

CHAPTER 1

INTRODUCTION TO THE WORLD OF RETAILING

ANNOTATED OUTLINE	INSTRUCTOR'S NOTES
I. Introduction • Retailing is a common part of our everyday lives. For most people, retailers simply are places to buy things. • However, behind the stores, websites, sales associates, and cashiers are an army of managers responsible for making sure that the products and services that people want are available when they want them, where they want them, and at a fair price. • Working in this highly competitive, rapidly changing retail environment is both challenging and exciting, and it offers significant financial rewards. • Knowledge of retailing principles and practices will help you develop management skills for many business contexts	<i>Ask students about where they bought their school supplies. There will likely be a mix of responses, including the college bookstore, online, or even from another student. Question students on the pros and cons of each type of transaction.</i>
II. 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. • Not all retailing is done in stores. Examples of nonstore retailing include ordering a T-shirt on your mobile phone app, buying cosmetics from an Avon salesperson, ordering hiking boots from an L.L.Bean catalog, and streaming a movie through Amazon Prime.	<i>LO 1-1 Identify retailing activities.</i> <i>See PPT 1-3</i> <i>Ask students to give examples of retailers. One ice-breaking activity is to ask each student to list as many retailers as they can think of in a specified period of time. Ask the student with the most listed retailers to read his or her list to the class.</i> <i>Generally, the student will think of traditional retailers that sell through stores. Be sure to discuss the many other examples such as HSN, Avon, Jiffy Lube, Pizza Hut, and airlines.</i>

	<i>Certainly students should be encouraged to consider digital, multichannel, and omnichannel retailers like Amazon.com or Delta.</i>
A. The 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 a key component in a supply chain that links manufacturers to consumers. - A supply chain is a set of firms that make and deliver goods and services to consumers. - Retailers typically buy products from wholesalers and/or manufacturers and resell them to consumers.	<i>A typical supply chain network is illustrated in PPT 1-4.</i>
B. Retailers Create Value - Retailers undertake business activities and perform functions that increase the value of the products and services they sell to consumers. - The value-creating activities undertaken by retailers include (1) providing an assortment of products and services, (2) breaking bulk, (3) holding inventory, and (4) providing services.	<i>PPT 1-5, 1-6, 1-7 illustrate the value question for retailers.</i>
1. Providing Assortments - Offering an assortment enables customers to choose from a wide selection of brands, designs, sizes, colors, and prices in one location. - Conventional supermarkets typically carry about 30,000 different items made by more than 500 companies.	<i>Ask students to describe the difference in the assortments of bicycles provided by Walmart and the local bike shop. What is the difference in assortment of body lotions and creams provided by Bath and Body Works and CVS?</i>
2. Breaking Bulk - To reduce transportation costs, manufacturers and wholesalers typically ship cases/cartons of products to retailers. - Retailers then offer the products in smaller quantities tailored to individual consumers' and households' consumption patterns—an activity called breaking bulk.	<i>How many students have made purchases at Sam's Club/BJ's/Costco? What items have the students or their family members purchased in bulk? Discuss the advantages of buying in bulk. For what purchases and what types of consumers does buying in bulk make sense?</i>

3. Holding Inventory A major value-providing activity performed by retailers is to keep inventory so that products will be available when consumers want them, reducing the consumer's cost of storing products.	<i>Discuss product categories for which holding inventory is particularly appealing (e.g., holiday decorations, seasonal gear).</i>
4. Providing Services Retailers provide services such as credit, product displays, salespeople, and websites to make it easier for customers to compare, buy, and use products.	<i>Ask the students what kind of services retailers provide. Some services are: acceptance of credit cards, alteration of merchandise, assembly of merchandise, bridal registry, check cashing, child-care facilities, credit, delivery to home, demonstrations of merchandise, displaying merchandise, dressing rooms, gift wrapping, lay-away plans, parking, personal assistance in selecting merchandise, personal shoppers, play areas for children, presentations on how to use merchandise, provisions for customers with special needs (wheelchairs, translators), repair services, rest rooms, special orders, and warranties.</i> <i>Which of these services do students believe offer the greatest value to the consumer? Do their opinions differ for different retailers?</i>
C. Costs of Channel Activities - While the value-creating activities undertaken by channel members provide benefits to customers, they also increase the cost of products and services. - These costs include the design, raw materials, labor, production equipment, transportation to the wholesaler, and so on. - Costs are justified by the considerable value added by the wholesaler and retailers to the product, including providing assortments, breaking bulk, holding inventory, and providing services,	<i>Exhibit 1–2 illustrates the supply chain costs of getting a T-shirt from the manufacturer to the consumer.</i> <i>Discuss with students the various contributors of cost in each aspect of supply chain. Which retailers have the highest added costs?</i>

D. Retailers Perform Wholesaling and Production Activities • Wholesalers buy and store merchandise in large quantities from manufacturers and then resell the merchandise (usually in smaller quantities) to retailers or industrial or business users. • Some retail chains are both retailers and wholesalers. They're performing retailing activities when they sell to consumers and wholesaling activities when they sell to other businesses like building contractors or restaurant owners. • In some supply chains, manufacturing, wholesaling, and retailing activities are performed by independent firms. • Most supply chains have some vertical integration. Vertical integration means that a firm performs more than one level of activity in the channel. For example, most large retailers—such as Safeway, Walmart, and Office Depot—do both wholesaling and retailing activities • Backward integration occurs when a retailer performs some distribution and manufacturing activities, such as operating warehouses and/or designing private-label merchandise. • Forward integration occurs when a manufacturer undertakes its own retailing activities, such as Apple opening its own retail stores.	<i>See PPT 1-8</i> <i>Discuss the advantages and disadvantages of being vertically integrated.</i> <i>Advantages:</i> <i>Develop unique merchandise only sold in your stores</i> <i>Better coordination between manufacturing and retailing</i> <i>Faster speed to market</i> <i>Better control of product distribution</i> <i>Disadvantages:</i> <i>Higher costs because retailer might not be an efficient manufacturer</i> <i>More complex infrastructure required</i> <i>The cost of being vertically integrated is typically higher.</i>
E. Differences in Distribution Channels around the World • Compared with distribution channels in the European Union, China, and India, the U.S. retail industry has the greatest retail density (retail stores per person), with the greatest concentration of large retail firms. The combination of large stores and large firms results in a very efficient distribution system. • The Chinese and Indian distribution systems are characterized by small stores operated by relatively small firms and a large, independent wholesale industry. As a result, a larger percentage of labor is employed in distribution and retailing than in the United States. • Northern European retailing is most similar to the U.S. system. Southern European retailing is more fragmented	<i>PPT 1-9, 1-10, and 1-11, illustrate these different distribution channels.</i> <i>Ask students to consider several reasons for differences in distribution systems in various nations.</i> <i>How do differences in distribution systems lead to differences in retail experiences for consumers?</i>

across all sectors. Central European retailing has changed from a highly concentrated structure to one of extreme fragmentation (involving small family owned stores). • Factors that have created differences in distribution systems include: (1) social and political objectives, (2) geography, and (3) market size.	
III. Economic and Social Significance of Retailing • Realize the importance of retailing in the U.S. and world economies.	<i>LO 1-2 Realize the importance of retailing in the U.S. and world economies.</i> <i>See PPT 1-12</i>
A. Role in Developed Economies • Consumer spending plays a critical role in the economies of the United States and other developed countries. When consumers spend more money buying goods and services from retailers, a country's economy flourishes. • However, if consumers feel uncertain about their financial future and decide to refrain from buying new refrigerators or blue jeans, the economy slows down. • More than 14 million people were employed in retailing in 2015—approximately 10 percent of the U.S. workforce—and an additional 15 percent work for companies that either provide services to and/or sell products through retailers.	
B. Role in Developing Economies—The Bottom of the Pyramid • Retailers need to also focus on opportunities available by serving the needs of the 3 billion people living at the lowest end of the income distribution. • Consumers in this low-income consumer segment (about 40 percent of the world's population), referred to as the base of the pyramid or bottom of the pyramid (BoP), still have significant spending power. • Undertaking retailing activities for BoP markets is challenging due to the lack of communication technologies and access. The markets are often in rural areas, limiting local demand and raising the costs of transporting goods.	<i>Discuss technologies that are in abundant supply in developed markets and how those may impact retail at BoP markets. What can be done to lessen this gap?</i>

C. Role in Society • In addition to providing goods and services to their customers, some retailers are realizing that their responsibility includes considering the needs and objectives of all their stakeholders. • Stakeholders are the broad set of people who might be affected by a firm's actions, from current and prospective customers, to supply chain partners, to employees, to shareholders, to government agencies, to members of the communities in which the firm operates, to society in general. • Retailers are socially responsible businesses. Corporate social responsibility (CSR) 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. • Conscious marketing entails a sense of purpose of the firm, beyond simply making profits by selling products and services. It encompasses four overriding principles:	<i>Ask students which retailers are actively engaged in CSR.</i>
1. Recognition of the retailing firm's greater purpose. • Retailers recognize that their purpose should be more than just making profits.	
2. Consideration of stakeholders and their interdependence. • Retailers that embrace the notion of conscious marketing consider how their actions will affect an expansive range of potential stakeholders. • Retailers that consider the broad implications of their actions as a foundation for any decision achieve the most benefits for the largest number of stakeholders.	
3. The presence of conscious leadership, creating a corporate culture. • A conscious marketing approach implies that the firm's leaders are dedicated to the proposition of being conscious at all levels of the business, throughout its entire culture.	
4. The understanding that decisions are ethically based.	

• Retailers that are engaged in conscious marketing make decisions that are based on sound business ethics. • Business ethics is concerned with distinguishing between right and wrong actions and decisions that arise in a business setting, according to broad and well-established moral principles.	
IV. The Growing Importance of Retailers and Retailing	<i>LO 1-3 Analyze the changing retail industry.</i> <i>See PPT 1-17</i>
A. Evolution of the Retail Industry • Fifty years ago, the retail industry consisted of small, independent, local retailers competing against other small, independent retailers in the same community. • Today, the retail industry is dominated by large, national, and even international retail firms. • Five of the top 20 retailers are headquartered in the United States; France and Germany each host three. • The development of information systems is one of the forces facilitating the growth of large retail firms—the shift from an industry dominated by small local retailers to large multinational chains. • Retailing is becoming a global industry as more retailers pursue growth by expanding their operations to other countries. • Large retailers in particular are becoming increasingly international in geographic scope. • Revenues for 250 of the world’s top retailers exceed \$4.5 trillion, and an estimated \$1.4 trillion went to just 10 massive retailers. About one-quarter of the retailers included in the top 250 list actually account for less than \$5 billion in revenues total.	<i>The largest retailers in the world are shown in Exhibit 1–3.</i> <i>Are students surprised by any companies on the list? Why or why not?</i> <i>Ask what companies will be in the top five in five years. Why?</i> <i>Discuss how some companies are doing a good job of dealing with changing customer needs and others are not.</i> <i>What global retailers have students experienced while traveling abroad? How do these experiences compare to the students’ experiences in the local marketplace?</i>
B. Role of Information Systems • Retailers are inundated with data about the thousands of transactions that take place each day. The challenge is to convert these raw data into information that	<i>Ask students what type of information may be found on transactional data (receipts). How could retailers use this information to improve the customer experience?</i>

managers can use to make better decisions.	
V. Management and Entrepreneurial Opportunities Retailing provides personal opportunities to work for a company in an exciting, challenging environment or to start an entrepreneurial venture.	<i>LO 1-4 Recognize the opportunities for you in retailing.</i>
A. Management Opportunities - Retailers employ people with expertise and interests in finance, accounting, human resource management, supply chain management, and computer systems, as well as management and marketing. - Retail management is also financially rewarding. Starting salaries are typically between \$35,000 and \$65,000 for college graduates entering management trainee positions. - Senior buyers and others in higher managerial positions and store managers make between \$120,000 and \$300,000.	<i>See PPT 1-21, and 1-22 for more information and examples of opportunities in the retailing field.</i> <i>Ask students what they think of retailing as a career. If there are many opportunities and they seem to pay well, why do most students think that retailing is not a good job to get after graduation?</i>
B. Entrepreneurial Opportunities - Retailing provides opportunities for people wishing to start their own business. Many retail entrepreneurs are among the wealthiest people in the United States. - The successes of Jeff Bezos (Amazon.com), Sam Walton (Walmart), Emily Weiss (Glossier), Ingvar Kamprad (IKEA), and Howard Schultz (Starbucks) show how each capitalized on entrepreneurial opportunities.	<i>Examples of entrepreneurs in retail are shown in PPT 1-22.</i> <i>What are some ideas that a retail entrepreneur might consider now near the campus or in the students' hometowns?</i>
VI. The Retail Management Decision Process The book is organized around the management decisions retailers make to provide value to their customers and develop an advantage over their competitors.	<i>LO 1-5 Understand the strategic retail management decision process.</i> <i>Use this process to discuss the organization of the course and the book.</i>
A. Understanding the World of Retailing (Section I) Retail managers need a good understanding of their environment, especially their customers and competition, before they can develop and implement effective strategies.	<i>See PPT 1-23 for the Retail Management Decision Process</i> <i>Ask students about some changes occurring in the environment now that will affect</i>

The critical environmental factors in the world of retailing are the macroenvironment and the microenvironment. The macroenvironment includes technological, social, and ethical/legal/political impacts. The microenvironment includes the retailer's competitors and customers.	<i>retailing in general and specific retailers. Corporate social responsibility may come up as an answer, and the impacts of CSR on the practice of retailing could be discussed in detail.</i>
1. Competitors - A retailer's primary competitors are those with the same format. Thus, department stores compete against other department stores and supermarkets compete with other supermarkets. This competition between retailers with the same format is called intratype competition. - To appeal to a broader group of consumers and provide one-stop shopping, many retailers are increasing their variety of merchandise. Variety is the number of different merchandise categories within a store or department. The offering of merchandise not typically associated with the store type, such as clothing in a drug store, is called scrambled merchandising. - Competition between retailers that sell similar merchandise using different formats, such as discount and department stores, is called intertype competition. - Increasing intertype competition has made it harder for retailers to identify and monitor their competition. In one sense, all retailers compete against each other for the dollars consumers spend buying goods and services. - Since convenience of location is important in store choice, a store's proximity to competitors is a critical factor in identifying competition. - Management's view of competition also can differ, depending on the manager's position within the retail firm. - The CEO of a retail chain may view competition from a much broader geographic perspective compared with a specific store's manager or a departmental sales manager within the store.	<i>See PPT 1-25</i> <i>In going through this section, you might pick a specific local retailer. Ask students to identify the retailer's customers, intratype competitors, intertype competitors, and environmental trends affecting the retailer.</i> <i>Ask students to give an example of intratype competition—such as a local department store competing against another department store in the same mall.</i> <i>Ask students to compare the different types of merchandise offered at Walmart to those offered at, say, Bath and Body Works or McDonald's.</i> <i>Ask students to give an example of intertype competition—such as a drug store and discount store that sell the same brand of cosmetics.</i>
2. Customers Retailers are responding to broad demographic and life-style trends in our society, such as the growth in the	<i>Query students on the specific impacts of an aging population</i>

elderly and minority segments of the U.S. population and the importance of shopping convenience to the rising number of two-income families. To develop and implement an effective strategy, retailers need to know why customers shop, how they select a store, and how they select among that store's merchandise.	<i>or dual-income households on retailing, including retail location, store layout, etc. What needs for specific types of merchandise and services do these markets create?</i>
B. Developing a Retail Strategy (Section II) Understanding of the macro- and microenvironments is needed to formulate and implement a retail strategy.	<i>See PPT 1-26</i>
1. The retail strategy indicates how the firm plans to focus its resources to accomplish its objectives. The retail strategy identifies: (1) the target market, (2) the nature of merchandise and services to be offered, and (3) how the retailer will build a long-term advantage over competitors.	<i>How can one retailer gain long-term competitive advantages over competitors in the marketplace? Potential areas for discussion include: location, customer relationships, technology, or merchandising.</i>
2. Strategic Decision Areas - Key strategic decision areas include the determination of market strategy, financial strategy, location strategy, organizational structure and human resource strategy, information systems and supply chain strategies, and customer relationship management (CRM) strategies. - When major environmental changes occur, the current strategy and the reasoning behind it are 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. Location decisions are important for both consumer and competitive reasons. A retailer's organizational design and human resource management strategies are intimately related to its market strategy. Retail information and supply chain management systems will be significant opportunities for retailers to gain strategic advantages in the coming decade. - Retailers, like most businesses, want to develop repeat purchases and loyalty in their best customers. Customer	

relationship management (CRM) is a business philosophy and set of strategies, programs, and systems that focus on identifying and building loyalty with the firm's most valued customers.	
C. Implementing the Retail Strategy (Sections III and IV) • To implement the retail strategy, management develops a retail mix that satisfies the needs of its target market better than its competitors. • Elements in the retail mix 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.	<i>See PPT 1-28 for Key Decision Variables for Retailers.</i> <i>Ask students what McDonald's needs to do to implement its strategy effectively. Have them discuss each of the elements of the retail mix used by McDonald's. Compare the retail mix elements used by McDonald's to the retail mix elements used by an upscale restaurant in town. Why are the retail mixes of these two types of restaurants different? [They have different target markets with different needs.]</i>
VII. Summary • Retailing provides considerable value to consumers while giving people opportunities for rewarding and challenging careers. • The key to successful retailing is offering the right product, at the right price, in the right place, at the right time, and making a profit. To accomplish this, retailers must understand what customers want and what competitors are offering. • Retailing plays an important role in the U.S. economy. One out of four workers in the United States works for a retailer or for a company selling products to a retailer. • The retail industry has changed dramatically over the past 50 years. • 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.	

VIII. Appendix 1A: Careers in Retailing • Retailing offers exciting and challenging career opportunities. Few other industries grant as many responsibilities to young managers. • Retailing offers a variety of career paths such as buying, store management, sales promotion and advertising, personnel, operations/distribution, loss prevention, and finance in several different corporate forms, such as department stores, specialty stores, food stores, and discount stores. • In addition, retailing offers almost immediate accountability for talented people to reach key management positions within a decade. Starting salaries are competitive, and the compensation of top management ranks among the highest in any industry.	
A. Career Opportunities • Career opportunities in retail firms occur in merchandising/buying, store management, and corporate staff functions. • Primary entry-level opportunities for a retailing career are in the areas of buying and store management. Buying positions are more numbers-oriented, whereas store management positions are more people-oriented. 1. Store Management • Successful store managers must have the ability to lead and motivate employees. Store management involves all the disciplines necessary to run a successful business: sales planning and goal setting, overall store image and merchandise presentation, budgets and expense control, customer service and sales supervision, personnel administration and development, and community relations.	
2. 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 and store management to get things done. Many retailers break the merchandise/buying function into two career paths:	

buying and merchandise planning.	
3. Corporate Staff - Corporate staff opportunities include positions in information systems, operations/distribution, promotions/advertising, loss prevention, finance/control, real estate, store design, and human resource management. - Career opportunities for corporate staff positions are more difficult to break into.	
B. Attractiveness of Retailing Careers	
1. Immediate Responsibility Management trainees in retailing are given more responsibility more quickly than their counterparts in other industries.	
2. Financial Rewards - Compensation varies according to the amount of responsibility. - 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. - 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, paid vacations and holidays, and discounts on merchandise.	
3. Opportunities 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.	

ANSWERS TO SELECTED “GET OUT AND DO IT!” QUESTIONS

1. CONTINUING CASE ASSIGNMENT In most chapters of this textbook, there will be a **GET OUT AND DO IT!** assignment that gives students an opportunity to examine the strategy and tactics of one retailer. The first assignment is to select a retailer and prepare a report on its history, including when it was founded and how it has evolved over time.

Instructors could assign this question as an individual, paired, or team assignment. It could focus on specific sections of the text or become a semester-long, comprehensive project.

If Target were the retailer selected for example, the following sources provide information about its history and current operations:

1. Mergent Intellect Database (if available at your university library)
2. Target, Our History, <https://corporate.target.com/about/purpose-history>

2. GO SHOPPING Visit a local retail store or its website and describe each of the elements in its retail mix. Summarize the types of merchandise and services offered, pricing, communication programs, store design, merchandise display, and suitability of the store’s location.

The following example is from a local bagel shop, **The Bagel Bin & Deli** is a specialty food restaurant that serves breakfast and lunch foods, including fresh bagels, with eat-in, carryout, and catering options.

Merchandise

20+ types of bagels	Deli food
Sandwiches	Healthy breakfast and lunch choices
Coffee and other beverages	Other complementary foods
Cookies and desserts	

Service

Service people in the restaurant are cooking and preparing food, taking orders from customers and keeping the line moving, cleaning tables, ringing up sales, and helping customers. The types of service include curbside pickup, carryout, delivery, and catering. The store manager is available to help employees and customers.

Pricing

\$13.50 per baker’s dozen—similar to competitors. Occasionally coupons are offered for discounts, such as “free half dozen bagels” or “buy one sandwich, get the second half off,” to stimulate trials and increase store traffic. The store offers a frequent customer card, “buy 12 dozen and get the 13th dozen free,” to encourage store loyalty.

Location

In a neighborhood shopping center with a food store, hair salon, post office, card shop, other restaurants, dry cleaners, and other retail establishments, it is conveniently located in a suburban

residential area with a growing population. The strip center has a large parking lot on a busy section of a heavily traveled road.

Promotion

The Bagel Bin puts a distinctive, bagel-shaped logo on all signs, printed materials, employee uniforms, and delivery trucks. The shop sends out advertisements and coupons through direct mail; it uses local cable television and its website to inform customers about hours, selection, and location. The menu is posted outside so customers can start making their choices before they enter the store. Takeout menus are located on a counter, near the cash register. The Bagel Bin also offers a Bagel of the Month to introduce new flavors.

Layout

Food cases and displays are on the right as people enter the store. The counter, staffed by service people, appears after the cases, also on the right. The back of the store is where the bagels are baked. Drinks are last in the food line, followed by the cashier. Tables and a few booths are on the left-hand side of the store, offering seating for 50 people. Chairs offer moderate comfort for reading the paper, using a laptop, and eating breakfast, but they also encourage frequent turnover. Restrooms are located in the back of the store. The store layout makes it easy for carryout customers to get in, make a purchase, and get out quickly.

Merchandise display

Refrigerated cases display perishable prepackaged items such as juices and cheeses. Bagels, bakery products, and deli meats are displayed through glass cases. The product variety thus is immediately on display as the customer enters the store.

3. INTERNET EXERCISE Data on U.S. retail sales are available at the U.S. Bureau of the Census Internet site at: www.census.gov/retail/index.html. Under the heading "Monthly Retail Trade Report" there is a file titled "Retail and Food Services Sales" that lists sales by type of retailer (view "Not Adjusted Sales"). In which months are sales the highest? Which kinds of businesses experience the greatest fluctuations in monthly sales? List reasons that help explain your findings.

Students should notice the importance of the fourth quarter for retail sales, during the winter holiday season. Many types of U.S. retailers post their highest sales in the fourth quarter, including home furnishings, electronics and appliances, and jewelry stores. If students looked at the breakdown of retailer type and view the values for digital channels, jewelry earns a significant percentage of sales in November and December.

4. INTERNET EXERCISE Go to the homepages of Apple, Target, Walmart, TJX Companies, and the National Retail Federation Job Board (<https://jobs.nrf.com/>) to find information about retail careers with these organizations. Review the information about the different positions described. In which positions would you be interested? Which positions are not of interest to you? Why? What skills, education and experiences are needed for the positions you are interested in?

Students' answers will vary considerably here. Some students may take a more long-term view, looking to buyer or planner positions that call for a variety of skills including strong organizational and analytical skills, excellent verbal and written communication skills, and extensive computer experience. These

positions also require several years of prior experience in lower level buying positions. Other students may find these positions to be more quantitative or analytical than their interests.

Students looking at entry-level positions, as well as those seeking more creative positions or those with a broader focus, may be attracted to the entry-level fashion assistant or product assistant positions. These positions request a less comprehensive skill set, as well as less emphasis on prior job experience.

On the Target Careers page, <https://corporate.target.com/careers/corporate>, in January 2021, the following categories of opportunities were posted:

- Assets Protection & Corporate Security
- Business Operations
- Call Centers & Financial Retail Services
- Finance & Accounting
- Food & Beverage
- Global Supply & Chain Logistics
- Human Resources
- Legal Affairs, Risk & Compliance
- Marketing, Media & Communications
- Merchandising & Global Sourcing
- Product Design & Development
- Project Management
- Real Estate, Design & Property Management
- Strategy & Innovation
- Technology & Data Sciences

5. INTERNET EXERCISE Choose one of the top 20 retailers (Exhibit 1-3). Go to the company's website and find out how the company started and how it has changed over time.

Among the top 20 retailers, students might select one that has grown massively over time (e.g., Amazon) or one that had undergone multiple mergers (Walgreens Boots Alliance). They also might note the presence of several direct competitors (e.g., Home Depot and Lowe's), such that it might be insightful to compare the evolution of two such companies in parallel.

6. INTERNET EXERCISE Go to Nike's, Patagonia's, Lowe's, and Walgreens's websites and search for "corporate social responsibility." In brief paragraphs, describe how each retailer is taking steps to contribute to social or ethical causes.

Nike, <https://purpose.nike.com/>. "Our purpose is to unite the world through sport to create a healthy planet, active communities and an equal playing field for all." The company focuses on equality, breaking down barriers, inspiring female athletes, making products responsibly, and protecting the environment.

Patagonia <https://www.patagonia.com/our-footprint/corporate-social-responsibility-history.html>. This firm focuses on environmental action, wildlife protection, preserving protected lands, support for environmental nonprofit organizations, and social change through employees.

Lowe's <https://corporate.lowes.com/our-responsibilities>. "Corporate responsibility is a cornerstone of our company. Our environmental stewardship programs, strategic philanthropic giving and focus on workplace inclusivity fuels our ability to serve the communities around us."

Walgreens <https://www.walgreensbootsalliance.com/corporate-responsibility>. "As a health and well-being enterprise, our purpose is to inspire more joyful lives through better health through our contributions to healthy communities, a healthy planet, a sustainable marketplace and an inclusive workplace."

ANSWERS TO DISCUSSION QUESTIONS AND PROBLEMS

1. How do retailers add value to the products bought by consumers?

Retailers add value in several ways. First, retailers provide an assortment of products and services. Second, retailers break bulk to enable customers to buy smaller quantities. Third, retailers hold inventory so that products will be available when consumers want them. Fourth, retailers provide services like alterations, financing, and sales associate assistance.

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

Students may choose an example from a wide variety of retailers. Answers will likely range from national chains including but not limited to Zara, Urban Outfitters, Bloomingdale's, McDonald's, CVS, Sephora, Starbucks, or Kohl's, to online retailers like [Amazon.com](https://www.amazon.com) and eBay, to favorite local shops and hangouts.

Whatever selection is made, ask students to concentrate on specific aspects of its retail strategy, such as (1) intended target market of the retailer; (2) nature of merchandise and services and the specific consumer needs sought to be satisfied; (3) product variety and assortments carried; (4) store location strategy; (5) pricing strategies; (6) specific service strategies; (7) strategies designed to attract and retain customers; and (8) strategies specifically designed for gaining a long-term advantage over competitors.

3. What are the benefits and limitations of purchasing a home entertainment system directly from a number of component manufacturers rather than from a retailer?

Students may indicate benefits typically associated with “removing the middleman” such as reduced price and effort in completing the transaction.

While these benefits will occur in specific cases, it must be noted that the average consumer engages in buying dozens of items on a regular basis. Even if all manufacturers were to offer their products directly to consumers, it can be readily noted that the consumer would now have to spend an extraordinary amount of time each day ordering directly from each manufacturer. This should lead to discussion of the limitations of purchasing directly from the manufacturer rather than a retailer.

Here, the various functions performed by retailers, such as bulk-breaking, holding inventories, and providing information, service, and assortments can be brought to bear on overcoming the limitations discussed above for the consumer. Bulk-breaking enables consumers to buy only the specific amount they need. Retail inventory helps eliminate the need for consumers to hold their own inventory, because they can satisfy their needs for a specific and immediate time period, such as buying one unit of dishwashing detergent that will last the next two months. Retailers provide valuable information and services that save consumers time and effort, compared with when consumers attempt to obtain such information by themselves or serve themselves. By providing an assortment of products and brands in one location – in some cases of scrambled merchandising, a very wide assortment of products and brands – retailers help consumers engage in one-stop shopping, thereby saving them time and effort, which they can devote to other productive and leisure activities.

Further, it would be uneconomical for most manufacturers, especially those selling low-priced items such as toothpaste, to sell directly to each consumer or household. In general, even if retailers are eliminated from the supply chain, their functions remain. Often these functions would be distributed

between the manufacturer and consumers. For example, manufacturers would have to produce a wider variety of products (to offer an assortment), and consumers would have to carry greater amounts of inventory (to buy a case of toothpaste). The distribution of retail functions would increase manufacturer costs as well as consumer costs and efforts. The idea of buying cheaper from the manufacturer is, in a vast majority of cases, a myth.

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

Discussion should cite those convenience stores in the local market offering the traditional convenience store retail mix including gasoline, snacks, newspapers, coffee, and a limited variety of grocery items.

Ask students to discover intertype competitors for 7-Eleven by focusing on a particular merchandise offerings, such as a gallon of milk, a fountain soda, or a candy bar. This discussion will illustrate that intertype competition for 7-Eleven may come from a number of retailers offering similar merchandise through different formats, such as supermarkets, fast-food restaurants, or discount stores.

5. Similar brands and styles of men's suits are sold for different prices at department stores like Nordstrom versus specialty stores like Men's Wearhouse. Why would a customer choose to buy a suit from one store rather than the other? Use the retail mix (Exhibit 1-5) to organize your response.

There are many different reasons why customers choose one retailer over another. Some customers might choose a department store if they have other shopping needs besides the men's suit. If a customer has never purchased a suit before, he might choose Suit Supply because of its expertise in the area and the hands-on attention he will get from the sales associate.

Nordstrom, [https://www.nordstrom.com/browse/men/clothing/suits?](https://www.nordstrom.com/browse/men/clothing/suits?breadcrumb=Home%2FMen%2FClothing%2FSuits%20%26%20Separates&origin=topnav)
[breadcrumb=Home%2FMen%2FClothing%2FSuits%20%26%20Separates&origin=topnav](https://www.nordstrom.com/browse/men/clothing/suits?breadcrumb=Home%2FMen%2FClothing%2FSuits%20%26%20Separates&origin=topnav)

Men's Wearhouse,

<https://www.menswearhouse.com/c/mens-suits>

	Nordstrom Men's Suits	Men's Warehouse
Merchandise	188 items online 26 Brands Store Brand Six Fits Full Range of Sizes	427 items online 24 Brands Six Fits Full Range of Sizes
Services	Alterations Nordy Club Stylists Spa Restaurant Gift Cards	Alterations
Location	Part of Department Store Super Regional Malls	Freestanding store in a power center
Price	\$350. to \$4,600	\$150 to \$730

	Some on sale	EDLP
Communication	Web Site App Social Media Free Shipping	Free Shipping Clearance Sales Website Mailing List Social Media Rewards Program Blog – Thread Worthy
Store Design	Section of the men’s clothing and accessories department	Entire store is men’s clothing and accessories

6. Compare and contrast the retail mixes of department stores and full-line discount stores. Use bullet points or a table to list the similarities and differences.

A department store’s retail mix would include:

- ✓ Customer service- Department stores provide a higher level of customer service with increased sales associate interactions and add-on services like alterations, shipping, and gift wrapping.
- ✓ Store design and display- Department stores are organized by departments. For example, Macy’s might have a children’s department, women’s department, men’s department, shoe department, and cosmetics department. Each department is merchandised differently.
- ✓ Communication mix- Department stores use advertising, social media, personal selling and loyalty programs to reach customers.
- ✓ Locations- Department stores are typically in malls and act as anchor stores for the mall.
- ✓ Merchandise management- Department stores offer customers a wide variety of merchandise.
- ✓ Pricing- Department stores have higher prices than discount stores. Some department stores, like Saks Fifth Avenue and Neiman Marcus, have significantly higher prices, other department stores, like Macy’s and Dillard’s, are more moderately priced.

A full-line discount store’s retail mix would include:

- ✓ Customer service- Discount stores have less customer service than department stores as they are more focused on keeping the price point down.
- ✓ Store design and display- Discount stores optimize display areas to showcase merchandise. The display may not be as organized as a department store.
- ✓ Communication mix- Discount stores communicate with their customers through advertisements, social media and sales promotions.
- ✓ Location- Full-line discount stores are usually in strip malls or free-standing locations.

- ✓ Merchandise management- The merchandise offered by full-line discount stores is usually a wide variety that is constantly changing, depending on the inventory available.
- ✓ Pricing- Full-line discount stores are less expensive than department stores. These stores compete primarily on price.

7. An entrepreneur approaches you about how to sell her new writing pens to consumers. The pens have a unique benefit-they are more comfortable to use than traditional pens. The entrepreneur is concerned the retailers she has approached want to buy the pens from her at \$10 a piece and then sell the pens in their stores for \$18 to consumers. The entrepreneur is dismayed at the extra \$8 the retailers are getting and has decided to sell the product directly to consumers for \$10. She wants to know your opinion. What do you think? Why?

Students' answers may vary on this question. Traditionally, the entrepreneur would be better off selling the pen through the retailer because the retailer already has a client base and can absorb the cost of promoting the pen. In addition, retailers add value by providing assortment to the customer and the pen might be a great purchase along with other items the retailer offers. However, with the increased use of the Internet, entrepreneurs are able to reach audiences more directly. She may be able to sell her pen to customers directly, but she has to build the client base on her own. She might not be guaranteed the sales if she sells directly, vs. selling in bulk to the retailer.

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

After reading the chapter, some students may already be attracted to retailing as a career, since they would now have realized the wide variety of opportunities provided in the retail sector. At the same time, some may compare retailing less favorably to other potential career paths, such as advertising, or more immediately lucrative endeavors, such as the stock market. Ultimately, all students should have recognized that retailing is not simply being a store associate, greeting the customer and making a sale. Those students interested in the technology field should see a variety of opportunities to make a career in retailing, as should those with interests in finance, accounting, or human resource management.

9. In this chapter, some socially responsible activities engaged in by retailers are described. Take the perspective of a stockholder in one of these companies. What effect will these activities have on the value of its stock? Why might they have a positive or negative effect?

Sometimes CSR initiatives are expensive for a company, making the value of the stock drop. However, some CSR initiatives, like building greener buildings and reducing the carbon footprint, have long-term implications that add value to a retailer. For example, engaging in CSR activities can attract new customers, as well as increase loyalty with current customers. Furthermore, some of these activities might be required of retailers in the future, so it might be best, and more cost-effective, to implement them now.

CONNECT ACTIVITIES

Activity Title	Activity Type(s)	Topic	Learning Objective
The Supply Chain	Drag and Drop; Matching (accessible version)	Understanding supply chains	1-1 Identify retail activities.
Physical Retail	Case Analysis	The importance of retailing	1-3 Analyze the changing retail industry.
The Retail Industry	Video Case	Retailing as a career	1-4 Recognize the opportunities for you in retailing.
Top Global Retailers	Matching	The importance of retailing	1-3 Analyze the changing retail industry.