

Mason Mayer Ezell

Third Edition

Retailing

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Retailing

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Preface

For the career-oriented student, few topics are more exciting and dynamic than retailing. Studying the subject paves the way for the most diversified career opportunities available in the marketplace of the 1990s and beyond. Our third edition has been designed to reflect the dynamics of retailing and to make study of the field more rewarding for both students and instructors.

APPROACH OF THE TEXT

This text uses a "how-to" approach within the context of strategic retailing. We address all questions likely to be asked by a person interested in a retail career as an owner, a manager of an enterprise, or an employee who is uncertain of future directions. Answers to the questions we raise are stated from a pragmatic, how-to point of view, but we have not sacrificed the conceptual and analytical foundation necessary for a complete introduction to the field. The approach we have taken assumes no prior knowledge of retailing. Thus, the material is presented in simple, straightforward language. With our assumption of "no prerequisites needed," we have defined all terms carefully. We also provided many real-life examples to illustrate the points in the text.

The book has a strong career focus which provides students the opportunity to learn more about the world of retailing, regardless of whether they will ever be employed in a retail setting.

The stage is set in the first chapter. The excitement of retailing today is captured in this

introductory chapter. The strategic framework of the book is presented in Chapter 2.

The objectives of this text are to ask and answer questions about:

- What a person needs to know before making a decision (either careerwise or investmentwise) about retailing.
- Key strategic decisions in a successful retail strategy.
- What must be considered to plan for situations over which management has no control, in other words the external environment of retailing.
- The ways a person can ensure that operations will be profitable.
- How to evaluate profitability (as determined by accounting and control systems).
- Whether retailing is a viable career (or investment) in your future.

This book is written from the point of view of the student who is asking questions about retailing as a career and as a possible future business venture. After studying the book, the student will know the opportunities, problems, challenges, and success potential of operating a retail business or working for someone else who does.

This book presents the broad spectrum of opportunities that exist for the aspiring retailer. What types of stores are out there? Large ones like J. C. Penney and small ones like your local 7-Eleven; fancy ones like Neiman-Marcus and no-frills operations such as Marshalls and T. J. Maxx all exist successfully.

Where will the action in retailing be during the 1990s? The small, secondary markets look good to many strategic planners. Will the outlying regional malls in metropolitan areas still be attractive investments? What about downtown (the central business district)?

Which names are part of the big retail action? Nordstrom, The Limited, Macy's, Dayton-Hudson, May, and Federated are well

known in upscale general merchandise. What action can we expect from the big national general merchandise chains—Sears and Penney's? A good question! Will Macy's Herald Square Store continue to challenge Bloomingdale's in New York? Watch The Limited for smart fashion strategy and market segmentation, the exciting festival malls like Riverwalk in New Orleans and the open-air fashion centers proliferating the urban landscape, B. Dalton books, deli departments in superstores, and upscale fancy food emporiums for at-home dining, the vast proliferation of computer hard- and software in all kinds of outlets, and much more!

What does all this diversity mean to the student? Many choices for different types of careers exist—choices in type of retailing, location, size, and degree of dynamics. Many types of skills are needed. Retail organizations need people to manage all functions that exist to serve the customer. This edition incorporates all these aspects.

ORGANIZATION OF THE TEXT

The book flows in a logical sequence since each topic fits into a planned framework. Part 1 of the framework, Structural Dynamics and Strategic Planning, discusses what retailing is like today (Chapter 1) by quickly initiating you into the retailing fraternity! Chapter 2 introduces students to the essence of strategic planning as a way of defining the purposes of the firm and deciding how to compete. Part 2 introduces students to the environmental factors affecting retail strategy development, including the key legal and public policy issues (Chapter 3), the critical dimensions of the economic and social environments (Chapter 4) and the new technology (Chapter 5).

Part 3 introduces students to selecting markets in which to compete. Chapter 6, asks and answers critical questions about the consumer, followed by concepts of lifestyle

merchandising in Chapter 7. Part 4 introduces students to the resources needed to compete, including issues in financing and organizing a business (Chapter 8), and franchising as a way of owning and operating a retail firm (Chapter 9). Chapter 10 presents the key issues in the location, site, and building decisions, and Chapter 11 introduces students to critical issues in the recruiting, selection, training, and motivation of employees.

Part 5, positioning for competitive advantage, is a critical part of the text and introduces students to expense planning (Chapter 12); buying and inventory management (Chapter 13); determining retail prices (Chapter 14); physically handling and securing merchandise (Chapter 15); layout and merchandise presentation (Chapter 16); keys to successful selling (Chapter 17); advertising, sales promotion, and publicity (Chapter 18); and sales-support services (Chapter 19).

Part 6, consisting of Chapters 20 and 21, provides the tools for evaluating competitive actions, including the elements involved in developing control systems and in developing an accounting system. The text ends with Chapter 22 which provides an overview of trends, social dimensions, and prospects that affect retailing, followed by a comprehensive careers appendix to help students make better decisions about the many facets of a career in retailing.

SOME OTHER THINGS ABOUT THE BOOK

We have tried to make this book interesting and to reflect the excitement of retailing. Some of the premier retail firms in our country have provided excellent photographs. Study Aids in many chapters provide additional substance to enlighten the topics. The introductory retailing capsule at the beginning of each chapter and the two cases at the end of each chapter also bring a high degree of realism to the material.

HOW TO STUDY RETAILING WITH THIS BOOK

Look carefully at the first page or two of each chapter. This information is valuable. It lists topics covered in the chapter and spells out the specific chapter learning objectives. If you can answer the questions raised on these pages, you're making progress. It's a good preview and review.

Each chapter includes discussion questions to make you think about what you've read and to test your memory and understanding of the chapter. Practice problems are given in some chapters so you can check your understanding of skills explained in the book. Always work the problems. Each chapter also includes two cases. These cases let you confront a real situation to make a decision or to judge someone else's actions. These cases are fun and good learning experiences.

This edition offers another outstanding plus—a student Learning Resource Guide—which can be of great value in studying retailing. Its self-examinations let you test your knowledge, additional short cases let you apply your logic, and selected readings broaden your knowledge of the subject. The Learning Resource Guide will make learning more challenging and give you confidence in your mastery of retailing topics.

In addition to the key terms highlighted in the beginning of each chapter, important definitions have been added to the end of each chapter.

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PART
1

Structural Dynamics and Strategic Planning

The size and complexity of retailing become quickly apparent when one thinks about its structure. The millions of retail outlets in the United States today generate billions of dollars in annual sales. All of us are familiar with such giants as Sears, Wal-Mart, and J. C. Penney. Yet small, independent retail and franchised outlets far outnumber the larger, well-known chains.

The number of retail outlets continues to increase at a much faster rate than the population. As more and more markets have become saturated with retail stores, competition has become increasingly strong. The development of strategic plans in retailing as the essence of competitive strategy thus has become as important as merchandising skills in recent years. Retailers are now more careful about choosing the markets in which they compete, as well as the competitive strategies and marketing mix variables they use. Market segmentation, market positioning, and other strategies essential to competing effectively have become highly refined skills.

Chapter 1 reviews the essence of marketing structure to help students understand the complexity, excitement, and dynamic nature of retailing. Chapter 2 provides an overview of the ingredients of retail strategy development and is designed to help students understand how retailers develop strategies for competing in today's marketplace.

Retailing Today: The Structure as It Is and as It Might Be

RETAILING CAPSULE

Madison and Fifth Avenues

"On the avenue, Fifth Avenue," the parade marches up and down the street, not only at Easter but every day of the week. The heart of "the" avenue is about one and one-quarter miles extending from 34th to 59th streets, and this piece of real estate proclaims the "optimism and enterprise that is New York." The best example of shopping along Fifth Avenue is in its great fashion department stores. Many have disappeared over the years (De Pinna, Best & Co., and Arnold Constable to name only a few), but the choices still include Saks, B. Altman, Bergdorf Goodman, and Lord & Taylor. What else does the street offer to the constantly surging traffic? The shops of the three-block-wide Rockefeller Center; Gucci (no longer closing for lunch), with the famous silk scarves and the well-known signature or initial-adorned bags and belts; Bijan, the Beverly Hills menswear retailer that admits potential customers only after making an appointment to show the amazing luxury items in the shop (such as a chinchilla bedspread); Botticelli which offers leather footwear in the classic style of master craftsmen from the 16th century to the 21st; and the world-renowned jewelers, Tiffany and Cartier, for the epitome in quality accessories.

Fifth Avenue today is challenged by Madison Avenue, one block to the east, for the up-scale fashion market in Manhattan. "Madison is an avenue for devotees of perfect proportion—an international boulevard in miniature. . . . Shops, galleries, salons, restaurants in brownstones and vintage apartment houses,

Based on "Shopping" by Rosie Barraclough, in *Guestinformant*, New York, 1984–85 Edition, pp. 33–84.