

Preface

Our objective in preparing this sixth edition is to stimulate student interest in retailing courses and careers by capturing the exciting and challenging opportunities facing the retailing industry, an industry that plays a vital economic role in society. The textbook continues to be a “good read” for students with a focus on the strategic issues facing retailers. Considering the importance of India as a favored destination among developing countries for global retailers and the fact that the retail revolution has ceased to be silent anymore with opening up of huge shopping malls to “necessity” retail provision stores in the “neighborhood”, we have included much Indian content in this edition.

NEW FEATURES

In preparing the sixth edition of *Retailing Management*, we have revised the textbook to address three important developments in retailing: (1) the increased use of technology and analytical methods, (2) the globalization of the retail industry, and (3) the growing importance of ethical and legal considerations.

Use of Technology in Retailing: Retailing is evolving into a high-tech industry as retailers increasingly use communications and information systems technologies and analytical models to increase operating efficiencies and improve customer service. Some of these new technology applications, identified with a technology icon in the margin and discussed in the sixth edition, are:

- Use of Web sites to sell products and services to customers (Chapter 3).
- Provide a seamless multichannel (stores, Web sites, and catalogs) interface so that customers can interact with retailers anytime, anywhere (Chapter 3).
- Store of the future using technology to provide a more rewarding shopping experience (Chapter 3).
- Application of geographic information system (GIS) technology for store location decisions (Chapter 8).
- Internet applications for effective human resource management (Chapter 9).
- Integrated supply chain management systems (Chapter 10).
- RFID (radio frequency identification) technology to improve supply chain efficiency (Chapter 10).
- Analysis of customer databases to determine customer lifetime value, target promotions toward a retailer’s best customers, and undertake market basket analyses (Chapter 11).
- Implementation of marketing programs to increase customer share of wallet (Chapter 11).
- CPFR (collaboration, planning, forecasting, and replenishment) systems for coordinating vendors and retailer activities (Chapter 12).

- Sophisticated inventory management systems (Chapter 13).
- Reverse auctions for buying merchandise (Chapter 14).
- Use of profit-optimization decision support systems for setting prices in different markets and taking markdowns (Chapter 15).
- Development of targeted promotions using customer databases (Chapter 16).
- Internet-based training for store employees (Chapter 17).
- Decision support systems for scheduling sales associates (Chapter 17).
- EAS technology to reduce shoplifting (Chapter 17).
- Creation of planograms to optimize the sales and profits from merchandise categories (Chapter 18).
- Digital signage to reduce cost and increase message flexibility (Chapter 18).
- In-store kiosks, mobile devices, and the Internet to improve customer service (Chapter 19).
- Instant chat for servicing online customers (Chapter 19)

Globalization of the Retail Industry Retailing is a global industry. With a greater emphasis being placed on private-label merchandise, retailers are working with manufacturers located throughout the world to acquire merchandise. In addition, retailers are increasingly looking to international markets for growth opportunities. For instance, Carrefour, France's hypermarket chain and the second largest retailer in the world, is focusing its growth investments in 25 countries but not in France. Some of the global retailing issues, identified with an icon in the margin, examined in this edition are:

- Retail efficiencies in different economies (Chapter 1).
- Illustrations of global expansion by retailers (Chapter 2).
- Cultural impacts on customer buying behavior (Chapter 4).
- Keys to successful entry into international markets (Chapter 5).
- Evaluation of international growth opportunities (Chapter 5).
- Differences in location opportunities in global markets (Chapter 7).
- Regulations affecting customer data collection in world markets (Chapter 10).
- Employee management issues in international markets (Chapters 9 and 17).
- Global sourcing of private-label merchandise (Chapter 14).
- Cultural differences in customer service needs (Chapter 19).

Legal and Ethical Issues Confronting Retailers Retail institutions are pervasive in our society and thus have a major impact on the welfare of their customers, suppliers, and employees. Given the importance of their societal role, retailers need to consider the impact of their decisions on a broad range of stakeholders. Some of the social welfare, ethical, and legal issues we examine in this sixth edition are:

- Framework for ethical decision making (Chapter 1).
- Managing diversity and the glass ceiling (Chapter 9).
- Privacy considerations in collecting and using customer data (Chapter 11).
- Legal issues affecting purchasing and pricing merchandise (Chapters 14 and 15).

- Sexual harassment and discrimination in hiring and promotions (Chapter 17).
- Provision of employee benefits (Chapter 17).
- Ecologically friendly store design and operations (Chapter 18).
- Store design in light of the American with Disabilities Act (ADA) (Chapter 18).
- Three new cases that deal with legal, ethical, and social welfare issues.

OTHER UNIQUE ASPECTS OF *RETAILING MANAGEMENT*

Chapter on Customer Relationship Management Chapter 11 examines how retailers are using customer databases to build repeat business and realize a greater share of wallet from key customers. These customer relationship management activities exploit the 80–20 rule—20 percent of the customers account for 80 percent of the sales and profits. In this chapter, we discuss how retailers identify their best customers and target these customers with special promotions and customer services.

Chapter on Multichannel Retailing Chapter 3 describes the opportunities and challenges retailers face interacting with customers through multiple channels— stores, catalogs, and the Internet. While markets for Internet-only retailers have stabilized, traditional retailers are investing in using the Internet to complement their stores. This chapter discusses how multichannel retailers can and do provide more value to their customers.

Expanded Treatment of Brand Development Issues To differentiate their offering and build a competitive advantage, retailers are placing more emphasis on developing their brand image, building a strong image for their private-label merchandise, and extending their image to new retail formats. Issues related to the development of brand images and private-label merchandise are discussed in more detail from both a merchandise management and a communications perspective.

Running Feature “The Indian RetailScape”: This feature is included at the end of each chapter, which throws in examples related to the concepts in that chapter. This feature, along with the numerous in-text Indian examples, is intended for the specific needs of the students who would want to know more about the retailing practices in India. Usually, this feature talks about the strategic aspects of the chapter concepts, in the Indian context.

Get Out and Do It! Exercises Found at the end of each chapter, these exercises suggest projects that students can undertake by visiting local retail stores, surfing the Internet, or using the student Web site. A continuing assignment exercise is included so that students can engage in an exercise involving the same retailer throughout the course. The exercises are designed to provide a hands-on learning experience for students.

Monthly Newsletter with Short Cases These cases are based on recent retailing articles appearing in the business and trade press. Instructors can use these short cases to stimulate class discussions on current issues confronting retailers. The newsletter is e-mailed to instructors and archived on the text’s Web page.

New Cases These include cases on Wal-Mart’s image, Abercrombie & Fitch’s hiring practices, retailing to teens and college students, Yankee Candle’s private-label development process, customer buying behavior affecting the design of supermarkets, Men’s Wearhouse’s training programs, and sustainable retail development in the United Kingdom. All 37 cases in the textbook are either new or updated with

current information. A number of the cases, such as Build-A-Bear, Rainforest Café, and Wal-Mart, have videos complementing the written case.

Ten New Videos Twenty-nine video segments are available to illustrate issues addressed in the text. The topics addressed by the new videos include Internet shopping behavior, supply chain management, pricing, management information systems, and suburban and lifestyle shopping centers. Some of the retailers featured in the videos are YUM Brands (Pizza Hut, Taco Bell, and KFC), 1-800-Flowers, Marsh Supermarkets, Marks & Spencer, Wal-Mart, Home Depot, Starbucks, JCPenney, Walgreens, and Jos. A. Banks.

Completely Redesigned Student Web Site The student Web site has a number of experiential learning exercises, including evaluating international market growth opportunities, examining the financial performance of a retailer, evaluating retail location opportunities, editing the assortment in a merchandise category, developing a merchandise budget plan, and evaluating various markdown strategies.

STUDENT-FRIENDLY TEXTBOOK

This sixth edition creates interest and involves students in the course and the industry by making the textbook a “good read” for students by using Refacts (retailing factoids), Retailing Views, The Indian RetailScape and retail manager profiles at the beginning of each chapter.

Refacts We have updated and added more interesting facts about retailing, called Refacts, in the margins of each chapter. Did you know that a Montgomery Ward buyer created Rudolph the Red-Nosed Reindeer as a Christmas promotion in 1939? Or that the teabag was developed by a Macy’s buyer and pantyhose was developed by a JCPenney buyer?

Retailing Views Each chapter contains either new or updated vignettes called Retailing Views to relate concepts to activities and decisions made by retailers. The vignettes look at major retailers, like Wal-Mart, Walgreens, Sears, JCPenney, Pantaloons, Reliance Retail, Westside, Shopper’s Stop, Neiman Marcus, and Macy’s, that interview students on campus for management training positions. They also discuss innovative retailers like REI, Starbucks, The Container Store, Sephora, Harry Rosen, Curves, Chico’s, Subhiksha and Bass Pro Shops. Finally, a number of Retailing Views focus on entrepreneurial retailers competing effectively against national chains.

Profiles of Retail Managers To illustrate the challenges and opportunities in retailing, each chapter in the sixth edition begins with a brief profile in their own words from a manager or industry expert whose job or expertise is related to the material in the chapter. These profiles range from Jim Wright and Bill Moran, CEOs of Tractor Supply Co. and Sav-A-Lot, respectively, to Jennifer O’Neil, a senior assistant buyer at Dillard’s, and Sybil Jackson, a store manager at PETsMART. They include people who have extensive experience in a specific aspect of retailing like Bari Harlam (vice president of customer relationship management for CVS) and Scott Jennerich (vice president of retail estate for Famous Footwear). Indian profiles include that of Kishore Biyani. The profiles illustrate how senior executives view the industry and suggest career opportunities for college students. They provide students with first-hand information about what people in retailing do and their rewards and challenges.

BASIC PHILOSOPHY

The sixth edition of *Retailing Management* maintains the basic philosophy of the previous five editions. We continue to focus on the broad spectrum of retailers, both large and small, selling merchandise and services. The text examines key strategic issues with an emphasis on financial considerations and store management issues. We include descriptive, how-to, and conceptual material. Besides, the increased Indian context will help the Indian students understand the concepts better.

Broad Spectrum of Retailing In this text, we define retailing as the set of business activities that adds value to the products and services sold to consumers for their personal or family use. Thus, in addition to the products in stores, this text examines the issues facing service retailers like Starbucks and Curves and nonstore retailers like eBay and Avon.

Critical Issues in Retailing Strategic thinking and the consideration of financial implications are critical for success in the present dynamic, highly competitive retail environments. In addition, operations and store management are playing an increasingly important role.

Strategic Perspective The entire textbook is organized around a model of strategic decision making outlined in Exhibit 1–5 in Chapter 1. Each section and chapter is related back to this overarching strategic framework. In addition, the second section of the book focuses exclusively on critical strategic decisions such as selecting target markets, developing a sustainable competitive advantage, and building an organizational structure and information and distribution systems to support the strategic direction.

Financial Analysis The financial aspects of retailing are becoming increasingly important. The financial problems experienced by some of the largest retail firms like Kmart highlight the need for a thorough understanding of the financial implications of retail decisions. Financial analysis is emphasized in selected chapters, such as Chapter 6 on the overall strategy of the firm, Chapter 11 on the evaluation of customer lifetime value, and Chapter 13 on retail buying systems. Financial issues are also raised in the sections on negotiating leases, bargaining with suppliers, pricing merchandise, developing a communication budget, and compensating salespeople.

Operations and Store Management Traditionally, retailers have exalted the merchant prince—the buyer who knew what the hot trends were going to be. This text, by devoting an entire chapter to information systems and supply chain management and an entire section to store management, reflects the changes that have occurred over the past 10 years—the shift in emphasis from merchandise management to the block and tackling of getting merchandise to the stores and customers and providing excellent customer service and an exciting shopping experience. Due to this shift toward store management, most students embarking on retail careers go into store management rather than merchandise buying.

Balanced Approach The sixth edition continues to offer a balanced approach for teaching an introductory retailing course by including descriptive, how-to, and conceptual information in a highly readable format. Descriptive Information Students can learn about the vocabulary and practice of retailing from the descriptive information throughout the text. Examples of this material are:

- Leading U.S. and international retailers (Chapter 1).
- Management decisions made by retailers (Chapter 1).
- Types of store-based and nonstore retailers (Chapter 2).
- Approaches for entering international markets (Chapter 5).

- Locations (Chapter 7).
- Lease terms (Chapter 8)
- Organization structure of typical retailers (Chapter 9).
- Flow of information and merchandise (Chapter 10).
- Branding strategies (Chapter 14).
- Methods for communicating with customers (Chapter 16).
- Store layout options and merchandise display equipment (Chapter 18).
- Career opportunities (Appendix 1A to Chapter 1).

How-to Information *Retailing Management* goes beyond this descriptive information to illustrate how and why retailers, large and small, make decisions. Step-by-step procedures with examples are provided for making the following decisions:

- Comparison shopping (Appendix 2A to Chapter 2).
- Managing a multichannel outreach to customers (Chapter 3).
- Scanning the environment and developing a retail strategy (Chapter 5).
- Analyzing the financial implications of retail strategy (Chapter 6).
- Evaluating location decisions (Chapter 8).
- Developing a merchandise assortment and budget plan (Chapters 12 and 13).
- Negotiating with vendors (Chapter 14).
- Pricing merchandise (Chapter 15).
- Recruiting, selecting, training, evaluating, and compensating sales associates (Chapter 17).
- Designing the layout for a store (Chapter 18).
- Providing superior customer service (Chapter 19).

Conceptual Information *Retailing Management* also includes conceptual information that enables students to understand why decisions are made as outlined in the text. As Mark Twain said, “There is nothing as practical as a good theory.” Students need to know these basic concepts so they can make effective decisions in new situations. Examples of this conceptual information in the sixth edition are:

- Customers’ decision-making process (Chapter 4).
- Market attractiveness/competitive position matrix for evaluating strategic alternatives (Appendix 5A to Chapter 5).
- The strategic profit model and approach for evaluating financial performance (Chapter 6).
- Price theory and marginal analysis (Chapters 15 and 16).
- Motivation of employees (Chapter 17).
- In-store shopping behaviors (Chapter 18)
- The Gaps model for service quality management (Chapter 19).