

Introduction to the world of retailing

Business



Chapter 01 Introduction to the World of Retailing

Multiple Choice Questions

1. (p. 6) What is retailing? A. It is the merchandising component of the retail mix. B. It is the set of business activities that adds value to the products and services sold to consumers for their personal use. C. It is the strategy retailers and vendors use to get products into the stores. D. It is the process of offering products in smaller quantities for consumer consumption patterns. E. It is the ability to offer enough variety in a store to encourage one-stop shopping. Difficulty: Easy Type: Definition
2. (p.) Which of the following businesses would be considered a retailer? A. a hot dog cart at the Highland Games B. Delta Airlines C. University bookstore D. Priceline. com E. all of the above Retailers are businesses that sell goods and/or services. Difficulty: Medium Type: Application
3. (p. 6) Why is it imperative that manufacturers like Apple Computer and Proctor and Gamble understand how retailers operate? A. Manufacturers will be able to sell directly on-line. B. Manufacturers will understand how to get their products on the shelves and sold to the customer. C. Manufacturers can better sell merchandise without retailers. D. Retailers can expect fewer buyouts to occur. E. Manufacturers can limit multi-channel integration
Difficulty: Medium Type: Comprehension
4. (p. 6) A _____ is a business that sells products and/or services to consumers for their personal or family use. A. manufacturer B. wholesaler C. retailer D. Distributor Difficulty: Easy Type: Definition

5. (p. 6) The decisions that retail manager make include: A. Selecting their target markets B. Selecting retail locations C. Negotiating with suppliers D. Training and motivating sales associates E. All of the above Difficulty: Easy Type: Comprehension
6. (p. 7) A(n) _____ is a set of firms that make and deliver a given set of goods and services to the ultimate consumer. A. supply chain B. buying network C. trade association D. integrated wholesale network Difficulty: Easy Type: Definition
7. (p. 7) A retailer's role in a supply chain is to: A. act as the liaison between manufacturers and wholesalers B. buy merchandise exclusively from the manufacturers C. negotiate with manufacturers to eliminate a wholesaler D. satisfy the needs of the consumers E. sell to wholesalers Difficulty: Easy Type: Definition
8. (p.) _____ is when a firm performs more than one set of activities in a channel. A. Channel diversification B. Horizontal development C. Horizontal integration D. Vertical development E. Vertical integration Difficulty: Easy Type: Definition
9. (p. 7) If a chain of florist shops opened a plant nursery to provide gift plants and cut flowers to all of its outlets within a 300-mile radius, the chain would be practicing A. vertical integration. B. channel expansion. C. horizontal expansion. D. opportunity incrementing. E. service marketing. The florist is performing more than one channel function. Difficulty: Medium Type: Application

10. (p. 7) Victoria's Secret, a popular retail chain in women's lingerie and perfume, design the merchandise they sell, and then contract with manufacturers to produce it exclusively for them. Victoria's Secret is practicing: A. globalization B. product-related marketing C. vertical integration D. horizontal integration E. product diversification Because the retail chain designs and contracts its manufacturing firm, it is an example of vertical integration. Difficulty: Medium Type: Application

11. (p. 7) Why is it advantageous for retailers to be vertically integrated? A. It is advantageous because retailers can develop unique merchandise sold only in their stores. B. Retailers can expand their services easily to the Internet because they can direct orders to the manufacturer C. Retailers have realized that to stay competitive, they must become vertically integrated D. Customers prefer retailers who are vertically integrated. E. There is no advantage to being vertically integrated. Difficulty: Hard Type: Comprehension

12. (p. 7) A retailer that is vertically integrated: A. concentrates on selling to businesses only B. does not have frequent communication between buyers and managers C. as an excellent vertical relationship between corporate and stores D. performs more than one function in the chain from manufacturing to sales to end user E. performs only one function to end user Difficulty: Medium Type: Definition

13. (p. 7) _____ arises when a retailer performs some distribution and manufacturing activities, such as operating warehouses or designing private-label merchandise. A. Globalization B. Product-related marketing C.

Backward integration D. Horizontal integration E. Forward integration

Difficulty: Easy Type: Definition

14. (p.) _____ occurs when a manufacturer undertakes retailing activities. A. Private label business B. Product-related marketing C. Backward integration D. Horizontal integration E. Forward integration Difficulty: Easy Type: Definition

15. (p. 7) Retailers provide important functions that increase the value of the products and services they sell to consumers. Which of the following does not include value function created by a retailer? A. Providing an assortment of products and services B. Reducing production costs with innovative design C. Breaking bulk D. Holding inventory E. Providing services Difficulty: Easy Type: Definition

16. (p. 8) Which of the following statements about retailers holding inventory is FALSE? A. By having inventory held in the store, consumers can hold less merchandise at home. B. By holding inventory, retailers can decrease the visual merchandising expenditure. C. Holding inventory in a store helps serve the customer's needs. D. Retailers keep inventory so products are available when consumers want them. E. Holding inventory reduces consumer's cost of storing products. Difficulty: Medium Type: Comprehension

17. (p. 8) Grocers purchase pineapples from several different tropical countries.

When pineapples arrive in the distribution centers across the United States, containers are reduced to amounts that are appropriate for store delivery. Once delivered to the stores, associates open the cartons and arrange the

pineapples for the consumer to select. Grocers are performing what function? A. adaptive selling B. breaking bulk C. acclimating D. distribution E. transferring Difficulty: Medium Type: Comprehension

18. (p. 8) Providing assortments is an advantageous business activity because: A. it enables the company to create a more informational and entertaining environment that would promote more sales B. it enables the company to reinvest for the future of the business. C. it enables the customer to choose from a wide selection of brands, designs, sizes and prices all in one store D. it enables the customer to try more products E. It enables the customer to stock up on the assortments because of bulk availability. Difficulty: Medium Type: Application

19. (p. 8) One of the functions retailers undertake to increase the customer's perception of value is providing services. Which of the following would be an example of that activity? A. clean restrooms B. displaying merchandise C. having trained salespeople available to answer questions D. well-lit parking E. all of the above All of these functions are provided by the retailer to make it easier for a customer to buy and use products. Difficulty: Easy Type: Comprehension

20. (p. 8) A credit union holds and maintains detailed records of the banking activities of its members. Each quarter, the credit union provides its members a printout of banking activities, information about low rate loans and pre-owned automobiles. By contacting its members on a regular basis, the credit union is engaging in the business function of: A. breaking bulk B. holding inventory C. providing assortments D. financing E. providing services

Maintaining records and informing members are services. Difficulty: Easy
Type: Application

21. (p. 9) Retailing is one of the nation's largest industries in terms of: A. community involvement B. employment C. competition D. promotions E. variety Difficulty: Easy Type: Fact

22. (p. 11) When considering the largest retailers worldwide, _____ retailers continue to dominate among them. A. food B. apparel C. drug D. home-improvement E. Internet Difficulty: Medium Type: Comprehension

23. (p. 11) Which of the following statements about the U.

S. distribution system is true? A. Many people think the United States is understored. B. Many U. S. retailers are large enough to have their own warehouses and have eliminated their need for wholesalers. C. When compared to retail density in Europe, the United States is very low. D. The small specialty store is the fastest growing type of U. S. retailer. E. All of the above statements about the U. S. distribution system are false. The U. S. is probably overstored. The U. S. has the greatest retail density in the world. The large store with over 20, 000 square feet is the fastest growing type of U. S. retailer. Difficulty: Medium Type: Fact

24. (p. 11) The Chinese distribution system: A. has more people employed in distribution than the U. S. B. is characterized by small stores with a large wholesale industry C. is more efficient than the distribution system in the U. S. D. is more similar to U. S. distribution systems than Europe's systems E. none of the above Difficulty: Medium Type: Fact

25. (p. 11) The fastest growing retailers in the United States sell through: A. kiosks in malls and department stores B. large stores with over 20, 000 square feet C. outlet stores D. small specialty stores E. the Internet Difficulty:

Medium Type: Fact

26. (p. 12) What factors have created differences in the distribution systems in the major markets? A. geography B. market size C. the high population density in Europe, China, and India D. different social and political objectives

E. all of the above Difficulty: Easy Type: Fact

27. (p. 12) Which of the following is NOT TRUE when explaining what created differences within the distribution system of the major international markets?

A. China and India have many large businesses to reduce unemployment. B. E. U. has many large retailers to achieve economy of scales. C. E. U. countries protect small retailers. D. China has many large retailers because it has an abundance of low-cost real estate available for building large stores.

Difficulty: Hard Type: Fact

28. (p. 12) Which of the following is NOT TRUE in describing distribution systems within major international markets? A. The U. S. distribution system has the greatest retail density and the greatest concentration of large retail firms. B. The Indian distribution systems are characterized by small stores operated by small firms and a large independent wholesale industry. 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 system in the U. S. E. Southern European retailing is fragmented

across all sectors. F. All of the above is true. G. None of the above is true.

Difficulty: Medium Type: Comprehension

29. (p. 16) The competition between the same types of retailers is called: A. intertype competition B. indirect competition C. intratype competition D. scrambled merchandising E. vertical integration Difficulty: Easy Type: Definition

30. (p. 16) CVS, Walgreens and Rite Aid are _____ competitors. A. indirect B. intratype C. intertype D. vertical E. horizontal All three category killers utilize the same format Difficulty: Medium Type: Application

31. (p. 16) Macy's, Belk, JCPenney and Nordstrom are _____ competitors. A. channel B. vertical C. intertype D. intratype E. none of the above All three department stores use the same format Difficulty: Medium Type: Application

32. (p. 16) Which of the following would be an intratype competitor for a Home Depot supermarket? A. Target B. Lowe's C. Kroger D. Macy's E. All of the above Lowes is a home-improvement center Difficulty: Easy Type: Application

33. (p. 16) What is variety? A. Variety is the number of different items in a category. B. Variety is the number of different SKU's within a merchandise category. C. Variety is the number of different merchandise categories within a store. D. Variety is another term for scrambled merchandising. E. Variety is the number of different facets of the business plan. Difficulty: Medium Type: Definition

34. (p. 16) When Taco Bell opened its first restaurant, a hungry patron could order a taco, a burrito and a Coke. In those early years, Taco Bell did not offer much: A. assortment B. product depth C. quantity D. value E. variety

Difficulty: Medium Type: Application

35. (p. 16) Dillards sells Godiva chocolates and coffees in their stores. By selling such products, Dillards is: A. offering a good merchandise mix B. offering what the market demands C. offering deep product assortments D. practicing scrambled merchandising E. practicing intratype competition

Difficulty: Medium Type: Application

36. (p. 16) The offering of merchandise not typically associated with the store type is called: A. scrambled merchandising B. intratype competition C. product diversification D. channel conflict E. vertical differentiation

Difficulty: Easy Type: Definition

37. (p. 16) While vacationing at the beach, Delia was delighted to see that the local Walgreens carried milk, bread, apples and bananas. Her delight indicates she has never seen: A. a deep product assortment B. an acceptable merchandising mix C. a retail mix D. scrambled merchandising E. this type of intratype competition

Difficulty: Medium Type: Application

38. (p. 16) Scrambled merchandising increases: A. vertical integration B. intertype competition C. concentric diversification D. horizontal integration E. intratype competition

Difficulty: Medium Type: Comprehension

39. (p. 16) Which of the following would be an example of intertype competition? A. a supermarket and a fresh flower stand B. a specialty store and a fast food restaurant C. a supercenter and a pharmacy D. a convenience

store and a department store E. all of the above Difficulty: Easy Type: Application

40. (p. 16) The Lands' End Web site, the JCPenney catalog, and the Sears area all in _____ competition. A. channel B. horizontal C. indirect D. intertype E. intratype They all sell similar products, but use different formats to do so. Difficulty: Hard Type: Comprehension

41. (p. 16) Increasing intertype competition has made it harder for retailers to identify their: A. competition B. target market C. merchandise mix D. retail mix E. none of the above Difficulty: Medium Type: Comprehension

42. (p. 16) The intensity of competition is greatest among retailers when: A. price dominates the retail mix B. they are located near each other and offer similar retail offerings C. they are located near each other and target the same customer D. they are located far from each other and offer similar retail offerings E. they are located far from each other and target the same customer Difficulty: Hard Type: Comprehension

43. (p. 16) Since convenience of location is important in store choice, a store's proximity to competitors is a critical factor in identifying: A. competition B. ethical standards C. real estate negotiations D. the target market E. which merchandise to scramble Difficulty: Medium Type: Comprehension

44. (p. 18) Once a retailer understands its environment, it needs to develop and implement a: A. viable customer base B. advertising plan C. retail strategy D. competitive strategy E. functional strategy The retail strategy is developed after information is gathered in a situation analysis. Although

similar in theory to a business plan, it is specific to the retailing industry.

Difficulty: Easy Type: Application

45. (p. 18) The retail strategy helps a retailer to identify 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. Break-even point for making profits E. All of the above Difficulty: Easy Type: Application

46. (p. 18) When developing the _____ for his new barber shop, Theo decided to obtain a long-term competitive advantage over other salons by offering longer hours, better prices, a well trained staff and half-price perm day every Wednesday to attract customers. A. selling concept B. business cycle C. retail strategy D. focal point orientation E. marketing concept A retail strategy statement identifies the target market, the merchandise and services, and how the retailer will build a long-term advantage over its competitors. All three of these elements are present in the question. Difficulty: Medium Type: Application

47. (p. 18) As the owner of 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 shop's target market C. how the store will build a competitive advantage over Men's Warehouse D. what services the shop will offer its customers E. what types of suits the store will stock A retail strategy has to do with planning for the future and not focusing on a short-term problem. Difficulty: Hard Type: Application

48. (p. 0) Which of the following strategies has JCPenney changed to compete effectively with the competition in the past? A. JCPenney centralized merchandise management. B. JCPenney is building new stores off the mall. C. JCPenney is designing stores with centralized checkout. D. JCPenney now ships merchandise through distribution centers. E. JCPenney is upgrading its merchandise offering by adding France's cosmetics Sephora. F. All of the above
Difficulty: Medium Type: Comprehension

49. (p. 21) To implement a retail strategy, a retailer must develop a _____ that satisfies the needs of its target market better than its competitors. A. production orientation B. horizontal integration C. sales orientation. D. retail mix. E. situation analysis The retail mix is the combination of factors that satisfies customers' needs. The others are not used for this purpose.
Difficulty: Easy Type: Comprehension

50. (p. 21) Once a well-articulated retail strategy has been developed, the next step is to: A. override the control mechanism B. evaluate the results of the strategy C. forecast future environmental trends D. confirm that environmental conditions have not changed E. implement the strategy Once the strategy is developed, the next logical step is implementation.

Nothing would get accomplished if a retailer repeatedly went back to step 1 as in Alternatives C and D. The final stage in the process is the evaluation of the strategy. Overriding the control mechanism would not be a good idea in any case. Difficulty: Hard Type: Comprehension

51. (p. 21) The combination of factors retailers use to satisfy customer needs and influence their purchase decisions is called the firm's: A. retailing

conglomerate B. retail mix C. marketing strategy D. target group E. none of the above Difficulty: Easy Type: Definition

52. (p. 21) Which of the following is part of a retailer's retail mix? A. advertising B. displays C. trained salespeople D. services offered E. all of the above All of the choices are elements within the retail mix. Difficulty: Easy Type: Definition

53. (p. 21) Which of the following is NOT an element in the retail mix? A. competitive response B. merchandise assortments C. location D. customer service E. advertising and promotion The elements of the retail mix include customer service, store design and display, advertising and promotion, location, assortments and pricing. Difficulty: Easy Type: Definition

54. (p. 21) Which of the following parts of the retail mix can be utilized by a small hardware store? A. bright lighting in the store, which makes it easier to read the messages B. a new ad campaign that uses both radio and newspaper media C. store location next door to a hospital D. attractive point-of-purchase displays at the ends of the store's aisles E. all of the above Store design, location, and advertising programs are all part of the retail mix. Difficulty: Medium Type: Application

55. (p. 23) What are the principles governing the behavior of the individual and the company? A. ethics B. retail strategy C. training guidelines D. company culture E. Civil Rights Act of 1964 Difficulty: Easy Type: Definition

56. (p. 23) Belinda is a swimwear buyer for a major department store. She will allow vendors to purchase her lunch at the local coffee shop when they visit. One October, she dined with a new vendor to discuss a progressive line

of men's swimwear that is popular in resorts throughout the Caribbean. Belinda's goal was to assess the assortments for her company in order to see if the product was a good fit for the company brand. During lunch, the vendor invited Belinda for an all-expense paid weekend trip to Jamaica to see the popularity of the merchandise. His goal was to enable her to make a more educated decision when buying. Belinda hesitated to accept because of: A. personal and professional ethics B. the scheduling of the buy for the spring season C. the price of the exclusive merchandise would not match the income level of her target market D. the manufacturer would be unable to develop the line in time for spring E. her inability as a buyer to alter the visual merchandising for the store

Difficulty: Medium Type: Application Essay Questions

57. (p. 7) What is the retailer's role in a supply chain? The retailer's role in the distribution channel is to link manufacturers with consumers by directing their efforts to satisfying the needs of the ultimate consumers. Difficulty: Medium

58. (p. 8) List the four functions performed by retailers. The four functions performed by retailers are (1) providing an assortment of products and services, (2) breaking bulk, (3) holding inventory, and (4) providing services. Difficulty: Easy

59. (p. 8) With manufacturers legally able to sell direct from the factories, why should retailers exist? In the retailing distribution channel, there are occasions when manufacturers sell directly to the ultimate consumer. While occasionally doing so, manufacturers mainly exist to manufacture products to satisfy the needs of a wholesaler or retailer. Retailers exist because they

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direct their efforts and specialize in satisfying only the customer's needs. Retailers exist because they increase the value consumers receive. Difficulty: Medium

60. (p. 16) Distinguish between intratype competition and intertype competition. Give an example of each. Intratype competition refers to the competition between retailers with the same format. An example would be the competition between Publix and BiLo for sale of fresh salmon. Intertype competition refers to retailers that sell similar merchandise using different formats. An example would be the sale of Revlon Color-Stay Lipstick between CVS and Target. Difficulty: Easy

61. (p. 16) Why would a Walgreens add novelty gifts, fresh bread, pre-wrapped sandwiches and milk to its product mix? Walgreens is engaging in scrambled merchandising. They have added these products; and therefore, appeal more to a broader group of customers, while providing one-stop shopping for our time-starved society. Difficulty: Medium

62. (p. 16) A chef wants to open an Italian restaurant in the suburbs of a large city. How should she identify the competition? This question can have a variety of responses, but she could first look at the obvious and identify other Italian restaurants near her location. Is her location the best? She should consider frozen Italian entrees at nearby grocery stores. She should also consider the prices of the entrees she offers and compare them to the prices of other types of restaurants. Difficulty: Medium

63. (p. 17) Why do retailers consider customers important when developing a retail strategy? Retailers need to understand customers and how they are

changing so that they can better satisfy their needs. Retailers need to know and understand why customers shop, how they select stores and how they select from that store's merchandise. Difficulty: Medium

64. (p. 18) What are the three things identified by a retail strategy statement? (1) The target market 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 a long-term advantage over its competitors. Difficulty: Medium

65. (p. 18) Why is location strategy important for both consumers and for competitive reasons? 1) Location is typically the most important characteristic consumers consider when selecting a store. (2) A good location creates a long-term advantage over the competition. Difficulty: Medium

66. (p. 19) The success of discount stores poses a growing threat for JCPenney. To compete effectively with these retailers, the company instituted some radical changes. Discuss four changes the company made and how JCPenney expects the changes to better satisfy its target market. (1) JCPenney is reducing its distribution costs by shipping merchandise through its distribution centers rather than using direct delivery from vendors to stores. 2) JCPenney centralized merchandise management. Rather than having store managers make merchandise decisions, merchandise decisions are made by JCPenney buyers in the corporate headquarters to save costs and respond quicker. (3) To increase customer convenience, JCPenney is building new stores off the mall. (4) To increase convenience, the company is also installing centralized checkout counters in each area of the store. Difficulty: Medium

Fill in the Blank Questions
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67. (p. 7) Renting a tuxedo, the purchase of a DVD on Amazon. om, buying a Ronco Veg-O-Matic after watching an infomercial, and getting a facial are all examples of _____ activities--the sale of goods and services to the ultimate consumer. retailing Difficulty: Easy

68. (p. 7) A _____ is a business that sells products and services to ultimate consumers. retailer Difficulty: Easy

69. (p. 7) Retailers are the final business in a distribution channel that link _____ to consumers. manufacturers Difficulty: Easy

70. (p. 7) A _____ is a set of businesses that move products from the point of production to the point of sale to the ultimate consumer. distribution channel Difficulty: Easy

71. (p. 7) When a retailer like L. L. Bean designs merchandise as well as sells the merchandise, _____ is occurring. vertical integration Difficulty: Medium

72. (p. 8) By providing assortments, breaking bulk, holding inventory, and providing services, retailers increase the _____ consumers receive from their products and services. value Difficulty: Medium

73. (p. 9) _____ 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. Corporate socialresponsibilityDifficulty: Easy

74. (p. 6) When Austin saw pastries and coffee at his local bookstore, he knew it was an example of _____, which is the juxtaposition of unrelated merchandise in the store. scrambled merchandise Difficulty: Medium

75. (p. 16) Scrambled merchandising increases _____, which occurs between retailers that sell similar merchandise using different formats, such as specialty and discount stores. intertype competition Difficulty: Medium

76. (p. 19) The philosophy, strategies, programs and systems that focus on identifying and building loyalty with a retailer's most valued customers are called _____. customer relationship management Difficulty: Medium

77. (p. 23) _____ are the principles governing the behavior of individuals and companies. Ethics Difficulty: Easy Short Answer Questions

78. (p. 8) Best Buy purchases many of the CD's, Playstation 2 games, DVD's and DVD players by the truckload then sells them in smaller quantities to its stores where consumers are allowed to buy them one at a time. What business function is Best Buy performing? breaking bulk Difficulty: Medium

79. (p. 8) Costco buys directly from manufacturers. They have merchandise shipped to their warehouses for storage, and then distribute the merchandise to their stores. What term is used to describe this type of activity? vertical integration Difficulty: Medium

80. (p. 14) Which retailer had its humble beginnings in rural Arkansas and now is the largest retailer in the world? Wal-Mart Difficulty: Easy

81. (p. 15) What is the first step in the retail management decision process? getting an understanding of the world of retailing Difficulty: Medium

82. (p. 16) When is the intensity of competition between retail stores the greatest? when they are involved in intratype competition Difficulty: Medium

83. (p. 16) What type of merchandising increases intertype competition?

crambled merchandising Difficulty: Medium

84. (p. 18) The Aviary is a pet shop that focuses on birds and their accoutrements for bird lovers. The shop carries cages, perches, toys and even gourmet seed and dried fruits. It sponsors a bird club where members can bring their pets to share with other bird lovers. The store provides an inexpensive veterinary service. It even has a 3-month guarantee when you purchase a bird. The Aviary has created loyalty from its customers and continuously attracts new ones because of the services offered. What does this describe? It describes the store's retailing strategy. The paragraph describes the target market, the merchandise and services and how it maintains a strategic advantage over competitors. Difficulty: Hard

85. (p. 19) Why do retailers use point of sale (POS) terminals to read Universal Product Codes (UPC) and electronic data interchange (EDI) to send sales and inventory information from computer to computer? These technologies allow retailers to have a better idea of what is selling and a way to quickly communicate that information to vendors so that replenishment can quickly occur. Additionally it gives the retailer a competitive advantage over retailers that do not work with current supply chain management systems. Difficulty: Hard

86. (p. 23) When making the strategic and tactical decisions managers need to consider the effects of their decisions on the profitability of their firms and the satisfaction of their customers. What other implications must managers consider as a result of their decisions? ethical and legal implications
Difficulty: Hard