
Instruction Hours/ week: L:4 T:0 P:0 Marks: Internal:40 External: 60 Total :100
End semester Exam: 3 Hours

Course Objective:

To make the student

1. To understand the concept of retailing, Retail market segmentation, Retail location, merchandising, Retail operations and retail pricing.
2. To communicate orally and in written for the understanding of retailing, retail market segmentation, retail location, merchandising, retail operations and retail pricing.
3. To apply the understanding of retailing, retail market segmentation, retail location, merchandising, retail operations and retail pricing in lifelong practise.

Course Outcome:

Learners should be able to

1. Understand the concept of retailing, retail market segmentation, retail location, merchandising, retail operations and retail pricing.
2. Communicate orally and in written form the understanding of retailing, retail market segmentation, retail location merchandising, retail operations and retail pricing.
3. Apply the understanding of retailing, retail market segmentation, retail location merchandising, retail operations and retail pricing in lifelong practice.
4. Demonstrate capabilities of analysing problems, teamwork and communication skills

Unit I Introduction

Introduction to Retailing, concept of retailing, Functions of retailing, Terms and Definitions, Retail formats and types, Retailing channels, Retail Industry in India, Importance of retailing, Changing trends in retailing

Unit II Retail Market Segmentation and Retail consumer

Retail Management segmentation and strategies: Market segmentation and its benefits, kinds of markets, Definition of Retail strategy, Strategy for effective market segmentation, strategies for penetration of new markets, Growth strategies, Retail value chain.

Understanding the retail consumer: Retail consumer behavior, factors influencing the retail consumer, customer decision making process, Types of decision making, Market research for understanding retail consumer

Unit III Retail Location and Retail space management

Retail Location Selection: Importance of Retail locations, Types of retail locations, Factors determining the location decision, steps involved in choosing a retail location, Measurement of success of location.

Retail Space management and marketing: Definition of space Management, Store layout and design, Visual merchandising, promotions strategy, relationship marketing strategies, CRM, Retail Marketing Mix, Retail communication Mix, POP Displays.

Unit IV Merchandise Management

Meaning of Merchandise, Factors influencing Merchandising, Functions of Merchandising manager, Merchandise planning, Merchandise buying, Analysis Merchandise performance.

Unit V Retail Operations, Retail Pricing and Emerging trends in retailing

Retail operations and retail pricing: store administration, premises management, inventory management, store management, receipt management, customer service, retail pricing, factors influencing retail pricing strategies, controlling costs.

Emerging trends in retailing: changing nature of retailing, organized retailing, Modern retail formats, E-tailing, challenges faced by the retail sector

SUGGESTED READINGS:

1. Gibson(2017) Retail management, 5th edition, pearson education, New Delhi.
2. Berman.B. and Evans J.R.Et al (2017) Retail Management. A strategic Approach, 13th edition, pearson education, New delhi.
3. Swapna Pradan(2017) Retailing management. Text and cases, 5th edition, Mc Graw Hill, New Delhi
4. Michel Levy, Barton Weitz, Ajay Padit (2017) Retailing management, 8th Edition, Mc Graw Hill, New Delhi
5. U C Mathur(2011), Retail Management, Text and Cases, IK international Publishing House Pvt. New Delhi

Unit – I

Introduction – Introduction to Retailing, concept of retailing, Functions of retailing, Terms and Definitions, Retail formats and types, Retailing channels, Retail Industry in India, Importance of retailing, Changing trends in retailing.

What is Retail?

Retailing includes all activities involved in selling goods or services to the final consumers for personal, non-business use.

– Phillip Kotler

Any organization that sells the products for consumption to the customers for their personal, family, or household use is in the occupation of retailing.

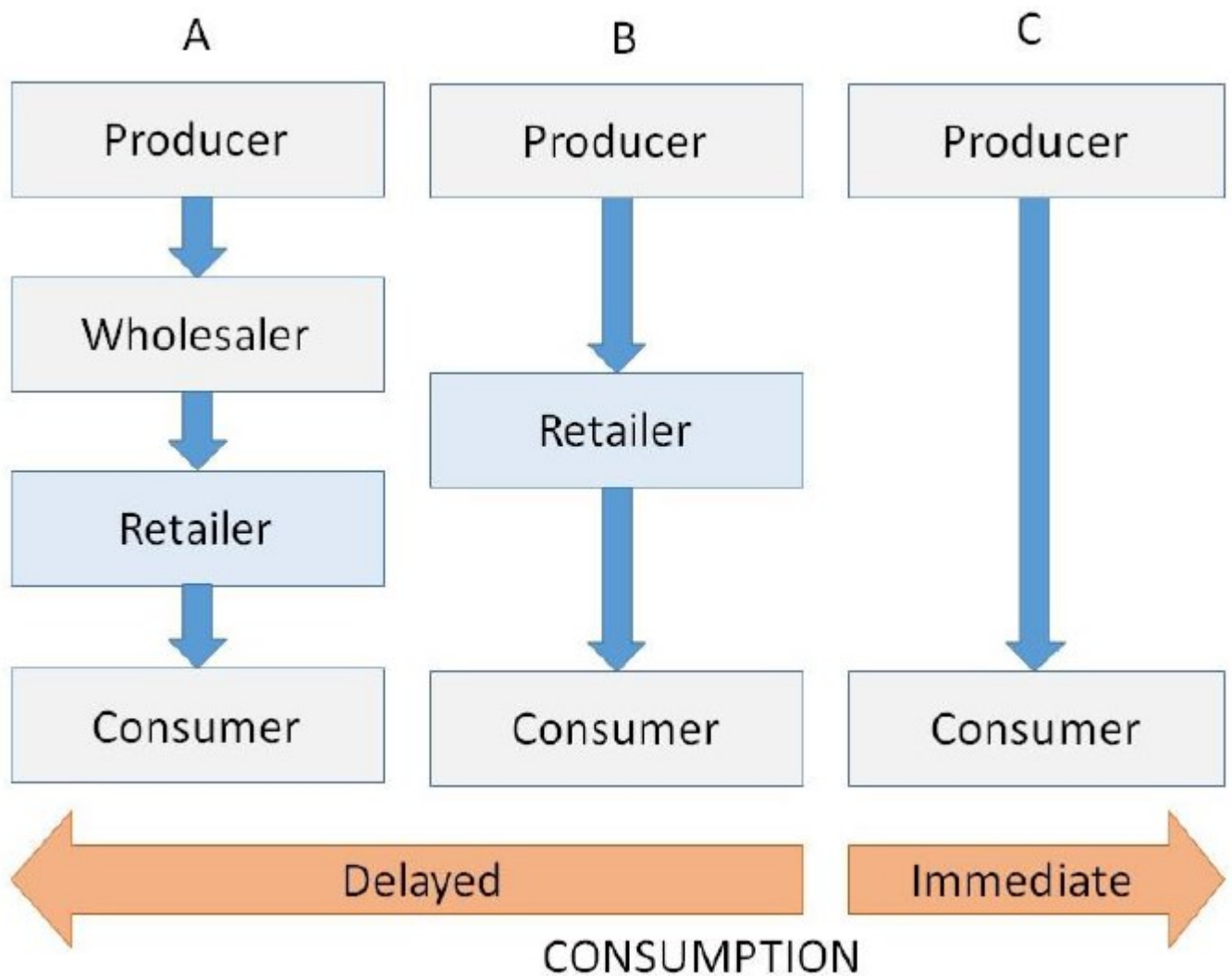
Functions of a Retailor

Retailor provides the goods that customer needs, in a desired form, at a required time and place.

- A retailer does not sell raw material. He sells finished goods or services in the **form** that customer wants.
- A retailer buys a wide range of products from different wholesalers and offers the best products under one roof. Thus, the retailer performs the function of both **buying** and **selling**.
- A retailer keeps the products or services within easy reach of the customer by making them available at appropriate **location**.

Retail in Marketing Channels

With industrialization and globalization, the distance between the manufacturer and the consumer has increased. Many times a product is manufactured in one country and sold in another. The levels of intermediaries involved in the marketing channel depends upon the level of service the consumer desires.

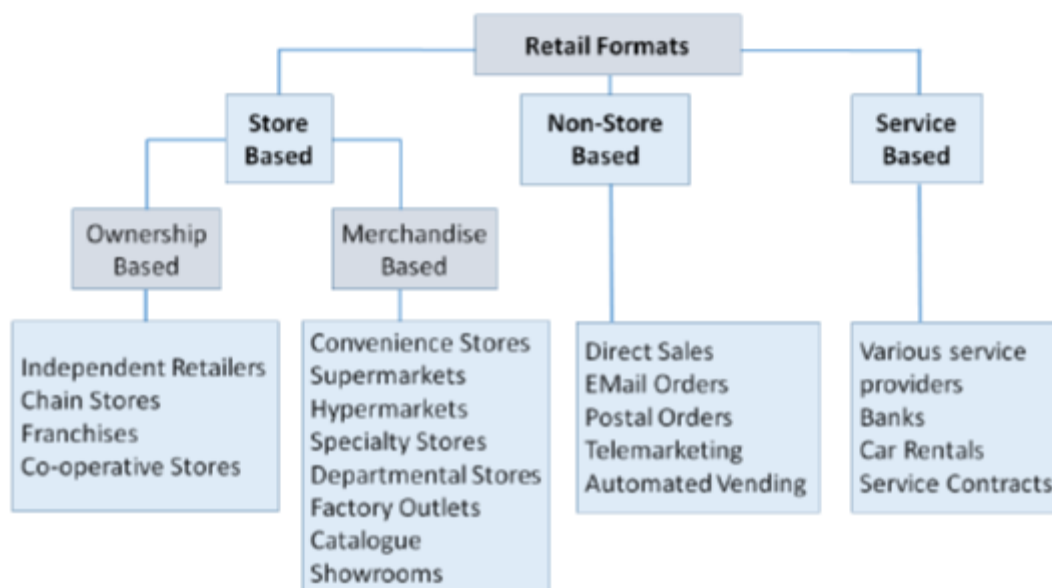


Type A and B – Retailers. For example, Pantaloons, Walmart.

Type C – Service Providers. For example, Eureka Forbes.

Classification of Retailing Formats

The retailing formats can be classified into following types as shown in the diagram –



Ownership Based Retailing

Let us see these retailers in detail –

- **Independent Retailers** – They own and run a single shop, and determine their policies independently. Their family members can help in business and the ownership of the unit can be passed from one generation to next. The biggest advantage is they can build personal rapport with consumers very easily. For example, stand-alone grocery shops, florists, stationery shops, book shops, etc.
- **Chain Stores** – When multiple outlets are under common ownership it is called a chain of stores. Chain stores offer and keep similar merchandise. They are spread over cities and regions. The advantage is, the stores can keep selected merchandise according to the consumers' preferences in a particular area. For example, Westside Stores, Shopper's Stop, etc.
- **Franchises** – These are stores that run business under an established brand name or a particular format by an agreement between franchiser and a franchisee. They can be of two types –
 - Business format. For example, Pizza Hut.
 - Product format. For example, Ice cream parlors of Amul.
- **Consumers Co-Operative Stores** – These are businesses owned and run by consumers with the aim of providing essentials at reasonable cost as compared to market rates. They have to be contemporary with the current business and political policies to keep the business healthy. For example, Sahakar Bhandar from India, Puget Consumers Food Co-Operative from north US, Dublin Food Co-Operative from Ireland.

Merchandise Based Retailing

Let us see these in detail –

- **Convenience Stores** – They are small stores generally located near residential premises, and are kept open till late night or 24x7. These stores offer basic essentials such as food, eggs, milk, toiletries, and groceries. They target consumers who want to make quick and easy purchases.

For example, mom-and-pop stores, stores located near petrol pumps, 7-Eleven from US, etc.

- **Supermarkets** – These are large stores with high volume and low profit margin. They target mass consumer and their selling area ranges from 8000 sq.ft. to 10,000 sq.ft. They offer fresh as well as preserved food items, toiletries, groceries and basic household items. Here, at least 70% selling space is reserved for food and grocery products.

For example, Food Bazar and Tesco.

- **Hypermarkets** – These are one-stop shopping retail stores with at least 3000 sq.ft. selling space, out of which 35% space is dedicated towards non-grocery products. They target consumers over large area, and often share space with restaurants and coffee shops. The hypermarket can spread over the space of 80,000 sq.ft. to 250,000 sq.ft. They offer exercise equipment, cycles, CD/DVDs, Books, Electronics equipment, etc.

For example, Big Bazar from India, Walmart from US.

- **Specialty Stores** – These retail stores offer a particular kind of merchandise such as home furnishing, domestic electronic appliances, computers and related products, etc. They also offer high level service and product information to consumers. They occupy at least 8000 sq.ft. selling space.

For example, Gautier Furniture and Croma from India, High & Mighty from UK.

- **Departmental Stores** – It is a multi-level, multi-product retail store spread across average size of 20,000 sq.ft. to 50,000 sq.ft. It offers selling space in the range of 10% to 70% for food, clothing, and household items.

For example, The Bombay Store, Ebony, Meena Bazar from India, Marks & Spencer from UK.

- **Factory Outlets** – These are retail stores which sell items that are produced in excess quantity at discounted price. These outlets are located in the close proximity of manufacturing units or in association with other factory outlets.

For example, Nike, Bombay Dyeing factory outlets.

- **Catalogue Showrooms** – These retail outlets keep catalogues of the products for the consumers to refer. The consumer needs to select the product, write its product code

and handover it to the clerk who then manages to provide the selected product from the company's warehouse.

For example, Argos from UK. India's retail HyperCity has joined hands with Argos to provide a catalogue of over 4000 best quality products in the categories of computers, home furnishing, electronics, cookware, fitness, etc.

Non-Store Based (Direct) Retailing

It is the form of retailing where the retailer is in direct contact with the consumer at the workplace or at home. The consumer becomes aware of the product via email or phone call from the retailer, or through an ad on the television, or Internet. The seller hosts a party for interacting with people. Then introduces and demonstrates the products, their utility, and benefits. Buying and selling happens at the same place. The consumer itself is a distributor.

For example, Amway and Herbalife multi-level marketing.

Non-Store based retailing includes non-personal contact based retailing such as –

- **Mail Orders/Postal Orders/E-Shopping** – The consumer can refer a product catalogue on internet and place order for purchasing the product via email/post.
- **Telemarketing** – The products are advertised on the television. The price, warranty, return policies, buying schemes, contact number etc. are described at the end of the Ad. The consumers can place order by calling the retailer's number. The retailer then delivers the product at the consumer's doorstep. For example, Asian Skyshop.
- **Automated Vending/Kiosks** – It is most convenient to the consumers and offers frequently purchased items round the clock, such as drinks, candies, chips, newspapers, etc.

The success of non-store based retailing hugely lies in timely delivery of appropriate product.

Service Based Retailing

These retailers provide various services to the end consumer. The services include banking, car rentals, electricity, and cooking gas container delivery.

The success of service based retailer lies in service quality, customization, differentiation and timeliness of service, technological upgradation, and consumer-oriented pricing.

Product Retailing versus Service Retailing

Product Retailing	Service Retailing
Quality and cost are prime factors in the	Timeliness and nature of people involved in service retailing are

success of product retailing.	crucial factors in the success.
Product retailer and consumer relationship is established only if the consumer frequently visits the outlet.	Service provider and customer relationship is established right from start.
Products can be stored in outlet while retailing.	Services are intangible hence cannot be stored while retailing.
Product retailing can be standardized.	Service retailing cannot be standardized as it highly depends upon the human entities involved.
In product retailing, the ownership of the purchased product can be transferred from owner to consumer after transaction.	In service retailing, there is no transfer of ownership. The consumer can only access the service.

Retail	Wholesale
The products are sold to the customers directly	The products are sold either to retailer for further selling or to the customer directly
Retailer sells the products by adding his own profit margin hence the cost of product increases	The cost of product sold at wholesale is always lesser than retail cost
Retail business generally does not have direct contact with the manufacturer	Wholesale business has a direct contact with the manufacturer
Retail business buys products from wholesaler in small quantities. Hence, there is always an upper hand to question the quality and discard	Wholesale businesses have to buy from the manufacturer in bulk. Hence if there is some issue with the quality of the product, they can

the damaged products	hardly complain
Retail has to work on attracting customers, managing selling space, employee's salaries, etc.	Wholesale business is not much engaged into such activities
Retail business earns lesser profit	Wholesale business earns more profit

Retail versus Wholesale

Retail Terminology

Here are some commonly used terms in Retail Management –

Consumerism	The organized-efforts by individuals, groups, and governments to protect consumers from policies and practices that infringe consumer rights.
Consumption	Using a product or a service for one's benefit in particular time; not for resale.
Customer Satisfaction	It is the degree at which the customer is pleased after purchasing and using a product or availing a service, and going to the same retailer or service provider.
Distribution	It is movement of products or services from manufacturer to end consumer through a channel.
Empowered Consumers	The consumers with access and knowledge of Internet, exploiting the power of digital technologies, and demanding products and services matching their personal preferences.
Inventory Shrinkage	Reduction of inventory due to theft by employees, customers, or by error from merchandise management at the time of receiving merchandise.

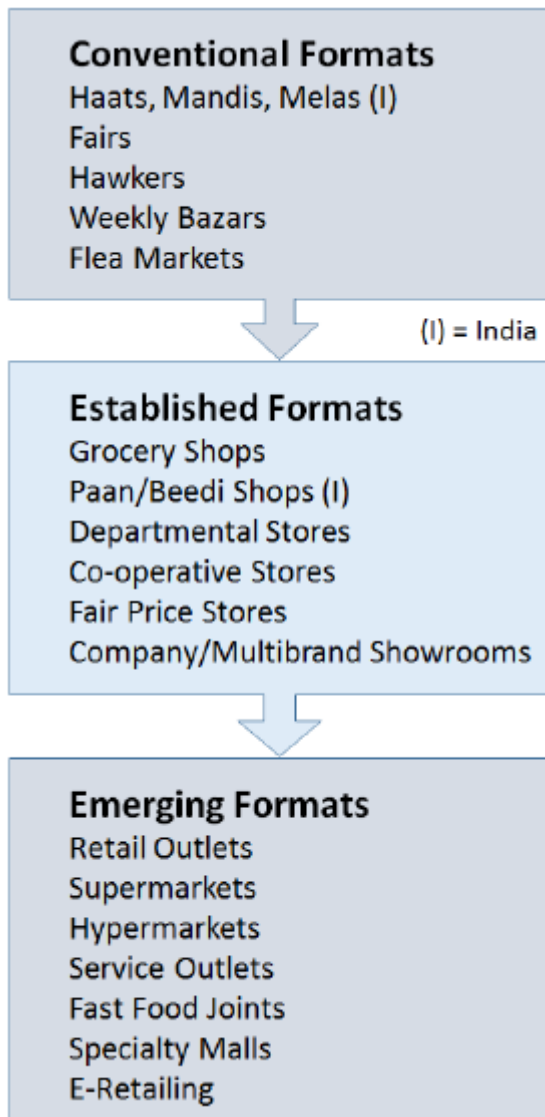
Logistics	It is planning, executing and controlling of the procurement and movement of material and resources on some beneficial purpose.
Markdown	Reduction in price.
Planogram	Predetermined layout of display to promote merchandise sale.
Procurement	It is the process of buying a product or a service. It involves various stages such as planning, researching supplier or service provider, negotiating price, placing order, making payment and availing the product or service.
Retail	Sale of products or services to end customer for consumption rather than resale.
Supply-Chain Management	It is the management of material and information flow in a chain from manufacturer to consumer for providing highest level of customer satisfaction at lowest possible price.
Switching Costs	The costs incurred by a consumer for switching from one supplier or marketplace to another.
Wholesale	The business of selling products of large quantity at lesser price to retailers or consumers.

Evolution of Retail

Though the barter system is considered as the oldest form of retailing, the traditional forms of retailing such as neighborhood stores, main-street stores and fairs still exist in the laid-back towns around the world. During post-war years in the US and Europe, small retailers reformed their shops into large organized stores, markets, and malls.

Retail evolution mainly took place in three stages –

- Conventional
- Established
- Emerging



Unit – II

Retail Management segmentation and strategies: Market segmentation and its benefits, kinds of markets, Definition of Retail strategy, Strategy for effective market segmentation, strategies for penetration of new markets, Growth strategies, Retail value chain.

Understanding the retail consumer: Retail consumer behavior, factors influencing the retail consumer, customer decision making process, Types of decision making, Market research for understanding retail consumer

What is a Market Segmentation?

It is a process by which the customers are divided into identifiable groups based on their product or service requirements. Market segmentation is very useful for the marketing force of the retail organization to create a custom marketing mix for specific groups.

For example, Venus is in the business of retailing organic vegetables. She would prefer to invest her money for advertising to reach out to working and health conscious people who have monthly income of more than say, \$10,000.

Market segmentation can also be conducted based on customer's gender, age, religion, nationality, culture, profession, and preferences.

Types of Retail Markets

There are two types of retails – Organized Retail and Unorganized Retail.

Organized Retail

Organized Retailing is a large retail chain of shops run with up-to-date technology, accounting transparency, supply chain management, and distribution systems.

Unorganized Retail

Unorganized Retailing is nothing but a small retail business conducted by an owner or a caretaker of the shop with no technological and accounting aids.

The following table highlights the points that differentiate organized retail from unorganized retail –

Parameter	Organized Retail	Unorganized Retail
Scale of Operations	Large	Small
Scope of Operations	Nationwide, Worldwide	Local
Employees	Professional, skilled, and trained	Unprofessional
Number of Stores	Chain of multiple stores	Maximum 2-3 outlets of the same owner within a city or across nearby cities
Ambience of Store	Pleasant, attractive	Lack of good ambience
Range of Products	Wide range of products across the nations	Only a range of local products
Shopping experience	Excellent, memorable, engaging	Average
Bargaining	Not possible. Pricing doesn't depend on relationship	Possible. Pricing varies according to personal rapport
Source of merchandise	Directly from manufacturer/producer	Mostly from wholesaler
Convenience of choosing products	Very high. Customer can walk around and choose the product	Very less
Examples	Walmart, HyperCity, Big Bazar	Standalone shops

What is Retail Strategy?

It is a plan designed by a retail organization on how the business intends to offer its products and services to the customers. There can be various strategies such as merchandise strategy, own-brand strategy, promotion strategy, to name a few.

A retail strategy includes identification of the following –

- The retailer's target market.
- Retail format the retailer works out to satisfy the target market's needs.
- Sustainable competitive advantage.

Strategies for Effective Market Segmentation

For effective market segmentation, the following two strategies are used by the marketing force of the organization –

Concentration (Niche) Strategy

Under this strategy, an organization focuses going after large share of only one or very few segment(s). This strategy provides a differential advantage over competing organizations which are not solely concentrating on one segment.

For example, Toyota employs this strategy by offering various models under hybrid vehicles market.

Multi-segment Strategy

Under this strategy, an organization focuses its marketing efforts on two or more distinct market segments.

For example, Johnson and Johnson offers healthcare products in the range of baby care, skin care, nutritionals, and vision care products segmented for the customers of all ages.

Strategies for Market Penetration

Market penetration strategies include the following –

Price Penetration

It is setting the price of the product or service lesser than that of the competitor's product or service. Due to decreased cost, volume may increase which can help to maintain a decent level of profit.

Aggressive Promotion

Increasing product or service promotion on TV, print media, radio channels, e-mails, pulls the customers and drives them to view and avail the product or service. By offering discounts, various buying schemes along with the added benefits can be useful in high market penetration.

High Product Distribution

By distributing the product or service up to the level of saturation helps penetration of market in a better way. For example, Coca Cola has a very high distribution and is available everywhere from small shops to hypermarkets.

Growth Strategies

If a retail organization conducts **SWOT Analysis** (Strength, Weakness, Opportunity, Threat) before considering growth strategies, it is helpful for analyzing the organization's current strategy and planning the growth strategy.

Ansoff's Matrix

An American planning expert named Igor Ansoff developed a strategic planning tool that presents four alternative growth strategies. On one dimension there are products and on the other is markets.

		Products	
		Existing	New
Markets	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

This matrix provides strategies for market growth. Here is the sequence of these strategies –

- **Market Penetration** – Company focuses on selling the existing products or services in the existing market for higher market share.
- **Market Development** – Company focuses on selling existing products or services to new markets or market segments.
- **Product Development** – Company works on innovations in existing products or developing new products for the existing market.
- **Diversification** – Company works on developing new products or services for new markets.

Consumer versus Customer

A **consumer** is a user of a product or a service whereas a **customer** is a buyer of the product or service. The customer decides what to buy and executes the deal of purchasing by paying and availing the product or service. The **consumer** uses the product or service for oneself.

For example, the customer of a pet food is not the consumer of the same. Also, if a mother in a supermarket is buying *Nestlé Milo* for her toddler son then she is a customer and her son is a consumer.



Identifying a Customer

It is sometimes difficult to understand who is actually a decision maker while purchasing when a customer enters the shop accompanying someone else. Thus everyone who enters the shop is considered as a customer. Still, it is necessary to identify composition and origin of the customers.

- **Composition of Customers** – It includes customers of various gender, age, economic and educational status, religion, nationality, and occupation.
- **Origin of Customer** – From where the customer comes to shop, how much the customer travels to reach the shop, and which type of area the customer lives in.
- **Objective of Customer** – Shopping or Buying? Shopping is visiting the shops with the intention of looking for new products and may or may not necessarily include buying. Buying means actually purchasing a product. What does the customer's body language depict?

Customer's Buying Behavior Patterns

The needs, tastes, and preferences of the consumer for whom the products are purchased drives the buying behavior of the customer. The pattern of customer's buying behavior can be categorized as –

Place of Purchase

Customers divide their place of purchase. Even if all the products they want are available at a shop, they prefer to visit various shops and compare them in terms of prices. When the customers have a choice of which shop to buy from, their loyalty does not remain permanent to a single shop.

Study of customer's place of purchase is important for selection of location, keeping appropriate merchandise, and selecting a distributor in close proximity.

Product Purchased

It pertains to what items and how many units of items the customer purchases. The customer purchases a product depending upon the following –

- Availability/Shortage of product
- Requirement/Choice of product
- Perishability of product
- Storage requirements
- Purchasing power of oneself

This category is important for producers, distributors, and retailers. Say, soaps, toothbrushes, potatoes, and apples are purchased by a large group of customers irrespective of their demographics but live lobsters, French grapes, avocados, baked beans, or beef are purchased by only a small number of customers with strong regional demarcation.

Similarly, the customers rarely purchase a single potato or a banana, like more than two watermelons at a time.

Time and Frequency of Purchase

Retailers need to keep their working time tuned with customer's availability. The time of purchase is influenced by –

- Weather
- Season
- Location of customer

The frequency of purchase mainly depends on the following factors –

- Type of commodity
- Degree of necessity involved
- Lifestyle of customers
- Festivals and customs
- Influence of the person accompanying the customer.

For example, Indian family man from intermediate income group would purchase a car not more than two times in his lifetime whereas a same-class customer from US may buy it more frequently. A tennis player would buy required stuff more frequently than a student learning tennis at a school.

Method of Purchase

It is the way a customer purchases. It involves factors such as –

- Is the customer purchasing alone or is accompanied by someone?
- How does the customer pay: by cash or by credit?
- What is the mode of travel for the customer?

Response to Sales Promotion Methods

The more the customer visits a retail shop, the more (s)he is exposed to the sales promotion methods. The use of sales promotional devices increases the number of shop visitors-turned-impulsive buyers.

The promotional methods include –

- **Displays** – Consumer products are packaged and displayed with aesthetics while on display. Shape, size, color, and decoration create appeal.
- **Demonstrations** – Consumers are influenced by giving away sample product or by showing how to use the product and its benefits.
- **Special pricing** – Unit's special price under some scheme or during festive season, coupons, contests, prizes, etc.
- **Sales talks** – It is verbal or printed advertisement conducted by the salesperson in the shop.

An urban customer, due to fast paced life would select easy-to-cook or ready-to-eat food over raw food material as compared to rural counterpart who comes from laid-back lifestyle and self-sufficiency in food items grown on farm.

It is found that the couples buy more items in a single transaction than a man or a woman shopping alone. Customers devote time for analyzing alternative products or services. Customers purchase required and perishable products quickly but when it comes to investing in consumer durables, (s)he tries to gather more information about the product.

Factors Influencing Retail Consumer

Understanding consumer behavior is critical for a retail business in order to create and develop effective marketing strategies and employ four Ps of marketing mix (Product, Price, Place, and Promotion) to generate high revenue in the long run.

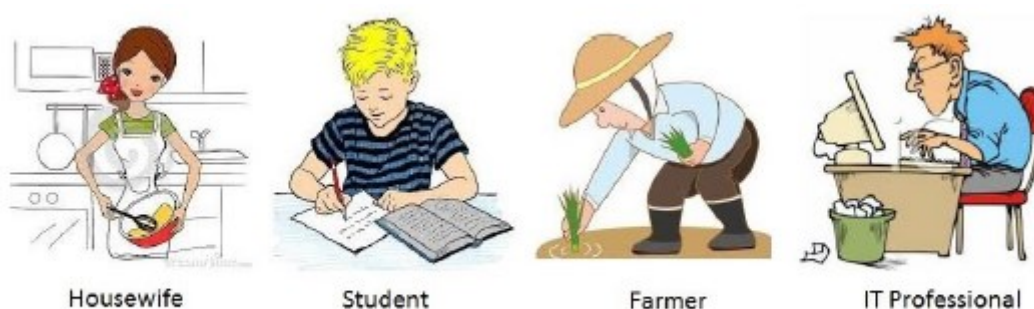
Here are some factors which directly influence consumer buying behavior –

Market Conditions/Recession

In a well-performing market, customers don't mind spending on comfort and luxuries. In contrast, during an economic crisis they tend to prioritize their requirements from basic needs to luxuries, in that order and focus only on what is absolutely essential to survive.

Cultural Background

Every child (a would-be-customer) acquires a personality, thought process, and attitude while growing up by learning, observing, and forming opinions, likes, and dislikes from its surrounding. Buying behavior differs in people depending on the various cultures they are brought up in and different demographics they come from.



Social Status

Social status is nothing but a position of the customer in the society. Generally, people form groups while interacting with each other for the satisfaction of their social needs.

These groups have prominent effects on the buying behavior. When customers buy with family members or friends, the chances are more that their choice is altered or biased under peer pressure for

the purpose of trying something new. Dominating people in the family can alter the choice or decision making of a submissive customer.

Income Levels

Consumers with high income has high self-respect and expects everything best when it comes to buying products or availing services. Consumers of this class don't generally think twice on cost if he is buying a good quality product.

On the other hand, low-income group consumers would prefer a low-cost substitute of the same product. For example, a professional earning handsome pay package would not hesitate to buy an iPhone6 but a taxi driver in India would buy a low-cost mobile.

Personal Elements

Here is how the personal elements change buying behavior –

Gender – Men and women differ in their perspective, objective, and habits while deciding what to buy and actually buying it. Researchers at Wharton's Jay H. Baker Retail Initiative and the Verde Group, studied men and women on shopping and found that men buy, while women shop. Women have an emotional attachment to shopping and for men it is a mission. Hence, men shop fast and women stay in the shop for a longer time. Men make faster decisions, women prefer to look for better deals even if they have decided on buying a particular product.

Wise retail managers set their marketing policies such that the four Ps are appealing to both the genders.

- **Age** – People belonging to different ages or stages of life cycles make different purchase decisions.
- **Occupation** – The occupational status changes the requirement of the products or services. For example, a person working as a small-scale farmer may not require a high-priced electronic gadget but an IT professional would need it.
- **Lifestyle** – Customers of different lifestyles choose different products within the same culture.
- **Nature** – Customers with high personal awareness, confidence, adaptability, and dominance are too choosy and take time while selecting a product but are quick in making a buying decision.

Psychological Elements

Psychological factors are a major influence in customer's buying behavior. Some of them are –

- **Motivation** – Customers often make purchase decisions by particular motives such as natural force of hunger, thirst, need of safety, to name a few.
- **Perception** – Customers form different perceptions about various products or services of the same category after using it. Hence perceptions of customer leads to biased buying decisions.
- **Learning** – Customers learn about new products or services in the market from various resources such as peers, advertisements, and Internet. Hence, learning largely affects their buying decisions. For example,

today's IT-age customer finds out the difference between two products' specifications, costs, durability, expected life, looks, etc., and then decides which one to buy.

- **Beliefs and Attitudes** – Beliefs and attitudes are important drivers of customer's buying decision.

Consumer's Decision Making Process

A customer goes through a number of stages as shown in the following figure before actually deciding to buy the product.

However, customers get to know about a product from each other. Smart retail managers therefore insist on recording customers' feedback upon using the product. They can use this information while interacting with the manufacturer on how to upgrade the product.



- Identifying one's need is the stimulating factor in buying decision. Here, the customer recognizes his need of buying a product. As far as satisfying a basic need such as hunger, thirst goes, the customer tends to decide quickly. But this step is important when the customer is buying consumer durables.
- In the next step, the customer tries to find out as much information as he can about the product.
- Further, the customer tries to seek the alternative products.
- Then, the customer selects the best product available as per choice and budget, and decides to buy the same.

Unit – III

Retail Location Selection: Importance of Retail locations, Types of retail locations, Factors determining the location decision, steps involved in choosing a retail location, Measurement of success of location.

Retail Space management and marketing: Definition of space Management, Store layout and design, Visual merchandising, promotions strategy, relationship marketing strategies, CRM, Retail Marketing Mix, Retail communication Mix, POP Displays.

Before visiting a mall or a shop, the first question that arises in consumers' mind is, "How far do I have to walk/drive?"

In populous cities such as Mumbai, Delhi, Tokyo, and Shanghai to name a few, consumers face rush-hour traffic jams or jams because of road structure. In such cases, to access a retail outlet to procure day-to-day needs becomes very difficult. It is very important for the consumers to have retail stores near where they stay.

Importance of Location in Retail Business

Retail store location is also an important factor for the marketing team to consider while setting retail marketing strategy. Here are some reasons –

- Business location is a unique factor which the competitors cannot imitate. Hence, it can give a strong competitive advantage.
- Selection of retail location is a long-term decision.
- It requires long-term capital investment.
- Good location is the key element for attracting customers to the outlet.
- A well-located store makes supply and distribution easier.
- Locations can help to change customers' buying habits.

Trade Area: Types of Business Locations

A **trade area** is an area where the retailer attracts customers. It is also called **catchment area**. There are three basic types of trade areas –

Solitary Sites

These are single, free standing shops/outlets, which are isolated from other retailers. They are positioned on roads or near other retailers or shopping centers. They are mainly used for food and non-food retailing, or as convenience shops. For example, kiosks, mom-and-pop stores (similar to *kirana* stores in India).



Advantages – Less occupancy cost, away from competition, less operation restrictions.

Disadvantages – No pedestrian traffic, low visibility.

Unplanned Shopping Areas

These are retail locations that have evolved over time and have multiple outlets in close proximity. They are further divided as –

- Central business districts such as traditional “downtown” areas in cities/towns.
- Secondary business districts in larger cities and main street or high street locations.
- Neighborhood districts.
- Locations along a street or motorway (Strip locations).



Advantages – High pedestrian traffic during business hours, high resident traffic, nearby transport hub.

Disadvantages – High security required, threat of shoplifting, Poor parking facilities.

Planned Shopping Areas

These are retail locations that are architecturally well-planned to provide a number of outlets preferably under a theme. These sites have large, key retail brand stores (also called “**anchor stores**”) and a few small stores to add diversity and elevate customers’ interest. There are various types of planned shopping centers such as neighborhood or strip/community centers, malls, lifestyle centers, specialty centers, outlet centers.



Advantages – High visibility, high customer traffic, excellent parking facilities.

Disadvantages – High security required, high cost of occupancy.

Factors Determining Retail Locations

The marketing team must analyze retail location with respect to the following issues –

- **Size of Catchment Area** – *Primary* (with 60 to 80% customers), *Secondary* (15 to 25% customers), and *Tertiary* (with remaining customers who shop occasionally).
- **Occupancy Costs** – Costs of lease/owning are different in different areas, property taxes, location maintenance costs.
- **Customer Traffic** – Number of customers visiting the location, number of private vehicles passing through the location, number of pedestrians visiting the location.
- **Restrictions Placed on Store Operations** – Restrictions on working hours, noise intensity during media promotion events.
- **Location Convenience** – Proximity to residential areas, proximity to public transport facility.

Steps to Choose the Right Retail Location

A retail company needs to follow the given steps for choosing the right location –



Step 1 - Analyze the market in terms of industry, product, and competitors – How old is the company in this business? How many similar businesses are there in this location? What the new location is supposed to provide: new products or new market? How far is the competitor's location from the company's prospective location?

Step 2 – Understand the Demographics – Literacy of customers in the prospective location, age groups, profession, income groups, lifestyles, religion.

Step 3 – Evaluate the Market Potential – Density of population in the prospective location, anticipation of competition impact, estimation of product demand, knowledge of laws and regulations in operations.

Step 4 - Identify Alternative Locations – Is there any other potential location? What is its cost of occupancy? Which factors can be compromised if there is a better location around?

Step 5 – Finalize the best and most suitable Location for the retail outlet.

Measuring the Success of Location

Once the retail outlet is opened at the selected location, it is important to keep track of how feasible was the choice of the location. To understand this, the retail company carries out two types of location assessments –

Macro Location Evaluation

It is conducted at a national level when the company wants to start a retail business internationally. Under this assessment, the following steps are carried out –

- Detailed external audit of the market by analyzing locations as macro environment such as political, social, economic, and technical.
- Most important factors are listed such as customer's level of spending, degree of competition, Personal Disposable Income (PDI), availability of locations, etc., and minimum acceptable level for each factor is defined and the countries are ranked.
- The same factors listed above are considered for local regions within the selected countries to find a reliable location.

Micro Location Evaluation

At this level of evaluation, the location is assessed against four factors namely –

- **Population** – Desirable number of suitable customers who will shop.

- **Infrastructure** – The degree to which the store is accessible to the potential customers.
- **Store Outlet** – Identifying the level of competing stores (those which decrease attractiveness of a location) as well as complementary stores (which increase attractiveness of a location).
- **Cost** – Costs of development and operation. High startup and ongoing costs affect the performance of retail business.

Space management is one of the crucial challenges faced by today's retail managers. A well-organized shopping place increases productivity of inventory, enhances customers' shopping experience, reduces operating costs, and increases financial performance of the retail store. It also elevates the chances of customer loyalty.

Let us see, how space management is important and how retailers manage it.

What is Space Management?

It is the process of managing the floor space adequately to facilitate the customers and to increase the sale. Since store space is a limited resource, it needs to be used wisely.

Space management is very crucial in retail as the sales volume and gross profitability depends on the amount of space used to generate those sales.

Optimum Space Use

While allocating the space to various products, the managers need to consider the following points –

- **Product Category** –
 - **Profit builders** – High profit margins-low sales products. Allocate quality space rather than quantity.
 - **Star performers** – Products exceeding sales and profit margins. Allocate large amount of quality space.
 - **Space wasters** – Low sales-low profit margins products. Put them at the top or bottom of shelves.
 - **Traffic builders** – High sales-low profit margins products. These products need to be displayed close to impulse products.
- Size, shape, and weight of the product.
- Product adjacencies – It means which products can coexist on display?
- Product life on the shelf.

Retail Floor Space

Here are the steps to take into consideration for using floor space effectively –

- Measure the total area of space available.
- Divide this area into selling and non-selling areas such as aisle, storage, promotional displays, customer support cell, (trial rooms in case of clothing retail) and billing counters.
- Create a **Planogram**, a pictorial diagram that depicts how and where to place specific retail products on shelves or displays in order to increase customer purchases.
- Allocate the selling space to each product category. Determine the amount of space for a particular category by considering historical and forecasted sales data. Determine the space for billing counter by referring historical customer volume data. In case of clothing retail, allocate a separate space for trial rooms that is near the product display but away from the billing area.
- Determine the location of the product categories within the space. This helps the customers to locate the required product easily.
- Decide product adjacencies logically. This facilitates multiple product purchase. For example, pasta sauces and spices are kept near raw pasta packets.
- Make use of irregular shaped corner space wisely. Some products such as domestic cleaning devices or garden furniture can stand in a corner.
- Allocate space for promotional displays and schemes facing towards road to notify and attract the customers. Use glass walls or doors wisely for promotion.

Store Layout and Design

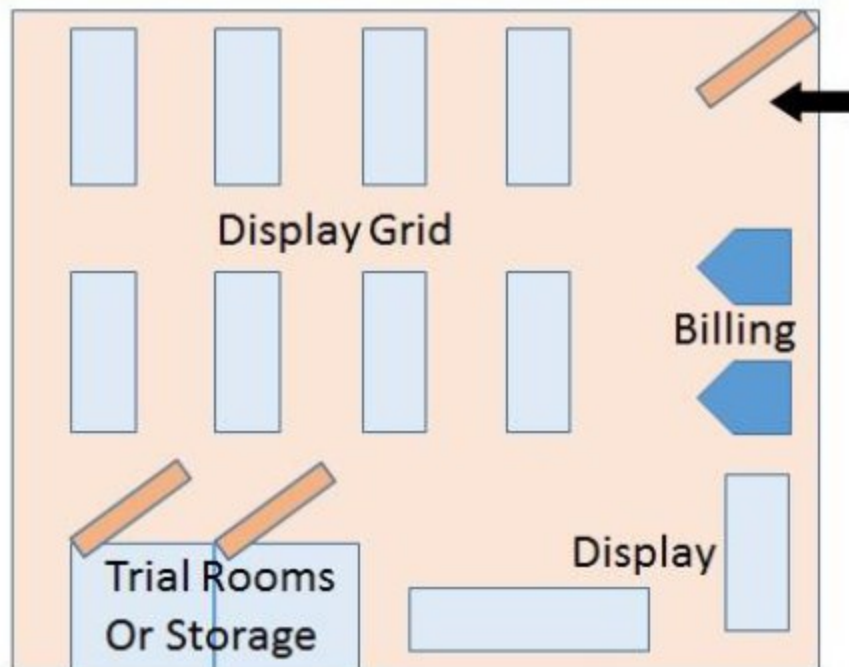
Customer buying behavior is an important point of consideration while designing store layout. The objectives of store layout and design are –

- It should attract customers.
- It should help the customers to locate the products effortlessly.
- It should help the customers spend longer time in the store.
- It should motivate customers to make unplanned, impulsive purchases.
- It should influence the customers' buying behavior.

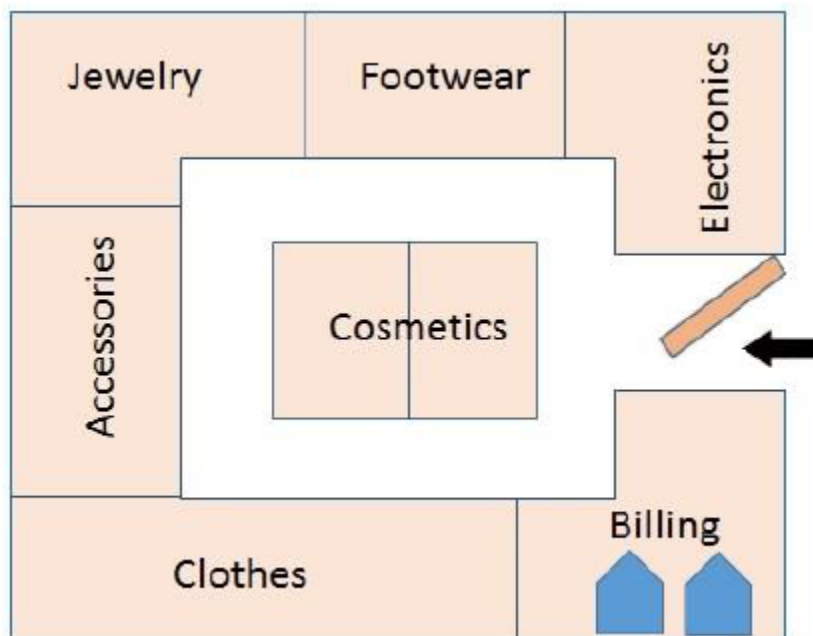
Store Layout Formats

The retail store layouts are designed in way to use the space efficiently. There are broadly three popular layouts for retail stores –

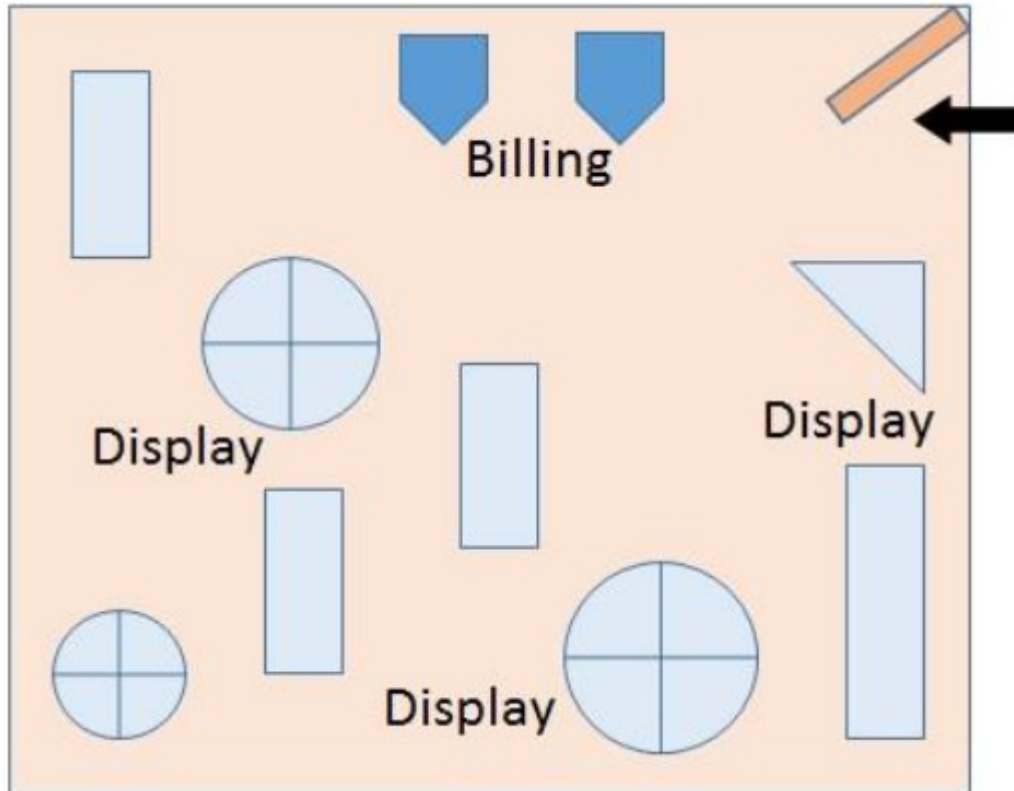
Grid Layout – Mainly used in grocery stores.



Loop Layout – Used in malls and departmental stores.



Free Layout – Followed mainly in luxury retail or fashion stores.



Store Design

Both internal and external factors matter when it comes to store design.

Interior Design

The store interior is the area where customers actually look for products and make purchases. It directly contributes to influence customer decision making. It includes the following –

- Clear and adequate walking space, separate from product display area.
- Free standing displays: Fixtures, rotary displays, or mannequins installed to attract customers' attention and bring them to the store.
- End caps: These displays at the end of the aisles can be used to display promotional offers.
- Windows and doors can provide visual messages about merchandise on sale.
- Proper lighting at the product display. For example, jewelry retail needs more acute lighting.
- Relevant signage with readable typefaces and limited text for product categories, for promotional schemes, and at Point of Sale (POS) that guides customers' decision-making process. It can also include hanging signage for enhancing visibility.

- Sitting area for a few differently abled people or senior citizens.

Exterior Design

This area outside the store is as much important as the interior of the store. It communicates with the customer on who the retailer is and what it stands for. The exterior includes –

- Name of the store, which tells the world that it exists. It can be a plain painted board or as fancy as an aesthetically designed digital board of the outlet.
- The store entrance: Standard or automatic, glass, wood, or metal? Width of the entrance.
- The cleanliness of the area around the store.
- The aesthetics used to draw the customers inside the store.

Unit – IV

Merchandise Management: Meaning of Merchandise, Factors influencing Merchandising, Functions of Merchandising manager, Merchandise planning, Merchandise buying, Analysis Merchandise performance.

In the fierce competition of retail, it is very crucial to attract new customers and to keep the existing customers happy by offering them excellent service. Merchandising helps in achieving far more than just sales can achieve.

Merchandising is critical for a retail business. The retail managers must employ their skills and tools to streamline the merchandising process as smooth as possible.

What is Merchandising?

Merchandising is the sequence of various activities performed by the retailer such as planning, buying, and selling of products to the customers for their use. It is an integral part of handling store operations and e-commerce of retailing.

Merchandising presents the products in retail environment to influence the customer's buying decision.

Types of Merchandise

There are two basic types of merchandise –

Staple Merchandise	Fashion Merchandise
It has predictable demand	It has unpredictable demand
History of past sales is available	Limited past sales history is available
It provides relatively accurate forecasts	It is difficult to forecast sales

Factors Influencing Merchandising

The following factors influence retail merchandising:

Size of the Retail Operations

This includes issues such as how large is the retail business? What is the demographic scope of business: local, national, or international? What is the scope of operations: direct, online with multilingual option, television, telephonic? How large is the storage space? What is the daily number of customers the business is required to serve?

Shopping Options

Today's customers have various shopping channels such as in-store, via electronic media such as Internet, television, or telephone, catalogue reference, to name a few. Every option demands different sets of merchandising tasks and experts.

Separation of Portfolios

Depending on the size of retail business, there are workforces for handling each stage of merchandising from planning, buying, and selling the product or service. The small retailers might employ a couple of persons to execute all duties of merchandising.

Functions of a Merchandising Manager

A merchandising manager is typically responsible to –

- Lead the merchandising team.
- Ensure the merchandising process is smooth and timely.
- Coordinate and communicate with suppliers.
- Participate in budgeting, setting and meeting sales goals.
- Train the employees in the team.

Merchandise Planning

Merchandise planning is a strategic process in order to increase profits. This includes long-term planning of setting sales goals, margin goals, and stocks.

Step 1 - Define merchandise policy. Get a bird's eye view of existing and potential customers, retail store image, merchandise quality and customer service levels, marketing approach, and finally desired sales and profits.

Step 2 – Collect historical information. Gather data about any carry-forward inventory, total merchandise purchases and sales figures.

Step 3 – Identify Components of Planning.

- **Customers** – Loyal customers, their buying behavior and spending power.

- **Departments** – What departments are there in the retail business, their subclasses?
- **Vendors** – Who delivered the right product on time? Who gave discounts? Vendor's overall performance with the business.
- **Current Trends** – Finding trend information from sources including trade publications, merchandise suppliers, competition, other stores located in foreign lands, and from own experience.
- **Advertising** – Pairing buying and advertising activities together, idea about last successful promotions, budget allocation for Ads.

Step 4 – Create a long-term plan. Analyze historical information, predict forecast of sales, and create a long-term plan, say for six months.

Merchandise Buying

This activity includes the following –

- **Step 1 - Collect Information** – Gather information on consumer demand, current trends, and market requirements. It can be received internally from employees, feedback/complaint boxes, demand slips, or externally by vendors, suppliers, competitors, or via the Internet.
- **Step 2 - Determine Merchandise Sources** – Know who all can satisfy the demand: vendors, suppliers, and producers. Compare them on the basis of prices, timeliness, guarantee/warranty offerings, payment terms, and performance and selecting the best feasible resource(s).
- **Step 3 - Evaluate the Merchandise Items** – By going through sample products, or the complete lot of products, assess the products for quality.
- **Step 4 - Negotiate the Prices** – Realize a good deal of purchase by negotiating prices for bulk purchase.
- **Step 5 - Finalize the Purchase** – Finalizing the product prices and buying the merchandise by executing buying transaction.
- **Step 6 - Handle and Store the Merchandise** – Deciding on how the vendor will deliver the products, examining product packing, acquiring the product, and stocking a part of products in the storehouse.
- **Step 7 - Record the Buying Figures** – Recording details of transactions, number of unit pieces of products according to product categories and sub-classes, and respective unit prices in the inventory management system of the retail business.

Vendor Relations

Cordial relationship with the vendor can be a great asset for the business. A strong rapport with vendors can lead to –

- Purchasing products when required and paying the vendor for it later according to credit terms.
- Getting the latest new products in the market at discount prices or before other retailers can sell them.

- Having a great service of delivery, timeliness of delivery, returning faulty products with exchange, etc.

Merchandise Performance

The following methods are commonly practiced to analyze merchandise performance –

ABC Analysis

It is a process of inventory classification in which the total inventory is classified into three categories –

- **A – Extremely Important Items** – Very crucial inventory control on order scheduling, safety, prompt inspection, consumption pattern, stock balance, refill demands.
- **B – Moderately Important Items** – Average attention is paid to them.
- **C – Less important Items** – Inventory control is completely stress free.

This approach of segregation gives importance to each item in the inventory. For example, the telescope retailing company might be having small market share but each telescope is an expensive item in its inventory. This way, a company can decide its investment policy in particular items.

Sell-Through Analysis

In this method, the actual sales and forecast sales are compared and the difference is analyzed to determine whether to apply markdown or to place a fresh request for additional merchandise to satisfy current demand.

This method is very helpful in evaluating fashion merchandise performance.

Multi-Attribute Method

This method is based on the concept that the customers consider a retailer or a product as a set of features and attributes. It is used to analyze various alternatives available with regard to vendors and select the best one, which satisfies the store requirements.

CLASS: II MBA

COURSE NAME: RETAIL MANAGEMENT

COURSE CODE: 19MBAPM303C

UNIT: V (Retail Operations, Retail Pricing and Emerging trends in retailing)

BATCH-2018-20

Unit – V

Retail Operations, Retail Pricing and Emerging trends in retailing

Retail operations and retail pricing: store administration, premises management, inventory management, store management, receipt management, customer service, retail pricing, factors influencing retail pricing strategies, controlling costs.

Emerging trends in retailing: changing nature of retailing, organized retailing, Modern retail formats, E-tailing, challenges faced by the retail sector

The retail business operations include all the activities that the employers perform to keep the store functioning smoothly. The shopping experience of a customer is planned before the customer enters, shops, and leaves the store with a smile or with agony by carrying a perception about the store. This experience drives the customer's decision of visiting the store in future.

Let us see, what efforts retail business operations executives put in to make the shopping experience memorable for the customer.

Store Management

The retail store being the fundamental source of revenue and the place of customer interaction, is vital to the retailer.

The store manager may not himself perform, but is responsible for the following duties –

- Maintaining cleanliness in the store.
- Ensuring adequate stock of merchandise in the store.
- Appropriate planning, scheduling, and organization of staff, inventory and expenses, for short and long-term success.
- Monitoring the loss and taking preventive measures to protect the company's assets and products in the store.
- Upgrading store to reflect high profitable image.
- Communicating with head office/regional office when required.
- Conducting constructive meetings with staff to boost their morale and motivate the staff to achieve sales goals.
- Communicating with customers to identify their needs, grievances, and complaints.

CLASS: II MBA

COURSE NAME: RETAIL MANAGEMENT

COURSE CODE: 19MBAPM303C

UNIT: V (Retail Operations, Retail Pricing and Emerging trends in retailing)

BATCH-2018-20

- Ensuring that the store is in compliance with employment laws regarding salary, work hours, and equal employment opportunities.
- Writing performance appraisals for assisting staff.

The store manager ensures that these duties are performed according to the guidelines set by the company.

Premises Management

The store premises are as important as the retail store itself. Managing premises includes the following tasks –

Determining Working Hours of Store. It majorly depends upon the target audience, retailed products, and store location.

For example, a grocery store near residential area should open earlier than a fashion store. Also, a solitary store can be open as long as the owner wants to but a store in a mall has to adhere to working hours set by the mall management.

Managing Store Security. It helps avoiding inventory shrinkage. It depends upon the size of store, the product, and the location of store. Some retailers attach electronic tags on products, which are sensed at store entrance and exits by sensors for theft detection. Some stores install video cameras to monitor movement and some provide separate entry and exit for personnel so that they can be checked.



For example, a large departmental store needs high security than the grocery store located near residential area.

Here are some basic formulae used while managing premises –

Transaction per Hour = No. of Transactions/Number of Hours

CLASS: II MBA

COURSE NAME: RETAIL MANAGEMENT

COURSE CODE: 19MBAPM303C

UNIT: V (Retail Operations, Retail Pricing and Emerging trends in retailing)

BATCH-2018-20

The retailer keeps track of the number of transactions per hour, which helps in determining store hours and staff scheduling.

$\text{Sales per Transaction} = \text{Net Sales} / \text{Number of Transactions}$

The result gives the value of the average sales and net return, which is used to study sales trends over time.

$\text{Hourly Customer Traffic} = \text{Customer Traffic In} / \text{Number of Hours}$

This measure is used to track total number of customer traffic per unit time. It is then applied to schedule hours and determine staff strength.

Inventory Management

Merchandise manager, category manager, and other staff handle the inventory. It includes the following tasks –

- Receiving products from the vendor.
- Recording inward entry of the products.
- Checking the products against quality norms laid by the retail company and for details such as colors, sizes, and styles. In case of large stores, this task is automated to a large extent.
- Separating and documenting the faulty or damaged products for returning.
- Displaying the products appropriately to gain customers' attention. Heavy products are kept at the lower level. Most accessed products are kept at the eye-level and the less accessed products are kept at high level of shelves. On-the-fly-purchased products such as chocolates, candies, etc. are placed near payment counters.

Here are some formulae used for inventory control –

$\text{Inventory Turnover Rate} = \text{Net Sales} / \text{Average Retail Value of Inventory}$

It is expressed in number of times and indicates how often the inventory is sold and replaced during a given period of time.

$\text{Cost of Goods Sold} / \text{Average Value of Inventory at Cost}$

When either of these ratio declines, there is a possibility that inventory is excessive.

$\% \text{ Inventory Carrying Cost} = (\text{Inventory Carrying Cost} / \text{Net Sales}) * 100$

This measure has gained importance due to rise in inventory carrying cost because of high interest rates. This prevents blockage of working capital.

$\text{Gross Margin Return on Inventory (GMROI)} = \text{Gross Margin} / \text{Average Value of Inventory}$

The GMROI compares the margin on sales on the original cost value of merchandise to yield a return on merchandise investment.

Receipt Management

Managing receipt is nothing but determining the manner in which the retailer is going to get the payment for the sold products. The basic modes of receipt are –

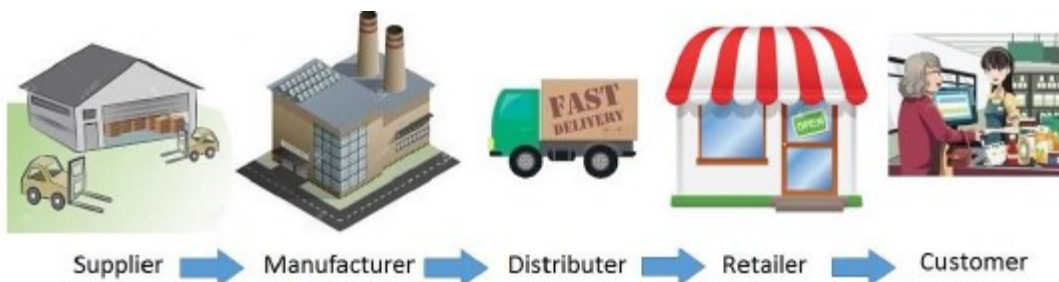
- Cash
- Credit card
- Debit card
- Gift card

Large stores have the facility of paying by the modes listed above but small retailers generally prefer accepting cash. The retailer pays card fees depending upon the volume of transactions with the suppliers, manufacturers, or producers.

The staff responsible for accepting payment needs to clearly understand the procedure for accepting payment by cards and collecting the amount from the bank.

Supply Chain Management and Logistics

Supply Chain Management (SCM) is the management of materials, information, and finances while they move from manufacturer to wholesaler to retailer to consumer. It involves the activities of coordinating and integrating these flows within and out of a retail business.



Most supply chains operate in collaboration if the suppliers and retail businesses are dealing with each other for a long time. Retailers depend upon supply chain members to a great extent. If the retailers develop a strong partnership with supply chain members, it can be beneficial for suppliers to create seamless procedures, which are difficult to imitate.

Customer Service

The top management of a retail business decides the customer service policy. The entire retail store staff is trained for customer service. Each employer in the retail store ensures that

CLASS: II MBA

COURSE NAME: RETAIL MANAGEMENT

COURSE CODE: 19MBAPM303C

UNIT: V (Retail Operations, Retail Pricing and Emerging trends in retailing)

BATCH-2018-20

the service starts with smile and the interacting customer is comfortable and has a pleasant shopping experience.

The promptness and politeness of the retail store staff, their knowledge about the product and language, ability to overcome challenges, and rapidness at the billing counter; everything is noted by the customer. These aspects build a great deal of customer's perception about the store.

Many retail stores train staff members to handle the cash counter. They have also introduced a concept of express billing where customers buying less than 10 products can bill faster without having to stand in the regular payment queue.

During festivals and markdown periods, the trend of shopping increases.

Customer Conversion Ratio = (Number of Transactions/Customer Traffic) * 100

The result is the retailer's ability to turn a potential customer into a buyer. It is also called "walk to buy ratio". Low results mean that promotional activities are not being converted into sales and the overall sales efforts need to be assessed afresh.

We as customers, often get to read advertisements from various retailers saying, "Quality product for right price!" This leads to following questions such as what is the right price and who sets it? What are the factors and strategies that determine the price for what we buy?

The core capability of the retailers lies in pricing the products or services in a right manner to keep the customers happy, recover investment for production, and to generate revenue.

What is Retail Pricing?

The price at which the product is sold to the end customer is called the retail price of the product. Retail price is the summation of the manufacturing cost and all the costs that retailers incur at the time of charging the customer.

Factors Influencing Retail Prices

Retail prices are affected by internal and external factors.

Internal Factors

Internal factors that influence retail prices include the following –

- **Manufacturing Cost** – The retail company considers both, fixed and variable costs of manufacturing the product. The fixed costs does not vary depending upon the production volume. For example, property tax. The variable costs include varying costs of raw material and costs depending upon volume of production. For example, labor.
- **The Predetermined Objectives** – The objective of the retail company varies with time and market situations. If the objective is to increase return on investment, then the company may

CLASS: II MBA

COURSE NAME: RETAIL MANAGEMENT

COURSE CODE: 19MBAPM303C

UNIT: V (Retail Operations, Retail Pricing and Emerging trends in retailing)

BATCH-2018-20

charge a higher price. If the objective is to increase market share, then it may charge a lower price.

- **Image of the Firm** – The retail company may consider its own image in the market. For example, companies with large goodwill such as Procter & Gamble can demand a higher price for their products.
- **Product Status** – The stage at which the product is in its product life cycle determines its price. At the time of introducing the product in the market, the company may charge lower price for it to attract new customers. When the product is accepted and established in the market, the company increases the price.
- **Promotional Activity** – If the company is spending high cost on advertising and sales promotion, then it keeps product price high in order to recover the cost of investments.

External Factors

External prices that influence retail prices include the following –

- **Competition** – In case of high competition, the prices may be set low to face the competition effectively, and if there is less competition, the prices may be kept high.
- **Buying Power of Consumers** – The sensitivity of the customer towards price variation and purchasing power of the customer contribute to setting price.
- **Government Policies** – Government rules and regulation about manufacturing and announcement of administered prices can increase the price of product.
- **Market Conditions** – If market is under recession, the consumers buying pattern changes. To modify their buying behavior, the product prices are set less.
- **Levels of Channels Involved** – The retailer has to consider number of channels involved from manufacturing to retail and their expectations. The deeper the level of channels, the higher would be the product prices.

Demand-Oriented Pricing Strategy

The price charged is high if there is high demand for the product and low if the demand is low. The methods employed while pricing the product on the basis of demand are –

- **Price Skimming** – Initially the product is charged at a high price that the customer is willing to pay and then it decreases gradually with time.
- **Odd Even Pricing** – The customers perceive prices like 99.99, 11.49 to be cheaper than 100.
- **Penetration Pricing** – Price is reduced to compete with other similar products to allow more customer penetration.
- **Prestige Pricing** – Pricing is done to convey quality of the product.
- **Price Bundling** – The offer of additional product or service is combined with the main product, together with special price.

Cost-Oriented Pricing Strategy

A method of determining prices that takes a retail company's profit objectives and production costs into account. These methods include the following –

Cost plus Pricing – The company sets prices little above the manufacturing cost. For example, if the cost of a product is Rs. 600 per unit and the marketer expects 10 per cent profit, then the selling price is set to Rs. 660.

Mark-up Pricing – The mark-ups are calculated as a percentage of the selling price and not as a percentage of the cost price.

The formula used to determine the selling price is –

Selling Price = Average unit cost/Selling price

Break-even Pricing – The retail company determines the level of sales needed to cover all the relevant fixed and variable costs. They break-even when there is neither profit nor loss.

For example, Fixed cost = Rs. 2, 00,000, Variable cost per unit = Rs. 15, and Selling price = Rs. 20.

In this case, the company needs to sell $(2,00,000 / (20-15)) = 40,000$ units to break even the fixed cost. Hence, the company may plan to sell at least 40,000 units to be profitable. If it is not possible, then it has to increase the selling price.

The following formula is used to calculate the break-even point –

Contribution = Selling price – Variable cost per unit

Target Return Pricing – The retail company sets prices in order to achieve a particular Return On Investment (ROI).

This can be calculated using the following formula –

Target return price = Total costs + (Desired % ROI investment)/Total sales in units

For example, Total investment = Rs. 10,000,

Desired ROI = 20 per cent,

Total cost = Rs.5000, and

Total expected sales = 1,000 units

Then the target return price will be Rs. 7 per unit as shown below –

Target Return Price = $(5000 + (20\% * 10,000)) / 1000 = Rs. 7$

This method ensures that the price exceeds all costs and contributes to profit.

Early Cash Recovery Pricing – When market forecasts depict short life, it is essential for the price sensitive product segments such as fashion and technology to recover the

CLASS: II MBA

COURSE NAME: RETAIL MANAGEMENT

COURSE CODE: 19MBAPM303C

UNIT: V (Retail Operations, Retail Pricing and Emerging trends in retailing)

BATCH-2018-20

investment. Sometimes the company anticipates the entry of a larger company in the market. In these cases, the companies price their products to shorten the risks and maximize short-term profit.

Competition-Oriented Pricing Strategy

When a retail company sets the prices for its product depending on how much the competitor is charging for a similar product, it is competition-oriented pricing.

- **Competitor's Parity** – The retail company may set the price as close as the giant competitor in the market.
- **Discount Pricing** – A product is priced at low cost if it is lacking some feature than the competitor's product.

Differential Pricing Strategy

The company may charge different prices for the same product or service.

- **Customer Segment Pricing** – The price is charged differently for customers from different customer segments. For example, customers who purchase online may be charged less as the cost of service is low for the segment of online customers.
- **Time Pricing** – The retailer charges price depending upon time, season, occasions, etc. For example, many resorts charge more for their vacation packages depending on the time of year.
- **Location Pricing** – The retailer charges the price depending on where the customer is located. For example, front-row seats of a drama theater are charged high price than rear-row seats.

In today's era, the places in the cities have become congested, infrastructure has changed, transport facilities have increased, and the speed of exchanging information has become extremely fast. Retailers are adopting new technology. Society is changing, consumers are changing and so are the retailers. Retailing has managed to keep itself paced with the changing times.

Changing Nature of Retailing

Retailers are changing their business formats, store designs, modes of communication with customers and ways of handling commercial dealings.

- Modern retailers are adapting new technology for marketing, retail operations, and business transactions.
- Forward-thinking retailers are using social media to communicate with the consumers.
- With the space crunch, modern retailers have learnt how to use every inch of the floor constructively.

CLASS: II MBA

COURSE NAME: RETAIL MANAGEMENT

COURSE CODE: 19MBAPM303C

UNIT: V (Retail Operations, Retail Pricing and Emerging trends in retailing)

BATCH-2018-20

- Apart from opening online retail store, the retailers take the help of **Augmented Reality** such as 3D mock-ups to let the customer try the products on themselves.
- Retailers are working progressively on delivery of orders that customers placed through online shopping.
- Retailers are bringing something new now and then to charm the customers. Those places where internet is still not accessible, retailers are exploiting the power of mobile phones to advertise their products.

Modern Retail Formats

Today, the Internet has changed the way products are advertised and the manner of selling-buying transactions.

Here are some modern innovations in retail –

- Modern retail businesses such as malls, specialty stores, and hypermarkets are using micro development and contemporary technology to increase customers' shopping experience and in turn generate business revenue.
- Around the year 2000, online retail startups started changing the face of retail businesses around the world.
- Social media websites such as Facebook changed consumer behavior as well as made retailers sweat out to take the benefits and develop their brands.
- Modern e-commerce facilities enable faster transactions and allow purchase on a simple 30-day credit facility.

E-Tailing

It is nothing but E-Retailing. It is the process of selling or purchasing the products using Internet for B2B or B2C transactions. E-tailing process includes the customer's visit to the website, purchasing products by choosing a mode of payment, product delivery by the retailer and finally, the customer's review or feedback.



CLASS: II MBA

COURSE NAME: RETAIL MANAGEMENT

COURSE CODE: 19MBAPM303C

UNIT: V (Retail Operations, Retail Pricing and Emerging trends in retailing)

BATCH-2018-20

E-tailing Benefits

- It does not require floor space to display products.
- It allows the customer having internet access to shop any time, any place
- It saves time of the customer otherwise spent travelling to a shopping place in the real world.
- It creates a platform for products from around the world, which are imported by the e-tailer when the customer places an order.

Question	Option A	Option B	Option C	Option D	Answer
Which of the following activities does <u>not</u> fit within the scope of retailing?	medical services to families	direct-to-home sales	vending purchases by factory workers	sales to wholesalers	sales to wholesalers
Which statement concerning retailing is correct?	Retailing activities must involve a store.	Retailing activities do not have to include a retailer.	Retailing activities cannot be performed by a wholesaler.	Retailing activities involve goods, not services.	Retailing activities do not have to include a retailer.
The channel of distribution consists of _____.	the movement of goods and services from manufacturer to consumer-user	all of the businesses and people involved in the physical movement and transfer of ownership of goods and services from producer to consumer	all independent intermediaries involved with the transfer of title of goods and services	all middlemen involved with the physical movement of goods and services	all of the businesses and people involved in the physical movement and transfer of ownership of goods and services from producer to consumer
Which of the following is generally <u>not</u> considered a party in a typical channel of distribution?	retailer	final consumer	wholesaler	advertising agency	advertising agency
A retailer sells to multiple retail formats and multiple points of contact. This illustrates _____.	vertical integration	the sorting process	omnichannel retailing	the importance of impulse retailing	omnichannel retailing
A retailer collects an assortment of goods and services from various sources, buys in large quantities, and sells in small amounts to final consumers. This is referred to as _____.	one-stop shopping	the retail concept	retail transactional efficiency	the sorting process	the sorting process
The sorting process helps final consumers through _____.	allowing store credit	providing one-stop shopping convenience	operating long hours	providing delivery services	providing one-stop shopping convenience
The sorting process helps manufacturers by _____.	paying on the basis of when goods are shipped, not sold	offering an assortment of goods that are collected from a large number of suppliers	enabling one-stop shopping	buying large orders at one time	buying large orders at one time
Manufacturers can increase their power in a distribution channel through _____.	operating their own retail facilities	developing dealer brands	expanding into foreign markets	use of intensive distribution	operating their own retail facilities
A manufacturer seeking to maximize its sales should utilize _____ distribution.	intensive	dual	exclusive	selective	intensive
Competition among retailers selling the same goods and services is highest in which form of distribution?	intensive distribution	exclusive distribution	selective distribution	vertical integration	intensive distribution
Which statement concerning retailing is not correct?	Retailing involves both goods and services.	Retailing must involve a retailer.	Direct selling is part of retailing.	Retailing is the final stage in a channel of distribution.	Retailing must involve a retailer.
The most sophisticated form of retailing that offers a consistent, uninterrupted, and seamless experience regardless of channel or device is _____.	single-channel retailing	multichannel retailing	dual marketing	omnichannel retailing	omnichannel retailing
A customer orders products by mail, phone, fax, tablet, or computer in _____.	services retailing	direct marketing	direct selling	retail catalog showrooms	direct marketing
Direct marketers are typically divided into two broad categories: _____ and _____.	single channel; dual channel	static; interactive	mail; phone	general; specialty	general; specialty
Which of these is not a strategic business advantage of direct marketing?	Products can be examined prior to purchase.	Reduced inventories can be held.	A very large geographic area can be efficiently covered.	Customers encounter no crowds or parking congestion.	Products can be examined prior to purchase.

Unlike traditional marketers, the profitability of direct marketers is highly sensitive to which types of expenses?	rental costs	postage and paper stock costs	energy costs	fringe benefit expenses	postage and paper stock costs
Which of the following is a not a disadvantage to a catalog-based direct marketer?	the inability to pinpoint specific customer segments through mailing lists	the effect of increases in postal rates and paper stock costs on profits	high clutter due to the large number of catalogs that are mailed	the inability to revise prices when catalogs are prepared months in advance of distribution	the inability to pinpoint specific customer segments through mailing lists
Conventional vending machines are generally not considered as a form of direct marketing since _____.	most transactions involve beverages, food items, and cigarettes	consumers do not complete transactions via mail, phone, fax, or computer	the transaction is automated	no credit or checks are involved as part of the transaction	consumers do not complete transactions via mail, phone, fax, or computer
A way to collect, store, and use relevant information about customers is _____.	marketing information systems	database retailing	marketing research	one-on-one research	database retailing
The high level of competition in direct marketing is due to _____.	high control over postal rates and paper costs	high profitability of existing direct marketers	low technological requirements for Web access	ease of entry into direct marketing	ease of entry into direct marketing
Direct marketing is increasingly used by store-based retailers. This illustrates _____.	multichannel retailing	downsizing	diversification	vertical integration	multichannel retailing
Direct marketing is increasingly used by store-based retailers since it _____.	increases sales to the store's current target market	is an inexpensive way to reach a broad geographic base	appeals primarily to male shoppers	enables the retailer to offer distinctive merchandise to small market segments	is an inexpensive way to reach a broad geographic base
The promotional strategy of shopping networks _____.	enables purchases to be made only while an item is being advertised	relies heavily on cooperative advertising allowances	uses fringe times on cable television	stresses the use of infomercials	enables purchases to be made only while an item is being advertised
Which statement concerning the World Wide Web and the Internet is not correct?	The World Wide Web is one way of accessing the Internet.	The World Wide Web accounts for five percent of overall U.S. retail sales.	The World Wide Web has graphics, sound, video, and audio capability.	Almost all online interactive retailing is conducted on the World Wide Web	The World Wide Web accounts for five percent of overall U.S. retail sales.
A freestanding, interactive computer terminal that displays products and related information on a video screen is commonly referred to as a(n) _____.	video kiosk	interactive vending machine	World Wide Web scanner	Internet scanner	video kiosk
Vending machine operators can expand their range of goods sold by _____.	increasing the number of machines in offices and factories	using microprocessors to record consumer preferences	adding dollar bill changers and debit card readers to current and new machines	adding voice synthesizers to existing and new machines	adding dollar bill changers and debit card readers to current and new machines
Competition for new and existing retailers is high due to the _____.	high failure rates in retailing	high ease of entry into retailing	high investment per worker in retailing	complex licensing provisions for many kinds of retailers	high ease of entry into retailing
A major competitive advantage of independent retailers is _____.	specialization of retail functions	quantity discounts in purchasing	entrepreneurial drive	a good fit with other owned units	entrepreneurial drive
A major disadvantage of independent retailing is _____.	latitude in selecting customer markets	low bargaining power with suppliers	inflexibility in developing strategy	high investment requirements	low bargaining power with suppliers
Internet marketing and telemarketing are the recent trends in business	retail	conventional	wholesale	manufacturing	retail
Multiple shops are also known as	self service stores	shopping by post	chain stores	departmental stores	shopping by post

No middle men is involved in –	wholesale trade	direct marketing	retail trade	indirect marketing	retail trade
Shopping malls, super markets and hypermarkets come under which type of marketing?	wholesale	direct marketing	retail	agent service	direct marketing
Which of the following statement about retail marketing is true	sells products to other businesses	sells products to final consumers	sells products to a company that resells them	sells products for one's own use	sells products to a company that resells them
Mail order retailing is the same as:	Direct selling	E-tailing	In Home retailing	Catalog retailing	Catalog retailing
All of the following are types of non store retailing, except	Catalog retailing	Chain store	Vending Machines	Direct Mail	Vending Machines
Person to person interaction between a retailer and a prospective customer is:	Direct marketing	Direct selling	Automatic selling	Buying service	Automatic selling
Any source of products or services for consumers is referred to as a _____.	retail outlet	contact point	transaction point	distribution outlet	retail outlet
Consumers acquiring product through mail, telephone, or computer orders is referred to as _____.	outsourcing	outlet shopping	non-traditional shopping	in-home shopping	in-home shopping
Jane was looking through the Pottery Barn catalog and saw some lamps she liked. Instead of calling the toll-free number to purchase the lamps, she went to Pottery Barn's Web site and ordered them. This is an example of _____.	alternative shopping	outsourcing	multi-level marketing	in-home shopping	in-home shopping
Which of the following statements is FALSE regarding Internet retailing?	Internet retailing is a booming and increasingly competitive business.	Apparel is one of the largest sales categories on the Internet and one of the fastest growing.	Research has shown that consumers shop online for reasons different to those for shopping from catalogs.	Catalogs and the Internet appear to work in a complementary fashion.	Research has shown that consumers shop online for reasons different to those for shopping from catalogs.
Which of the following is the major reason consumers give for shopping online?	want product delivered	unique merchandise	price	convenience	convenience
Consumers who browse and/or purchase in more than one channel are known as	cosmopolitan	multi-channel shoppers	multi-taskers	market mavens	multi-channel shoppers
Brands owned and sold by a specific retail outlet are known as _____.	primary brands	secondary brands	store brands	internal brands	store brands
What is the key to success of store brands?	low price	low quality, but at a low price	high quality at a high price	high quality at a reasonable price	high quality at a reasonable price
A retailer being temporarily out of a particular brand is called _____.	whiteouts	blackouts	stockouts	shortage	stockouts
Electronic kiosk is one form of:	supermarket	non-store retailing	discount retailers	limited line retailers	non-store retailing
These are stores designed to kill off the competition and are characterized by narrow but very deep product assortment, low prices and few to moderate customer services:	Speciality stores	Limited line retailers	Category-killer stores	Superstores	Category-killer stores
Which type of shop offers a range of grocery and household items that cater for last-minute purchase needs of consumers?	Supermarkets.	Convenience stores.	Category killer stores.	Limited line retailers.	Convenience stores.
This is about maximizing the offering's availability in the market for the customer:	Availability.	Distribution.	Coverage.	Control.	Coverage.

Which type of retailer involves comparatively low prices as a major selling point combined with the reduced costs of doing business?	Discount retailers.	Convenience stores.	Category killer stores.	Limited line retailers.	Discount retailers.
What channel structure is it where the product goes directly from the producer to the final customer?	Direct	Indirect	Hybrid	Inherent	Direct
McDonald's and KFC are good examples of:	Distributors	Franchising	Merchant	Retailers	Franchising
Which of the following means placing your product or service in as many outlets or locations as possible, in order to maximize the opportunity for customers to find the good or service?	Exclusive distribution	Intensive distribution	Selective distribution	Direct distribution	Intensive distribution
These sell directly to end consumers and may purchase directly from manufacturers and/or deal with wholesalers:	Distributors	Franchising	Merchant	Retailers	Retailers
Collectively organisations that combine to enable offerings to reach end users quickly and efficiently constitute a marketing channel, are sometimes referred to as a:	Vehicle	Courier	Transportation	Distribution channel	Distribution channel
Retailing activities resulting in transactions that occur away from a fixed store location are referred to as:	Non-store retailers	Convenience stores	Department stores	Supermarkets.	Non-store retailers
This means achieving the optimum distribution costs without losing decision-making authority over the offering, how it is priced, promoted, and delivered in the distribution channel:	Availability	Distribution	Coverage	Control	Control
This is where intermediaries are given exclusive rights to market the good or service within a defined 'territory', thus using a very limited number of intermediaries:	Exclusive.	Intensive	Selective	Direct	Exclusive.

Question	Option A	Option B	Option C	Option D	Answer
All of the activities and processes that provide a certain value for the customer are referred to as _____.	a value chain	customer service	a value delivery system	relationship retailing	a value chain
The bundle of benefits offered to consumers through a channel of distribution is _____.	a value chain	customer service	a value delivery system	relationship retailing	a value chain
An important component of the value chain concept is _____.	the inevitability of channel conflict	dependency of each channel member on one another	the need for independence among channel members	the need to minimize total channel costs	dependency of each channel member on one another
Which of the following does not comprise a competitive advantage to a retailer?	a proposed retail strategy	an augmented retail strategy	an expected retail strategy	a potential retail strategy	an expected retail strategy
A clean store environment, adequate parking facilities, and standard return privileges constitute a(n) _____.	proposed retail strategy	augmented retail strategy	expected retail strategy	potential retail strategy	expected retail strategy
A unique strategy that no competing retailer in a given retail format has perfected constitutes a(n) _____.	proposed retail strategy	augmented retail strategy	expected retail strategy	potential retail strategy	potential retail strategy
A retailer's focus on satisfaction of existing customers through seeking to form and maintain long-term bonds with customers is referred to as _____.	commitment-based retailing	customer satisfaction	relationship retailing	SERVQUAL	relationship retailing
The customer base, customer service, customer satisfaction, and loyalty programs and defection rates are components of _____.	the American Consumer Satisfaction Index (ACSI)	customer satisfaction	the marketing concept applied to retailing	relationship retailing	relationship retailing
Activities that enhance the shopping experience and give retailers a competitive advantage are referred to as a(n) _____.	customer loyalty program	potential customer service	expected customer service	augmented customer service	augmented customer service
Which statement concerning a retailer's core customers is not correct?	A retailer's core customers are generally least price conscious.	A retailer's core customers should represent its target market.	A retailer's core customers deserve special treatment.	A retailer's core customers prefer long-term relationships.	A retailer's core customers are generally least price conscious.
A retailer can reward its best customers through _____.	everyday low pricing	customer loyalty programs	manufacturer-sponsored coupons	contests and sweepstakes	customer loyalty programs
Objective and quantifiable population data that are easily identifiable and measurable population are _____.	lifestyle measures	an AIO inventory	demographic statistics	reference group measures	demographic statistics
The manner in which individual consumers and families (households) live and spend time and money is their _____.	social-class structure	reference group behavior	lifestyle	demographic statistic	lifestyle
Which is not a consumer demographic?	population mobility	social mobility	education level	place of residence	social mobility
Discretionary income can be defined as _____.	take-home pay	take-home pay that is adjusted to reflect inflation	take-home pay that is adjusted to reflect a base year	money left over after paying taxes and buying necessities	money left over after paying taxes and buying necessities
A group of people sharing a distinctive heritage is a(n) _____.	social class system	culture	AIO group	reference group	culture
Which of the following classifies consumers on the basis of income, occupation, and education?	reference group affiliation	family life cycle grouping	social class	subculture	social class
_____ can be classified as aspirational, membership, or dissociative.	Cultures	Subcultures	Reference groups	Life cycle stages	Reference groups
Which reference group has the greatest impact on consumers?	aspirational	face-to-face	membership	dissociative	face-to-face
The family life cycle shows _____.	the extent to which groups influence a person's thoughts and actions	the ranking of people within a culture	families which share a distinctive heritage	how a typical family evolves from bachelorhood to children to solitary retirement	how a typical family evolves from bachelorhood to children to solitary retirement
Which group is not reflected in the traditional family life cycle?	solitary retired	divorced adults	single-person households	bachelors	divorced adults
The family life cycle has been updated in which version?	updated family life cycle	family life cycle II	VALS 2	household life cycle	household life cycle

A person who values the status of goods, services, and retailers _____.	has high self-confidence	has low perceived risk	is class conscious		is class conscious
The level of risk a consumer believes exists regarding the purchase of a good or service from a specific retailer is his or her _____.	real risk	purchase risk	perceived risk	cognitive dissonance	purchase risk
Outshopping refers to _____.	consumers who travel long distances to stores	in-home shopping by catalog, mail, and phone	consumers who spend longer than-average times in shopping centers/districts	consumers with large budgets	consumers who travel long distances to stores
The process in which people determine whether, what, when, where, how, from whom, and how often to purchase goods and services is _____.	consumer behavior	consumer motivation	outshopping	a commercial cue	consumer behavior
A consumer's decision process is comprised of two parts: _____ and _____.	purchase; post-purchase behavior	the process itself; the factors affecting the process	need recognition; stimuli	demographics; psychographics	the process itself; the factors affecting the process
A cue or drive meant to motivate or arouse a person to act is a _____.	want	commercial cue	stimulus	social cue	stimulus
A message sponsored by a retailer or some other seller is a(n) _____.	commercial cue	noncommercial cue	social cue	advertisement	commercial cue
Recognition of shortage and recognition of unfulfilled desire are components of which stage of the consumer decision process?	information search	purchase behavior	problem awareness	evaluation of alternatives	purchase behavior
Compiling a list of various goods and services and ascertaining the characteristics of each alternative are parts of which stage of the consumer decision process?	information search	purchase behavior	problem awareness	evaluation of alternatives	information search
Further purchase and re-evaluation are components of which stage of the consumer decision process?	information search	post-purchase behavior	problem awareness	evaluation of alternatives	post-purchase behavior
Doubt that the correct purchase decision has been made is known as _____.	information re-evaluation	perceived risk	psychological risk	cognitive dissonance	cognitive dissonance
A consumer makes full use of the decision process in _____.	impulse purchases	extended decision making	limited decision making	routine decision making	extended decision making
In limited decision making, consumers _____.	use each purchase process step, but do not spend a great deal of time on each step	view products to have high perceived risk	are unwilling to spend much time on shopping	spend much time on information search	use each purchase process step, but do not spend a great deal of time on each step
Moderate-risk items, which have been purchased before but <u>not</u> on a regular basis, involve which decision process?	routine decision making	limited decision making	extended decision making	impulse purchasing	limited decision making
An impulse purchase is an example of _____ decision making.	extended	limited	routine	optimal	routine
In comparison to demographics, lifestyles are _____.	more likely to be profiles	more difficult to measure	easier to measure	growing at a faster rate	more difficult to measure
A retailer seeking to sell luxury goods needs to evaluate which demographic statistic?	discretionary income	disposable income	money income	social class	discretionary income
A dissociative group for the working class is the _____ social class.	upper-middle	upper-lower	middle class	lower-upper	upper-lower
Family, friends, and colleagues represent which form of reference group?	subcultural	aspirational	dissociative	face-to-face	face-to-face
The major difference between the family life cycle and the household life cycle is based on _____.	the size of the family	whether single-person households are included	whether nonfamily households are included	whether retired individuals are included	whether nonfamily households are included
A group of consumers has high class consciousness. What form of perceived risk is most important to this group?	time perceived risk	physical perceived risk	financial perceived risk	social perceived risk	social perceived risk
Consumers who engage in extensive cross-shopping to "get the best price" have what form of perceived risk?	time perceived risk	physical perceived risk	financial perceived risk	social perceived risk	financial perceived risk

To which lifestyle does the use of pre-packaged products, mail order, and home delivery best appeal?	blurring of gender	poverty of time	component lifestyles	consumer sophistication and confidence	poverty of time
Impulse purchases, brand loyalty, and customer loyalty are examples of _____.	limited decision making	extended decision making	routine decision making	problem awareness	routine decision making
A major problem for a service retailer seeking to expand into new geographic markets is _____.	the high variability of services	the inseparability of the services from its provider	low tangibility	inability to stockpile inventories	the inseparability of the services from its provider
A potential problem relating to scanning that is unique to the self-checkout system is _____.	consumer fraud	scanner error	employee training of how to use the scanner	need for special shopping bags	consumer fraud
A retailer can encourage ethical behavior among its employees through the development and communication of a _____.	corporate mission statement	code of ethics	customer exchange policy	customer service standard	code of ethics
A retailer can best implement a consumer's "right to safety" by _____.	providing an exchange policy on all goods and services	refusing to sell foods with any additive	nutritional labeling of all food products	engaging in systematic product testing programs	engaging in systematic product testing programs
A retailer can best implement a consumer's "right to be informed" by _____.	giving a consumer advice newsletter to all customers	selling private label merchandise	sponsoring a consumer advisory panel	providing a money-back guarantee on all goods and services	giving a consumer advice newsletter to all customers
Increased deregulation of industries should have a positive impact on which consumer right?	the right to be heard	the right to safety	the right to choose	the right to be informed	the right to choose
Intangibility particularly affects _____ services.	nongoods	repair	rented-goods	owned-goods	nongoods
Lawn care and house painting are examples of _____ services.	repair	owned-goods	nongoods	rented-goods	owned-goods
Consumers have goods that they own repaired, maintained, or altered with _____ services.	nongoods	owned-goods	nongoods	rented-goods	owned-goods
Airline travel is an example of a(n) _____ service.	rented-goods	regulated goods	nongoods	owned-goods	rented-goods
Consumers lease physical products for a specified period of time with _____ services.	rented-goods	regulated goods	nongoods	owned-goods	rented-goods
What type of consumer decision making accompanies a situation where consumers have purchased the product before, but do <u>not</u> purchase the product on a regular basis?	extended decision making	limited decision making	routine decision making	brand loyalty	limited decision making
A consumer reading more about a product after it was purchased than before illustrates activity seeking to reduce _____.	evaluation of alternatives	purchase activity	cognitive dissonance	information search	cognitive dissonance
After-sales service and exchange privileges aid in _____.	store atmosphere	changing extended decision making into routine decision making	reducing cognitive dissonance	specifying core services	reducing cognitive dissonance

Question	Option A	Option B	Option C	Option D	Answer
The least flexible element of a retailer's strategy mix is _____.	merchandise assortment	human resources	pricing	location	location
The first step in choosing a store location is to _____.	determine whether to locate as an isolated store, in an unplanned business district, or in a planned shopping center	evaluate alternate geographic (trading areas) in terms of the characteristics of residents and existing retailers	evaluate alternate geographic (trading areas) in terms of the characteristics of residents and existing retailers	analyze alternate sites contained in the specified retail location type	evaluate alternate geographic (trading areas) in terms of the characteristics of residents and existing retailers
A trading area can best be defined as _____.	those competitive stores that interchange customers	stores that are located in the same shopping center or district	a geographic area containing customers of a particular firm or group of firms for specific goods and services	a designation of a retail area by the U.S. Census Bureau	a geographic area containing customers of a particular firm or group of firms for specific goods and services
A major benefit of a trading-area analysis is that it allows a retailer to determine _____.	the demographic and socioeconomic characteristics of consumers	a store's image	the psychographics of shoppers versus nonshoppers	the response of shoppers to promotional pricing	the demographic and socioeconomic characteristics of consumers
The determination of trading-area overlap is most important for _____.	regional shopping centers	shopping districts	chain retailers	independent retailers	chain retailers
A proposed location for a supermarket chain is within three miles of a current store. What is the major factor that management should study relative to both locations?	the trading area of the current location	the trading area of the proposed location	the trading-area overlap of both locations	the demographics of the trading area of each location	the trading-area overlap of both locations
Which technique graphically depicts a trading area's characteristics?	geographic mapping	geographic information analysis		semantic differential	geographic information analysis
Between 50 and 80 percent of a store's customers come from its _____ trading area.	secondary	primary	fringe	tertiary	primary
The area that has the highest density of store customers to population is the _____ trading area.	secondary	primary	fringe	tertiary	primary
The trading area with the highest average purchase by a customer is the _____.	primary trading area	parasite trading area	fringe trading area	secondary trading area	primary trading area
A retailer should concentrate the bulk of its promotional activity in its _____.	fringe trading area	secondary trading area		satellite trading area	primary trading area
A retailer's outshoppers come from its _____.	fringe trading area	secondary trading area	primary trading area	satellite trading area	fringe trading area
Which trading area covers the greatest distance?	fringe trading area	secondary trading area) primary trading area	satellite trading area	fringe trading area
The most widely dispersed group of customers can be found in which trading area segment?	trading area overlap	primary trading area	secondary trading area		fringe trading area
Primary, secondary, and fringe trading areas can be described on the basis of _____.	outshopping by consumers	the frequency with which people from various geographic localities shop at a particular store	customer store loyalty	the probability of large orders based upon customer residence	the frequency with which people from various geographic localities shop at a particular store
A store with a wide assortment of merchandise and a strong image in a particular merchandise category is a _____ store.	variety	department	destination	parasite	destination
A store which does not have a real trading area of its own is a _____ store.	fringe	parasite	destination	convenience	parasite
Which location type is generally characterized by the absence of retailers with which the retailer can share traffic?	business district	shopping center	isolated store	strip	isolated store
A major advantage of an isolated store location is that _____.	there are no group rules which must be abided by in operation	parking and security costs can be shared with other tenants	shoppers can be easily attracted and maintained at the location	advertising costs are generally low	there are no group rules which must be abided by in operation

A major disadvantage to an isolated store location is that _____.	competition with adjacent retailers is high	on an ongoing basis, many people will not travel very far to shop in just one store	rental costs are generally relatively high	leases can restrict store operations and merchandise carried	on an ongoing basis, many people will not travel very far to shop in just one store
A shopping area in a city or town that is the hub of retailing in a city and is synonymous with the term "downtown" is the _____ business district.	unplanned	neighborhood	central	secondary	central
Which business district is located in the part of a city or town with the greatest concentration of office buildings and retail stores?	string	central business district	neighborhood business district	secondary business district	central business district
A central business district is characterized by a concentration of _____.	convenience stores	suburban housing	parking facilities	cultural and entertainment facilities	cultural and entertainment facilities
Which unplanned shopping district has at least one department store and a number of specialty and convenience stores?	string	central business district	secondary business district	regional shopping center	central business district
A major advantage of a central business district is _____.	access to public transportation	balanced tenancy	ease of vehicular traffic flow	continuity of merchandise offerings	access to public transportation
Which unplanned business district is generally bounded by the intersection of two major streets?	isolated store	string	secondary business district	central business district	secondary business district
Which of the following location forms is not planned as a unit?	neighborhood business district	neighborhood shopping center	community shopping center	regional shopping center	neighborhood business district
Which shopping location appeals to a single residential area?	secondary business district	neighborhood business district	regional shopping center	central business district	neighborhood business district
Planned shopping centers are characterized by _____.	low rental costs	central ownership and management and balanced tenancy	no adjacent retailers	a high concentration of office buildings and retail stores	central ownership and management and balanced tenancy
A major advantage of a planned shopping center to a retailer is _____.	nearness to commercial and social facilities	the ability to cater to convenience needs of a local population	interest in one-stop, family shopping	the domination by large anchor stores	interest in one-stop, family shopping
Which planned shopping center type has a trading area of up to 30 minutes driving time?	megamall	regional shopping center	community shopping center	neighborhood shopping center	regional shopping center
The largest form of planned shopping center is the _____.	megamall	neighborhood shopping center	community shopping center	regional shopping center	megamall
The least common form of planned shopping center is the _____.	neighborhood shopping center	community shopping center	megamall	string	megamall
Which planned shopping center has a moderate assortment of both shopping and convenience-oriented goods and services?	community shopping center	regional shopping center	neighborhood shopping center	megamall	community shopping center
Which type of shopping center is comprised of category killer stores?	power center	regional shopping center	megamall	string	power center
A one-hundred percent location is the _____.	optimum site for a particular store	location with the best lease terms	location closest to parking facilities	location with the best affinities	optimum site for a particular store
An isolated store location is most suitable to a retailer that _____.	is a parasite	is a category killer	requires affinities	uses a multiple segmentation strategy	is a category killer
The major difference between unplanned business districts and planned shopping centers is based upon _____.	composition of stores	ownership	size in square footage	shopper demographics	ownership
"A grouping of stores may actually increase the trading area for each store." This statement especially applies to _____.	convenience products	emergency products	impulse products	shopping products	convenience products

A supermarket has developed a model to aid in its site selection process. The model contains variables such as trading area population in the primary trading area and expected market share. This illustrates a(n) _____ model.	regression	historical analogy	gravity	analog	analog
The retail location types with the largest primary trading areas are _____.	regional shopping center and central business district	neighborhood business district and neighborhood shopping center	secondary business district and neighborhood shopping center	megamall and power center	regional shopping center and central business district
An overall framework of action that guides a retailer is its _____.	mission statement	corporate philosophy	retail tactics	retail strategy	retail strategy
A major advantage of a firm's developing a retail plan is that it _____.	focuses on short-run tactics	anticipates and may avoid a crisis	balances sales forecasts with inventory requirements	shows likely competitor reactions	anticipates and may avoid a crisis
Each of the steps in a retail strategy is _____.	interdependent with other steps	independent of each other	organized on the basis of strategy and tactics	organized by company, geographic region, and store units	interdependent with other steps
The candid evaluation of the opportunities and potential problems facing a prospective or existing retailer is referred to as _____.	situation analysis	implementation and analysis	philosophy of business	strategy determination	situation analysis
A retailer's commitment to a type of business and to a distinctive role in the marketplace is its _____.	overall retail strategy	organizational mission	long-term plan	competitive advantage	organizational mission
Which ownership and management alternative is fully controlled by the owner, operationally flexible, and subject to single taxation by the government?	franchising	sole proprietorship	corporation	partnership	sole proprietorship
Any communication by a retailer that informs, persuades, and/or reminds the target market about any aspect of that firm is _____.	advertising	public relations	retail promotion	the retail communication channel	retail promotion
The four elements of _____ are advertising, public relations, personal selling, and sales promotion.	communication	selling	communication channel	promotion	promotion
Which form of promotion has media payment, a nonpersonal presentation, out-of-store mass media, and an identified sponsor?	sales promotion	advertising	public relations	personal selling	advertising
A major difference between the advertising strategies of retailers and manufacturers is that retailers _____.	are more prone to use broadcast media than manufacturers	typically have broader geographic target markets	have more geographically concentrated target markets than manufacturers	are more concerned with image-related advertising	have more geographically concentrated target markets than manufacturers
Which type of small retailer can have a geographically dispersed trading area?	convenience store	variety store	direct seller	direct marketer	direct marketer
A major advantage of advertising as a retail medium is that _____.	there are no media costs	it can focus on the needs of individual customers	the costs per viewer, reader, or listener are low	credibility is high	the costs per viewer, reader, or listener are low
A(n) _____ ad should be used to communicate a new retailer opening in a market area.	pioneer	reminder	competitive	institutional	pioneer
A major advantage of personal selling is _____.	the immediate feedback that is provided	the large number of consumers that can be reached at one point in time	the low costs of reaching each target customer	low total costs for salaries, travel, and entertainment	the immediate feedback that is provided
Which element in the retail promotion mix generally emphasizes short-term sales increases?	sales promotion	public relations	advertising	personal selling	sales promotion
To be successful, strategy planning should be _____.	conducted on a centralized basis	conducted on a decentralized basis	conducted on an ongoing basis	short run in orientation	conducted on an ongoing basis
Which type of retail plan process increases the involvement of retail buyers and sales managers?	centralized	horizontal	top-down	bottom-up	bottom-up

The purpose of _____ is to study what a retailer is presently doing, appraise performance, and make recommendations for the future.	benchmarking	gap analysis	scenario analysis	a retail audit	a retail audit
A retail audit should be conducted _____.	every 3 months	at least annually	every 3 years	every 5 years	at least annually

Question	Option A	Option B	Option C	Option D	Answer
All of the activities involved in acquiring particular goods and/or services and making them available at the places, times, prices, and quantities that will enable the firm to reach its goals comprise _____.	merchandising	financial merchandise management	retail pricing	a centralized buying organization	merchandising
A major characteristic of micromerchandising is the _____.	lower costs through quantity discounts	use of rationalized retailing	appeal to local tastes	use of the top-down approach to space management	
Which retail merchandising strategy reflects the need to appeal to specific target markets through different product offerings?	rationalized retailing	micromerchandising	battle of the brands	cross selling	micromerchandising
Which merchandising strategy is similar to scrambled merchandising?	cross-merchandising	micromerchandising	cross selling	rationalized retailing	cross-merchandising
A formal buying organization is characterized by _____.	the same personnel handling merchandising and other retail functions	low organizational costs	the merchandising function being a separate department	flexibility in organizational design	the merchandising function being a separate department
Informal buying organizations are most likely to be found in _____.	major retail chains	franchisors	small independents	specialty chains	small independents
In a centralized buying organization, _____.	all purchases emanate from one office	purchase decisions are made at local store units	local units have freedom in buying, but must use approved vendors	purchase decisions are made at the regional level	all purchases emanate from one office
A major advantage of centralized buying for a retailer is _____.	the increased role of branch stores	greater fit with regional trends	faster delivery times	greater bargaining power	greater bargaining power
A major disadvantage of decentralized buying is _____.	excessive uniformity	poor morale at local stores	inflexibility in decision making	an inconsistent image	an inconsistent image
Which is an example of a specialized buying organization for a national supermarket chain?	a buyer being responsible for purchasing for all stores in the Southwest	a buyer having an assistant buyer and an assistant to the buyer report to him or her	a buyer purchasing seafood directly from major fishing fleets	a buyer having a \$2,000,000 budget each month	a buyer purchasing seafood directly from major fishing fleets
Which type of buying organization generally services small noncompeting retailers?	specialized buying organization	general buying organization	inside buying organization	outside buying organization	outside buying organization
Which buying organization operates close to the sources of supply?	inside buying office	outside buying office	general buying office	resident buying office	resident buying office
Which buying organization seeks to receive quantity discounts and bargaining power discounts for its members so that they will be better able to compete against larger chain organizations?	cooperative buying	inside buying organization	resident buying office	formal buying organization	cooperative buying
Merchandising includes _____.	the purchasing of goods and services but not the sale of them	display decisions only	selling of goods and services but not the purchasing of them	activities involved in the buying and selling of goods and services	activities involved in the buying and selling of goods and services
A major advantage of a merchandising philosophy is _____.	close supervision of selling staff	equal treatment of the selling function	the buyer is close to consumers via his or her involvement with selling	the use of specialists in each area	the buyer is close to consumers via his or her involvement with selling
A major disadvantage of a merchandising philosophy is that _____.	responsibility for success or failure may be unclear	functions are combined into one position that require different abilities	reporting responsibilities may be unclear	coordination of buying and selling may be reduced	functions are combined into one position that require different abilities
A model stock plan is used for _____.	dealer brands	fashion items	staple merchandise	key items	fashion items

A never-out list is used for _____.	fashion items	dealer brands	fad items	best sellers	best sellers
A good or service will be supplied in one basic version in which stage of the product life cycle?	introduction	growth	maturity	decline	introduction
The target market expands to include middle-income consumers who are somewhat more innovative than the average consumer in which product life cycle stage?	introduction	growth	maturity	decline	growth
In the growth stage of the product life cycle, _____.	goods or service sales reach their maximum	variations in the basic product offering appear	distribution is typically very limited	a skimming price strategy is used	variations in the basic product offering appear
A vertical fashion trend occurs when a fashion _____.	is not successful when passed down to the mass market	is first accepted by an upscale market segment, but undergoes changes in its basic form as it is sold to the general public	is passed from the lower to the upper social classes	retains its basic form as it is accepted by the general public	is first accepted by an upscale market segment, but undergoes changes in its basic form as it is sold to the general public
Which fashion theory assumes that a fashion passes from the upper to the lower social classes?	vertical trend theory	horizontal trend theory	diffusion of innovation theory	fashion emulation theory	vertical trend theory
A common advantage of scrambled merchandising is that _____.	the scrambled goods have high profit margins	opportunities for cross-selling decrease	customers can be traded-up to more costly goods	the sale of substitute goods increases	the scrambled goods have high profit margins
A major advantage to a retailer's use of private (dealer) brands is _____.	less retailer investment	support by manufacturer advertising	the extent to which they are pre-sold to customers	the development of store loyalty among consumers	the development of store loyalty among consumers
Increased competition for shelf space among manufacturer, dealer, and generic brands is commonly referred to as _____.	channel cooperation	the battle of the brands	channel conflict	slotting allowances	the battle of the brands
Category management is a strategy that is used to improve a retailer's _____.	shelf-space productivity	point-of-sale displays	capital costs	overall productivity through the use of computerization	shelf-space productivity
A major retailer desires to use specialists to plan, implement, and control the merchandising function. The most appropriate buying organization is a(n) _____.	decentralized buying organization	inside buying organization	informal buying organization	formal buying organization	formal buying organization
Specialized regional buying preferences are best served through which buying organization?	decentralized buying organization	inside buying organization	informal buying organization	formal buying organization	decentralized buying organization
Which buying organization format for department stores is centralized?	main store control	equal store	separate store	diversified retailer	main store control
A separate store organization used by a department store chain is an example of a(n) _____.	decentralized buying organization	inside buying organization	informal buying organization	formal buying organization	decentralized buying organization
Merchandise planning is most problematic for _____.	staple merchandise	seasonal merchandise	impulse merchandise	fad merchandise	fad merchandise
A major difference between a vertical and a horizontal fashion trend is based on the _____.	ultimate sales level achieved for the fashion	speed of diffusion of the fashion	social class of the initial group which accepts the trend	degree of fashion innovativeness	social class of the initial group which accepts the trend
Which retail assortment strategy requires the greatest inventory investment for a retailer?	wide and deep	wide and shallow	narrow and shallow	narrow and deep	wide and deep
Which retail assortment strategy is used by a department store?	wide and deep	wide and shallow	narrow and shallow	narrow and deep	wide and deep
Which retail assortment strategy is used by a specialty store?	wide and deep	wide and shallow	narrow and shallow	narrow and deep	narrow and deep

A retailer can most effectively track consumer purchases through _____.	a consumer loyalty program	panel data	want slips	want books	a consumer loyalty program
Customer requests for unstocked or out-of-stock merchandise are recorded in a(n) _____.	generic product file	OCR-A system	UPC system	want book (want slip)	want book (want slip)
Which of the following is not a merchandise source?	resident buying office	company-owned	outside, regularly used supplier	outside, new supplier	resident buying office
A deduction from a bill made by a retailer due to such infractions as late shipping, damaged, or expired goods is called a _____.	penalty	liquidated damage	chargeback	holdback	chargeback
A purchaser of fine antiques is most likely to evaluate merchandise through _____.	description	sampling	inspection	testing by an independent agency	inspection
An example of items that should be evaluated by a retailer by inspection are _____.	college textbooks	antique furniture	color televisions	file cabinets	antique furniture
Description buying is most appropriate for _____.	breakable, perishable, or expensive items	standardized, nonbreakable, and nonperishable merchandise	jewelry and art works	nonstandardized, breakable, and perishable merchandise	standardized, nonbreakable, and nonperishable merchandise
A new or special order usually results in a _____.	negotiated contract	uniform contract	new task purchase	consignment sale	negotiated contract
A regular order is characterized by _____.	a high degree of negotiation on an ongoing basis	a high level of opportunistic buying	a uniform contract with standardized terms	the use of opportunistic buying by a discounter	a uniform contract with standardized terms
Opportunistic buying is most commonly utilized by _____.	department stores	off-price retailers	supermarkets	specialty stores	off-price retailers
An advantage to a retailer's placing large orders for merchandise is _____.	quantity discounts obtained through volume purchases	a lower chance of fashion or functional obsolescence	lower inventory holding costs	high inventory turnover	quantity discounts obtained through volume purchases
The retailer does not pay for items until they are sold and can return merchandise _____.	when title is transferred on purchase	when title is transferred when the shipment is received	for all generics	in a consignment purchase	in a consignment purchase
A retailer can most effectively reduce its inventory risk through _____.	memorandum purchases	consignment purchases	floor-ready merchandise	private label purchases	consignment purchases
A disadvantage to the use of frequent ordering in small quantities is the _____.	loss of quantity discounts	high investment costs	high insurance costs	high storage costs	loss of quantity discounts
The merchandise flow from the retailer back through the supply chain is termed _____.	reverse logistics	inbound logistics	third-party logistics	supply chain management	reverse logistics
A major disadvantage with a want book system used to gather information about consumer demand is that _____.	it only records preferences of current customers	it does not record vendor preferences	it does not record style or color preferences	its accuracy depends on salesperson input	its accuracy depends on salesperson input
Which source of merchandise utilizes vertical integration by a retailer?	company-owned	outside, new supplier	outside, regularly used supplier	cooperative-buying arrangement	company-owned
A retailer and a supplier both utilize relationship marketing. Which merchandise source do they best illustrate?	outside, new supplier	outside, regularly used supplier	opportunistic buying	company-owned	outside, regularly used supplier
A major cost advantage associated with direct store delivery for a retailer is the _____.	mechanized processing of goods	reduction in warehouse expenses	efficient marking of merchandise	ease of returns	reduction in warehouse expenses
Which strategy is the opposite of direct store distribution?	central warehousing	decentralized warehousing	third-party logistics providers	efficient consumer response	central warehousing
Inventory management planning is most difficult for _____.	fad products	mature products	growing products	staples	fad products

Which of the following does not enable a retailer to reduce its inventory levels?	direct store delivery	floor-ready merchandise	memorandum purchases	quick response (QR) inventory planning	memorandum purchases
A retailer found that inventory shrinkage rates varied greatly by department, as well as by merchandise item within departments. The retailer should consider using _____.	in-store cameras	point-of-sale computers	electronic article surveillance	burglar alarms	electronic article surveillance
Which of the following illustrates reverse logistics?	a retailer handling a product recall for a manufacturer	a wholesaler implementing direct store distribution for a retailer	a manufacturer implementing vendor-managed inventory (VMI) for a retailer	a wholesaler shipping a replacement part directly to a final consumer	a retailer handling a product recall for a manufacturer

Question	Option A	Option B	Option C	Option D	Answer
A retailer lists all of its operations to be performed, its characteristics, and its timing in a(n) _____.	prototype arrangement	standardized plan	operations blueprint	rationalized retailing arrangement	operations blueprint
Which of the following is not an advantage of an operations blueprint?	The operations blueprint standardizes activities.	The operations blueprint helps evaluate personnel needs.	The operations blueprint determines space needs.	The operations blueprint isolates weak or failure-prone operations components.	The operations blueprint determines space needs.
Uniform construction, layout, and operations standards are used in _____.	everyday inventory planning	prototype stores	crisis management	scrambled merchandising	prototype stores
Which of these is not a benefit of using prototype stores?	The stores use custom buildings for each city and town.	The stores enable a retailer to take advantage of quantity discounts for fixtures and other materials.	The stores ease the employee interchange among branches.	The stores help portray a consistent image among franchise and chain store units.	The stores use custom buildings for each city and town.
Rationalized retailing is often used in conjunction with _____.	micromerchandising	prototype stores	a top-down space management approach	a bottom-up space management approach	prototype stores
The sensitivity of consumers to price changes is measured by the _____.	law of demand	sales to price coefficient	coefficient of elasticity	price elasticity of demand	price elasticity of demand
A relatively small percentage change in the price of a computer results in large percentage changes in the number of units purchased for a retailer. The price elasticity of demand for computers can be described as _____.	price elastic	unitary elasticity	price inelastic	low	price elastic
When the price elasticity of demand is high and prices go up, total _____.	revenues stay the same	revenues decline	revenues increase	profits increase	revenues decline
Manufacturers and wholesalers can legally control retail prices by _____.	charging price-cutting retailers higher prices	limiting sales to interstate commerce	using consignment selling	refusing to sell to price-cutting retailers	using consignment selling
Price-discrimination legislation is designed to limit the ability of _____.	retailers to charge less than a manufacturer's or wholesaler's suggested list price	manufacturers and wholesalers to grant large discounts or favorable terms to large retailers when the discount could not be justified by cost savings	manufacturers, wholesalers, and retailers from conspiring to fix retail prices	manufacturers from setting artificially low prices with the intent of destroying competition	manufacturers and wholesalers to grant large discounts or favorable terms to large retailers when the discount could not be justified by cost savings
In predatory pricing, large retailers attempt to destroy smaller retailers by _____.	vertical integration	conspiring with manufacturers to refuse to sell to smaller retailers	selling goods at very low prices (sometimes even below cost)	providing free warranties with selected goods	selling goods at very low prices (sometimes even below cost)
Retailers typically use loss leaders to _____.	increase store traffic	switch customers to other goods with higher profit margins	increase their bargaining power with select suppliers	practice opportunistic buying	increase store traffic
Unit pricing laws are necessary because of _____.	deceptive price advertising by retailers	scanning and the Universal Product Code	item-price removal by supermarket chains	the presence of many different-sized packages	the presence of many different-sized packages
Item price removal enables supermarkets to _____.	mark prices for goods on shelves or signs and not on individual items	charge the higher of two prices, if two prices are on a single package	sell goods for below cost if they are matching a nearby competitor	selectively mark prices on "key" items only	mark prices for goods on shelves or signs and not on individual items
A retailer typically has no intention of selling a promoted good or service in _____.	unit pricing	item price removal	price discrimination	bait-and-switch advertising	bait-and-switch advertising
Which strategy does not enable a retailer to control retail prices?	stocking private brands	selling gray market goods	selling pre-sold manufacturer brands	centralizing purchases with few manufacturers	selling pre-sold manufacturer brands
In selling against the brand, _____.	manufacturer brands are given secondary shelf-space locations	retailers require slotting allowances from manufacturers for shelf space	retailers disparage manufacturer brands	retailers charge artificially high prices on manufacturer brands in order to sell their own private labels	retailers charge artificially high prices on manufacturer brands in order to sell their own private labels
In price guarantees, a manufacturer protects a retailer by _____.	indemnifying it for any antitrust action against the firm caused by the manufacturer's illegal action	refunding the difference if a retailer must lower its retail price	offering to sell its private-label merchandise if required	refusing to sell to price-cutting retailers	refunding the difference if a retailer must lower its retail price

Individual retailers have no control over the setting of retail prices in _____.	deregulated market pricing	market pricing	administered pricing	government-controlled pricing	market pricing
A retailer able to develop a strongly differentiated retail mix can utilize _____.	pricing at the market	pricing below the market	deregulated market pricing	administered pricing	administered pricing
An aggressive low-price strategy designed to sell a high volume of goods is _____.	market skimming pricing	market penetration pricing	the price-quality association	markup pricing	market penetration pricing
Market penetration is an appropriate strategy when _____.	a retailer seeks to attract consumers less concerned with price and more concerned with service, assortment, and status	new competitors are unlikely to enter the market	low prices discourage actual and potential competition	early recovery of cash is a goal of the retailer	low prices discourage actual and potential competition
The price floor represents the _____.	highest price a consumer will pay	lowest acceptable price to a retailer	lowest competitor's price	lowest minimum price that is legal according to sales-below-cost laws	lowest acceptable price to a retailer
Which of the following suggests that too low a price may hinder demand?	bait advertising	sales-below-cost laws	prestige pricing	predatory pricing laws	prestige pricing
The most widely practiced retail pricing technique is _____.	cost-oriented pricing	prestige pricing	competition-oriented pricing	demand-oriented pricing	cost-oriented pricing
Markups in retailing are typically computed on the basis of _____.	merchandise cost	merchandise cost plus freight	retail selling price	retail selling price plus freight	retail selling price
The difference between initial markups and maintained markups is due to _____.	different terms offered to larger customers	seasonal discounts	markdowns, added markups, shortages, and discounts	revisions in planned profits	markdowns, added markups, shortages, and discounts
Direct product profitability (DPP) is an example of _____.	a variable markup policy	pricing at the market	administered pricing	unit pricing	a variable markup policy
Which pricing strategy seeks to stabilize demand throughout the year?	variable pricing	everyday low pricing (EDLP)	one-price policy	flexible pricing	everyday low pricing (EDLP)
A retailer that seeks to alter prices to reflect fluctuations in costs or consumer demand should practice _____.	variable pricing	customary pricing	a one-price policy	price lining	variable pricing
The opposite of setting prices by negotiation or bargaining is _____.	leader pricing	odd pricing	customary pricing	a one-price policy	a one-price policy
In which pricing technique does a retailer advertise and sell key items in the product assortment at less than the usual profit margin?	price lining	leader pricing	odd pricing	bait-and-switch advertising	leader pricing
A major advantage of an early markdown policy is that _____.	consumer interest is heightened during storewide clearances	merchandise offered for sale is fresh	goods can be resold during next season without any need for a price reduction	the retailer has greater opportunity to sell the good	merchandise offered for sale is fresh
A retailer can become a _____ through low prices, specialized products, a large selection, and superb customer service.	destination retailer	relationship retailer	parasite store	value-based retailer	destination retailer
An advantage to a retailer's reaching destination retailer status is its ability to _____.	charge higher prices for its goods	attract shoppers from a larger geographic area	attract a better work force	develop its own line of private label goods	attract shoppers from a larger geographic area
According to the wheel of retailing theory, retail innovators first appear as _____.	low-price operators with low costs	power retailers	firms that provide a wide complement of customer services	firms that offer wide selections of highly specialized goods and services	low-price operators with low costs
The most sophisticated form of retailing that offers a consistent, uninterrupted, and seamless experience regardless of channel or device is _____.	single-channel retailing	multichannel retailing	dual marketing	omnichannel retailing	omnichannel retailing
Multichannel and omnichannel channel retailing both engage in _____.	nonstore retailing	store-based retailing	vertically integrated marketing	channel control retailing	nonstore retailing
A customer orders products by mail, phone, fax, tablet, or computer in _____.	services retailing	direct marketing	direct selling	retail catalog showrooms	direct marketing
The way in which a retailer is perceived by consumers and others is its _____.	store perception	aesthetics	image	atmosphere	image
A uniform storefront produced in a factory and delivered on-site is a _____.	modular structure	prefabricated structure	prototype store	prefabricated, prototype store	prefabricated, prototype store
A sign that displays a store's name is a _____.	recessed storefront	prototype display	marquee	modular display	marquee

A curtain of warm or cold air is used in a(n) _____.	self-opening entrance	climate-controlled entrance	revolving door entrance	electronic gate entrance	climate-controlled entrance
Dead areas are store locations _____.	where normal displays cannot be set up	where customer traffic is very low	set aside for specific intent shopping	usually set aside for leased department operators	where normal displays cannot be set up
The area set aside for merchandise displays, interactions between sales personnel and customers, and demonstrations is _____ space.	customer	selling	merchandise	personnel	selling
An area where nondisplayed items are stocked is called _____ space.	selling	merchandise	personnel	customer	merchandise
Lounge areas, dressing rooms, wide aisles, and a restaurant are components of _____ space.	personnel	merchandise	selling	customer	customer
A visual or graphical representation of the space for selling, merchandise, personnel, and customers, as well as for specific product categories, is referred to as _____.	a blueprint	rationalized retailing	a space allocation model	a planogram	a planogram
In a functional product grouping, goods are categorized by common _____.	end use	target market appeal	purchase motivation	price level	end use
A retailer seeking to determine an optimal location for impulse goods should utilize which product grouping?	end use	target market appeal	purchase motivation	price level	purchase motivation
Perishable items are categorized and displayed on the basis of _____ product groupings.	end use	target market appeal	purchase motivation	storability	storability
A free-flowing pattern is used in _____.	a curving traffic flow	a straight traffic flow	customer space	selling space	a curving traffic flow
A retailer determines its space needs in a model stock approach on the basis of _____.	maintaining a proper assortment of merchandise	inventory turnover	supplier use of electronic data interchange (EDI)	fit of merchandise to modular displays	maintaining a proper assortment of merchandise
Under the model stock approach, a retailer determines selling space needs by _____.	dividing merchandise into impulse and specific intent categories	computing the amount of floor space necessary to display a given assortment of merchandise	increasing space for complementary goods and decreasing space for substitute goods	determining which products will maximize sales or profit per square foot	computing the amount of floor space necessary to display a given assortment of merchandise
The best retail locations are generally given to _____ goods.	profitable	convenience	complementary	specialty	profitable
The poorest retail display position is a(n) _____ position.	end-aisle	ankle-level	eye-level	checkout counter	ankle-level
Assortment, theme-setting, and cut case displays are all _____ displays.	end-aisle	ankle-level	eye-level	point-of-purchase	point-of-purchase
Customers are encouraged to look at a variety of merchandise but not to touch or try these items on in a(n) _____ display.	cut case	ensemble	closed assortment	open assortment	closed assortment
Retailers often use _____ displays to portray a specific atmosphere or mood.	assortment	theme-setting	ensemble	rack	theme-setting
Related-item selling is represented in a(n) _____ display.	assortment	theme-setting	ensemble	rack	ensemble