

CHAPTER 1—PERSPECTIVES ON RETAILING

MULTIPLE CHOICE

1. When Benetton, Toys “R” Us, Pizza Hut, and an IMAX Theater opened for business in former communist countries, the companies became instant successes. The joy and excitement exhibited by these customers illustrates which valuable lesson?
- The value people of all cultures place on retailing that is responsive to their needs and wants.
 - The weakened American dollar in these countries allowed consumers to take advantage of significant savings.
 - Consumers in these countries were faced with too many choices, allowing this narrow grouping of American companies to be successful.
 - Retailers that enter foreign markets and “under-price” local competitors will be higher profit performers than those that do not.
 - Retailers that enter foreign markets and operate their business based on the same procedures used in their home market will be higher profit performers.

ANS: A PTS: 1 REF: p. 4 OBJ: LO 1-1

2. Retailing is defined as:
- any exchange of cash and/or credit for goods or services between channel members.
 - a fairly stable and unchanging industry that has a major impact on society.
 - the final activities and steps needed to place merchandise made elsewhere into the hands of the consumer or to provide services to the consumer.
 - the sale of any good or service by the producer to a channel member.
 - the activities and steps needed to transfer goods and/or services between channel members.

ANS: C PTS: 1 REF: p. 4 OBJ: LO 1-1

3. Which of the following is an example of a retail transaction?
- A firm pays a printer for printing business cards.
 - A supermarket purchases eggs from a local farmer for resale.
 - A student purchases a magazine subscription from a door-to-door salesperson.
 - A manager of a college bookstore purchases extra copies of your Retailing text from the publisher.
 - A department store purchases cosmetics from a manufacturer for sale in its stores.

ANS: C PTS: 1 REF: p. 4 OBJ: LO 1-1

4. An operator of which of the following establishments is NOT a retailer?
- A catering service specializing in weddings.
 - A computer firm selling software to households via the Internet.
 - A student going door-to-door selling magazine subscriptions.
 - A corporate property management firm.
 - An ice cream shop in the student union.

ANS: D PTS: 1 REF: p. 4 OBJ: LO 1-1

5. Which of the following statements is true about retailing today?
- Retailing is the most staid and stable sector of American business.
 - Retailing includes every living individual as a customer.

- c. Retailing accounts for just over 30 percent of the worldwide labor force.
- d. While the computer has improved the efficiency of service retailers, it has had less effect on the performance of bricks-and-mortar retailers.
- e. Retailing is the third largest industry in most nations.

ANS: B PTS: 1 REF: p. 4 OBJ: LO 1-1

6. During the recent recession, the number one reason most CEOs were replaced was for:
- a. denying reality.
 - b. ignoring customers.
 - c. mismanaging change.
 - d. tolerating low performers.
 - e. too much talk but not enough action.

ANS: C PTS: 1 REF: p. 5 OBJ: LO 1-1

7. Identify the incorrect statement about e-tailing.
- a. It enables consumers to shop when they like and from where they like.
 - b. It provides access to vast amounts of information, ranging from a product's attributes to who has the lowest price.
 - c. Many e-tailers offer personalized help online.
 - d. With some Internet websites, individuals can band together for group buying.
 - e. Some e-tailers may have to discontinue some product categories as consumers engage in outshopping.

ANS: E PTS: 1 REF: p. 6-7 OBJ: LO 1-1

8. Which of the following is NOT a trend that is changing the face of retailing today?
- a. Increased level of price competition
 - b. America's changing demographic composition
 - c. Changes in store sizes
 - d. The growth of e-tailing
 - e. The birth of the discount store in the early 1980s

ANS: E PTS: 1 REF: p. 6-11 OBJ: LO 1-1

9. One of the most dramatic changes created by e-tailing is a shift in power between retailers and consumers. This shift in power is derived from:
- a. the ability of consumers to purchase from retailers in other countries as a result of the Internet.
 - b. the inability of Internet retailers to compete with more traditional bricks-and-mortar retailers.
 - c. the loss of control of pricing information by retailers due to the information dissemination capabilities of the Internet.
 - d. the lack of competition in e-tailing.
 - e. the decreased power of consumers when transacting and negotiating with retailers.

ANS: C PTS: 1 REF: p. 7 OBJ: LO 1-1

10. The dominance of Walmart can be attributed to Sam Walton's realization that:
- a. most of any product's cost gets added after the item is produced.
 - b. consumers desire great selection and are willing to pay higher prices to obtain that selection.
 - c. most consumers prefer to complete all of their shopping in one store to minimize their overall shopping time.

- d. most consumers would prefer to shop in large stores rather than small stores as they believe that larger stores offer higher customer service.
- e. the company's primary focus should be on its profits.

ANS: A PTS: 1 REF: p. 7 OBJ: LO 1-1

11. _____ occurs when the customer gets needed information in the store and then orders it online for a lower price and to avoid paying state sales tax.
- a. Nonstore shopping
 - b. Same-store retailing
 - c. Bricks-and-mortar retailing
 - d. Social shopping
 - e. Outshopping

ANS: E PTS: 1 REF: p. 7 OBJ: LO 1-1

12. A product sold at or below cost is known as:
- a. freebie marketing.
 - b. a loss leader.
 - c. product bundling.
 - d. a bait and switch.
 - e. product churning.

ANS: B PTS: 1 REF: p. 9 OBJ: LO 1-1

13. Walmart became the world's largest retailer by:
- a. offering better value in price and quality.
 - b. cutting unnecessary costs.
 - c. concentrating only on profits.
 - d. selling products at low prices.
 - e. becoming more service oriented.

ANS: B PTS: 1 REF: p. 9 OBJ: LO 1-1

14. Which of the following demographic factors have been significant sources of change over the last decade?
- a. Fluctuating birth rate, the increasing number of immigrants, the growing importance of Generation-Y consumers, the fact that Generation-Xers are starting to reach middle age and that baby boomers are nearing retirement age.
 - b. Aging of baby boomers, declining household incomes, decline in part-time workers, redistribution of income levels, and the rise in the number of college graduates.
 - c. Increasing number of women in the workplace, declining household incomes, rise in part-time workers, rise in teenage suicide, and redistribution of income levels.
 - d. Fluctuating birth rate, the growing importance of Generation-X consumers, the fact that Generation-Yers are starting to reach middle age, and the increasing number of women in the workforce.
 - e. Fluctuating birth rate, the growing importance of Generation-X consumers, the fact that Generation-Yers are starting to reach middle age, and the decline in household incomes.

ANS: A PTS: 1 REF: p. 9-10 OBJ: LO 1-1

15. Since population growth is slowing, retailers must attempt to _____ in order to attain their long-term profit or profit growth objectives.
- a. open new stores at faster rates
 - b. increase market share or reduce expenses

- c. utilize more price promotions to attract more customers into the store
- d. add more merchandise categories
- e. wait until population growth increases

ANS: B PTS: 1 REF: p. 10 OBJ: LO 1-1

16. Market share refers to:
- a. the number of competitors a retailer must contend with.
 - b. a retailer's total sales divided by total market sales.
 - c. agreements whereby retailers attempt to "share" certain costs.
 - d. the total sales a retailer has generated from the target market.
 - e. the portion of a retailer's sales that represent profit.

ANS: B PTS: 1 REF: p. 10 OBJ: LO 1-1

17. Same-store sales compare:
- a. an individual store's sales to its sales for the same month in the previous year.
 - b. clearance efforts with holiday mark-downs.
 - c. two stores in the same district to one another.
 - d. advertising circulars with in-store promotions.
 - e. revenue with expenses.

ANS: A PTS: 1 REF: p. 10 OBJ: LO 1-1

18. Scrambled merchandising is the:
- a. name given to the current retailing trend of sharing costs in order to reduce operating expense.
 - b. case where a retailer carries many different and unrelated items.
 - c. recent trend whereby retailers discontinue having individual departments within a store and instead mix all the merchandise together.
 - d. handling of a rather large number of related items, i.e., increasing product depth.
 - e. expansion of the product selection, such as when McDonald's added breakfast items to its menu.

ANS: B PTS: 1 REF: p. 10 OBJ: LO 1-1

19. Which type of retail establishment is least likely to adopt scrambled merchandising?
- a. An ATM
 - b. A drugstore
 - c. A supermarket
 - d. A specialty store
 - e. A convenience market

ANS: D PTS: 1 REF: p. 10-11 OBJ: LO 1-1

20. _____ is the result of the pressure being placed on many retailers to increase profits by carrying additional merchandise or services that will also increase store traffic.
- a. Cross-merchandising
 - b. Piggybacking
 - c. Automatic merchandising
 - d. Product diversification
 - e. Scrambled merchandising

ANS: E PTS: 1 REF: p. 10-11 OBJ: LO 1-1

21. A convenience store that sells low-margin gasoline but makes its money selling higher-margin bread, milk, beer, cigarettes, magazines, lottery tickets, and fast food is an example of:
- a. automatic merchandising.
 - b. product diversification.
 - c. scrambled merchandising.
 - d. piggybacking.
 - e. cross-merchandising.

ANS: C

PTS: 1

REF: p. 11

OBJ: LO 1-1

22. A _____ is a combination of the more traditional general merchandise store with a supermarket and an automotive service center.
- a. discount store
 - b. lifestyle center
 - c. bricks-and-mortar business
 - d. supercenter
 - e. specialty store

ANS: D

PTS: 1

REF: p. 11-12

OBJ: LO 1-1

23. A retailer that carries such a large quantity of merchandise in a single category at such good prices that it makes it impossible for customers to walk out without purchasing what they need, thus killing the competition, is known as a(n):
- a. capital-based retailer.
 - b. category killer.
 - c. divertive competitor.
 - d. killer bee.
 - e. supercenter.

ANS: B

PTS: 1

REF: p. 12

OBJ: LO 1-1

24. Which of the following would NOT be considered a "category killer?"
- a. Office Depot
 - b. PetSmart
 - c. Toys "R" Us
 - d. Target
 - e. Best Buy

ANS: D

PTS: 1

REF: p. 12

OBJ: LO 1-1

25. The best way to categorize retailers is:
- a. by the U.S. Bureau of Census' three-digit North American Industrial Classification Systems (NAICS).
 - b. by the retailers' locations.
 - c. by the number of outlets the store maintains.
 - d. by the retailers' margins and turnover.
 - e. there is no single accepted method of classifying retail competitors.

ANS: E

PTS: 1

REF: p. 16

OBJ: LO 1-2

26. What are the five most popular methods of classifying retailers?
- a. Census Bureau, inventory method, margin versus turnover, location, and size
 - b. Census Bureau, margin versus turnover, inventory method, channel system, and size
 - c. Census Bureau, number of outlets, margin versus turnover, location, and size
 - d. number of outlets, margin versus turnover, location, size, and inventory method

e. number of outlets, Census Bureau, inventory method, location, and size

ANS: C PTS: 1 REF: p. 16 OBJ: LO 1-2

27. Which of the following is NOT one of the ways by which retailers are categorized?

- a. Location
- b. Market share
- c. Number of outlets
- d. Size
- e. Margin vs. turnover

ANS: B PTS: 1 REF: p. 16 OBJ: LO 1-2

28. The North American Industrial Classification System (NAICS) code is used to reflect the:

- a. location of the retailer.
- b. industrial category of the retailer.
- c. type of merchandise the retailer sells.
- d. size of the retailer in terms of sales dollars.
- e. margin the retailer maintains in its industrial category.

ANS: C PTS: 1 REF: p. 17 OBJ: LO 1-2

29. Which of the following statements about NAICS codes is false?

- a. Three-digit NAICS codes are very useful to the retail analyst.
- b. In almost all instances, the NAICS code reflects the type of merchandise the retailer sells.
- c. Four-digit NAICS codes provide much more information on the structure of retail competition than three-digit NAICS codes.
- d. The U.S. Bureau of Census classifies all retailers using three-digit NAICS codes.
- e. The major portion of a retailer's competition comes from other retailers in its NAICS category.

ANS: A PTS: 1 REF: p. 17 OBJ: LO 1-2

30. In the text, when the authors refer to chain stores they are normally referring to operations having _____ or more units.

- a. 2
- b. 7
- c. 10
- d. 20
- e. 25

ANS: C PTS: 1 REF: p. 18 OBJ: LO 1-2

31. _____ is a merchandising method in which all stores in a retail chain stock the same merchandise.

- a. An optional stock list
- b. Scrambled merchandising
- c. A standard stock list
- d. Automatic merchandising
- e. Cross-merchandising

ANS: C PTS: 1 REF: p. 18 OBJ: LO 1-2

32. Large chains which recognize that consumer tastes vary by region often use a(n) _____ to give each store the flexibility to adjust its merchandise mix.

- a. standard stock list

- b. flexible merchandise planning center
- c. private label branding strategy
- d. localized merchandise planning center
- e. optional stock list

ANS: E

PTS: 1

REF: p. 19

OBJ: LO 1-2

33. A channel captain:

- a. is a retailer that carries a large amount of merchandise in the marketing channel at good prices.
- b. helps the customer gets needed information in the store and then orders it online for a lower price and to avoid paying state sales tax.
- c. is the institution in the marketing channel that is able to plan for and get other channel institutions to engage in activities they might not otherwise engage in.
- d. provides information on the structure of retail competition.
- e. is a retailer that develops its own brand name and contracts with a manufacturer to produce the product with the retailer's brand.

ANS: C

PTS: 1

REF: p. 19

OBJ: LO 1-2

34. Which of the following statements about private label brands is false?

- a. Private labels allow the retailer to control the costs associated with developing, making, sourcing, and promoting the label.
- b. Private labels are advertised in the newspaper as brands and are heavily promoted in stores.
- c. Private label brands are usually sold at lower prices than manufacturer's brands.
- d. Private label brands have been successful in the grocery industry, while failing in most other retail sectors.
- e. Some retailers can't use private labels unless they are part of a buying group.

ANS: D

PTS: 1

REF: p. 19

OBJ: LO 1-2

35. Gross margin can be defined as:

- a. net sales minus the cost of the goods sold.
- b. the selling price charged for a piece of merchandise or a service plus variable operating expenses.
- c. the difference between total profits and total expenses.
- d. the cost of merchandise in a retailer's inventory.
- e. the cost of goods sold at less operating expenses.

ANS: A

PTS: 1

REF: p. 20

OBJ: LO 1-2

36. If a retailer has a 25 percent gross-margin percentage, how much will be generated in gross-margin dollars for each \$100 of sales?

- a. \$25.00
- b. \$75.00
- c. \$2.50
- d. \$4.50
- e. \$7.50

ANS: A

PTS: 1

REF: p. 20

OBJ: LO 1-2

37. Which of the following is NOT an operating expense?

- a. Rent
- b. Cost of goods sold

- c. Depreciation
- d. Utilities
- e. Wages

ANS: B PTS: 1 REF: p. 20 OBJ: LO 1-2

38. _____ refers to the number of times per year, on average, that a retailer sells its inventory.
- a. Periodic inventory
 - b. Carrying cost of inventory
 - c. Inventory reserve
 - d. Perpetual inventory
 - e. Inventory turnover

ANS: E PTS: 1 REF: p. 20 OBJ: LO 1-2

39. If a retailer had an average inventory of \$80,000 (retail) and annual sales of \$480,000, how many times has that retailer turned over its inventory?
- a. Four times a month
 - b. Six times a month
 - c. Four times a year
 - d. Six times a year
 - e. Eight times a year

ANS: D PTS: 1 REF: p. 20 OBJ: LO 1-2

40. An inventory turnover of 3.7 indicates that a retailer sells its inventory:
- a. for 37 percent of cost times cost.
 - b. every 3.7 months.
 - c. 3.7 times a year.
 - d. about every four weeks.
 - e. about every four days.

ANS: C PTS: 1 REF: p. 20 OBJ: LO 1-2

41. Jewelry stores are generally categorized as:
- a. low-margin/high-turnover.
 - b. high-margin/low-turnover.
 - c. low-margin/low-turnover.
 - d. high-margin/high-turnover.
 - e. low-margin/moderate-turnover.

ANS: B PTS: 1 REF: p. 21 OBJ: LO 1-2

42. _____ retailers are best able to withstand and counter competitive threats.
- a. Low-margin/high-turnover
 - b. High-margin/low-turnover
 - c. Low-margin/low-turnover
 - d. High-margin/high-turnover
 - e. Low-margin/moderate-turnover

ANS: D PTS: 1 REF: p. 22 OBJ: LO 1-2

43. Which of the following statements is correct?
- a. Operating costs per sales dollar are usually lower for larger retailers than they are for small retailers.

- b. Larger retail firms generally have higher operating costs per sales dollar.
- c. Retailers cannot be classified by number of stores.
- d. Retailers are rarely classified by sales volume.
- e. The operating performance of retailers has no relationship to retailers' size.

ANS: A PTS: 1 REF: p. 23 OBJ: LO 1-2

44. Which of the following is true about a retailing career?
- a. Since retailing is so diverse, all individuals are suited for a retail career.
 - b. A career in retailing is limited to those living in densely populated areas.
 - c. Starting salaries are higher in retailing than in most other careers.
 - d. The potential for retail career advancement is high.
 - e. Nationally, the number of careers in retailing is expected to decline over the next decade.

ANS: D PTS: 1 REF: p. 23 | p. 27 OBJ: LO 1-3

45. The retailing career path whereby one uses quantitative tools to develop appropriate buying plans for the store's merchandise lines is:
- a. logistics.
 - b. assistant store management.
 - c. store management.
 - d. regional management.
 - e. buying.

ANS: E PTS: 1 REF: p. 26 OBJ: LO 1-3

46. If you choose the store-management path, which of the following statements would be true?
- a. Selecting, training, evaluation, and all other aspects of personnel management are your responsibility.
 - b. You will have to use quantitative tools such as the merchandise budget in your work.
 - c. You are responsible for selecting the merchandise.
 - d. You must select the vendors and negotiate terms with them.
 - e. Store managers, who usually work out of the retailer's main office but do spend a great amount of time traveling have to develop appropriate buying plans for their merchandise lines.

ANS: A PTS: 1 REF: p. 26 OBJ: LO 1-3

47. _____ is the ability to generate and recognize novel ideas and solutions.
- a. Flexibility
 - b. Leadership
 - c. Initiative
 - d. Enthusiasm
 - e. Creativity

ANS: E PTS: 1 REF: p. 28 OBJ: LO 1-3

48. Due to the ever-changing retail marketplace, the store manager has initiated many novel ideas and solutions to increase overall store sales. The manager is demonstrating which desirable retailing attribute?
- a. Prioritizing
 - b. Leadership
 - c. Creativity
 - d. Hard Work
 - e. Enthusiasm

ANS: C

PTS: 1

REF: p. 28

OBJ: LO 1-3

49. Which of the following characteristics is NOT desirable for a retail manager to possess?
- a. Enthusiasm
 - b. Creativity
 - c. Analytical skills
 - d. Indecisiveness
 - e. Initiative

ANS: D

PTS: 1

REF: p. 28-31

OBJ: LO 1-3

50. Given the ever-changing needs of the retail environment, retail managers who possess _____ are highly sought after as these managers have the ability to quickly alter plans to accommodate changes in trends, styles and attitudes.
- a. flexibility
 - b. leadership
 - c. initiative
 - d. enthusiasm
 - e. creativity

ANS: A

PTS: 1

REF: p. 30

OBJ: LO 1-3

51. Due to increased corporate responsibilities, the manager of a sporting goods store has asked the assistant manager to take responsibility for screening and hiring new sales associates. The manager is allowing the assistant to make the decisions independently, but has scheduled weekly meetings for the two to discuss any issues of concern and to provide insight, if needed. The manager is demonstrating which desirable retailing attribute?
- a. Prioritizing
 - b. Leadership
 - c. Creativity
 - d. Laziness
 - e. Enthusiasm

ANS: B

PTS: 1

REF: p. 31

OBJ: LO 1-3

52. Retail managers are often forced to deal with many issues, functions, and projects at the same time. Establishing priorities, plans, and follow through to achieve results demonstrates which prerequisite for success?
- a. Initiative
 - b. Leadership
 - c. Risk Taking
 - d. Organization
 - e. Stress Tolerance

ANS: D

PTS: 1

REF: p. 31

OBJ: LO 1-3

53. In attempting to determine whether a new fast-food restaurant should be opened in a small town, a retailer gathered information on demographics, competitors' sales, and real estate available in that area. The retailer was employing the _____ method of retail decision-making.
- a. analytical
 - b. creative
 - c. intuitive
 - d. strategic
 - e. tactical

ANS: A PTS: 1 REF: p. 32 OBJ: LO 1-4

54. A successful retail manager will use the:
- analytical method only.
 - creative method only.
 - strategic method only.
 - analytical and creative methods.
 - analytical, creative, and strategic methods.

ANS: D PTS: 1 REF: p. 33 OBJ: LO 1-4

55. Retailers that practice both analytical and creative management should be consistently more:
- profitable.
 - vibrant.
 - liquid.
 - successful in terms of market share.
 - stable.

ANS: A PTS: 1 REF: p. 33 OBJ: LO 1-4

TRUE/FALSE

1. The nations that have benefited from the greatest economic and social progress have been those with a strong retail sector.

ANS: T PTS: 1 REF: p. 2 OBJ: LO 1-1

2. Retailing is responsible for matching the individual demands of the consumer with vast quantities of supplies produced by manufacturers and service providers.

ANS: T PTS: 1 REF: p. 2 OBJ: LO 1-1

3. Walmart has a significant negative effect on the mom-and-pop business sector.

ANS: F PTS: 1 REF: p. 4 OBJ: LO 1-1

4. Given that a golf course only offers entertainment and does not provide merchandise to customers, it should not be considered a retailer.

ANS: F PTS: 1 REF: p. 4 OBJ: LO 1-1

5. Retailing is defined as the final activities and steps involved in the sale of merchandise (but not services) to the final consumer.

ANS: F PTS: 1 REF: p. 4 OBJ: LO 1-1

6. Retailing is the most staid and stable sector of business.

ANS: F PTS: 1 REF: p. 4 OBJ: LO 1-1

7. Retailing includes telephone sales, catalog sales, and sales over the Internet.

ANS: T PTS: 1 REF: p. 4 OBJ: LO 1-1

8. Internet sales are considered to be retail sales only if a customer purchases a physical product from the web site.

ANS: F PTS: 1 REF: p. 6 OBJ: LO 1-1

9. Change is truly the driving force behind retailing.

ANS: T PTS: 1 REF: p. 6 OBJ: LO 1-1

10. The Internet has completely destroyed bricks-and-mortar retailers.

ANS: F PTS: 1 REF: p. 6 OBJ: LO 1-1

11. Based on the U.S. Census Bureau data, there are about 10 retail establishments for every 1,000 households.

ANS: T PTS: 1 REF: p. 6 OBJ: LO 1-1

12. E-tailing enables consumers to shop when they like and from where they like.

ANS: T PTS: 1 REF: p. 6 OBJ: LO 1-1

13. One of the most dramatic changes e-tailing is creating is a shift in power between retailers and consumers. This shift in power is primarily derived from dissemination of pricing information through the Internet to consumers.

ANS: T PTS: 1 REF: p. 7 OBJ: LO 1-1

14. JCPenney opened the nation's first discount department store in 1866.

ANS: F PTS: 1 REF: p. 7 OBJ: LO 1-1

15. Walmart became the world's largest retailer by focusing on its bottom line - profits.

ANS: F PTS: 1 REF: p. 9 OBJ: LO 1-1

16. The decreasing number of immigrants is having a profound effect on the way retailers operate.

ANS: F PTS: 1 REF: p. 10 OBJ: LO 1-1

17. With population growth slowing, retailers are no longer able to sustain their long-term profit projections simply by building new stores to gain additional sales as they did in the past.

ANS: T PTS: 1 REF: p. 10 OBJ: LO 1-1

18. Since the U.S. population growth has slowed in recent years, successful retailers will be those that take away market share from competitors.

ANS: T PTS: 1 REF: p. 10 OBJ: LO 1-1

19. Market share refers to a retailer's sales compared to the store's sales for the same month in the previous year.

ANS: F PTS: 1 REF: p. 10 OBJ: LO 1-1

20. Same-store sales compare an individual store's sales to its sales for the same day of the week (e.g., Friday) to that day in the previous two weeks.

ANS: F PTS: 1 REF: p. 10 OBJ: LO 1-1

21. Retailers are prevented by law from engaging in scrambled merchandising as it would divert business away from the more traditional outlets; even if these older, traditional outlets are inefficient.

ANS: F PTS: 1 REF: p. 10-11 OBJ: LO 1-1

22. Successful retailers today are able to look at the changing environment and see opportunities.

ANS: T PTS: 1 REF: p. 10 OBJ: LO 1-1

23. Retailers have found out that some consumers prefer smaller stores, since these stores provide the convenience of being able to get in and out more quickly.

ANS: T PTS: 1 REF: p. 11 OBJ: LO 1-1

24. Convenience stores often employ a scrambled merchandising technique.

ANS: T PTS: 1 REF: p. 11 OBJ: LO 1-1

25. Category killers carry such a large amount of merchandise in a single category at such good prices that it makes it impossible for the customer to walk out without purchasing what they needed.

ANS: T PTS: 1 REF: p. 12 OBJ: LO 1-1

26. Category killers are not allowed to divert business away from traditional wholesale supply houses. They can only compete with other retailers.

ANS: F PTS: 1 REF: p. 12 OBJ: LO 1-1

27. Department stores are closing their downtown locations, which often were their largest stores, because the downtown areas of many cities have become "ghost towns."

ANS: T PTS: 1 REF: p. 12 OBJ: LO 1-1

28. Retail managers must be skillful at managing changes that occur in their markets.

ANS: T PTS: 1 REF: p. 13 OBJ: LO 1-1

29. Retailers need only to pay close attention to the behavior of consumers and not worry about other environmental factors.

ANS: F PTS: 1 REF: p. 15-16 OBJ: LO 1-1

30. Four-digit NAICS codes provide are easier to work with than three-digit NAICS codes.

ANS: T PTS: 1 REF: p. 17 OBJ: LO 1-2

31. The NAICS codes are an effective means of categorizing retailers as they reflect all types of retail activity.
- ANS: F PTS: 1 REF: p. 17 OBJ: LO 1-2
32. Single-unit retailers have no inherent advantages over their chain store competitors, despite the fact that single-unit owners are often harder-working and more motivated.
- ANS: F PTS: 1 REF: p. 18 OBJ: LO 1-2
33. Some national chains give each store manager the necessary flexibility to adjust merchandise to local demands; this is called using the “optional stock list” approach.
- ANS: T PTS: 1 REF: p. 19 OBJ: LO 1-2
34. Private-label branding may be store branding where a known designer develops a line exclusively for the retailer.
- ANS: F PTS: 1 REF: p. 19 OBJ: LO 1-2
35. In the past, private labels were inexpensive knockoffs of popular items.
- ANS: T PTS: 1 REF: p. 19 OBJ: LO 1-2
36. Gross margin is equal to net cost of goods sold minus net sales.
- ANS: F PTS: 1 REF: p. 20 OBJ: LO 1-2
37. A 35 percent gross margin indicates that on each \$100 in sales the retailer has a gross margin of \$65.
- ANS: F PTS: 1 REF: p. 20 OBJ: LO 1-2
38. Inventory turnover refers to the number of times per year, on average, that a retailer sells its inventory.
- ANS: T PTS: 1 REF: p. 20 OBJ: LO 1-2
39. Depreciation and wages are considered to be operating expenses.
- ANS: T PTS: 1 REF: p. 20 OBJ: LO 1-2
40. Operating expenses are the expenses the retailer incurs in running the business other than the cost of the merchandise.
- ANS: T PTS: 1 REF: p. 20 OBJ: LO 1-2
41. A low-margin, low-turnover retailer will generally not be able to generate sufficient profits to remain competitive and survive.
- ANS: T PTS: 1 REF: p. 20 OBJ: LO 1-2
42. Discount department stores are typically classified as high-margin, high-turnover retailers.

ANS: F PTS: 1 REF: p. 21 OBJ: LO 1-2

43. The margin and turnover scheme captures the complete array of retailers operating in today's marketplace.

ANS: F PTS: 1 REF: p. 22 OBJ: LO 1-2

44. Classifying retailers by size generally means classifying by sales volume or number of employees.

ANS: T PTS: 1 REF: p. 23 OBJ: LO 1-2

45. As a rule, larger retailers have lower operating costs per dollar of sales than do smaller firms.

ANS: T PTS: 1 REF: p. 23 OBJ: LO 1-2

46. Retail managers need only be concerned with and involved in arranging deliveries of merchandise that they sell, not the merchandise they purchase.

ANS: F PTS: 1 REF: p. 24 OBJ: LO 1-3

47. Career progression in retailing is typically slow.

ANS: F PTS: 1 REF: p. 27 OBJ: LO 1-3

48. Given the financial pressure facing today's retailers, creativity is no longer a prerequisite for success in retailing.

ANS: F PTS: 1 REF: p. 28-29 OBJ: LO 1-3

49. A successful retailer should have the ability to make rapid decisions, to render judgments, and to commit oneself to a course of action until completion of the assigned task.

ANS: T PTS: 1 REF: p. 30 OBJ: LO 1-3

50. Leadership and decisiveness are favorable retail manager traits.

ANS: T PTS: 1 REF: p. 30-31 OBJ: LO 1-3

51. The creative method of retailing focuses on facts to make decisions systematically.

ANS: F PTS: 1 REF: p. 32 OBJ: LO 1-4

52. A retailer who employs the two-pronged approach to managing primarily concentrates on data and facts that have already been collected.

ANS: F PTS: 1 REF: p. 33 OBJ: LO 1-4

53. A planning orientation refers to a retail manager's continual attention to external forces.

ANS: F PTS: 1 REF: p. 33 OBJ: LO 1-4

54. Proactive planning enables the retailer to have another plan in place prior to the market changing or suffering attacks from the competition on its original plan.

ESSAY

1. Retailers that enter foreign markets and understand the local cultures and customers will be higher profit performers than those who do not understand the local cultures and customers. Explain.

ANS:

Student opinions will vary. Success in retailing depends on a retail manager's ability to properly interpret what societal changes are occurring and what these changes mean to the store's customers, and then build a strategy to respond to these changes. Some retailers that enter foreign markets fail because they believe that what happens in the United States occurs around the world. Retailers must immerse themselves in the local culture if they are to succeed. When American and Western European retailers opened for business in Eastern European Communist countries, they became instant successes. The joy and excitement these new forms of retailing provided the citizens was amazing and illustrated the value people of all cultures place on a retailing system that is responsive to their needs and wants.

PTS: 1

REF: p. 4 | p. 13

OBJ: LO 1-1

2. List and discuss several factors that are expected to change the face of retailing during the next decade.

ANS:

E-Tailing: E-tailing enables consumers to shop when they like and from where they like. It provides access to vast amounts of information. Retailers must keep experimenting with various strategies, both in-store and online.

Price Competition: Cut unnecessary costs; focus on the consumer's bottom line; boost store traffic by getting shoppers to come in for super-low prices on key products; use loss leaders to generate traffic and increase inside-of-the-store-sales.

Demographic Shifts: Successful retailers must become more service oriented, offer better value in price and quality, as well as more convenient store hours. They must include more effective and useful in-store signage, and must be better attuned to their customers' needs. With population growth slowing, profit growth must come by either increasing same-store sales at the expense of the competition's market share or reducing expenses without reducing services to the point of losing customers. In today's economy and the economy of the future, the market will clearly be driven by the consumer.

Store Size: Retailers have found out that some consumers prefer smaller stores, since these stores provide the convenience of being able to get in and out more quickly. Scrambled merchandising will help retailers increase profits by carrying additional merchandise or services, with higher profit margins, that will also increase store traffic. Retailers can expand their scrambled merchandising policies. It is expected that the trend of making fewer shopping trips per week will continue for the foreseeable future regardless of economic conditions.

PTS: 1

REF: p. 6-12

OBJ: LO 1-1

3. Define channel advisor and discuss the benefits chain stores can achieve in this role.

ANS:

Chain stores are aware of the benefits of taking a leadership role in the marketing supply chain. When a chain store retailer is able to achieve critical mass in purchases, it can get other supply-chain members—wholesalers, brokers, and manufacturers—to engage in activities they might not otherwise engage in, and it is then referred to as the channel advisor or channel captain. The chain store retailer could get other supply-chain members to include direct-to-store deliveries, increased promotional allowances, extended payment terms, or special package sizes, all of which help the retailer operate more efficiently.

PTS: 1 REF: p. 19 OBJ: LO 1-2

4. Explain how margin and turnover can be used to classify retailers.

ANS:

Retailers can be classified in regard to their gross-margin percent and rate of inventory turnover. The gross-margin percentage shows how much gross margin the retailer makes as a percentage of sales. This gross margin will be used to pay the retailer's operating expenses. Inventory turnover refers to the number of times per year, on average, that a retailer sells its inventory.

Retailers are classified into four basic types by using the concepts of margin and turnover: (1) low margin, low turnover; (2) high margin, low turnover; (3) low margin, high turnover; and (4) high margin, and high turnover.

The low-margin, low-turnover retailer is the least able to withstand a competitive attack because this retailer is usually unprofitable; when competition increases, profits are driven even lower. The high-margin, high-turnover retailers can be very profitable. These retailers are in an excellent position to withstand and counter competitive threats because profit margins enable them to finance competitive price wars.

PTS: 1 REF: p. 20-22 OBJ: LO 1-2

5. What are the prerequisites for success in a retailing career?

ANS:

Some factors that influence a retailer's success include hard work, analytical skills, creativity, decisiveness, flexibility, initiative, leadership, organization, risk taking, stress tolerance, perseverance, and enthusiasm.

PTS: 1 REF: p. 28-32 OBJ: LO 1-3

6. What is the key difference between a retailer using the analytical method and one using the creative method?

ANS:

The analytical retail manager is a finder and investigator of facts. These facts are summarized and synthesized so a manager can make decisions systematically. In doing so, the manager uses models and theories of retail phenomena that enable him/her to structure all dimensions of retailing. An analytical perspective can result in a standardized set of procedures, success formulas, and guidelines. Conversely, the creative retail manager is an idea person. This retail manager tends to be a conceptualizer and has a very imaginative and fertile mind capable of creating a highly successful retail chain.

PTS: 1 REF: p. 32-33 OBJ: LO 1-4

7. Explain the four major orientations to the approach and practice of retailing.

ANS:

The four major orientations to the approach practice of retailing are: (1) environmental, (2) management planning, (3) profit, and (4) decision making.

An environmental orientation will allow retailers to anticipate and adapt continuously to external forces in the environment. With social, legal, technological, economic, and other external forces always in flux, the modern retailer would find it necessary both to assess these changes from an analytical perspective and to respond with creative actions.

A planning orientation will help retailers to adapt systematically to a changing environment. A retailer that wants to have the competitive edge must plan today for the future.

Since all retail decisions will have an effect on the firm's financial performance, retailers need a profit orientation. The profit orientation focuses on the fundamental management of assets, revenues, and expenses.

Retailers should have a decision-making orientation that will allow them to focus on the need to collect and analyze data for making intelligent retail decisions. To aid in this process, executives would need a retail information system to help program their operations for desired results.

PTS: 1

REF: p. 33-34

OBJ: LO 1-4