Retailing Management (Canadian) 6th edition Levy Solutions Manual

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Chapter One - Introduction to the World of Retailing

CHAPTER ONE OBJECTIVES

LO1 – Define retailing.
LO2 – Understand the role retailers play in the distribution channel and the functions they perform.
LO3 – Know the economic significance of retailing in Canada.
LO4 – Examine the various career and entrepreneurial opportunities retail offers.
LO5 – Discuss different types of decisions retail managers make.
LO6 – Understand the meaning of ethics and social responsibility and how they relate to the individual, retailer, and society.

CHAPTER ONE KEY TERMS

blockchain	breaking bulk
corporate social responsibility (CSR)	customer relationship management (CRM)
distribution channel	ethics
intertype competition	intratype competition
retail strategy	retailer
retailing	scrambled merchandising
smart contracts	variety
vertical integration	

CHAPTER 1
INTRODUCTION TO THE WORLD OF RETAILING

ANNOTATED OUTLINE	INSTRUCTOR'S NOTES
1. Introduction to The World of Retailing • Retailing in Canada is dynamic and always changing to reflect consumer demands for product and accessibility. • Retailing in Canada is a vibrant industry, with total retail sales in 2017 of $588 billion. The retail sector is one of the largest employers nationally, employing almost two million Canadians. • Success in retailing is about understanding and engaging your customers. Retailers use sophisticated technologies and information systems to improve their customers' shopping experience, reduce costs, and provide better value. • Customers today want to interact with retailers as they seek information and buy merchandise ranging from concert tickets to a new iPod, shopping through multiple channels, such as smartphones, tablets, computers, web-enabled kiosks, telephone lines to call centres, and retail stores. • In addition to selling merchandise, retailers use the Internet to build brand images, provide customer service, and manage their employees. Retailers such as Amazon.ca use advanced analytical techniques and data warehousing to customize approaches to online customers, suggesting books and products that might be of interest based on previous sales. • In this course we will explore the world of retailing and principles for effectively managing businesses in this challenging environment. • Knowledge of retailing principles and practices will help you develop	**Ask students**: *Where they bought their textbook for the course. One may get standard responses, such as the college bookstore or the downtown store, but some may also indicate that they bought it over the Internet or bought it used from another student. Question students on the pros and cons of each transaction.* **Ask students**: *About their shopping habits for some commonly purchased products, such as books, clothing, shoes, and food. One can engage them in a discussion of what they seek when shopping for such product categories and what types of physical store and non-store formats best satisfies their needs* **Ask students**: *Read the appendix to Chapter 1"Careers in Retailing" on Connect and discuss the various career options.* **Discuss with students***: the link between retail principles different industries.* *For example, Procter & Gamble and Hewlett-Packard brand managers need to have a thorough*

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management skills you can apply in many business contexts. • Any student interested in professional business-to-consumer (B-to-C) selling, marketing management, or finance will find this course useful.	*understanding of how retailers operate and make money so that they can get their products on retail shelves and work with retailers to sell them to consumers. Financial and health care institutions use retail principles to develop a variety of services, improve customer service, and make their offerings available at convenient locations for their customers.*
What Is Retailing? • **Retailing** is the set of business activities that adds value to the products and services sold to consumers for their personal or family use. • A **retailer** is a business that sells products or services, or both, to consumers for their personal or family use.	**Ask students**: *Give examples of retailers. Generally, they will think of traditional retailers that sell through stores.* *Other examples are McDonalds, Home Shopping Network, Avon, Midas, Tim Hortons, movie theatre retailers and fitness clubs.* *By this definition there certainly are many retailers who do not sell through bricks and mortar stores and sell services rather than merchandise. They will mention clicks retailers and clicks and mortar retailers like Amazon.com or eBay.* **Ask students**: *What about universities and colleges and travel agents? These organizations sell some services to end-users and thus are retailers, but they also sell some services to businesses and thus are channel members, but not retailers.*
A. A Retailer's Role in Distribution Channels • Retailers attempt to satisfy consumer needs by offering: - the right **product** -at the right **price** -at the right **place** -in the right **quantities** -at the right **time**. • Retailers are the final business in a distribution channel that links manufacturers with consumers. • A **distribution channel** is a set of firms that facilitate the movement of products from the point of production to the point of sale to the ultimate consumer.	**Discuss with students**: *How, in some channels, consumers can perform some of the functions performed by retailers, wholesalers, and manufacturers in other channels.* *For example, assembling furniture or toys is a function frequently performed by manufacturers. IKEA would be an example of a retailer that has pushed this function onto the consumer in order to offer lower prices. Consumers who buy through discount stores have to discover information about products on their own. When buying at warehouse stores, consumers might buy in large quantities and repackaged the food into smaller packages (breaking bulk and holding inventory.)* **Ask students**: *The advantages and disadvantages of vertical integration. Why is The Gap vertically*

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• Manufacturers make products and sell them to retailers or wholesalers. Wholesalers buy products from manufacturers and resell these products to retailers, while retailers resell products to consumers. Wholesalers satisfy retailers' needs, while retailers direct their efforts to satisfying needs of ultimate consumers. • Some retail chains are both retailers and wholesalers. They're performing retailing activities when they sell to consumers and wholesaling activities when they sell to other businesses like building contractors or restaurant owners. • In some distribution channels, manufacturing, wholesale, and retail activities are performed by independent firms. • But most distribution channels have some vertical integration. Vertical integration means that a firm performs more than one level of activity in the channel. For example, most large retailers—such as Wal-Mart, and Staples/Business Depot—do both wholesaling and retailing activities • **Vertical Integration** means that a firm performs more than one set of activities in the channel, such as investments by retailers in wholesaling or manufacturing. • *Backward integration* arises when a retailer performs some distribution and manufacturing activities, such as operating warehouses or designing private-label merchandise. • *Forward integration* occurs when a manufacturer undertakes retailing activities, such as Roots operating its own retail stores.	*integrated and The Bay department store is not?* *<u>Advantages:</u>* *Develop unique merchandise only sold in your stores.* *Better coordination between manufacturing and retailing.* *<u>Disadvantages:</u>* *Higher costs because retailer might not be an efficient manufacturer.*
B. Functions Performed by Retailers	*Note that retailers and distributors account for a lot of the cost of a product. A retailer's markup of*

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• Retailers undertake business activities and perform functions that increase the value of the products and services they sell to consumers.	*50% adds half of the cost in making and getting the product to the consumer.* **Ask students**: *a hypothetical issue to debate: Suppose the local grocery store markups all its products by about 50%? Is the grocery store profitable?* *Some students may confuse the markup of 50% with profits. The various functions performed by retailers as noted below would help students understand the costs borne by retailers.* *As an aside, standard industry average profits for grocery retailing are only in 1-3% range.*
These functions are: **1. Providing Assortments** • Offering an assortment enables customers to choose from a wide selection of brands, designs, sizes, colours, and prices in one location. • All retailers offer assortments of products, but they specialize in the assortments they offer. Many grocery stores provide assortments of food, health and beauty care (HBC), and household products; while Roots provides assortments of clothing and accessories. • Most consumers are well aware of the product assortments retailers' offer; even small children tend to know where to buy different types of products.	**Ask students**: *Describe the difference in the assortments of bicycles provided by Wal-Mart and the local bike shop. What is the difference in assortment of golf clubs provided by Golf Town and Canadian Tire?* *New types of retailers offering unique assortments appear each year. Gold Grass Home sells a wide assortment of environmentally healthy products such as housewares, furniture and decor, and building supplies.* **Ask students**: *to research "new" types of retailers with unique assortments as a class activity*
2. Breaking Bulk • To reduce transportation costs, manufacturers and wholesalers typically ship cases/cartons of products to retailers.	**Discuss with students**: *From the retailer's perspective, what costs are associated with breaking bulk?* *Answer – warehouse, workers to break bulk, logistic commitments*

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• Retailers then offer the products in smaller quantities tailored to individual consumers' and households' consumption patterns.	
3. Holding Inventory • A major function of retailers is to keep inventory so that products will be available when consumers want them, reducing consumer's cost of storing products. • This function is particularly important to consumers with limited storage space and when purchasing perishable merchandise such as meat and produce.	**Discuss with students:** *From the retailer's perspective, what costs are associated with holding inventory? How do they try to manage these costs (**hint** – JIT systems)*
4. Providing Services • Retailers provide services such as credit, product displays, and sales staff to express product knowledge that will assist customers in the decision-making process. • Retailers display products so that consumers can see and test them before buying. • Multichannel retailers offer flexibility to the customer by answering questions online and enabling buying any time, day or night. • Social and Economic Significant of Retailing	**Ask students**: *What kind of services do retailers provide.* ***Answer:*** *Some services are: acceptance of credit cards, alteration of merchandise, assembling of merchandise, bridal registry, check cashing, child-care facilities, credit, delivery to home, demonstrations of merchandise, displaying merchandise, dressing rooms, gift wrapping, lay-away plan, parking, personal assistance in selecting merchandise, personal shoppers, play areas for children, presentations on how to use merchandise, provisions for customers with special needs (wheelchairs, translators), repair services ,rest rooms for checking coats and packages, special orders and product warranties.*

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A. Social Responsibility • Retailers are socially responsible businesses. **Corporate responsibility** 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. • As corporate social responsibility continues to grow in popularity within the Canadian retail industry, more significance is being placed on the need for retailers to explain the impact of their business practices and to implement suitable strategies to seize the related opportunities. • Firms typically go through several stages before they fully integrate corporate social responsibility into their strategy. Companies in the first stage engage only in CSR activities required by law. In the second stage, companies go beyond activities required by law to engage in CSR activities that provide a short-term financial benefit to the company. In the third stage, companies operate responsibly because they believe this is the "right thing" to do. Companies in the fourth and final stage engage in socially and environmentally responsible actions because they believe these activities must be done for the "well being" of everyone.	**Have students identify**: *actions taken by retailers to provide value to their communities and society, as well as to their customers. Retailing View 1.1 discusses why MEC was the highest rated Canadian retailer.* *Millennials (age 23–34) appear more responsive to sustainability actions. Among global respondents in Nielsen's survey who are responsive to sustainability actions, half are Millennials; they represent 51 percent of those who will pay extra for sustainable products and 51 percent of those who check the packaging for sustainable labeling.* **Ask students**: *if they look for signs of sustainability from the retailers they choose to do buy from.*

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B.Retail Sales in Canada

- Retail is a driving force of Canada's economy and affects every facet of life. Just think of how much contact you have with retailers when you eat meals, furnish your apartment, have your car fixed, or buy clothing for a party or a job interview.

- In 2017, total retail sales in Canada amounted to $588.8 billion, up 7.1 percent from 2016. Ontario's $216.3 billion (36.7 percent) and Quebec's $216.3 billion (21.3 percent) contributed the largest share of retail sales, followed by British Columbia's market share $ 84.2 billion (14.3 percent) and Alberta with retail sales of $ 80.3 (13.6 percent).

- Canada's leading retailers tend to concentrate their operations in these four provinces as they include the country's largest cities

- Large retail chains dominate many segments in the Canadian market place. The top 100 retail organizations still control 75 percent of the non-automotive retail sales. In 2016, there were a total of 32 organizations with at least one billion in total sales, and this "billion dollar club" (BDC) accounted for 66 percent, or $235 billion, of non-automotive retail sales in Canada for 2016. Billion Dollar Club retailers control a network of approximately 20 000 stores and almost 432 million square feet of retail store space. The BDC accounts for 89 percent of the Centre for the Study of Commercial Activity (CSCA) Retail 100 total sales, 67 percent of Canadian non-automotive total sales, and 43 percent of total retail sales in 2014 (see Exhibits 1–3, 1–4, and 1–5). In most countries, when the market concentration percentage for a particular industry or industry sub-sector reaches 40 percent, oligopolistic behaviour becomes

Discuss with students: *why Ontario and Quebec have experienced the highest growth in retail sales, what are the challenges?*

Discuss with students: *what type of changes in the retail industry may take place in the next 10 years. How is technology affecting the changes in this industry? Will consumers still go to stores or will they buy everything using a computer in their homes? What will stores look like? How will retailers adjust to the Internet, social networking or mobile technology? Who will be the big winners/losers?*

Have students identify*: look at their personal spending habits. How does technology affect their spending habits? Loyalty?*

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likely in the marketplace.

- The Canadian retail market continues to evolve and change as foreign-owned retailers continue to increase their presence within the Canadian marketplace. In 2016, Canadian-controlled conglomerates accounted for 56.4 percent of the CSCA Retail sales in Canada. American retailers account for 41.5 percent of retail sales by foreign retailers in Canada (see Exhibit 1–7). The American presence is significant, as Exhibit 1–6 demonstrates. Ten out of the top 20 retailers (by sales) in Canada are American, with five of these companies being among the top ten retailers operating in the country. Notable US retailers that have expanded operations into Canada include Lowe's, Marshall's, Nordstrom, Jimmy Choo, and Versace, among others. The increased presence of foreign, especially US-based, retailers is expected to benefit Canadian consumers by providing important advantages, such as a wider variety of products, more convenient locations and formats, and the potential for a more competitive pricing environment. Exhibit 1–6 illustrates the profound impact US retailers have had on the Canadian retail landscape, as many of these retailers have captured significant market share of retail sales across many sub-sectors. Walmart and Costco cumulatively own approximately 84 percent of the general merchandise sector. Best Buy and Apple account for almost 32 percent of the electronics and appliances sector. However, as mentioned above, Canadian-based retailers still dominate the grocery (with 57.8 percent among Weston Group, Empire Company, and Metro) and pharmaceutical sectors (with 37.7 percent among Weston Group and Jean Coutu) of the Canadian retail industry.

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C. Global Retailers

- Retailing is becoming a global industry, as more and more retailers pursue growth by expanding their operations to other countries. The large retail firms are becoming increasingly international in the geographical scope of their operations. For example, Amway, Avon, Ace Hardware, and Inditex (Zara) operate in more than 20 countries. The share of the global retail market accounted for by retailers operating in more than one country is also increasing because these global retailers are growing at an even faster rate than are global retail sales. International operations account for a larger proportion of sales by these large firms, as is particularly apparent in European firms with their longer internationalization experience. The percentage of retail revenue generated from global operations for the top ten global retailers is approximately 29.7 percent of the overall global retail revenue. As a group, the top ten have a much larger geographic footprint than the top 250 overall. The average revenue derived from foreign operations for the big ten is approximately 32.5 percent of their overall income. Exhibit 7–5 (in Chapter 7) lists the ten largest global retailers along with Canada's top entries in the top 250 as published by Deloitte. (To see the entire list, go to https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Consumer-Business/gx-cb-global-powers-of-retailing.pdf) These large retailers operate in 14.9 countries, on average, nearly twice as many as the average for the entire group (nine countries). The top ten retailers in the world are typically much more globally focused with operations, on average, in 15 countries compared to 10 for the overall top 250.

Ask students: *does Zara have a sustainable competitive advantage with the systems they have in place? Why or why not?*

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Opportunities in Retailing **A. Management Opportunities** To cope with a highly competitive and challenging environment, retailers are hiring and promoting people with a wide range of skills and interests. Students often view retailing as part of marketing because management of distribution channels is part of a manufacturer's marketing function. Retailers undertake most of the traditional business activities: raising capital from financial institutions; purchasing goods and services; developing accounting and management information systems to control operations; managing warehouses and distribution systems; designing and developing new products; and undertaking marketing activities such as advertising, promotions, sales force management, and market research. Thus, retailers employ people with expertise and interest in finance, accounting, human resources management, logistics, and computer systems, as well as marketing. Retail managers often are given considerable responsibility early in their careers. Retail management is also financially rewarding. After completing a management training program in retailing, managers can increase their starting salary in three to five years if they perform well. Aspects of retail careers are discussed in Appendix 1A, available on Connect. Retailers employ people with expertise and interest in finance, accounting, human resource management, logistics, computer systems, and marketing. Retail managers are often given a great deal of responsibility early in their careers.	**Ask students:** *what they think of retailing as a career. If there are many opportunities and they seem to pay well, why do most students think that retailing is not a good job to get after graduation? Get students to check out www.retail.ca which is a Canadian retail sector employment site and have them discuss the plethora of opportunities.*
B. Entrepreneurial Opportunities • Retailing provides opportunities for people wishing to start their own business. Many	**Ask students:** *What are some ideas that a retail entrepreneur might consider now?*

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retail entrepreneurs are among the wealthiest people in Canada. • The successes of Chip Wilson (LuLulemon), John Forzani (Sport Chek), John Stanton (Running Room) show how each capitalized on entrepreneurial opportunities.	**Discuss with students:** *the opportunities that entrepreneurs Chip Wilson (LuLulemon), John Forzani (Sport Chek), John Stanton (Running Room) developed into success strategies.*
Retail Management Decision-Making Process • The book is organized around the management decisions retailers make to provide value to their customers and develop an advantage over their competitors.	
Understanding the World of Retailing (Section I) • Retail managers need a good understanding of their environment, especially their customers and competition, before they can develop and implement effective strategies. • The critical environmental factors in the world of retailing are the macro-environment and the micro-environment. The impacts of the macro-environment—including technological, social, and ethical/legal/political factors on retailing—are discussed throughout the book. Successful retailers will react to changes in the macro-environment. Huge technological changes in the macro-environment are having a significant impact on retailers, enabling database marketing to provide information about consumers, the Internet to connect to customers, *blockchain* initiatives and radio-frequency identification (RFID) technology to increase retail efficiencies. • The retailer's micro-environment focuses specifically on its competitors and customers.	**Ask students:** *about some changes occurring in the environment now that will affect retailing in general and specific retailers. Technology may come up as an answer and the impacts of technology (including the Internet) could be discussed in detail.* **Discuss with students:** *the four ways retailers can use Blockchain to their advantage*

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1. Competition • A retailer's primary competitors are those with the same format. Thus, department stores compete against other department stores and supermarkets compete with other supermarkets. This competition between retailers with the same format is called intratype competition. • To appeal to a broader group of consumers and provide one-stop shopping, many retailers are increasing their variety of merchandise. Variety is the number of different merchandise categories within a store or department. The offering of merchandise not typically associated with the store type, such as clothing in a drug store, is called scrambled merchandising. • Competition between retailers that sell similar merchandise using different formats, such as discount and department stores, is called intertype competition. • Increasing intertype competition has made it harder for retailers to identify and monitor their competition. In one sense, all retailers compete against each other for the dollars consumers spend buying goods and services. • Since convenience of location is important in store choice, a store's proximity to competitors is a critical factor in identifying competition. • Management's view of competition also can differ, depending on the manager's position within the retail firm. • The CEO of a retail chain may view competition from a much broader geographic perspective as compared to a specific store's manager or a departmental sales manager within the store.	**Ask students:** *to identify the retailer's customers, intratype competitors, intertype competitors, and environmental trends affecting the retailers. Exhibit 1.5 Market concentration by NAICS: 2016 gives students a breakdown of industry sectors and the top three retailers by market share. Ask students to review the various sectors and discuss the retailers in each sector, how has the sector changed, what makes each retailer unique.* **Ask students:** to give an example of intratype competition – local department store competing against another department store in the same mall **Ask students:** to compare the different types of merchandise offered at a Wal-Mart to those offered at, say, 7-11 or McDonald's. **Ask students:** to give an example of intertype competition – drug store and grocery store or department store that sell the same brand of cosmetics.

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2. Customers • Retailers are responding to broad demographic and life-style trends in our society, such as the growth in the elderly and minority segments of the Canadian population and the importance of shopping convenience to the rising number of two-income families. • To develop and implement an effective strategy, retailers need to know why customers shop, how they select a store, and how they select among that store's merchandise.	**Ask students:** *on the specific impacts of say, an aging population or dual-income households on retailing, including retail location, store layout, etc.*
A. Developing a Retail Strategy • An understanding of the macro- and microenvironments are needed to formulate and implement a retail strategy. • The retail strategy indicates how the firm plans to focus its resources to accomplish its objectives. The retail strategy identifies: (1) the target market, (2) the nature of merchandise and services to be offered, and (3) how the retailer will build a long-term advantage over competitors.	
1. Strategic Decision Areas • The key strategic decision areas include the determination of: 1. market strategy 2. financial strategy 3. location strategy 4. organizational structure 5. human resource strategy 6. information systems 7. supply chain strategies 8. customer relationship management (CRM) strategies. • When major environmental changes occur, the current strategy and the reasoning	

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behind it are reexamined. The retailer then decides what, if any, strategy changes are needed to take advantage of new opportunities or avoid new threats in the environment. • The retailer's market strategy must be consistent with the firm's financial objectives. Location decisions are important for both consumer and competitive reasons. A retailer's organizational design and human resource management strategy are intimately related to its market strategy. Retail information and supply chain management systems will be a significant opportunity for retailers to gain strategic advantage in the coming decade. • Basic to any strategy is understanding the customers so as to provide them with the goods and services they want. Customer Relationship Management (CRM) is as business philosophy and set of strategies, programs, and systems that focus on identifying and building loyalty with the firm's most valued customers.	
B. Implementing The Retail Strategy • To implement the retail strategy, management develops a retail mix that satisfies the needs of its target market better than its competitors. • Elements in the retail mix include the Types of merchandise and services offered, merchandise pricing, the communication program, convenience of the store's location and its layout and design, people (assistance to customers provided by salespeople), HR training programs, and logistical processes. 7 P's: 1. Product 2. Price 3. Process 4. Physical	**Ask students**: *using Exhibit 1-8, what does McDonald's need to do to implement its strategy effectively. Have them discuss each of the elements of the retail mix used by McDonald's. Compare the retail mix elements used by McDonald's to the retail mix elements used by a fancy restaurant in your city.* **Ask students**: *Why are the retail mixes of these two types of restaurants different? – [They have different target markets with different needs.]* *The Retail Strategy is discussed in detail in Chapter 4.*

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5. People 6. Place 7. Promotion • To be successful a retailer must develop a strategy that considers not only the internal environment of the business but carefully assesses the external environment. • See Exhibit 1-9 displaying the diagram of the Retail Strategy in including the 7 Ps , Target Market, Macro and Micro Environmental Factors and Situational Analysis.	
C. Ethical and Legal Considerations • Ethics are the principles governing the behaviour of individuals and companies to establish appropriate behaviour and indicate what is right and wrong. • Examples of difficult situations that retailers face: – Merchandise made using child labour. – Advertising lowest prices but are not. – Retailers accepting expensive gifts from vendor. – Salespeople using high pressure sales approach. – Retailer giving preference to minorities for promotion – Preferential treatment for certain customers.	
Summary • This chapter provides an overview of the importance of the retailing sector to the Canadian economy. The retailing process is the final stage in the distribution of merchandise and is one of the most important sectors of the Canadian economy, producing annual retail sales of approximately $588 billion in 2017. In that year, sales in the retail sector were dominated by the motor vehicle and parts	

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sub-sector, which totaled $160 billion in sales in 2017, or 26.3 percent of market share, and the food and beverage stores sub-sector, which totaled $121.9 billion, or 20.7 percent of market share.

- The Canadian retail industry has witnessed a number of dramatic changes in recent years as big-box stores and power centres hit our landscape, and information and communication technology grow in sophistication. Retailing in Canada has responded with diversity, with many types of stores competing in this dynamic marketplace; specialty retailers compete against category killers, and traditional department stores battle for market share with mass merchandisers. The examples in this chapter provide real-life examples of what is happening.

- The retail management decision process involves developing a strategy for creating a competitive advantage in the marketplace and then developing a retail mix to implement that strategy. The strategic decisions involve selecting a target market, defining the nature of the retailer's offering, and building a competitive advantage through location, human resources management, information and supply chain management systems, and customer relationship management programs. The tactical decisions for implementing the strategy involve selecting a merchandise assortment, buying merchandise, setting prices, communicating with customers, managing the store, presenting merchandise in stores, and providing customer service. There is no doubt that the nature of retailing has changed, as sophisticated technologies (such as AI and robotics) create efficiency of product distribution and improve daily operations to satisfy customer needs.

- The key to successful retailing is offering the right product, at the right price, in the right place, in the right quantities, at the right

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time, and making a profit. To accomplish all this, retailers must understand what customers want and what competitors are offering now and in the future. Retailers' wide range of decisions extend from setting a sweater's price to determining whether a new multi-million dollar store should be built in a mall. • Retailing offers opportunities for exciting, challenging careers, either by working for a retail firm or starting your own business. Aspects of retail careers are discussed in Appendix 1A, available on Connect.	
Appendix: Careers in Retailing • Retailing offers exciting and challenging career opportunities. Few other industries grant as many responsibilities to young managers. • Retailing offers a variety of career paths such as buying, store management, sales promotion and advertising, personnel, operations/distribution, loss prevention, and finance in several different corporate forms such as department stores, specialty stores, food stores, and discount stores. • In addition, retailing offers almost immediate accountability for talented people to reach key management positions within a decade. Starting salaries are competitive, and the compensation of top management ranks among the highest in any industry. **Store Management** • Successful store managers must have the ability to lead and motivate employees. Store management involves all the disciplines necessary to run a successful business: sales planning and goal setting, overall store image and merchandise	*Great Canadian website dedicated to the retail sector is www.retail.ca.*

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presentation, budgets and expense control, customer service and sales supervision, personnel administration and development, and community relations.

Merchandise Management

- Merchandise management attracts people with strong analytical capabilities, an ability to predict what merchandise will appeal to their target markets, and a skill to negotiate with vendors as well as store management to get things done. Many retailers break the merchandise/buying function into two career paths: buying and merchandise planning.

Corporate Staff

- Corporate staff opportunities include positions in computer systems, operations/distribution, promotions/advertising, loss prevention, finance/control, real estate, store design, and human resource management.

- Career opportunities for corporate staff positions are more difficult to break into.

Management Information Systems (MIS)

- Employees in this area are involved with applications for capturing data and monitoring inventory, as well as the management of store systems such as point-of-sale (POS) terminals, self-checkout systems, and in-store kiosks.

Operations/Distribution

- Operations employees are responsible for operating and maintaining the store's physical plant; providing various customer services; the receipt, ticketing, warehousing, and distribution of a store's inventory; and buying and maintaining store supplies and operating equipment. Students in operations and MIS typically major in

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production, operations, or computer information systems.

Marketing

- Marketing activities include public relations, advertising, visual merchandising, and special events. This department attempts to build the retail firm's brand image and encourages customers to visit the retailer's stores and/or website. Managers in this area typically major in marketing or mass communication.

Loss Prevention

- Loss prevention employees are responsible for protecting the retailer's assets. They develop systems and procedures to minimize employee theft and shoplifting. Managers in this area often major in sociology or criminology, though loss prevention is beginning to be viewed as a human resource management issue.

Finance/Control

- Many retailers are large businesses involved in complicated corporate structures. Most retailers also operate with a tight net profit margin. With such a fine line between success and failure, retailers continue to require top financial experts—and they compensate them generously. The finance/control division is responsible for the financial health of the company. They prepare financial reports for all aspects of the business, including long-range forecasting and planning, economic trend analysis and budgeting, shortage control and internal audits, gross and net profit, accounts payable to vendors, and accounts receivable from charge customers. In addition, they manage the retailer's relationship with the

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financial community. Students interested in this area often major in finance or accounting.

Real Estate

- Employees in the real estate division are responsible for selecting locations for stores, negotiating leases and land purchases, and managing the leasehold costs. Students entering this area major in real estate or finance.

Store Design

- Employees working in this area are responsible for designing the store and presenting merchandise and fixtures in the store. Talented, creative students in business, architecture, art, and other related fields will have innumerable opportunities for growth in the area of retail store design.

Human Resource Management

- Human resource management is responsible for the effective selection, training, placement, advancement, and welfare of employees. Because there are seasonal peaks in retailing (such as Christmas, when many extra people must be hired), human resource personnel must be flexible and highly efficient.

Is Retailing For Me?

- Retailing is for people who like responsibility.
- Many opportunities for rapid advancement exist simply because of the sheer size of the retail industry.
- Retailing can be both financially and personally rewarding. Each day is different

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and sales associates and executives are rarely bored. After completing a management training program store managers with only a few years of experience can increase their salary significantly. Compensation packages often include a wide variety of benefits apart from salary and bonuses.

- Retailing is for those who like having exciting days, making quick decisions, and dealing with a variety of assignments, tasks, and people - often all at once.
- Retailing enables executives to change locations often or not at all.
- Many people consider retailing to be among the most racially and gender-blind industries.

Getting Ready For an Interview with a Retailer

- Some things you need to do to make a good impression in an interview with a retailer are:
- Visit the store before the interview.
- Read about the retailer.
- Find out whether the retailer is hiring primarily for store or merchandise management positions.
- Determine whether there have been recent changes in ownership or top management.
- Research the retailer's strategy and growth potential. If a publically traded company, checking out the latest annual report is a good way to gain insight into their strategy.
- Determine whether the retailer is known for innovation.

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• Find out about the retailer's computers and distribution systems.	

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ANSWERS TO SPOTLIGHT & RETAILING VIEW QUESTIONS

SL - Why are Canadians so consumed by luxury products? Do you see this trend continuing? Why or why not.

Student answers will vary, but consumers are influences by social/cultural trends as well as influenced by opinion leaders. In the short term this will continued but economic forces will have some say in how impactful the social/cultural trend will be over the long term.

RV 1.1 - How could MEC leverage the success of its CSR footprint with consumers? How should it communicate its CSR success to its target market(s)?

Student answers will vary, but MEC **should** incorporate this recognition in its integrated marketing communication (IMC) strategy. That could include both digital and non-digital mediums. Since a key segment of their market is Millennials (Generation Y) a digital campaign should be considered. Other demographics (Generation X and Baby Boomers) may be better served via a mix of digital and traditional (print ie. Magazines and Billboards) mediums.

RV 1.2 - Why is Canada Goose considered a "fashion brand"? Is it important that the jackets are "Canadian Made"? Explain.

Dani Reiss had to position the product in the consumer's mind that it was more than just a warm winter jacket. Rather, the jacket was repositioned to be considered a fashion statement by having opinion leaders wear (Kate Upton) the jacket. Canadian products in general are considered well-made internationally thus leveraging the "Made in Canada" stance helps justify the higher price point.

RV 1.3 - What does the RCC actually do? How does it provide an impact in the retail landscape?

The association provides support to merchants, vendors, and suppliers so that they, in turn, are able to meet the challenges of offering goods and services to consumers in a competitive marketplace. In partnership with industry sponsors, RCC awards more than $80 000 in scholarships and benefits to students entering or currently enrolled in a business, marketing, or retail-related program at a Canadian post-secondary institution. The RCC works with all levels of government and other stakeholders as a strong advocate for retailing in Canada. The RCC publishes white papers, current events, retail statistics, and a plethora of other relevant retail information.

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ANSWERS TO DISCUSSION QUESTIONS AND PROBLEMS

1. Read the Spot Light on Retailing "Luxury expands into Canada."

a) What do you think about all these different luxury brands coming to Canada?

b) What chance do they have of being successful? Why do you feel this way?

(a) Students answers will vary but a couple of themes that may come to light are the potential over saturation of luxury brands coming into the market. It may become difficult for brands to distinguish itself from other. The size of the affluent Canadian market isn't that great either, especially when comparing to the US market. Canada consumers may have a hard time sustaining long term demand for luxury products.

(b) Again, student's answers will vary but one consideration is in the short term there will be pent-up demand for luxury goods due to a lack of pervious offerings in Canada but over time it may be difficult for luxury retailers to maintain a profitable market share.

2. Choose one clearly identifiable item (e.g. a pair of jeans, a white shirt). Visit one big box retailer (e.g. Costco, Wal-Mart) or a department store, one specialty chain retailer, and one online retailer.

a. Conduct a price comparison and determine which the better buy is.

b. Observe customers in the store. Take notes. Be prepared to discuss your research.

a. Let us assume that you have chosen to complete your research on buying a pair of jeans, a white shirt would see similar results. In conducting a price comparison students will find a wide range of pricing in the low to high price range. There is a wide range of prices available for jeans depending on what you are looking for in style and brand name. Not surprising Wal-Mart and Costco have very low pricing as they both are retailers who negotiate volume contracts with suppliers at the buying level and can therefore pass on the low prices to the consumer but you will not find the trendy fashion labels such as True Religion.

While at the Bay I noticed a range of prices from the store private label lower priced INC to more expensive designer labels such as DKNY but, you did see a larger selection of styles, a greater size range and prices. Chains such as Bluenotes specialize in denim clothing and because it is private label the retailer is able to pass on the price savings by controlling the manufacturing process and eliminating the middle man sales in the buying process.

The better buy is certainly up to the individual but if you compare only cost then the big box stores and the web sites will offer the lowest prices. GAP $34.99 on sale to $69.50. and Wal-Mart online from as low as $8.00 for older style Faded Glory to $19.68 for the classic Levi's. You can also shop around for low prices and find that Winners sells jeans at markdown prices but

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you need to search for both size and brand as they buy end of lines from manufacturers and often what you want will not be available.

For those who want specific designer labels and styles then you will pay the higher price. Is it worth it – it is debatable, the workmanship is similar in any number of brands but consumers pay the elite price based often on their own status need. Holt Renfrew understands their customer and the attraction of status clothing to a target market that will pay high prices for exclusivity.

b. Observing customers in the store will often indicate very little differences in the customer's appearance. Clothing styles are available at all price points and often consumers look similar whether shopping at H&M for low priced designer clothing or shopping at Winners or Holt Renfrew. The reality is that as consumers we often shop across many different price points at different retail formats. You will likely observe a difference in appearance of downtown city shoppers and weekend suburban shoppers due to business attire in the downtown core where the customer may also be in a hurry on lunch hour as opposed to the casual Saturday shopper.

3. Does Walmart contribute to or detract from the communities in which they operate stores?

Students may argue either in favour of or against the large discount stores, such as Wal-Mart. The arguments against may include:
(1) smaller family-owned firms may not be able to compete on the basis of price with Wal-Mart and hence would have to close down, resulting in loss of entrepreneurial opportunities within the community;
(2) the personal service of a Mom-and-Pop store is now replaced by an impersonal cash register clerks and very few employees offering information and service within the store; and,
(3) over a period of time, there may be no competition to the larger store, which may now start charging higher prices, since it has evolved into a monopoly.

On the other hand, the arguments in favour include:
(1) greater product assortment and choice for the consumer at lower prices;
(2) one-stop shopping convenience for the consumer, freeing up the consumer's time for other productive and leisure activities;
(3) immediate increase in employment at various levels of the local large store organization; and,
(4) greater opportunities at the supply level, since the large store would have to rely on local supply sources for a variety of products, especially perishable products.

In general, students would see both the arguments for and against the large store. However, one could also add that smaller firms providing superior service or other forms of consumer value apart from price would prevail despite the presence of a large store competing on the basis of price. Examples include electronics stores that provide greater consumer information and expertise, or customized services such as portrait framing, etc. Given that modern retailing has seen several different types of retailers emerge and compete successfully, it is debatable if the large store would ever actually become a monopoly. As long as some consumers continue to seek a wide variety of retail offerings beyond price, other retailers or retail formats will emerge to challenge the growing monopolization by the larger store.

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4. How might managers at different levels of a retail organization define their competition?

Perceptions of competition may vary across different levels of a retail organization since retail managers are concerned mainly with their specific scope of activities and responsibilities. Departmental sales managers may be viewing competition primarily at the product level. For example, the men's' clothing department manager at The Bay would try to monitor, analyze and react to the strategies of Harry Rosen's or a smaller specialized men's clothing store located in the same mall. The store manager's view of competition would be slightly broader, encompassing all product categories within a specific location. For example, the manager of local McDonald's would view other fast food stores in the neighbourhood as competitors, while the store manager at Target would view Wal-Mart and other discount stores in the area as competitors. At the broader chain store headquarter level, the CEO may view as competition as the struggle for dominance of specific regional or national markets.

5. Explain the marketing mix strategy used by your favourite retailer.

Students may choose an example from a wide variety of retailers, including but not limited to Hudson's Bay, Gap, Aldo, La Senza, Roots, McDonald's, Sports Chek, Tim Hortons, Canadian Tire, Loblaws, Sobey's, Metro, and Amazon.com.

Whatever selection is made, students could be asked to concentrate on the specific aspects of retail strategy, such as: (1) intended target market of the retailer; (2) nature of merchandise and services and the specific consumer needs sought to be satisfied; (3) product variety and assortments carried; (4) store location strategy; (5) pricing strategies; (6) specific service strategies; (7) strategies designed to attract and retain customers; and, (8) strategies specifically designed at gaining a long-term advantage over competitors.

Students will likely see that smaller firms provide superior service or other forms of consumer value apart from price despite the presence of large retailers competing on the basis of price. Examples include electronic stores that provide greater consumer information, added services such as special events, customized services such as a loyalty card, etc. As long as some consumers continue to seek a wide variety of product factors and not simply price, retailers will emerge and/or prevail to challenge the growing monopolization by the larger stores by developing unique strategies.

6. Choose one of the top 20 retailers. Go to the company's Web site and find out how the company started and how it has changed over time.

Students may choose a company from Exhibit 1-5 Market concentration (CR4) by NAICS or Exhibit 1-6 The CSCA Retail 100 Profiles.

Whatever selection is made, students could concentrate on many of the same elements as question 5 such as: (1) intended target market of the retailer; (2) nature of merchandise and services and the specific consumer needs sought to be satisfied; (3) product variety and assortments carried; (4) store location strategy; (5) pricing strategies; (6) specific service strategies; (7) strategies designed to attract and retain customers; and, (8) strategies specifically designed at gaining a long-term advantage over competitors.

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Students will see companies that have maintained the same strategy over time, others that have made changes to specific aspects of their retail strategies and others still that have changed strategic direction completely. Class discussion and reflection on what has worked for certain retailers and what has not worked should bring to the forefront the importance of long-term strategic planning.

7. **You are familiar with the GAP, as a retailer currently undergoing changes to attract more customers. You have been given $150.00 to go shopping. Go to GAP online (http://gapcanada.ca) and go through the process of picking your product. Describe your experience.**

To begin here is a brief background of GAP in recent years. GAP was always known as the retailer who provided good basics that you could rely on; the khakis or jeans and a shirt. The clothes were a good fit, made of sturdy fabric, the prices were reasonable and featured frequent bargains, and the stores were designed to facilitate the shopper with an easy to navigate store layout. Then came a management decision to move into the trendy fashion mode; thus alienating the core GAP customer.

Recently GAP has experienced tough competition in the form of H&M and Hollister Co. and there has been an effort to build web sales the one part of the business which had sale increases. The company intends to offer an "industry leading" seamless shopping experience for customers, who are increasingly demanding new ways to combine shopping in stores with online browsing and buying. That means an "end-to-end system, which includes capabilities such as ship-from-store, find-in-store, and reserve-in-store, and is designed to leverage Gap Inc. channels and resources to drive store traffic and conversion. [i]

Students will describe some of the features on http://www.gapcanada.ca and explain how they found their shopping experience. There are 6stores to shop from GAP, Old Navy, Banana Republic, Athletica, Intermix and Piperlime with one checkout for all, shipping fees were clearly visible.

The site was easy to navigate and had lots of pictures and tips, such as, fabric care, suggestions for add on sales with "get the complete look" and a helpful size chart. It is easy to view your choices with a scroll and zoom in option that lets you view details of the merchandise and the women's clothing provides options for petite and tall body types with suggestions to facilitate choices. It was very easy to spend $150. As there were certainly a lot of choices available. Checkout was easy to navigate.

8. **Retailing View 1.1 describes how some retailers are acting socially responsible. Take the perspective of a stock holder in the company. What effect will these activities have on the value of its stock? Why might they have a positive or negative effect?**

Stockholders may see both positive and negative effects on stock value resulting from the firm and its employees undertaking socially responsible activities. Positive impacts on value are likely to come from increased loyalty from both customers and employees. Customers in local communities directly aided by the firms' employees as well as those customers learning about

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the retailers' activities through local and national media channels are likely to form favorable impressions of the retailer through learning of its socially responsible actions. These positive impressions may contribute to greater patronage and loyalty to the retailer in return for its generosity and community support.

These retailers may realize positive value through creating employee loyalty as well. In a high turnover industry like retailing, creating a pool of loyal and dedicated employees by investing in their own socially responsible actions appears to be a winning strategy. Awareness of these practices may also give these retailers an edge in recruiting high quality potential employees to the organization.

On the other hand, the stockholder may have concerns about negative impacts on company value. From his or her perspective, the company is in business to make a profit. If the stockholder views the contributions of supplies, employee time, and limitations placed on suppliers as taking away from the bottom-line profitability of the firm, that stockholder may view the retailer's social responsibility programs to be a negative impact on the value of the firm.

ADDITIONAL QUESTIONS

1. Choose a pure-play Internet retailer. Do you think they will be profitable in the next five years?

Most students would probably give the more popular examples of Amazon.com, ebay.com or a shopping portal, such as Google/Shopping. They would also have heard that Internet pure-play retailers have yet to be profitable.

Profitability for pure-play Internet retailers can be explained in terms of their ability to successfully identify macro- and micro-environmental factors and successfully formulating and implementing the right retail strategy, as detailed in the "Retail Decision-making Processes" section of the text. The complex interplay of factors affecting profitability for pure-play Internet retailers include: (1) ability to offer customers greater value (in terms of price, convenience or other critical consumer preferences) for comparable products available through physical stores and mail-order catalogues; (2) providing greater customer satisfaction and thus, creating customer loyalty; (3) providing functions that are not typically done by other store-based competitors, such as providing consumers detailed information about the product as well as the criteria to evaluate comparable brands; and (4) aligning the various aspects of their operations (information systems, financial strategies, supply sourcing, human resources, and customer relationship management) towards providing superior customer service along the dimensions valued by the customers.

Students can be further queried on their specific experiences when buying from pure-play Internet retailers (if they have not done so, the question of why such retailers do not appear to provide any value for them could be further questioned). Based on the experiences, the class discussion could be generalized into a set of priorities that pure-play Internet retailers must embrace in order to be profitable in the coming years.

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2. From a personal perspective how does retailing rate as a potential career compared to others you are considering?

After reading the chapter, some students may already be attracted to retailing as a career, since they would now have realized the wide variety of opportunities provided in the retail sector. At the same time, some may compare retailing less favorably to other potential career paths, such as advertising, or more immediately lucrative endeavors, such as the stock market. Ultimately, all students should have recognized that retailing is not simply being a store associate, greeting the customer and making a sale. Those students interested in the technology field should see a variety of opportunities to make a career in retailing, as should those with interests in finance, accounting or human resource management.

3. Why do retail managers need to consider ethical issues in making decisions?

As do all managers in today's business world, retail managers must consider the ethical implications of the decisions that they make. These considerations go steps beyond the legal aspects of a situation to determine appropriate behaviors and the choice between right and wrong courses of action. Special consideration must be given to the effects of these decisions on the profitability of the manager's firm and the welfare of the firm's customers, employees and communities. Fortunately, many retail firms have developed codes of ethics to provide guidelines for employees in making the ethical decisions they face. These policies provide a clear sense of what the individual firm considers to be right or wrong.

4. Choose a Canadian-based retailer that wants to open a new store outside of Canada for the first time. Which country should it pursue? Why?

Students may point out global retail expansions they are aware of here. This could include Lululemon, Aritzia or Joe Fresh's expansions to other countries. They should consider differences in retailing practices and distribution channels in various countries in selecting the most appropriate match for their retail store of choice, such as supply chains, availability of land and restrictions to be considered for new stores, as well as consumer buying and shopping habits.

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[i] http://www.mediapost.com/publications/article/198403/comback-trail-gap-outlines-new-digital-strategie.html

(accessed May 12, 2014)

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