

Retailing

Seventh Edition

Patrick M. Dunne
Texas Tech University

Robert F. Lusch
University of Arizona

James R. Carver
Auburn University



Australia Brazil Japan Korea Mexico Singapore Spain United Kingdom United States

PART 1: Introduction to Retailing	1
1. Perspectives on Retailing	2
2. Retail Strategic Planning and Operations Management	40
PART 2: The Retailing Environment	73
3. Retail Customers	74
4. Evaluating the Competition in Retailing	114
5. Managing the Supply Chain	154
6. Legal and Ethical Behavior	188
PART 3: Market Selection and Location Analysis	223
7. Market Selection and Retail Location Analysis	224
PART 4: Managing Retail Operations	277
8. Managing a Retailer's Finances	278
9. Merchandise Buying and Handling	312
10. Retail Pricing	357
11. Advertising and Promotion	392
12. Customer Services and Retail Selling	434
13. Store Layout and Design	480
PART 5: Retail Administration	525
14. Managing People	526
Appendix	564
Glossary	570
Endnotes	581
Subject Index	594
URL Index	607

PART 1: INTRODUCTION TO RETAILING	1
Chapter 1 Perspectives on Retailing	2
What Is Retailing, and Why Is It Undergoing So Much Change Today?	2
The Nature of Change in Retailing, 4	
<i>Retailing: The Inside Story:</i> Airlines: Being Lucky Is Better than Planning Well	5
E-Tailing, 6 • Price Competition, 7	
<i>What's New?:</i> YouTube: Retailing's Inexpensive Way to Reach Consumers	8
Demographic Shifts, 9 • Store Size, 10	
<i>Global Retailing:</i> It Is Not All about Mass Merchandising	14
Categorizing Retailers	16
Census Bureau, 17 • Number of Outlets, 18 • Margins versus Turnover, 20 • Location, 22 • Size, 23	
A Retailing Career	24
Common Questions about a Retailing Career, 26 • Prerequisites for Success, 28	
<i>Service Retailing:</i> Using Creativity to Take on Walmart	29
The Study and Practice of Retailing	32
The Book Outline, 34 • Introduction to Retailing, 34 • The Retailing Environment, 34 • Market Selection and Location Analysis, 35 • Managing Retail Operations, 35	
Student Study Guide	35
Summary, 35 • Terms to Remember, 36 • Review and Discussion Questions, 36 • Sample Test Questions, 37	
Applications	38
Writing and Speaking Exercise, 38 • Retail Project, 38 • Planning Your Own Retail Business, 38	
Case: The Changing Role of Funeral Homes	39
Chapter 2 Retail Strategic Planning and Operations Management	40
Components of Strategic Planning	40
Mission Statement, 42 • Statement of Goals and Objectives, 44	
<i>Retailing: The Inside Story:</i> Is Mickey Mouse Booked in the Seat Next to You?	48
Strategies, 52	
<i>Service Retailing:</i> Is Walmart a Service Retailer?	53
<i>Global Retailing:</i> International Retailers May Be Better at Getting Them into the Store	54

The Retail Strategic Planning and Operations Management Model	62
Strategic Planning, 62	
<i>What's New?: Buy Diapers for the First Time and You Will Get a Coupon for Beer</i>	63
Operations Management, 66 • High-Performance Results, 66	
Student Study Guide	67
Summary, 67 • Terms to Remember, 67 • Review and Discussion Questions, 68 • Sample Test Questions, 69	
Applications	69
Writing and Speaking Exercise, 69 • Retail Project, 69 • Planning Your Own Retail Business, 70	
Case: Rethinking Strategy at Macy's	70
PART 2: THE RETAILING ENVIRONMENT	73
Chapter 3 Retail Customers	74
Introduction	74
<i>Retailing: The Inside Story: Are Retailers Satisfying Their Customers?</i>	76
<i>Service Retailing: India's Midmarket Hotels</i>	80
Population Trends	81
Population Growth, 82 • Age Distribution, 82	
<i>What's New?: The Great Money Transfer</i>	84
Ethnic Trends, 88 • Geographic Trends, 90	
Social Trends	93
Education, 94 • State of Marriage, 94 • Divorce, 95 • Makeup of American Households, 95 • Changing Nature of Work, 96	
<i>Global Retailing: Worldwide Changes in Household Structure</i>	97
Economic Trends	98
Income Growth, 98 • Personal Savings, 100 • Women in the Labor Force, 101 • Widespread Use of Credit, 102	
Consumer Behavior Model	102
Stimulus, 102 • Problem Recognition, 103 • Problem Solving, 104 • Problem-Solving Stages, 105 • Purchase, 106 • Post-Purchase Evaluation, 107	
Student Study Guide	108
Summary, 108 • Terms to Remember, 108 • Review and Discussion Questions, 109 • Sample Test Questions, 110	
Applications	110
Writing and Speaking Exercise, 110 • Retail Project, 111 • Planning Your Own Retail Business, 111	
Case: The Mall's New Marketing Manager	112

Chapter 4 Evaluating the Competition in Retailing	114
Models of Retail Competition	114
The Competitive Marketplace, 116 • Market Structure, 117 • The Demand Side of Retailing, 119 • Nonprice Decisions, 120	
<i>Service Retailing: The “Experience It” Approach</i>	121
Competitive Actions, 125 • Suppliers as Partners and Competitors, 126	
Types of Competition	126
Intratype and Intertype Competition, 127 • Divertive Competition, 128	
Evolution of Retail Competition	128
The Wheel of Retailing, 128 • The Retail Accordion, 129 • The Retail Life Cycle, 130	
<i>Global Retailing: North America’s Oldest Retailer</i>	132
Resource-Advantage Theory, 133	
Future Changes in Retail Competition	134
Nonstore Retailing, 134	
<i>What’s New?: eBay: A Microretail Revolution</i>	136
New Retailing Formats, 137	
<i>Retailing: The Inside Story: Savers: The For-Profit Thrift</i>	139
Heightened Global Competition, 142 • Integration of Technology, 143 • Increasing Use of Private Labels, 145	
Student Study Guide	147
Summary, 147 • Terms to Remember, 148 • Review and Discussion Questions, 149 • Sample Test Questions, 150	
Applications	150
Writing and Speaking Exercise, 150 • Retail Project, 151 • Planning Your Own Retail Business, 151	
Case: Madison’s Bike Wars	152
Chapter 5 Managing the Supply Chain	154
The Supply Chain	154
<i>Global Retailing: Fast Fashion: It’s “Z-Day”</i>	156
Primary Marketing Institutions, 158 • Facilitating Marketing Institutions, 159	
<i>What’s New?: Walmart’s Not So Secret Weapon: Retail Link</i>	161
Types of Supply Chains	162
Supply-Chain Length, 162 • Supply-Chain Width, 164 • Control of the Supply Chain, 164	
Managing Retailer–Supplier Relations	170
Dependency, 170 • Power, 171 • Conflict, 172	
<i>Service Retailing: The Three-Decade Decline of New Car Dealerships: What Is the Service Impact?</i>	173

<i>Retailing: The Inside Story: A Manufacturer’s Internet Site: Friend or Foe to the Retailer</i>	175
Collaboration in the Channel	176
Facilitating Supply-Chain Collaboration, 177 • Category Management, 179	
<hr/>	
Student Study Guide	180
Summary, 180 • Terms to Remember, 181 • Review and Discussion Questions, 182 • Sample Test Questions, 183	
Applications	184
Writing and Speaking Exercise, 184 • Retail Project, 184 • Planning Your Own Retail Business, 185	
Case: Vending-Machine Operator Suffers the Cost of a Product Recall	186
Chapter 6 Legal and Ethical Behavior	188
<i>Global Retailing: For Americans, International Laws Can Be Strange</i>	190
Pricing Constraints	193
Horizontal Price Fixing, 193 • Vertical Price Fixing, 194 • Price Discrimination, 194	
<i>Retailing: The Inside Story: Price Fixing in the United States</i>	195
Deceptive Pricing, 197 • Predatory Pricing, 197	
Promotion Constraints	197
Deceitful Diversion of Patronage, 198 • Deceptive Advertising, 199 • Deceptive Sales Practices, 201	
Product Constraints	201
Product Safety, 202 • Product Liability, 203 • Warranties, 203	
Supply-Chain Constraints	204
Territorial Restrictions, 204 • Dual Distribution, 205 • Exclusive Dealing, 206 • Tying Agreements, 207	
Other Federal, State, and Local Laws	207
<i>What’s New?: Nothing Is More Certain than Death and Taxes</i>	210
Ethics in Retailing	211
Ethical Behavior in Buying Merchandise, 212 • Ethical Behavior in Selling Merchandise, 213	
<i>Service Retailing: Privacy and Search Engines</i>	214
Ethical Behavior in the Retailer–Employee Relationship, 215	
<hr/>	
Student Study Guide	217
Summary, 217 • Terms to Remember, 218 • Review and Discussion Questions, 218 • Sample Test Questions, 219	
Applications	220
Writing and Speaking Exercise, 220 • Retail Project, 220 • Planning Your Own Retail Business, 221	
Case: The Changing Face of Tobacco Retailers	221

PART 3: MARKET SELECTION AND LOCATION ANALYSIS	223
Chapter 7 Market Selection and Retail Location Analysis	224
Selecting a Target Market	224
<i>Global Retailing: The Thrill of the Hunt</i>	226
Market Segmentation, 228 • Identifying a Target Market, 229	
Reaching Your Target Market	230
Location of Store-Based Retailers, 230	
<i>Retailing: The Inside Story: Sam Walton's Own Thoughts</i>	232
Nonstore-Based Retailers, 239	
Geographic Information Systems	239
Thematic Maps, 241 • Uses of GIS, 241	
Market Identification	242
Retail Location Theories, 244 • Market Demand Potential, 249 • Market Supply Factors, 251	
Site Analysis	252
<i>What's New?: High School Students Start a Grocery Store</i>	253
Size of Trading Areas, 254 • Description of Trading Area, 255 • Demand Density, 256 • Supply Density, 261	
<i>Service Retailing: Get Me to That Church!</i>	262
Site Availability, 263	
Site Selection	263
Nature of Site, 264 • Terms of Purchase or Lease, 267 • Expected Profitability, 267	
Student Study Guide	267
Summary, 267 • Terms to Remember, 269 • Review and Discussion Questions, 269 • Sample Test Questions, 271	
Applications	272
Writing and Speaking Exercise, 272 • Retail Project, 273 • Planning Your Own Business, 273	
Case: Is the Use of Eminent Domain to Secure Property for Retail Development Good or Bad?	273
PART 4: MANAGING RETAIL OPERATIONS	277
Chapter 8 Managing a Retailer's Finances	278
The Merchandise Budget	278
Determining Planned Sales, 281	
<i>Service Retailing: How Weather Forecasts Can Improve Retail Performance</i>	285
<i>Retailing: The Inside Story: Dressing Up Financial Statements</i>	288
Determining Planned BOM and EOM Inventories, 289 • Determining Planned Retail Reductions, 289 • Determining Planned Purchases at Retail and Cost, 290 • Determining the Buyer's Planned Gross Margin, 291	

Retail Accounting Statements	291
<i>Global Retailing: International Accounting Rules</i>	292
Income Statement, 292	
<i>What's New?: How Rebates Affect Net Sales</i>	295
Balance Sheet, 296 • Statement of Cash Flow, 299	
Inventory Valuation	301
Accounting Inventory System, 301 • Inventory-Pricing Systems, 305	
<hr/>	
Student Study Guide	306
Summary, 306 • Terms to Remember, 307 • Review and Discussion Questions, 307 • Sample Test Questions, 309	
Applications	309
Writing and Speaking Exercise, 309 • Retail Project, 310 • Planning Your Own Small Business, 310	
Case: Dolly's Place	311
Chapter 9 Merchandise Buying and Handling	312
Major Steps in Merchandise Buying and Handling	312
Dollar-Merchandise Planning	314
<i>Service Retailing: This Hotel Has Gone to the Dogs (and Cats)</i>	317
Basic Stock Method, 317 • Percentage-Variation Method, 318 • Weeks' Supply Method, 319 • Stock-to-Sales Method, 319	
Dollar-Merchandise Control	320
<i>What's New?: Do Frontline Employees Really Know Best?</i>	321
Inventory Planning	322
Optimal Merchandise Mix, 322 • Constraining Factors, 324 • Managing the Inventory, 326 • Using the Item File to Manage Inventory, 328	
<i>Retailing: The Inside Story: Whose Brat Is It?</i>	329
Conflicts in Stock Planning, 331 • Reviewing Inventory Performance, 332	
Selection of Merchandising Sources	332
<i>Global Retailing: Would You Like That (\$50 Video Game) in Paper or Plastic?</i>	334
Vendor Negotiations	338
Trade Discount, 340 • Quantity Discount, 341 • Promotional Discount, 342 • Seasonal Discount, 342 • Cash Discount, 342 • Delivery Terms, 343 • Packaging, 344	
In-Store Merchandise Handling	344
<hr/>	
Student Study Guide	348
Summary, 348 • Terms to Remember, 349 • Review and Discussion Questions, 350 • Sample Test Questions, 352	
Applications	353
Writing and Speaking Exercise, 353 • Retail Project, 353 • Planning Your Own Retail Business, 354	
Case: RFID: Friend or Foe?	354

Chapter 10 Retail Pricing	357
Pricing Objectives and Policies	357
<i>Retailing: The Inside Story: Everybody Loses in a Price War</i>	358
Interactive Pricing Decisions, 359	
<i>Global Retailing: Loss-Leader Pricing Isn't Legal Everywhere</i>	364
Pricing Objectives, 364 • Pricing Policies, 365	
<i>What's New?: The Internet Has Come to Garage Sales</i>	367
<i>Service Retailing: For Auto Dealers, Profit Isn't Always in the Showroom</i>	368
Specific Pricing Strategies	370
Customary Pricing, 370 • Variable Pricing, 370 • Flexible Pricing, 370 •	
One-Price Policy, 371 • Price Lining, 372 • Odd Pricing, 372 •	
Multiple-Unit Pricing, 373 • Bundle Pricing, 373 • Leader Pricing, 374 •	
Bait-and-Switch Pricing, 374 • Private-Label Brand Pricing, 375	
Using Markups	375
Calculating Markup, 375 • Markup Methods, 376 • Using Markup	
Formulas When Purchasing Merchandise, 377 • Initial Versus Maintained	
Markup, 378 • Planning Initial Markups, 379	
Markdown Management	381
Buying Errors, 381 • Pricing Errors, 382 • Merchandising Errors, 382 •	
Promotion Errors, 382 • Markdown Policy, 383	
Student Study Guide	385
Summary, 385 • Terms to Remember, 386 • Review and Discussion	
Questions, 387 • Sample Test Questions, 388	
Applications	389
Writing and Speaking Exercise, 389 • Retail Project, 389 • Planning Your	
Own Retail Business, 390	
Case: Crazy Airfares	390
Chapter 11 Advertising and Promotion	392
The Retail Promotion Mix	392
Types of Promotion, 393 • Promotion in the Supply Chain, 395	
Promotional Objectives	396
Long-Term Objectives, 396 • Short-Term Objectives, 397 •	
Interdependence, 398	
Steps in Planning a Retail Advertising Campaign	398
Selecting Advertising Objectives, 398	
<i>Retailing: The Inside Story: Black Friday Sales</i>	400
Budgeting for the Campaign, 401	
<i>Service Retailing: Promoting a New Restaurant</i>	406
Designing the Message, 408 • Media Alternatives, 411 • Media Selection,	
416 • Scheduling of Advertising, 417 • Evaluating the Results, 417	

Management of Sales Promotions and Publicity	418
Role of Sales Promotion, 418 • Types of Sales Promotion, 419	
<i>Global Retailing: The Weather Outside Is Frightful. Isn't That So Delightful?</i>	420
<i>What's New?: The History of Loyalty Programs</i>	422
Evaluating Sales Promotions, 423 • Publicity Management, 424	
<hr/>	
Student Study Guide	426
Summary, 426 • Terms to Remember, 427 • Review and Discussion Questions, 428 • Sample Test Questions, 429	
Applications	429
Writing and Speaking Exercise, 429 • Retail Project, 430 • Planning Your Own Retail Business, 430	
Case: The Bandanna	431
Chapter 12 Customer Services and Retail Selling	434
Customer Service	434
Merchandise Management, 439 • Building and Fixture Management, 439 • Promotion Management, 440 • Price Management, 440 • Credit Management, 440 • A Recap, 441	
Common Customer Services	441
Pretransaction Services, 441	
<i>Global Retailing: International Information Aids Mistakes</i>	442
Transaction Services, 443	
<i>Service Retailing: Etiquette Guidelines for Service Retailers</i>	448
Posttransaction Services, 449	
<i>Retailing: The Inside Story: A PR Representative Tells You Her Side of the Story</i>	450
Determining Customer-Service Levels	455
Retailer's Characteristics, 456 • Competition, 456 • Type of Merchandise, 457 • Price Image, 457 • Target-Market Income, 457 • Cost of Services, 457	
Retail Sales Management	458
Types of Retail Selling, 458 • Salesperson Selection, 459 • Salesperson Training, 460 • Evaluation of Salespeople, 463	
<i>What's New?: The Increasing Use of Mystery Shoppers</i>	466
The Retail Sales Process	467
Prospecting, 467 • Approach, 467 • Sales Presentation, 469 • Closing the Sale, 469	
The Customer-Service and Sales-Enhancement Audit	470
<hr/>	
Student Study Guide	473
Summary, 473 • Terms to Remember, 474 • Review and Discussion Questions, 474 • Sample Test Questions, 475	

Applications	476
Writing and Speaking Exercise, 476 • Retail Project, 477 • Planning Your Own Retail Business, 477	
Case: The Internship	478
Chapter 13 Store Layout and Design	480
Introduction to Store Layout Management	480
Elements of the Store Environment, 482	
<i>Retailing: The Inside Story: Consumer Behavior: Supermarket Style</i>	484
Objectives of the Store Environment, 485	
Store Planning	488
Allocating Space, 491	
<i>Global Retailing: Hypermarkets: A Retailing Lesson</i>	496
Circulation, 498 • Shrinkage Prevention, 501	
Planning Fixtures and Merchandise Presentation	502
<i>Service Retailing: Stores and Hotels Have Identical Objectives and Fixturing Is a Key Success Factor</i>	503
Fixture Types, 504 • Merchandise-Presentation Planning, 506 • Selecting Fixtures and Merchandise-Presentation Methods, 509 • Visual Merchandising, 509	
Store Design	510
Storefront Design, 511 • Interior Design, 511 • Lighting Design, 511	
<i>What's New?: High Tech and High Touch Enhances the Shopping Experience</i>	512
Sounds and Smells: Total Sensory Marketing, 513	
Visual Communications	515
Name, Logo, and Retail Identity, 516 • Institutional Signage, 517 • Directional, Departmental, and Category Signage, 517 • Point-of-Sale Signage, 517 • Lifestyle Graphics, 518	
Student Study Guide	518
Summary, 518 • Terms to Remember, 519 • Review and Discussion Questions, 519 • Sample Test Questions, 520	
Applications	521
Writing and Speaking Exercise, 521 • Retail Project, 522 • Planning Your Own Retail Business, 522	
Case: Peterson's	523
PART 5: RETAIL ADMINISTRATION	525
Chapter 14 Managing People	526
Intangible People Resources Make the Difference	526
Similarities between Employees and Customers, 528 • Employees and Customers Are Profit Drivers, 529	

<i>Global Retailing: Have You Ever Had an Unsatisfactory Experience with a Foreign Call Center?</i>	530
Obtaining the Right People	532
Customer Relationship Management, 532 • Employee Sources, 534 • Customer Sources, 534 • Screening and Selecting Employees, 535	
<i>What's New?: Does Your Resume Sell You?</i>	537
<i>Service Retailing: Corporate Websites, Social Networking, and Your Job Search</i>	539
Screening and Selecting Customers, 541	
Managing People	542
Training and Developing Employees, 543 • Training and Developing Customers, 544 • Evaluating Employees, 545 • Evaluating Customers, 546 • Motivating Employees, 547 • Motivating Customers, 548	
Compensation	550
Employee Compensation, 550 • Common Types of Compensation Programs for a Sales Force, 551 • Supplemental Benefits, 553 • Compensation Plan Requirements, 554 • Job Enrichment, 555 • Customer Compensation, 555	
<i>Retailing: The Inside Story: A Week in the Life of Terry J. Lundgren, Chairman, President, and CEO of Macy's, Inc.</i>	556
Epiologue	557
<hr/>	
Student Study Guide	558
Summary, 558 • Terms to Remember, 559 • Review and Discussion Questions, 559 • Sample Test Questions, 560	
Applications	561
Writing and Speaking Exercise, 561 • Retail Project, 561 • Planning Your Own Retail Business, 562	
Case: The Cliff Problem	562
Appendix	564
Glossary	570
Endnotes	581
Subject Index	594
URL Index	607