
RETAILING MANAGEMENT

FIFTH EDITION

WILLIAM R. DAVIDSON

DANIEL J. SWEENEY

RONALD W. STAMPEL

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Ronald W. Stampfl, Ph.D., The University of Wisconsin, is Professor of Business and Consumer Science at that institution. He serves on the editorial board of the *Journal of Retailing* and was co-director of the American Marketing Association's first Faculty Consortium (Retailing in the Contemporary Environment). His publications include co-editorship of *Competitive Structure in Retail Markets* and *Theory in Retailing* plus various articles on retailing and consumer affairs. He is an active consultant to business.

PREFACE

This book is, in one sense, a revision of an established text with wide acceptance, yet it is such a substantial revision that many will consider it a new work.

This edition reflects the impact of changes that have occurred since the publication of the fourth edition and that are continuing to occur in the various environments of retailing, including the economy, consumer markets, competitive structure, resource markets, human resources, communications, and technology. This book is also a response to the increasing concern about strategic planning and productivity by retail management.

FOCUS AND SCOPE

The book's focus is on professional management in large multiunit retailing companies, which comprise the largest field of retail career opportunities for people with professional education in business. In early parts of the book, we are concerned with the strategic management of the total company. Strategic management is visualized as a continuing challenge of market share management in a set of external environments of finite opportunity. We teach strategy as the planned use of company resources in a manner that is responsive to consumer and competitive environmental opportunity but that must also produce the right numbers in the strategic profit model.

In later parts of the book, we address all levels of management responsibility (strategic, administrative, and operating) within the two largest functional divisions of retail organizations, namely, the merchandising and the store operations divisions. These two functional areas comprise some 75 to 80 percent of the employment and career opportunities in large companies; they are the most unique areas of management in retailing; and they are the most critical with respect to revenue production, management of assets, and productive use of resource funds expended in operations. Attention is given to other functions (finance, facility planning, real estate, research, personnel, advertising, and so on) but primarily as they relate to merchandising and store operations.

The scope of the book includes the retailing of physical products as well as consumer services—especially those services for which buying decisions are made

on an individual consumer or household basis and which are or can be offered in a retailing mode of operation.

INTENDED USE

We have positioned this book as a basic text for intermediate or advanced university courses in retailing or channels of distribution management. However, we believe the book can also be used effectively in lower level (first or second year) courses in community or junior colleges where ambitious students may be in pursuit of high achievement.

We have tried to write this text in such a way that it will build on and enrich the knowledge acquired in previous work in economics, marketing, accounting, and finance. However, such previous work is not a prerequisite to an understanding of the material. When technical considerations or quantitative relationships are introduced, we have attempted to make them comprehensible to the unsophisticated reader by the use of diagrams or models. Many photographs and charts are used to illustrate situations likely to be beyond the experience of some students.

This book is also intended to be useful in management education programs in retailing companies and as material for self-study or reference by those already in, or interested in, retailing management careers.

CHANGES FROM THE PREVIOUS EDITION

We hope that users of the fourth edition will be pleased to see the retention of the strong strategic and financial emphasis and also the continuation of in-depth treatment of merchandising in a series of chapters that constitute a major part of the book.

We also hope users will be pleased by changes that have been made in response to many comments we received from them. The major changes are as follows:

- Reduction of the number of chapters from 26 to 17, achieved by narrower focus and concentration on strategic management, merchandising, and store operations.
- Greater emphasis on specialty stores and various forms of mass merchandising and low margin retailing.
- Attention to the marketing of consumer services in a retailing mode.
- Recognition of the growing interest of advanced students in career opportunity evaluation.

- Elimination of nearly all chapter footnotes by placing all library references in a sizable bibliography at the end of the book.
- Restoration of an appendix containing comprehensive departmental merchandising and operating information, a feature of the third edition missed by some users of the fourth.
- Creative teaser questions to open each chapter, to arouse interest before study, as a replacement for review questions at the end of chapters.
- A summary of marketing and financial strategic implications at the end of appropriate chapters (Chapters 6 to 17).

CASES

This edition contains a separate section of 52 potential supplementary assignments. For convenience, these are all referred to as *cases*, although they consist of several types of materials:

- Comprehensive case studies, sometimes in a series based on one company.
- Short vignettes or incidents that can be discussed in class after a few moments of reading.
- Problems calling for an arithmetic solution.
- Reading assignments based on internal company publications or speeches by prominent retail executives.

All of these cases are based on actual company experiences or some real situation composites. All are concerned with real situations and issues that are related to parts of the text or individual chapters. Many of the cases are entirely new, while others are updated revisions of old favorites. Some are taken from cases used in the executive development programs and conferences of Management Horizons, Inc.

Fictitious names are used in the titles and within the content of most of the cases. Actual names are used with company permission in some of the cases based on well-known, easily identified, public corporations.

We have attempted to offer a wide selection of supplementary materials so that the teacher can vary assignments from one year to another or have material for a second course on the same subject. We hope that this wide selection will also minimize the student's dependence on other sources of materials.

CREDITS

Many of our friends and associates have contributed to this book. We have benefited greatly from advice offered by Professors Kenneth R. Evans, Arizona State University; Dale Achabal, University of Santa Clara; and Julien Yudelsohn, Roches-

ter Institute of Technology. They prepared thorough analyses of our manuscript while this revision was in process. We are similarly indebted to many other users and friendly critics of our earlier publications for sharing their experiences and preferences with us.

We are most grateful for the cooperation of and permission granted by Management Horizons, Inc., for use of materials from its publications, data bases, and library resources. All photographs, except those otherwise credited, are from the Management Horizons Audio Visual Center. We acknowledge especially the assistance or prior contributions of the following Management Horizons associates: Dr. Cyrus C. Wilson, Mr. James E. Samples, Mr. Thomas M. Murnane, Mr. Thomas I. Rubel, Mr. Mark Dillman, Ms. Linda Hyde, Mr. Jon Leffler, Ms. Rebecca Morris, Ms. Tammy Greenberg, Mr. Jim Newton, Ms. Patricia Reisch, Ms. Yvonne Speece, Ms. Raenette Stimmel, Ms. Joyce Wissman, Ms. Donna Hastilow, and Ms. Johnnie Frye.

We acknowledge the influence of our co-author of earlier editions, Dr. Alton F. Doody. Some of his previous contributions are retained in this revision.

We hope that this book meets the expectations of those who read, study, or teach it. We look forward to learning about the experiences of those who use it.

January 1984

**William R. Davidson
Daniel J. Sweeney
Ronald W. Stampfl**

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STRATEGY IMPLICATIONS: Marketing Strategy; Financial Strategy.

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Part 1

INTRODUCTION: UNDERSTANDING THE EXTERNAL ENVIRONMENT

This is a book about professional management in retailing—what it is, how it is done, how it can be improved, what it is like now, what it will be like in the future.

The book focuses on professional management in large multi-unit retailing companies which are the largest field of career opportunities for people with professional education in business. When examples are used, they tend to be of well known companies with which most readers can identify; however, examples are intended to be representative also of less well known companies with professional management.

The subject matter is concerned with total company strategic management and with all levels of management responsibilities within the two largest functional divisions of retail organizations: namely, the merchandising and the store operations divisions. These two divisions comprise 75 to 80 percent of employment and of management positions in large companies. They are, moreover, the most unique areas of management in retailing.

Attention is also given to other functions (finance, store planning, real estate, research, personnel, advertising, etc.) but primarily as they relate to support for merchandising and store operations.

The total content encompasses the functions essential to the retail marketing of consumer products; however, much of it is also applicable to the marketing of services—especially those services for which buying decisions are made on an individual basis by consumers or households and which are or can be offered in a retailing mode, as a part of the total product offer of a diversified company or as the main offer of a specialized service establishment.

The book is divided into six parts. The authors start with what typical readers probably already know about retailing. They finish with their views about the future of retailing management. In between, they typical reader should learn a lot about what the authors have taken a very long time to learn.

Consider these questions as you read this chapter:

- How does society benefit from having a structure of retailing institutions?
- About how many different items can you find in a typical supermarket? Department store?
- Why do so many different combinations of products, prices, and services exist in the offers of the many kinds of stores of almost any city?
- In what ways is the retail world of today different from what it was a generation or so ago?
- In what ways can you professionally apply much of what you've already learned in economics, marketing, management, accounting, home economics, and finance to retailing?
- Why do some stores carry a wide variety of products and others specialize in a narrow offering?
- If you wanted to buy just one rather unique shirt, can you reconcile that in our economy with the seemingly opposite desire of a shirt manufacturer to make thousands of the same shirt?
- How do you feel about having to go to ten different places to buy ten needed items instead of visiting only one store with a broad product offering and making only one transaction?
- Who pays for the "free" credit and delivery services and the plush decor of your favorite fashion-first department store?
- How do you decide whether a certain merchant's price is fair?
- How much change has a retailing executive who is retiring today experienced during his career, and how much change might you face between now and the year 2040, as you approach retirement?