

Chapter 02 - Types of Retailers

Chapter 02
Types of Retailers

True / False Questions

1. Prescription pharmaceuticals account for over half or more of drugstores annual sales.
True False

2. Walmart is classified as an off-price retailer.
True False

3. Supermarkets gain higher profit margins from private-label merchandise than national brands.
True False

4. Hispanics have significantly different shopping and eating patterns from those of the general population in the United States.
True False

5. Subway is a franchise.
True False

6. The biggest difference between services and merchandise retailers is their profits.
True False

7. Discount stores offer both hard and soft goods for sale.
True False

8. Extreme-value retailers have a broad variety but shallow assortment of products offered at very low prices.

True False

9. An advantage of a large retail chain is that it can respond quickly to market changes and customer needs.

True False

10. To be competitive in today's marketplace, Supermarkets are focusing on offering perishable products and meal solutions.

True False

Multiple Choice Questions

11. New retail formats are created and evolve because _____.

- A. consumers lose interest
- B. large retailers have undertaken stronger marketing campaigns
- C. consumers needs and competition change
- D. private branding dictates new fashion
- E. retailers have built better relationships with key customers

12. The North American Industry Classification System (NAICS):

- A. was developed by the Federal Trade Commission (FTC)
- B. uses an 8-digit classification system
- C. was created to collect data on North America's business activity
- D. is limited in its use to only retail institutions
- E. is used only by the United States

13. Which of the following statements about NAICS codes is TRUE?
- A. The letters in NAICS stand for National Assortments in Commercial Stores.
 - B. Retailers with the same NAICS codes are likely to compete against each other.
 - C. A retailer's principal competitor is seldom, if ever, in the same NAICS category.
 - D. The NAICS code categorizes businesses according to an 8-digit classification system.
 - E. The classifications for retail firms are based upon the location of the store fronts.
14. _____ refers to the number of different merchandise categories a retailer offers.
- A. Inventory mixture
 - B. Product measurement
 - C. Product depth
 - D. Variety
 - E. Assortment
15. Because the only merchandise categories at the University Futon Shop are double-sized futons, the Futon Shop can be said to have no _____.
- A. inventory control
 - B. need for customer service
 - C. variety
 - D. shrinkage
 - E. product depth
16. Each different item of merchandise in a retail store is called a(n) _____.
- A. consumer offering
 - B. store counted item (SCI)
 - C. stored and keyed unit (SKU)
 - D. stock keeping unit (SKU)
 - E. economic unit

17. What does the acronym SKU stand for?

- A. Style Kept Utility
- B. Stock Keeping Unit
- C. Selling Keyboard Utility
- D. Stored and keyed Unit
- E. None of the above

18. What is the word used to describe a retailer's merchandise "breadth"?

- A. Apparition
- B. Assortment
- C. Modicum
- D. Variety
- E. Product

19. What is the word used to describe a retailer's merchandise "depth"?

- A. Apparition
- B. Assortment
- C. Modicum
- D. Variety
- E. Product

20. Variety is often referred to as the _____.

- A. store's supply standard
- B. complete retail offering
- C. retail mix
- D. breadth of merchandise
- E. depth of merchandise

21. Assortment is often referred to as the _____.

- A. breadth of merchandise
- B. complete retail offering
- C. depth of merchandise
- D. object of the buy
- E. retail mix

22. The Men's Wearhouse stocks over 350 different styles and colors of ties. This assortment of ties can be referred to as the store's _____.

- A. supply standard
- B. complete retail offering
- C. breadth of merchandise
- D. retailer mix
- E. depth of merchandise

23. Office Depot offers customers a huge selection of office supply merchandise. As a result, inventory investment _____.

- A. increases because they have to carry back up stock for each SKU
- B. increases because of the increase in demand
- C. increases because of the value of the assortment
- D. decreases because of the increase of the customer base
- E. decreases because of the introduction of back up stock

24. Which of the following is NOT TRUE in describing retailers who offer a deep, and broad assortment?

- A. It increases inventory holding costs
- B. It increases inventory investment because a retailer must have backup stock for each SKU
- C. Discounters and warehouse clubs offer a greater assortment
- D. Specialty retailers offer the depth of merchandise

25. Stocking a deep and broad assortment is appealing to customers, but costly for retailers. What option does a small specialty store owner have to offset costs, and make a profit?

- A. charge higher prices
- B. hire less staff
- C. offer less expensive assortments
- D. offer less hours of operation
- E. substitute services for merchandise

26. How can supermarkets differentiate themselves from other food retailing formats?

- A. emphasize fresh perishables
- B. target health conscious and ethnic consumers
- C. provide a better value with private-label merchandise
- D. provide a better shopping experience
- E. all of these

27. Whereas conventional supermarkets carry about 30,000 SKUs, limited assortment supermarkets or extreme value food retailers only stock 2000 SKUs. Which of the following is NOT the advantage of stocking lesser SKUs?

- A. Less inventory holding costs
- B. Less backup stocks
- C. Less inventory investments
- D. More inventory turnover
- E. Lower transportation costs

28. The outer walls of a supermarket that stocks fresh merchandise such as dairy, bakery, meat, produce, etc. is referred to as the _____.

- A. power perimeter
- B. fresh track
- C. profit border
- D. edge force
- E. essential edge

29. Building on their strength, supermarkets are offering fresh meal solutions for _____ consumers.

- A. low-income
- B. time-pressured
- C. ethnic
- D. vegetarian

30. The _____ focuses on reducing the carbon footprint caused by the transportation of food throughout the world.
- A. core insight plan
 - B. locavore movement
 - C. fair labor standards
 - D. reversed profits guidelines
 - E. fair trade policy
31. Purchasing from factories that pay workers a living wage (more than the minimum wage) and offer other benefits to the employees is called _____.
- A. core insight
 - B. locavore
 - C. fair labor
 - D. reversed profits
 - E. fair trade
32. What is the challenge big box stores face, while developing locations in Europe and Japan?
- A. limited and expensive land
 - B. increased operating costs
 - C. restricted building size in some counties
 - D. opposing sentiments from local residents
 - E. all of these
33. Warehouse clubs:
- A. have extensive assortments
 - B. expensive store designs and aesthetics
 - C. high inventory holding costs
 - D. sell merchandise in a no-frills atmosphere
 - E. provide extensive customer service

34. Which of the following statements about warehouse clubs is TRUE?

- A. Warehouse clubs only sell to ultimate consumers.
- B. Warehouse clubs have a category specialist format.
- C. Warehouse clubs typically have low inventory holding costs.
- D. Warehouse clubs have extensive merchandise depth.

35. Angelo manages a local convenience store that sells gasoline. When gas prices are high, his sales increase, but gas margins are low. So, depending upon gas sales for the success of the business can be a problem for him. What should Angelo do?

- A. add fresh healthy food and new convenient services to the product mix
- B. open more gas pumps
- C. temporarily lower gas prices to motivate customers to fill up at his store
- D. sell two-for-one candy with every fill-up
- E. all of the above

36. Which of the following is the biggest threat to convenience stores?

- A. Increasing prices on convenience foods
- B. Supermarket chains also offering gasoline
- C. Vending machines
- D. Consumers having more expendable time to shop and compare prices
- E. Off-price retailers

37. Why do category specialists call themselves "category killers"?

- A. Because they have a lock on the competition, they can demand higher prices.
- B. By offering a complete assortment in a category at low prices, category specialists can "kill" a category of merchandise for other retailers.
- C. To keep costs low, employee assistance is nonexistent, thus has "killed" off customer service.
- D. As they edit their product assortments, they narrow down and drop off classifications.

38. A retailer that carries a broad variety and deep assortment, offers customer services, and is organized into separate departments for displaying merchandise is called a ____.

- A. off-price retailer
- B. department store
- C. discount retailer
- D. convenience store
- E. specialty retailer

39. _____ offer an inconsistent assortment of brand-name, fashion-oriented soft goods at low prices.

- A. Off-price retailers
- B. Department stores
- C. Discount retailers
- D. Convenience stores
- E. Specialty retailers

40. What type of store is Kohl's considered?

- A. Off-price retailer
- B. Department store
- C. Full-line discount store
- D. Extreme value retailer
- E. Specialty retailer

41. What type of store is Target considered?

- A. Off-price retailer
- B. Department store
- C. Full-line discount store
- D. Extreme value retailer
- E. Specialty retailer

42. What type of store is Dollar-General considered to be?

- A. Off-price retailer
- B. Department store
- C. Full-line discount store
- D. Extreme-value retailer
- E. Specialty retailer

43. What type of store is T.J. Maxx considered to be?

- A. Off-price retailer
- B. Department store
- C. Full-line discount store
- D. Extreme-value retailer
- E. Specialty retailer

44. Which of the following is a first tier department store?

- A. Macy's
- B. Nordstrom
- C. Sears
- D. Kohl's
- E. JCPenney

45. Which of the following is a second tier department store?

- A. Macy's
- B. Neiman Marcus
- C. TJ Maxx
- D. Nordstrom
- E. None of these

46. Which of the following is a third tier department store?

- A. Macy's
- B. Neiman Marcus
- C. TJ Maxx
- D. Nordstrom
- E. None of these

47. What can department stores do to differentiate their merchandise offering AND strengthen their image?

- A. Increase their pricing
- B. Network with a broader variety of vendors
- C. Seek exclusive arrangements with nationally recognized brands
- D. Merge with faltering retailers to gain their market share
- E. Keep assortments in line with European styles and fads

48. Attempting to combat losing market share, department stores are _____.

- A. becoming more effective with multichannel retailing
- B. adding exclusive merchandise to their assortments
- C. developing stronger marketing campaigns to enhance their store image
- D. all of these

49. Department stores have placed an emphasis on their own private branded merchandise to _____.

- A. attract the attention of the junior market
- B. differentiate their product offerings
- C. keep price points lower
- D. reduce the number of markdowns at the end of a season
- E. sever relationships with low profit vendors

50. To respond to a competitive discount environment, Walmart is fighting back by ____.

- A. opening supercenters while closing full-line discount stores
- B. focusing on promotional temporary sales
- C. increasing assortments
- D. offering better customer service on the floor
- E. reducing prices below wholesale

51. Which of the following statements about full-line discount stores is TRUE?
- A. They do not carry private-label merchandise.
 - B. They have a narrow breadth of merchandise.
 - C. They typically carry more brands and sizes in each category than department stores.
 - D. They have inconsistent assortments.
 - E. None of the above statements about full-line discount stores are true.
52. Specialty stores that focus on specific market segments are vulnerable to ____.
- A. shifts in customer tastes and preferences
 - B. high price points
 - C. operating parameters set by mall management
 - D. strong competition from the department stores that sell comparable merchandise
 - E. overstocking
53. Why are category specialists sometimes called category killers?
- A. because they are often located in dying shopping malls
 - B. because they are located at stand-alone sites
 - C. because of their broad merchandise mix and shallow assortment
 - D. because they can dominate a category of merchandise making it difficult for other retailers to compete
 - E. because they carry mainly technologically obsolete merchandise
54. Best Buy is a category specialist for the electronics industry. This means the stores ____.
- A. offer their customers narrow breadth and depth
 - B. use quick-response inventory management systems
 - C. have excellent after-the-sale service
 - D. appeal to the mature consumers
 - E. offer a narrow but deep assortment of merchandise

55. Off-price retailers _____.

- A. offer a consistent assortment of soft goods at low prices
- B. sell brand-name merchandise at reduced prices
- C. offer gift registries
- D. require suppliers to give them a variety of advertising allowances and markdown discounts
- E. None of the above

56. Specialty stores have recently seen a trend of cheap and chic "fast fashion". The fast-fashion concept introduces new products in a store _____.

- A. 10-12 times per year
- B. 10-12 times per quarter
- C. each week
- D. 2-3 times per week
- E. each day

57. Walgreens, CVS and Rite Aid see the largest portion of their sales results from ____.

- A. soda and snacks
- B. office and paper products
- C. cosmetics
- D. photo processing
- E. prescription drugs

58. The drugstore industry has seen a decrease in their annual sales mainly due to ____.

- A. higher prices on prescription drugs
- B. pharmacies in full-line discount stores
- C. the aging population
- D. government regulations on pharmaceutical sales

59. Off-price retailers will often sell merchandise less than the MSRP which means:

- A. the merchandise sales are profitable.
- B. the merchandise is sold below the suggested retail price.
- C. the merchandise is sold below the suggested realized profit.
- D. the merchandise is sold less than the surrounding retail competitors.

60. An off-price store that is owned by manufacturers or retailers is called a/an _____.
A. subsidiary
B. tangent
C. branch
D. parasite
E. outlet
61. _____ are products that have minor blemishes to the fabric or errors in the construction.
A. Close-outs
B. Irregulars
C. Third-degree items
D. Undergrounds
62. _____ are end of season merchandise that will NOT be in the manufacturer's offerings going forward.
A. Close-outs
B. Irregulars
C. Third-degree items
D. Undergrounds
63. What do Delta, Marriott, and Century 21 have in common?
A. These retailers have established long-term relationships with their manufacturers.
B. They are all examples of off-price retailers.
C. They are all examples of service retailers.
D. They sell tangible products.
E. They have high operating margins due to the size of their inventories.

64. Services are difficult to be evaluated before customers buy, or even after they buy and consume them. What characteristic of service cause this challenge for services retailers?

- A. intangibility
- B. perishability
- C. inconsistency
- D. consumability
- E. compatibility

65. How can a service retailer best cope with the problems associated with the intangibility of service?

- A. Use low prices during off-seasons to help match supply and demand.
- B. Use mass production.
- C. Emphasize quality control.
- D. Solicit customer evaluations and complaints.
- E. Increase staffing at peak demand times.

66. Due to the _____ of services, service retailers like Universal Studios Theme Parks, Delta and Applebee's restaurants, sometimes find it difficult to match supply and demand.

- A. intangibility
- B. perishability
- C. inconsistency
- D. consumability
- E. compatibility

67. Why do movie theaters sell tickets for an afternoon showing of a movie at a lower price than the 7 p.m. showing of the same movie?

- A. to deal with the perishability of services
- B. to make sure the service offered is consistent
- C. to deal with the intangible characteristic of services
- D. to deal with the incompatibility characteristic of services
- E. to minimize inventory losses

68. How can a service retailer best cope with the problems associated with the inconsistency of service?

- A. Use low prices during off-seasons to help match supply and demand.
- B. Use mass production.
- C. Emphasize quality control.
- D. Train and motivate employees.
- E. Increase staffing at peak demand times.

69. The dermatologist has her diplomas prominently displayed above her large desk, which sits on a Persian rug in an office filled with tasteful, yet expensive furnishings. Which service characteristic is the doctor trying to handle with her office décor?

- A. intangibility
- B. perishability
- C. inconsistency
- D. consumability
- E. compatibility

70. A massage parlor that requires its therapists to keep a database on each customer and include in that database what was done on each visit as far as customer aches and pains and peculiar characteristics of the customer, is trying to cope with which service characteristic?

- A. intangibility
- B. perishability
- C. inconsistency
- D. consumability
- E. compatibility

71. What format of ownership combines the advantages of owner-managed businesses with the efficiency of centralized decision making in chain store operations?

- A. franchise
- B. retail chain
- C. full-line discount stores
- D. single-store establishment
- E. wholesale-sponsored voluntary cooperative chain

72. Which of the following describes an advantage that independent, single-store establishments have over other forms of ownership?

- A. economies of scale
- B. react quickly to market changes
- C. bureaucratic operation
- D. very low set-up costs
- E. distribution efficiency

73. A company that operates multiple retail units under common ownership, most commonly has centralized decision making for defining and implementing its strategy, is called a _____.

- A. franchise
- B. retail chain
- C. full-line discount stores
- D. single-store establishment
- E. wholesale-sponsored voluntary cooperative chain

74. Typically, large retail chains:

- A. are completely decentralized.
- B. are very flexible in their responses to the unique needs of their local markets.
- C. have less sophisticated analytical systems than other forms of ownership.
- D. effectively negotiate lower prices because of their buying power.

75. In a franchise contract, the franchisor _____.

- A. makes sure all franchise outlets provide the same quality of service and products
- B. agrees to operate a franchise outlet in accordance with procedures prescribed in the contract
- C. agrees to pay a royalty to the franchisee
- D. is given permission to use a franchise name and format
- E. does all of these things

76. In a franchise contract, the franchisee pays the franchisor a _____.

- A. bonus if the sales quota is achieved
- B. lump sum plus a royalty on all sales
- C. start-up costs plus a monthly predetermined cash amount
- D. commission on all sales
- E. salary plus a variety of employee benefits

77. Which of the following is NOT TRUE in describing characteristics of franchise?

- A. The franchise ownership format attempts to combine the advantages of owner-managed businesses with the efficiencies of centralized decision making in chain store operations
- B. Franchisees are motivated to make their stores successful because they receive the profits
- C. The franchisor is motivated to develop new products and to promote the franchise because it receives a royalty on all sales
- D. The franchisor is solely responsible for financing advertising, product development, and system development

Essay Questions

78. Differentiate between retailer's breadth of merchandise and depth of merchandise.

79. Explain strategies which limited assortment supermarkets (extreme value food retailers) have used in order to provide customers with high quality merchandise at low prices to compete against other food retailing formats?

80. How are department stores categorized into tiers? How do the tiers differ? Give examples of each.

81. Discuss the reasons that department stores are losing their market share to discount stores and discuss what department stores are doing to try to gain back customers?

82. Discuss what drugstores are doing to remain competitive in the marketplace.

83. Describe four differences between services and merchandise retailers. Then explain the challenges, and how services retailers overcome those challenges associated with them with examples.

84. What does a franchisor offer its franchisees?

85. Describe the ways supermarkets in the United States have shifted their product offerings and shopping experience in their stores to the growing ethnic population of Hispanics.

86. Discuss how off-price retailers opportunistically obtain their merchandise and the different types of merchandise found at off-price retailers.

87. Discuss the practice of manufactures opening up their own specialty stores. Why is this a growing trend and what are the positives and negatives from the viewpoint of both the manufacturer and other retailers?

Chapter 02 Types of Retailers **Answer Key**

True / False Questions

1. (p. 44) Prescription pharmaceuticals account for over half or more of drugstores annual sales.

TRUE

Prescription pharmaceuticals account for about 66% of drugstore sales.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

2. (p. 42) Walmart is classified as an off-price retailer.

FALSE

Walmart is a full-line discount store. Off-price stores have unpredictable assortments and Walmart has consistent assortments.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

3. (p. 38) Supermarkets gain higher profit margins from private-label merchandise than national brands.

TRUE

The benefits of private-label brands to retailers include store loyalty, differentiation, lower promotional costs and higher gross margins than national brands.

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Food Retailers

4. (p. 38) Hispanics have significantly different shopping and eating patterns from those of the general population in the United States.

TRUE

Hispanics are more likely to prepare meals from scratch, spend more on groceries, prefer stores with bilingual staff and signage and place importance on fresh food.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Easy

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: Food Retailers

5. (p. 53) Subway is a franchise.

TRUE

Subways are not owned by a single corporation, but rather are owner operated. Subway is one of the larger franchise operations. There are over 33,000 Subway locations in 92 countries.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-05 What are the types of ownership for retail firms?

Topic: Types of Ownership

6. (p. 50) The biggest difference between services and merchandise retailers is their profits.

FALSE

Profit doesn't play a role in comparing the differences of services and merchandise retailers. Differences are intangibility, simultaneous production and consumption, perishability and inconsistency of the offering to customers.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-04 How do services retailers differ from merchandise retailers?

Topic: Service Retailing

7. (p. 41-42) Discount stores offer both hard and soft goods for sale.

TRUE

They sell both soft goods (apparel) and hard good (appliances, furniture and consumer electronics).

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Medium

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

8. (p. 46) Extreme-value retailers have a broad variety but shallow assortment of products offered at very low prices.

TRUE

Extreme-value retailers carry lots of different categories (variety) but within each category, not very many choices (shallow assortment). They often offer lower prices on some household goods, health and beauty aids and groceries, by having smaller packaged portions of the product.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

9. (p. 51) An advantage of a large retail chain is that it can respond quickly to market changes and customer needs.

FALSE

Small retailers have more flexibility and can react quicker to changes in the market place as the owner and managers are closer to the customer and there is less bureaucracy than larger retail chains.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Medium

Learning Objective: 02-05 What are the types of ownership for retail firms?

Topic: Types of Ownership

10. (p. 37) To be competitive in today's marketplace, Supermarkets are focusing on offering perishable products and meal solutions.

TRUE

To be competitive, supermarkets are putting more of an emphasis on "fresh" and are offering meal solutions to time-pressured consumers.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Medium

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: Food Retailers

Chapter 02 - Types of Retailers

Multiple Choice Questions

11. (p. 30) New retail formats are created and evolve because _____.
- A. consumers lose interest
 - B. large retailers have undertaken stronger marketing campaigns
 - C. consumers needs and competition change**
 - D. private branding dictates new fashion
 - E. retailers have built better relationships with key customers

Consumers shop differently as their needs change and as shifts in the marketplace happen. The type of retailer the consumer patronizes will depend on the benefits the consumer is seeking.

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

12. (p. 30) The North American Industry Classification System (NAICS):
- A. was developed by the Federal Trade Commission (FTC)
 - B. uses an 8-digit classification system
 - C. was created to collect data on North America's business activity**
 - D. is limited in its use to only retail institutions
 - E. is used only by the United States

The USA, Canada and Mexico developed the NAICS as a classification format to collect data on business activity in each country.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: Retail Characteristics

13. (p. 32) Which of the following statements about NAICS codes is TRUE?

- A. The letters in NAICS stand for National Assortments in Commercial Stores.
- B. Retailers with the same NAICS codes are likely to compete against each other.**
- C. A retailer's principal competitor is seldom, if ever, in the same NAICS category.
- D. The NAICS code categorizes businesses according to an 8-digit classification system.
- E. The classifications for retail firms are based upon the location of the store fronts.

The NAICS code uses a 6-digit system. Retailers will compete directly with some businesses in their NAICS category because of their similarities. The classifications are based on the type of merchandise sold.

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Hard

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: Retail Characteristics

14. (p. 32) _____ refers to the number of different merchandise categories a retailer offers.

- A. Inventory mixture
- B. Product measurement
- C. Product depth
- D. Variety**
- E. Assortment

Variety is the breadth or number of different merchandise categories a retailer offers, also known as breadth of merchandise.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

15. (p. 32) Because the only merchandise categories at the University Futon Shop are double-sized futons, the Futon Shop can be said to have no _____.

- A. inventory control
- B. need for customer service
- C. variety**
- D. shrinkage
- E. product depth

Variety is the breadth or number of different merchandise categories a retailer offers, also known as breadth of merchandise. Since this store only carries one SKU (double sized futons) it has very little variety. It may have good product depth if it offers the double sized futons in many different colors and fabrications, but we don't have any indication either way from this question.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

16. (p. 32) Each different item of merchandise in a retail store is called a(n) _____.

- A. consumer offering
- B. store counted item (SCI)
- C. stored and keyed unit (SKU)
- D. stock keeping unit (SKU)**
- E. economic unit

Retailers track their sales and inventory by each different item of merchandise, often down to the size and color. Each stock keeping unit (SKU) has its own unique number to track its inventory level and sales.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

17. (p. 32) What does the acronym SKU stand for?

- A. Style Kept Utility
- B. Stock Keeping Unit**
- C. Selling Keyboard Utility
- D. Stored and keyed Unit
- E. None of the above

Retailers are notorious for using TLA's (Three Letter Acronym's) but that is part of the culture. A Stock Keeping Unit is often referred to as a SKU.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

18. (p. 32) What is the word used to describe a retailer's merchandise "breadth"?

- A. Apparition
- B. Assortment
- C. Modicum
- D. Variety**
- E. Product

Variety is the breadth or number of different merchandise categories a retailer offers.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

19. (p. 32) What is the word used to describe a retailer's merchandise "depth"?

- A. Apparition
- B. Assortment**
- C. Modicum
- D. Variety
- E. Product

Assortment is the number of different items offered in a merchandise category.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

20. (p. 32) Variety is often referred to as the _____.

- A. store's supply standard
- B. complete retail offering
- C. retail mix
- D. breadth of merchandise**
- E. depth of merchandise

Variety is the breadth or number of different merchandise categories a retailer offers, also known as breadth of merchandise.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

21. (p. 32) Assortment is often referred to as the _____.

- A. breadth of merchandise
- B. complete retail offering
- C. depth of merchandise**
- D. object of the buy
- E. retail mix

Assortment is the number of different items offered in a merchandise category, known as depth of merchandise.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

22. (p. 33) The Men's Wearhouse stocks over 350 different styles and colors of ties. This assortment of ties can be referred to as the store's _____.

- A. supply standard
- B. complete retail offering
- C. breadth of merchandise
- D. retailer mix
- E. depth of merchandise**

The depth of merchandise refers to the different items offered in a merchandise category. "Ties" would be the category with many different colors and styles, giving great depth for the customer.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

23. (p. 34) Office Depot offers customers a huge selection of office supply merchandise. As a result, inventory investment _____.

- A. increases because they have to carry back up stock for each SKU
- B. increases because of the increase in demand
- C. increases because of the value of the assortment
- D. decreases because of the increase of the customer base
- E. decreases because of the introduction of back up stock

Category specialist stores such as Office Depot have gained success partly because they carry a wide range of products in the category, but also have ample stock, so stock outages are rare. Being in stock of the product is a form of customer service, so retailers need to carry back up stock for each SKU to ensure they will be in stock of products when the customer comes to purchase their merchandise.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Hard

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

24. (p. 33-34) Which of the following is NOT TRUE in describing retailers who offer a deep, and broad assortment?

- A. It increases inventory holding costs
- B. It increases inventory investment because a retailer must have backup stock for each SKU
- C. Discounters and warehouse clubs offer a greater assortment
- D. Specialty retailers offer the depth of merchandise

Discounters and warehouse clubs offer a greater variety of merchandise instead of greater assortment (depth of merchandise).

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

25. (p. 34) Stocking a deep and broad assortment is appealing to customers, but costly for retailers. What option does a small specialty store owner have to offset costs, and make a profit?

- A. charge higher prices
- B. hire less staff
- C. offer less expensive assortments
- D. offer less hours of operation
- E. substitute services for merchandise

Often specialty stores have a unique and specialized product along with knowledgeable staff. For these benefits, customers are sometimes willing to pay a little more.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

26. (p. 37) How can supermarkets differentiate themselves from other food retailing formats?

- A. emphasize fresh perishables
- B. target health conscious and ethnic consumers
- C. provide a better value with private-label merchandise
- D. provide a better shopping experience
- E. all of these

There are many different ways that supermarkets are differentiating themselves from other food retailing formats. With discount stores entering the food market, supermarkets must differentiate themselves with emphasizing fresh produce, meats and bakery items, targeting niche markets such as the health conscious and ethnics consumers; providing a value product through their own store brand or private-label merchandise; and overall providing a more pleasing shopping experience.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: Food Retailers

27. (p. 35) Whereas conventional supermarkets carry about 30,000 SKUs, limited assortment supermarkets or extreme value food retailers only stock 2000 SKUs. Which of the following is NOT the advantage of stocking lesser SKUs?

- A. Less inventory holding costs
- B. Less backup stocks
- C. Less inventory investments
- D. More inventory turnover
- E.** Lower transportation costs

Because more inventory turnover with smaller SKUs requires more frequent inventory replenishments, transportation costs associated with shipments are not necessarily lowered.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Hard

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Food Retailers

28. (p. 37) The outer walls of a supermarket that stocks fresh merchandise such as dairy, bakery, meat, produce, etc. is referred to as the _____.

- A.** power perimeter
- B. fresh track
- C. profit border
- D. edge force
- E. essential edge

The power perimeter that sells fresh merchandise is located on the outer walls of the store. Not only are they profitable, but they also encourage customers to go through the store to reach these outer walls.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: Food Retailers

29. (p. 37) Building on their strength, supermarkets are offering fresh meal solutions for _____ consumers.

- A. low-income
- B. time-pressured**
- C. ethnic
- D. vegetarian

Supermarkets have found a niche in competing with discount store supermarkets in offering healthy fresh meal solutions of restaurant quality to busy time-starved consumers who wish to have meals at home rather than to go to a restaurant.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Easy

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: Food Retailers

30. (p. 37) The _____ focuses on reducing the carbon footprint caused by the transportation of food throughout the world.

- A. core insight plan
- B. locavore movement**
- C. fair labor standards
- D. reversed profits guidelines
- E. fair trade policy

As many Americans want to purchase more locally grown and produced food, the lacavore movement has been trending.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: Food Retailers

31. (p. 37) Purchasing from factories that pay workers a living wage (more than the minimum wage) and offer other benefits to the employees is called _____.

- A. core insight
- B. locavore
- C. fair labor
- D. reversed profits
- E. fair trade**

Fair trade advocates the payment of a higher price to producers as well as to meet social and environmental standards. It focuses in particular on exports from developing countries.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: Food Retailers

32. (p. 39) What is the challenge big box stores face, while developing locations in Europe and Japan?

- A. limited and expensive land
- B. increased operating costs
- C. restricted building size in some counties
- D. opposing sentiments from local residents
- E. all of these**

Supermarket and large format stores have a difficult time finding land in the European and Japanese markets. There are also additional operating costs, restrictions on how big the building can be and a culture that is not receptive to big box retailing.

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: Food Retailers

33. (p. 39) Warehouse clubs:

- A. have extensive assortments
- B. expensive store designs and aesthetics
- C. high inventory holding costs
- D.** sell merchandise in a no-frills atmosphere
- E. provide extensive customer service

Warehouse clubs often have limited and varied assortments with little attention to the atmosphere of the store or the shopping experience.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-01 What are the different types of retailers?

Topic: Food Retailers

34. (p. 39) Which of the following statements about warehouse clubs is TRUE?

- A. Warehouse clubs only sell to ultimate consumers.
- B. Warehouse clubs have a category specialist format.
- C.** Warehouse clubs typically have low inventory holding costs.
- D. Warehouse clubs have extensive merchandise depth.

They maintain low inventory holding costs because they carry a limited assortment of fast-moving items.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-01 What are the different types of retailers?

Topic: Food Retailers

35. (p. 40) Angelo manages a local convenience store that sells gasoline. When gas prices are high, his sales increase, but gas margins are low. So, depending upon gas sales for the success of the business can be a problem for him. What should Angelo do?

- A. add fresh healthy food and new convenient services to the product mix
- B. open more gas pumps
- C. temporarily lower gas prices to motivate customers to fill up at his store
- D. sell two-for-one candy with every fill-up
- E. all of the above

Lowering gas prices will just erode Angelo's profits that much more. Customers are time-pressured today and will often combine their shopping by picking up products at a convenience store when filling up with gasoline. Therefore adding fresh healthy foods can capture some customers. Also adding convenient services such as postal or banking services gives the customers another reason to patronize the convenience store and hopefully while there, will also fill up with gas.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Hard

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: Food Retailers

36. (p. 40) Which of the following is the biggest threat to convenience stores?

- A. Increasing prices on convenience foods
- B. Supermarket chains also offering gasoline
- C. Vending machines
- D. Consumers having more expendable time to shop and compare prices
- E. Off-price retailers

Supermarkets are trying to capitalize on customers already in their parking lots by having gas pumps.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: Food Retailers

37. (p. 45-46) Why do category specialists call themselves "category killers"?

- A. Because they have a lock on the competition, they can demand higher prices.
- B.** By offering a complete assortment in a category at low prices, category specialists can "kill" a category of merchandise for other retailers.
- C. To keep costs low, employee assistance is nonexistent, thus has "killed" off customer service.
- D. As they edit their product assortments, they narrow down and drop off classifications.

Category killers run their businesses faster, better, cheaper than their competitors and therefore usually force their competitors out of business. Category killers usually have lower prices and hire employees that are experts in the area or are passionate about the product and share this enthusiastically with their customers.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

38. (p. 41) A retailer that carries a broad variety and deep assortment, offers customer services, and is organized into separate departments for displaying merchandise is called a ____.

- A. off-price retailer
- B.** department store
- C. discount retailer
- D. convenience store
- E. specialty retailer

Off-price retailers have an inconsistent assortment and a shallow assortment; discount stores have a broad variety, yet they offer a shallower assortment and little customer service; convenience stores have a broad variety with a very shallow assortment; specialty stores carry a narrow variety.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

39. (p. 46) _____ offer an inconsistent assortment of brand-name, fashion-oriented soft goods at low prices.

- A. Off-price retailers
- B. Department stores
- C. Discount retailers
- D. Convenience stores
- E. Specialty retailers

Because off-price retailers frequently procure their merchandise from over runs, product that is not selling at stores, etc., the merchandise is unpredictable and inconsistent.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

40. (p. 41) What type of store is Kohl's considered?

- A. Off-price retailer
- B. Department store
- C. Full-line discount store
- D. Extreme value retailer
- E. Specialty retailer

Kohl's had a wide variety with mid-deep depth assortment, which best describes a department store.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

Chapter 02 - Types of Retailers

41. (p. 42) What type of store is Target considered?

- A. Off-price retailer
- B. Department store
- C. Full-line discount store**
- D. Extreme value retailer
- E. Specialty retailer

Target is not an off-price retailer; an off-price retailer has inconsistent assortments because they buy from manufacturers and retailers the products they cannot sell through their normal channels.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

42. (p. 46) What type of store is Dollar-General considered to be?

- A. Off-price retailer
- B. Department store
- C. Full-line discount store
- D. Extreme-value retailer**
- E. Specialty retailer

Extreme value retailers are small discount stores that offer a limited merchandise assortment at very low prices; this best describes Dollar General.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

43. (p. 46) What type of store is T.J. Maxx considered to be?

- A.** Off-price retailer
- B. Department store
- C. Full-line discount store
- D. Extreme-value retailer
- E. Specialty retailer

TJ Maxx's inventory is purchased from manufacturers and retailers that cannot sell or wishes to no longer sell the product through their normal channels.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

44. (p. 41) Which of the following is a first tier department store?

- A. Macy's
- B.** Nordstrom
- C. Sears
- D. Kohl's
- E. JCPenney

First tier department stores are characterized by having upscale, high-fashion with exclusive designer merchandise and excellent customer service. Other than Nordstrom's, other retailers in the first tier would be Neiman Marcuse, Bloomingdales and Saks Fifth Avenue.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

45. (p. 41) Which of the following is a second tier department store?

- A. Macy's
- B. Neiman Marcus
- C. TJ Maxx
- D. Nordstrom
- E. None of these

Second tier department stores are characterized where retailers sell more modestly priced merchandise with less customer service than first tier stores. Other retailers besides Macy's in the second tier would be Dillard's, Boston Store, Herberger's, Younger's, Carson Pirie Scott, Elder-Beerman, Bon-ton, Von Mauer, etc.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

46. (p. 41) Which of the following is a third tier department store?

- A. Macy's
- B. Neiman Marcus
- C. TJ Maxx
- D. Nordstrom
- E. None of these

Third tier department stores focus on value and price-conscious customers. Retailers in this category are Sears, JCPenney and Kohls. TJ Maxx is an off-price retailer.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

47. (p. 42) What can department stores do to differentiate their merchandise offering AND strengthen their image?

- A. Increase their pricing
- B. Network with a broader variety of vendors
- C. Seek exclusive arrangements with nationally recognized brands**
- D. Merge with faltering retailers to gain their market share
- E. Keep assortments in line with European styles and fads

None of the answers other than "seek exclusive arrangements with nationally recognized brands" would be an option to positively differentiate one retailer over another.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

48. (p. 41-42) Attempting to combat losing market share, department stores are _____.

- A. becoming more effective with multichannel retailing
- B. adding exclusive merchandise to their assortments
- C. developing stronger marketing campaigns to enhance their store image
- D. all of these**

Department stores are trying hard to not lose market share, therefore they are attempting the multichannel retailing, adding exclusive merchandise, and are developing stronger marketing campaigns.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: General Merchandise Retailers

49. (p. 42) Department stores have placed an emphasis on their own private branded merchandise to _____.

- A. attract the attention of the junior market
- B. differentiate their product offerings**
- C. keep price points lower
- D. reduce the number of markdowns at the end of a season
- E. sever relationships with low profit vendors

Department stores were finding that they were all having the same brand names and in order to be competitive and give customers a reason to patronize their store over a competitor department store, they needed to differentiate their product offerings. Creating private label merchandise that can only be found at the department store chain was one way to do that. Some department stores have been quite successful in creating, branding and marketing their own private label names.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: General Merchandise Retailers

50. (p. 42) To respond to a competitive discount environment, Walmart is fighting back by ____.

- A. opening supercenters while closing full-line discount stores**
- B. focusing on promotional temporary sales
- C. increasing assortments
- D. offering better customer service on the floor
- E. reducing prices below wholesale

Walmart is converting many of their discount stores into supercenters. Walmart is expected to reach 3000 supercenters by the year 2013 while its discount stores are expected to decrease to around two-thirds of their current level.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: General Merchandise Retailers

51. (p. 42) Which of the following statements about full-line discount stores is TRUE?

- A. They do not carry private-label merchandise.
- B. They have a narrow breadth of merchandise.
- C. They typically carry more brands and sizes in each category than department stores.
- D. They have inconsistent assortments.
- E. None of the above statements about full-line discount stores are true.**

Discount stores offer a great variety (breadth), however, they typically carry fewer brands and sizes in each category than department stores. Most have their own private-label merchandise. It is off-price stores that have inconsistent assortments where discount stores have reliable consistent assortments.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

52. (p. 42) Specialty stores that focus on specific market segments are vulnerable to ____.

- A. shifts in customer tastes and preferences**
- B. high price points
- C. operating parameters set by mall management
- D. strong competition from the department stores that sell comparable merchandise
- E. overstocking

As consumers needs and tastes change, specialty stores that focus on a specific market segment need to be aware of changes in trends and consumer shifts and react accordingly or they could lose market share to another company very quickly.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

53. (p. 45-46) Why are category specialists sometimes called category killers?

- A. because they are often located in dying shopping malls
- B. because they are located at stand-alone sites
- C. because of their broad merchandise mix and shallow assortment
- D. because they can dominate a category of merchandise making it difficult for other retailers to compete**
- E. because they carry mainly technologically obsolete merchandise

Choice A describes the results of what sometimes happens after a category specialist enters the market; category specialists have a narrow and deep assortment within their category.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

54. (p. 45) Best Buy is a category specialist for the electronics industry.

This means the stores _____.

- A. offer their customers narrow breadth and depth
- B. use quick-response inventory management systems
- C. have excellent after-the-sale service
- D. appeal to the mature consumers
- E. offer a narrow but deep assortment of merchandise**

As a category specialist, the retailer needs to carry a deep assortment as customer come to expect them to have many different price points and product in the category.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

55. (p. 46) Off-price retailers _____.

- A. offer a consistent assortment of soft goods at low prices
- B. sell brand-name merchandise at reduced prices**
- C. offer gift registries
- D. require suppliers to give them a variety of advertising allowances and markdown discounts
- E. None of the above

Their assortment are unpredictable as it depends on what is available, therefore it would be difficult for this type of retailer to offer gift registry.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

56. (p. 43) Specialty stores have recently seen a trend of cheap and chic "fast fashion". The fast-fashion concept introduces new products in a store _____.

- A. 10-12 times per year
- B. 10-12 times per quarter
- C. each week
- D. 2-3 times per week**
- E. each day

It used to be that retailers only offered new fashions or selections 10-12 times a year, but the new fast fashion trend has evolved this to be 2-3 times per week.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-01 What are the different types of retailers?

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: General Merchandise Retailers

57. (p. 44) Walgreens, CVS and Rite Aid see the largest portion of their sales results from ____.

- A. soda and snacks
- B. office and paper products
- C. cosmetics
- D. photo processing
- E. prescription drugs**

Prescription pharmaceuticals often represent almost 70% of drug store sales.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

58. (p. 45) The drugstore industry has seen a decrease in their annual sales mainly due to ____.

- A. higher prices on prescription drugs
- B. pharmacies in full-line discount stores**
- C. the aging population
- D. government regulations on pharmaceutical sales

Customers drawn to the "one-stop" shopping idea may prefer getting their groceries, paper products and prescription to be filled all in one stop at a discount store.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: General Merchandise Retailers

59. (p. 46) Off-price retailers will often sell merchandise less than the MSRP which means:

- A. the merchandise sales are profitable.
- B. the merchandise is sold below the suggested retail price.**
- C. the merchandise is sold below the suggested realized profit.
- D. the merchandise is sold less than the surrounding retail competitors.

MSRP is an acronym for Manufacturer's Suggested Retail Price.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: General Merchandise Retailers

60. (p. 47) An off-price store that is owned by manufacturers or retailers is called a/an _____.

- A. subsidiary
- B. tangent
- C. branch
- D. parasite
- E. outlet**

Manufacturer's and retailers will sometimes have their own off-price store to liquidate their clearance merchandise. These stores are referred to as outlets.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

61. (p. 47) _____ are products that have minor blemishes to the fabric or errors in the construction.

A. Close-outs

B. Irregulars

C. Third-degree items

D. Undergrounds

Irregulars are merchandise that has minor mistakes in the construction and are sometimes stocked at off-price retailers and a reduced price.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: General Merchandise Retailers

62. (p. 47) _____ are end of season merchandise that will NOT be in the manufacturer's offerings going forward.

A. Close-outs

B. Irregulars

C. Third-degree items

D. Undergrounds

Close-outs are end of season merchandise that will not be used in following seasons.

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: General Merchandise Retailers

63. (p. 48) What do Delta, Marriott, and Century 21 have in common?

- A. These retailers have established long-term relationships with their manufacturers.
- B. They are all examples of off-price retailers.
- C. They are all examples of service retailers.**
- D. They sell tangible products.
- E. They have high operating margins due to the size of their inventories.

All of these companies focus on selling non-tangibles (an experience & customer service) and are hence referred to as service retailers.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 02-01 What are the different types of retailers?

Topic: Service Retailing

64. (p. 50) Services are difficult to be evaluated before customers buy, or even after they buy and consume them. What characteristic of service cause this challenge for services retailers?

- A. intangibility**
- B. perishability
- C. inconsistency
- D. consumability
- E. compatibility

Since customers cannot see, touch or feel what is being sold, the intangibility of the service can sometimes be a concern for customers in trying to decide whether to buy or not.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Hard

Learning Objective: 02-04 How do services retailers differ from merchandise retailers?

Topic: Service Retailing

65. (p. 50) How can a service retailer best cope with the problems associated with the intangibility of service?

- A. Use low prices during off-seasons to help match supply and demand.
- B. Use mass production.
- C. Emphasize quality control.
- D. Solicit customer evaluations and complaints.**
- E. Increase staffing at peak demand times.

Choices A and E are ways to deal with service perishability. Mass production (choice B) is not feasible with most services. Choice C describes a way to deal with the inconsistency of service offerings.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-04 How do services retailers differ from merchandise retailers?

Topic: Service Retailing

66. (p. 50) Due to the _____ of services, service retailers like Universal Studios Theme Parks, Delta and Applebee's restaurants, sometimes find it difficult to match supply and demand.

- A. intangibility
- B. perishability**
- C. inconsistency
- D. consumability
- E. compatibility

Perishability occurs because the creation and consumption of services is simultaneous.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-04 How do services retailers differ from merchandise retailers?

Topic: Service Retailing

67. (p. 48) Why do movie theaters sell tickets for an afternoon showing of a movie at a lower price than the 7 p.m. showing of the same movie?

- A. to deal with the perishability of services
- B. to make sure the service offered is consistent
- C. to deal with the intangible characteristic of services
- D. to deal with the incompatibility characteristic of services
- E. to minimize inventory losses

The difference in the price is to prevent under- or over-utilization of the services.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Medium

Learning Objective: 02-04 How do services retailers differ from merchandise retailers?

Topic: Service Retailing

68. (p. 51) How can a service retailer best cope with the problems associated with the inconsistency of service?

- A. Use low prices during off-seasons to help match supply and demand.
- B. Use mass production.
- C. Emphasize quality control.
- D. Train and motivate employees.
- E. Increase staffing at peak demand times.

Choices A and E are ways to deal with service perishability. Mass production is not feasible with most services. Choice D describes a way to lessen the inconsistency of service offerings.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Medium

Learning Objective: 02-04 How do services retailers differ from merchandise retailers?

Topic: Service Retailing

69. (p. 50) The dermatologist has her diplomas prominently displayed above her large desk, which sits on a Persian rug in an office filled with tasteful, yet expensive furnishings. Which service characteristic is the doctor trying to handle with her office décor?

- A. intangibility
- B. perishability
- C. inconsistency
- D. consumability
- E. compatibility

Since customers cannot see, touch or feel what is being sold, the intangibility of the service can sometimes be a concern for customers in trying to decide whether to buy or not. By having tangible symbols, such as the earned degrees on the wall, helps to give confidence to the customer about the dermatologist's credentials. The elaborate furnishings also is a subtle way of exuding success and accomplishment giving the customer additional confidence in the services they are about to purchase.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Medium

Learning Objective: 02-04 How do services retailers differ from merchandise retailers?

Topic: Service Retailing

70. (p. 50) A massage parlor that requires its therapists to keep a database on each customer and include in that database what was done on each visit as far as customer aches and pains and peculiar characteristics of the customer, is trying to cope with which service characteristic?

- A. intangibility
- B. perishability
- C. inconsistency
- D. consumability
- E. compatibility

In order to provide quality customer service, service retailers will keep a database on each customer to provide consistent high-quality service upon their return.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Medium

Learning Objective: 02-04 How do services retailers differ from merchandise retailers?

Topic: Service Retailing

71. (p. 53) What format of ownership combines the advantages of owner-managed businesses with the efficiency of centralized decision making in chain store operations?

- A.** franchise
- B. retail chain
- C. full-line discount stores
- D. single-store establishment
- E. wholesale-sponsored voluntary cooperative chain

The franchise ownership format combines the advantages of owner-managed business with the efficiencies of centralized decision making in chain store operations. The franchisee is motivated to making their stores successful and profitable and they directly see the financial benefits from their work; the franchisor is motivated to develop new products and to market the company as they see a percentage of the total sales from the franchisees.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-05 What are the types of ownership for retail firms?

Topic: Types of Ownership

72. (p. 51) Which of the following describes an advantage that independent, single-store establishments have over other forms of ownership?

- A. economies of scale
- B.** react quickly to market changes
- C. bureaucratic operation
- D. very low set-up costs
- E. distribution efficiency

Small retailers do not benefit from economies of scale nor do they have to endure a lot of bureaucracy as large companies do. However, because of their size and no hierarchies, they can more quickly react to environmental changes.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Hard

Learning Objective: 02-05 What are the types of ownership for retail firms?

Topic: Types of Ownership

73. (p. 52) A company that operates multiple retail units under common ownership, most commonly has centralized decision making for defining and implementing its strategy, is called a _____.

- A. franchise
- B. retail chain**
- C. full-line discount stores
- D. single-store establishment
- E. wholesale-sponsored voluntary cooperative chain

Retail chains will vary in the number of stores. Some retail chains have thousands of locations while others might have only a handful of stores. With the centralized decision making the retail chains can have a consistent message from location to location and all benefit from the strategy implementation.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 02-05 What are the types of ownership for retail firms?

Topic: Types of Ownership

74. (p. 51-52) Typically, large retail chains:

- A. are completely decentralized.
- B. are very flexible in their responses to the unique needs of their local markets.
- C. have less sophisticated analytical systems than other forms of ownership.
- D. effectively negotiate lower prices because of their buying power.**

Large retail chains are usually centralized in their decision making and because of this, they have a difficult time making changes and shifts to each local market; however, large chains usually invest heavily in sophisticated analytical systems to analyze their business. Because of their large size and quantity of products they may buy from a vendor, they are effective at negotiating lower prices and can usually obtain quantity discounts on the products they purchase.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Hard

Learning Objective: 02-05 What are the types of ownership for retail firms?

Topic: Types of Ownership

75. (p. 52-53) In a franchise contract, the franchisor _____.

- A. makes sure all franchise outlets provide the same quality of service and products
- B. agrees to operate a franchise outlet in accordance with procedures prescribed in the contract
- C. agrees to pay a royalty to the franchisee
- D. is given permission to use a franchise name and format
- E. does all of these things**

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

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 02-05 What are the types of ownership for retail firms?

Topic: Types of Ownership

76. (p. 52) In a franchise contract, the franchisee pays the franchisor a _____.

- A. bonus if the sales quota is achieved
- B. lump sum plus a royalty on all sales**
- C. start-up costs plus a monthly predetermined cash amount
- D. commission on all sales
- E. salary plus a variety of employee benefits

The franchisee receives many benefits and in return, pays the franchisor a lump sum for start up and then a percentage of all sales.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Knowledge

Difficulty: Hard

Learning Objective: 02-05 What are the types of ownership for retail firms?

Topic: Types of Ownership

77. (p. 53) Which of the following is NOT TRUE in describing characteristics of franchise?

- A. The franchise ownership format attempts to combine the advantages of owner-managed businesses with the efficiencies of centralized decision making in chain store operations
- B. Franchisees are motivated to make their stores successful because they receive the profits
- C. The franchisor is motivated to develop new products and to promote the franchise because it receives a royalty on all sales
- D. The franchisor is solely responsible for financing advertising, product development, and system development**

Advertising, product development, and system development are performed by the franchisor but costs are shared by all franchisees.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Hard

Learning Objective: 02-05 What are the types of ownership for retail firms?

Topic: Types of Ownership

Essay Questions

78. (p. 32-33) Differentiate between retailer's breadth of merchandise and depth of merchandise.

Breadth of merchandise refers to the number of different merchandise categories a retailer offers. Depth of merchandise refers to the number of different items in a merchandise category.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Retail Characteristics

79. (p. 35-36) Explain strategies which limited assortment supermarkets (extreme value food retailers) have used in order to provide customers with high quality merchandise at low prices to compete against other food retailing formats?

Rather than carrying deep merchandise, (e.g., carrying many brands), limited assortment stores offer one or two brands and sizes, one of which is a store brand and one of which is a popular national brand. Stores are designed to maximize efficiency and reduce costs. They have fewer employees for service and are located in second- or third-tier shopping centers with low rents. By trimming costs, they can offer high quality merchandise at 40 percent lower prices than conventional supermarkets. Save-a-Lot and ALDI are examples of limited assortment supermarkets (extreme value food retailers).

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Topic: Food Retailers

80. (p. 41) How are department stores categorized into tiers? How do the tiers differ? Give examples of each.

Department store chains are categorized into three tiers. The first tier includes upscale high-fashion chains with exclusive designer merchandise and excellent customer service such as Neiman Marcus, Nordstrom, Saks Fifth Avenue and Bloomingdales. The second tier is upscale traditional department stores like Macy's, Dillard's and BonTon stores (Herbeger's, Younker's, Parisian, Bergner's, Boston Store). The third is the value oriented tier which caters to more price conscious consumers like Sears, JCPenney, and Kohl's.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

81. (p. 41) Discuss the reasons that department stores are losing their market share to discount stores and discuss what department stores are doing to try to gain back customers?

Many consumers view department stores not as convenient as discount stores, such as Target, because they are located in large regional malls rather than local neighborhoods. Customer service has diminished because of the retailers' desire to increase profits by reducing labor costs. Department stores have not been as successful as discount stores in reducing costs by working with their vendors to establish just-in-time inventory systems, so prices remain relatively high. To gain back customers, department stores are carrying out and establishing traditions of special events (such as parades, Santa Clause lands, and holiday decorations); opening in more convenient non-mall locations; increasing their amount of exclusive merchandise such as private label merchandise and exclusive brands; enhancing their image through advertising and marketing; expanding their online presence while making the transition between stores and online shopping seamless (customers can order merchandise online yet return it in the store; out of stock merchandise in the store can be ordered online; customers can see online if the item they wish to purchase is available at their favorite store location, etc.)

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Hard

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: General Merchandise Retailers

82. (p. 45) Discuss what drugstores are doing to remain competitive in the marketplace.

Offering a wider assortment of merchandise including food and beverage items; adding convenient drive-up windows for prescriptions drugs; adding in-store medical clinics; changing the role of their pharmacists to providing health care assistance.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Hard

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: General Merchandise Retailers

83. (p. 30) Describe four differences between services and merchandise retailers. Then explain the challenges, and how services retailers overcome those challenges associated with them with examples.

Four important differences in the nature of the offerings provided by services and merchandise retailers are (1) intangibility, (2) simultaneous production and consumption, (3) perishability, and (4) inconsistency of the offering to customers.

(1) Intangibility

It is hard for customers to evaluate services before they buy them, or even after they buy and consume them. To overcome this issue, service retailers use tangible symbols to inform customers the quality of services. For instance, a law firm uses elegant, carpeted offices with expensive antique furniture to signal the quality of services lawyers are providing.

(2) Simultaneous production and consumption

Because services are produced and consumed at the same time, it is difficult to reduce costs through mass products. Large retailers such as McDonald and Starbuck's reduced costs and provide consistent and fast services by investing in equipment, procedures, and training.

(3) Perishability

Because services cannot be saved, stored, or resold, service retailers must match supply and demand with the consideration of capacity constraints. Service retailers use effective pricing strategies tailored during high and low demand periods. For instance, airlines and hotels reduce price during low demand weekends when business people are not traveling. Disney theme parks use videos and park employees to entertain customers while they wait in line.

(4) Inconsistency of the offering to customers

Because services are performances produced by people (employees and customers), no two services can be identical. To offer consistent services as possible, service retailers develop detailed procedures and invest on training of service providers. Answers can vary.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Hard

Learning Objective: 02-04 How do services retailers differ from merchandise retailers?

Topic: Service Retailing

84. (p. 51-52) What does a franchisor offer its franchisees?

The franchisor provides assistance in locating and building the store, developing the products and/or services that will be sold, management training, and advertising. Additionally, the franchisor makes sure all outlets provide the same quality of services and products to maintain the reputation of the franchise.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-05 What are the types of ownership for retail firms?

Topic: Types of Ownership

85. (p. 37) Describe the ways supermarkets in the United States have shifted their product offerings and shopping experience in their stores to the growing ethnic population of Hispanics.

Bilingual staff and signage, greater emphasis on fresher foods, meat departments, bakery, tortilleria and prepared foods; larger selection of domestic and imported Latin American grocery goods.

AACSB: Communication

AACSB: Diversity

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Hard

Learning Objective: 02-02 How do retailers differ in terms of how they meet the needs of their customers?

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: Food Retailers

86. (p. 46-47) Discuss how off-price retailers opportunistically obtain their merchandise and the different types of merchandise found at off-price retailers.

Off-price retailers procure their merchandise from retailer's that have excess inventory and wish to disperse of the goods rather than marking them down and waiting for them to sell. Off-price retailers also get their merchandise from manufacturer's that have excess merchandise due to overruns, canceled orders, close-outs or irregulars. Close-outs are end of season merchandise that will not be going forward. Irregulars are merchandise that has minor mistakes in the construction or fabric.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 02-01 What are the different types of retailers?

Topic: General Merchandise Retailers

Chapter 02 - Types of Retailers

87. (p. 44) Discuss the practice of manufactures opening up their own specialty stores. Why is this a growing trend and what are the positives and negatives from the viewpoint of both the manufacturer and other retailers?

In years past, manufacturers have relied on retailers to purchase, market and display their goods, with some manufacturers having little control over how their merchandise is presented in any case. Having their own stores, manufacturers are able to better create and present the image they wish to have through their own store locations. The manufacturers then can display the product and have a full product assortment that best compliments their entire line of product. Retailer's are not always able or willing to dedicate as much space or inventory to one brand. For example, all of Nike's apparel, shoes, and athletic equipment is seldom merchandised together at a retail store, nor might the retail store be able to carry all of the items. At NikeTown, the entire "story" of the product can be featured together. The manufacturer also has more control over pricing of their product through their own stores than at a retailer.

This has created some tension between the manufacturers and retailers as now the retailer competes with the manufacturer's store as well. Manufacturers having their own stores may alienate retail partners.

A manufacturer having their own stores is more costly for them plus they now need to have an infrastructure to support the stores. Many brand names need other retail store exposure to grow their brands. Established brands would have the best chance of survival of having their own stores.

AACSB: Communication

AACSB: Reflective thinking

Bloom's: Application

Difficulty: Hard

Learning Objective: 02-03 What trends are shaping today's retailers?

Topic: General Merchandise Retailers