Chapter 01

Introduction to the World of Retailing

**True / False Questions**

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| 1. | Retailers are a key component in a supply chain that links manufacturers to consumers.  True    False |

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| 2. | Drycleaners, hair salons, and auto repair businesses are considered retailers.  True    False |

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| 3. | The retail sector plays a key role in developed economies.  True    False |

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| 4. | Companies are totally convinced about the importance of corporate social responsibility (CSR) during the initial stages of CSR integration.  True    False |

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| 5. | The development of information systems is one the forces facilitating the growth of large retail firms.  True    False |

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| 6. | Large retailers had distinct advantages over regional retailers prior to the availability of modern information systems.  True    False |

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| 7. | Retailers do not perform traditional business activities.  True    False |

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| 8. | Retailing offers entrepreneurial opportunities.  True    False |

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| 9. | As a part of its merchandise management, the supermarket chain, Whole Foods Market seeks out and supports local producers, and it offers private-label products.  True    False |

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| 10. | Ethical principles can change over time.  True    False |

**Multiple Choice Questions**

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| 11. | Which of the following businesses would NOT be considered a retailer?

|  |  |
| --- | --- |
| A.  | A hot dog cart at the Highland Games |

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| --- | --- |
| B.  | Delta Airlines |

|  |  |
| --- | --- |
| C.  | University bookstore |

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| --- | --- |
| D.  | Priceline.com |

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| --- | --- |
| E.  | Procter and Gamble |

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| 12. | Why is it imperative that manufacturers like HP and Procter and Gamble understand the operations of retailers?

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| A.  | To sell directly on-line |

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| B.  | To encourage retailers to offer and promote their products |

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| C.  | To develop strategies for selling without retailers |

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| D.  | Retailers can expect fewer buyouts to occur |

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| E.  | To have a wide assortment of products for customers to choose from |

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| 13. | A \_\_\_\_\_ is a business that sells products and/or services to consumers for their personal or family use.

|  |  |
| --- | --- |
| A.  | manufacturer |

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| --- | --- |
| B.  | wholesaler |

|  |  |
| --- | --- |
| C.  | retailer |

|  |  |
| --- | --- |
| D.  | distributor |

|  |  |
| --- | --- |
| E.  | none of these |

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| 14. | A(n) \_\_\_\_\_ is a set of firms that make and deliver a given set of goods and services to the ultimate consumer.

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| --- | --- |
| A.  | supply chain |

|  |  |
| --- | --- |
| B.  | buying network |

|  |  |
| --- | --- |
| C.  | economic network |

|  |  |
| --- | --- |
| D.  | integrated wholesale network |

|  |  |
| --- | --- |
| E.  | extended enterprise |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. | A retailer's role in a supply chain is to:

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| A.  | act as the liaison between manufacturers and suppliers. |

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| --- | --- |
| B.  | buy merchandise exclusively from the manufacturers. |

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| --- | --- |
| C.  | negotiate with manufacturers to draw contracts for wholesalers. |

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| --- | --- |
| D.  | add value to products and services sold to customers. |

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| --- | --- |
| E.  | sell goods and services to wholesalers. |

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| 16. | Retailers provide important functions that increase the value of the products and services they sell to consumers. Which of the following is NOT a value-creating activity performed by a retailer?

|  |  |
| --- | --- |
| A.  | Providing an assortment of products |

|  |  |
| --- | --- |
| B.  | Reducing production costs with innovative designs |

|  |  |
| --- | --- |
| C.  | Breaking bulk |

|  |  |
| --- | --- |
| D.  | Holding inventory |

|  |  |
| --- | --- |
| E.  | Providing an assortment of services |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. | Samson's is a large clothing retailer. The store offers over 1,000 brands and 50,000 different products. Which of the following value-creating activities can be seen in the given example?

|  |  |
| --- | --- |
| A.  | Breaking bulk |

|  |  |
| --- | --- |
| B.  | Scrambled merchandising |

|  |  |
| --- | --- |
| C.  | Vertical integration |

|  |  |
| --- | --- |
| D.  | Offering assortments |

|  |  |
| --- | --- |
| E.  | Add-on selling |

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| 18. | Which of the following value-creating activities has retailers offering products in quantities tailored to customers' consumption patterns?

|  |  |
| --- | --- |
| A.  | Providing assortments |

|  |  |
| --- | --- |
| B.  | Breaking bulk |

|  |  |
| --- | --- |
| C.  | Add-on selling |

|  |  |
| --- | --- |
| D.  | Holding inventory |

|  |  |
| --- | --- |
| E.  | Scrambled merchandising |

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| 19. | Which of the following statements about retailers holding inventory is FALSE?

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| A.  | This activity benefits customers with limited storage space, such as families living in small apartments. |

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| --- | --- |
| B.  | It allows manufacturers to efficiently make and ship merchandise in larger quantities. |

|  |  |
| --- | --- |
| C.  | Holding inventory in a store helps serve customers' needs. |

|  |  |
| --- | --- |
| D.  | Retailers keep inventory so products are available when consumers want them. |

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| E.  | Holding inventory reduces consumer's cost of storing products. |

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| 20. | The value-creating retail activity that is particularly important to consumers with small living quarters who cannot store a large quantity of products is:

|  |  |
| --- | --- |
| A.  | providing assortments. |

|  |  |
| --- | --- |
| B.  | breaking bulk. |

|  |  |
| --- | --- |
| C.  | holding inventory. |

|  |  |
| --- | --- |
| D.  | providing services. |

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| 21. | Grocers, a large food retailer, purchases fruits from several different tropical countries. When the fruits arrive in distribution centers across the United States, the quantities are reduced to amounts that are appropriate for store delivery. The stores, in turn, offer the fruits in quantities that depend on the consumption pattern of the customers. This act of offering products in smaller quantities based on consumption patterns is known as \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | holding inventory |

|  |  |
| --- | --- |
| B.  | breaking bulk |

|  |  |
| --- | --- |
| C.  | forward integration |

|  |  |
| --- | --- |
| D.  | intensive distribution |

|  |  |
| --- | --- |
| E.  | consumerization |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. | \_\_\_\_\_ is the value-creating activity in which a retailer makes available a wide range of products of different brands and prices at a single location.

|  |  |
| --- | --- |
| A.  | Providing services |

|  |  |
| --- | --- |
| B.  | Breaking bulk |

|  |  |
| --- | --- |
| C.  | Providing assortments |

|  |  |
| --- | --- |
| D.  | Holding inventory |

|  |  |
| --- | --- |
| E.  | Exclusive dealing |

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| 23. | Jenson's is a large retail store in Chicago. It offers credit so that consumers can buy a product and pay for it later. Which of the following value-creating activities is Jenson's undertaking in the given example?

|  |  |
| --- | --- |
| A.  | Exclusive dealing |

|  |  |
| --- | --- |
| B.  | Breaking bulk |

|  |  |
| --- | --- |
| C.  | Holding inventory |

|  |  |
| --- | --- |
| D.  | Offering assortments |

|  |  |
| --- | --- |
| E.  | Providing services |

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| 24. | Ruth's Fashions is a popular boutique in Atlanta. It has a Web site that answers customer queries and also provides information on new arrivals and discounts. Customers also receive product information on their mobile phones. From the given example, it can be seen that Ruth's Fashions is involved in \_\_\_\_\_, which is a value-creating activity.

|  |  |
| --- | --- |
| A.  | breaking bulk |

|  |  |
| --- | --- |
| B.  | holding inventory |

|  |  |
| --- | --- |
| C.  | providing assortments |

|  |  |
| --- | --- |
| D.  | exclusive distribution |

|  |  |
| --- | --- |
| E.  | providing services |

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| 25. | Tech Games, a retailer, purchases many of the video games DVDs, Wii games, and game consoles on a large scale. It then offers the products to customers in small quantities based on their requirements. The value-creating function performed by Tech Games in the given scenario is \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | providing assortments |

|  |  |
| --- | --- |
| B.  | breaking bulk |

|  |  |
| --- | --- |
| C.  | holding inventory |

|  |  |
| --- | --- |
| D.  | providing services |

|  |  |
| --- | --- |
| E.  | creating a retail mix |

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| 26. | A major value-providing activity performed by retailers is \_\_\_\_\_, so that products will be available when consumers want them.

|  |  |
| --- | --- |
| A.  | breaking bulk |

|  |  |
| --- | --- |
| B.  | holding inventory |

|  |  |
| --- | --- |
| C.  | scrambled merchandising |

|  |  |
| --- | --- |
| D.  | backward integration |

|  |  |
| --- | --- |
| E.  | providing assortments |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. | \_\_\_\_\_ means that a firm performs more than one set of activities in the channel, as occurs when a retailer engages in wholesaling activities by operating its own distribution centers to supply its stores.

|  |  |
| --- | --- |
| A.  | Channel diversification |

|  |  |
| --- | --- |
| B.  | Horizontal development |

|  |  |
| --- | --- |
| C.  | Horizontal integration |

|  |  |
| --- | --- |
| D.  | Vertical expansion |

|  |  |
| --- | --- |
| E.  | Vertical integration |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. | Fresh n Fragrant is a chain of flower shops offering a variety of flowers and ornamental plants. It recently opened a distribution center to supply ornamental plants and cut flowers to all its stores within a 300-mile radius. From the given scenario, it can be seen that Fresh n Fragrant is practicing \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | vertical integration |

|  |  |
| --- | --- |
| B.  | channel expansion |

|  |  |
| --- | --- |
| C.  | horizontal expansion |

|  |  |
| --- | --- |
| D.  | horizontal integration |

|  |  |
| --- | --- |
| E.  | channel diversification |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. | Florals is a popular retail chain specializing in women's lingerie and perfume. It designs the merchandise being sold in the store. Therefore, Florals is practicing \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | channel expansion |

|  |  |
| --- | --- |
| B.  | scrambled merchandising |

|  |  |
| --- | --- |
| C.  | backward integration |

|  |  |
| --- | --- |
| D.  | horizontal integration |

|  |  |
| --- | --- |
| E.  | product diversification |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. | Dailies is a large retail chain in New Jersey. Apart from selling to customers, Dailies supplies bread and vegetables to a large number of restaurants in and around New Jersey. Therefore, Dailies is engaged in \_\_\_\_\_ when selling to restaurants.

|  |  |
| --- | --- |
| A.  | wholesaling |

|  |  |
| --- | --- |
| B.  | retailing |

|  |  |
| --- | --- |
| C.  | merchandising |

|  |  |
| --- | --- |
| D.  | breaking bulk |

|  |  |
| --- | --- |
| E.  | channel expansion |

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| 31. | A retailer that is vertically integrated:

|  |  |
| --- | --- |
| A.  | concentrates on selling only to businesses. |

|  |  |
| --- | --- |
| B.  | outsources all supply chain activities to independent firms. |

|  |  |
| --- | --- |
| C.  | has limited control on the activities of the supply chain. |

|  |  |
| --- | --- |
| D.  | performs more than one activity in the distribution channel. |

|  |  |
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| E.  | concentrates only on operating its own retail stores. |

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| 32. | \_\_\_\_\_ arises when a retailer performs some distribution and manufacturing activities, such as operating warehouses or designing private-label merchandise.

|  |  |
| --- | --- |
| A.  | Exclusive dealing |

|  |  |
| --- | --- |
| B.  | Merchandising |

|  |  |
| --- | --- |
| C.  | Backward integration |

|  |  |
| --- | --- |
| D.  | Horizontal integration |

|  |  |
| --- | --- |
| E.  | Forward integration |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. | \_\_\_\_\_ occurs when a manufacturer undertakes retailing and wholesaling activities.

|  |  |
| --- | --- |
| A.  | Merchandising |

|  |  |
| --- | --- |
| B.  | Exclusive dealing |

|  |  |
| --- | --- |
| C.  | Backward integration |

|  |  |
| --- | --- |
| D.  | Horizontal integration |

|  |  |
| --- | --- |
| E.  | Forward integration |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 34. | Essentials, a retail store, manages its own warehouse. It also owns a manufacturing facility where it produces private-label food products. Therefore, Essentials is practicing \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | scrambled merchandising |

|  |  |
| --- | --- |
| B.  | backward integration |

|  |  |
| --- | --- |
| C.  | cross-selling |

|  |  |
| --- | --- |
| D.  | horizontal integration |

|  |  |
| --- | --- |
| E.  | forward integration |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 35. | Retailers function as wholesalers when:

|  |  |
| --- | --- |
| A.  | they hold inventory. |

|  |  |
| --- | --- |
| B.  | they perform manufacturing activities. |

|  |  |
| --- | --- |
| C.  | they practice scrambled merchandising. |

|  |  |
| --- | --- |
| D.  | they sell to other businesses. |

|  |  |
| --- | --- |
| E.  | there is an intratype competition. |

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| 36. | Shades n Hues is a company producing cosmetics. It supplies products to stores and beauty salons and also manages its own retail outlets. Therefore, Shades n Hues is engaged in \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | forward integration |

|  |  |
| --- | --- |
| B.  | scrambled merchandising |

|  |  |
| --- | --- |
| C.  | backward integration |

|  |  |
| --- | --- |
| D.  | horizontal integration |

|  |  |
| --- | --- |
| E.  | cross-selling |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. | The U.S. retail industry:

|  |  |
| --- | --- |
| A.  | has the lowest concentration of large firms. |

|  |  |
| --- | --- |
| B.  | has the greatest retail density in the world. |

|  |  |
| --- | --- |
| C.  | mostly has small stores operating independently. |

|  |  |
| --- | --- |
| D.  | depends on a single large wholesale industry. |

|  |  |
| --- | --- |
| E.  | consists of a fragmented distribution system. |

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| 38. | The U.S. retail industry has:

|  |  |
| --- | --- |
| A.  | the greatest concentration of large firms. |

|  |  |
| --- | --- |
| B.  | the lowest retail density in the world. |

|  |  |
| --- | --- |
| C.  | mostly small stores which operate independently. |

|  |  |
| --- | --- |
| D.  | a single large wholesale industry supplying to all retailers. |

|  |  |
| --- | --- |
| E.  | a fragmented distribution system. |

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| 39. | Which of the following statements about the U.S. distribution system is TRUE?

|  |  |
| --- | --- |
| A.  | The U.S. retail industry is mostly composed of many small and medium-sized firms. |

|  |  |
| --- | --- |
| B.  | Many U.S. retailers are large enough to have their own warehouses. |

|  |  |
| --- | --- |
| C.  | The retail density in the U.S. is lower than that found in Europe. |

|  |  |
| --- | --- |
| D.  | A large independent wholesale industry supplies goods to all retailers. |

|  |  |
| --- | --- |
| E.  | The U.S. retail industry has a fragmented distribution system. |

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| 40. | The Chinese distribution system:

|  |  |
| --- | --- |
| A.  | has a combination of large stores and large firms resulting in an efficient distribution system. |

|  |  |
| --- | --- |
| B.  | is characterized by many small and medium-sized firms. |

|  |  |
| --- | --- |
| C.  | has the most number of large retailers operating their own warehouses. |

|  |  |
| --- | --- |
| D.  | is characterized by a high retail density. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 41. | Which of the following is NOT TRUE of distribution systems of the major international markets?

|  |  |
| --- | --- |
| A.  | The U.S. distribution system has the greatest retail density and the greatest concentration of large retail firms. |

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| --- | --- |
| B.  | The Indian distribution systems are characterized by small stores operated by small firms and a large independent wholesale industry. |

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| --- | --- |
| C.  | In the Chinese distribution system, the merchandise often passes through several levels of distribution to make the daily deliveries to the small retailers efficient. |

|  |  |
| --- | --- |
| D.  | Northern European retailing is similar to efficient distribution systems in the U.S. |

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| --- | --- |
| E.  | Indian and European economic policies are aimed at merging small independent neighborhood retailers with large retail chains. |

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| 42. | \_\_\_\_\_ describes the voluntary actions taken by a company to address the ethical, social, and environmental impacts of its business operations and the concerns of its stakeholders.

|  |  |
| --- | --- |
| A.  | Forward integration |

|  |  |
| --- | --- |
| B.  | Corporate social responsibility |

|  |  |
| --- | --- |
| C.  | Integrity management |

|  |  |
| --- | --- |
| D.  | Customer engagement |

|  |  |
| --- | --- |
| E.  | Ethical behavior |

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| 43. | Bright Automotive Inc. does not have employees below the age of 16 since the law prohibits it. Therefore, Bright Automotive is in the \_\_\_\_\_ stage of incorporating corporate social responsibility.

|  |  |
| --- | --- |
| A.  | initial |

|  |  |
| --- | --- |
| B.  | second |

|  |  |
| --- | --- |
| C.  | tertiary |

|  |  |
| --- | --- |
| D.  | fourth |

|  |  |
| --- | --- |
| E.  | acquisition |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 44. | A company in the first stage of incorporating corporate social responsibility (CSR) into its strategies:

|  |  |
| --- | --- |
| A.  | only engages in CSR activities that are required of it by law. |

|  |  |
| --- | --- |
| B.  | engages in CSR activities that provide a short-term financial benefit. |

|  |  |
| --- | --- |
| C.  | engages in CSR activities because they believe it is the right thing to do. |

|  |  |
| --- | --- |
| D.  | engages in CSR activities for the well-being of everyone. |

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| 45. | A company in the final stage of integrating corporate social responsibility into its strategies:

|  |  |
| --- | --- |
| A.  | only engages in CSR activities that are required of them by law. |

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| --- | --- |
| B.  | engages in CSR activities that provide a short-term financial benefit. |

|  |  |
| --- | --- |
| C.  | engages in CSR activities because they believe it is the right thing to do. |

|  |  |
| --- | --- |
| D.  | engages in responsible activities for the well-being of everyone. |

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| 46. | Prime Industries Inc. is a large company producing a wide range of chemicals. The company recently installed a waste water treatment facility in its premises. It believes that releasing water containing chemical waste into the river would harm the entire population of the city. Thus, it is in the \_\_\_\_\_ stage of incorporating corporate social responsibility.

|  |  |
| --- | --- |
| A.  | initial |

|  |  |
| --- | --- |
| B.  | second |

|  |  |
| --- | --- |
| C.  | tertiary |

|  |  |
| --- | --- |
| D.  | final |

|  |  |
| --- | --- |
| E.  | acquisition |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 47. | Which of the following is true of retailing activities in the BoP market?

|  |  |
| --- | --- |
| A.  | Retrofitting business models used in the more developed markets has proven successful. |

|  |  |
| --- | --- |
| B.  | Most people in BoP markets live in rural areas with limited access to mass media. |

|  |  |
| --- | --- |
| C.  | The ideas used in BoP retail marketing are similar to conventional retailing strategies. |

|  |  |
| --- | --- |
| D.  | High local demand results in low prices for consumer goods. |

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| 48. | \_\_\_\_\_ are the most concentrated sector of the retail industry in the U.S.

|  |  |
| --- | --- |
| A.  | Fitness centers |

|  |  |
| --- | --- |
| B.  | Drugstore chains |

|  |  |
| --- | --- |
| C.  | Apparel stores |

|  |  |
| --- | --- |
| D.  | Home improvement centers |

|  |  |
| --- | --- |
| E.  | Food and beverage services |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 49. | Retailers use customer transaction data to:

|  |  |
| --- | --- |
| A.  | identify their best customers. |

|  |  |
| --- | --- |
| B.  | match the needs of a store's local market. |

|  |  |
| --- | --- |
| C.  | create customized promotions. |

|  |  |
| --- | --- |
| D.  | tailor product assortments. |

|  |  |
| --- | --- |
| E.  | all of these. |

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| 50. | Students often view retailing as part of marketing because:

|  |  |
| --- | --- |
| A.  | retailing does not involve traditional business activities. |

|  |  |
| --- | --- |
| B.  | retailing involves the management of distribution systems. |

|  |  |
| --- | --- |
| C.  | retailing requires only people with expertise in marketing. |

|  |  |
| --- | --- |
| D.  | activities in retailing are confined to advertising and promotion. |

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| 51. | Which of the following is true of the career opportunities offered by the retailing industry?

|  |  |
| --- | --- |
| A.  | Retailers employ people with exclusive expertise in supply chain management. |

|  |  |
| --- | --- |
| B.  | Retail managers are often given considerable responsibility early in their careers. |

|  |  |
| --- | --- |
| C.  | Retailing offers limited opportunities for entrepreneurs. |

|  |  |
| --- | --- |
| D.  | Retail management is not a very lucrative career path. |

|  |  |
| --- | --- |
| E.  | People with a marketing background have limited opportunities in the retail industry. |

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| 52. | The competition between the same type of retailers is called \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | intertype competition |

|  |  |
| --- | --- |
| B.  | indirect competition |

|  |  |
| --- | --- |
| C.  | intratype competition |

|  |  |
| --- | --- |
| D.  | scrambled merchandising |

|  |  |
| --- | --- |
| E.  | intrinsic competition |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 53. | Daily Needs and Smart Saves are two large retailers in Canada. They compete with each other using similar marketing strategies. Which form of competition is seen between these two retailers?

|  |  |
| --- | --- |
| A.  | Intertype competition |

|  |  |
| --- | --- |
| B.  | Indirect competition |

|  |  |
| --- | --- |
| C.  | Intratype competition |

|  |  |
| --- | --- |
| D.  | Scrambled merchandising |

|  |  |
| --- | --- |
| E.  | Intrinsic competition |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 54. | When Austin saw pastries and coffee being sold at his local bookstore, he knew it was an example of \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | scrambled merchandising |

|  |  |
| --- | --- |
| B.  | intertype competition |

|  |  |
| --- | --- |
| C.  | product diversification |

|  |  |
| --- | --- |
| D.  | channel conflict |

|  |  |
| --- | --- |
| E.  | vertical differentiation |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 55. | Karen's is a popular clothing store in Boston. The store recently started selling designer watches. Thus, Karen's is practicing \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | channel expansion |

|  |  |
| --- | --- |
| B.  | intertype competition |

|  |  |
| --- | --- |
| C.  | product diversification |

|  |  |
| --- | --- |
| D.  | scrambled merchandising |

|  |  |
| --- | --- |
| E.  | vertical differentiation |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 56. | The offering of merchandise not typically associated with the store type is called:

|  |  |
| --- | --- |
| A.  | scrambled merchandising. |

|  |  |
| --- | --- |
| B.  | intratype competition. |

|  |  |
| --- | --- |
| C.  | product diversification. |

|  |  |
| --- | --- |
| D.  | channel diversification. |

|  |  |
| --- | --- |
| E.  | vertical differentiation. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 57. | Which of the following is the first step in the retail management decision process?

|  |  |
| --- | --- |
| A.  | Developing the retail communication mix |

|  |  |
| --- | --- |
| B.  | Buying merchandise |

|  |  |
| --- | --- |
| C.  | Developing a retail marketing strategy |

|  |  |
| --- | --- |
| D.  | Understanding the world of retailing |

|  |  |
| --- | --- |
| E.  | Customer relationship management |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 58. | \_\_\_\_\_ form a part of the microenvironment that influences retail management decisions.

|  |  |
| --- | --- |
| A.  | Competitors |

|  |  |
| --- | --- |
| B.  | Technologies |

|  |  |
| --- | --- |
| C.  | Politics |

|  |  |
| --- | --- |
| D.  | Legal aspects |

|  |  |
| --- | --- |
| E.  | Ethics |

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|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 59. | A retailer's primary competitors are other retailers that:

|  |  |
| --- | --- |
| A.  | are more vertically integrated. |

|  |  |
| --- | --- |
| B.  | use the same type of store format. |

|  |  |
| --- | --- |
| C.  | have the same target market. |

|  |  |
| --- | --- |
| D.  | sell online. |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 60. | Scrambled merchandising increases:

|  |  |
| --- | --- |
| A.  | vertical integration. |

|  |  |
| --- | --- |
| B.  | intertype competition. |

|  |  |
| --- | --- |
| C.  | concentric diversification. |

|  |  |
| --- | --- |
| D.  | horizontal integration. |

|  |  |
| --- | --- |
| E.  | intratype competition. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 61. | Which of the following is NOT an example of intertype competition?

|  |  |
| --- | --- |
| A.  | A supermarket and a fresh flower stand |

|  |  |
| --- | --- |
| B.  | A coffee shop and a fast food restaurant |

|  |  |
| --- | --- |
| C.  | A supercenter and a pharmacy |

|  |  |
| --- | --- |
| D.  | An American Eagle store and a Macy's store |

|  |  |
| --- | --- |
| E.  | A Target store and a Walmart store |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 62. | Darius Foods Inc. and Winston Foods and Beverages Inc. are competitors selling frozen meals. Darius sells its products through a large number of local convenience stores, while Winston sells its frozen meals through delis. Which form of competition is seen between these two firms?

|  |  |
| --- | --- |
| A.  | Intertype competition |

|  |  |
| --- | --- |
| B.  | Indirect competition |

|  |  |
| --- | --- |
| C.  | Intratype competition |

|  |  |
| --- | --- |
| D.  | Scrambled merchandising |

|  |  |
| --- | --- |
| E.  | Intrinsic competition |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 63. | Increasing intertype competition has made it harder for retailers to identify their:

|  |  |
| --- | --- |
| A.  | competition. |

|  |  |
| --- | --- |
| B.  | target market. |

|  |  |
| --- | --- |
| C.  | merchandise mix. |

|  |  |
| --- | --- |
| D.  | retail mix. |

|  |  |
| --- | --- |
| E.  | price points. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 64. | The intensity of competition is greatest among retailers when:

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| --- | --- |
| A.  | price dominates the retail mix. |

|  |  |
| --- | --- |
| B.  | their retail offerings are considered to be similar. |

|  |  |
| --- | --- |
| C.  | they resort to scrambled merchandising. |

|  |  |
| --- | --- |
| D.  | they focus on a narrow demographic trend. |

|  |  |
| --- | --- |
| E.  | they offer a limited range of products and services. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 65. | A \_\_\_\_\_ refers to the market toward which a retailer will direct its efforts.

|  |  |
| --- | --- |
| A.  | channel member |

|  |  |
| --- | --- |
| B.  | market segment |

|  |  |
| --- | --- |
| C.  | target market |

|  |  |
| --- | --- |
| D.  | mass market |

|  |  |
| --- | --- |
| E.  | warm market |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 66. | The retailer strategy helps a retailer to identify all of the following EXCEPT:

|  |  |
| --- | --- |
| A.  | the target market toward which the retailer will direct its efforts. |

|  |  |
| --- | --- |
| B.  | the nature of the merchandise and services the retailer will offer to satisfy the needs of the target market. |

|  |  |
| --- | --- |
| C.  | how the retailer will build a long-term advantage over its competitors. |

|  |  |
| --- | --- |
| D.  | how to determine the break-even point for making profits. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 67. | When developing the \_\_\_\_\_ for his salon, Theo decided to obtain a long-term competitive advantage over other salons by offering longer hours, better prices, a well-trained staff, and a perm for half-price every Wednesday to attract customers.

|  |  |
| --- | --- |
| A.  | selling concept |

|  |  |
| --- | --- |
| B.  | business cycle |

|  |  |
| --- | --- |
| C.  | retail strategy |

|  |  |
| --- | --- |
| D.  | focal point orientation |

|  |  |
| --- | --- |
| E.  | marketing concept |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 68. | As the owner of Knights, a store specializing in men's suits, Isabella can use a retail strategy statement to identify all of the following EXCEPT:

|  |  |
| --- | --- |
| A.  | the advertising campaign developed to sell last season's merchandise. |

|  |  |
| --- | --- |
| B.  | the store's target market. |

|  |  |
| --- | --- |
| C.  | how the store will build a competitive advantage over other similar retailers. |

|  |  |
| --- | --- |
| D.  | what services the store will offer its customers. |

|  |  |
| --- | --- |
| E.  | what types of suits the store will stock. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 69. | A \_\_\_\_\_ identifies the target market, the merchandise and services that will be offered, and how the company will achieve long-term advantage over its competitors.

|  |  |
| --- | --- |
| A.  | retail strategy |

|  |  |
| --- | --- |
| B.  | corporate strategy |

|  |  |
| --- | --- |
| C.  | retail mix |

|  |  |
| --- | --- |
| D.  | supply chain |

|  |  |
| --- | --- |
| E.  | product mix |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 70. | Which of the following is a key strategic decision made by a retailer?

|  |  |
| --- | --- |
| A.  | Managing merchandise inventories |

|  |  |
| --- | --- |
| B.  | Defining the target market |

|  |  |
| --- | --- |
| C.  | Managing the store |

|  |  |
| --- | --- |
| D.  | Creating the retail communication mix |

|  |  |
| --- | --- |
| E.  | Implementing visual merchandising |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 71. | A retail mix refers to:

|  |  |
| --- | --- |
| A.  | a strategy for identifying primary competitors through market research. |

|  |  |
| --- | --- |
| B.  | the idea of selling similar merchandise using different types of retail outlets, such as drug and department stores. |

|  |  |
| --- | --- |
| C.  | the concept of offering merchandise not typically associated with their type of store. |

|  |  |
| --- | --- |
| D.  | a set of decisions retailers make to satisfy customer needs and influence their purchase decisions. |

|  |  |
| --- | --- |
| E.  | a retailer's decision to undertake wholesaling and manufacturing activities. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 72. | Which of the following is a critical asset that enables retailers to build strategic advantages?

|  |  |
| --- | --- |
| A.  | Holding inventory |

|  |  |
| --- | --- |
| B.  | Breaking bulk |

|  |  |
| --- | --- |
| C.  | Providing services |

|  |  |
| --- | --- |
| D.  | Scrambled merchandising |

|  |  |
| --- | --- |
| E.  | Supply chain organization |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 73. | A retail mix is developed to:

|  |  |
| --- | --- |
| A.  | promote scrambled merchandising. |

|  |  |
| --- | --- |
| B.  | implement a retail strategy. |

|  |  |
| --- | --- |
| C.  | understand the retail market. |

|  |  |
| --- | --- |
| D.  | implement vertical integration. |

|  |  |
| --- | --- |
| E.  | formulate a retail strategy. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 74. | Which of the following is NOT an element in the retail mix?

|  |  |
| --- | --- |
| A.  | Competitive response |

|  |  |
| --- | --- |
| B.  | Merchandise pricing |

|  |  |
| --- | --- |
| C.  | Location |

|  |  |
| --- | --- |
| D.  | Customer service |

|  |  |
| --- | --- |
| E.  | Advertising and promotion |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 75. | Retail information and supply chain management systems help retailers to:

|  |  |
| --- | --- |
| A.  | gain strategic advantages. |

|  |  |
| --- | --- |
| B.  | monitor the flow of information and merchandise. |

|  |  |
| --- | --- |
| C.  | make sure desired merchandise is available when customers want it. |

|  |  |
| --- | --- |
| D.  | minimize the retailer's inventory investment. |

|  |  |
| --- | --- |
| E.  | all of these. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 76. | \_\_\_\_\_ are the principles governing the behavior of individuals and companies that establish appropriate behavior and indicate what is right and wrong.

|  |  |
| --- | --- |
| A.  | Ethics |

|  |  |
| --- | --- |
| B.  | Acts |

|  |  |
| --- | --- |
| C.  | Training guidelines |

|  |  |
| --- | --- |
| D.  | Company traditions |

|  |  |
| --- | --- |
| E.  | Legislations |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 77. | Which of the following statements is true of ethical principles?

|  |  |
| --- | --- |
| A.  | Ethical principles can change over time. |

|  |  |
| --- | --- |
| B.  | Ethics remain the same irrespective of the country or industry. |

|  |  |
| --- | --- |
| C.  | Most people have common views on ethical and unethical practices. |

|  |  |
| --- | --- |
| D.  | The personal code of ethics does not play a role in business decisions. |

|  |  |
| --- | --- |
| E.  | Ethical principles are often easy to determine. |

 |

**Essay Questions**

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| --- | --- |
| 78. | What is the retailer's role in a supply chain?      |

|  |  |
| --- | --- |
| 79. | What are the major value-creating activities performed by retailers?      |

|  |  |
| --- | --- |
| 80. | Explain the importance of breaking bulk.      |

|  |  |
| --- | --- |
| 81. | How have retailers incorporated Corporate Social Responsibility (CSR) into their activities?      |

|  |  |
| --- | --- |
| 82. | Explain briefly the problems faced by retailers before the development of sophisticated information systems.      |

|  |  |
| --- | --- |
| 83. | How do retailers use customer transaction data?      |

|  |  |
| --- | --- |
| 84. | Why do retailers hire people with varied expertise and interests?      |

|  |  |
| --- | --- |
| 85. | How does scrambled merchandising impact retail competition?      |

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| --- | --- |
| 86. | With regard to customers, which aspects do retailers need to consider when developing a retail strategy?      |

|  |  |
| --- | --- |
| 87. | How do retail information and supply chain management help retailers gain a strategic advantage?      |

Chapter 01 Introduction to the World of Retailing Answer Key

**True / False Questions**

|  |  |
| --- | --- |
| 1.*(p. 7)* | Retailers are a key component in a supply chain that links manufacturers to consumers.  **TRUE**Retailers are a key component in a supply chain that links manufacturers to consumers. |

|  |
| --- |
| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

|  |  |
| --- | --- |
| 2.*(p. 7)* | Drycleaners, hair salons, and auto repair businesses are considered retailers.  **TRUE**Often, people think of retailing only as the sale of products in stores, but retailing also involves the sale of services such as overnight lodging in a motel, a doctor's exam, a haircut, or a home-delivered pizza. |

|  |
| --- |
| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

|  |  |
| --- | --- |
| 3.*(p. 12)* | The retail sector plays a key role in developed economies.  **TRUE**The retail sector plays a key role in developed economies, not only because consumer demand is an indication of a vibrant financial system, but also because retailers are large employers. |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyLearning Objective: 01-02 Realize the importance of retailing in the U.S. and world economies.Topic: Social and Economic Significance of Retailing* |

|  |  |
| --- | --- |
| 4.*(p. 13)* | Companies are totally convinced about the importance of corporate social responsibility (CSR) during the initial stages of CSR integration.  **FALSE**Companies in the first stage engage only in CSR activities required by law. In this stage, companies are not actually convinced of the importance of CSR actions. |

|  |
| --- |
| *AACSB: EthicsAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyLearning Objective: 01-02 Realize the importance of retailing in the U.S. and world economies.Topic: Social and Economic Significance of Retailing* |

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| 5.*(p. 15)* | The development of information systems is one the forces facilitating the growth of large retail firms.  **TRUE**The development of information systems is one the forces facilitating the growth of large retail firms—the shift from an industry dominated by small, local retailers to large multinational chains. |

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| *AACSB: TechnologyAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-03 Analyze the changing retail industry.Topic: The Growing Importance of Retailing and Retailers* |

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| 6.*(p. 16)* | Large retailers had distinct advantages over regional retailers prior to the availability of modern information systems.  **FALSE**Before the availability of modern information systems, it was difficult for retailers to lower costs through scale economies, and larger retailers had limited advantages over small local or regional retailers. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-03 Analyze the changing retail industry.Topic: The Growing Importance of Retailing and Retailers* |

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| 7.*(p. 17)* | Retailers do not perform traditional business activities.  **FALSE**Retailers are businesses and, like manufacturers, undertake all the traditional business activities. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-04 Recognize the opportunities in retailing for you.Topic: Management and Entrepreneurial Opportunities* |

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| 8.*(p. 19)* | Retailing offers entrepreneurial opportunities.  **TRUE**Retailing also provides opportunities for people who wish to start their own business. Some of the world's most successful people are retailing entrepreneurs. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-04 Recognize the opportunities in retailing for you.Topic: Management and Entrepreneurial Opportunities* |

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| 9.*(p. 25)* | As a part of its merchandise management, the supermarket chain, Whole Foods Market seeks out and supports local producers, and it offers private-label products.  **TRUE**Whole Foods seeks out and supports local producers whose fruits and vegetables meet its standards, particularly those who farm organically and are dedicated to environmentally friendly, sustainable agriculture. In addition, Whole Foods offers seven lines of private-label products. |

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| *AACSB: EthicsAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 10.*(p. 28)* | Ethical principles can change over time.  **TRUE**Ethical principles also can change over time. For example, some years ago, doctors and lawyers who advertised their services were considered unethical. Today, such advertising is accepted as common practice. |

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| *AACSB: AnalyticAACSB: EthicsAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

**Multiple Choice Questions**

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| 11.*(p. 7)* | Which of the following businesses would NOT be considered a retailer?

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| --- | --- |
| A.  | A hot dog cart at the Highland Games |

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| --- | --- |
| B.  | Delta Airlines |

|  |  |
| --- | --- |
| C.  | University bookstore |

|  |  |
| --- | --- |
| D.  | Priceline.com |

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| **E.**  | Procter and Gamble |

Retailers are businesses that sell goods and/or services directly to a consumer for their personal or family use. Proctor and Gamble manufactures and then sells its products to retailers to be sold to the end user. Hence, it is not a retailer by itself. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 12.*(p. 7)* | Why is it imperative that manufacturers like HP and Procter and Gamble understand the operations of retailers?

|  |  |
| --- | --- |
| A.  | To sell directly on-line |

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| --- | --- |
| **B.**  | To encourage retailers to offer and promote their products |

|  |  |
| --- | --- |
| C.  | To develop strategies for selling without retailers |

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| D.  | Retailers can expect fewer buyouts to occur |

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| E.  | To have a wide assortment of products for customers to choose from |

Retailers are the customers for most business-to-consumer (B-to-C) companies such as Procter & Gamble and Hewlett-Packard. Thus, brand managers in B-to-C companies need to have a thorough understanding of how retailers operate and make money so that they can encourage retailers to offer and promote their products. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 13.*(p. 7)* | A \_\_\_\_\_ is a business that sells products and/or services to consumers for their personal or family use.

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| --- | --- |
| A.  | manufacturer |

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| --- | --- |
| B.  | wholesaler |

|  |  |
| --- | --- |
| **C.**  | retailer |

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| --- | --- |
| D.  | distributor |

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| E.  | none of these |

Retailers typically buy products from wholesalers and/or manufacturers and resell them to consumers. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 14.*(p. 7)* | A(n) \_\_\_\_\_ is a set of firms that make and deliver a given set of goods and services to the ultimate consumer.

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| **A.**  | supply chain |

|  |  |
| --- | --- |
| B.  | buying network |

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| --- | --- |
| C.  | economic network |

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| --- | --- |
| D.  | integrated wholesale network |

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| E.  | extended enterprise |

A supply chain is a set of firms that make and deliver goods and services to consumers. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 15.*(p. 7)* | A retailer's role in a supply chain is to:

|  |  |
| --- | --- |
| A.  | act as the liaison between manufacturers and suppliers. |

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| --- | --- |
| B.  | buy merchandise exclusively from the manufacturers. |

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| --- | --- |
| C.  | negotiate with manufacturers to draw contracts for wholesalers. |

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| **D.**  | add value to products and services sold to customers. |

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| E.  | sell goods and services to wholesalers. |

Retailers add value and are more efficient at adding this value than manufacturers or wholesalers. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 16.*(p. 7)* | Retailers provide important functions that increase the value of the products and services they sell to consumers. Which of the following is NOT a value-creating activity performed by a retailer?

|  |  |
| --- | --- |
| A.  | Providing an assortment of products |

|  |  |
| --- | --- |
| **B.**  | Reducing production costs with innovative designs |

|  |  |
| --- | --- |
| C.  | Breaking bulk |

|  |  |
| --- | --- |
| D.  | Holding inventory |

|  |  |
| --- | --- |
| E.  | Providing an assortment of services |

The value-creating activities undertaken by retailers include (1) providing an assortment of products and services, (2) breaking bulk, (3) holding inventory, and (4) providing services. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 17.*(p. 8)* | Samson's is a large clothing retailer. The store offers over 1,000 brands and 50,000 different products. Which of the following value-creating activities can be seen in the given example?

|  |  |
| --- | --- |
| A.  | Breaking bulk |

|  |  |
| --- | --- |
| B.  | Scrambled merchandising |

|  |  |
| --- | --- |
| C.  | Vertical integration |

|  |  |
| --- | --- |
| **D.**  | Offering assortments |

|  |  |
| --- | --- |
| E.  | Add-on selling |

Conventional supermarkets typically carry about 30,000 different items made by more than 500 companies. Offering an assortment enables their customers to choose from a wide selection of products, brands, sizes, and prices at one location. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 18.*(p. 8)* | Which of the following value-creating activities has retailers offering products in quantities tailored to customers' consumption patterns?

|  |  |
| --- | --- |
| A.  | Providing assortments |

|  |  |
| --- | --- |
| **B.**  | Breaking bulk |

|  |  |
| --- | --- |
| C.  | Add-on selling |

|  |  |
| --- | --- |
| D.  | Holding inventory |

|  |  |
| --- | --- |
| E.  | Scrambled merchandising |

Retailers offer the products in smaller quantities tailored to individual consumers' and households' consumption patterns—an activity called breaking bulk. Breaking bulk is important to both manufacturers and consumers. It allows manufacturers to efficiently make and ship merchandise in larger quantities at one time and enables consumers to purchase merchandise in smaller, more useful quantities. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 19.*(p. 8)* | Which of the following statements about retailers holding inventory is FALSE?

|  |  |
| --- | --- |
| A.  | This activity benefits customers with limited storage space, such as families living in small apartments. |

|  |  |
| --- | --- |
| **B.**  | It allows manufacturers to efficiently make and ship merchandise in larger quantities. |

|  |  |
| --- | --- |
| C.  | Holding inventory in a store helps serve customers' needs. |

|  |  |
| --- | --- |
| D.  | Retailers keep inventory so products are available when consumers want them. |

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| E.  | Holding inventory reduces consumer's cost of storing products. |

A major value-providing activity performed by retailers is holding inventory so that products will be available when consumers want them. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 20.*(p. 8)* | The value-creating retail activity that is particularly important to consumers with small living quarters who cannot store a large quantity of products is:

|  |  |
| --- | --- |
| A.  | providing assortments. |

|  |  |
| --- | --- |
| B.  | breaking bulk. |

|  |  |
| --- | --- |
| **C.**  | holding inventory. |

|  |  |
| --- | --- |
| D.  | providing services. |

Retailers perform the activity of holding inventory so that products will be available when consumers want them. Consumers know that retailers will have what they need when they need it. This is important to consumers with limited storage space, such as families living in small apartments. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 21.*(p. 8)* | Grocers, a large food retailer, purchases fruits from several different tropical countries. When the fruits arrive in distribution centers across the United States, the quantities are reduced to amounts that are appropriate for store delivery. The stores, in turn, offer the fruits in quantities that depend on the consumption pattern of the customers. This act of offering products in smaller quantities based on consumption patterns is known as \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | holding inventory |

|  |  |
| --- | --- |
| **B.**  | breaking bulk |

|  |  |
| --- | --- |
| C.  | forward integration |

|  |  |
| --- | --- |
| D.  | intensive distribution |

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| --- | --- |
| E.  | consumerization |

Breaking bulk allows manufacturers to efficiently make and ship merchandise in larger quantities at one time and enables consumers to purchase merchandise in smaller, more useful quantities. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 22.*(p. 8)* | \_\_\_\_\_ is the value-creating activity in which a retailer makes available a wide range of products of different brands and prices at a single location.

|  |  |
| --- | --- |
| A.  | Providing services |

|  |  |
| --- | --- |
| B.  | Breaking bulk |

|  |  |
| --- | --- |
| **C.**  | Providing assortments |

|  |  |
| --- | --- |
| D.  | Holding inventory |

|  |  |
| --- | --- |
| E.  | Exclusive dealing |

Offering assortments enables customers to choose from a wide selection of products, brands, sizes, and prices at one location. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 23.*(p. 8)* | Jenson's is a large retail store in Chicago. It offers credit so that consumers can buy a product and pay for it later. Which of the following value-creating activities is Jenson's undertaking in the given example?

|  |  |
| --- | --- |
| A.  | Exclusive dealing |

|  |  |
| --- | --- |
| B.  | Breaking bulk |

|  |  |
| --- | --- |
| C.  | Holding inventory |

|  |  |
| --- | --- |
| D.  | Offering assortments |

|  |  |
| --- | --- |
| **E.**  | Providing services |

Retailers provide services that make it easier for customers to buy and use products. For example, retailers offer credit so that consumers can have a product now and pay for it later. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 24.*(p. 8)* | Ruth's Fashions is a popular boutique in Atlanta. It has a Web site that answers customer queries and also provides information on new arrivals and discounts. Customers also receive product information on their mobile phones. From the given example, it can be seen that Ruth's Fashions is involved in \_\_\_\_\_, which is a value-creating activity.

|  |  |
| --- | --- |
| A.  | breaking bulk |

|  |  |
| --- | --- |
| B.  | holding inventory |

|  |  |
| --- | --- |
| C.  | providing assortments |

|  |  |
| --- | --- |
| D.  | exclusive distribution |

|  |  |
| --- | --- |
| **E.**  | providing services |

Retailers provide services that make it easier for customers to buy and use products. Some retailers employ salespeople in stores or maintain Web sites to answer questions and provide additional information about the products they sell. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 25.*(p. 8)* | Tech Games, a retailer, purchases many of the video games DVDs, Wii games, and game consoles on a large scale. It then offers the products to customers in small quantities based on their requirements. The value-creating function performed by Tech Games in the given scenario is \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | providing assortments |

|  |  |
| --- | --- |
| **B.**  | breaking bulk |

|  |  |
| --- | --- |
| C.  | holding inventory |

|  |  |
| --- | --- |
| D.  | providing services |

|  |  |
| --- | --- |
| E.  | creating a retail mix |

Breaking bulk enables manufacturers to efficiently make and ship merchandise in large quantities and enables consumers to purchase merchandise in smaller, more useful quantities. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 26.*(p. 8)* | A major value-providing activity performed by retailers is \_\_\_\_\_, so that products will be available when consumers want them.

|  |  |
| --- | --- |
| A.  | breaking bulk |

|  |  |
| --- | --- |
| **B.**  | holding inventory |

|  |  |
| --- | --- |
| C.  | scrambled merchandising |

|  |  |
| --- | --- |
| D.  | backward integration |

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| --- | --- |
| E.  | providing assortments |

A major value-providing activity performed by retailers is holding inventory so that products will be available when consumers want them. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 27.*(p. 9)* | \_\_\_\_\_ means that a firm performs more than one set of activities in the channel, as occurs when a retailer engages in wholesaling activities by operating its own distribution centers to supply its stores.

|  |  |
| --- | --- |
| A.  | Channel diversification |

|  |  |
| --- | --- |
| B.  | Horizontal development |

|  |  |
| --- | --- |
| C.  | Horizontal integration |

|  |  |
| --- | --- |
| D.  | Vertical expansion |

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| --- | --- |
| **E.**  | Vertical integration |

Vertical integration means that a firm performs more than one set of activities in the channel, as occurs when a retailer engages in wholesaling activities by operating its own distribution centers to supply its stores. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 28.*(p. 9)* | Fresh n Fragrant is a chain of flower shops offering a variety of flowers and ornamental plants. It recently opened a distribution center to supply ornamental plants and cut flowers to all its stores within a 300-mile radius. From the given scenario, it can be seen that Fresh n Fragrant is practicing \_\_\_\_\_.

|  |  |
| --- | --- |
| **A.**  | vertical integration |

|  |  |
| --- | --- |
| B.  | channel expansion |

|  |  |
| --- | --- |
| C.  | horizontal expansion |

|  |  |
| --- | --- |
| D.  | horizontal integration |

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| --- | --- |
| E.  | channel diversification |

Vertical integration means that a firm performs more than one set of activities in the channel, as occurs when a retailer engages in wholesaling activities by operating its own distribution centers to supply its stores. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 29.*(p. 9)* | Florals is a popular retail chain specializing in women's lingerie and perfume. It designs the merchandise being sold in the store. Therefore, Florals is practicing \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | channel expansion |

|  |  |
| --- | --- |
| B.  | scrambled merchandising |

|  |  |
| --- | --- |
| **C.**  | backward integration |

|  |  |
| --- | --- |
| D.  | horizontal integration |

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| --- | --- |
| E.  | product diversification |

Backward integration arises when a retailer performs some wholesaling and manufacturing activities, such as operating warehouses or designing private-label merchandise. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 30.*(p. 9)* | Dailies is a large retail chain in New Jersey. Apart from selling to customers, Dailies supplies bread and vegetables to a large number of restaurants in and around New Jersey. Therefore, Dailies is engaged in \_\_\_\_\_ when selling to restaurants.

|  |  |
| --- | --- |
| **A.**  | wholesaling |

|  |  |
| --- | --- |
| B.  | retailing |

|  |  |
| --- | --- |
| C.  | merchandising |

|  |  |
| --- | --- |
| D.  | breaking bulk |

|  |  |
| --- | --- |
| E.  | channel expansion |

Some large retailers, like Costco and Home Depot, function as both retailers and wholesalers: They perform retailing activities when they sell to consumers, but they engage in wholesaling activities when they sell to other businesses, such as restaurants or building contractors. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 31.*(p. 9)* | A retailer that is vertically integrated:

|  |  |
| --- | --- |
| A.  | concentrates on selling only to businesses. |

|  |  |
| --- | --- |
| B.  | outsources all supply chain activities to independent firms. |

|  |  |
| --- | --- |
| C.  | has limited control on the activities of the supply chain. |

|  |  |
| --- | --- |
| **D.**  | performs more than one activity in the distribution channel. |

|  |  |
| --- | --- |
| E.  | concentrates only on operating its own retail stores. |

Vertical integration means that a firm performs more than one set of activities in the channel, as occurs when a retailer engages in wholesaling activities by operating its own distribution centers to supply its stores. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 32.*(p. 9)* | \_\_\_\_\_ arises when a retailer performs some distribution and manufacturing activities, such as operating warehouses or designing private-label merchandise.

|  |  |
| --- | --- |
| A.  | Exclusive dealing |

|  |  |
| --- | --- |
| B.  | Merchandising |

|  |  |
| --- | --- |
| **C.**  | Backward integration |

|  |  |
| --- | --- |
| D.  | Horizontal integration |

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| --- | --- |
| E.  | Forward integration |

Backward integration arises when a retailer performs some wholesaling and manufacturing activities, such as operating warehouses or designing private-label merchandise. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 33.*(p. 9)* | \_\_\_\_\_ occurs when a manufacturer undertakes retailing and wholesaling activities.

|  |  |
| --- | --- |
| A.  | Merchandising |

|  |  |
| --- | --- |
| B.  | Exclusive dealing |

|  |  |
| --- | --- |
| C.  | Backward integration |

|  |  |
| --- | --- |
| D.  | Horizontal integration |

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| --- | --- |
| **E.**  | Forward integration |

Forward integration occurs when a manufacturer undertakes retailing and wholesaling activities, such as Apple operating its own retail stores. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 34.*(p. 9)* | Essentials, a retail store, manages its own warehouse. It also owns a manufacturing facility where it produces private-label food products. Therefore, Essentials is practicing \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | scrambled merchandising |

|  |  |
| --- | --- |
| **B.**  | backward integration |

|  |  |
| --- | --- |
| C.  | cross-selling |

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| --- | --- |
| D.  | horizontal integration |

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| --- | --- |
| E.  | forward integration |

Backward integration arises when a retailer performs some wholesaling and manufacturing activities, such as operating warehouses or designing private-label merchandise. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 35.*(p. 9)* | Retailers function as wholesalers when:

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| A.  | they hold inventory. |

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| --- | --- |
| B.  | they perform manufacturing activities. |

|  |  |
| --- | --- |
| C.  | they practice scrambled merchandising. |

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| **D.**  | they sell to other businesses. |

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| E.  | there is an intratype competition. |

Some large retailers, like Costco and Home Depot, function as both retailers and wholesalers: They perform retailing activities when they sell to consumers, but they engage in wholesaling activities when they sell to other businesses, such as restaurants or building contractors. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 36.*(p. 9)* | Shades n Hues is a company producing cosmetics. It supplies products to stores and beauty salons and also manages its own retail outlets. Therefore, Shades n Hues is engaged in \_\_\_\_\_.

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| --- | --- |
| **A.**  | forward integration |

|  |  |
| --- | --- |
| B.  | scrambled merchandising |

|  |  |
| --- | --- |
| C.  | backward integration |

|  |  |
| --- | --- |
| D.  | horizontal integration |

|  |  |
| --- | --- |
| E.  | cross-selling |

Forward integration occurs when a manufacturer undertakes retailing and wholesaling activities, such as Apple operating its own retail stores. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 37.*(p. 10)* | The U.S. retail industry:

|  |  |
| --- | --- |
| A.  | has the lowest concentration of large firms. |

|  |  |
| --- | --- |
| **B.**  | has the greatest retail density in the world. |

|  |  |
| --- | --- |
| C.  | mostly has small stores operating independently. |

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| --- | --- |
| D.  | depends on a single large wholesale industry. |

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| --- | --- |
| E.  | consists of a fragmented distribution system. |

The U.S. retail industry has the greatest retail density (retail stores per person) and concentration of large retail firms. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 38.*(p. 10)* | The U.S. retail industry has:

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| --- | --- |
| **A.**  | the greatest concentration of large firms. |

|  |  |
| --- | --- |
| B.  | the lowest retail density in the world. |

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| --- | --- |
| C.  | mostly small stores which operate independently. |

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| --- | --- |
| D.  | a single large wholesale industry supplying to all retailers. |

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| --- | --- |
| E.  | a fragmented distribution system. |

The U.S. retail industry has the greatest retail density (retail stores per person) and concentration of large retail firms. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 39.*(p. 10)* | Which of the following statements about the U.S. distribution system is TRUE?

|  |  |
| --- | --- |
| A.  | The U.S. retail industry is mostly composed of many small and medium-sized firms. |

|  |  |
| --- | --- |
| **B.**  | Many U.S. retailers are large enough to have their own warehouses. |

|  |  |
| --- | --- |
| C.  | The retail density in the U.S. is lower than that found in Europe. |

|  |  |
| --- | --- |
| D.  | A large independent wholesale industry supplies goods to all retailers. |

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| --- | --- |
| E.  | The U.S. retail industry has a fragmented distribution system. |

Many U.S. retailers have stores with more than 20,000 square feet. Due to their size, they have the scale economies to operate their own warehouses, eliminating the need for wholesalers. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 40.*(p. 11)* | The Chinese distribution system:

|  |  |
| --- | --- |
| A.  | has a combination of large stores and large firms resulting in an efficient distribution system. |

|  |  |
| --- | --- |
| **B.**  | is characterized by many small and medium-sized firms. |

|  |  |
| --- | --- |
| C.  | has the most number of large retailers operating their own warehouses. |

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| --- | --- |
| D.  | is characterized by a high retail density. |

The Chinese distribution system is highly fragmented like the retail industry in India. The number of national and even regional chains is limited. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 41.*(p. 11)* | Which of the following is NOT TRUE of distribution systems of the major international markets?

|  |  |
| --- | --- |
| A.  | The U.S. distribution system has the greatest retail density and the greatest concentration of large retail firms. |

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| --- | --- |
| B.  | The Indian distribution systems are characterized by small stores operated by small firms and a large independent wholesale industry. |

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| --- | --- |
| C.  | In the Chinese distribution system, the merchandise often passes through several levels of distribution to make the daily deliveries to the small retailers efficient. |

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| --- | --- |
| D.  | Northern European retailing is similar to efficient distribution systems in the U.S. |

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| **E.**  | Indian and European economic policies are aimed at merging small independent neighborhood retailers with large retail chains. |

An important priority of the Indian and European economic policies is to reduce unemployment by protecting small businesses such as independent neighborhood retailers. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 42.*(p. 12)* | \_\_\_\_\_ describes the voluntary actions taken by a company to address the ethical, social, and environmental impacts of its business operations and the concerns of its stakeholders.

|  |  |
| --- | --- |
| A.  | Forward integration |

|  |  |
| --- | --- |
| **B.**  | Corporate social responsibility |

|  |  |
| --- | --- |
| C.  | Integrity management |

|  |  |
| --- | --- |
| D.  | Customer engagement |

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| --- | --- |
| E.  | Ethical behavior |

Corporate social responsibility (CSR) involves an organization voluntarily engaging in business practices that meet or exceed the ethical and legal expectations of its stakeholders—its employees, customers, community, and society in general. |

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| *AACSB: EthicsAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 2 MediumLearning Objective: 01-02 Realize the importance of retailing in the U.S. and world economies.Topic: Social and Economic Significance of Retailing* |

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| 43.*(p. 13)* | Bright Automotive Inc. does not have employees below the age of 16 since the law prohibits it. Therefore, Bright Automotive is in the \_\_\_\_\_ stage of incorporating corporate social responsibility.

|  |  |
| --- | --- |
| **A.**  | initial |

|  |  |
| --- | --- |
| B.  | second |

|  |  |
| --- | --- |
| C.  | tertiary |

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| --- | --- |
| D.  | fourth |

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| --- | --- |
| E.  | acquisition |

Companies typically go through several stages before they fully integrate corporate social responsibility (CSR) into their strategy. Companies in the first stage engage only in CSR activities required by law. In this stage, companies are not actually convinced of the importance of CSR actions. |

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| *AACSB: EthicsAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-02 Realize the importance of retailing in the U.S. and world economies.Topic: Social and Economic Significance of Retailing* |

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| 44.*(p. 13)* | A company in the first stage of incorporating corporate social responsibility (CSR) into its strategies:

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| --- | --- |
| **A.**  | only engages in CSR activities that are required of it by law. |

|  |  |
| --- | --- |
| B.  | engages in CSR activities that provide a short-term financial benefit. |

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| --- | --- |
| C.  | engages in CSR activities because they believe it is the right thing to do. |

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| --- | --- |
| D.  | engages in CSR activities for the well-being of everyone. |

Companies go through four stages before they become fully vested in CSR. Companies in the first stage only do what is required of them by law; the second stage is when companies engage in CSR for a short-term financial benefit; the third is engaging in CSR when the company believes it is the right thing to do regardless of the financial benefits. The final stage is when a company believes that CSR activities must be done for the "well-being" of everyone. |

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| *AACSB: AnalyticAACSB: EthicsAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-02 Realize the importance of retailing in the U.S. and world economies.Topic: Social and Economic Significance of Retailing* |

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| 45.*(p. 14)* | A company in the final stage of integrating corporate social responsibility into its strategies:

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| --- | --- |
| A.  | only engages in CSR activities that are required of them by law. |

|  |  |
| --- | --- |
| B.  | engages in CSR activities that provide a short-term financial benefit. |

|  |  |
| --- | --- |
| C.  | engages in CSR activities because they believe it is the right thing to do. |

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| --- | --- |
| **D.**  | engages in responsible activities for the well-being of everyone. |

Companies go through four stages before they become fully vested in CSR. Companies in the initial or first stage only do what is required of them by law; the second stage is when companies engage in CSR for a short term financial benefit; the third is engaging in CSR when the company believes it is the right thing to do regardless of the financial benefits. The fourth and final stage is when a company believes that CSR activities must be done for the "well-being" of everyone. |

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| *AACSB: EthicsAACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-02 Realize the importance of retailing in the U.S. and world economies.Topic: Social and Economic Significance of Retailing* |

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| 46.*(p. 14)* | Prime Industries Inc. is a large company producing a wide range of chemicals. The company recently installed a waste water treatment facility in its premises. It believes that releasing water containing chemical waste into the river would harm the entire population of the city. Thus, it is in the \_\_\_\_\_ stage of incorporating corporate social responsibility.

|  |  |
| --- | --- |
| A.  | initial |

|  |  |
| --- | --- |
| B.  | second |

|  |  |
| --- | --- |
| C.  | tertiary |

|  |  |
| --- | --- |
| **D.**  | final |

|  |  |
| --- | --- |
| E.  | acquisition |

Companies go through four stages before they become fully vested in CSR. Companies in the initial or first stage only do what is required of them by law. The second stage is when companies engage in CSR for a short term financial benefit (such saving money on shopping bags). The third stage is engaging in CSR when the company believes it is the right thing to do regardless of the financial benefits, and the final stage is when a company believes that CSR activities must be done for the "well-being" of everyone. |

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| *AACSB: EthicsAACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-02 Realize the importance of retailing in the U.S. and world economies.Topic: Social and Economic Significance of Retailing* |

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| 47.*(p. 14)* | Which of the following is true of retailing activities in the BoP market?

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| --- | --- |
| A.  | Retrofitting business models used in the more developed markets has proven successful. |

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| --- | --- |
| **B.**  | Most people in BoP markets live in rural areas with limited access to mass media. |

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| --- | --- |
| C.  | The ideas used in BoP retail marketing are similar to conventional retailing strategies. |

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| D.  | High local demand results in low prices for consumer goods. |

It is difficult to communicate and complete transactions with people in the BoP market because they are more likely to lack access to mass media, the Internet, mobile phones, or credit cards than more affluent markets. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyLearning Objective: 01-02 Realize the importance of retailing in the U.S. and world economies.Topic: Social and Economic Significance of Retailing* |

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| 48.*(p. 15)* | \_\_\_\_\_ are the most concentrated sector of the retail industry in the U.S.

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| --- | --- |
| A.  | Fitness centers |

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| --- | --- |
| B.  | Drugstore chains |

|  |  |
| --- | --- |
| C.  | Apparel stores |

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| --- | --- |
| **D.**  | Home improvement centers |

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| --- | --- |
| E.  | Food and beverage services |

Home improvement centers are the most concentrated sector of the retail industry, with the four largest firms accounting for 92.7 percent of U.S. annual sales in the sector. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-03 Analyze the changing retail industry.Topic: The Growing Importance of Retailing and Retailers* |

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| 49.*(p. 17)* | Retailers use customer transaction data to:

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| --- | --- |
| A.  | identify their best customers. |

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| B.  | match the needs of a store's local market. |

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| --- | --- |
| C.  | create customized promotions. |

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| --- | --- |
| D.  | tailor product assortments. |

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| **E.**  | all of these. |

Many retailers now use the data they have on their customers to identify their best customers and target customized promotions to them, place products close to each other when they find that many customers are buying the same products at the same time, and tailor the assortment of products in each store to better match the needs of the store's local market. |

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| *AACSB: TechnologyAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyLearning Objective: 01-03 Analyze the changing retail industry.Topic: The Growing Importance of Retailing and Retailers* |

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| 50.*(p. 17)* | Students often view retailing as part of marketing because:

|  |  |
| --- | --- |
| A.  | retailing does not involve traditional business activities. |

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| --- | --- |
| **B.**  | retailing involves the management of distribution systems. |

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| --- | --- |
| C.  | retailing requires only people with expertise in marketing. |

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| D.  | activities in retailing are confined to advertising and promotion. |

Students often view retailing as part of marketing because managing distribution (place) is one of the 4 Ps of marketing. |

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| *AACSB: AnalyticAACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-04 Recognize the opportunities in retailing for you.Topic: Management and Entrepreneurial Opportunities* |

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| 51.*(p. 18)* | Which of the following is true of the career opportunities offered by the retailing industry?

|  |  |
| --- | --- |
| A.  | Retailers employ people with exclusive expertise in supply chain management. |

|  |  |
| --- | --- |
| **B.**  | Retail managers are often given considerable responsibility early in their careers. |

|  |  |
| --- | --- |
| C.  | Retailing offers limited opportunities for entrepreneurs. |

|  |  |
| --- | --- |
| D.  | Retail management is not a very lucrative career path. |

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| E.  | People with a marketing background have limited opportunities in the retail industry. |

Retail managers are often given considerable responsibility early in their careers. Retail management is also financially rewarding. |

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| *AACSB: CommunicationAACSB: EthicsAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-04 Recognize the opportunities in retailing for you.Topic: Management and Entrepreneurial Opportunities* |

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| 52.*(p. 21)* | The competition between the same type of retailers is called \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | intertype competition |

|  |  |
| --- | --- |
| B.  | indirect competition |

|  |  |
| --- | --- |
| **C.**  | intratype competition |

|  |  |
| --- | --- |
| D.  | scrambled merchandising |

|  |  |
| --- | --- |
| E.  | intrinsic competition |

The competition between the same type of retailers is called intratype competition. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 53.*(p. 21)* | Daily Needs and Smart Saves are two large retailers in Canada. They compete with each other using similar marketing strategies. Which form of competition is seen between these two retailers?

|  |  |
| --- | --- |
| A.  | Intertype competition |

|  |  |
| --- | --- |
| B.  | Indirect competition |

|  |  |
| --- | --- |
| **C.**  | Intratype competition |

|  |  |
| --- | --- |
| D.  | Scrambled merchandising |

|  |  |
| --- | --- |
| E.  | Intrinsic competition |

A retailer's primary competitors are other retailers that use the same retail approach. The competition between the same type of retailers is called intratype competition. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 54.*(p. 21)* | When Austin saw pastries and coffee being sold at his local bookstore, he knew it was an example of \_\_\_\_\_.

|  |  |
| --- | --- |
| **A.**  | scrambled merchandising |

|  |  |
| --- | --- |
| B.  | intertype competition |

|  |  |
| --- | --- |
| C.  | product diversification |

|  |  |
| --- | --- |
| D.  | channel conflict |

|  |  |
| --- | --- |
| E.  | vertical differentiation |

Scrambled merchandising occurs when retailers offer merchandise not typically associated with their type of store. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 1 EasyLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 55.*(p. 21)* | Karen's is a popular clothing store in Boston. The store recently started selling designer watches. Thus, Karen's is practicing \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | channel expansion |

|  |  |
| --- | --- |
| B.  | intertype competition |

|  |  |
| --- | --- |
| C.  | product diversification |

|  |  |
| --- | --- |
| **D.**  | scrambled merchandising |

|  |  |
| --- | --- |
| E.  | vertical differentiation |

Scrambled merchandising is when retailers offer merchandise not typically associated with their type of store. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 56.*(p. 21)* | The offering of merchandise not typically associated with the store type is called:

|  |  |
| --- | --- |
| **A.**  | scrambled merchandising. |

|  |  |
| --- | --- |
| B.  | intratype competition. |

|  |  |
| --- | --- |
| C.  | product diversification. |

|  |  |
| --- | --- |
| D.  | channel diversification. |

|  |  |
| --- | --- |
| E.  | vertical differentiation. |

Scrambled merchandising is when retailers offer merchandise not typically associated with their type of store. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 57.*(p. 21)* | Which of the following is the first step in the retail management decision process?

|  |  |
| --- | --- |
| A.  | Developing the retail communication mix |

|  |  |
| --- | --- |
| B.  | Buying merchandise |

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| C.  | Developing a retail marketing strategy |

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| **D.**  | Understanding the world of retailing |

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| E.  | Customer relationship management |

The first step in the retail management decision process is understanding the world of retailing. Retail managers need to know the environment in which they operate before they can develop and implement effective strategies. |

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| 58.*(p. 21)* | \_\_\_\_\_ form a part of the microenvironment that influences retail management decisions.

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| **A.**  | Competitors |

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| B.  | Technologies |

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| C.  | Politics |

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| D.  | Legal aspects |

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| E.  | Ethics |

The retailer's microenvironment focuses specifically on its competitors and customers. |

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| 59.*(p. 21)* | A retailer's primary competitors are other retailers that:

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| A.  | are more vertically integrated. |

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| **B.**  | use the same type of store format. |

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| C.  | have the same target market. |

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| D.  | sell online. |

The competition between the same type of retailers is called intratype competition. A retailer's primary competitors are other retailers that use the same retail approach. |

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| 60.*(p. 21-22)* | Scrambled merchandising increases:

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| A.  | vertical integration. |

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| **B.**  | intertype competition. |

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| C.  | concentric diversification. |

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| D.  | horizontal integration. |

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| E.  | intratype competition. |

Scrambled merchandise is offering merchandise not typically associated with the store type, and it increases intertype competition or competition between retailers that sell similar merchandise using different types of stores. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 61.*(p. 21-22)* | Which of the following is NOT an example of intertype competition?

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| A.  | A supermarket and a fresh flower stand |

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| B.  | A coffee shop and a fast food restaurant |

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| C.  | A supercenter and a pharmacy |

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| D.  | An American Eagle store and a Macy's store |

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| **E.**  | A Target store and a Walmart store |

Offering merchandise not typically associated with the store type increases intertype competition or competition between retailers that sell similar merchandise using different types of stores. Since Target and Walmart use the same format of store, they are intratype competitors, and all others are intertype competitors. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 62.*(p. 22)* | Darius Foods Inc. and Winston Foods and Beverages Inc. are competitors selling frozen meals. Darius sells its products through a large number of local convenience stores, while Winston sells its frozen meals through delis. Which form of competition is seen between these two firms?

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| **A.**  | Intertype competition |

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| B.  | Indirect competition |

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| --- | --- |
| C.  | Intratype competition |

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| --- | --- |
| D.  | Scrambled merchandising |

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| E.  | Intrinsic competition |

Intertype competition is the competition among retailers that sell similar merchandise using different types of retail outlets, such as drug and department stores. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 63.*(p. 22)* | Increasing intertype competition has made it harder for retailers to identify their:

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| --- | --- |
| **A.**  | competition. |

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| --- | --- |
| B.  | target market. |

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| --- | --- |
| C.  | merchandise mix. |

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| D.  | retail mix. |

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| E.  | price points. |

Increasing intertype competition makes it harder for retailers to identify and monitor their competition. In one sense, all retailers compete against one another for the dollars that consumers spend on goods and services. But the intensity of competition is greatest among retailers whose offerings are viewed as very similar. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 64.*(p. 22)* | The intensity of competition is greatest among retailers when:

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| A.  | price dominates the retail mix. |

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| **B.**  | their retail offerings are considered to be similar. |

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| C.  | they resort to scrambled merchandising. |

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| D.  | they focus on a narrow demographic trend. |

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| E.  | they offer a limited range of products and services. |

The intensity of competition is greatest among retailers whose offerings are viewed as very similar. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 65.*(p. 23)* | A \_\_\_\_\_ refers to the market toward which a retailer will direct its efforts.

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| A.  | channel member |

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| B.  | market segment |

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| **C.**  | target market |

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| --- | --- |
| D.  | mass market |

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| E.  | warm market |

The retailer strategy identifies the target market, or markets, toward which the retailer will direct its efforts. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 66.*(p. 23)* | The retailer strategy helps a retailer to identify all of the following EXCEPT:

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| A.  | the target market toward which the retailer will direct its efforts. |

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| B.  | the nature of the merchandise and services the retailer will offer to satisfy the needs of the target market. |

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| C.  | how the retailer will build a long-term advantage over its competitors. |

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| **D.**  | how to determine the break-even point for making profits. |

The retailer strategy identifies (1) the target market, or markets, toward which the retailer will direct its efforts; (2) the nature of the merchandise and services the retailer will offer to satisfy the needs of the target market; and (3) how the retailer will build develop unique assets that enable it to achieve long-term advantage over its competitors. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 67.*(p. 23)* | When developing the \_\_\_\_\_ for his salon, Theo decided to obtain a long-term competitive advantage over other salons by offering longer hours, better prices, a well-trained staff, and a perm for half-price every Wednesday to attract customers.

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| A.  | selling concept |

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| B.  | business cycle |

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| **C.**  | retail strategy |

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| D.  | focal point orientation |

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| E.  | marketing concept |

The retailer strategy identifies (1) the target market, or markets, toward which the retailer will direct its efforts; (2) the nature of the merchandise and services the retailer will offer to satisfy the needs of the target market; and (3) how the retailer will build develop unique assets that enable it to achieve long-term advantage over its competitors. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 68.*(p. 23)* | As the owner of Knights, a store specializing in men's suits, Isabella can use a retail strategy statement to identify all of the following EXCEPT:

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| **A.**  | the advertising campaign developed to sell last season's merchandise. |

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| --- | --- |
| B.  | the store's target market. |

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| C.  | how the store will build a competitive advantage over other similar retailers. |

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| D.  | what services the store will offer its customers. |

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| E.  | what types of suits the store will stock. |

A retailer strategy identifies how the retailer will build develop unique assets that enable it to achieve long-term advantage over its competitors. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 69.*(p. 23)* | A \_\_\_\_\_ identifies the target market, the merchandise and services that will be offered, and how the company will achieve long-term advantage over its competitors.

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| **A.**  | retail strategy |

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| B.  | corporate strategy |

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| C.  | retail mix |

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| --- | --- |
| D.  | supply chain |

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| --- | --- |
| E.  | product mix |

The retail strategy identifies (1) the target market, or markets, toward which the retailer will direct its efforts; (2) the nature of the merchandise and services the retailer will offer to satisfy the needs of the target market; and (3) how the retailer will build develop unique assets that enable it to achieve long-term advantage over its competitors. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 70.*(p. 23)* | Which of the following is a key strategic decision made by a retailer?

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| A.  | Managing merchandise inventories |

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| **B.**  | Defining the target market |

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| --- | --- |
| C.  | Managing the store |

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| D.  | Creating the retail communication mix |

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| E.  | Implementing visual merchandising |

The key strategic decisions a retailer makes are defining its target market and its financial objectives. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 71.*(p. 24)* | A retail mix refers to:

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| A.  | a strategy for identifying primary competitors through market research. |

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| B.  | the idea of selling similar merchandise using different types of retail outlets, such as drug and department stores. |

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| C.  | the concept of offering merchandise not typically associated with their type of store. |

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| **D.**  | a set of decisions retailers make to satisfy customer needs and influence their purchase decisions. |

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| E.  | a retailer's decision to undertake wholesaling and manufacturing activities. |

To implement a retail strategy, retailers develop a retail mix that satisfies the needs of its target market better than that of its competitors. The retail mix is a set of decisions retailers make to satisfy customer needs and influence their purchase decisions. |

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| 72.*(p. 24)* | Which of the following is a critical asset that enables retailers to build strategic advantages?

|  |  |
| --- | --- |
| A.  | Holding inventory |

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| --- | --- |
| B.  | Breaking bulk |

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| --- | --- |
| C.  | Providing services |

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| --- | --- |
| D.  | Scrambled merchandising |

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| **E.**  | Supply chain organization |

Some strategic decisions involve the development of critical assets that enable retailers to build strategic advantages. These strategic assets are location, human resource, information and supply chain systems, supply chain organization, and customer loyalty. |

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| 73.*(p. 24)* | A retail mix is developed to:

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| A.  | promote scrambled merchandising. |

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| **B.**  | implement a retail strategy. |

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| C.  | understand the retail market. |

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| D.  | implement vertical integration. |

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| E.  | formulate a retail strategy. |

To implement a retail strategy, retailers develop a retail mix that satisfies the needs of its target market better than that of its competitors. |

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| *AACSB: AnalyticAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 74.*(p. 24)* | Which of the following is NOT an element in the retail mix?

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| **A.**  | Competitive response |

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| --- | --- |
| B.  | Merchandise pricing |

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| --- | --- |
| C.  | Location |

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| D.  | Customer service |

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| E.  | Advertising and promotion |

The elements in the retail mix include the types of merchandise and services offered, merchandise pricing, advertising and promotional programs, store design, merchandise display, assistance to customers provided by salespeople, and convenience of the store's location. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 75.*(p. 24)* | Retail information and supply chain management systems help retailers to:

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| A.  | gain strategic advantages. |

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| B.  | monitor the flow of information and merchandise. |

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| C.  | make sure desired merchandise is available when customers want it. |

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| D.  | minimize the retailer's inventory investment. |

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| **E.**  | all of these. |

Retail information and supply chain management systems also offer a significant opportunity for retailers to gain strategic advantage. Sophisticated computer and distribution technologies are part of an overall inventory management system that enables retailers to (1) make sure desired merchandise is available when customers want it and (2) minimize the retailer's inventory investment. |

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 76.*(p. 28)* | \_\_\_\_\_ are the principles governing the behavior of individuals and companies that establish appropriate behavior and indicate what is right and wrong.

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| **A.**  | Ethics |

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| B.  | Acts |

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| --- | --- |
| C.  | Training guidelines |

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| --- | --- |
| D.  | Company traditions |

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| --- | --- |
| E.  | Legislations |

Ethics are the principles governing individuals and companies that establish appropriate behavior and indicate what is right and wrong. |

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| *AACSB: EthicsAACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 77.*(p. 28)* | Which of the following statements is true of ethical principles?

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| **A.**  | Ethical principles can change over time. |

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| B.  | Ethics remain the same irrespective of the country or industry. |

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| C.  | Most people have common views on ethical and unethical practices. |

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| D.  | The personal code of ethics does not play a role in business decisions. |

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| E.  | Ethical principles are often easy to determine. |

Ethical principles also can change over time. For example, some years ago, doctors and lawyers who advertised their services were considered unethical. Today, such advertising is accepted as common practice. |

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| *AACSB: EthicsAACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

**Essay Questions**

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| 78.*(p. 7)* | What is the retailer's role in a supply chain?  A retailer is a business that sells products and/or services to consumers for their personal or family use. Retailers are a key component in a supply chain that links manufacturers to consumers. Retailers typically buy products from wholesalers and/or manufacturers and resell them to consumers. |

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| *AACSB: AnalyticAACSB: CommunicationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 79.*(p. 7)* | What are the major value-creating activities performed by retailers?  The value-creating activities undertaken by retailers include (1) providing an assortment of products and services, (2) breaking bulk, (3) holding inventory, and (4) providing services. |

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| *AACSB: AnalyticAACSB: CommunicationBlooms: RememberDifficulty: 1 EasyLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 80.*(p. 8)* | Explain the importance of breaking bulk.  To reduce transportation costs, manufacturers and wholesalers typically ship cases of frozen dinners or cartons of blouses to retailers. Retailers then offer the products in smaller quantities tailored to individual consumers' and households' consumption patterns—an activity called breaking bulk. Breaking bulk is important to both manufacturers and consumers. It allows manufacturers to efficiently make and ship merchandise in larger quantities at one time and enables consumers to purchase merchandise in smaller, more useful quantities. |

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| *AACSB: CommunicationAACSB: Reflective ThinkingBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-01 Identify retailing activities.Topic: What is Retailing?* |

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| 81.*(p. 12)* | How have retailers incorporated Corporate Social Responsibility (CSR) into their activities?  Corporate social responsibility (CSR) involves an organization voluntarily engaging in business practices that meet or exceed the ethical and legal expectations of its stakeholders—its employees, customers, community, and society in general. Many retailers now go the extra mile to support their communities, environment, and social causes. Examples include reducing their use of energy, supporting local schools, and working with national organizations such as the American Red Cross and Habitat for Humanity. These corporate social responsibility activities promote a positive image to customers, build employee morale, and save money—a win-win scenario for both the companies and their stakeholders. |

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| *AACSB: CommunicationAACSB: EthicsAACSB: Reflective ThinkingBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-02 Realize the importance of retailing in the U.S. and world economies.Topic: Social and Economic Significance of Retailing* |

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| 82.*(p. 15-16)* | Explain briefly the problems faced by retailers before the development of sophisticated information systems.  Prior to the development of sophisticated information systems, it was difficult for someone other than the local store manager to track how the merchandise in the store was selling—whether it was selling above plan and needed to be reordered or was selling below plan and needed to have its price reduced. It was also difficult to collect and consolidate the plans from a number of different stores so that a buyer could place large orders with vendors to get price discounts. Thus, before the availability of modern information systems, it was difficult for retailers to lower costs through scale economies, and larger retailers had limited advantages over small local or regional retailers. |

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| *AACSB: CommunicationAACSB: Reflective ThinkingBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-03 Analyze the changing retail industry.Topic: The Growing Importance of Retailing and Retailers* |

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| 83.*(p. 17)* | How do retailers use customer transaction data?  Many retailers now use the data they have on their customers to identify their best customers and target customized promotions to them, place products close to each other when they find that many customers are buying the same products at the same time, and tailor the assortment of products in each store to better match the needs of the store's local market. |

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| *AACSB: AnalyticAACSB: CommunicationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-03 Analyze the changing retail industry.Topic: The Growing Importance of Retailing and Retailers* |

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| 84.*(p. 17-18)* | Why do retailers hire people with varied expertise and interests?  Retailers are businesses and, like manufacturers, undertake all the traditional business activities. Retailers raise capital from financial institutions; purchase goods and services; use accounting and management information systems to control their operations; manage warehouses and distribution systems; design and develop new products; and undertake marketing activities such as advertising, promotion, sales force management, and market research. Thus, retailers employ people with expertise and interests in finance, accounting, human resource management, supply chain management, and computer systems, as well as management and marketing. |

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| *AACSB: CommunicationAACSB: Reflective ThinkingBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-04 Recognize the opportunities in retailing for you.Topic: Management and Entrepreneurial Opportunities* |

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| 85.*(p. 21-22)* | How does scrambled merchandising impact retail competition?  Scrambled merchandising increases intertype competition, or competition among retailers that sell similar merchandise using different types of retail outlets, such as drug and department stores. Increasing intertype competition makes it harder for retailers to identify and monitor their competition. In one sense, all retailers compete against one another for the dollars that consumers spend on goods and services. But the intensity of competition is greatest among retailers whose offerings are viewed as very similar. |

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| *AACSB: CommunicationAACSB: Reflective ThinkingBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |

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| 86.*(p. 22)* | With regard to customers, which aspects do retailers need to consider when developing a retail strategy?  Retailers must respond to broad demographic and lifestyle trends in our society, such as the growth in the senior and minority segments of the U.S. population or the importance of shopping convenience to the increasing number of two-income families. To develop and implement an effective strategy, retailers must understand why customers shop, how they select a store, and how they select among that store's merchandise. |

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| 87.*(p. 24)* | How do retail information and supply chain management help retailers gain a strategic advantage?  Retail information and supply chain management systems offer a significant opportunity for retailers to gain strategic advantage. Retailers are developing sophisticated computer and distribution technologies to monitor flows of information and merchandise from vendors to retail distribution centers to retail stores. These technologies are part of an overall inventory management system that enables retailers to (1) make sure desired merchandise is available when customers want it and (2) minimize the retailer's inventory investment. |

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| *AACSB: AnalyticAACSB: CommunicationBlooms: UnderstandDifficulty: 2 MediumLearning Objective: 01-05 Understand the strategic retail management decision process.Topic: The Retail Management Decision Process* |