

CHAPTER 1
AN INTRODUCTION TO RETAILING

Multiple Choice - Terminology/Concept

1. Which statement concerning retailing is correct?
 - a. Retailing activities cannot be performed by wholesalers.
 - b. It is the last stage in the distribution process.
 - c. All retail activities are store-based.
 - d. A lawyer purchasing stationery for use in his/her office is an example of retailing.(b; Challenging; p. 3)
2. According to the Department of Commerce, annual U.S. retail store sales are nearly _____.
 - a. \$500 billion
 - b. \$1 trillion
 - c. \$3 trillion
 - d. \$5 trillion(d; Moderate; p. 4)
3. How many million people are employed by traditional retailers in the United States?
 - a. 7
 - b. 15
 - c. 25
 - d. 30(c; Moderate; p. 5)
4. On average, what percent of every sales dollar goes to department store retailers as compensation for the activities they perform?
 - a. 25
 - b. 33
 - c. 45
 - d. 50(b; Moderate; p. 6)
5. In 2010, the three largest retailing companies (based on annual sales) in order of size (from the largest firm) were _____.
 - a. Sears, Kroger, and Wal-Mart
 - b. Sears, Wal-Mart, and Costco
 - c. Wal-Mart, Home Depot, and Kroger
 - d. Wal-Mart, Kroger, and Target(d; Moderate; p. 6)
6. In 2010, the ten largest U.S. retailers earned average after-tax profits amounting to about _____ percent of sales.
 - a. 1.1
 - b. 2.5
 - c. 3.5
 - d. 5.7(c; Moderate; p. 6)

Multiple Choice - Terminology/Concept

7. All of the businesses and people involved in the physical movement and transfer of ownership of goods and services from producer to consumer constitute _____.
a. a channel of distribution
b. wholesaling
c. retail management
d. the sorting process
(a; Moderate; p. 6)
8. An electronics retailer accomplishes a consumer's one-stop needs through _____.
a. the sorting process
b. a deep channel of distribution
c. a wide channel of distribution
d. exclusive distribution
(a; Challenging; p. 7)
9. The sorting process refers to _____.
a. physical distribution assortment by perishability
b. a retailer's pricing goods by quality and size
c. government grading standards for produce
d. a retailer's collecting an assortment of goods and services from many vendors
(d; Challenging; p. 7)
10. While some manufacturers specialize by producing one product, consumers generally favor retailers with extensive selections from many manufacturers. These divergent viewpoints can be reconciled through _____.
a. the sorting process.
b. selective distribution
c. intensive distribution
d. exclusive distribution
(a; Challenging; p. 7)
11. Which of the following distribution functions are generally not provided by retailers for their manufacturer/wholesaler suppliers?
a. contact with the final customer
b. inventory storage prior to sale
c. pre-paying for merchandise in advance of its being sold to final consumers
d. delivery and installation of goods to final consumers
(d; Challenging; p. 7)
12. A retailer's selling to consumers via store, catalog, and the Web illustrates _____.
a. selective distribution
b. impulse purchasing
c. intensive distribution
d. multi-channel retailing
(d; Moderate; p. 7)

Multiple Choice - Terminology/Concept

13. Which of the following illustrates channel conflict between a manufacturer and its retailer customers?
- a. a discounter's selling a manufacturer's product below the price levels at full-service retailers
 - b. a cooperative advertising program in which retailers are encouraged to use selected advertising materials
 - c. a manufacturer assisting retailers with inventory financing for its products
 - d. a manufacturer developing a toll-free hot line for customer support
- (a; Challenging; p. 8)
14. Channel relations are generally smoothest in which form of distribution?
- a. selective distribution
 - b. intensive distribution
 - c. exclusive distribution
 - d. dual distribution
- (c; Moderate; p. 8)
15. In exclusive distribution, suppliers ____.
- a. enter into agreements with one or a few retailers that designate the latter as the only companies in specified geographic areas to carry certain brands and/or product lines
 - b. sell to as many retailers as possible
 - c. sell to a moderate number of retailers
 - d. utilize multiple channels of distribution to reduce channel conflict
- (a; Moderate; p. 8)
16. A retailer does generally not stock a broad selection of brands in which form of distribution?
- a. exclusive distribution
 - b. intensive distribution
 - c. selective distribution
 - d. operational distribution
- (a; Moderate; p. 8)
17. A manufacturer's long-term sales potential is most limited in ____.
- a. selective distribution
 - b. cooperative wholesaling
 - c. intensive distribution
 - d. exclusive distribution
- (d; Challenging; p. 8)
18. Channel relations tend to be most volatile in which form of distribution?
- a. exclusive distribution
 - b. intensive distribution
 - c. selective distribution
 - d. vertical integration
- (b; Moderate; p. 8)
19. A manufacturer seeking to maximize its sales should utilize ____ distribution.
- a. dual
 - b. intensive
 - c. selective
 - d. exclusive
- (b; Moderate; p. 8)

Multiple Choice - Terminology/Concept

20. Which form of distribution balances channel cooperation with an increased opportunity for product sales?
- a. exclusive distribution
 - b. selective distribution
 - c. intensive distribution
 - d. dual distribution
- (b; Moderate; p. 8)
21. Which of these is not a characteristic that distinguishes retailing from other types of business?
- a. Store location is more important for retailers than for wholesalers.
 - b. The average size of a sales transaction for retailers is less than for manufacturers.
 - c. Retail sales are more cyclical than organizational sales.
 - d. While final consumers make many impulse purchases, organizational consumers are more systematic in their purchasing activity.
- (c; Moderate; pp. 8-10)
22. Suggestion selling, point-of-purchase displays, and attractive store layouts are used by retailers to _____.
- a. reduce selling costs
 - b. increase customer service
 - c. increase impulse sales
 - d. reduce channel conflict
- (c; Challenging; p. 9)
23. A retail strategy can be best defined as _____.
- a. the selection and appeal to a specific retail target market
 - b. short-run activities conducted by a retailer to meet or exceed its retail objectives
 - c. the overall plan guiding a retail firm
 - d. a plan to reduce retail costs
- (c; Moderate; p. 10)
24. The first stage in development of a retail strategy should be to determine the retailer's _____.
- a. most appropriate target market
 - b. short-run objectives
 - c. long-run objectives
 - d. type of business and orientation of the firm
- (d; Challenging; p. 10)
25. Which one of the following is not a crucial element in Target's overall retail strategy?
- a. growth-oriented objectives
 - b. a focus on its discount store niche
 - c. sale of goods at the lowest competitive price
 - d. strong customer service for its retail category
- (c; Challenging; pp. 11-12)
26. The retailing concept is comprised of _____.
- a. price orientation, social responsibility, and competitive defensibility
 - b. niche strategy, cost leadership, and market segmentation
 - c. customer orientation, coordinated effort, value driven, and goal orientation
 - d. short-run objectives, long-term strategy, implementable actions, and channel control
- (c; Moderate; p. 13)

Multiple Choice - Terminology/Concept

27. Which of the following is not an element in the retailing concept?
- a. customer orientation
 - b. high levels of customer service
 - c. coordinated effort
 - d. value driven
- (b; Moderate; p. 13)
28. The total retail experience is best defined as ____.
- a. a retail operating philosophy that stresses long-term relationships between a retailer and its customers
 - b. value-generating elements in the retail transaction
 - c. all the elements in a retail offering that encourage or inhibit consumers during their contact with a retailer
 - d. those retail strategies that contribute to total satisfaction among all retail stakeholders
- (c; Moderate; p. 14)
29. All of the elements in a retail offering that encourage or inhibit consumers during their contact with a given retailer make up the ____.
- a. total retail experience
 - b. retailing concept
 - c. marketing concept applied to retailing
 - d. customer service philosophy
- (a; Moderate; p. 14)
30. The identifiable, but sometimes intangible, activities undertaken by a retailer in conjunction with the basic goods and services it sells comprise the retailer's ____.
- a. level of commitment to the retail concept
 - b. peripheral services
 - c. customer satisfaction level
 - d. customer service
- (d; Moderate, p. 15)
31. Which statement concerning customer service is correct?
- a. Customer service only concerns a retailer's intangible activities.
 - b. Different people almost always judge a retailer's customer service in a similar manner.
 - c. People's assessment of customer service depends on perceptions—not necessarily reality.
 - d. Customer service only concerns a retailer's tangible activities.
- (c; Challenging; p. 15)
32. In relationship retailing, a retailer ____.
- a. seeks to maximize a customer's short-term satisfaction
 - b. prefers to attract new customers over retaining existing customers
 - c. seeks to attract larger customers over smaller accounts
 - d. plans to establish and maintain long-term bonds with its customers
- (d; Moderate; p. 16)

Multiple Choice - Terminology/Concept

33. A functional approach to the study of retailing stresses _____.
a. retail planning
b. the activities that retailers perform
c. adaptation of strategy to match the retail environment
d. opportunities and constraints in decision making
(b; Moderate; p. 16)
34. An approach to the study of retailing that stresses activities such as buying, pricing, and personnel practices is a _____ approach.
a. strategic
b. functional
c. institutional
d. retail audit
(b; Challenging; p. 16)
35. A strategic approach to the study of retailing stresses _____.
a. lowering retail costs
b. the types of retailing and their development
c. planning for and adapting to a complex, changing environment
d. merger, acquisition, and downsizing opportunities
(c; Moderate; p. 17)

Multiple Choice - Applied/Comprehensive/Integrative

36. Which of the following illustrates a retail transaction?
a. an auto manufacturer purchasing brochures to be distributed by its dealers
b. a supermarket purchasing a freezer case for meat
c. the U.S. government purchasing military aircraft
d. a consumer buying coffee in a vending machine
(d; Moderate; p. 3)
37. Which statement concerning the scope of retailing is correct?
a. Retailing is limited to transactions involving tangible goods.
b. Purchases of goods made by retail organizations for further resale are part of retailing.
c. Retailing is limited to store-based transactions.
d. Wholesalers cannot conduct retail transactions.
(b; Challenging; p. 4)
38. A college bookstore that purchases goods from over 200 vendors demonstrates _____.
a. economies of scale
b. a channel of distribution
c. the sorting process
d. vertical integration
(c; Challenging; p. 7)

Multiple Choice - Applied/Comprehensive/Integrative

39. The sorting process implies that a retailer typically purchases _____.
a. from domestic suppliers
b. directly from a manufacturer
c. from multiple manufacturers
d. from a single manufacturer
(c; Challenging; p. 7)
40. The sorting process helps final consumers through _____.
a. providing credit terms on purchases
b. enabling one-stop shopping
c. providing important product-based information
d. enabling consumers to purchase goods through direct marketing
(b; Challenging; p. 7)
41. One-stop shopping by consumers is enhanced by _____.
a. the sorting process
b. store-based inventory systems
c. regionalization of department stores
d. consumer credit
(a; Moderate; p. 7)
42. The sorting process enables manufacturers to _____.
a. increase their power in the channel of distribution
b. specialize in one item or product line
c. fulfill government grading requirements
d. limit product distribution to the most profitable geographic areas
(b; Challenging; p. 7)
43. If retailers did not perform the sorting process, _____.
a. final consumers would have to visit multiple manufacturers to purchase their needs
b. final consumers would be more powerful in the channel of distribution
c. distribution channels would be more likely to be vertically integrated
d. manufacturers would have improved cash flow
(a; Challenging; p. 7)
44. A retailer views the sales of merchandise through store, catalog, and Web-based operations as complementary to one another. This approach illustrates _____.
a. channel cooperation
b. multi-channel retailing
c. intensive distribution
d. selective distribution
(b; Challenging; p. 7)
45. The use of independent channel members in a channel of distribution allows manufacturers to _____.
a. improve channel communication and control
b. increase the average order size to retailers
c. receive payment based on when goods are shipped to retailers, not when goods are sold to final consumers
d. maximize profitability through vertical integration
(c; Challenging; p. 8)

Multiple Choice - Applied/Comprehensive/Integrative

46. Channel cooperation, communication, and control is greatest when _____.
a. selective distribution is used
b. intensive distribution is used
c. manufacturers operate their own retailing facilities
d. exclusive distribution is used
(c; Challenging; p. 8)
47. Retailer power in a distribution channel can be increased through _____.
a. decentralized purchasing
b. the purchase of goods from multiple vendors
c. franchising
d. the development of large chains
(d; Moderate; p. 8)
48. Manufacturers can generate increased power in a channel of distribution through _____.
a. developing brand loyalty through extensive advertising
b. selling exclusively to major national retail chains
c. allowing retailers to set final retail selling prices
d. allocating promotional allowances to retailers based upon their overall sales volume
(a; Moderate; p. 8)
49. A manufacturer seeking maximum retailer cooperation should utilize which form of distribution?
a. exclusive distribution
b. intensive distribution
c. selective distribution
d. dual distribution
(a; Moderate; p. 8)
50. The success of a manufacturer and its retailer customers is most directly interconnected in which form of distribution?
a. exclusive distribution
b. intensive distribution
c. selective distribution
d. dual distribution
(a; Challenging; p. 8)
51. The greatest advantage to a manufacturer's use of exclusive distribution is _____.
a. retailer concentration on key items
b. smooth channel relations
c. a high level of retail price competition
d. maximization of long-run sales potential
(b; Moderate; p. 8)
52. Which is a major limitation of exclusive distribution?
a. poor relations among channel members
b. limited sales potential
c. high price competition
d. low levels of customer service
(b; Moderate; p. 8)

Multiple Choice - Applied/Comprehensive/Integrative

53. Neither channel cooperation nor sales potential is maximized in _____ distribution.
a. vertical
b. intensive
c. exclusive
d. selective
(c; Challenging; p. 8)
54. Retail price competition is generally highest in _____ distribution.
a. dual
b. exclusive
c. intensive
d. selective
(c; Challenging; p. 8)
55. An example of the contrasting viewpoints of retailers and manufacturers is a manufacturer _____.
a. sponsoring a cooperative advertising program
b. attempting to increase national brand display space
c. sponsoring training programs for retail sales personnel
d. sponsoring point-of-sale materials
(b; Moderate; p. 8)
56. Payment for shelf space by manufacturers to supermarkets illustrates _____.
a. the role of manufacturers' representatives
b. channel power by a retailer
c. channel cooperation by retailers
d. competition in the marketplace
(b; Moderate; p. 8)
57. The potential for channel conflict (due to the high power of a retailer relative to a manufacturer) is greatest in which form of distribution?
a. dual distribution
b. selective distribution
c. exclusive distribution
d. intensive distribution
(d; Challenging; p. 8)
58. A unique characteristic of retailing is _____.
a. the high effect of the business cycle on sales
b. high foreign competition
c. low average sales
d. saturation of retail facilities
(c; Moderate; p. 9)
59. The arrangement of goods within a supermarket or department store is systematically studied to maximize _____.
a. manufacturer cooperation
b. impulse sales
c. payments by manufacturers
d. self-service merchandising
(b; Challenging; p. 9)

Multiple Choice - Applied/Comprehensive/Integrative

60. Because impulse sales are so important to retailers, there is a need to _____.
a. control expenses
b. analyze consumer demographics
c. study store image
d. utilize point-of-purchase materials
(d; Challenging; p. 9)
61. Which is not a strategy for a retailer to increase its average sale?
a. placing impulse goods in high-traffic locations
b. opening additional hours
c. increasing impulse sales
d. suggestion selling
(b; Moderate; p. 9)
62. Strategic planning in retailing _____.
a. can be practiced by both small and large retailers
b. requires computer-based marketing research and accounting systems to be successfully implemented
c. should focus on short-run profits
d. requires a high risk-taking philosophy to succeed
(a; Moderate; p. 10)
63. A characteristic of a retail strategy is its _____.
a. focus on past operations and success
b. attention to short-run success
c. attention to personnel availability and training.
d. systematic assessment of the environment to ascertain opportunities and constraints
(d; Challenging; p. 10)
64. Which statement concerning strategic planning is correct?
a. Strategic planning should be conducted once a year.
b. Strategic plans should emphasize pricing.
c. Strategic plans should be adhered to despite their success/failure.
d. Strategic planning is a continuous process throughout the year.
(d; Challenging; p. 10)
65. An example of a retailer's regularly reviewing operations is the _____.
a. appeal to a prime consumer market
b. use of a one-price policy
c. development of realistic sales and profit goals
d. ongoing analysis of sales and costs by product category
(d; Moderate; pp. 10, 13)
66. Which of the following best illustrates a value-driven retail strategy?
a. a retailer's setting goals and using its strategy to attain them
b. a retailer's reducing prices to the lowest possible level
c. a retailer's having prices appropriate for the level of products and customer service
d. a retailer's integrating all plans and activities to maximize efficiency
(c; Challenging; p. 13)

Multiple Choice - Applied/Comprehensive/Integrative

67. The total retail experience, customer service, and relationship retailing directly focus on which aspect of the retailing concept?
- a. long-run planning
 - b. customer orientation
 - c. goal orientation
 - d. coordinated effort
- (b; Challenging; pp. 13, 14)
68. A computer dealer determines customer satisfaction of recent computer buyers on the basis of questionnaires mailed to recent customers. These questionnaires cover all aspects of the transaction from the first encounter with a salesperson to initial quality of the computer to satisfaction with any servicing the computer might require. The survey involves ____.
- a. coordinated effort
 - b. the total retail experience
 - c. long-run planning
 - d. relationship retailing
- (b; Challenging; p. 14)
69. Which retail philosophy directly focuses on maintaining long-term bonds with past customers?
- a. relationship retailing
 - b. coordinated effort
 - c. employee empowerment
 - d. a strategic approach to retailing
- (a; Challenging; p. 16)
70. Planning and adapting to a complex, changing environment is the major focus of a(n) _____ approach to the study of retailing.
- a. historical
 - b. strategic
 - c. institutional
 - d. functional
- (b; Challenging; pp. 16-17)

True-False - Terminology/Concept

71. Those business activities that involve the sale of goods and services to consumers for personal, family, or household use make up a definition of retailing.
(T; Moderate; p. 3)
72. The final stage in a channel of distribution is retailing.
(T; Moderate; p. 3)
73. All retail activities are store-based.
(F; Moderate; p. 4)
74. Retailing transactions must always involve a retailer.
(F; Moderate; p. 4)

True-False - Terminology/Concept

- 75. The sorting process allows retailers to purchase goods from a variety of manufacturers and to sell them in small quantities to consumers.
(T; Challenging; p. 7)
- 76. Frequently, retailers and their suppliers have divergent viewpoints that need to be reconciled.
(T; Challenging; p. 8)
- 77. Generally, a manufacturer can maximize its long-run sales potential through use of exclusive distribution.
(F; Challenging; p. 8)
- 78. Channel relations tend to be most volatile in exclusive distribution.
(F; Moderate; p. 8)
- 79. Charging manufacturers for shelf space for their new products is an example of a retailer's channel power.
(T; Moderate; p. 8)
- 80. Selective distribution has neither the channel cooperation found in exclusive distribution nor the sales potential of intensive distribution.
(T; Challenging; p. 8)
- 81. The principles of strategic planning in retailing are equally applicable to small and large retailers.
(T; Challenging; p. 10)
- 82. An approach to the study of retailing which focuses on a retailer's need to revise plans continually in order to adapt to a changing environment is the retailing concept.
(F; Moderate; p. 13)
- 83. Customer orientation, coordinated effort, value driven, and goal orientation are all parts of the retailing concept.
(T; Moderate; p. 13)
- 84. An integrated approach to customer service needs to study the total retail experience.
(T; Challenging; pp. 14, 15)
- 85. Relationship retailing focuses on keeping existing customers, as well as attracting new ones.
(T; Challenging; p. 16)

True-False - Applied/Comprehensive/Integrative

- 86. While they do not directly involve a store facility, Web transactions, mail-order sales, direct selling, and vending machine sales are components of retailing.
(T; Challenging; p. 4)
- 87. A change in retail productivity can have a large impact on consumers and the economy.
(T; Moderate; p. 4)
- 88. Operating costs in supermarkets are higher than those in department stores.
(F; Moderate; p. 6)

True-False - Applied/Comprehensive/Integrative

89. Through the sorting process, consumers are provided one-stop shopping and retailers are provided with impulse purchases through related-item merchandising.
(T; Challenging; p. 7)
90. Sherwin-Williams and Polo Ralph Lauren both operate their own retail stores.
(T; Moderate; pp. 7-8)
91. A manufacturer can limit price competition in a retail area through use of intensive distribution.
(F; Challenging; p. 8)
92. Channel conflict can be minimized through intensive distribution and/or horizontal integration.
(F; Challenging; p. 8)
93. Retailers are able to charge slotting allowances due to the high competition for shelf space among new products.
(T; Challenging; p. 8)
94. A manufacturer seeking to maximize its market share should utilize selective distribution.
(F; Challenging; p. 8)
95. Only large firms can successfully adjust their retail strategies in response to consumer preferences.
(F; Moderate; p. 10)
96. The use of a firm's total retail strategy to satisfy its target market represents the coordinated effort phase of the retailing concept.
(T; Challenging; pp. 10, 13)
97. The total retail experience deals with a customer's involvement with a retailer from pre-sale discussions to post-sale service.
(T; Challenging; p. 14)
98. Customer service is a part of the total retail experience.
(T; Challenging; pp. 14, 15)
99. Relationship retailing is a short-term approach.
(F; Challenging; p. 16)
100. The underlying principle of a strategic approach to the study of retailing is that a retail firm needs to plan and revise its plans continually in order to adapt to a changing environment.
(T; Moderate; p. 17)

Essay

101. Define the term "retailing."
(p. 3)
102. What are the reasons why nonbusiness majors such as pre-med or computer science students could benefit from a study of retailing?
(pp. 4-8)

Essay

103. Evaluate the implications of the sorting process from the perspectives of the manufacturer, the wholesaler, the retailer, and the consumer.
(pp. 6-7)
104. Describe how the sorting process would operate in an intensive channel of distribution.
(pp. 6-7)
105. Describe the divergent viewpoints of retailers and their suppliers.
(p. 8)
106. Discuss the impact of distribution intensity on channel power and potential channel conflict.
(p. 8)
107. Describe the special characteristics of retailing. What problems and unique opportunities are derived from these characteristics?
(pp. 8-10)
108. Apply the steps in strategic planning to a local car wash.
(p. 10)
109. Describe how a successful local merchant near campus has applied the retailing concept.
(p. 13)
110. Is it easier for a small retailer or a large retailer to apply the retailing concept? Explain your answer.
(p. 13)
111. Explain how a used car dealer can improve its customer service program through use of the principles of the total retail experience and relationship retailing.
(pp. 13-15)
112. Distinguish between a functional and strategic approach to the study of retailing.
(pp. 16-17)