The World of Retailing

The chapters in Section I provide background information about retail customers and competitors that you will need to understand the world of retailing and then develop and effectively implement a retail strategy.

Chapter 1 describes the functions that retailers perform and the variety of decisions they make to satisfy customers’ needs in rapidly changing, highly competitive retail environments. The remaining chapters in this section give you further background information to understand the world of retailing.

Chapter 2 describes the different types of retailers.

Chapter 3 examines how retailers use multiple selling channels—stores, the Internet, catalogs—to reach their customers.

Chapter 4 discusses the factors consumers consider when choosing retail outlets and buying merchandise.

The chapters in Section II focus on the strategic decisions that retailers make. The chapters in Sections III and IV explore tactical decisions involving merchandise and store management.
I had a passion for retailing even when I was a young girl. At an early age, I recognized the importance of having exciting merchandise and providing an engaging store experience for customers. But I never realized how significant these feelings would be in my life. I started my retail career, like many college graduates going into retailing, as an executive trainee at May Department Stores Company. Over the next 20 years I held a variety of store and merchandise positions of increasing responsibility. In 1992, I became President of Payless Shoe Stores, then a division of May Department Store with over 4,500 stores and $2 billion plus in annual sales at the time.

In early 1997, I decided to launch a retail concept I had been thinking about—Build-A-Bear Workshop®. While most retailers are merchandise driven, Build-A-Bear Workshop® offers highly interactive experiences like a theme park. It combines the universal appeal of plush animals with an interactive assembly line that allows children of all ages to create and accessorize their own huggable companions. We opened the first Build-A-Bear Workshop in St. Louis in the fall of 1997 and have now grown to over 200 stores and in 2003, $300 million in annual sales.

The keys to our success are great merchandise, great people, and great store execution. These three factors combine to create an environment where families share quality time and form irreplaceable memories. Our passion for serving our guests is emulated by our dedicated associates, known as “Master Bear Builders,” who make every effort to ensure that each visit is memorable and enjoyable. Employees are empowered to make sure that
every guest feels special every time they visit their stores. We have a company culture where great service and recognition are a daily occurrence. Ninety percent of guests rate the quality of experience in the highest two categories and 76 percent indicate that nothing could be done to improve their store experience.

We also believe strongly that we need to give back to the communities in which we have stores. For example, as part of our ongoing commitment to children’s health and wellness, we introduced a series of Nikki’s Bears to honor Nikki Giampolo, a young girl who lost her life to cancer. A portion of proceeds from the sale of Nikki’s is donated to support programs that help children maintain normal lives while they struggle with difficult health issues including cancer, diabetes, and autism. To date, the program has raised nearly $700,000 for important children’s health and wellness causes.

Most consumers shopping in their local stores don’t realize that retailing is a high-tech, global industry. To illustrate the sophisticated technologies used by retailers, consider the following: If you are interested in buying an iPhone, Staples provides a Web site ([www.staples.com](http://www.staples.com)) you can access to learn about the features of the different models. You can order the iPhone from the Web site and have it delivered to your home, or you can go to the store and buy it. If you decide to go to the store, Staples offers Web-enabled kiosks that you can use to review the information available on its Web site.

When you decide to buy an iPhone in the store, the point-of-sales (POS) terminal transmits data about the transaction to Staples’ distribution center and then on to the manufacturer, Apple. When the in-store inventory level drops below a prespecified level, an electronic notice is automatically transmitted, authorizing the shipment of more units to the distribution center and then to the store. Data about your purchase are transmitted to a sophisticated inventory management system. A buyer at Staples analyzes the data to determine how many and which types of units should be stocked in your local store and what price the retailer should charge. Finally, the data about your purchase get stored in Staples’ data warehouse and used to design special promotions for you.
Wanna buy a suit for interviewing? Since 1818, Brooks Brothers has been providing American men—and now women and boys—with traditional clothing. If you visit a Brooks Brothers store today, you will find the same type of personal service that has made it famous, but you may also discover a few technological twists. Using the store’s database, the sales associate realizes that you purchased a dark blue suit several months earlier, so she can coordinate several shirts and ties to go with it. In the future, salespeople will carry handheld devices that customers can use to view their virtual closet—everything they have ever purchased at Brooks Brothers. The sales associates then can help customers build a wardrobe, not just purchase a single item. New technologies also enable Brooks Brothers to offer reasonably priced custom suits in just seven days. Thus, like many retailers, Brooks Brothers uses technology to add value to its merchandise offering.

Historically, the retail landscape has been dominated by local retailers that bought and resold merchandise from local suppliers. Forty years ago, some of the largest retailers in the United States—Wal-Mart, The Gap, Home Depot, and Best Buy—either were small start-ups or did not even exist. Yet today, most retail sales are made by large national and international chains that buy merchandise from all over the world. Wal-Mart is the world’s largest corporation. French-based Carrefour, the world’s second-largest retailer, operates 12,000 hypermarkets in 30 countries (but not the United States). Some non-U.S.-based retailers that have gained a strong presence in the United States include Aldi (German grocer), Ahold (grocer from the Netherlands), IKEA (Swedish-based furniture and accessories retailer), and H&M (Swedish apparel).

Retailing is such a common part of our everyday lives that we often just take it for granted. Retail managers make complex decisions in selecting their target markets and retail locations; determining what merchandise and services to offer; negotiating with suppliers; distributing merchandise to stores; training and motivating sales associates; and deciding how to price, promote, and present merchandise. Considerable skill and knowledge are required to make these decisions effectively. Working in this highly competitive, rapidly changing environment is both challenging and exciting, and it offers significant financial rewards.

This book describes the world of retailing and offers key principles for effectively managing retail businesses in highly competitive environments. Knowledge of retailing principles and practices will help you develop management skills for many business contexts. For example, managers at Procter & Gamble and Hewlett-Packard must have a thorough understanding of how retailers operate and make money so they can get their products on retail shelves and work with retailers to sell them to consumers. Financial and health care institutions use retail principles to develop their offerings, improve customer service, and provide convenient, easy access to their customers. Thus, any students interested in professional selling, marketing, or finance will find this book useful.

**WHAT IS RETAILING?**

Retailing is the set of business activities that adds value to the products and services sold to consumers for their personal or family use. Often people think of retailing only as the sale of products in stores, but retailing also involves the sale of services: overnight lodging in a motel, a doctor’s exam, a haircut, a DVD rental, or a home-delivered pizza. Not all retailing is done in stores. Examples of nonstore retailing include Internet sales of hot sauces (www.firehotsauces.com), the direct sales of cosmetics by Avon, and catalog sales by L.L. Bean and Patagonia.
A Retailer's Role in a Supply Chain

A retailer is a business that sells products and/or services to consumers for their personal or family use. Retailers are the final business in a supply chain that links manufacturers to consumers. A supply chain is a set of firms that make and deliver a given set of goods and services to the ultimate consumer. Exhibit 1–1 shows the retailer’s position within a supply chain.

Manufacturers typically make products and sell them to retailers or wholesalers. When manufacturers like Nike and Apple sell directly to consumers, they are performing both production and retailing business activities. Wholesalers, in contrast, engage in buying, taking title to, often storing, and physically handling goods in large quantities, then reselling the goods (usually in smaller quantities) to retailers or industrial or business users. Wholesalers and retailers may perform many of the same functions described in the next section, but wholesalers uniquely satisfy retailers’ needs, whereas retailers direct their efforts to satisfying the needs of ultimate consumers. Some retail chains, like Costco and Home Depot, function as both retailers and wholesalers: They perform retailing activities when they sell to consumers, but they engage in wholesaling activities when they sell to other businesses, like restaurants or building contractors.

In some supply chains, the manufacturing, wholesaling, and retailing activities are performed by independent firms, but most supply chains feature some vertical integration. Vertical integration means that a firm performs more than one set of activities in the supply chain, such as investments by retailers in wholesaling or manufacturing. Backward integration arises when a retailer performs some distribution and manufacturing activities, such as operating warehouses or designing private-label merchandise. Forward integration occurs when a manufacturer undertakes retailing activities, such as Ralph Lauren operating its own retail stores.

Most large retailers—such as Safeway, Wal-Mart, and Lowe's—engage in both wholesaling and retailing activities. They buy directly from manufacturers, have merchandise shipped to their warehouses for storage, and then distribute the merchandise to their stores. Other retailers, such as J. Crew and Victoria's Secret, are even more vertically integrated. They also design the merchandise they sell and then contract with manufacturers to produce it exclusively for them.

Retailers Create Value

Why are retailers needed? Wouldn't it be easier and cheaper to buy directly from companies that manufacture the products? The answer, generally, is no. Although in some situations, it is easier and cheaper to buy directly from manufacturers, such as at a local farmer's market or from Apple Inc., retailers provide important functions that increase the value of the products and services they sell to consumers and facilitate the distribution of those products and services for the manufacturers that produce them. These value-creating functions include
1. Providing an assortment of products and services.
2. Breaking bulk.
3. Holding inventory.
4. Providing services.
SECTION 1  The World of Retailing

Providing Assortments  Supermarkets typically carry 20,000–30,000 different items made by more than 500 companies. Offering an assortment enables their customers to choose from a wide selection of brands, designs, sizes, colors, and prices at one location. Manufacturers specialize in producing specific types of products. For example, Frito-Lay makes snacks, Dannon makes dairy products, Skippy makes peanut butter, and Heinz makes ketchup. If each of these manufacturers had its own stores that only sold its own products, consumers would have to go to many different stores to buy the groceries needed to prepare a single meal.

All retailers offer assortments of products, but they specialize in the assortments they offer. Supermarkets provide assortments of food, health and beauty care, and household products, whereas Abercrombie & Fitch provides assortments of clothing and accessories. Most consumers are well aware of the product assortments retailers offer; even small children tend to know where to buy different types of products. But new types of retailers, offering unique assortments, appear each year. Steve and Barry’s is a category specialist for licensed collegiate merchandise. Metropark is the lifestyle specialty store chain targeting trendsetting young adults that blends fashion, music, and art that is part club and part street boutique. Little Gym is a service retailer that helps children develop their motor skills by offering karate and gymnastic classes. Winestyles is a wine-store that arranges wine by taste category instead of region or type of wine and provides extensive information to reduce the complexity of buying wines.

Breaking Bulk  To reduce transportation costs, manufacturers and wholesalers typically ship cases of frozen dinners or cartons of blouses to retailers. Retailers then offer the products in smaller quantities tailored to individual consumers’ and households’ consumption patterns in a process called breaking bulk. Breaking bulk is important to both manufacturers and consumers, because it provides cost efficiencies for manufacturers that can package and ship merchandise in larger, rather than smaller, quantities, and it gives consumers the chance to purchase merchandise in the smaller, more manageable quantities they prefer.

Holding Inventory  A major function of retailers is to keep inventory that has been broken into user-friendly sizes so that the products will be available when consumers want them. Thus, consumers can keep a smaller inventory of products at home because they know local retailers will have the products available when they need more. By maintaining an inventory, retailers provide a crucial benefit to consumers: They reduce the cost consumers would have to pay to store products. This function is particularly important to consumers with limited storage space and those who want to purchase perishable merchandise, like meat and produce, just before they consume it.

Providing Services  Retailers provide services that make it easier for customers to buy and use products. For example, they offer credit so consumers can have a product now and pay for it later. They display products so consumers can see and test them before buying. Some retailers employ salespeople in stores or maintain Web sites to answer questions and provide additional information about products.

Increasing the Value of Products and Services  By providing assortments, breaking bulk, holding inventory, and providing services, retailers increase the value that consumers receive from their products and services. To illustrate,
consider a door in a shipping crate in an Iowa manufacturer's warehouse. The door cannot satisfy the needs of a do-it-yourselfer (DIYer) who wants to replace a closet door today. For the DIYer, a conveniently located home improvement center like Home Depot or Lowe's offers a door, available when the DIYer wants it. The home improvement center helps the customer select the door by displaying all available doors in an easy-to-see layout so the customer can examine them before selecting one to purchase. An employee helps the customer by explaining which door is best for closets and how the door should be hung. The store also provides an assortment of hardware, paint, and tools that the DIYer will need to complete the job. In this way, retailers increase the value of the products and services bought by their customers.

SOCIAL AND ECONOMIC SIGNIFICANCE OF RETAILING

Social Responsibility
Retailers are socially responsible businesses. Corporate social responsibility describes the voluntary actions taken by a company to address the ethical, social, and environmental impacts of its business operations and the concerns of its stakeholders.3 Retailing View 1.1 illustrates how retailers provide value to their communities and society, as well as to their customers.

Retail Sales
Retailing affects every facet of life. Just think of how many daily contacts you have with retailers when you eat meals, furnish your apartment, have your car fixed, and buy clothing for a party or job interview. American retail sales are over $4 trillion, but even this sales level underestimates the impact of retailing, because it does not include the retail sales of automobiles and repairs.4 Although the majority of retail sales take place within large retail chains, most retailers are small businesses. Of the 1.9 million retail firms in the United States, 95 percent of them run only one store. Less than 1 percent of U.S. retail firms have more than 100 stores.5

Employment
Retailing also is one of the nation's largest industries in terms of employment. More than 24 million people were employed in retailing—approximately 18 percent of the nonagricultural U.S. workforce. Between 2004 and 2014, the retail industry expects to add 1.6 million jobs, making it one of the largest sectors for job growth in the United States.6

Global Retailers
Retailing is becoming a global industry, as more and more retailers pursue growth by expanding their operations to other countries. The large retail firms are becoming increasingly international in the geographical scope of their operations. Amway, Avon, Ace Hardware, and Inditex (Zara) operate in more than 20 countries. The share of the global retail market accounted for by retailers operating in more than one country also is increasing, because these global retailers are growing at an even faster rate than are global retail sales. International operations account for a larger proportion of sales by these large firms, as is particularly apparent in European firms with their longer internationalization experience. Wal-Mart, Carrefour, Royal Ahold, Metro, and Schwarz each generate more than $20 billion annually in sales from their international operations.8
SECTION I  The World of Retailing

Exhibit 1–2 lists the 20 largest global retailers. With worldwide retail sales estimated at $3.7 trillion, the 20 largest retailers represent a 35 percent share of the world market. Wal-Mart remains the undisputed leader in the retail world, with sales more than three times as great as those of Carrefour, the second-largest retailer. Home Depot also has made significant sales gains over the last several years. Its third-place ranking in 2006 was up from 24th in 1996.

1.1 RETAILING VIEW  Socially Responsible Retailers

Many retailers are buying and designing biodegradable or environmentally sensitive merchandise, taking positive ecological actions, and giving to charities—all actions viewed by customers and shareholders as socially responsible strategies. Bono, the lead singer of U2 and global activist, has introduced Edun, a fair-trade fashion brand that offers high-priced goods through stores such as Saks, Nordstrom, and FairIndigo.com. A fair-trade designation means that the items were produced in factories that pay workers far more than the prevailing minimum wage and offer other benefits, like onsite medical treatment. Not to be outdone, Starbucks pays its farmers 42 percent more than the going commodity price of Arabica coffee beans.

Gap, Emporio Armani, Apple, and other high-end brands have launched their own Product Red lines in Europe, selling red t-shirts, cellphones, sunglasses, and other items and then donating a portion of the profits to the Global Fund to fight AIDS, tuberculosis, and malaria in Africa. But they are not the only retailers giving to charities. Saks Fifth Avenue donated a percentage of sales from a particular leather jacket to Help USA, a group that fights homelessness. Bloomingdale’s gives to many charities annually, including the National Colorectal Cancer Research Alliance, the Juvenile Diabetes Research Foundation, and Autism Speaks. Wal-Mart helps the Salvation Army raise money and recently gave the charity a $245 million donation. MAC Cosmetics’ special line of lipsticks and greeting cards raised $40 million for AIDS treatment.

The United Kingdom’s grocery giant, Tesco, launched a massive advertising campaign to raise awareness of a program that offers one loyalty card point for each bag that a customer reuses, saving the firm more than 10 million plastic bags a week. Taking a different approach to the problem of wasteful bags, Sweden’s IKEA furniture stores charge U.K. shoppers 15 cents per plastic bag, which the company says are 100 percent biodegradable. Wal-Mart, Staples, Williams-Sonoma, Home Depot, and Safeway ensure that all of their wood and paper products come from sustainable forests (those that employ legal and renewable logging practices). Other firms are reducing unnecessary packaging and print marketing materials, and still others are incorporating more recycled paper in their catalogs. Retailers like Target are becoming more socially responsible in building and operating their stores by constructing energy-efficient buildings. These initiatives pay off not only in terms of social responsibility but also in cost savings. Through its Zero Waste initiative, Wal-Mart has saved 478.1 million gallons of water, 20.7 million gallons of diesel fuel, and millions of pounds of solid waste. With its 100 percent renewable energy program, it hopes to reduce its energy consumption by 30 percent in all of its new stores by 2014.

Other firms take a more hands-on approach to helping the communities in which they reside. For example, Home Depot’s 300,000 associates contribute more than 7 million hours of service through Team Depot, the retailer’s volunteer corps. In addition, the corporation has donated more than $25 million in four target areas: affordable housing, at-risk youth, the environment, and disaster preparedness and relief.

The nature of retailing and distribution supply chains in various areas around the world differs. Some critical differences among the retailing and supply chain systems in the United States, European Union, China, and India are summarized in Exhibit 1–3. For example, the U.S. supply chain system has the greatest retail density and the greatest concentration of large retail firms. Many U.S. retail firms are large enough to operate their own warehouses, eliminating the need for wholesalers. And the fastest growing types of U.S. retailers sell through large stores with more than 20,000 square feet. The combination of large stores and large firms results in a very efficient supply chain.

### EXHIBIT 1–2

<table>
<thead>
<tr>
<th>Rank</th>
<th>Retailer</th>
<th>Headquarters</th>
<th>2005 Retail Sales (US$mil)</th>
<th>Primary Format</th>
<th>Five-Year CAGR%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wal-Mart</td>
<td>U.S.</td>
<td>$312,427.00</td>
<td>Discount</td>
<td>11.60%</td>
</tr>
<tr>
<td>2</td>
<td>Carrefour</td>
<td>France</td>
<td>$92,778.00</td>
<td>Hypermarket</td>
<td>2.80</td>
</tr>
<tr>
<td>3</td>
<td>Home Depot</td>
<td>U.S.</td>
<td>$81,511.00</td>
<td>Category Specialist</td>
<td>12.30</td>
</tr>
<tr>
<td>4</td>
<td>Metro AG</td>
<td>Germany</td>
<td>$69,134.00</td>
<td>Multiple Food Formats</td>
<td>5.00</td>
</tr>
<tr>
<td>5</td>
<td>Tesco</td>
<td>U.K.</td>
<td>$68,866.00</td>
<td>Multiple Food Formats</td>
<td>12.80</td>
</tr>
<tr>
<td>6</td>
<td>Kroger</td>
<td>U.S.</td>
<td>$60,553.00</td>
<td>Supermarket</td>
<td>4.30</td>
</tr>
<tr>
<td>7</td>
<td>Target</td>
<td>U.S.</td>
<td>$52,620.00</td>
<td>Discount</td>
<td>7.40</td>
</tr>
<tr>
<td>8</td>
<td>Costco</td>
<td>U.S.</td>
<td>$51,862.00</td>
<td>Warehouse Club</td>
<td>10.40</td>
</tr>
<tr>
<td>9</td>
<td>Sears</td>
<td>U.S.</td>
<td>$49,124.00</td>
<td>Department Store</td>
<td>5.80</td>
</tr>
<tr>
<td>10</td>
<td>Schwarz</td>
<td>Germany</td>
<td>$45,891.00</td>
<td>Multiple Food Formats</td>
<td>13.00</td>
</tr>
<tr>
<td>11</td>
<td>Aldi</td>
<td>Germany</td>
<td>$45,096.00</td>
<td>Supermarket</td>
<td>4.50</td>
</tr>
<tr>
<td>12</td>
<td>Rewe</td>
<td>Germany</td>
<td>$44,039.00</td>
<td>Multiple Food Formats</td>
<td>3.00</td>
</tr>
<tr>
<td>13</td>
<td>Lowe’s</td>
<td>U.S.</td>
<td>$43,243.00</td>
<td>Category Specialist</td>
<td>18.20</td>
</tr>
<tr>
<td>14</td>
<td>Walgreens</td>
<td>U.S.</td>
<td>$42,202.00</td>
<td>Drug Store</td>
<td>11.40</td>
</tr>
<tr>
<td>15</td>
<td>Groupe Auchan</td>
<td>France</td>
<td>$41,180.00</td>
<td>Multiple Food Formats</td>
<td>7.10</td>
</tr>
<tr>
<td>16</td>
<td>Albertsons</td>
<td>U.S.</td>
<td>$40,358.00</td>
<td>Supermarket</td>
<td>1.90</td>
</tr>
<tr>
<td>17</td>
<td>Edeka</td>
<td>Germany</td>
<td>$39,445.00</td>
<td>Multiple Food Formats</td>
<td>4.90</td>
</tr>
<tr>
<td>18</td>
<td>Safeway</td>
<td>U.S.</td>
<td>$38,416.00</td>
<td>Supermarket</td>
<td>3.70</td>
</tr>
<tr>
<td>19</td>
<td>CVS</td>
<td>U.S.</td>
<td>$37,006.00</td>
<td>Drug Store</td>
<td>13.00</td>
</tr>
<tr>
<td>20</td>
<td>AEON</td>
<td>Japan</td>
<td>$36,978.00</td>
<td>Specialty</td>
<td>10.60</td>
</tr>
</tbody>
</table>


*CAGR = compounded annual growth rate.

Food retailing continues to dominate among the largest retailers. Eight of the ten largest retailers sell food, and more than 50 percent of the 250 largest retailers have supermarket, warehouse, hypermarket/supercenter, or convenience store formats, or some combination thereof. The dominance of food retailing would be even more pronounced if U.S. drug store chains and other stores that carry food were included as food retailers.

Of the top global retailers, 36 percent are headquartered in the United States, 36 percent in Europe, and 14 percent in Japan. Yet 43 percent of the largest retailers only operate in one country, and 14 percent operate in just two contiguous countries. European and American retailers have the largest international presence; the average European firm among the top 250 largest retailers operates in 9.9 countries. In contrast, the U.S. retailers in the top 250 average operations in 3.7 countries.¹²

### STRUCTURE OF RETAILING AND SUPPLY CHAINS AROUND THE WORLD

The nature of retailing and distribution supply chains in various areas around the world differs. Some critical differences among the retailing and supply chain systems in the United States, European Union, China, and India are summarized in Exhibit 1–3. For example, the U.S. supply chain system has the greatest retail density and the greatest concentration of large retail firms. Many U.S. retail firms are large enough to operate their own warehouses, eliminating the need for wholesalers. And the fastest growing types of U.S. retailers sell through large stores with more than 20,000 square feet. The combination of large stores and large firms results in a very efficient supply chain.
SECTION 1  The World of Retailing

The Chinese and Indian supply chain systems are characterized by small stores operated by relatively small firms and a large independent wholesale industry. To make the daily deliveries to these small retailers efficient, the merchandise often passes through several levels of distributors. In addition, the infrastructure to support retailing, especially the transportation and communication systems, are not as well developed as they are in Western countries. These efficiency differences then mean that a much larger percentage of the Indian and Chinese labor force is employed in supply chains and retailing than is the case in the United States.

The European supply chain system falls between the American and the Chinese and Indian systems on this continuum of efficiency and scale, but the northern, southern, and central parts of Europe should be distinguished. In northern European, retailing is similar to that in the United States, with high concentration levels—in some national markets, 80 percent or more of sales in a sector such as food or home improvements are accounted for by five or fewer firms. Southern European retailing is more fragmented across all sectors. For example, traditional farmers’ market retailing remains important in some sectors, operating alongside large “big-box” formats.

Some factors that have created these differences in supply chain systems in the major markets include (1) social and political objectives, (2) geography, and (3) market size.

Social and Political Objectives  An important priority of the Indian and Chinese economic policy is to reduce unemployment by protecting small businesses such as neighborhood retailers. Several E.U. countries have passed laws protecting small retailers, as well as strict zoning laws to preserve green spaces, protect town centers, and inhibit the development of large-scale retailing in the suburbs.

Geography  The population density in the United States is much lower than in India, China, or Europe. Thus, there is less low-cost real estate available for building large stores in these countries compared with in the United States.

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**EXHIBIT 1-3**
Comparison of Retailing and Supply Chains across the World

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>European Union</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentration (% of retail sales made by large retailers)</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Retail density</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Average store size</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Role of wholesalers</td>
<td>Limited</td>
<td>Moderate</td>
<td>Extensive</td>
<td>Extensive</td>
</tr>
<tr>
<td>Infrastructure supporting efficient supply chains</td>
<td>Extensive</td>
<td>Extensive</td>
<td>Limited</td>
<td>Limited</td>
</tr>
<tr>
<td>Restriction on retail locations, store size, and ownership</td>
<td>Few</td>
<td>Considerable</td>
<td>Considerable</td>
<td>Few</td>
</tr>
</tbody>
</table>

Market Size  The U.S., Indian, and Chinese retail markets are larger than those in any single European country. In Europe, distribution centers and retail chains typically operate within a single country, which prevents them from achieving the scale economies that U.S. firms, which serve a broader customer base, enjoy. Even with the euro and other initiatives designed to make trade across European countries easier and more efficient, barriers to trade that are not found in the United States still exist.

Management Opportunities  To cope with a highly competitive and challenging environment, retailers hire and promote people with a wide range of skills and interests. Students often view retailing as part of marketing, because managing supply chains is part of a manufacturer’s marketing function. But retailers operate businesses and, like manufacturers, undertake traditional business activities. Retailers raise capital from financial institutions; purchase goods and services; develop accounting and management information systems to control their operations; manage warehouses and distribution systems; design and develop new products; and undertake marketing activities such as advertising, promotions, sales force management, and market research. Thus, retailers employ people with expertise and interests in finance, accounting, human resource management, supply chain management, and computer systems, as well as marketing.

Retail managers are often given considerable responsibility early in their careers. Retail management is also financially rewarding. After completing a management trainee program in retailing, managers can double their starting salary in three to five years if they perform well. The typical buyer in a department store earns $50,000–$60,000 per year. Senior buyers and others in higher managerial positions and store managers make between $120,000 and $160,000. (See Appendix 1A at the end of this chapter for a discussion of career opportunities in retailing.)

Entrepreneurial Opportunities  Retailing also provides opportunities for people who wish to start their own business. Some of the world’s richest people are retailing entrepreneurs. Many are well known because their names appear over the stores’ door; others you may not recognize. Retailing View 1.2 examines the life of one of the world’s greatest entrepreneurs, Sam Walton. Some other innovative retail entrepreneurs include Jeff Bezos, Anita Roddick, and Ingvar Kamprad.

Jeff Bezos (Amazon.com)  After his research uncovered that Internet usage was growing at a 2,300 percent annual rate in 1994, Jeffrey Bezos, the 30-year-old son of a Cuban refugee, quit his job on Wall Street and left behind a hefty bonus to start an Internet business. While his wife MacKenzie was driving their car across country, Jeff pecked out his business plan on a laptop computer. By the time they reached Seattle, he had rounded up the investment capital to launch the first Internet book retailer. The company, Amazon.com, is named after the river that carries the greatest amount of water, symbolizing Bezos’s objective of achieving the greatest volume of Internet sales. He was one of the few dot.com leaders to recognize that sweating the details was critical to success. Under his leadership, Amazon developed technologies to make shopping on the Internet faster, easier, and more personal than shopping in stores by offering personalized recommendations and home pages. Amazon.com has become more than a bookstore. It now provides its Web site and fulfillment services for retailers, in addition to hosting storefronts for thousands of smaller retailers.
Anita Roddick (The Body Shop)  
Anita Roddick, who passed away in 2007, opened the first Body Shop in Brighton, England, to make some extra income for her family. She did not have any business background but was widely traveled and understood the body rituals of women. The small store that initially sold 15 product lines now sells more than 300 products in over 2,000 outlets throughout the world. From the start, Roddick recycled bottles to save money, but such actions also became the foundation for The Body Shop’s core values. Today it endorses only environmentally friendly products and stands against animal testing. Roddick used her business as a means to communicate about human rights and environmental issues. Many of the products in the Body Shop contain materials bought from farming communities in

RETAILING VIEW  
Sam Walton, Founder of Wal-Mart (1918–1992)  

“Like Henry Ford with his Model T,” said a professor of rural sociology at the University of Missouri, “Sam Walton and his Wal-Marts, for better or for worse, transformed small-town America.” Others go even further and claim he transformed the entire nation and the global retail industry.

After graduating from the University of Missouri in 1940, Walton began working at a JCPenney store in Des Moines, Iowa. He served in the Army during World War II and then purchased a Ben Franklin variety store franchise in Newport, Arkansas. He boosted sales by finding suppliers who would sell to him lower than he could buy from Ben Franklin.

Walton lost his store, however, in 1950 when the landlord refused to renew his lease. He then moved to Bentonville, Arkansas, where he and a younger brother franchised another Ben Franklin store. Walton employed a new self-service system, one he had discovered at two Ben Franklin stores in Minnesota: no clerks or cash registers around the store, only checkout lanes in the front. By 1960, Walton had 15 stores in Arkansas and Missouri that laid the foundation for his own discount chain.

By the early 1960s, retailers had developed the discount concept using self-service, a limited assortment, low overhead costs, and massive parking lots. Walton joined them in 1962 when he opened his first Wal-Mart Discount City in Rogers, Arkansas. At least one observer called it a mess—with donkey rides and watermelons mixed together outside under the boiling sun and merchandise haphazardly arranged inside.

But Walton quickly brought order to his enterprise and pursued an innovative strategy: large discount stores in small towns. Walton felt cities were saturated with retailers and believed he could prosper in towns that the larger companies had ignored. By the 1980s, Walton started building stores in larger suburbs. Walton then started Sam’s Clubs, warehouse-style stores that sold bulk merchandise at discount prices. Next came Wal-Mart Supercenters, ranging from 100,000 to 200,000 square feet, that featured a supermarket and a regular Wal-Mart under one roof. As a result of their success, Wal-Mart is now the largest food retailer in the United States.

Walton often visited his stores, dropping in unannounced to check the merchandise presentation or financial performance and talk to his “associates.” He prided himself on a profit-sharing program and a friendly, open atmosphere, business practices he had learned when working for JCPenney. He often led his workers in a cheer that some called corny, others uplifting. He once described it: “Give me a W! Give me an A! Give me an L! Give me a Squiggly! (Here, everybody sort of does the twist.) Give me an M! Give me an A! Give me an R! Give me a T! What’s that spell? Wal-Mart! What’s that spell? Wal-Mart! Who’s number one! THE CUSTOMER!”

He offered his own formula for how a large company must operate: “Think one store at a time. That sounds easy enough, but it’s something we’ve constantly had to stay on top of. Communicate, communicate, communicate: What good is figuring out a better way to sell beach towels if you aren’t going to tell everybody in your company about it? Keep your ear to the ground: A computer is not—and will never be—a substitute for getting out in your stores and learning what’s going on.”

In 1991, due to the success of his concept and management practices, Walton became America’s wealthiest person. He died of leukemia in 1992. Wal-Mart is now the world’s largest corporation.

South America and thereby help those communities maintain their way of life. In 1989, Amazonian Indian tribes were protesting a hydroelectric project that would have flooded the rainforest and their native lands. Coming to their assistance, Roddick drew up a plan to prevent the project from moving forward. She then determined that Brazil nuts produced a moisturizing and conditioning oil and made a deal to buy the nuts from the Indians who gathered them. Today, The Body Shop continues its business relationship with this tribe.16

Ingvar Kamprad (IKEA) Ingvar Kamprad, the founder of the Swedish-based home furnishing retailer chain IKEA, was always an entrepreneur; his first business was selling matches to neighbors from his bicycle.17 By buying matches in bulk and selling them individually at a low price, he discovered he could make a good profit. He then expanded to selling fish, Christmas tree decorations, seeds, and ballpoint pens and pencils. By the time he was 17 years of age, he had earned a reward for succeeding in school: His father gave him the money to register a company. Like Sam Walton, the founder of Wal-Mart, Kamprad is known for his frugality. He drives an old Volvo, flies economy class, and encourages IKEA employees to write on both sides of a paper. This thriftiness has translated into a corporate philosophy of cost-cutting throughout IKEA so that it can offer quality furniture with innovative designs at low prices.

THE RETAIL MANAGEMENT DECISION PROCESS

This book is organized around the management decisions that retailers must make to provide value to their customers and develop an advantage over their competitors. Exhibit 1–4 identifies the chapters in this book associated with each type of decision.

Understanding the World of Retailing—Section I

The first step in the retail management decision process, as Exhibit 1–4 shows, is understanding the world of retailing. Retail managers need to know the environment in which they operate before they can develop and implement effective strategies. The first section of this book therefore provides a general overview of the retailing industry and its customers.

The critical environmental factors in the world of retailing are (1) the macroenvironment and (2) the microenvironment. The impacts of the macroenvironment—including technological, social, and ethical/legal/political factors—on retailing are discussed throughout this book. For example, the influence of technology on the rise of multichannel retailing is reviewed in Chapter 3; the use of new information and supply chain technologies is examined in Chapters 10 and 11; and ethical, legal, and public policy issues are discussed throughout the book. The retailer's microenvironment focuses specifically on its competitors and customers.
Competitors  At first glance, identifying competitors appears easy: A retailer’s primary competitors are other retailers that use the same format. Thus, department stores compete against other department stores, and supermarkets compete with other supermarkets. This competition between the same type of retailers is called **intratype competition**.

Yet to appeal to a broader group of consumers, many retailers are increasing the variety of their merchandise. **Variety** is the number of different merchandise categories within a store or department. By offering greater variety in one store, retailers can provide one-stop shopping to satisfy more of the needs of their target market. For example, clothing and food are now available in grocery, department, discount, and drug stores. Walgreens has added jewelry, accessories, and apparel to its already extensive health and beauty categories to meet the lifestyle needs of its customers.20 When retailers offer merchandise not typically associated with their type of store, such as clothing in a drug store, it results in **scrambled merchandising**. Scrambled merchandising increases **intertype competition**, or competition between retailers that sell similar merchandise using different formats, such as discount and department stores.

Increasing intertype competition has made it harder for retailers to identify and monitor their competition. In one sense, all retailers compete against one another for the dollars that consumers spend on goods and services. But the intensity of competition is greatest among retailers located near one another that sell offerings that are viewed as very similar.

Because the convenience of a location is important in store choice, a store’s proximity to competitors is a critical factor in identifying competition. Consider two DVD rental stores, Blockbuster and Harry’s Video, in two suburbs 10 miles apart. The stores are the only specialty DVD rental retailers within 50 miles, but a grocery store also rents a more limited selection of DVDs in the same strip center as Blockbuster. Due to the distance between Blockbuster and Harry’s Video, they probably don’t compete against each other intensely. Customers who live near Harry’s Video will rent DVDs there, whereas customers close to...
Blockbuster will rent DVDs at Blockbuster or the grocery store. In this case, Harry's major competition may be movie theaters, cable television, and Netflix, a mail-order rental service, because it is too inconvenient for customers who live close to Harry's to rent DVDs elsewhere. In contrast, Blockbuster might compete most intensely with the grocery store.

Management's view of competition also may differ depending on the manager's position within the retail firm. For example, the manager of the Saks Fifth Avenue women's sportswear department in Bergen County, New Jersey, views the other women's sportswear specialty stores in the Riverside Square mall as her major competitors. But the Saks store manager views the Bloomingdale's store in a nearby mall as her strongest competitor. These differences in perspective arise because the department sales manager is primarily concerned with customers for a specific category of merchandise, whereas the store manager is concerned with customers seeking the entire selection of all merchandise and services offered by a department store.

The CEO of a retail chain, in contrast, views competition from a much broader geographic perspective. For example, Nordstrom might identify its strongest competitor as Macy's in the Northwest, Saks in northern California, and Bloomingdale's in northern Virginia. The CEO may also take a broader strategic perspective and recognize that other activities compete for consumers' disposable income. For example, Safeway's CEO adopts the consumer's perspective and recognizes that grocery stores are competing with pharmacies, convenience stores, and restaurants for customers' food dollars.

Retailing is intensely competitive, which means that understanding the different types of retailers and how they compete with one another is critical to developing and implementing a retail strategy. Chapter 2 discusses various types of retailers and their competitive strategies, and Chapter 3 concentrates on how retailers have adopted multichannel strategies to give themselves a competitive edge.

**Customers** The second factor in the microenvironment is customers. Customer needs are changing at an ever-increasing rate. Retailers must respond to broad demographic and lifestyle trends in our society, such as the growth in the elderly and minority segments of the U.S. population or the importance of shopping convenience to the increasing number of two-income families. To develop and implement an effective strategy, retailers must understand why customers shop, how they select a store, and how they select among that store's merchandise—the information found in Chapter 4.

**Developing a Retail Strategy—Section II**

The next stages in the retail management decision-making process, formulating and implementing a retail strategy, are based on an understanding of the macro- and microenvironments developed in the first section. Section II focuses on decisions related to developing a retail strategy, whereas Sections III and IV pertain to decisions surrounding the implementation of the strategy.
The retail strategy indicates how the firm plans to focus its resources to accomplish its objectives. It identifies (1) the target market, or markets, toward which the retailer will direct its efforts; (2) the nature of the merchandise and services the retailer will offer to satisfy the needs of the target market; and (3) how the retailer will build a long-term advantage over its competitors.

The nature of a retail strategy can be illustrated by comparing the strategies of Wal-Mart and Circuit City. Initially, Wal-Mart identified its target market as small towns (fewer than 35,000 in population) in Arkansas, Texas, and Oklahoma. It offered name-brand merchandise at low prices in a broad array of categories, ranging from laundry detergent to girls’ dresses. Today, even as Wal-Mart stores have expanded across the world and into many different categories of merchandise, the selection in each category remains limited. A store might have only three models of high-definition television sets, whereas an electronic category specialist might carry 30 models.

In contrast to Wal-Mart, Circuit City identified its target as consumers living in suburban areas of large cities. Rather than carrying a broad array of merchandise categories, Circuit City stores specialize in consumer electronics and carry most types and brands currently available in the market. Both Wal-Mart and Circuit City emphasize self-service: Customers select their merchandise, bring it to the checkout line, and then carry it to their cars. But Circuit City also offers knowledgeable, trained salespeople to assist customers in certain areas of the store, such as home entertainment centers, and provides delivery and installation of these systems.

Because Wal-Mart and Circuit City both emphasize low price, they have made strategic decisions to develop a cost advantage over their competitors. Both firms have sophisticated distribution and management information systems to manage inventory. Their strong relationships with their suppliers enable them to buy merchandise at low prices.

**Strategic Decision Areas** The key strategic decision areas for a firm involve determining its target market, financial status, location, organizational and human resource structure, information systems, supply chain organization, and customer relationship management strategies.

Chapter 5 discusses how the selection of a retail market strategy requires analyzing the environment and the firm’s strengths and weaknesses. When major environmental changes occur, the current strategy and the reasoning behind it must be reexamined. The retailer then decides what, if any, strategy changes are needed to take advantage of new opportunities or avoid new threats in the environment.

The retailer’s market strategy must be consistent with the firm’s financial objectives. Chapter 6 reviews how financial variables, such as sales, costs, expenses, profits, assets, and liabilities, can be used to evaluate the market strategy and its implementation.

Decisions regarding location strategy (reviewed in Chapters 7 and 8) are important for both consumer and competitive reasons. First, location is typically consumers’ top consideration when selecting a store. Generally consumers buy gas at the closest service station and patronize the shopping mall that’s most convenient to their home or office. Second, location offers an opportunity to gain a long-term advantage over competition. When a retailer has the best location, a competing retailer must settle for the second-best location.

A retailer’s organization design and human resource management strategies are intimately related to its market strategy. For example, retailers that attempt to serve national or regional markets must make trade-offs between the efficiency of centralized buying and their need to tailor merchandise and services to local demands. Retailers that focus on customer segments seeking high-quality customer service must motivate and enable sales associates to provide the expected levels of service. The organization structure and human resources policies discussed in
Chapter 9 coordinate the implementation of the retailing strategy by buyers, store managers, and sales associates. Retail information and supply chain management systems will offer a significant opportunity for retailers to gain strategic advantages in the coming decade. Chapter 10 reviews how some retailers are developing sophisticated computer and distribution systems to monitor flows of information and merchandise from vendors to retail distribution centers to retail stores. Point-of-sale (POS) terminals read price and product information coded into Universal Product Codes (UPCs) affixed to the merchandise. This information is then transmitted electronically to distribution centers or directly to vendors, computer to computer. These technologies are part of an overall inventory management system that enables retailers to (1) give customers a more complete selection of merchandise and (2) decrease their inventory investment.

Retailers, like most businesses, focus on loyalty from their best customers. Chapter 11 examines customer relationship management from a retailer-to-consumer perspective, including the process that retailers use to identify, design programs for, increase the share of wallet of, and build loyalty with their best customers.

**JCPenney Moves from Main Street to the Mall**

The interrelationships among these retail strategy decisions—market strategy, financial strategy, organization structure and human resource strategies, and location strategy—are illustrated by the strategic changes JC Penney has undertaken to cope with information and supply chain management changes in the retail landscape.

In the late 1950s, Penney was one of the most profitable national retailers. Its target market was middle-income consumers living in small towns. In its Main Street locations, Penney sold staple soft goods—underwear, socks, basic clothing, sheets, tablecloths, and so forth—at low prices with friendly service. All sales were cash; the company didn’t offer credit to its customers. Penney had considerable expertise in the design and purchase of private-label soft goods—brands developed by the retailer and sold exclusively at its stores.

Its organization structure was decentralized. Each store manager controlled the type of merchandise sold, the pricing of merchandise, and the management of store employees. Promotional efforts were limited and also controlled by store managers. Penney store managers were active participants in their community’s social and political activities.

Although Penney was a highly successful retailer, there was a growing awareness among company executives that macroenvironmental trends would have a negative impact on the firm. First, as the nation’s levels of education and disposable income rose, consumers grew more interested in fashionable rather than staple merchandise. Second, with the development of a national highway system, the growth of suburbs, and the rise of regional malls, small-town residents were attracted to conveniently located, large, regional shopping malls. Third, Sears (the nation’s largest retailer at the time) was beginning to locate stores and auto centers in regional malls. These trends suggested a decline in small-town markets for staple soft goods.

In the early 1960s, Penney changed its strategy in response to these changes in its environment. All new Penney stores were located in regional malls across the United States. Penney opened several mall locations in each metropolitan area to create a significant presence in each market. (Of course, as JC Penney was moving from small towns to suburban malls, Wal-Mart began opening discount stores in small towns.) The firm began to offer credit to its customers and added new merchandise lines: appliances, auto supplies, paint, hardware, sporting goods, consumer electronics, and moderately priced fashionable clothing.

To effectively control its 1,150 department stores, Penney installed a national communication network. Store managers could monitor daily sales of each type of
merchandise in their store and every other store in the chain. Buyers at corporate headquarters in New York and then Dallas communicated daily with merchandise managers in each store over a satellite TV link, but store managers continued to make merchandise decisions for their stores.

In response to the increased time pressure on two-income and single-head-of household families, Penney launched its catalog operation and now is the largest catalog retailer in the United States. Penney has used its catalog distribution capability to aggressively move into selling merchandise over the Internet (www.jcpenney.com), a multichannel strategy that has been very successful.

The success of discount stores poses a growing threat for JCPenney. Department stores targeting middle-income families such as JCPenney and Sears are caught in the middle between higher-priced, fashion-oriented department store chains like Macy's that are lowering their prices through sales and lower-cost stores such as Kohl's, Target, and Wal-Mart that are offering more fashionable merchandise.

To compete effectively with the retailers targeting JCPenney's middle-income customers, the company has made some radical changes in how it operates, its organizational structure, where it locates its stores, its store atmospherics, and its merchandise/service offering:

- JCPenney is reducing its distribution costs by shipping merchandise through distribution centers rather than using direct delivery from vendors to stores.

- It has centralized merchandise management; rather than store managers making the merchandise decisions, buyers at corporate headquarters manage them. Centralization of merchandise decisions enables JCPenney to use its size to buy merchandise at a lower cost and respond more quickly to changing fashions.

- To increase customer convenience, JCPenney is building new stores away from malls in stand-alone locations and designing the stores with centralized checkout counters rather than checkout counters in each area of the store.

- It is improving its store atmospherics by widening aisles, adding “way-finding” signage, and upgrading fixtures in areas such as intimates and jewelry.

- It is upgrading its merchandise offering by adding France's cosmetics Sephora “store-in-stores,” C7P by Chip and Pepper Foster jeans at $34.99 versus Chip and Pepper's regular line which sells for $150 to $200 at Neiman Marcus and Saks Fifth Avenue, a line of apparel by Polo Ralph Lauren called American Living, Nicole by Nicole Miller, Bisou Bisou, and special apparel lines by Liz Claiborne Inc. and Jones Apparel Group.
Implementing the Retail Strategy—Sections III and IV

To implement a retail strategy, management develops a retail mix that satisfies the needs of its target market better than that of its competitors. The retail mix includes the decision variables retailers use to satisfy customer needs and influence their purchase decisions. Elements in the retail mix (Exhibit 1–5) include the types of merchandise and services offered, merchandise pricing, advertising and promotional programs, store design, merchandise display, assistance to customers provided by salespeople, and convenience of the store’s location. Section III reviews the implementation decisions made by buyers, and Section IV focuses on decisions made by store managers.

Managers in the buying organization must decide how much and what types of merchandise to buy (Chapters 12 and 13), the vendors to use and the purchase terms (Chapter 14), the retail prices to set (Chapter 15), and how to advertise and promote merchandise (Chapter 16).

Store managers must determine how to recruit, select, and motivate sales associates (Chapter 17), where and how merchandise will be displayed (Chapter 18), and the nature of services to provide customers (Chapter 19).

Whole Foods Market: An Organic and Natural Food Supermarket Chain

Whole Foods Market, one of the fastest-growing supermarket chains, illustrates the use of merchandise and store management activities to implement its retail strategy of providing a supermarket offering that targets health- and environmentally conscious consumers. Its stores are twice as productive as the typical supermarket.

It is easy to mistake John Mackey for an aging hippie rather than the founder and CEO of a retailer with $5.6 billion in annual sales. At the University of Texas in Austin, Mackey developed a passion for philosophy and religion. When he found that textbooks weren’t going to provide the answers he was looking for, he dropped out of college, lived in a vegetarian housing co-op, worked in an Austin natural food store, and eventually opened his own health food store and restaurant. Unlike other veggie joints, Mackey’s store catered to a broad clientele by carrying items typically not found at health food stores, such as refined sugar and eggs. Then he teamed up with a local organic grocer to open the first Whole Foods, which was an instant success.

About 200 Whole Foods stores carry a much broader assortment than the typical natural and organic grocery store. It recently opened its first store outside the United States, in London. The stores sell vegetarian no-nos, such as red meat, so that even health-conscious nonvegetarians can have a one-stop shopping experience. But it does not carry live lobsters or soft-shell crabs due to concerns about their humane treatment. It has used its influence and buying power to demand that the meat it sells comes from animals that have been treated with a measure of dignity before being slaughtered.
The assortment includes seven lines of private-brand products that are free of artificial sweeteners, colorings, artificial flavorings, and preservatives. Buyers work with artisan food producers and organic farmers to attain products sold under the superpremium Authentic Food Artisan brand. Its core private brands are called Whole Brands (department-specific products), Whole Foods (premium products), and Whole Kids Organic (organic products for children). The 365 Day Everyday Value and 365 Day Organic Everyday Value lines provides natural products at value prices. Finally, Allegro Coffee Company works with farmers to ensure its products meet fair-trade standards, meaning farmers get a fair share of profits generated by their labor.

The company communicates openly with its customers about issues related to the food it sells. Stores display placards detailing test results for PCB contamination in the chain’s farm-raised and wild salmon, along with FDA limits. Curious about the life of a chicken in the display case? It comes with a 16-page booklet and an invitation to visit the live chickens at the company’s Pennsylvania farm.

The flower power of the 1960s is reflected in Mackey’s guiding management principles: love, trust, and employee empowerment. All employees are organized into self-managed teams that meet regularly to discuss issues and solve problems. Almost all team members have stock options in the firm. To ensure that employees are compensated equitably, the company has a cap on salaries so that no employee’s total compensation, including executives’, can be more than 14 times the average compensation of any employee.

Whole Foods attempts to have a positive impact in the communities in which it operates and purchases products, as well as on the environment. Its Whole Planet Foundation funds collateral-free microloans to farmers and poor entrepreneurs in developing countries. It has also made the largest-ever corporate purchase of sustainable wind energy credits—sufficient to supply 100 percent of its electricity needs.

“Americans love to eat. And Americans love to shop. But we don’t like to shop for food. It’s a chore, like doing laundry,” laments John Mackey. Whole Foods thinks shopping should be fun. So it is opening stores that synthesize

**REFACT**
Whole Foods CEO and founder John Mackey cut his salary to $1 in January 2007.27

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Whole Foods has a retail mix that supports its strategy of targeting health conscious consumers.
health and pleasure. Take, for instance, its new store in Manhattan. It includes a humidy-controlled cheese cave, a pie shop, a Belgian-style french fry station, several salad bars for desserts and hot and cold foods, a gelato station, a sandwich shop, and a pizza oven. Upstairs, there is an Italian restaurant; a small clothing department featuring hemp T-shirts and other casual wear; a lifestyle department offering yoga mats, relaxation CDs, and related items; a health and beauty section; and a demonstration kitchen for cooking classes. Whole Foods also is introducing spas in stores; some customers may even opt out of grocery shopping and head straight for their massage by handing a grocery list to the concierge, free of charge.

To round out its whole experience, Whole Foods has launched a weekly online cooking show and resource for home cooks seeking useful tips and exciting recipe ideas. The video podcast available at www.wholefoodsmarket.com/secretingredient focuses on one ingredient per episode, so viewers can really get to know the featured item and how to prepare it.

**Ethical and Legal Considerations**

When making the strategic and tactical decisions discussed previously, managers need to consider the ethical and legal implications of their decisions, in addition to the effects that those decisions have on the profitability of their firms and the satisfaction of their customers. **Ethics** are the principles governing the behavior of individuals and companies to establish appropriate behavior and indicate what is right and wrong. Defining the term is easy, but determining what the principles are is difficult. What one person thinks is right, another may consider wrong.

What is ethical can vary from country to country and from industry to industry. For example, offering bribes to overcome bureaucratic roadblocks is an accepted practice in Middle Eastern countries but considered unethical, and even illegal, in the United States. An ethical principle also can change over time. For example, some years ago, doctors and lawyers who advertised their services were considered unethical. Today such advertising is accepted as common practice.

Some examples of difficult situations that retail managers face include the following:

- Should a retailer sell merchandise that it suspects was made using child labor?
- Should a retailer advertise that its prices are the lowest available in the market, even though some items are not?
- Should a retail buyer accept an expensive gift from a vendor?
- Should a retailer charge a supplier a fee to get a new item in its store?
- Should retail salespeople use a high-pressure sales approach when they know the product is not the best for the customer’s needs?
- Should a retailer disclose product information that may affect whether or not it is purchased?
- Should a retailer promote a product as being “on sale” if it never sold at a higher, non-sale price?
- Should a retailer offer credit at a higher interest rate or sell products at higher prices in stores patronized mostly by low-income customers?

Laws dictate which activities society has deemed to be clearly wrong, those activities for which retailers and their employees will be punished through the federal or state legal systems. However, most business decisions are not regulated
by laws. Often retail managers have to rely on their firms’ and industries’ codes of ethics and/or their own codes of ethics to determine the right thing to do.

Many companies have codes of ethics to provide guidelines for their employees in making their ethical decisions. These ethical policies provide a clear sense of right and wrong so that companies and their customers can depend on their employees when questionable situations arise. However, in many situations, retail managers need to rely on their personal code of ethics—their personal sense of what is right or wrong.

Exhibit 1–6 lists some questions you can ask yourself to determine whether a behavior or activity is unethical. The questions emphasize that ethical behavior is determined by widely accepted views of what is right and wrong. Thus, you should engage only in activities about which you would be proud to tell your family, friends, employer, and customers.

If the answer to any of these questions is yes, the behavior or activity is probably unethical, and you should not do it.

Your firm can strongly affect the ethical choices you will have to make. When you view your firm’s policies or requests as improper, you have three choices:
1. Ignore your personal values and do what your company asks you to do. Self-respect suffers when you have to compromise your principles to please an employer. If you take this path, you will probably feel guilty and be dissatisfied with your job in the long run.
2. Take a stand and tell your employer what you think. Try to influence the decisions and policies of your company and supervisors.
3. Refuse to compromise your principles. Taking this path may mean you will get fired or be forced to quit.

You should not take a job with a company whose products, policies, and conduct conflict with your standards. Before taking a job, investigate the company’s procedures and selling approach to see if they conflict with your personal ethical standards. Throughout this text, we will highlight the legal and ethical issues associated with the retail decisions made by managers.

**EXHIBIT 1–6**
The Six Tests of Ethical Action

<table>
<thead>
<tr>
<th>Test</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Publicity Test</td>
<td>• Would I want to see this action that I’m about to take described on the front page of the local paper or in a national magazine?</td>
</tr>
<tr>
<td></td>
<td>• How would I feel about having done this if everyone were to find out all about it, including the people I love and care about the most?</td>
</tr>
<tr>
<td>The Moral Mentor Test</td>
<td>• What would the person I admire the most do in this situation?</td>
</tr>
<tr>
<td>The Admired Observer Test</td>
<td>• Would I want the person I admire most to see me doing this?</td>
</tr>
<tr>
<td></td>
<td>• Would I be proud of this action in the presence of a person whose life and character I really admire?</td>
</tr>
<tr>
<td></td>
<td>• What would make the person I admire most proud of me in this situation?</td>
</tr>
<tr>
<td>The Transparency Test</td>
<td>• Could I give a clear explanation for the action I’m contemplating, including an honest and transparent account of all my motives, that would satisfy a fair and dispassionate moral judge?</td>
</tr>
<tr>
<td>The Person in the Mirror Test</td>
<td>• Will I be able to look at myself in the mirror and respect the person I see there?</td>
</tr>
<tr>
<td>The Golden Rule Test</td>
<td>• Would I like to be on the receiving end of this action and all its potential consequences?</td>
</tr>
<tr>
<td></td>
<td>• Am I treating others the way I’d want to be treated?</td>
</tr>
</tbody>
</table>

SUMMARY

Retailing is evolving into a global, high-tech industry that plays a major role in the global economy. About one in five U.S. workers is employed by retailers.13 Increasingly, retailers are selling their products and services through more than one channel—such as stores, Internet, and catalogs. Firms selling services to consumers, such as dry cleaning and automobile repairs, are also retailers.

Retailing is defined as a set of business activities that add value to the products and services sold to consumers for their personal or family use. These value-added activities include providing assortments, breaking bulk, holding inventory, and providing services.

The retail management decision process involves developing a strategy for creating a competitive advantage in the marketplace and then developing a retail mix to implement that strategy. The strategic decisions, discussed in the first section of this textbook, involve selecting a target market, defining the nature of the retailer’s offering, and building a competitive advantage through locations, human resource management, information and supply chain management systems, and customer relationship management programs. The tactical decisions for implementing the strategy, discussed in the second half of this textbook, involve selecting a merchandise assortment, buying merchandise, setting prices, communicating with customers, managing the store, presenting merchandise in stores, and providing customer service. Large retail chains use sophisticated information systems to analyze business opportunities and make these decisions about how to operate their businesses in multiple countries.

Retailing offers opportunities for exciting, challenging careers, either by working for a retail firm or starting your own business. Aspects of retail careers are discussed in Appendix 1A, and Appendix 1B provides some sources of information about the retail industry. Suggestions about starting your own business and franchising appear in Appendix 1 and Appendix 2 at the end of the book.

KEY TERMS

backward integration, 7
breaking bulk, 8
corporate social responsibility, 9
ethics, 23
forward integration, 7
intratype competition, 16
retailer, 7
retailing, 6
retail mix, 21
retail strategy, 18
scrambled merchandising, 16
supply chain, 7
variety, 16
vertical integration, 7
wholesalers, 7

GET OUT AND DO IT!

1. CONTINUING CASE ASSIGNMENT In most chapters of this textbook, there will be a GET OUT AND DO IT! assignment that will give you an opportunity to examine the strategy and tactics of one retailer. Your first assignment is to select a retailer and prepare a report on the retailer’s history, including when it was founded and how it has evolved over time. To ensure that you can get information about the retailer for subsequent Continuing Case Assignments, the retailer you select should

• Be a publicly held company so that you can access its financial statements and annual reports. Do not select a retailer that is owned by another company. For example, since Bath & Body Works is owned by Limited Brands, you can only get financial information about the holding company and not the individual companies it owns, such as Victoria’s Secret, White Barn Candle, and so forth.
• Focus on one type of specialty stores

Stores, and supercenters and thus would not be a good choice.
• Be easy to visit and collect information about. Some retailers and store managers may not allow you to interview them about the store, take pictures of the store, or talk to sales associates, or analyze the merchandise assortment in the store. Try to pick a retailer with a local store manager who can help you complete the assignments.

Some examples of retailers that meet the first two criteria are Whole Foods Market, Dress Barn, Burlington Coat Factory, Ross Stores, Ann Taylor, Cato, Chico’s, Finish Line, Foot Locker, Brookstone, Claire’s, CVS, Walgreens, Staples, Office Depot, Borders, American Eagle Outfitter, Pacific Sunwear, Abercrombie & Fitch, Tiffany & Co., AutoZone, Pep Boys, Hot Topic, Wet Seal, Best Buy, Family Dollar, Dollar General, Circuit City, Michaels, PetSmart, Dillard’s, Pier 1 Imports, Home Depot, Lowe’s, Bed Bath & Beyond, Men’s Warehouse, Kroger, Kohl’s, Radio Shack, Safeway, and Target.
SECTION 1 The World of Retailing

2. Visit a local retail store and describe each of the elements in its retail mix.

3. Data on U.S. retail sales are available at the U.S. Bureau of the Census Internet site at http://www.census.gov/mrts/www/mrts.html. Look at the unadjusted monthly sales by type of retailer. In which quarter are sales the highest? Which types of retailers have their greatest sales in the fourth quarter?

DISCUSSION QUESTIONS AND PROBLEMS

1. What is your favorite retailer? Why do you like this retailer? What would a competitive retailer have to do to get your patronage?

2. From your perspective, what are the benefits and limitations of purchasing a pair of jeans directly from a manufacturer rather than from a retailer?

3. What retailers would be considered intratype competitors for a convenience store chain such as 7-Eleven? What firms would be intertype competitors?

4. Does Wal-Mart contribute to or detract from the communities in which it operates stores?

5. Choose a U.S.-based retailer that wants to open a new store outside the United States for the first time. Which country should it pursue? Why?

6. Why do retail managers need to consider ethical issues when making decisions?

7. Choose one of the top 20 retailers (Exhibit 1–2). Go to the company’s Web site and find out how the company started and how it has changed over time.

8. From a personal perspective, how does retailing rate as a potential career compared with others you are considering?

9. How might managers at different levels of a retail organization define their competition?

10. Retaining View 1.1 describes how some retailers are acting socially responsibly. Take the perspective of a stockholder in the company. What effect will these activities have on the value of its stock? Why might they have a positive or negative effect?

SUGGESTED READINGS


APPENDIX IA Careers in Retailing

Retailing offers exciting and challenging career opportunities. Few other industries grant as many responsibilities to young managers. When students asked Dave Fuente, former CEO of Office Depot, what they needed to become a CEO someday, he responded, “You need to have profit and loss responsibility and the experience of managing people early in your career.” Entry-level retail jobs for college graduates offer both of these opportunities. Most college graduates begin their retail careers as assistant buyers, merchandise planners, or department managers in stores, in which positions they have the responsibility for the profitability of a line of merchandise or an area of the store, and they also manage people who work for them.
Even if you work for a large company, retailing provides an opportunity for you to do your own thing and be rewarded. You can come with an idea, execute it almost immediately, and see how well it is doing by reviewing the sales data at the end of the day.

Retailing offers a variety of career paths, such as buying, store management, sales promotion and advertising, personnel, operations/distribution, loss prevention, and finance. In addition, retailing offers almost immediate accountability for talented people so they can reach key management positions fairly quickly. Starting salaries are competitive, and the compensation of top management ranks among the highest in any industry.

**CAREER OPPORTUNITIES**

In retail firms, career opportunities occur among the merchandising/buying, store management, and corporate staff functions. Corporate positions are found in such areas as accounting, finance, promotions and advertising, computer and distribution systems, and human resources.

The primary entry-level opportunities for a retail career are in the areas of buying and store management. Buying positions are more numbers oriented, whereas store management positions are more people oriented. Entry-level positions on the corporate staff are limited. Retailers typically want all of their employees to understand their customers and their merchandising. Therefore, most executives and corporate staff managers begin their careers in store management or buying.

**Store Management**

Successful store managers must have the ability to lead and motivate employees. They also need to be sensitive to customers’ needs by making sure that merchandise is available and neatly displayed.

Store management involves all the discipline necessary to run a successful business: sales planning and goal setting, overall store image and merchandising presentation, budgets and expense control, customer service and sales supervision, personnel administration and development, and community relations.

Store managers work directly in the local market, often at quite a distance from the home office, which means they have limited direct supervision. Their hours generally mirror their store’s and can therefore include some weekends and evenings. In addition, they spend time during nonoperating hours tending to administrative responsibilities.

The typical entry-level store management position is a department manager with responsibility for merchandise presentation, customer service, and inventory control for an area of the store. The next level is an area manager responsible for executing merchandising plans and achieving sales goals for several areas, as well as supervising, training, and developing department managers. Beyond these positions, you might be promoted store manager, then a district manager responsible for a group of stores, and then regional manager responsible for a group of districts. Retailing View 1.3 describes Joyce Rivas’s experience in store management.

When I was a student at Florida International University in Miami, I majored in Health Administration because I wanted to pursue a career that involved helping people. I planned to work for a hospital when I graduated. While I was in college, I worked part-time at a Walgreens store as a pharmacist technician and discovered that working for Walgreens offered an opportunity to both help people with their health care problems and be involved in a dynamic and exciting business environment.

Walgreens has a strong set of corporate values that emphasizes providing outstanding customer service. Our pharmacists don’t just fill prescriptions. They talk with customers about the medications that they are taking, answer questions, and try to address concerns customers might have.

I really like working in a store. I would be bored if I had to sit behind a desk all day. I need to walk around and talk with people. As a store manager, I interact with a wide variety of people including customers, store employees, and people in our district office. Every day at Walgreens is different. In a single day, I will handle some personnel issues, help customers find what they need, decide on how to display new merchandise, and review reports summarizing the financial performance of my store.

Being a store manager at Walgreens is like running your own business. The annual sales for my store, which employs 50 people, is over $15 million and I am responsible and rewarded for the store’s performance. But the rewards I get are more than just monetary. I receive a great deal of satisfaction from working with and helping people. Walgreens is a great place to work because it is a company that cares about its customers and employees just like I do.

As the manager of this business, I try to create an environment in which my store employees feel that they are all part of a team working together to provide an attractive offering for our customers. I want all of my team members to learn more about how our store and company operates, develop their skills, and realize their potential. By working together and helping each other, we can all achieve our goals.
Merchandise Management
Merchandise management attracts people with strong analytical capabilities, an ability to predict what merchandise will appeal to their target markets, and a skill for negotiating with vendors as well as store management to get things done. Many retailers have broken the merchandising management activities into two different yet parallel career paths: buying and merchandise planning.

Retail merchandise buyers are similar to financial portfolio managers. They invest in a portfolio of merchandise, monitor the performance (sales) of the merchandise, and, on the basis of the sales, either decide to buy more merchandise that is selling well or get rid of (discount) merchandise that is selling poorly. Buyers are responsible for selecting the type and amount of merchandise to buy, negotiating the wholesale price and payment terms with suppliers, setting the initial retail price for the merchandise, monitoring merchandise sales, and making appropriate retail price adjustments. Thus buyers need to have good financial planning skills, knowledge of their customers' needs and wants and competitive activities, and the ability to develop good working relationships with vendors. To develop a better understanding of their customers, buyers typically stay in contact with their stores by visiting them, talking to sales associates and managers, and monitoring the sales data available through their merchandise management systems.

Planners have an even more analytical role than buyers. Their primary responsibility is to determine the assortment of merchandise sent to each store—how many styles, colors, sizes, and individual items to purchase for each store. Planners also are responsible for allocating merchandise to stores. Once the merchandise is in the stores, planners closely monitor sales and work with buyers on decisions such as how much additional merchandise to purchase if the merchandise is doing well or when to reduce the price on the merchandise if sales are below expectations.

The typical entry-level position of college graduates interested in merchandise management is either assistant buyer or assistant planner in a merchandise category such as men’s athletic shoes or consumer electronics. In these positions, you will do the sales analysis needed to support the decisions eventually made by the planner or buyer for whom you work. From this entry-level position, you could be promoted to buyer and then divisional merchandise manager, responsible for a number of merchandise categories. Most retailers believe that merchandise management skills are not category specific. Thus, as you are promoted in the buying organization, you will probably work in various merchandise categories. Retailing View 1.4 provides a perspective on a JCPenney buyer’s job.

Corporate Staff
The corporate staff positions in retail firms involve activities and require knowledge, skills, and abilities similar to comparable positions in nonretail firms. Thus many managers in these positions identify with their profession rather than the retail industry. For example, accountants in retail firms view themselves as accountant, not retailers.

Management Information Systems (MIS)
Employees in this area are involved with applications for capturing data and monitoring inventory, as well as the management of store systems such as POS terminals, self-checkout systems, and in-store kiosks.

Operations/Distribution
Operations employees are responsible for operating and maintaining the store’s physical plant; providing various customer services; the receipt, ticketing, warehousing, and distribution of a store’s inventory; and buying and maintaining store supplies and operating equipment. Students in operations and MIS typically major in production, operations, or computer information systems.

Marketing
Those activities include public relations, advertising, visual merchandising, and special events. This department attempts to build the retail firm’s brand image and encourage customers to visit the retailer’s stores and/or Web site. Managers in this area typically major in marketing or mass communications.

Loss Prevention
Loss prevention employees are responsible for protecting the retailer’s assets. They develop systems and procedures to minimize employee theft and shoplifting. Managers in this area often major in sociology or criminology, though, as we discuss in Chapters 9 and 16, loss prevention is beginning to be viewed as a human resource management issue.

Finance/Control
Many retailers are large businesses involved in complicated corporate structures. Most retailers also operate with a tight net profit margin. With such a fine line between success and failure, retailers continue to require top financial experts—and they compensate them generously. The finance/control division is responsible for the financial health of the company. They prepare financial reports for all aspects of the business, including long-range forecasting and planning, economic trend analysis and budgeting, shortage control and internal audits, gross and net profit, accounts payable to vendors, and accounts receivable from charge customers. In addition, they manage the retailer’s relationship with the financial community. Students interested in this area often major in finance or accounting.

Real Estate
Employees in the real estate division are responsible for selecting locations for stores, negotiating leases and land purchases, and managing the leasehold costs. Students entering this area typically major in real estate or finance.

Store Design
Employees working in this area are responsible for designing the store and presenting merchandise and fixtures in the store. Talented, creative students in business, architecture, art, and other related fields will have innumerable opportunities for growth in the area of retail store design.

Human Resource Management
Human resource management is responsible for the effective selection,
training, placement, advancement, and welfare of employees. Because there are seasonal peaks in retailing (such as Christmas, when many extra people must be hired), human resource personnel must be flexible and highly efficient.

MYTHS ABOUT RETAILING

Sales Clerk Is the Entry-Level Job in Retailing

Most students and their parents think that people working in retailing have jobs as sales clerks and cashiers. They hold this view because, as customers in retail stores, they typically only interact with sales associates, not their managers. But as we have discussed in this chapter, retail firms are large, sophisticated corporations that employ managers with a wide variety of knowledge, skills, and abilities.

John Tighe, VP, Division Merchandise Manager, JCPenney

My interest in retailing was peaked when I took a retail seminar while I was an undergraduate at the University of Massachusetts. During the seminar, I spent a day shadowing a retail manager and was attracted to the variety of challenging issues he had to deal with every day. After graduation, I went to work for a regional department store chain owned by the May Company. I started as a management trainee and eventually became a buyer. JCPenney presented me with an exciting opportunity that I accepted and moved to the corporate headquarters in Dallas. I am now the Divisional Merchandise Manager for junior sportswear. The twenty people including four buyers who work in my group are responsible for over $1 billion in annual sales.

I really love my job and can’t imagine working in an industry other than retailing. Everyday there is something new and different to deal with. For example, I have recently worked with our supply chain management people to see how we can get some popular apparel in our stores faster; met with our marketing department to discuss the items we will feature in our new advertising campaign; talked with a well-known national brand vendor about making a special line of merchandise to be sold exclusively at Penney; and developed a presentation to make to our store personnel over our closed circuit TV network about some new merchandise we are offering. And of course a lot of my time is spent working with our buyers to decide what merchandise we are going to offer and managing inventory levels.

Managing merchandise effectively is both an art and a science. Our information systems tell us what merchandise is sold each day, and even each hour, in every one of our 1100 stores. Our buyers and planners spend a lot of time developing merchandise budget plans and analyzing this data to see how they are doing, to plan and to understand what is selling, and where it is selling. We use sophisticated software to forecast sales and determine when and how deep to take markdowns. This part of the buyer’s job is really like a financial analyst sitting in front of a computer and playing with the numbers.

And then there is the art. You also need to have a feel for what merchandise our customers will buy. Just like with any business, you need to become an expert to be successful. So I spend a lot of time trying to understand the trends and what our customers want. I read the trade publications like Women’s Wear Daily to see what the designers are showing and fashion leaders are wearing. I shop at our stores and those of our competitors to see what is being offered and what customers are wearing and buying.

I am a very competitive person—I want to take business away from our competitors and have the best performing merchandise division in JCPenney. It gives me great satisfaction to turn on my computer and see that the merchandise we have bought is flying off the shelves. But it is also satisfying when we make a mistake and buy merchandise that does not sell to plan and then find the right price to move the inventory so we can replace it with something new and exciting.

Entry-level positions for college and university graduates are typically management trainees in the buying or store organization, not sales associates.

Management trainees in retailing are given more responsibility more quickly than in other industries. Buyers are responsible for choosing, promoting, pricing, distributing, and selling millions of dollars worth of merchandise each season. The department manager, generally the first position after a training program, is often responsible for merchandising one or more departments, as well as managing 10 or more full- and part-time sales associates.

College and University Degrees Are Not Needed to Succeed in Retailing

While some employees are promoted on the basis of their retail experience, a college degree is needed for most retail management positions, ranging from store manager to...
CEO. More than 150 colleges and universities offer programs of study and degrees or majors in retailing.

**Retail Jobs Are Low Paying**
Starting salaries for management trainees with a college degree range from $35,000 to $65,000 a year, and the compensation of top management ranks with the highest in industry. For example, store managers with only a few years of experience can earn up to $100,000 or more, depending on their performance bonuses. A senior buyer for a department store earns from $50,000 to $90,000 or more. A department store manager can earn from $50,000 to $150,000; a discount store manager makes from $70,000 to $100,000 or more; and a specialty store manager earns from $35,000 to $60,000 or more.

Compensation varies according to the amount of responsibility. Specialty store managers are generally paid less than department store managers because their annual sales volume is lower. But advancements in this area can be faster. Aggressive specialty store managers often are promoted to district managers and run 8 to 15 units after a few years so that they quickly move into higher pay brackets.

Because information systems enable retailers to assess the sales and profit performance of each manager, and even each sales associate, the compensation of retail managers is closely linked to objective measures of their performance. As a result, in addition to salaries, retail managers are generally given strong monetary incentives based on the sales they create.

A compensation package consists of more than salary alone. In retailing, the benefits package is often substantial and may include a profit-sharing plan, savings plan, stock options, medical and dental insurance, life insurance, long-term disability protection and income protection plans, and paid vacations and holidays. Two additional benefits of retailing careers are that most retailers offer employees valuable discounts on the merchandise that they sell, and some buying positions include extensive foreign travel.

**Retailing Is a Low Growth Industry with Little Opportunity for Advancement**
While the growth rate of retail parallels the growth rate of the overall economy, many opportunities for rapid advancement exist simply because of the sheer size of the retail industry. With so many retail firms, there is always a large number of firms that are experiencing a high growth rate, opening many new stores, and needing store managers and support staff positions.

**Working in Retailing Requires Long Hours and Frequent Relocation**
Retailing has an often exaggerated reputation of demanding long and unusual hours. Superficially, this reputation is true. Store managers do work some evenings and weekends. But many progressive retailers have realized that if the unusual hours aren’t offset by time off at other periods during the week, many managers become inefficient, angry, and resentful—in other words, burned out. It’s also important to put the concept of long hours into perspective. Most professional careers require more than 40 hours per week for the person to succeed. In a new job with new tasks and responsibilities, the time commitment is even greater.

Depending on the type of retailer and the specific firm, retailing enables executives to change locations often or not at all. In general, a career path in store management has more opportunity for relocation than paths in buying/merchandising or corporate. Because buying and corporate offices are usually centrally located, these positions generally are not subject to frequent moves. In addition, employees in corporate positions and merchandise management tend to work during normal business hours.

**Retailing Doesn’t Provide Opportunities for Women and Minorities**
Many people consider retailing to be among the most race- and gender-blind industries. Retailers typically think that their managers and executives will make better decisions if they mirror their customers. Because most purchases are made by women, and minorities are becoming an increasingly important factor in the market, most retailers have active programs designed to provide the experiences and support that will enable women and minorities to be promoted to top management positions.

**APPENDIX 1B Sources of Information about Retailing**

**RETAIL TRADE PUBLICATIONS AND WEB SITES**

**About.com.** This Web site provides information about the retail industry. [http://retailindustry.about.com/](http://retailindustry.about.com/) For example, the listing of the largest retail firms appears at [http://retailindustry.about.com/od/sales_retailers/Retail_Sales_by_Retailer.htm](http://retailindustry.about.com/od/sales_retailers/Retail_Sales_by_Retailer.htm).

**Advanstar** Integrated marketing solutions for the fashion, life sciences and powersports industries. [www.advanstar.com](http://www.advanstar.com)

**Bizstats.com** Instant access to useful financial ratios, business statistics and benchmarks. Effective and understandable analysis of businesses & industries. [www.bizstats.com](http://www.bizstats.com)

**Chain Store Age** Monthly magazine for retail headquarters executives and shopping center developers. Deals with management, operations, construction, modernization, store equipment, maintenance, real estate, financing, materials handling, and advertising. More oriented to operations than stores. [www.chainstoreage.com](http://www.chainstoreage.com)

**Colloquy** Trade publication and Web site targeting the loyalty marketing industry. It provides marketers with consulting, news, editorial, educational, and
research services across all industries and around the globe on topics including loyalty marketing, reward programs, and customer retention. www.colloquy.com


DNR Daily newspaper about retail fashion, products, merchandising, and marketing for men’s and boy’s wear. Geared to retailers, wholesalers, and manufacturers. www.dnnews.com

Dealerscope Monthly publication for retailers of consumer electronics, appliances, and computers. www.dealerscope.com

Direct Selling News Monthly magazine for executives in the direct selling industry. www.directsellingnews.com

Drug Store News Biweekly publication covering chain drug and combination store retailing. www.drugstorenews.com

ESRI Leading source of geodemographic data used for store location. A specific Web page on the ESRI site allows a person to enter a zip code and get a description of the geodemographic profile of that zip code. www.esri.com/data/community_data/community-tapestry/index.html

E-Tailer's Digest Moderated discussions of various issues confronting Internet retailing such as customer service, security issues, effective merchandising, shipping and tax issues, and warehousing and logistics. www.etailersdigest.com/

Furniture Today Weekly newspaper for retail executives in furniture and department stores and for executives in manufacturing firms. www.furnituretoday.com

Hobby Merchandiser Monthly trade publication for suppliers and retailers in the model hobby industry. www.hobbymerchandiser.com

Hoovers A division of D&B that provides financial information about firms. The site for retail firms is premium.hoovers.com/subscribe/ind/factsheet.html?HICID=1518. Video clips of analyst reports on retail firms are available on the site.

Internet Retailer Monthly magazine devoted to electronic retailing issues. www.internetretailer.com

InternetRetailing.Net InternetRetail.net (IR), based in the United Kingdom, provides news and analysis for today’s net retailers. IR combines online information, a print magazine, and an annual conference. www.internetretailing.net

Mass Market Retailers Biweekly newspaper for executives in supermarket, chain drug, and chain discount headquarters. Reports news and interprets its effects on mass merchandisers. www.massmarketretailers.com

Modern Grocer Weekly newspaper covers regional and national news current events relating to food retailing. www.griffcomm.net


NACS Magazine Monthly publication for convenience stores. www.cstorecentral.com

NRF SmartBrief Daily e-mail newsletter highlighting links to the top retail headlines, often read by retail executives. www.nrf.com/RetailHeadlines

Planning Factory Limited Tools for merchandise planning. www.planfact.co.uk/abouttpf.htm

A series of 12 articles developed by Retek about merchandise planning is available at www.planfact.co.uk/art_retk.htm.

Private Label Magazine Bimonthly magazine for buyers, merchandisers, and executives involved in purchasing private, controlled packer, and generic labeled products for chain supermarkets and drug, discount, convenience, and department stores. www.privatelabelmag.com

Progressive Grocer Monthly magazine reporting on the supermarket industry. In-depth features offer insights into trends in store development, technology, marketing, logistics, international retailing, human resources, and consumer purchasing patterns. www.progressivegrocer.com

RFID Journal Trade publication covering the uses and new developments of RFID technology. www.rfidjournal.com/article/verticals/13/

RIS (Retail Info Systems) News Monthly magazine addressing system solutions for corporate/financial, operations, MIS, and merchandising management in retail. www.risnews.com

Retailing Today. Published biweekly, providing news, trends, and research for decision makers in the 150 largest retailers. www.retailingtoday.com

Retail Merchandiser Published monthly for retail buyers, CEOs, financial investors, visual merchandisers, and consultants. www.retail-merchandiser.com

Retail Solutions Online Newsletter focusing on technology used to improve retail operations. www.retailsolutionsonline.com

RetailTraffic Monthly magazine for managers involved in real estate and location decisions. www.retailtrafficmag.com

RetailWire Online discussion forum that goes beyond conventional headline news reporting. Each business morning, RetailWire editors pick news topics worthy of commentary, according to its “Brain Trust” panel of industry experts and the general RetailWire membership. The results are virtual round tables of industry opinion and advice covering key dynamics and issues affecting the retailing industry. www.retailwire.com

Retail Worker Labor news and discussion, by, for, and about retail workers. A project of the Industrial Workers of the World labor union. www.retailworker.com/
**Retaildesign** Monthly publication describing new trends and techniques in store design and merchandise presentation. [www.retailreporting.com](http://www.retailreporting.com)

**RIS** Trade publication focusing on the retail technology industry. Its media portfolio includes a monthly magazine, weekly e-newsletter, Web site, blogs, podcasts, online Web seminars, custom publishing, research studies, custom events, and four major summits and conferences. [www.risnews.com](http://www.risnews.com)


**Retail Bulletin** Online information source aimed at meeting retailers’ need for quick, accurate, and up-to-date news about the industry. The free online service delivers the latest company news, breaking stories, and summaries of media coverage of the retail sector. [www.theretailbulletin.com](http://www.theretailbulletin.com)

**Retail Forward** Reports on market change and assesses the impact of these changes on retailers’ operations and performance. [www.retailforward.com](http://www.retailforward.com)

**Retail Systems Alert Group** Covers the extended retail industry through conferences, print, and online channels. Its main focus is on the customer experience and how players in the extended retail industry can enhance it. [www.retailsystems.com/](http://www.retailsystems.com/)

**Retail Technology Milestones** Tracks the changes, successes, and accomplishments achieved by the many solutions providers in the retail industry. It provides a platform to centralize and distribute all the news that retail solution providers offer. [www.rtmilestones.com](http://www.rtmilestones.com)


**Stores** Monthly magazine published by the National Retail Federation (NRF). Aimed at retail executives in department and specialty stores, it emphasizes broad trends in customer behavior, management practices, and technology. [www.stores.org](http://www.stores.org)

**StoreFrontBackTalk** The information on the site covers issues involved in store operations, such as e-commerce, RFID, payment systems, security/fraud, CRM, contactless/wireless, IT strategy, and biometrics. [www.storefrontbacktalk.com](http://www.storefrontbacktalk.com/)

**Supply Chain Brain.com** Global logistics and supply chain strategies, offering case studies, executive interviews, and features with information on the latest technology, services, and processes needed to maximize supply chain efficiency. [www.glscs.com](http://www.glscs.com)


**Wal-Mart** Information about Wal-Mart, including short videos. [www.walmartstores.com/](http://www.walmartstores.com/)

**WWD** (formerly Women’s Wear Daily) Daily newspaper reports fashion and industry news on women’s and children’s ready-to-wear, sportswear, innerwear, accessories, and cosmetics. [www.wwd.com](http://www.wwd.com)

**Workforce Management** Trade publication Web site focusing on human resource management issues. [www.workforce.com](http://www.workforce.com)

**Xtreme Retailing** Sponsored by IBM, offers reports and video about new retail technologies. [www.xr23.com/Page.cfm/1](http://www.xr23.com/Page.cfm/1)

### RETAIL TRADE ASSOCIATIONS

**Direct Marketing Association** The leading global trade association of business and nonprofit organizations using and supporting direct marketing tools and techniques to generate sales. DMA advocates industry standards for responsible marketing, promotes relevance as the key to reaching consumers with desirable offers, and provides research, education, and networking opportunities to improve results throughout the entire direct marketing process. [www.the-dma.org](http://www.the-dma.org)

**Direct Selling Association** The national trade association of the leading firms that manufacture and distribute goods and services sold directly to consumers. More than 200 companies are members of the association, including many well-known brand names. [www.dsa.org](http://www.dsa.org)

**Electronic Retailing Association** A trade association for companies that use the power of direct response to sell goods and services to the public on television, online, and radio. ERA serves as the cohesive voice for multichannel marketers while promoting government affairs initiatives and regulations designed to protect members’ bottom line. [www.retailing.org](http://www.retailing.org)

**Food Marketing Institute** Membership includes 1,600 grocery retailers and wholesalers. Maintains liaisons with government and consumers and conducts research programs. Publishes *Facts About Supermarket Development* and *Supermarket Industry Financial Review*. Formed by the merger of the National Association of Food Chains and Supermarket Institute. [www.fmi.org](http://www.fmi.org)

**In-Store Marketing Institute** The institute serves brand marketers, retailers, agencies and manufacturers worldwide with information and educational events focused on improving retail marketing strategy. The Web site offers marketing profiles of leading retailers, 1,400 articles about promotions and display programs, 200 research studies, and 1,000 charts examining such issues as effectiveness measurement and consumer behavior, as well as summaries of 2,900 retail campaigns conducted since 1988, 15,000 images of displays, signs, and other forms of marketing material, and summaries of historical lawsuits and litigation affecting various aspects of retail marketing activity. [www.instoremarketer.org](http://www.instoremarketer.org)

**International Council of Shopping Centers** Represents 35,000 owners, developers, retailers, and managers of shopping centers; architects, engineers,
contractors, leasing brokers, promotion agencies, and others who provide services and products for shopping center owners, shopping center merchant associations, retailers, and public and academic organizations. Promotes professional standards of performance in the development, construction, financing, leasing, management, and operation of shopping centers throughout the world. Engages in research and data gathering on all aspects of shopping centers and compiles statistics. www.icsc.org

**National Association of Chain Drug Stores** Interprets actions by government agencies in such areas as drugs, public health, federal trade, labor, and excise taxes. www.nacds.org

**National Association of Convenience Stores** Membership includes 4,000 retail stores that sell gasoline, fast foods, soft drinks, dairy products, beer, cigarettes, publications, grocery items, snacks, and nonfood items and are usually open seven days per week. www.cstorecentral.com

**National Mail Order Association** Trade association provides business resources for small to medium-sized companies involved in direct marketing. The site offers a free newsletter and statistics associated with direct mail retailing, such as response rates. www.nmoa.org

**National Retail Federation (NRF)** The NRF conducts extensive conferences and educational programs for retailers, provides statistical information, and publishes *Stores Magazine*. www.nrf.com

**Retail Industry Leaders Association** Membership includes 750 mass retailing (discount) chains. Conducts research and educational programs on every phase of self-service general merchandise retailing. Publishes *Operating Results of Mass Retail Stores/Mass Retailers’ Merchandising and Operating Results* annually. www.retail-leaders.org

**Shop.org** The only trade association to focus exclusively on Internet retailing. Its 300 members represent all segments of online retailing, including virtual retailers, conventional retailers, catalogers, manufacturers, and companies providing products and services for online retailers. Sponsors studies on electronic retailing. A division of the NRF. www.shop.org