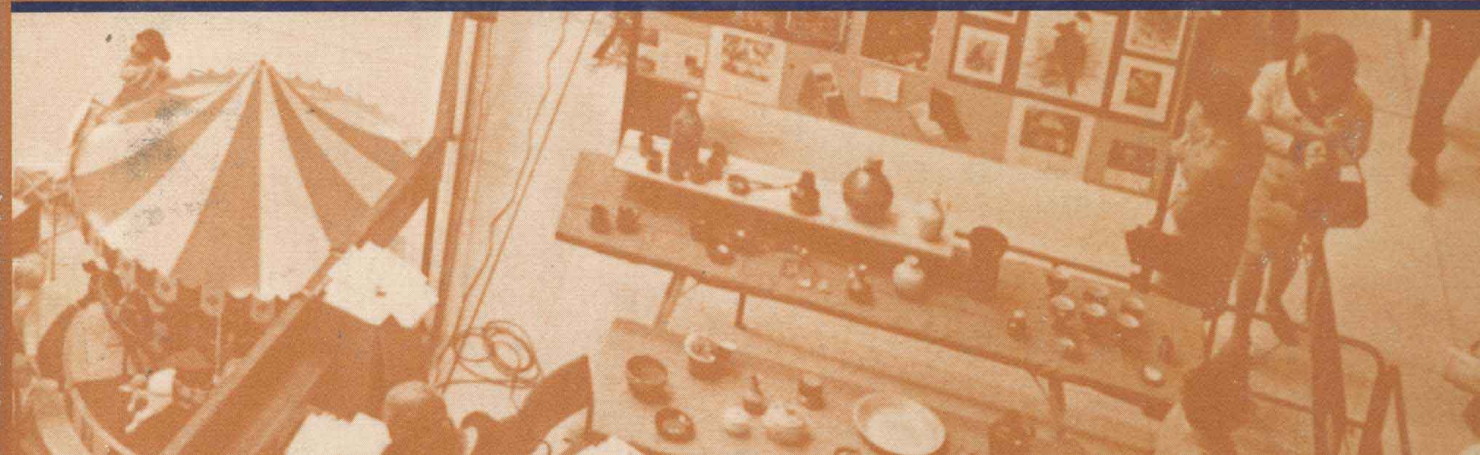




**SECOND EDITION**

Don L. James  
Bruce J. Walker  
Michael J. Etzel

# RETAILING TODAY





---

**SECOND EDITION**

---

# **RETAILING TODAY**

---

**DON L. JAMES**

Fort Lewis College

**BRUCE J. WALKER**

Arizona State University

**MICHAEL J. ETZEL**

University of Notre Dame



**Harcourt Brace Jovanovich, Inc.**

New York San Diego Chicago San Francisco Atlanta  
London Sydney Toronto

Copyright © 1981, 1975 by Harcourt Brace Jovanovich, Inc.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without permission in writing from the publisher.

Requests for permission to make copies of any part of the work should be mailed to: Permissions, Harcourt Brace Jovanovich, Inc., 757 Third Avenue, New York, NY 10017.

Cover photo © Jozef Vissel / Freelance Photographer's Guild.

Illustration and photo credits appear on page 524.

Printed in the United States of America  
Library of Congress Catalog Card Number: 80-83553  
ISBN: 0-15-576672-4

---

---

# PREFACE

---

**P**reparing the second edition of *Retailing Today* has been an entirely different experience from writing the original version. First, as authors we have gained the confidence in our approach and style that can only be provided by a test in the marketplace. Our publisher's request for a revised edition indicated that the first edition satisfied the textbook needs of many retailing instructors. Second, we have the benefit of feedback provided by a variety of first edition adopters who offered many and varied ideas. These suggestions have been carefully considered and many were used in this edition. Third, our own experiences during the years between the two editions, both in the world of retailing and in the classroom, have enriched our understanding of the subject. The added insights we have gained made it possible for us to refine our coverage of several topics. Finally, the dynamic nature of retailing has created important changes in virtually every facet of operations in the short time since the first edition. With new developments occurring almost daily, offering an up-to-date book has been a rewarding, but sometimes frustrating, challenge.

In contrast to the dynamics of retail operations, some aspects of teaching retailing have not changed. In the preface to the first edition, we mentioned two trends that we saw in college-level retailing courses: a growing orientation toward middle-management decision making and a greater concern with the impact of the environment on retail operations. If anything, we believe these trends are at least as strong today. Thus, we used them as guides in revising *Retailing Today*. The text has also been refined to be in concert with two areas of growing concern in business, namely strategic planning and management controls. We hope that our efforts in preparing this edition will heighten students' awareness and understanding of retailing and better prepare them to begin careers in retail management.

To facilitate a systematic analysis of retailing, the 21 chapters are grouped into seven parts:

1. Developing a Perspective
2. Customers, Facilities, and Personnel
3. Merchandise Management
4. Pricing
5. Promotion
6. Financial Management
7. Special Topics

The first chapter provides an overview of the field of retailing and a classification of types of retail operations. Chapter 2 offers a framework for retail operations planning and introduces the components of the retailing mix, which are detailed in Parts 2 through 6. The final part of the book deals with several topics of special interest in retailing—franchising, services retailing, nonstore retailing, and careers in retailing.

To round out a complete learning package, the book also includes:

- Several Check-Points in each chapter consisting of fill-in questions that allow students frequent opportunities to check their comprehension and retention of the material. Answers to the questions are provided at the end of each chapter.
- A Spotlight in each chapter describing a novel retailing practice, personality, or controversial situation that offers additional insights into a topic covered in the chapter.
- Point-by-point Chapter Summaries.
- Questions and Assignments following each chapter that review the material discussed, encourage interaction with retailing practitioners, and occasionally stretch students' imaginations or creative skills in dealing with issues faced by retailers.
- Two Retailing Decisions, or short cases, following Parts 2 through 7. These single-issue decision situations are intended to permit students the opportunity to apply material described in each part.
- A Glossary/Index of retailing terms at the end of the book.

We have made a major effort to be succinct (this edition is 100 pages shorter than the first edition) and to concentrate on decision-oriented material. Those familiar with the first edition will recognize that this revision is five chapters shorter. The reduction was accomplished through careful editing, consolidating some chapters, and eliminating chapters of limited interest. We feel this reduction improves readability without significantly affecting the content. When appropriate, key concepts and points are emphasized with figures, photographs, and cartoons. Throughout the book,

---

specific examples of actual strategies and decisions are included to illustrate the realities of retail management.

For this edition, we obtained valuable information from a wide variety of publications, retailers, and researchers. To these individuals and organizations, too numerous to mention individually, we are extremely grateful. We also appreciate the efforts of our students at Fort Lewis College, Arizona State University, and Utah State University who participated in the classroom testing of the text. Their reactions and comments were valuable inputs in decisions about the best way to present the material. We had the benefit of a review by Professor Anne Potter, Retail Management Program Director at Holyoke Community College. Her careful evaluation of the manuscript, suggestions on material to include, and fresh insights into methods of presentation were most welcome. Several individuals at Harcourt Brace Jovanovich, Inc., were instrumental in preparing this edition: special thanks to David Kreitzer, Terry Retchless, Peggy Monahan, Geri Davis, and Sue Lasbury.

Finally, we express our appreciation to the secretaries without whose patience and extra effort this project would have been impossible: Janette Crandall in Durango, Colorado; Connie Niedner, Lynn Atwood, and Jean Hodson in Tempe, Arizona; and Barbara Marinelli, Lori Pehrson, and Cindy Blake in Logan, Utah.

The first edition of *Retailing Today* was dedicated to our wives—Helen James, Pam Walker, and Chris Etzel—and our children—Dan, Jennifer, and Darla James; Therese, Steve, and Scott Walker; and Gretchen and Kate Etzel. This second edition is dedicated to them and also to our parents—M.B. and Clara James, Frank and Helen Walker, and Al and Audrey Etzel. As time passes, we recognize and appreciate more fully the many contributions they have made to our lives.

Since it is unlikely that any of the aforementioned will (or should) accept responsibility for any errors or omissions in the book, we hereby acknowledge our fallibility! In turn, we encourage our readers to make their criticisms and comments known to us.

DON L. JAMES

BRUCE J. WALKER

MICHAEL J. ETZEL

---

---

# CONTENTS

---

---

Preface v

---

---

<b>PART ONE</b>	
<b>DEVELOPING A PERSPECTIVE</b>	<b>1</b>
<b>1. An Overview of Retailing</b>	<b>3</b>
Retailing and Retailers	5
The Need for Retailing	6
The Scope of Retailing	8
Classifying Retail Businesses	9
Environmental Forces Affecting Retailers	15
Chapter Summary	29
<b>2. Retail Operations Planning</b>	<b>33</b>
The Planning Process	34
Steps in Operations Planning	35
Chapter Summary	55

---

## **PART TWO CUSTOMERS, FACILITIES, AND PERSONNEL 59**

### **3. Buyer Behavior 61**

Before the Purchase 62

During the Purchase 73

After the Purchase 78

Chapter Summary 80

### **4. Store Location 83**

An Overview of Store Location 84

Location Analysis 90

Chapter Summary 99

### **5. Store Design and Layout 103**

The Importance of Design and Layout 103

Store Design 105

Store Layout 110

Design and Layout in the 1980s 122

Chapter Summary 123

### **6. Organizing and Staffing the Retail Firm 125**

Organization and Organizing 125

Small and Large Organizations 128

Current Trends in Store Organization 132

The Challenge of Retail Staffing 134

The Staffing Process 138

Chapter Summary 149

#### **Retailing Decisions:**

Riser's Department Store 152

Bowden's 153



---

## **PART THREE**

### **MERCHANDISE MANAGEMENT** **155**

#### **7. Merchandise Planning** **157**

Planning for Consumer Wants 157  
Stock Turnover and Merchandise Planning 166  
Planning and Budgeting 170  
Programmed Merchandising 179  
Chapter Summary 180

#### **8. Buying Practices and Relationships with Suppliers** **183**

The Buying Task 183  
The Selection of Merchandise Resources 186  
Methods of Buying 190  
Merchandise Pricing by Resources 193  
Relationships with Resources 201  
Chapter Summary 202

#### **9. Merchandise Control** **205**

Controlling Inventory Levels 205  
Minimizing Merchandise Shrinkage 212  
Chapter Summary 221

##### **Retailing Decisions:**

Southern Sports 224  
Campus Cobbler 225

---

## **PART FOUR**

### **PRICING** **227**

#### **10. Pricing Concepts and Strategies** **229**

General Pricing Essentials 229  
Markup: Types and Arithmetic 233  
A Pricing Decision Sequence 237  
Steps 1–3 in the Pricing Sequence 241  
Chapter Summary 249

---

**11. Pricing Strategies and Adjustments 253**

Steps 4–7 in the Pricing Sequence 253

Price Adjustments 264

Chapter Summary 273

**Retailing Decisions:**

Nifty-Thrifty Laundry and Dry Cleaning Service 276

Main Street Boutique 277

---

**PART FIVE 279**  
**PROMOTION****12. The Promotion Blend and Supportive Methods 281**

Nature and Purposes of Promotion 281

The Basics of Promotion 282

Supportive Promotion Methods 288

Chapter Summary 303

**13. Personal Selling 307**

The Nature of Personal Selling 307

Fundamentals of Personal Selling 311

Management of Retail Salespeople 315

Chapter Summary 324

**14. Advertising 329**

The Nature of Advertising 329

Types of Retail Advertising 333

Developing an Advertising Program 342

Chapter Summary 358

**15. Credit and Other Supplementary Services 363**

An Overview of Supplementary Services 364

The Management of Supplementary Services 368

---

Retail Credit	371
Chapter Summary	385
Retailing Decisions:	
The Hawthorne Road Plaza	388
Classic Clothes	389

---

---

## **PART SIX**

### **FINANCIAL MANAGEMENT**

**394**

#### **16. Financial and Accounting Concepts**

**393**

Financing the Retail Enterprise	393
Financial Statements	395
Inventory Valuation	402
Managing Financial Variables	406
Chapter Summary	415

#### **17. Expense Analysis and Control**

**417**

Classification of Expenses	417
Expense Allocation	423
Expense Budgets	421
Chapter Summary	434
Retailing Decisions:	
Nichols Department Stores	438
The Newton Store	439

---

## **PART SEVEN**

### **SPECIAL TOPICS**

**441**

#### **18. Retail Franchising**

**443**

Nature and Status	443
Advantages and Disadvantages of Franchising	449
Major Features of Franchise Operations	451
Reported Trends in Franchising	457
Chapter Summary	459

---

**19. Retailing of Primary Services 463**

- The Nature and Growth of Primary Services 463
- Distinctive Features of Services Retailing 467
- Shortcomings in Services Retailing 471
- Improvements in Services Retailing 475
- Chapter Summary 479

**20. Nonstore Retailing 483**

- Mail Order and Catalog Sales 483
- Telephone Retailing 492
- In-Home Selling 494
- Vending 498
- Chapter Summary 501

**21. Retailing Tomorrow 503**

- The Future of Retailing 503
- Careers in Retailing 512
- Chapter Summary 519
- Retailing Decisions:
  - TLC Auto Repair 522
  - Fondue and You 523

---

**GLOSSARY/INDEX 527**

---

# ONE

---

# DEVELOPING A PERSPECTIVE







# AN OVERVIEW OF RETAILING

**I**t is Saturday morning at the Russells' house. Bob, who just turned 40 and became conscious of a middle-age paunch, has risen early to try out the new jogging shoes he bought at the franchised athletic equipment outlet in the local mall. As he does the stretching exercise recommended by the salesperson, Bob recalls the bewildering variety of brands, styles, and prices of shoes and the numerous outlets spawned by the current health consciousness fad. How, he wonders, can so many retailers respond so quickly and completely to consumers' desires?

Starting out the door he remembers the advertisement in Friday night's newspaper for the newly opened home improvement center. According to the ad, it not only offers building materials and tools, but the salespeople will also show him how to construct the patio cover that he has been postponing for two years. It is about time somebody helped out the novice do-it-yourselfer, he thinks to himself.

Janet Russell is in a hurry this morning. Because of rapidly rising prices, she recently took a part-time job in a clothing boutique to help supplement Bob's income. Actually, with the children in school, she wanted something to do anyway, and working with people sounded like fun. However, she has been surprised by several aspects of the new job. After her initial training, she was alerted by her employer about the serious and growing shoplifting problem in retailing. She was given several tips on spotting potential shoplifters and was told what the laws are regarding confronting a suspected thief. Her second surprise was the amount of nonselling activities included in her job. Checking incoming merchandise, calculating markups, keeping sales and inventory records, and tracking markdowns were all new to her. Retailing has proved to be more complicated than Janet expected it to be.

As she fixes a quick breakfast for the children, Janet glances at the grocery list she prepared last night. Today she is trying the new telephone grocery shopping service for the first time. According to the description that came in the mail, if Janet calls in an order by 9:00 A.M., the order will be delivered by 4:00 P.M., the purchases charged to her bank credit card account, and satisfaction is completely guaranteed. With the new job, spare time is more precious now and for the small additional cost of shopping by phone, Janet is looking forward to several hours of "extra" time each week.

Andy, the Russells' 17-year-old son, has several things to do today. First, he plans to take his newly acquired (but very old) car to a diagnostic service center to find out what kind of shape it is in. Later in the day, he is going to apply for a summer job at a local department store. His friends have not been very encouraging, telling him that he will probably have to work evenings and weekends. But with college only a year away and jobs scarce, Andy is not too choosy. Finally, he is going to exchange the stereo receiver he got for his birthday because it is a little too wide for the cabinet he built. Andy recalls with considerable relief that the retailer who sold the stereo to his parents has a liberal return policy.

Mary Russell, soon to complete the third grade, is looking forward to today's mail delivery. It has been almost a month since she and her mom ordered doll clothes from a mail order catalog that promised delivery within four weeks. Before anything else, however, she is going to watch some Saturday morning television. Since her parents subscribe to a cable T.V. service, she can now choose among nine channels instead of only four.

Six-year-old Tommy Russell is a "cartoon freak," so he will be joining Mary in front of the television. During the last few days he has not stopped talking about his upcoming birthday party. Ever since his mother told him he could take several of his friends to a fast-food franchise for a special birthday celebration, he has been on cloud nine.

This slice of middle-class American life illustrates several aspects of the subject of this book. Retailing is a vast and dynamic component of our economic system and, as such, is an important part of our lives. It is unlikely that a day goes by in which we do not make retail purchases. Though consumers are in frequent contact with retailing, few have an understanding of what goes on "behind the scenes," that is, the activities and decisions of retailers that make it possible for them to satisfy consumers' needs.

In the vignette the *responsiveness of retailers* is reflected by the offerings provided to satisfy newly identified needs like health and physical fitness;

by alternative organization structures—like franchising—that have streamlined the distribution of many products and services for a mobile population; and by alternatives to the retail store, such as phone orders and catalogs, that increase customer convenience.

The importance of *operations* is also demonstrated in the vignette. Personal selling, advertising, and supplementary services such as guarantees and return policies are illustrated. Finally, the vignette indicates that retailing is not without *problems*. Shoplifting and the need for preparation and training of personnel are only a few of the challenges faced by retailers.

A major objective of this book is to provide an organized framework for understanding these and other aspects of retailing, the one segment of business that plays a larger part in our lives than any other.

## RETAILING AND RETAILERS

Two concepts—retailing and retailers—are central to this book. The first and most basic concept is **retailing**, which can be defined as all the activities associated with the sale of offerings for final consumption. Besides “sale,” the key terms in this definition are “activities,” “offerings,” and “final consumption.”

The term **activities** is used because retailing consists of much more than selling. Merchandise must be selected and purchased, prices set, advertising designed and placed in various media, inventory taken, budgets prepared, and many more activities performed in order to engage in retailing. **Offerings** indicates that retailing includes the sale of both products (like automobiles) and services (such as auto repair). In an economy in which services are so important, it is vital to remember that products are not the only objects of retail transactions. The phrase that distinguishes retailing from other business exchanges is **final consumption**. The consumer who buys a car for personal use is purchasing for final consumption. If a corporation buys cars for use by its service personnel, however, the product is not being directly used by consumers, and therefore, the sales cannot be classified as retailing.

**Retailers** are firms engaged *primarily* in retailing. Thus, a business can engage in retailing, but not be a retailer. For example, some manufacturers maintain factory outlet stores near their plants for public relations purposes or to sell substandard merchandise at discounted prices. However, because these firms are principally involved in manufacturing, they are not considered retailers. The exceptions to this rule are service retailers. Barbers, beauti-