massive transformations from time to time. Today is one such time for many markets around the world. New technology, more sophisticated consumer preferences and habits, less restrictive government regulations . . . all these influences are transforming the retail scene from Tokyo to Tulsa, shifting the balance of power between manufacturers and retailers, and driving retailers to restructure their strategies.¹*
 - *The days when the retail giants—Sears, K mart, J.C. Penney—could open a store, stock the shelves, offer reasonable pricing and service, and wait for the customers to roll in, ended in the 70s . . . The atmosphere of the 80s was more competitive as chains such as The Limited and Toys 'R' Us spawned myriad technological and management systems and controls to cut operating costs, speed deliveries, increase turns and ensure in-stock positions. These controls were focused on corporate results, and not on what it takes to generate profits in the first place—people. This tried-and-true, operations-and-control focus won't cut the retail mustard in the 1990s.²*
 - *Technology, demographics, consumer attitudes, and the advent of a global economy are all conspiring to rewrite the rules for success. Without question, the decade ahead will be a dramatic one for retailers. . . . At the core of the change is a shift in attitude and expectations of consumers and the power they have within the economic system. In the aggregate, people are much more informed Success in the next decade, then, will depend upon the level of understanding retailers have about the new values, expectations, and needs of the customer.³*
- Many retailing experts see the 1990s as the "decade of the customer," a decade in which retail organizations must become totally customer focused if they are to survive until the turn of the century.⁴ Retail survival depends on

CHAPTER

1

“continuous innovation both in marketing to consumers and in better managing the business internally. Winner retailers . . . create value for customers by sustaining a corporate climate that values better performance above everything else.”⁵ Customer satisfaction will be not only a corporate goal but a daily

operational requirement. In this and the following chapters, we examine the retail merchandising, financial, operational, and organizational dimensions in “creating total customer responsiveness” within today’s chaotic retail environment.⁶

WHAT IS RETAILING?

The Retailer as a Marketing Institution

The many definitions of retailing share the same basic concept: **Retailing** is the business activity of selling goods or services to the final consumer. A **retailer** is any business establishment that directs its marketing efforts toward the final consumer for the purpose of selling goods or services. The key words in this definition are *the final consumer*. A business selling the same product to two different buyers may in one instance perform a retailing activity but in the other *not* perform a retailing activity. As an example, assume you buy a chandelier to hang in your dining room. In this case, the lighting company has made a retail sale. On the other hand, assume a home builder walks into the same store, purchases the same chandelier, and installs it in a home he or she is building. In this case, the lighting company has not made a retail sale, because the chandelier was not sold to the final consumer (user) of the product. Thus, a sale is a retail sale only when the ultimate consumer purchases the product. What distinguishes a retail sale from other types of sales is the buyer’s *reason* for buying. If the buyer purchases the product for personal use, the sale is considered a retail sale. If



Retailers overcome the assortment gap by buying from many different suppliers.