

CONTENTS

SECTION I THE WORLD OF RETAILING, I

CHAPTER I INTRODUCTION TO THE WORLD OF RETAILING, 2



What Is Retailing?, 4

- A Retailer's Role in a Distribution Channel, 4
- Functions Performed by Retailers, 5

Economic Significance of Retailing, 7

- Retail Sales, 7
- Employment, 7

Opportunities in Retailing, 7

- Management Opportunities, 7
- Entrepreneurial Opportunities, 8

The Retail Management Decision Process, 10

- Understanding the World of Retailing, 10
- Developing a Retail Strategy, 11
- Implementing the Retail Strategy, 13

Summary, 13

Key Terms, 14

Get Out & Do It! 14

Discussion Questions and Problems, 14

Suggested Readings, 14

CHAPTER 2 TYPES OF RETAILERS, 16

Trends in the Retail Industry, 17

- Growing Diversity of Retail Formats, 18
- Increasing Industry Concentration, 18

Retailer Characteristics, 19

- Price–Cost Trade-Off, 19
- Type of Merchandise, 20
- Variety and Assortment, 20
- Customer Services, 20
- Cost of Offering Breadth and Depth of Merchandise and Services, 22

Food Retailers, 22

- Conventional Supermarkets, 22
- Big-Box Food Retailers, 23
- Convenience Stores, 25
- Issues in Food Retailing, 25

General Merchandise Retailers, 26

- Discount Stores, 26
- Specialty Stores, 27
- Category Specialist/Category Killer, 28
- Department Stores, 29
- Drugstores, 30
- Off-Price Retailers, 31
- Value Retailers, 32

Nonstore Retail Formats, 32

- Electronic Retailing, 32
- Catalogue and Direct-Mail Retailing, 33
- Direct Selling, 34
- Television Home Shopping, 34
- Vending Machine Retailing, 34

Services Retailing, 36

- Differences Between Services and Merchandise Retailers, 37

Types of Ownership, 39

- Independent, Single-Store Establishments, 39
- Corporate Retail Chains, 39
- Franchising, 40

Multichannel Retailing, 41

- Store Channel, 41

Summary, 42

Key Terms, 43

Get Out & Do It! 44

Discussion Questions and Problems, 44

Suggested Readings, 45



CHAPTER 3 E-TAILING ISSUES—CONNECTING TO THE CUSTOMER, 46



Electronic Retailing Issues, 48

- Benefits Offered by E-tailing, 48
- Will Sales Through the Electronic Channel for Shopping Continue to Grow? 50
- What Types of Merchandise Will Be Sold Effectively Through the Electronic Channel? 51
- Will Offering an Electronic Channel Lead to More Price Competition? 52
- Why Did So Many Electronic Retailer Entrepreneurs Fail? 53
- Will Manufacturers Use the Electronic Channel to Sell Their Products? 58

The Evolution Toward Multichannel Retailing, 58

- Reasons for Becoming a Multichannel Retailer, 58
- In-Store Electronic Kiosks, 59

Shopping in the Future, 62

- Shopping Experience, 62
- Supporting the Shopping Experience, 64

Summary, 65

Key Terms, 65

Get Out & Do It! 65

Discussion Questions and Problems, 66

Suggested Readings, 66

CHAPTER 4 CUSTOMER BUYING BEHAVIOUR, 68

Social Factors Influencing Buying Decisions, 70

- Family, 70
- Reference Groups, 71
- Canada's Multicultural Market, 71
- Impact From the External Environment, 72

Market Segmentation, 73

- Criteria for Evaluating Market Segments, 73
- Approaches for Segmenting Markets, 75
- Composite Segmentation Approaches, 81

Types of Buying Decisions, 81

- Purchases Typically Involve Stages, 81
- Extended Problem Solving, 82
- Limited Problem Solving, 82
- Habitual Decision Making, 82

The Buying Process, 83

- Need Recognition, 83
- Information Search, 86

Evaluation of Alternatives: The Multiattribute Model, 88

Purchasing the Merchandise, 92

Postpurchase Evaluation, 92

Consumer Behaviour Toward Fashion, 92

Customer Needs Satisfied by Fashion, 93

What Creates Fashion?, 93

How Do Fashions Develop and Spread?, 93

Spread to Large Consumer Groups, 96

Saturation, 97

Decline in Acceptance and Obsolescence, 97

Summary, 97

Key Terms, 97

Get Out & Do It! 98

Discussion Questions and Problems, 98

Suggested Readings, 99



SECTION II RETAILING STRATEGY, 101

CHAPTER 5 RETAIL MARKET STRATEGY, 102



What Is a Retail Strategy? 103

- Definition of Retail Market Strategy, 104

Target Market and Retail Format, 104

Building a Sustainable Competitive Advantage, 107

- Customer Loyalty, 108
- Location, 110
- Human Resource Management, 111

Distribution and Information Systems, 111

Unique Merchandise, 111

Vendor Relations, 112

Customer Service, 112

Multiple Sources of Advantage, 112

Growth Strategies, 113

Market Penetration, 113

Market Expansion, 114
 Retail Format Development, 114
 Diversification, 115
 Strategic Opportunities and Competitive Advantage, 116

Global Growth Opportunities, 116

The Strategic Retail Planning Process, 116

Step 1: Define the Business Mission, 118
 Step 2: Conduct a Situation Audit, 118
 Step 3: Identify Strategic Opportunities, 122
 Step 4: Evaluate Strategic Opportunities, 123
 Step 5: Establish Specific Objectives and Allocate Resources, 123

Step 6: Develop a Retail Mix to Implement Strategy, 123
 Step 7: Evaluate Performance and Make Adjustments, 123
 Strategic Planning in the Real World, 125

Summary, 125

Key Terms, 126

Get Out & Do It! 126

Discussion Questions and Problems, 126

Suggested Readings, 127

CHAPTER 6 RETAIL LOCATIONS STRATEGY—TRADE AREA DECISIONS AND SITE ASSESSMENT 128



Factors Affecting the Demand for a Region or Trade Area, 130

Economies of Scale Versus Cannibalization, 131
 Demographic and Lifestyle Characteristics, 132
 Business Climate, 132
 Competition, 133
 Span of Managerial Control, 133

Types of Locations, 133

Shopping Centres, 133
 Shopping Malls, 135

City or Town Locations, 140

Central Business Districts, 140
 Downtown Locations, 140
 Redevelopment Efforts in City and Town Locations, 141

Freestanding Sites, 141

Other Retail Location Opportunities, 141

Location and Retail Strategy, 143

Department Stores, 143

Specialty Apparel Stores, 144
 Category Specialists, 144
 Grocery Stores, 144

Terms of Occupancy and Location Legal Issues, 145

Terms of Occupancy, 145
 Legal Considerations, 146

Site Selection, 147

Factors Affecting the Attractiveness of a Site, 148

Accessibility, 148
 Locational Advantages Within a Centre, 149

Estimating Demand for a New Location, 150

Trade Area, 150
 Sources of Information, 151
 Methods of Estimating Demand, 153

Summary, 162

Key Terms, 163

Get Out & Do It! 164

Discussion Questions and Problems, 164

Suggested Readings, 165

CHAPTER 7 STORE LAYOUT, DESIGN, AND VISUAL MERCHANDISING STRATEGY, 168

Objectives of a Good Store Design, 170

Design Should Be Consistent With Image and Strategy, 170
 Design Should Positively Influence Consumer Behaviour, 171
 Design Should Consider Costs Versus Value, 171
 Design Should Be Flexible, 171

Store Layout, 171

Types of Design, 173
 Feature Areas, 175

Space Planning, 178

Location of Departments, 178
 Location of Merchandise Within Departments: The Use of Planograms, 181

Merchandise Presentation Techniques, 183

Idea-Oriented Presentation, 183
 Style/Item Presentation, 184
 Colour Presentation, 185
 Price Lining, 185



Vertical Merchandising, 185
Tonnage Merchandising, 186
Frontal Presentation, 186
Fixtures, 186

Atmospherics, 188

Visual Communications, 188
Lighting, 189
Colour, 190

Music, 191
Scent, 191

Summary, 191

Key Terms, 192

Get Out & Do It! 192

Discussion Questions and Problems, 193

Suggested Readings, 194

Appendix 7A: Principles of Display Design, 194

CHAPTER 8 INTERNATIONAL RETAILING STRATEGY, 198



International Retailing: Canadian Issues, 199

American Retail Success in Canada, 199
Canadian Retail Failure in the United States, 200

Global Growth Opportunities, 201

Who Is Successful and Who Isn't, 202
Keys to Success, 204
Entry Strategies, 206

Global Versus Multinational Retailers, 207

Global Location Issues, 208
The Top 25 Global Retailers, 210
Structure of Retailing and Distribution Channels
Around the World, 210

Summary, 213

Key Terms, 214

Get Out & Do It! 214

Discussion Questions and Problems, 214

Suggested Readings, 215

Appendix 8A: Using the Market

Attractiveness/Competitive Position Matrix, 215

SECTION III FINANCIAL MANAGEMENT, 219

CHAPTER 9 FINANCIAL STRATEGY, 220



The Strategic Profit Model: An Overview, 224

The Profit Path, 226

Net Sales, 226
Gross Margin, 227
Expenses, 228
Net Profit, 229

The Turnover Path, 229

Current Assets, 230
Accounts Receivable, 230
Merchandise Inventory, 231
Cash and Other Current Assets, 233
Fixed Assets, 233
Asset Turnover, 234
Liabilities and Owners' Equity, 234

The Strategic Profit Model, 236

Return on Assets, 237
Putting Margin, Sales, and Turnover Together:
GMROI, 237
Measuring Inventory Turnover, 240

**Integrating Marketing and Financial Strategies for
Kelly Bradford's Gift Stores, 242**

Profit Path, 242
Turnover Path, 243
Return on Assets, 244
Advantages of High Inventory Turnover, 245
Disadvantages of Too High an Inventory Turnover, 246

Recap of the Strategic Profit Model, 247

Setting Performance Objectives, 248

Summary, 248

Key Terms, 249

Get Out & Do It! 249

Discussion Questions and Problems, 250

Suggested Readings, 251

Appendix 9A: Activity-Based Costing, 251

CHAPTER 10 PLANNING MERCHANDISE ASSORTMENTS, 254



Organizing the Buying Process by Categories, 256

The Category, 256

Sales Forecasting, 257

Category Life Cycles, 257
Developing a Sales Forecast, 260
Store-Level Forecasting, 262
Category Management, 264
The Category Captain, 264
The Buying Organization, 265

Setting Objectives for the Merchandise Plan, 267

The Assortment Planning Process, 268

Variety, 268
Assortment, 269
Product Availability, 270

Assortment Planning for Service Retailers, 270
Trade-Offs Between Variety, Assortment, and Product Availability, 270
Determining Variety and Assortment, 271
Determining Product Availability, 272

The Assortment Plan, 274

Summary, 276

Key Terms, 276

Get Out & Do It! 277

Discussion Questions and Problems, 277

Suggested Readings, 278

CHAPTER 11 BUYING SYSTEMS, 280

Staple Merchandise Buying Systems, 282

What the Staple Merchandise Buying System Does, 283
The Inventory Management Report, 283

Merchandise Budget Plan for Fashion Merchandise, 286

Monthly Sales Percent Distribution to Season (Line 1), 287
Monthly Sales (Line 2), 288
Monthly Reductions Percent Distribution to Season (Line 3), 288
Monthly Reductions (Line 4), 289
BOM (Beginning-of-Month) Stock-to-Sales Ratio (Line 5), 289
BOM Stock (Line 6), 291
EOM (End-of-Month) Stock (Line 7), 292
Monthly Additions to Stock (Line 8), 292
Evaluating the Merchandise Budget Plan, 292

Open-to-Buy, 293

Calculating Open-to-Buy for Past Periods, 294
Calculating Open-to-Buy for the Current Period, 294

Allocating Merchandise to Stores, 295

Analyzing Merchandise Performance, 297

ABC Analysis, 297
Sell-Through Analysis, 299
Multiattribute Method, 299

Information Systems and Supply Chain Management, 301

Strategic Advantages Gained Through Supply Chain Management, 301

Improved Product Availability, 303

The Flow of Information, 304

Data Warehousing, 305
Electronic Data Interchange, 306
Security, 307
The Physical Flow of Merchandise—Logistics, 307
Quick Response Delivery Systems, 308
The Logistics of Electronic Retailing, 311

Summary, 311

Key Terms, 312

Get Out & Do It! 313

Discussion Questions and Problems, 313

Suggested Readings, 315

Appendix 11A: Retail Inventory Method, 315



CHAPTER 12 BUYING STRATEGIES, 320

Branding Strategies, 322

Manufacturer Brands, 322

Private-Label Brands, 323

A Brand or a Store? 326

International Sourcing Decisions, 327

Costs Associated with Global Sourcing Decisions, 327

Managerial Issues Associated with Global Sourcing Decisions, 330

Source Close to Home or Buy “Made in Canada”? 330

Connecting with Vendors, 332

Using Internet Exchanges to Facilitate Buying, 332

Wholesale Market Centres, 335

Trade Shows, 335

Buying On Their Own Turf, 335

Resident Buying Offices, 335

Negotiating with Vendors, 336

Guidelines for Planning Negotiations with Vendors, 336

Establishing and Maintaining Strategic Relationships with Vendors, 339

Defining Strategic Relationships, 339

Maintaining Strategic Relationships, 340

Building Partnering Relationships, 341

Summary, 342

Key Terms, 342

Get Out & Do It! 343

Discussion Questions and Problems, 343

Suggested Readings, 344

Appendix 12A: Purchasing Merchandise, 344



CHAPTER 13 PRICING, 354



Pricing Strategies, 356

Everyday Low Pricing, 356

High/Low Pricing, 357

Deciding Which Strategy Is Best, 357

Approaches for Setting Prices, 358

The Cost-Oriented Method of Setting Retail Prices, 359

The Demand-Oriented Method of Setting Retail Prices, 362

The Competition-Oriented Method of Setting Retail Prices, 363

Profit Impact of Setting a Retail Price: The Use of Break-Even Analysis, 364

Price Adjustments, 366

Markdowns, 366

Coupons, 370

Rebates, 370

Price Bundling, 370

Multiple-Unit Pricing, 371

Variable Pricing, 371

Using Price to Stimulate Retail Sales, 372

Leader Pricing, 372

Price Lining, 373

Odd Pricing, 373

Summary, 374

Key Terms, 374

Get Out & Do It! 375

Discussion Questions and Problems, 375

Suggested Readings, 376

Appendix 13A: Legal Issues in Retail Pricing, 377

SECTION IV MANAGING AND PROMOTING THE STORE, 383

CHAPTER 14 HUMAN RESOURCE MANAGEMENT AND STAFF TRAINING ISSUES, 384



Gaining Competitive Advantage Through Human Resource Management, 386

- Objectives of Human Resource Management, 386
- The Human Resource Triad, 386
- Special HR Conditions Facing Retailers, 387

Designing the Organization Structure for a Retail Firm, 389

- Organization Design Considerations, 390

Retail Organization Structures, 392

- Organization of a Single-Store Retailer, 392
- Organization of a Regional Department Store, 393

Retail Organization Design Issues, 396

- Centralization Versus Decentralization, 396
- Coordinating Merchandise and Store Management, 397

Motivating Retail Employees, 398

- Policies and Supervision, 398
- Incentives, 399
- Organization Culture, 400
- Job Analysis, 400
- Job Description, 401
- Locating Prospective Employees, 401

- Screening Applicants to Interview, 401
- Selecting Applicants, 403
- Legal Considerations in Selecting and Hiring Store Employees, 404

Building Employee Commitment, 405

- Developing Skills, 405
- Empowering Employees, 408
- Developing Partnering Relationships with Employees, 408

Trends in Retail Human Resource Management, 409

- Managing Diversity, 409
- Legal and Regulatory Issues in Human Resource Management, 411
- Use of Technology, 413

Store Security Management, 413

Summary, 416

Key Terms, 416

Get Out & Do It! 417

Discussion Questions and Problems, 418

Suggested Readings, 419

CHAPTER 15 BUILDING CUSTOMER LOYALTY: CUSTOMER RELATIONSHIP MANAGEMENT AND SERVICE STRATEGIES, 420

The CRM Process, 422

- What Is Loyalty?, 422
- Overview of the CRM Process, 423

Collecting Customer Data, 424

- Customer Database, 424
- Identifying Information, 424
- Privacy and CRM Programs, 426

Analyzing Customer Data and Identifying Target Customers, 428

- Identifying Market Segments, 428
- Identifying Best Customers, 429

Developing CRM Programs, 432

- Customer Retention, 432
- Converting Good Customers Into Best Customers, 436
- Dealing with Unprofitable Customers, 436

Implementing CRM Programs, 437

Customer Service, 437

Strategic Advantage Through Customer Service, 438

- Customer Service Strategies, 438
- Returns Rethink, 440

Customer Evaluation of Service Quality, 441

- Role of Expectations, 441
- Perceived Service, 442

The Gaps Model for Improving Retail Service Quality, 443

Knowing What Customers Want: The Knowledge Gap, 444

- Researching Customer Expectations and Perceptions, 444

- Using Customer Research, 446



Setting Service Standards: The Standards Gap, 446

- Commitment to Service Quality, 447
- Developing Solutions to Service Problems, 447
- Defining the Role of Service Providers, 448
- Setting Service Goals, 448
- Measuring Service Performance, 449

**Meeting and Exceeding Service Standards:
The Delivery Gap, 449**

- Giving Information and Training, 449
- Providing Instrumental and Emotional Support, 450
- Improving Internal Communications and Providing Support, 450
- Empowering Store Employees, 451
- Providing Incentives, 452

- Communicating the Service Promise: The Communications Gap, 452
- Realistic Commitments, 452
- Managing Customer Expectations, 452

Service Recovery, 453

- Listening to Customers, 453
- Providing a Fair Solution, 454
- Resolving Problems Quickly, 454

Summary, 455

Key Terms, 456

Get Out & Do It! 456

Discussion Questions and Problems, 457

Suggested Readings, 458

CHAPTER 16 APPEALING TO THE CUSTOMER: RETAIL COMMUNICATION MIX, 460

Planning the Retail Communication Process, 462

- Setting Objectives, 462

**Using Communication Programs to Develop Brands
and Build Customer Loyalty, 465**

- Value of Brand Image, 465
- Building Brand Equity, 466
- Extending the Brand Name, 468

Methods of Communicating with Customers, 469

- Paid Impersonal Communications, 469
- Paid Personal Communications, 470
- Unpaid Impersonal Communications, 471
- Unpaid Personal Communications, 471

Implementing Retail Advertising Programs, 471

- Developing the Advertising Message, 471
- Choosing the Most Effective Media, 473

- Determining Ad Frequency and Timing, 478

- Strengths and Weaknesses of Communication Methods, 478

- Setting the Communication Budget, 479

- Allocation of the Promotional Budget, 483

- Planning, Implementing, and Evaluating Communication Programs—Three Illustrations, 483

Summary, 488

Key Terms, 488

Get Out & Do It! 489

Discussion Questions and Problems, 489

Suggested Readings, 490



SECTION V CASES, 493



- Case 1 Rainforest Café: Retailing Strategy, 494
- Case 2 Build-A-Bear Workshop: Retailing Strategy, 495
- Case 3 Toys “R” Us Online, 495
- Case 4 Ahold: Retailing Strategy, 498
- Case 5 American Eagle and Abercrombie & Fitch, 499
- Case 6 Neiman Marcus and Family Dollar: Comparing Strategic Profit Models, 500
- Case 7 Stephanie’s Boutique: Selecting a Store Location, 502
- Case 8 Home Depot: Retailing Strategy, 503
- Case 9 Avon: Human Resource Management, 505
- Case 10 Capital Sportswear: Buying, 506
- Case 11 SaksFirst: Loyalty, 508
- Case 12 Shoppers Drug Mart: Category Management, 509
- Case 13 Hughe’s: Developing a Buying Plan, 512
- Case 14 McFadden’s Department Store: Preparation of a Merchandise Budget Plan, 513
- Case 15 eBay: E-tailing Issues, 514
- Case 16 Enterprise: Human Resources Strategy, 516
- Case 17 Consumer Electronics: Advertising Strategy, 517
- Case 18 Specialty Store: Visual Marketing, 518
- Case 19 Sephora: Consumer Behaviour, 519
- Case 20 Discount Retailer Dilemma, 520
- Case 21 Nordstrom: Customer Service and Relationship Management, 521
- Case 22 GoodLife Fitness Clubs: Customer Loyalty, 523
- Case 23 Lindy’s Bridal Shoppe, 528
- Case 24 Starbucks Coffee Company: Retail Success and Challenges, 530
- Glossary, 534
- Endnotes, 559
- Credits, 579
- Name Index, 580
- Company Index, 582
- Subject Index, 587