Retail Management: A Strategic Approach, 13e **(Berman/Evans/Chatterjee)**
Chapter 1   An Introduction to Retailing

CHAPTER 1: ANSWERS TO QUESTIONS FOR DISCUSSION

1. What is your favorite consumer electronics retailer? Discuss the criteria you have used in making your selection. What can a competing firm do to lure you away from your favorite firm?

   This is a good stimulus-type question to use in an early lecture. There are a number of possible answers in a student's choice of a favorite consumer electronics retailer. Criteria that can be applied broadly include exclusive selection of merchandise, breadth and depth of merchandise, excellence in customer service, quality of atmospherics, high value, and special customer-service provider relationship.

   A competing firm can attempt to woo customers through very competitive pricing, an excellent Web site (with product reviews and product comparison information), excellent customer service (including salesperson assistance and free software installation), and exclusive merchandise (including private labels).

2. What kinds of information do retailers communicate to customers? To suppliers?

   Information that retailers communicate to customers includes prices, store hours, special sales, the availability and characteristics of goods and services, warranty information, and exchange privileges. This information is communicated through ads, a Web site, sales personnel, and in-store displays.

   Information that retailers need to communicate to suppliers includes the sales performance of the supplier's products, plans in terms of additional store openings, customer complaints, defective products, current inventory levels, inventory turnover, and so on.

3. What are the pros and cons of a firm such as Apple having its own retail stores and E-commerce Web site as well as selling through traditional retailers?

   The pros of Apple selling its products through its own retail stores, as well as its E-commerce Web site include increased overall sales through more intensive distribution. Apple can also use its Web site to promote its store locations and to serve as a sales outlet in areas that have few Apple stores. The Web site also enables shoppers to gather information about products that they can then purchase in the Apple store. Lastly, Apple can sell excess inventory and refurbished products through its Web site.

The cons of this dual channels strategy include the need to manage multiple channels, possible channel conflict with retailers (that view the Web site as competition, such as outlets that would receive a style or color in short supply), and perhaps different levels of customer support in each channel.

4.   Why would one retailer seek to be part of an exclusive distribution channel while another seeks to be part of an intensive distribution channel?

With exclusive distribution, channel relations are generally smooth as suppliers enter into agreements with only one or a few retailers. This lessens price competition for a retailer, enables a retailer to provide full service to its customers, and increases the cooperation between a retailer and its supplier.

With intensive distribution, suppliers sell through as many retailers as possible. This enables retailers to offer their customers many different brands and product versions, to increase total sales by carrying multiple brands, and to reduce their dependency on one or a few brands and suppliers.

5.   Describe how the special characteristics of retailing offer unique opportunities and problems for local gift shops.

Special Characteristics of Retailing	Opportunities and Problems for Local Gift Shops
Small average sale	Costs must be tightly controlled; search for scrambled merchandising opportunities such as greeting cards, gift wrapping paper, chocolates and flowers.
Unplanned or impulse purchases	Use of point-of-purchase displays, attractive store layouts, and special promotions. In addition to traditional gift items, the store may seek to increase impulse sales by selling greeting cards, batteries, and so on.
Retail customers normally visit a store	Location, store hours, parking, and assortments of merchandise are important.

6.   What is the purpose of developing a formal retail strategy? How could a strategic plan be used by a restaurant chain?

A retail strategy is the overall plan that guides the firm. It has an influence on the retailer's business activities and its response to market forces.

A restaurant chain can use a retail strategy to define its type of business; set long- and short-run objectives (sales and profit); define the target market (breakfast, lunch, dinner,

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in-store and catering); develop an overall, long-run plan; implement an integrated strategy; and evaluate performance.

7.   On the basis of the chapter description of the Home Depot, present five suggestions that a new retailer should consider.

Strategies used by Home Depot Corporation that should be considered by new retailers include the following:

- Growth-oriented objectives
- Appeal to multiple target markets
- A distinctive company image
- Focus on a discount store value-oriented niche
- Strong customer service for its retail category
- Multiple points of contact
- Employee relations
- Innovation
- Commitment to technology
- Community involvement
- Constant monitoring of performance

8.   Explain the retailing concept. Apply it to your school's bookstore.

The retailing concept has four elements: customer orientation, coordinated effort, value-driven, and goal orientation. A school bookstore can follow the retailing concept by understanding the multiple target market (students, faculty, staff, alumni, and the general public) and needs of its customers (speed of service requirements, books, logo apparel, computer repair), developing an integrated strategy (location, décor, selection, prices, hours, promotion), providing value-driven services (that are viewed as good value by its customers), and maintaining a goal orientation (setting goals based on sales, profits, and image).

9.   Define the term *total retail experience*. Then describe a recent retail situation in which your expectations were surpassed and state why.

The "total retail experience" comprises all elements in a retail offering that encourage or inhibit customers during their contact with a retailer. It includes the number of salespeople, displays, prices, brands, inventory levels, and parking facilities. Customer dissatisfaction can occur if any of these items are unsatisfactory to the consumer (for example, lack of sales help, inadequate parking, little brand selection, or low inventory levels).

10.   Do you believe that customer service in retailing is improving or declining? Why?

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Arguments for improved customer service are the increased attention to this area in the business literature, the recognition of the need for customer service to increase customer loyalty, and to reduce price-based competition. Customer service can also be used by bricks-and-mortar retailers to combat Web-based competitors that often compete based on price.

An argument for a decline in customer service in retailing could be justified by references to the trend away from personalized service (such as where Web sites and E-mails replacing traditional face-to-face retailing). Another argument can state that customer service has taken a back seat to price competition. This translates into fewer store personnel, and more self-service merchandising.

11. How could a small Web-only retailer engage in relationship retailing?

Relationship retailing occurs when retailers seek to establish long-term bonds with customers. Small Web-based retailers can engage in relationship marketing by greeting customers by name when they access the retailer's Web site, reminding customers of their past purchases, suggesting special sales on items a customer generally purchases via E-mail, maintaining an effective loyalty membership club, and surveying customers to monitor satisfaction levels via E-mail.

12. What checklist item(s) in Figure 1-11 do you think would be most difficult for Home Depot, the global home improvement retailer, to address? Why?

The most difficult item for Home Depot to address would be that of valuing customer time. It is difficult for retailers to assess customer perceptions. Although Home Depot may believe that it offers its customers shopping convenience and minimizes customer waiting, its patrons may feel otherwise. The size of the store, the huge selection, the need for assembly for many items, and the lack of delivery service all may contribute to this perception.

Another difficult items to address for Home Depot is the need to avoid being confrontational with customers who complain, particularly those who seek to return used items or who are partially responsible for a product's poor performance (due to poor assembly), and those who broke an item while installing it (this is particularly difficult if Home Depot has no recourse against its supplier).