Retailing Management 10th edition Levy Solutions Manual

SKU: 9781259573088-SOLUTIONS

CHAPTER 2
TYPES OF RETAILERS

ANNOTATED OUTLINE	INSTRUCTOR NOTES
I. Retailer Characteristics • The 1.1 million U.S. store-based retailers range from street vendors selling hot dogs to omnichannel retailers that offer thousands of products in their stores, through catalog and Internet channels. • The retail industry is always evolving. As consumer needs and competition within the industry change, new retail formats are created to respond to those changes. • The most basic characteristic of a retailer is its retail mix – the elements used to satisfy its customers' needs. • Four elements of the retail mix that are particularly useful for classifying retailers are: (1) the type of merchandise sold, (2) the variety and assortment of merchandise and/or services sold, (3) the level of customer service, and (4) the price of the merchandise.	*LO 2-1 List the different characteristics that define retailers.* *Ask students to compare the four elements of the retail mix -- the type of merchandise sold, the variety and assortment of merchandise and/or services sold, the level of service provided to customers, and price -- of two women's specialty stores. Now compare the retail mixes of one of the specialty stores and the local discount store (e.g., Walmart). Use this comparison to illustrate how the competition between the two specialty stores is stronger than the competition between the specialty store and the discount store.* *PPT 2-5 illustrates classification of retailers by merchandise offering and by variety and assortment.*
A. Type of Merchandise • The United States, Canada, and Mexico have developed a classification scheme, called the **North American Industry Classification System (NAICS)**, to collect data on business activity in each country.	
B. Variety and Assortment • **Variety** is the number of merchandise categories a retailer offers. **Assortment** is the number of different items in a merchandise category. Each different item of merchandise is called a **SKU (stock-keeping unit**).	*See PPT 2-7* *Ask students to give examples of local retailers with low variety and high assortment, and retailers with high variety and low assortment.*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

• Variety is often referred to as the **breadth of merchandise** and assortment is referred to as the **depth of merchandise**.	*What benefits does high variety offer to customers? What is the benefit of high assortment?* *Ask student to give an example of an SKU.*
C. Services Offered • Retailers also differ in the services they offer customers. Customers expect retailers to provide some services--accepting credit cards, displaying merchandise, providing parking, and being open long and convenient hours. • Some retailers charge customers for other services, such as home delivery and gift wrapping, although upscale retailers offer customers these services at no charge.	*See PPT 2-9* *Discuss the different customer service policies of a specialty store like Apple and a local department store or an Internet retailer.* *Discuss how customers' expectations differ at each type of store.*
D. Prices and the Cost of Offering Breadth and Depth of Merchandise and Services • Stocking a deep and broad assortment is appealing to customers but costly for retailers. When a retailer offers many SKUs, inventory investment increases because the retailer must have back-up stock for each SKU. • Similarly, services attract customers to the retailer, but they are also costly. • To make a profit, retailers that offer broader and deeper assortments and services need to charge higher prices. • A critical retail decision involves the trade-off between costs and benefits of maintaining additional inventory or providing additional services.	*See example in PPT 2-10 for illustration* *Customers like wide variety, deep assortments, and a lot of service, though some customers appreciate having the retailer edit the assortment for them. Ask students why all retailers don't have this type of offering. (Retailers have constraints of money, size of store, and limited number of employees.)* *Why don't discount stores offer more services? (They appeal to a target segment that does not want to pay the cost for more service options.)* *PPT 2-12 shows a comparison of sales and growth rates in various retail sectors*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

II. Food Retailers • Twenty years ago, consumers purchased food primarily at conventional supermarkets. Now conventional supermarkets account for less than 65 percent of food sales. • Supercenters, warehouse clubs, convenience stores, and extreme-value food retailers are significantly changing consumers' food purchasing patterns because they too sell food. At the same time, traditional food retailers carry many nonfood items. • The world's largest food retailer is Walmart with supermarket-type sales of more than $485 billion.	*LO 2-2 Categorize the various types of food retailers.* *See PPT 2-13* *Where do students make the majority of their off-campus food purchases? What are the pros and cons of these different food retailer formats?* *Ask students where they see the direction of food retailers going in the next 20 years. Will customers use more online grocery food retailers?*
A. Supermarkets • A **conventional supermarket** is a self-service food store offering groceries, meat, produce, and limited nonfood items. • **A limited-assortment supermarket** (also called an **extreme-value food retailer**) only stocks about 1,500 SKUs. The two largest US examples of these stores are Save-A-Lot and ALDI. • Limited-assortment supermarkets are designed to maximize efficiency and reduce costs through limited assortment and service offerings. These cost savings and efficiencies allow the stores to charge significantly lower (40% lower) prices than conventional supermarkets.	*See PPT 2-14* *Ask students to consider the retail mixes of the major supermarkets in the area surrounding campus. Which compete on price? On merchandise? On service? A combination?* *Do students have concerns about the quality of items at conventional supermarkets versus limited-assortment supermarkets?*
1. Trends in Supermarket Retailing • Today, conventional supermarkets are under substantial competitive pressure on multiple sides: from supercenters, online retailers, warehouse clubs, extreme-value retailers, convenience stores, and even drugstores. All these types of retailers have increased the amount of space (virtual or physical) that they devote to consumables. • Low-cost competitors are especially challenging for conventional supermarkets because of their superior	*See PPT 2-17* *Ask students about why they would continue to shop at conventional supermarkets. Alternatively, why would they shop for food at supercenters, warehouse clubs, or convenience stores? What types of needs are fulfilled by conventional supermarkets that can't be filled through other food retailing*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

operating efficiencies. • To compete successfully with intrusions by other types of retailers, conventional supermarkets have taken steps to differentiate their offerings by (1) emphasizing fresh perishables; (2) targeting green, ethnic, and Millennial consumers; (3) providing better value with private-label merchandise; (4) adding new value-added services such as online ordering; and (5) providing a better shopping experience, such as by adding restaurant options or hosting social events.	*formats? Based on these discussions, will conventional supermarkets be driven out of business by competing formats?*
2. Fresh Merchandise • Fresh-merchandise categories are located in the areas around the outer walls of a supermarket, known as the **power perimeter**, and include the dairy, bakery, meat, florist, produce, deli, and coffee bar. • Conventional supermarkets are building on their strength in fresh-merchandise categories and devoting more space and attention to them as they attract customers and are very profitable.	
3. Green Merchandise • Conventional supermarkets are offering more fair trade, natural, organic, and locally sourced foods for the growing segment of consumers who are health and environmentally conscious. • **Fair trade** is the practice of purchasing from suppliers that pay workers a living wage, considerably more than the prevailing minimum wage, and offer other benefits such as onsite medical treatment. • **The locavore movement** focuses on reducing the carbon footprint caused by the transportation of food throughout the world. Traditional supermarket chains are offering more locally grown products.	*Discuss if students would pay more for local produce, and if by doing so, it would improve the carbon footprint in the world. Does paying more for fair trade make students feel like they are contributing to the betterment of society? By marketing these efforts, does it make food retailers less genuine in their approach?*
4. Ethnic Merchandise • Retailers are adding more ethnic merchandise in conventional supermarkets, and opening supermarkets targeting certain ethnic markets.	

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

5. Private-Label Merchandise • Conventional supermarket chains are leveraging their quality reputation to offer more private-label merchandise which helps build store loyalty, earn higher margins, and differentiate stores from their competitors. • Benefits to customers include having more choices and finding the same ingredients and quality as in national brands at a lower price or higher quality at a similar price to the national brands.	*Ask students to think about what products they purchase at food stores that are "private label." Discuss if quality or price plays a greater role in their decision to purchase these products.*
6. Improving the Shopping Experience • Creating an enjoyable shopping experience through better store ambience and customer service is used to differentiate supermarket chains from low-cost, low-price competitors. • Supermarkets are increasingly incorporating "food as theater" concepts, such as in-store restaurants, open-air market designs, cooking and nutrition classes, demonstrations, baby-sitting services, food and wine tasting, and self-service kiosks.	*Ask students to list what types of experiences they have seen in the food retailers they visit. Discuss if these experiences motivate them to continue to shop there.*
B. Supercenters • **Supercenters** are the fastest growing retail category. At 160,000 to 20,000 square feet, these stores offer a wide variety of food and non-food merchandise. The largest supercenters are Walmart supercenters, Meijer, Super Kmart (Sears Holding), Fred Meyer (a division of Kroger), and SuperTarget. • By offering broad assortments of grocery and general merchandise under one roof, supercenters provide a one-stop shopping experience. • General merchandise items are often purchased at supercenters. These items have higher margins, which allows supercenters to offer food items at a more aggressive price. • However, since supercenters are very large, some customers find them inconvenient because it can take a long time to find the items they want. • **Hypermarkets** are also large, about the same size as	*See PPT 2-18 for an illustration of the characteristics of supercenters and warehouse clubs.* *The supercenter is one of the fastest growing retail formats. Why is the supercenter more attractive than a hypermarket in the U.S., but not in Europe? What are benefits to consumers shopping in supercenters versus conventional supermarkets? What are the disadvantages?* *Ask students if they prefer the supercenter model to a traditional supermarket. How do students feel about the growth of Walmart? Do students prefer Walmart's format over Target? Why?*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

supercenters, and have a combination of food and general merchandise. Hypermarkets typically stock fewer SKUs than supercenters. • Popular in both Europe and South America, hypermarkets are not common in the United States. Located in large, warehouse-type structures with large parking facilities, hypermarkets typically carry a larger selection of food items than supercenters and have a greater emphasis on perishables. • Supercenters place greater emphasis on general merchandise and dry grocery items such as breakfast cereals and canned goods. • Although supercenters and hypermarkets are the fastest growing categories in global retailing today, these retailers do face challenges in finding and acquiring appropriate land for building (particularly in Europe and Japan), along with backlash against these large stores, particularly in the U.S.	
C. Warehouse Clubs • A **warehouse club** is a retailer that offers a limited and irregular assortment of food and general merchandise with little service at low prices to ultimate consumers and small businesses. • Stores are large (at least 100,000 to 150,000 square feet) and located in low-rent districts. • Warehouse clubs reduce prices by using low-cost locations and inexpensive store designs, and offering little customer service. They reduce inventory holding costs by carrying a limited assortment of fast-selling items and buying merchandise opportunistically. • Warehouse clubs accordingly have had substantial influences on retailing and its structure. Between 1992 and 2013, warehouse club sales increased from $40 billion to $420 billion. • Most warehouse clubs have two types of members: wholesale members who own small businesses and individual members who purchase for their own use. Typically, members must pay an annual fee.	*See PPT 2-18 for an illustration of the characteristics of supercenters and warehouse clubs.* *Ask students to give local examples of warehouse clubs. What is the target market for warehouse clubs? (Consumers with larger families and small businesses.)* *Are warehouse clubs wholesalers or retailers? (When they sell to small businesses they are wholesalers. When they sell to individual members for personal or household use, they are retailers.)* *Ask students if they are members of a warehouse club. Do they prefer warehouse clubs to supercenters?*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

D. Convenience Stores • **Convenience stores** provide a limited variety and assortment of merchandise at a convenient location in a 3,000-to-5,000-square-foot store with a speedy checkout, with higher prices than supermarkets. They are a modern version of the neighborhood mom-and-pop grocery/general store. • Convenience stores enable consumers to make purchases quickly without having to search through a large store and wait in long checkout lines. • Convenience stores generally charge a higher price than supermarkets for staple items like milk, eggs, and bread. • Convenience stores are facing increasing competition from other retail formats, especially from supercenters and supermarket chains who have added gasoline to their merchandise offerings, often tying gasoline sales to their frequent-shopper programs. • In response to these competitive threats, convenience stores are taking steps to decrease their dependency on gasoline sales by tailoring their merchandise assortments to local markets, making their stores even more convenient to shop, and adding new services. • To increase convenience, some convenience stores are opening smaller stores close to where consumers shop and work. Others are exploring the use of technology to increase shopping convenience such as self-service kiosks.	*See PPT 2-19 for an overview of the characteristics of convenience stores* *Ask students to give examples of local convenience stores.* *Which products do they tend to buy most often at convenience stores?* *What do they like/dislike about them? In general, what is so "convenient" about convenience stores?* *What services do students believe would make a convenience store more "convenient"?*
E. Online Grocery Retailers • Time-poor customers are willing to pay more to access options for ordering groceries online and having them delivered. • Consumers thus rely on online grocers for lower-profit-margin nonperishable items, rather than higher-margin fresh fruit or meats. Therefore, slim margins continue to be a problem for both retailers and delivery services. • Delivery costs are also a factor that might reflect a barrier to the industry's growth.	
III. General Merchandise Retailers	*LO 2-3 Identify the various types*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

• The major types of general merchandise retailers are department stores, full-line discount stores, specialty stores, drugstores, category specialists, extreme-value retailers, off-price retailers, and outlet stores.	*of general merchandise retailers.* *See PPT 2-20* *PPT 2-20 compares the various types of general merchandise retailers along several characteristics.*
A. Department Stores • **Department stores** are retailers that carry a broad variety and deep assortment, offer some customer services, and are organized into separate departments for displaying merchandise. • The largest department store chains in the U.S. are Macy's, Sears, JCPenney, Kohl's, and Nordstrom. • Today, most department stores focus almost exclusively on **soft goods**. The major departments are women's, men's, and children's clothing and accessories; home furnishings; cosmetics; and kitchenware and small appliances. • Each department within the store has a specific selling space allocated to it as well as salespeople to assist customers, often resembling a collection of specialty shops. • Department store chains can be categorized into three tiers: (1) upscale, high-fashion chains with exclusive designer merchandise and excellent customer service (Neiman Marcus, Nordstrom, Bloomingdale's, Saks); (2) traditional chains with more moderately priced merchandise and less customer service (Macy's and Dillard's); and (2) value-oriented chains catering to price-conscious consumers (Sears, Kohl's and JCPenney). • Today many customers question the benefits of shopping at department stores due to: (1) lack of convenient locations, (2) decreases in customer service, and (3) relatively high prices. • To deal with their eroding market share, department stores are (1) increasing the amount of exclusive merchandise they sell, (2) increasing their use of private-label merchandise, and (3) expanding their omnichannel	*See PPT 2-21, 2-22, 2-23* *Ask students to give examples of local department stores. Why do customers go to department stores? What do they like/dislike about them?* *Ask students to give local examples of specialty stores. What are the differences between specialty stores, department stores, and discount stores? Where do students buy business suits, dresses, jeans, computers, and electronics? Why do they go to that type of store?* *Which department stores do students prefer? Which tier do they shop most often? Discuss differences in these responses.*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

presence.	
B. Full-Line Discount Stores • A **full-line discount store** is a retailer that offers a broad variety of merchandise, limited service, and low prices. They offer both private and national brands. • The big three full-line discount store chains are Walmart, Target, and Kmart (Sears Holding). • A significant trend in this sector is Walmart's conversion of discount stores to supercenters because of increased competition faced by the full-line discount stores, as well as the significant operating efficiencies realized by supercenters. • Target is becoming one of the most successful retailers in terms of sales growth and profitability, succeeding because its stores offer fashionable merchandise at low prices in a pleasant shopping environment.	*See PPT 2-24* *Discuss the target markets of the three largest full-line discount store chains (Walmart, Target, and Kmart). How will the category specialists (Staples, Best Buy, Home Depot) affect the retail strategy of full-line discount store chains? What about Internet only retailers? Are discount stores going to succeed in the "clicks" environment?* *In general, what are the factors that contribute to the success of discount stores despite increasing competition from other formats?*
C. Category Specialist • A **category specialist** is a big-box discount store that offers a narrow variety but deep assortment of merchandise. These retailers predominantly use a self-service approach, but they offer assistance to customers in some areas of the store. • By offering a complete assortment in a category at low prices, category specialists can "kill" a category of merchandise for other retailers and thus are frequently called **category killers**. • Because category specialists dominate a category of merchandise, they can use their buying power to negotiate low prices, and are ensured supply when items are scarce. • One of the largest and most successful types of category specialist is the home improvement center. A **home improvement center** is a category specialist offering equipment and material used by do-it-yourselfers and contractors to make home improvements. • While merchandise in home-improvement centers is displayed in a warehouse atmosphere, salespeople are available to assist customers in selecting merchandise and	*See PPT 2-25* *Ask students to give local examples of category specialists. How are they similar to specialty stores? Discuss the differences and similarities with discount stores.* *Ask students to describe an experience at a home improvement center such as Home Depot or Lowe's in terms of merchandise, atmosphere, and customer service.*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

to tell them how to use it. • Competition between specialists in each category is very intense (Staples vs. Office Depot; Home Depot vs. Lowe's) as firms expand into the regions originally dominated by another firm. Direct competition focuses on price, resulting in reduced profits because the competitors have difficulty differentiating themselves on other elements of the retail mix. • In response to this increasing competitive intensity, the category killers continue to concentrate on reducing costs by increasing operating efficiency and acquiring smaller chains to gain scale economies, although some category killers, like Home Depot and Lowe's, are attempting to differentiate themselves with service through licensed contractors or providing classes to home owners to give shoppers the confidence to tackle do-it-yourself (DIY) projects.	
D. Specialty Stores • A **specialty store** concentrates on a limited number of complementary merchandise categories and provides a high level of service in a relatively small store. • Specialty stores tailor their retail strategy toward very specific market segments by offering deep but narrow assortments and sales associate expertise. • Specialty retailers have such great appeal that they rank among the most profitable and fastest-growing firms in the world. These stores earn an average of $1,675 per square foot, compared to the $200 per square foot averaged by department stores. • Many manufacturers have opened their own specialty stores. Consider, for instance, Levi's (jeans and casual apparel), Godiva (chocolate), Cole Haan (shoes and accessories), Lacoste (apparel), Coach (purses and leather accessories), Tumi (luggage), Wolford (intimate apparel), Lucky Brand (jeans and casual apparel), Samsonite (luggage), and Polo/Ralph Lauren (apparel and home). • Another growing specialty store sector is the resale store.	*See PPT 2-26* *Why do customers go to specialty stores? What do they like/dislike about them?* *Manufacturers are also opening their own specialty stores (Levi's, Godiva, Cole Haan, Coach, etc). What are the implications for other retailers like department stores who also sell these brands?*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

Resale stores are retailers that sell secondhand or used merchandise and include **thrift stores** or **consignment shops**. The best-known and most widely expanded thrift shop is Goodwill Industries.	
E. Drugstores • **Drugstores** are specialty stores that concentrate on health and beauty care (HBC) products. Many drugstores have steadily increased the space devoted to cosmetics, but prescription pharmaceuticals still represent a substantial and growing portion of drugstore sales. • The largest drugstore chains in the United States are CVS and Walgreens, Boots. • Drugstores are also being squeezed by competition from pharmacies in discount stores and supermarkets, as well as prescription mail-order retailers. • In response, drug store chains are building larger stand-alone stores offering a wider assortment of merchandise, more frequently purchased food items, drive-through windows for picking up prescriptions, in-store medical clinics, and even makeovers and spa treatments. Although drugstores thus offer major advantages, especially in terms of convenience, they suffer from a price comparison when it comes to their grocery merchandise	*See PPT 2-27* *Ask students if they have shopped online for drugstore products. What has been their experience? Do they think the Internet is a viable channel for drugstore merchandise?*
F. Extreme-Value Retailers • **Extreme-value retailers**, such as Dollar Tree (which purchased the Family Dollar chain) and Dollar General, are small discount stores that offer a broad variety but shallow assortment of household goods, health and beauty care (HBC) products, and groceries.. • By offering limited assortments and operating in low-rent locations, extreme-value retailers can reduce costs and maintain very low prices. • Despite some of these chains' names, few just sell merchandise for $1. Rather, the names imply a good value but do not limit prices to the arbitrary dollar price point. • The growing popularity of extreme-value retailers has led	*See PPT 2-28 for a summary of issues facing extreme-value retailers.* *Ask students to name the extreme-value retailers in the local marketplace. How many have shopped at one of them? For what types of merchandise? What is the primary appeal of these retailers?*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

some vendors to agree to create special, smaller packages just for them. • Once considered low-status retailers catering to low-income consumers, extreme-value retailers have broadened their appeal to higher-income consumers by offering exciting bargains and unique merchandise.	
G. Off-Price Retailers • **Off-price retailers**, offer an inconsistent assortment of brand-name merchandise at low prices. • America's largest off-price retail chains are TJX Companies (which operates TJ Maxx, Marshalls, Winners [Canada], HomeGoods, HomeSense [Canada]), Ross Stores, Burlington Coat Factory, Big Lots, and Overstock.com.) • Off-price retailers can sell brand name and even designer-label merchandise at low prices due to their unique buying and merchandising practices. Most merchandise is bought opportunistically from manufacturers or other retailers with excess inventory at the end of the season. • End-of-season merchandise that will not be used in following seasons is called **close-outs**. The merchandise may be in odd sizes or unpopular colors or styles, or it may be **irregulars**, merchandise that has minor mistakes in construction. • Typically, merchandise is sold at prices that are20 to 60 percent lower than the manufacturer's suggested retail price. Off-price retailers can buy at low prices because they do not ask suppliers for advertising allowances, return privileges, markdown adjustments, or delayed payments. • Due to this pattern of opportunistic buying, customers can't be confident that the same type of merchandise will be in stock each time they visit the store. • **Outlet stores** are off-price retailers owned by manufacturers, or by department or specialty store chains. • Outlet stores owned by manufacturers are frequently referred to as **factory outlets**. • Manufacturers view outlet stores as an opportunity to improve their revenues from irregulars, production	*Ask students to give examples of local off-price retailers. What do consumers like about off-price retailers? What don't they like?* *See PPT 2-29 for a summary of the issues facing off-price retailers* *Ask students which type of off-price retailer offers consumers truly the best value. Why?*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

overruns, and merchandise returned by retailers. Outlet stores also allow manufacturers some control over where their branded merchandise is sold at discount prices. • An online twist to off-price retailing comes from flash sale sites such as Gilt, Rue La La, and HauteLook.	
IV. Service Retailing • **Service retailers**, or firms that primarily sell services rather than merchandise, are a large and growing part of the retail industry.	*LO 2-4 Explain the differences between service and merchandise retailers.* *PPT 2-30*
A. Differences between Service and Merchandise Retailers • Four important differences in the nature of the offerings provided by service and merchandise retailers are (1) intangibility, (2) simultaneous production and consumption, (3) perishability, and (4) inconsistency of the offering to customers.	
1. Intangibility • Services are generally intangible -- customers cannot see, touch, or feel them. Services are performances or actions rather than objects. • Intangibility introduces several challenges for service retailers. It is difficult for customers to evaluate services before they buy them, or even after they buy and consume them. Service retailers often use tangible symbols to inform customers about the quality of their services. • Service retailers also have difficulty in evaluating the quality of services they are providing. To evaluate the quality of their offering, service retailers place emphasis on soliciting customer evaluations and complaints.	*Ask students how customers can evaluate the quality of an intangible service offering. What problems does intangibility cause for the services retailer?* *Ask students how online reviews and ratings influence their decisions to use service retailers.*
2. Simultaneous Production and Consumption • Service providers create and deliver the service as the customer is consuming it. The simultaneity of production and consumption creates some special problems for services retailers. • First, the customers are present when the service is produced, may have an opportunity to see it produced, and in some cases, may be part of the production process.	*What problems does simultaneous production cause for the service retailer?*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

• Other customers consuming the service at the same time can affect the quality of the service provided. • Finally, the service retailer often does not get a second chance to satisfy the needs of their customers. While customers can return damaged merchandise to a store, customers that are dissatisfied with services have limited recourse. Thus, it is critical for service retailers to get it right the first time. • Because services are produced and consumed at the same time, it is difficult to reduce costs through mass production.	
3. Perishability • Because the creation and consumption of services is inseparable, services are perishable. They can't be saved, stored, or resold. This contrasts with merchandise, which can be held in inventory until a customer is ready to buy it. • In addition, the demand for a service varies considerably over time. Thus, service retailers often have times when their services are underutilized and other times when they have to turn customers away because they cannot accommodate them. • Service retailers use a variety of programs to match demand and supply. They also attempt to make customer waiting time more enjoyable.	*Give examples of retailers for which perishability is a real problem. (movie theaters, airlines, cruise lines, public golf courses) What do these retailers do to minimize the problem?* *What actions have students seen service retailers take to make waiting time more enjoyable for customers?*
4. Inconsistency • Merchandise is often produced by machines with very tight quality control. Because services are performed by people, no two services will be identical. • Thus, an important challenge for service retailers is providing consistently high-quality services.	*What problems does inconsistency cause for the service retailer? Are there service retailers whose inconsistency is acceptable? (Custom designers, hair "artists")*
V. Types of Ownership • Another way to classify retailers is by their ownership. The major classifications of retail ownership are: (1) independent, single-store establishments, (2) corporate chains, and (3) franchising.	*LO 2-5 Explain the types of ownership for retail firms.* *See PPT 2-34*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

	.
A. Independent, Single-Store Establishments • Retailing is one of the few sectors in our economy in which entrepreneurial activity is extensive. Many of these retail start-ups are owner managed which means management has direct contact with their customers and can respond quickly to those customers' needs. • While single-store retailers can tailor their offering to their customers' needs, corporate chains can more effectively negotiate lower prices for merchandise and advertising due to their larger size. • To better compete against corporate chains, some independent retailers join a wholesale-sponsored voluntary chain. A **wholesale-sponsored voluntary cooperative group** is an organization operated by a wholesaler offering a merchandising program to small, independent retailers on a voluntary basis.	*Ask students to give examples of local independent, single-store retailers. Do they shop at independents? Why or why not?* *Do students believe national chains will drive all independents out of business?*
B. Corporate Retail Chains • A **retail chain** is a company operating multiple retail units under common ownership and usually having some centralization of decision making in defining and implementing its strategy.	*Walmart has pursued a strategy of opening stores on the outskirts of small rural towns with populations between 25,000 and 50,000. These stores offer broader selection of merchandise at much lower prices than previously available from local retailers. Discuss the pros and cons of this strategy in class. What ramifications may result? (Monopolizing market, demise of small stores, potential to become major employer in rural area).*
C. Franchising • **Franchising** is a contractual agreement between a franchisor and a franchisee that allows the franchisee to operate a retail outlet using a name and format developed and supported by the franchisor. Approximately 40 percent of all U.S. retail sales are made by franchisees. • In a franchise contract, the franchisee pays a lump sum plus a royalty on all sales for the right to operate a store in a specific location. The franchisee also agrees to operate	*Ask students to give examples of local franchises. If they wanted to own a retail business, would they want a franchise or their own store? Why? What are the advantages of being a franchisee?* *PPT 2-35 provides a brief introduction to the Franchising*

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

the outlet as per the procedures prescribed by the franchisor. The franchisor provides assistance in locating and building the store, developing the products and/or services sold, management training, and advertising. • The franchise ownership format attempts to combine the advantages of owner-managed businesses with efficiencies of centralized decision-making in chain store operations.	*form of retail ownership.*
VI. Summary • Over the past 30 years, U.S. retail markets have been characterized by the emergence of many new retail institutions. Traditional institutions have been joined by category specialists, hypermarkets and superstores, extreme-value retailers, and nonstore retailers among others.	

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

ANSWERS TO SELECTED "GET OUT AND DO IT!" QUESTIONS

2. GO SHOPPING Go to an athletic footwear specialty store such as Foot Locker, a department store, and a discount store. Analyze their variety and assortment of athletic footwear by creating a table similar to that in Exhibit 2–2.

Students should be able to fill in this type of table and explain their findings.

	Variety of Athletic Footwear Breath of Merchandise	Assortment of Athletic Footwear Depth of Merchandise
Foot Locker		
Department store		
Discount Store		

3. GO SHOPPING Keep a diary for two weeks of where you shop, what you buy, and how much you spend. Get your parents to do the same thing. Tabulate your results by type of retailer. Are your shopping habits significantly different from or are they similar to those of your parents? Do you and your parents' shopping habits coincide with the trends discussed in this chapter? Why or why not?

Students should keep a list of places shopped. Results can be compared to a parent or another classmate. This assignment should give students insight into their own consumer buying behavior and how they select merchandise and retail formats. Ask students to discuss the managerial implications of their findings. How should retailers with differing target markets communicate with the different audiences based on the differences in buying behaviors?

4. GO SHOPPING Describe how the supermarket where you shop is implementing organic, locally grown, ethnic, and private-label merchandise. If any of these categories of merchandise are missing, explain whether you believe it could be a potential opportunity for growth for this supermarket. Then describe any strategies or activities that you believe are providing a better shopping experience than its competition. If you believe that competing stores are providing a better shopping experience than your store, explain what they are doing, and evaluate whether or not these activities would benefit your supermarket.

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

Responses here will vary. Some stores have a big commitment to organic, locally grown, ethnic, and private-label merchandise. Students should consider the demographics of the store's customers to evaluate the potential demand for these categories.

5. INTERNET EXERCISE Data on U.S. retail sales are available at the U.S. Bureau of the Census Internet site at www.census.gov/retail. Look at the unadjusted Retail and Food services monthly sales by NAICS (found in the Monthly Retail Trade Report section). Which categories of retailers have the largest percentage of sales in November and December (the holiday season)? Do your findings make sense to you? Why or why not?

Students will notice that many retail categories generate their largest percentage of sales in the fourth quarter. Some are:
(443) Electronics and Appliance Stores
(44312) Computer and Software Stores
(4453) Beer, Wine and Liquor Stores
(44812) Women's Clothing Stores
(45111) Sporting Goods Stores
(454) Nonstore Retailers

The higher level of sales in the last quarter of the year are likely due to holiday sales. Do these categories make sense to students? Are there other categories in which students would expect to see similar sales?

6. INTERNET EXERCISE Three large associations of retailers are the National Retail Federation (www.nrf.com), the Food Marketing Institute (www.fmi.org), and the National Association of Convenience and Petroleum Stores (www.nacsonline.com). Visit these sites and report on the latest retail developments and issues confronting the industry.

Information on these sites will change daily. The National Retail Federation will likely have information on trends in retailing like showrooming and omnishopping. Similarly, the NRF will also report on federal regulations, like taxes and swipe fees, that impact retailing. The Food Marketing Institute will provide information on trends in food retailing and manufacturing as well as legal and economic concerns. For example, the FMI may report on information about changes in regulations regarding the definition of "organic." The NACS will report on regulations as well, such as debit card swipe fees, as well as information on oil prices and petroleum.

7. INTERNET EXERCISE Go to *Entrepreneur* franchise zone web page at http://www.entrepreneur.com/franchise500 and view the top 500 franchises for the past year. How many of these retailers in the top 10 have you patronized as a customer? Did you know that they were operated as a franchise? Finally, what is the nature of the business that seems to lend themselves to franchising?

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

The Top 10 Franchises for 2017 include many familiar names. Students will likely report having visited a 7-Eleven, McDonald's, or Dunkin' Donuts. The web site notes that the list of the Top 500 franchises is based on quantifiable measures such as financial strength and stability, growth rate, size of the system, and number of years in business. Students will likely notice that service-based retailers tend to lend themselves best to the franchise system, particularly those services that allow for standardization of business practices and retail operating formats.

8. Best Buy is a category specialist with more than 1,400 store locations. It sells appliances (refrigerators, washers and dryers, small household appliances) and electronics (televisions, computers, cell phones, car electronics, wearable technology). What are the SIC and NAICS codes used by this retailer? What other retailers compete against Best Buy, and which store format is implemented by each competitor?

PRIMARY SIC AND NAICS CODES

Primary Industry	Consumer Electronics & Appliances Stores
Primary SIC Code	57310000: Radio, television, and electronic stores
Primary NAICS Code	443142: Electronics Stores

ASSOCIATED NAICS CODES

443141	Household Appliance Stores
443142	Electronics Stores

ASSOCIATED SIC CODES

5722	Household appliance stores
5731	Radio, TV, & electronic stores
5734	Computer and software stores
5946	Camera & photographic supply stores

Top Best Buy Competitors

Company	Format

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

Company	Format
Best Buy	Category Killer
Wal-Mart	Discount Store
Apple Inc.	Specialty
Amazon.com	Electronic Retailer

Other Best Buy Competitors

Company	Format
Costco	Warehouse Club
Target	Discount Store
Sony	Specialty
Dell	Specialty

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

ANSWERS TO DISCUSSION QUESTIONS AND PROBLEMS

1. Distinguish between variety and assortment. Why are these important elements of retail market structure?

The main difference between variety and assortment is that variety refers to the number of different merchandise categories a retailer sells, whereas assortment is the number of different items or SKUs in a merchandise category. In addition, variety is often referred to as the breadth of merchandise carried by the retailer, and assortment is referred to as the depth of merchandise. These elements form an integral part of the retail market structure, since it is the retail offering that ultimately distinguishes one retailer from another.

2. What sorts of competitive pressures are confronting traditional grocery stores? What options do these stores have to ease these pressures?

Supermarkets are under competitive pressures from supercenters, warehouse clubs, extreme-value retailers, convenience stores, and even drug stores. These retailers have increased the amount of space that they provide for consumables. In addition, these competing retailers offer food merchandise to build the traffic in their stores and increase the sales of more profitable nonfood merchandise. To compete against these stores, supermarkets are offering more fresh merchandise, green merchandise, ethnic merchandise, and private-label merchandise. In addition, supermarkets are also working on ways to enhance the store ambience and customer service to provide a more enjoyable shopping experience.

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

3. What do off-price retailers need to do to compete against other formats in the future?

The main competitive weapon for the off-price retailers is their low price. While they may not directly compete with higher service formats, such as department and specialty stores, they do face increasing competition from discount stores. Here, the off-price stores may be at a relative disadvantage since their merchandise is based upon opportunistic buying, while discount stores offer a relatively stable mix of merchandise at stable prices (everyday low pricing).

Since the option of improving service may increase costs and weaken their only source of competitive advantage, low price, off-price retailers should focus on strategies to keep their costs and prices low and explore low cost methods of attracting and retaining customers. In terms of keeping operational costs low, they can locate in lower cost urban and rural areas (note that outlet stores are more clustered within outlet malls located farther from the city but near major highways). They can also implement more efficient inventory and merchandise management systems (note that for a discount store, such as Walmart, operational efficiency and costs reductions are crucial to offering lower prices to customers). Also, they can expand their sourcing to include imports from low cost international markets.

Another threat for off-price retailers may be from Internet stores. Often several stores publicize their low prices and also attempt to match consumer price preferences through reverse bidding and auctions (sites such as Priceline and eBay). Off-price retailers can explore the possibility of using the Internet for relatively low-cost advertising about current merchandises (since their merchandise stocks fluctuate more rapidly due to opportunistic buying). Factory outlet stores, on the other hand, can compete more directly over the Internet.

4. Compare and contrast the retail mixes of convenience stores, traditional supermarkets, superstores, and warehouse stores. Can all of these food retail institutions be successful over the long run? How? Why?

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

Element of Retail Mix	Convenience Store	Traditional Supermarket	Superstore	Warehouse Store
Location	Typically freestanding, easily accessible sites	Typically in strip shopping centers	Typically in strip shopping centers	Typically in strip shopping centers
Merchandise Assortment	Limited variety and assortment	Average variety and assortment	Greater variety with deeper assortment than supermarket	Greater variety with about the same assortment as supermarket. Primary difference is that merchandise assortment varies because of opportunistic buying.
Pricing	Higher pricing than supermarkets	Average pricing. Some chains have constant (every day) pricing and others have special sale (high-low) pricing.	Lower pricing than supermarkets. Typical every day pricing.	Lower pricing than supermarkets. Pricing depends on cost of merchandise bought on special buys.
Advertising and Promotion Personal selling	Limited advertising, frequent shopper programs tied to gasoline sales. Minimal	High-low pricing chains advertise weekly specials. Minimal	Limited advertising since most have everyday pricing. Minimal	Minimal promotion since all merchandise is basically on sale. Minimal
Store design and display	Designed for quick and easy merchandise selection and checkout	Typically use a grid-iron with cross-hatch aisles, extensive signs.	Same as supermarket.	Same as supermarket. A bit more disorganized to give the customers the feel of searching for a bargain.
Service	Minimal	Some services for produce, bakery, meat and fish categories.	Some services for produce, bakery, meat and fish areas.	Minimal

All four types will persist because they appeal to different customer needs. The warehouse stores typically have larger pack sizes that are very attractive to customers with large families and to small business owners like local restaurants. In addition, due to the varying assortments, customers who are brand loyal might not want to shop in these stores.

Convenience stores are located and designed to offer customers a snack, quick meal, or minimal grocery/general merchandise purchase along with their gasoline. These retailers offer easy in and out access and speedy transactions. In response to competitive pressures from other food retailers, as well as dependency on gasoline sales, many convenience stores are now offering consumers fresh food and healthy fast-food choices to reduce dependency on fuel sales while maintaining on-the-go ease and convenience.

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

The superstores are low in price but more inconvenient to shop in because of the large size. Thus they appeal to customers who are very price conscious and are willing to drive a longer distance and spend more time shopping in a larger store.

Conventional supermarkets are the most convenient. In major metro areas, there is a conventional supermarket two to three miles from everyone's home. They also provide more services for customers such as cutting meat to order. Conventional supermarkets appeal to customers who value service and convenience and are not as price conscious.

Note that the same consumer may shop at all four types of food retailers depending on the nature of the shopping trip. For example, a consumer might stock up on basic such as toilet paper, soft drinks, and can goods at a warehouse or superstore and then go to a supermarket to buy meat, produce, and gourmet food.

5. Why is Walmart, the largest retailer in the world, facing slower growth than in the past? What can it do to accelerate its growth?

Full-line discount stores, like Walmart, face challenges from category specialists that dominate specific product categories. In response to this pressure, Walmart has converted many of its stores into supercenters that are more efficient and generate higher traffic. In addition, Walmart is expanding to more urban locations using smaller storefronts.

6. Why are retailers in the limited-assortment supermarket and extreme-value discount store sectors growing so rapidly? From which retailers are they getting these additional sales?

Both limited-assortment supermarkets and extreme-value discount stores focus on relatively limited merchandise offerings at highly appealing (low!) prices. The retail formats are able to offer their extremely low prices through maximizing efficiency. By reducing extras and service offerings, as well as managing a relatively low merchandise assortment, these retailers are able to provide consumers with the "thrill of the hunt" for amazing deals. Extreme-value retailers are attracting customers away from supermarkets and supercenters.

7. The same brand and model of tablet is sold by specialty computer stores, discount stores, category specialists, online retailers, and warehouse stores. Why would a customer choose one retail format over the others?

Each type of retail store provides a unique combination of price and services tailored to the needs of different types of customers. The specialty store typically will have higher prices, but will offer more services. It will have salespeople with technical expertise available to provide information to customers and answer questions. This service is particularly valuable to customers who do not know much about tablets.

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

On the other hand, discount stores, category specialists, and warehouse stores have lower prices and do not offer much personalized service. These stores are more attractive to customers who have more expertise and do not need personalized service.

Due to the greater assortment in category specialists, customers are able to compare the prices and features of different brands in one store visit. Warehouse and discount stores have limited assortments and thus customers can only see a limited set of brands and models. But they can also buy merchandise in different product categories at the same time they are buying a tablet.

Some customers will prefer the convenience and selection offered online. The Internet may also be used to collect information and compare features and prices prior to shopping in a store location.

8. Choose a product category that both you and your parents purchase (e.g., business clothing, casual clothing, music, electronic equipment, shampoo). In which type of store do you typically purchase this merchandise? What about your parents? Explain why there is, or is not, a difference in your store choices.

Students may emphasize specialty stores such as H&M, Old Navy, Forever 21, , and Best Buy, etc. for their purchases for clothing, or electronic equipment, while mentioning that their parents favor traditional department stores such as Macy's or Sears for the purchase of such product categories. If price is a major factor, there may be some similarities between the students and their parents; both may shop at discount stores.

The merchandise, service, and prices for the various retail formats stocking different product categories are different. In general, stores deliberately targeting a younger population will be favored by students since these stores would better match their expectations of merchandise (such as fashion clothing), prices, and services (students may consider themselves savvy customers for certain products, such as music and electronic equipment, and may not need the type of service demanded by their parents, for instance in purchasing business clothing).

9. At many optical stores you can get your eyes checked *and* purchase glasses or contact lenses. How is the shopping experience different for the service as compared to the product? Design a strategy designed to get customers to purchase both the service and the product. In so doing, delineate specific actions that should be taken to acquire and retain optical customers.

Optical stores present an interesting mix of service and related merchandise. On one hand, the eye examination is usually done by a trained and licensed eye doctor and here the service experience is often very professional and similar to a visit to any physician or hospital. On the other hand, the glasses or contact lenses are displayed in a retail store setting with the service being mostly oriented toward helping the customer try out various

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

options. The contrasts between the service and retail environments may be unnerving for some customers.

One strategy to reduce the gap is to ensure that the retail setting is very professional and courteous. Since the problem has been detected and identified by the eye doctor, the sales staff in the retail setting could engage and interact more directly with the customer with more of a problem-solving approach. This would involve educating consumers on various issues, including the benefits/costs of using glasses or contact lenses, the types of lenses and coatings, proper care of glasses and contact lenses, etc.

It must also be recognized that most customers who are prescribed glasses for the first time are likely to continue wearing glasses or contact lenses for the rest of their lives. Thus, it is important to start building consumer trust and confidence through professional service and expertise. One strategy would be to encourage customers to return for an eye examination every year and also have their current prescription for the glasses or lenses checked. Another is to provide free repair service for the frames.

10. There are services and products involved when buying or renting a car, and in both cases, the customer drives away in a car. But buying a car focuses more on the product, whereas renting involves the service. Explain four ways in which marketing for a rental car company differs from marketing for an automobile dealership.

The differences in offerings provided by service retailers include (1) intangibility, (2) simultaneous production and consumption, (3) perishability, and (4) inconsistency of the offering to customers. Although the automobile at the rental car company is tangible, the experience of renting is an intangible offering. The services surrounding the accessibility of the car rental or what is most important to the customer. Similarly, the service is consumed at the same time it is being produced. This differs from the experience of purchasing a car. The rental car service is also perishable. If a day goes by and a car is not rented, the revenue from renting the car for that day is gone forever, making the rental car service perishable. Finally, the experience with the rental car company may be inconsistent. As personalities and training programs might differ by location, the experience the consumer has with a rental car provider at different locations may vary significantly.

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

ANCILLARY LECTURE

LECTURE # 2-1: FRANCHISING

Instructor's Note: Franchising is one of the most popular and successful ways for individuals to start their own business. The growth in franchising as a retail format will probably continue in the near future. Many students who take a retailing course have intentions of someday starting their own business and this lecture may provide them with an interesting possibility to consider. Instructors might want to use this lecture as a stimulus to a class discussion on the topic. PowerPoint slides 2-59 to 2-67 can be used with this lecture.

Introduction

Franchising is the licensing of an ENTIRE business format by a parent company (FRANCHISOR) to a number of outlets (FRANCHISEES) to market a product or service and engage in a business developed by the FRANCHISOR using the FRANCHISOR'S trade names, trademarks, know-how, and methods of doing business.

In 2016, sales of goods and services by all franchising companies exceeded $890 billion, approximately 50 percent of all U.S. retail sales.

There are over 780,000 franchise businesses that directly employ over 8.8 million people.

The growth of franchising

Franchising has had a steady stream of growth. Some of the reasons include

1. Technological advances,
2. Profitable utilization of capital resources,
3. Attainment of the American dream,
4. Demographic expansion, and
5. Product/service consistency.

Technological advances

Equipment and systems--reduce product variability and more efficient marketing and distribution systems.

For example: Electronic Data Interchange

Profitable utilization of capital resources

Can tap savings and credit capacity of individuals to realize national product/service saturation

Attainment of the American dream

Owning your own business.

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

Demographic expansion

Urban "sprawl" creates need for more small retail establishments.

No longer just downtown locations.

Product/service consistency

Due to geographic mobility, franchises have provided a level of homogeneous (boring) quality in its product or service.

For example: A Big Mac tastes the same everywhere.

Types of franchise systems

There are various types of franchise systems including

1. Territorial,
2. Operating,
3. Mobile,
4. Distributorship,
5. Co-ownership,
6. Co-management,
7. Leasing/Licensing,
8. Manufacturing, and
9. Service.

Territorial franchise

The franchise granted encompasses several counties or states.

The holder of the franchise assumes the responsibility for setting up and training individual franchisees within his territory and obtains an "override" on all sales in his territory.

For example: McDonald's and Burger King Regional franchises.

Operating franchise

The individual independent franchisee that runs his own franchise.

He deals either directly with the parent organization or with the territorial franchise holder.

For example: McDonald's and Burger King individual locations.

Mobile franchise

A franchise that dispenses its product from a moving vehicle, which is either owned by the franchisee or leased from the franchisor.

For example: Snap-On Tools and Chem-Dry Carpet Cleaning.

Distributorship

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

The franchisee takes title to various goods and further distributes them to sub-franchisees.

The distributor has exclusive coverage of a wide geographical area and acts as a supply house for the franchisee that carries the product.

For example: Texaco gasoline supply centers.

Co-ownership

The franchisor and franchisee share the investment and profits.

For Example: Denny's Restaurant.

Co-management

The franchisor controls the major part of the investment.

The partner-manager shares profits proportionately.

For example: Travelodge and Holiday Inn.

Leasing/Licensing

The franchisor leases/licenses the franchisee to use his trademarks and business techniques.

The franchisor either supplies the product or provides franchisees with a list of approved suppliers.

For example: Sheraton Hotels.

Manufacturing

The franchisor grants a franchise to manufacture its product through the use of specified materials and techniques.

The franchisee distributes the product, utilizing the franchisor's techniques.

This method enables a national manufacturer to distribute regionally when distribution costs from central manufacturing facilities are prohibitive.

For example: Sealy.

Service

The franchisor describes patterns by which a franchisee supplies a professional service, as exemplified by employment agencies.

For example: Personnel One.

Why franchises fail

Individuals who are interested in franchising need to recognize that there is risk despite the high potential for success.

Franchises can fail for several reasons including

1. Inept management,

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

2. Fraudulent activities, and
3. Market saturation.

Inept management

Poor finances, product/service mix rejected, grew too quickly.

Fraudulent activities

The selling of unsound or unproven franchises to ignorant buyers, unfair contracts, etc.

Market saturation

Too many franchises of same type, e.g., chicken fast-food.

Franchisors and the marketing channel

A franchisor may occupy any position in the marketing channel.

Manufacturer-retailer franchise

Automobile dealers and service stations.

Manufacturer-wholesaler franchise

Coca-Cola, Pepsi, Seven-Up, etc. sell syrup they manufacture to franchised wholesalers who bottle and distribute to retailers.

Wholesalers-retailer franchise

Rexall Drugs and Sentry Drugs.

Service Sponsor--Retailer franchise

Avis, Hertz, and National, McDonald's, Chicken Delight, KFC, Howard Johnson's and Holiday Inn, Midas and AMCO, Kelly Girl and Manpower

Franchisor benefits

Franchisees (the store) provide benefits for the franchisor (the parent company).

Continuous market

Insured through consistent quantity and quality and strong promotion.

Market information

Information such as sales, local advertising, employee turnover, profits, etc. is usually provided.

Money

Principal sources of franchise company revenue.

Royalty fees

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

Royalties provide continuous income although often the rate may decrease as sales volume increase.

Sometimes a flat rate is established regardless of level of sales.

Sales of products

Often the franchisor supplies raw materials and finished products to the franchisee at a profit.

For example, Coke supplies syrup, Holiday Inn supplies furniture and carpeting.

Rental and lease fees

The franchisor may lease buildings, equipment, and fixtures.

License fees

There may be special fees that allow the franchisee to use and display the franchisor's trademark.

Management fees

Franchisor can charge for consultant fees, management reports, training, etc.

Franchisee benefits

Franchisors provide benefits for the franchisee through initial and continuous services. .

Initial services

There are a number of initial services that franchisors provide for franchisees including

1. Market survey and site selection,
2. Facility design and layout,
3. Lease negotiation advice,
4. Financing advice,
5. Operating manuals,
6. Management training programs, and
7. Employee training.

Continuous Services

There are also a number of continuous services that franchisors offer to franchisees including

1. Field supervision,
2. Merchandising and promotional materials,
3. Management and employee retraining,
4. Quality inspection,
5. National advertising,

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

6. Centralized purchasing,
7. Market data and guidance,
8. Auditing and record keeping,
9. Management reports, and
10. Group insurance plans.

Franchisor advantages/disadvantages

Depending upon which viewpoint one takes (the franchisor or franchisee) there are many advantages and disadvantages of franchising.

From the perspective of the franchisor, the advantages include

1. Rapid expansion,
2. Highly motivated franchisees do a good job, and
3. Additional profits by selling franchisees products and services.

The disadvantages include

1. Company-owned units may be more profitable,
2. Less control than independent retailers over advertising, pricing, personnel practices, etc. (e.g., can't fire franchisee).

Franchisee advantages/disadvantages

From the viewpoint of the franchisee the advantages include

1. Established/proven product/service,
2. Business and technical assistance, and
3. Reduction in risk.

The disadvantages include

1. Loss of control -- are really only semi-independent business people,
2. Many franchisors own a number of their outlets which may compete with those owned by franchisees, and
3. High royalties, fees, costs of equipment, supplies, merchandise, rental or lease rates and mandatory participation in promo and support services.

Franchising trends

Most of the growth of franchising has occurred in the retailing of goods and services. However, there are two basic types of franchising that merit consideration.

The first, product and trade franchising, a common form of retailing in the automobile and petroleum industry, focuses on what is sold.

Examples include brands like Ford, Honda, and Texaco.

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

The second, business format franchising, sells the right to operate the same business in different geographic locations.

The emphasis here is on how the business is run.

Examples include KFC, McDonald's and Burger King.

The major franchising trends are

1. Sustained growth,
2. Enduring plus unimagined applications,
3. International expansion,
4. Increased tensions, and
5. Greater emphasis on financial returns.

Sustained Growth

It is perceived that franchising will continue to grow steadily.

One of the possible explanations for this growth is that franchising offers franchisors rapid expansion as well as highly motivated owner-managers.

Also, annual growth in franchised sales volume will exceed the inflation rate by several percentage points.

Enduring plus unimagined applications

Today, such things like travel planning, pet-sitting services, and house calls by doctors may be owned by franchises.

With the applications such as these, the possibilities are certainly diverse.

For example, in the future, franchisees will come from three main sources, which include middle managers, women, and independent small-business owners.

International expansion

Franchisors are currently exploring foreign markets.

In addition, this trend has also been reciprocated by foreign franchisors as well.

However, non-U.S. franchisors have had a more difficult time in the U. S. due to stiff competition.

Increasing tensions

Despite the overwhelming of franchisors on the whole, there is still a major source of contention.

That is, franchisor-franchisee relations have witnessed a rise in class-action suits and arbitration hearings.

Dissatisfaction among franchisees could originate from various sources.

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

First, perceived inequity among this group regarding mandated or proposed changes may be a major source of conflict.

Also unsatisfactory financial performance may be another cause of discord.

Greater emphasis on financial returns

The main sources of financial returns include: dual operations in which a franchisee may be permitted to run two or more franchises from a common or adjacent area; reduced costs due to downsizing; and incentives for ownership.

[Source: This lecture was adapted from Gerald Pintel and Jay Diamond, Retailing, 4th ed. (Englewood Cliffs, NJ.: Prentice-Hall, 1987), pp. 73-76. in El-Ansary and Stern's book, Marketing Channels, Prentice-Hall, 3rd. ed. , 1988, p. 333); Bruce J. Walker, "Retail Franchising in the 1990s," Retailing Issues Letter, Published by Arthur Andersen & co, in conjunction with the Center for Retailing Studies, Texas A&M University, Vol.; 3, No.1, January 1991, pp. 1-. Additional information obtained from https://www.trade.gov/topmarkets/pdf/Franchising_Executive_Summary.pdf

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

CONNECT ACTIVITIES FOR CHAPTER 2

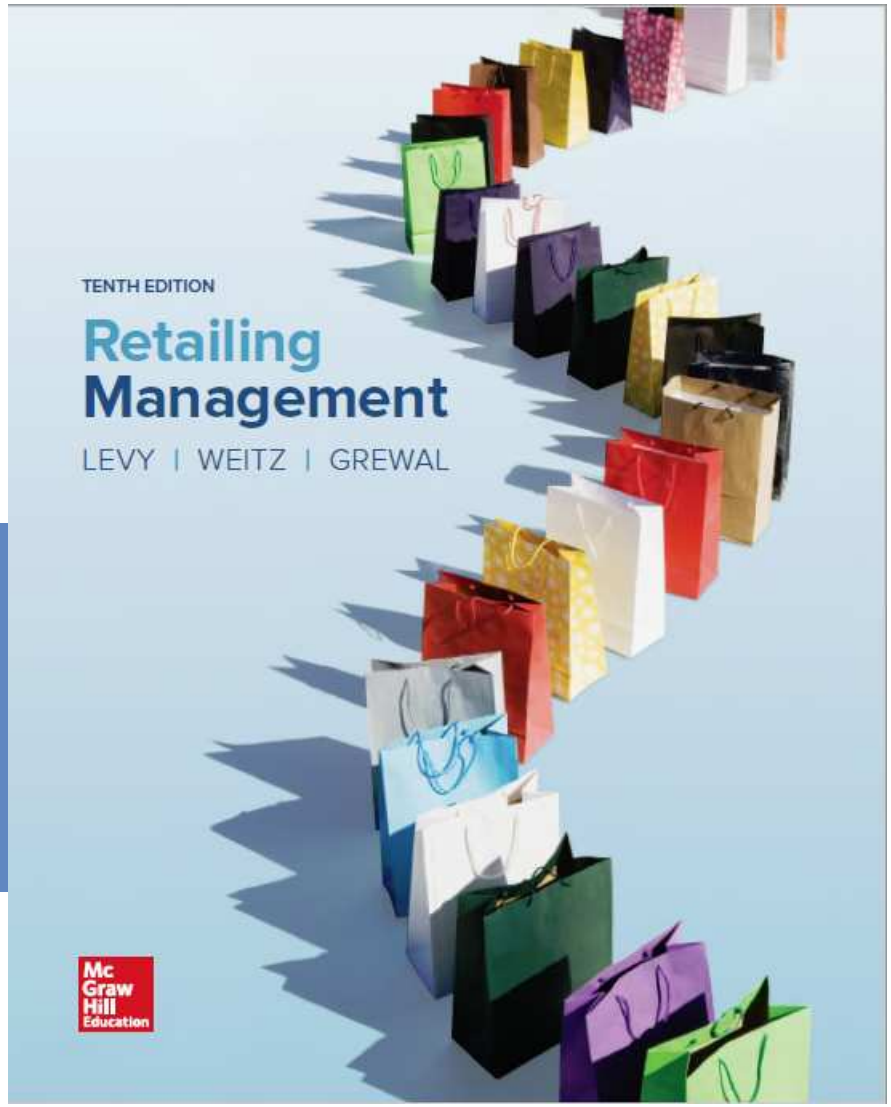
Activity Title	Activity Type(s)	Topic	Learning Objective(s)
Types of Retailers	Drag and Drop; Matching (accessible version)	Categories of food and general merchandise retailers	2-1 List the different characteristics that define retailers. 2-3 Identify the various types of general merchandise retailers.
Types of Ownership	Drag and Drop; Matching (accessible version)	Types of ownership for retail firms	2-5 Illustrate the types of ownership for retail firms.
Services Retailing versus Merchandise Retailing	Drag and Drop; Matching (accessible version)	Retailing	2-4 Explain the differences between service and merchandise retailers.

Copyright © 2019 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

CHAPTER 2

Types of Retailers



Because learning changes everything.™

Retailing Management 10th edition Levy Solutions Manual

©McGraw-Hill Education. All rights reserved. Authorized only for instructor use in the classroom. No reproduction or further distribution permitted without the prior written consent of McGraw-Hill Education.

Learning Objectives

Learning Objective 2-1 List the different characteristics that define retailers.

Learning Objective 2-2 Categorize the various types of food retailers.

Learning Objective 2-3 Identify the various types of general merchandise retailers.

Learning Objective 2-4 Explain the differences between service and merchandise retailers.

Learning Objective 2-5 Illustrate the types of ownership for retail firms.

©McGraw-Hill Education.

Retailer Characteristics 1 of 6

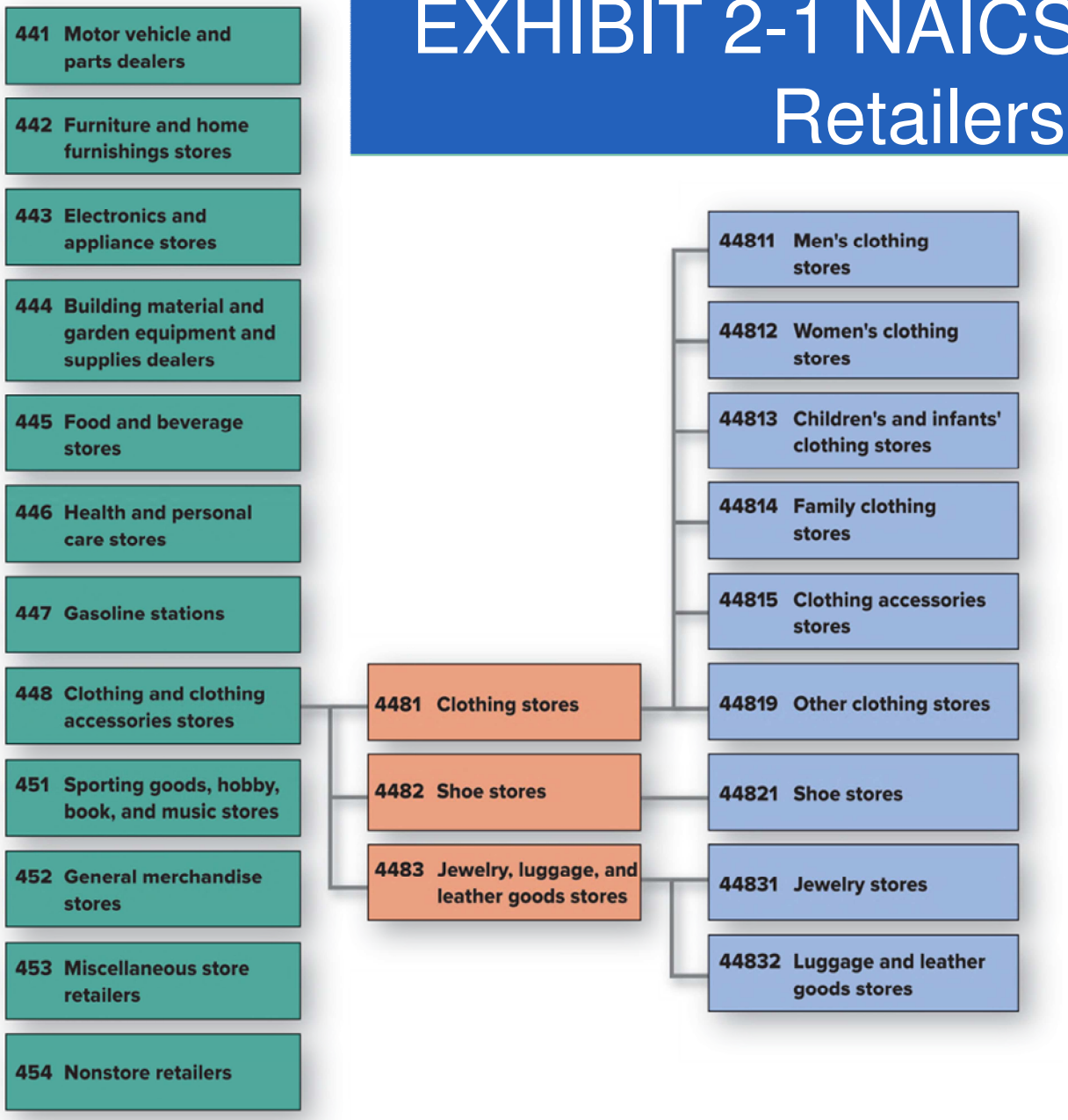
Learning Objective 2-1 List the different characteristics that define retailers.

Type of Merchandise

- **North American Industry Classification System (NAICS)**
  - Six-digit code assigned to every business

©McGraw-Hill Education.

EXHIBIT 2-1 NAICS Codes for Retailers



Jump to long description in Appendix

SOURCE: "North American Industry Classification System (NAICS)," U.S. Census Bureau,

©McGraw-Hill Education.

Retailing Management 10th edition Levy Solutions Manual

Retailer Characteristics 2 of 6

Variety and Assortment

- **Variety (breadth)**
- **Assortment (depth)**
  - Variety and assortment also apply to a specific merchandise category rather than entire store
- **Stock-keeping unit (SKU)**

©McGraw-Hill Education.

Retailer Characteristics 3 of 6

Services Offered

- Certain services expected
  - Displaying merchandise
  - Accepting credit cards
  - Providing parking

©McGraw-Hill Education.

Retailer Characteristics 4 of 6

Retailers differ in the services they offer customers

- Wheelworks offers assistance in selecting the appropriate bicycle as well as bicycle repairs.
- Walmart, however, doesn't provide any additional services.



©McGraw-Hill Education.

© Holger Burmeister/Alamy Stock Photo

Retailer Characteristics 5 of 6



Amazon offers the largest variety and assortment of any U.S. retailer

©McGraw-Hill Education.

© franky242/Alamy Stock Photo

Retailer Characteristics 6 of 6

Prices and Cost of Offering Breadth and Depth of Merchandise and Services

- Stocking a deep and broad assortment (like Wheelworks) is costly for retailers.
- Many SKUs
  - Retailer must have backup stock for each SKU
  - This leads to a rise in inventory investment cost
- Broader variety, deeper assortment requires retailer to charge higher prices to make a profit.

©McGraw-Hill Education.

Food Retailers 1 of 9

Learning Objective 2-2 Categorize the various types of food retailers.



Conventional supermarkets account for less than 65% of food sales

- Offer services: pharmacies, health care, banks, coffee
- Want customers to think of it as a place to “hang out”

©McGraw-Hill Education.

© Damian Dovarganes/AP Images

EXHIBIT 2-3 Sales and Growth Rate for Retail Sectors
1 of 2

	Estimated Sales, 2013 ($mil)	Estimated Sales Growth 2008-2013
Food Retailers		
Conventional Supermarkets	$622,896	3.3%
Supercenters	354,905	7.1
Warehouse clubs	159,075	6.7
Convenience stores	748,186	3.0
General Merchandise Retailers		
Department stores	73,291	-0.9
Apparel/accessory stores	210,236	4.5
Jewelry stores	36,848	3.4
Shoe stores	29,606	1.8
Furniture stores	66,262	2.2
Home furnishing stores	59,465	2.8
Office supply stores	26,404	2.2

©McGraw-Hill Education.

EXHIBIT 2-3 Sales and Growth Rate for Retail Sectors
2 of 2

	Estimated Sales, 2013 ($mil)	Estimated Sales Growth 2008-2013
General Merchandise Retailers		
Sporting goods stores	$49,717	5.3%
Bookstores	19,101	2.1
Building material, hardware, garden supply stores	393,254	3.6
Consumer electronics	141,800	4.4
Drugstores	250,172	4.2
Full-line discount stores	126,385	0.0
Extreme-value stores	52,454	3.1
NonStore Retailers		
Nonstore retailing	340,421	9.0
E-commerce	282,055	15.0

©McGraw-Hill Education.

EXHIBIT 2-4 Characteristics of Food Retailers

	Conventional Supermarket	Limited-Assortment Supermarket	Supercenter	Warehouse Club	Convenience Store
Percentage food	70-80	80-90	30-40	60	90
Size (000 sq. ft.)	35-40	7-10	160-200	100-150	3-5
SKUs (000)	30-40	1-1.5	100-150	20	2-3
Variety	Average	Narrow	Broad	Broad	Narrow
Assortment	Average	Shallow	Deep	Shallow	Shallow
Ambience	Pleasant	Minimal	Average	Minimal	Average
Service	Modest	Limited	Limited	Limited	Limited
Prices	Average	Lowest	Low	Low	High
Gross margin (%)	20-22	10-12	15-18	12-15	25-30

©McGraw-Hill Education.

Food Retailers 2 of 9

Supermarkets

- **Conventional supermarkets**
  - Perishables (meat, dairy, produce) are almost 54% of sales
- **Limited assortment supermarkets**
  - **Extreme-value food retailers**
  - 1500 SKU
  - Offer one or two brands and sizes
  - Maximize efficiency to reduce costs
  - Merchandise up to 40% lower than conventional supermarkets



©McGraw-Hill Education.

© Ulrich Baumgarten/Getty Images

Food Retailers 3 of 9

Competition

- Supercenters
- Warehouse Clubs
- Convenience Stores
- Extreme Price Retailers
- Convenience Stores
- Drug Stores

©McGraw-Hill Education.

Food Retailers 4 of 9

Fresh Merchandise
- **Power perimeter**

Green Merchandise
- **Fair trade**
- **Locavore movement**

Ethnic Merchandise

Private-Label Merchandise



©McGraw-Hill Education.

© Kristoffer Tripplaar/Alamy Stock Photo

Food Retailers 5 of 9

Supercenters

- Combine supermarket with full-line discount store
- One-stop shopping experience
- **Hypermarkets** emphasize perishables
- **Big-box stores**

©McGraw-Hill Education.

Food Retailers 6 of 9

Warehouse Clubs

- Offer limited and irregular assortment of food and general merchandise
- Little service and low prices
- Low-rent districts
- Simple interiors
- Low inventory holding costs

©McGraw-Hill Education.

Food Retailers 7 of 9



©McGraw-Hill Education.

© Justin Sullivan/Getty Images

Food Retailers 8 of 9

Convenience Stores

- Limited assortment of merchandise
- Convenience shopping
- Prices generally higher than supermarkets
- Tailoring assortment to local markets
- Offering more fresh options
- Adding services: banking, movie tickets, gift cards

©McGraw-Hill Education.

Food Retailers 9 of 9



Online Grocery Retailers

- Customers willing to pay more to save time
- Online retailers continues to expand
- About 30% of orders are for nonfood items
  - Paper products, cleaning items
- Slim profit margins continue to be a problem

©McGraw-Hill Education.

© Mario Tama/Getty Images

General Merchandise Retailers 1 of 8

Learning Objective 2-3 Identify the various types of general merchandise retailers.

Department Stores

- Broad variety, deep assortment
- Customer services and distinct merchandise departments
- **Soft goods, hard goods, durable goods**
- Three tiers
  - Upscale, high-fashion chains
  - Moderate pricing with less customer service
  - Value-oriented

©McGraw-Hill Education.

General Merchandise Retailers 2 of 8

Department Stores
continued

- Must minimize eroding market share
  - Aggressively seeking **exclusive brands**
  - More emphasis on developing **private-label/store brands**
  - Expanding omnichannel and social media presence



©McGraw-Hill Education.

© Bernard Weil/Toronto Star/Getty Images

General Merchandise Retailers 3 of 8

Full-Line Discount Stores

- Broad variety, limited service, low prices
- Walmart
  - Converted many discount stores into supercenters
  - Online order with store pick-up
  - Expanding product range
- Target
  - Fashionable merchandise “cheap chic” appeal
- Kmart
  - Seeking innovative solutions as it continues to struggle

©McGraw-Hill Education.

General Merchandise Retailers 4 of 8

Category Specialists

- Deep, narrow assortment
- Self-service approach
- **Category killers** – consumers drawn to deep assortment and competitive prices
- Intense competition
- Trying to differentiate with customer service



©McGraw-Hill Education.

© Seth Perlman/AP Images

General Merchandise Retailers 5 of 8

Specialty Stores

- Concentrate on limited number of complementary merchandise categories
- Deep but narrow variety
- Sales associate expertise
- Among most-profitable and fastest-growing firms
- Growing specialty store sector
  - **Resale stores**
  - **Thrift stores**
  - **Consignment shops**

©McGraw-Hill Education.

General Merchandise Retailers 6 of 8

Drugstores

- Concentrate on health and beauty care
- Competition from pharmacies, some food retailers, pressure to reduce costs
  - Offer wider assortment of merchandise
  - Offer more services with drive-through windows, curbside pick-up, in-store clinics

©McGraw-Hill Education.

General Merchandise Retailers 7 of 8



Extreme-Value Retailers

- **Dollar stores**
- Broad variety, but shallow assortment
- Target low-income consumers

©McGraw-Hill Education.

© Daniel Acker/Bloomberg/Getty Images

General Merchandise Retailers 8 of 8

Off-Price Retailers

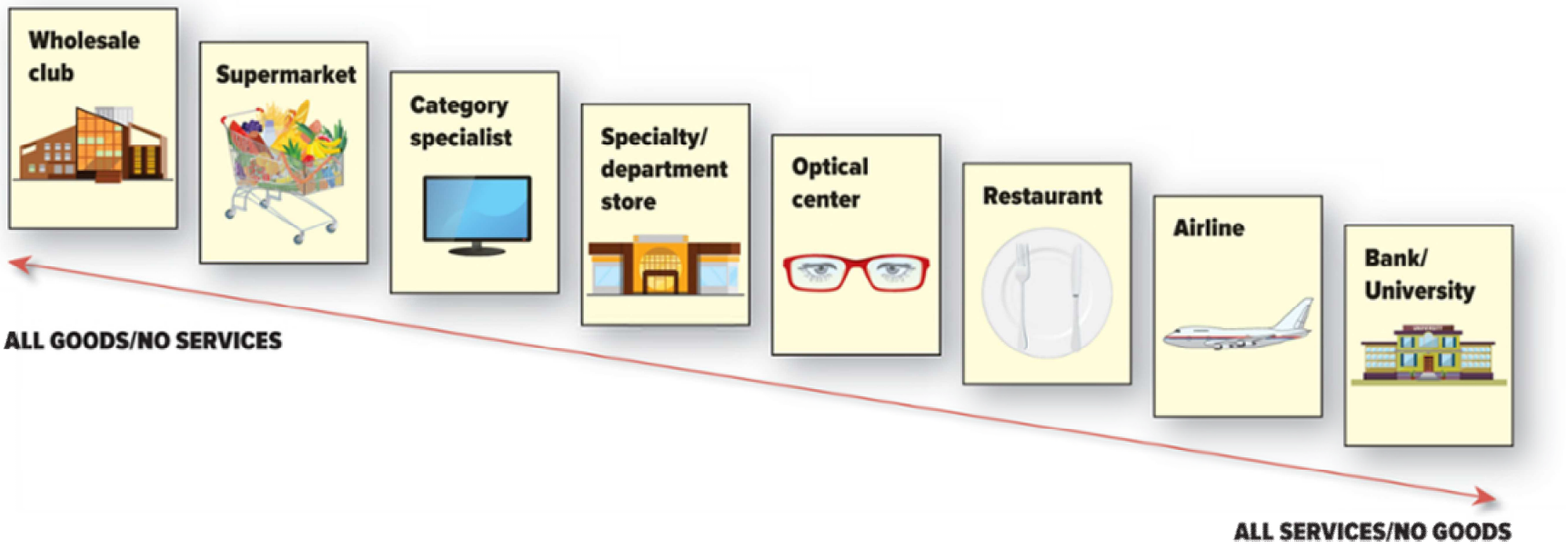
- Inconsistent assortment of brand-name merchandise
- Significant price discounts – 20% to 60% lower than suggested retail price
- **Closeouts**
- **Irregulars**
- **Outlet stores**
- **Factory outlets**
- **Flash sale sites**

©McGraw-Hill Education.

Service Retailing 1 of 2

Learning Objective 2-4 Explain the differences between service and merchandise retailers.

Sell service rather than merchandise

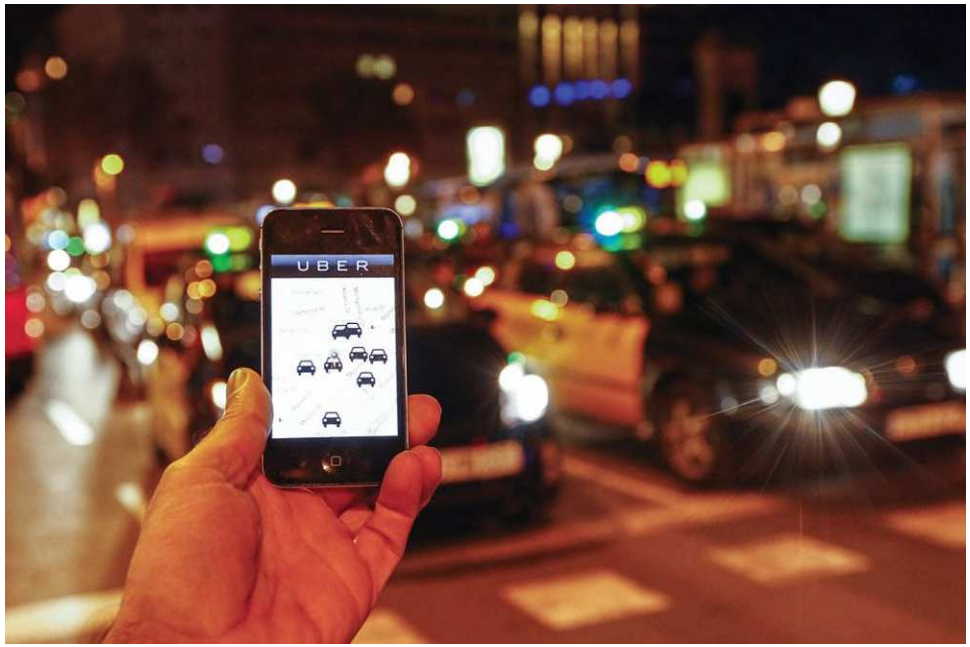


Jump to long description in Appendix

Retailing Management 10th edition Levy Solutions Manual

©McGraw-Hill Education.

Service Retailing 2 of 2



Differences between Service and Merchandise Retailers

- Intangibility
- Simultaneous production and consumption
- Perishability
- Inconsistency of offerings to customers

©McGraw-Hill Education.

© Quique Garcia/AFP/Getty Images

Types of Ownership 1 of 3

Learning Objective 2-5 Explain the types of ownership for retail firms.

Independent, Single-Store Establishments

- Rely on owner/manager capabilities to make retail decisions
- Some join **wholesale-sponsored voluntary cooperative groups**

©McGraw-Hill Education.

Types of Ownership 2 of 3

Corporate Retail Chains

- **Retail chains** operate multiple units under common ownership
- Centralized decision-making for defining and implementing strategy

©McGraw-Hill Education.

Types of Ownership 3 of 3

Franchising

- Franchisor sells rights to use business trademark to franchisee for a fee
- More than 40% of U.S. retail sales
- Drawbacks
  - Start-up costs
  - Must adhere to franchisor's rules/guidelines



©McGraw-Hill Education.

© In Pictures Ltd./Corbis/Getty Images

Key Terms 1 of 8

assortment The number of SKUs within a merchandise category. Also called *depth of merchandise.*

big box store Large, limited-service retailer.

breadth of merchandise The number of different merchandise categories within a store or department.

category killer A discount retailer that offers a narrow but deep assortment of merchandise in a category and thus dominates the category from the customers' perspective. Also called a *category specialist.*

closeout An offer at a reduced price to sell a group of slow-moving or incomplete stock.

consignment shop A store that sells used merchandise and reimburses the individual customers who provide the items only after they sell.

©McGraw-Hill Education.

Key Terms 2 of 8

convenience store A store that provides a limited variety and assortment of merchandise at a convenient location in a 2,000- to 3,000-square-foot store with speedy checkout.

conventional supermarket A self-service food store that offers groceries, meat, and produce with limited sales of nonfood items, such as health and beauty aids and general merchandise.

department store A retailer that carries a wide variety and deep assortment, offers considerable customer services, and is organized into separate departments for displaying merchandise.

depth of merchandise The number of SKUs within a merchandise category. Also called *depth of merchandise.*

dollar store Small, full-line discount store that offers a limited merchandise assortment at very low prices. *Also called extreme-value retailer.*

©McGraw-Hill Education.

Key Terms 3 of 8

drugstore Specialty retail store that concentrates on pharmaceuticals and health and personal grooming merchandise.

durable goods Merchandise expected to last for several years, such as appliances and furniture. *Also known as hard goods.*

exclusive brand A brand developed by a national brand vendor, often in conjunction with a retailer, and sold exclusively by the retailer.

extreme value food retailer A supermarket offering a limited number of SKUs.

extreme value retailer Small, full-line discount store that offers a limited merchandise assortment at very low prices. *Also called dollar store.*

©McGraw-Hill Education.

Key Terms 4 of 8

factory outlet Outlet store owned by a manufacturer.

fair trade Purchasing practices that require producers to pay workers a living wage, well more than the prevailing minimum wage, and offer other benefits, like onsite medical treatment.

franchising A contractual agreement between a franchisor and a franchisee that allows the franchisee to operate a retail outlet using a name and format developed and supported by the franchisor.

full-line discount store Retailers that offer a broad variety of merchandise, limited service, and low prices.

hard goods Merchandise expected to last for several years, such as appliances and furniture. *Also known as durable goods.*

hypermarket Large (100,000–300,000 square feet) combination food (60–70 percent) and general merchandise (30–40 percent) retailer.

©McGraw-Hill Education.

Key Terms 5 of 8

irregular Merchandise that has minor mistakes in construction.

limited-assortment supermarket A supermarket offering a limited number of SKUs.

locavore movement A movement focusing on reducing the carbon footprint caused by the transportation of food throughout the world.

North American Industry Classification System (NAICS) Classification of retail firms into a hierarchical set of six-digit codes based on the types of products and services they produce and sell.

off-price retailer A retailer that offers an inconsistent assortment of brand-name, fashion-oriented soft goods at low prices.

outlet store Off-price retailer owned by a manufacturer or department or specialty store chain.

power perimeter The areas around the outside walls of a supermarket that have fresh merchandise categories.

©McGraw-Hill Education.

Key Terms 6 of 8

private-label brand Products developed and marketed by a retailer and available for sale only by that retailer*. Also called store brand, house brand, or own brand.*

retail chain A firm that consists of multiple retail units under common ownership and usually has some centralization of decision making in defining and implementing its strategy.

resale store Retailer that sells secondhand or used merchandise.

service retailer Organization that offers consumers services rather than merchandise. Examples include banks, hospitals, health spas, doctors, legal clinics.

soft goods Merchandise with a relatively short life span, such as clothing or cosmetics.

©McGraw-Hill Education.

Key Terms 7 of 8

specialty store A type of store concentrating on a limited number of complementary merchandise categories and providing a high level of service.

stock-keeping unit (SKU) The smallest unit available for keeping inventory control. In soft goods merchandise, an SKU usually means a size, color, and style.

store brand Products developed and marketed by a retailer and available for sale only by that retailer. *Also called private-label brands, house brand, or own brand.*

supercenter Large store (150,000 to 220,000 square feet) combining a discount store with a supermarket.

supermarket A conventional supermarket is a large, self-service retail food store offering groceries, meat, and produce, as well as some nonfood items, such as health and beauty aids and general merchandise.

©McGraw-Hill Education.

Key Terms 8 of 8

thrift store A retail format offering used merchandise.

variety The number of different merchandise categories within a store or department.

warehouse club A retailer that offers a limited assortment of food and general merchandise with little service and low prices to ultimate consumers and small businesses.

wholesale-sponsored voluntary cooperative group An organization operated by a wholesaler offering a merchandising program to small, independent retailers on a voluntary basis.

©McGraw-Hill Education.

Appendix of Image Long Descriptions

Because learning changes everything.™

Appendix 1 EXHIBIT 2-1 NAICS Codes for Retailers

Twelve NAICS codes for merchandise sellers are listed: 441 motor vehicle and parts dealers; 442 furniture and home furnishing stores; 443 electronics and appliance stores; 444 buildings material and garden equipment and supplies dealers; 445 food and beverage stores; 446 health and personal care stores; 447 gasoline stations; 448 clothing and clothing accessories stores; 451 sporting goods, hobby, book, and music stores; 452 general merchandise stores; 453 miscellaneous store retailers; 454 nonstore retailers.

448 clothing and clothing accessories stores can be further categorized as 4481 clothing stores, 4482 shoe stores, and 4483 jewelry, luggage, and leather goods stores.

Clothing stores are further categorized as 44811 men's clothing stores; 44812 women's clothing stores; 44813 children's and infants' clothing stores; 44814 family clothing stores; 44815 clothing accessories stores; and 44819 other clothing stores. Shoe stores are further categorized as 44821 shoe stores. Jewelry, luggage, and leather goods stores are further categorized as 44831 jewelry stores and 44832 luggage and leather goods stores.

Return to original slide

©McGraw-Hill Education.

Appendix 2 Service Retailing 1 of 2

Business are listed as follows from left to right: wholesale club, supermarket, category specialist, specialty/department store, optical center, restaurant, airline, bank/university.

Return to original slide

Retailing Management 10th edition Levy Solutions Manual

©McGraw-Hill Education.