Test Bank for Retailing Management 10th Levy

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Retailing Management, 10e **(Levy)**
Chapter 2 Types of Retailers

1) The most basic characteristic used to describe the different types of retailers is their retail mix, or the elements retailers use to satisfy their customers' needs.

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

3) To be competitive in today's marketplace, supermarkets are focusing on offering fresh perishables and providing better value with private-label merchandise.

4) Supermarkets gain higher profit margins from private-label merchandise than national brands.

5) Private-label brands benefit retailers but not customers.

6) Assortment is the number of different merchandise categories a retailer offers, also known as the breadth of merchandise.

7) Extreme-value retailers primarily target low-income consumers.

8) Due to the intangibility of their offerings, services retailers often use tangible symbols to inform customers about the quality of their services.

9) The biggest difference between service retailers and merchandise retailers is their profits.

10) Whereas corporate chains can tailor their offerings to their customers' needs, single-store retailers can more effectively negotiate lower prices for merchandise and advertising because of their larger size.

11) Which of the following statements is true of the North American Industry Classification System (NAICS)?
A) It was developed by the Federal Trade Commission (FTC).
B) It uses an eight-digit classification system.
C) It was created to collect data on North America's business activity.
D) It is limited in its use to only manufacturing companies.
E) It is a classification system developed by the United States.

12) With respect to retailing, which of the following best defines assortment of merchandise?
A) Each different item of merchandise offered by a retailer
B) The number of different items offered in a merchandise category
C) The number of merchandise categories a retailer offers
D) Merchandise with minor mistakes in construction
E) End-of-season merchandise that will not be used in following seasons

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13) With respect to retailing, which of the following best defines variety?
A) Merchandise with minor mistakes in construction
B) The number of different items offered in a merchandise category
C) End-of-season merchandise that will not be used in following seasons
D) The number of merchandise categories a retailer offers
E) Each different item of merchandise offered by a retailer

14) 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) irregularity
E) product depth.

15) Which of the following best defines a stock-keeping unit?
A) The number of different items offered in a merchandise category
B) End-of-season merchandise that will not be used by a retailer in following seasons
C) Merchandise with minor mistakes in construction
D) Each different item of merchandise offered by a retailer
E) The number of merchandise categories a retailer offers

16) With respect to retailing, variety is often referred to as the
A) closeouts.
B) assortment of merchandise.
C) irregulars.
D) breadth of merchandise.
E) stock-keeping units.

17) With respect to retailing, assortment is often referred to as the
A) power perimeter.
B) depth of merchandise.
C) closeouts.
D) variety of merchandise.
E) irregulars.

18) 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) consignment merchandise.
B) closeouts.
C) breadth of merchandise.
D) power perimeter.
E) depth of merchandise.

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19) Limited-assortment supermarkets are referred to as
A) extreme-value food retailers.
B) full-line discount stores.
C) conventional supermarkets.
D) consignment shops.
E) warehouse clubs.

20) What type of retailer is Save-A-Lot considered to be?
A) Conventional supermarket
B) Convenience store
C) Category specialist
D) Full-line discount store
E) Limited-assortment supermarket

21) The area around the outer walls of a supermarket that stock fresh-merchandise categories such as dairy, bakery, meat, produce, etc. is referred to as the
A) power perimeter.
B) convenience rack.
C) closeouts.
D) irregulars.
E) supercenters.

22) The _____ focuses on reducing the carbon footprint caused by the transportation of food throughout the world.
A) core insight plan
B) locavore movement
C) sustainable agriculture act
D) limited liabilities act
E) non-compete clause

23) Purchasing from factories that pay workers a living wage (more than the minimum wage) and offer other benefits to the employees is called
A) a closeout.
B) power perimeter.
C) cash wrap.
D) flash sale.
E) fair trade.

24) What type of retailer is Meijer considered to be?
A) Supercenter
B) Department store
C) Full-line discount store
D) Drugstore
E) Category specialist

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25) Which of the following is a similarity between hypermarkets and supercenters?
A) Both are common in the United States.
B) Both offer self-service.
C) Both carry a negotiable percentage of nonfood items.
D) Both avoid the sale of perishables.
E) Both lack parking facilities for customers.

26) Which of the following differentiates a hypermarket from a supercenter?
A) Hypermarkets do not offer self-service facilities, whereas supercenters offer self-service facilities to their customers.
B) Hypermarkets carry a larger proportion of food items, whereas supercenters carry a larger portion of nonfood items.
C) Hypermarkets have a greater emphasis on dry groceries, whereas supercenters have a greater emphasis on perishables.
D) Hypermarkets are very common in the United States, whereas supercenters are not common in the United States.
E) Hypermarkets provide large parking facilities to its customers, whereas supercenters do not provide parking facilities to their customers.

27) What type of retail store is Costco considered to be?
A) A supercenter
B) A hypermarket
C) A category specialist
D) A warehouse club
E) A department store

28) Which of these is *not* a relevant challenge for big-box stores while developing locations in Europe, Japan, and the United States?
A) Limited and expensive land
B) Increased operating costs
C) Restricted building size in some counties
D) Opposing sentiments from local residents
E) Lack of employable workforce

29) Which of the following statements best defines a warehouse club?
A) They are stores that provide a large variety and assortment of merchandise at a convenient location with speedy checkout.
B) They are large, self-service retail food stores offering about 30,000 SKUs with high inventory holding costs.
C) They are retailers that carry a broad variety and deep assortment, offer customer services, and organize their stores into distinct departments for displaying merchandise.
D) They are retailers that offer a limited and irregular assortment of food and general merchandise with little service at low prices.
E) They are large stores that combine a supermarket with a full-line discount store.

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30) Convenience stores _____ than supermarkets.
A) make customers wait in a long checkout line
B) avoid selling lower profit products
C) offer a broad variety and deep assortment of merchandise
D) offer self-service to its customers
E) charge higher prices for similar products sold

31) Which of the following statements is true about warehouse clubs?
A) Warehouse clubs carry a broad variety and deep assortment of merchandise.
B) Warehouse clubs are small and typically located in high-rent districts.
C) Warehouse clubs typically have low inventory holding costs.
D) Warehouse clubs offer extensive customer service.
E) Warehouse clubs offer its fast-selling items at high prices.

32) Which of the following statements is true of department stores?
A) They are usually located in local neighborhoods rather than large regional malls.
B) They often resemble a collection of specialty shops.
C) They can be categorized into two tiers.
D) They focus almost exclusively on hard goods.
E) They offer a limited variety and shallow assortment of merchandise.

33) A retailer that carries a broad variety and deep assortment, offers customer services, and is organized into distinct sections for displaying merchandise is called a(n)
A) off-price retailer.
B) department store.
C) discount retailer.
D) convenience store.
E) specialty retailer.

34) What type of retailer is Kohl's considered to be?
A) Off-price retailer
B) Department store
C) Full-line discount store
D) Extreme value retailer
E) Specialty retailer

35) Which of the following is a first-tier department store?
A) Macy's
B) Nordstrom
C) Sears
D) Kohl's
E) JCPenney

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36) Which of the following is a second-tier department store?
A) Macy's
B) Neiman Marcus
C) TJ Maxx
D) Nordstrom
E) Saks Fifth Avenue

37) Which of the following is a third-tier department store?
A) Macy's
B) Neiman Marcus
C) TJ Maxx
D) Nordstrom
E) JCPenney

38) What can department stores do to differentiate their merchandise offering and strengthen their image?
A) Increase their pricing
B) Decrease the variety and assortment of merchandise within the store
C) Seek exclusive arrangements with nationally recognized brands
D) Merge with faltering retailers to gain their market share
E) Sell only hard goods

39) Attempting to combat losing market share, department stores are doing all of the following *except*
A) becoming active participants in omnichannel retailing.
B) adding exclusive merchandise to their assortments.
C) developing stronger marketing campaigns to enhance their store image.
D) placing more emphasis on developing their own private-label brands.
E) increasing their prices to gain more net sales.

40) Private-label brands are also called
A) closeouts.
B) category killers.
C) irregulars.
D) inclusive brands.
E) store brands.

41) Alfani (women's fashion), Hotel Collection (luxury fabrics), and Tools of the Trade (housewares) are examples of Macy's
A) national brands.
B) store brands.
C) irregulars.
D) inclusive brands.
E) closeouts.

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42) What type of retailer is Target considered to be?
A) Off-price retailer
B) Department store
C) Full-line discount store
D) Extreme value retailer
E) Specialty retailer

43) To respond to a competitive environment, one thing that Walmart is doing is
A) converting its discount stores into supercenters.
B) leasing retail space in its stores to independent merchants.
C) focusing on high customer service.
D) converting the discount stores into convenience stores.
E) expanding into rural locations.

44) Which of the following statements about full-line discount stores is true?
A) They carry only 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) They confront intense competition from category specialists.

45) Why are category specialists sometimes called category killers?
A) They are often located close to full-line discount stores and discount stores that offer a deep assortment of merchandise.
B) They are located at stand-alone sites.
C) They have a broad merchandise mix and shallow assortment.
D) They can dominate a category of merchandise making it difficult for other retailers to compete.
E) They carry mainly technologically obsolete merchandise.

46) Best Buy is a category specialist for the electronics industry. This means the stores
A) offer their customers narrow breadth and depth of merchandise.
B) sell only their own private-label brands.
C) have excellent after-sales customer service.
D) avoid a self-service approach.
E) offer a narrow but deep assortment of merchandise.

47) What type of retail store is Victoria's Secret considered to be?
A) Department store
B) Convenient store
C) Full-line discount store
D) Specialty store
E) Supermarket

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48) Which of the following statements is true about specialty stores?
A) They tailor their retail strategy toward very specific market segments.
B) They group products by brand instead of product category like in department stores.
C) They offer very shallow and narrow assortments.
D) They completely avoid including their own private-label brands in the store.
E) They discourage sampling.

49) A special type of resale store where merchandise is donated and proceeds go to charity is called a(n)
A) extreme-value retailer.
B) thrift store.
C) consignment shop.
D) dollar store.
E) supercenter.

50) A type of resale store that accepts used merchandise from people and pays them after it is sold is called a(n)
A) dollar store.
B) consignment shop.
C) supercenter.
D) thrift store.
E) extreme-value retailer.

51) Which of the following types of general merchandise retailers is also sometimes referred to as dollar stores?
A) Extreme-value retailers
B) Department stores
C) Full-line discount stores
D) Category specialists
E) Specialty stores

52) What type of a retail store is Walgreens considered to be?
A) Full-line discount store
B) Drugstore
C) Department store
D) Convenience store
E) Supercenter

53) What type of retail 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

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54) 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.
E) the wide assortment of merchandise they sell

55) _____ offer an inconsistent assortment of brand-name merchandise at a significant discount off the manufacturers' suggested retail price.
A) Off-price retailers
B) Department stores
C) Discount retailers
D) Convenience stores
E) Specialty retailers

56) What type of store is TJ Maxx considered to be?
A) Off-price retailer
B) Department store
C) Full-line discount store
D) Extreme-value retailer
E) Specialty retailer

57) Which of the following is true of off-price retailers?
A) They offer a consistent assortment of soft goods at low prices.
B) They sell brand-name merchandise at reduced prices.
C) They offer gift registries.
D) They require suppliers to give them a variety of advertising allowances and markdown discounts.
E) They sell designer-label merchandise at 20 to 60 percent higher than the manufacturer's suggested retail price.

58) Off-price retailers will often sell merchandise for 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.
E) the merchandise sold by them are always closeouts.

59) _____ are products that have minor blemishes to the fabric or errors in the construction.
A) Closeouts
B) Irregulars
C) Category killers
D) Soft goods
E) Hard goods

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60) _____ are end-of-season merchandise that will not be in the manufacturer's offerings going forward.
A) Closeouts
B) Irregulars
C) Endcaps
D) Category killers
E) Soft goods

61) _____ are off-price retailers owned by manufacturers or retailers.
A) Dollar stores
B) Closeouts
C) Thrift stores
D) Outlet stores
E) Supercenters

62) With respect to off-price retailing, in a _____ sale, each day at the same time, members receive an e-mail that announces the deals available.
A) closeout
B) clearance
C) enterprise
D) consultative
E) flash

63) A special type of off-price retailer owned by manufacturers is called a
A) consignment shop.
B) thrift store.
C) dollar store.
D) warehouse club.
E) factory outlet.

64) Merrill Lynch, Marriott, and Century 21 are examples of
A) dollar stores.
B) off-price retailers.
C) service retailers.
D) specialty stores.
E) full-line discount stores.

65) Services are difficult to be evaluated before customers buy or even after they buy and consume them. Which of the following characteristics of service causes this challenge for service retailers?
A) Intangibility
B) Perishability
C) Inconsistency
D) Consumability
E) Compatibility

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66) 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.

67) A 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 of the following service characteristics is the doctor trying to handle with her office décor?
A) Intangibility
B) Perishability
C) Inconsistency
D) Consumability
E) Compatibility

68) A therapeutic massage service requires its therapists to keep a database on each customer and include in that database what was done on each visit for the customer's aches and pains. Which of the following service characteristics is the massage service trying to cope with?
A) Intangibility
B) Perishability
C) Inconsistency
D) Consumability
E) Compatibility

69) Due to the _____ of services, service retailers like Six Flags, Delta, and Applebee's restaurants, sometimes find it difficult to match supply and demand.
A) intangibility
B) perishability
C) inconsistency
D) consumability
E) compatibility

70) 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

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71) 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) Avoid simultaneity of production and consumption of service.
D) Train and motivate service providers.
E) Increase staffing at peak demand times.

72) Which of the following is true of single-store retailers?
A) They do not have direct contact with their customers.
B) They are not bound by the bureaucracies inherent in large retail organizations.
C) They are totally independent of their owner-managers' capabilities to make any retail decision.
D) They must join a wholesale-sponsored voluntary competitive group to compete against corporate chains.
E) They are very rigid and lack quick adaptability to market changes and customer needs.

73) Which of the following is a drawback of the franchise ownership?
A) The franchisee lacks any kind of off- or onsite training from the franchisor.
B) The franchisor lacks any benefit from the success of his or her franchisee.
C) The franchisee must adhere to the franchisor's rules and operating guidelines.
D) The franchisee must join a single-store retailer to become independent of the franchisor.
E) The franchisor must incur the capital costs like purchase and modification of the retail space.

74) Differentiate between variety and assortment of merchandise offered by a retailer.

75) Explain the strategies that limited-assortment supermarkets (extreme-value food retailers) use in order to provide customers with high-quality merchandise at low prices to compete against other food retailing formats.

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

77) Discuss the reasons that department stores are losing their market share to discount stores, and list the steps taken by department stores to deal with their eroding market share.

78) Describe what category specialist retailers are while providing specific examples of category specialist retailers and how they differentiate themselves from their competitors.

79) Explain what drugstores do to remain competitive in the marketplace.

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

81) Describe the four important differences in the nature of the offerings provided by services and merchandise retailers.

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82) What is franchising? What does a franchisor offer its franchisees to get the franchisees off to a good start?

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Retailing Management, 10e **(Levy)**
Chapter 2 Types of Retailers

1) The most basic characteristic used to describe the different types of retailers is their retail mix, or the elements retailers use to satisfy their customers' needs.

Answer: TRUE
Explanation: The most basic characteristic used to describe the different types of retailers is their retail mix, or the elements retailers use to satisfy their customers' needs. Four elements of the retail mix are particularly useful for classifying retailers: the type of merchandise and/or services offered, the variety and assortment of merchandise offered, the level of customer service, and the price of the merchandise.
Difficulty: 1 Easy
Topic: Characteristics of Retailers
Learning Objective: 02-01 List the different characteristics that define retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

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

Answer: FALSE
Explanation: Walmart is a full-line discount store. Off-price retailers offer an inconsistent assortment of brand-name merchandise at a significant discount off the manufacturers' suggested retail price (MSRP), and Walmart has consistent assortments.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

3) To be competitive in today's marketplace, supermarkets are focusing on offering fresh perishables and providing better value with private-label merchandise.

Answer: TRUE
Explanation: To compete successfully against intrusions by other food retailing formats, conventional supermarkets are differentiating their offerings by emphasizing fresh perishables, targeting green and ethnic consumers, providing better value with private-label merchandise, and providing a better shopping experience.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
Bloom's: Apply
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

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4) Supermarkets gain higher profit margins from private-label merchandise than national brands.

Answer: TRUE
Explanation: The benefits of private-label brands to retailers include increased store loyalty, the ability to differentiate themselves from the competition, lower promotional costs, and higher gross margins compared with national brands.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
Bloom's: Understand
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

5) Private-label brands benefit retailers but not customers.

Answer: FALSE
Explanation: Private-label brands benefit both customers and retailers. The benefits to customers include having more choices and finding the same ingredients and quality as in national brands at a lower price or higher quality at a similar price to the national brands.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

6) Assortment is the number of different merchandise categories a retailer offers, also known as the breadth of merchandise.

Answer: FALSE
Explanation: Variety (also called breadth) is the number of merchandise categories a retailer offers. Assortment (also called depth) is the number of different items offered in a merchandise category
Difficulty: 2 Medium
Topic: Characteristics of Retailers
Learning Objective: 02-01 List the different characteristics that define retailers.
Bloom's: Apply
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

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7) Extreme-value retailers primarily target low-income consumers.

Answer: TRUE
Explanation: Extreme-value retailers primarily target low-income consumers. These customers want well-known brands but cannot afford to buy the large-size packages offered by full-line discount stores or warehouse clubs.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

8) Due to the intangibility of their offerings, services retailers often use tangible symbols to inform customers about the quality of their services.

Answer: TRUE
Explanation: Due to the intangibility of their offerings, services retailers often use tangible symbols to inform customers about the quality of their services. For example, lawyers frequently have elegant, carpeted offices with expensive antique furniture.
Difficulty: 1 Easy
Topic: Differences Between Service and Merchandise Retailers
Learning Objective: 02-04 Explain the differences between service and merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

9) The biggest difference between service retailers and merchandise retailers is their profits.

Answer: FALSE
Explanation: Profit doesn't play a role in comparing the differences between service retailers and merchandise retailers. Differences are intangibility, simultaneous production and consumption, perishability, and inconsistency of the offering to customers.
Difficulty: 2 Medium
Topic: Differences Between Service and Merchandise Retailers
Learning Objective: 02-04 Explain the differences between service and merchandise retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

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10) Whereas corporate chains can tailor their offerings to their customers' needs, single-store retailers can more effectively negotiate lower prices for merchandise and advertising because of their larger size.

Answer: FALSE
Explanation: Whereas single-store retailers can tailor their offerings to their customers' needs, corporate chains can more effectively negotiate lower prices for merchandise and advertising because of their larger size. Corporate chains can and do invest in sophisticated analytical systems to help them buy and price merchandise.
Difficulty: 2 Medium
Topic: Types of Ownership for Retail Firms
Learning Objective: 02-05 Explain the types of ownership for retail firms.
Bloom's: Apply
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

11) Which of the following statements is true of the North American Industry Classification System (NAICS)?
A) It was developed by the Federal Trade Commission (FTC).
B) It uses an eight-digit classification system.
C) It was created to collect data on North America's business activity.
D) It is limited in its use to only manufacturing companies.
E) It is a classification system developed by the United States.

Answer: C
Explanation: The United States, Canada, and Mexico developed the NAICS as a classification scheme to collect data on business activity in each country.
Difficulty: 2 Medium
Topic: Characteristics of Retailers
Learning Objective: 02-01 List the different characteristics that define retailers.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

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12) With respect to retailing, which of the following best defines assortment of merchandise?
A) Each different item of merchandise offered by a retailer
B) The number of different items offered in a merchandise category
C) The number of merchandise categories a retailer offers
D) Merchandise with minor mistakes in construction
E) End-of-season merchandise that will not be used in following seasons

Answer: B
Explanation: Assortment is the number of different items offered in a merchandise category. It is referred to as the depth of merchandise.
Difficulty: 3 Hard
Topic: Characteristics of Retailers
Learning Objective: 02-01 List the different characteristics that define retailers.
Bloom's: Understand
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

13) With respect to retailing, which of the following best defines variety?
A) Merchandise with minor mistakes in construction
B) The number of different items offered in a merchandise category
C) End-of-season merchandise that will not be used in following seasons
D) The number of merchandise categories a retailer offers
E) Each different item of merchandise offered by a retailer

Answer: D
Explanation: Variety is the number of different merchandise categories a retailer offers, also known as the breadth of merchandise.
Difficulty: 1 Easy
Topic: Characteristics of Retailers
Learning Objective: 02-01 List the different characteristics that define retailers.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

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14) 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) irregularity
E) product depth.

Answer: C
Explanation: Variety is the number of different merchandise categories a retailer offers, also known as the breadth of merchandise. Since this store only carries one stock-keeping unit (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 information on that.
Difficulty: 2 Medium
Topic: Characteristics of Retailers
Learning Objective: 02-01 List the different characteristics that define retailers.
Bloom's: Apply
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

15) Which of the following best defines a stock-keeping unit?
A) The number of different items offered in a merchandise category
B) End-of-season merchandise that will not be used by a retailer in following seasons
C) Merchandise with minor mistakes in construction
D) Each different item of merchandise offered by a retailer
E) The number of merchandise categories a retailer offers

Answer: D
Explanation: Each different item of merchandise is called a stock-keeping unit (SKU). Some examples of SKUs include an original scent, 33-ounce box of Tide laundry detergent with bleach, or a blue, long-sleeve, button-down-collar Ralph Lauren shirt, size medium.
Difficulty: 1 Easy
Topic: Characteristics of Retailers
Learning Objective: 02-01 List the different characteristics that define retailers.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

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16) With respect to retailing, variety is often referred to as the
A) closeouts.
B) assortment of merchandise.
C) irregulars.
D) breadth of merchandise.
E) stock-keeping units.

Answer: D
Explanation: Variety is the number of different merchandise categories a retailer offers. Variety is often referred to as the breadth of merchandise.
Difficulty: 1 Easy
Topic: Characteristics of Retailers
Learning Objective: 02-01 List the different characteristics that define retailers.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

17) With respect to retailing, assortment is often referred to as the
A) power perimeter.
B) depth of merchandise.
C) closeouts.
D) variety of merchandise.
E) irregulars.

Answer: B
Explanation: Assortment is the number of different items offered in a merchandise category. Assortment is referred to as the depth of merchandise.
Difficulty: 1 Easy
Topic: Characteristics of Retailers
Learning Objective: 02-01 List the different characteristics that define retailers.
Bloom's: Remember
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18) 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) consignment merchandise.
B) closeouts.
C) breadth of merchandise.
D) power perimeter.
E) depth of merchandise.

Answer: E
Explanation: 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.
Difficulty: 2 Medium
Topic: Characteristics of Retailers
Learning Objective: 02-01 List the different characteristics that define retailers.
Bloom's: Apply
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

19) Limited-assortment supermarkets are referred to as
A) extreme-value food retailers.
B) full-line discount stores.
C) conventional supermarkets.
D) consignment shops.
E) warehouse clubs.

Answer: A
Explanation: Limited-assortment supermarkets are also called extreme-value food retailers. They stock only about 1,500 SKUs, whereas conventional supermarkets stock about 30,000 SKUs.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
Bloom's: Remember
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20) What type of retailer is Save-A-Lot considered to be?
A) Conventional supermarket
B) Convenience store
C) Category specialist
D) Full-line discount store
E) Limited-assortment supermarket

Answer: E
Explanation: The two largest limited-assortment supermarket chains in the United States are Save-A-Lot and ALDI. Limited-assortment supermarkets stock about 1,500 SKUs.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

21) The area around the outer walls of a supermarket that stock fresh-merchandise categories such as dairy, bakery, meat, produce, etc. is referred to as the
A) power perimeter.
B) convenience rack.
C) closeouts.
D) irregulars.
E) supercenters.

Answer: A
Explanation: Fresh-merchandise categories are located in the areas around the outer walls of a supermarket, known as the "power perimeter," and include the dairy, bakery, meat, florist, produce, deli, and coffee bar.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
Bloom's: Remember
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22) The _____ focuses on reducing the carbon footprint caused by the transportation of food throughout the world.
A) core insight plan
B) locavore movement
C) sustainable agriculture act
D) limited liabilities act
E) non-compete clause

Answer: B
Explanation: The locavore movement focuses on reducing the carbon footprint caused by the transportation of food throughout the world. Food miles are calculated using the distance that foods travel from the farm to the plate.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

23) Purchasing from factories that pay workers a living wage (more than the minimum wage) and offer other benefits to the employees is called
A) a closeout.
B) power perimeter.
C) cash wrap.
D) flash sale.
E) fair trade.

Answer: E
Explanation: Fair trade is the practice of purchasing from factories that pay workers a living wage, considerably more than the prevailing minimum wage, and offer other benefits such as onsite medical treatment.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
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24) What type of retailer is Meijer considered to be?
A) Supercenter
B) Department store
C) Full-line discount store
D) Drugstore
E) Category specialist

Answer: A
Explanation: Meijer is considered to be a supercenter. Supercenters are large stores (160,000 to 200,000 square feet) that combine a supermarket with a full-line discount store.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
Bloom's: Understand
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25) Which of the following is a similarity between hypermarkets and supercenters?
A) Both are common in the United States.
B) Both offer self-service.
C) Both carry a negotiable percentage of nonfood items.
D) Both avoid the sale of perishables.
E) Both lack parking facilities for customers.

Answer: B
Explanation: Hypermarkets are not common in the United States. Both hypermarkets and supercenters carry grocery and general merchandise categories, offer self-service, and are located in warehouse-type structures with large parking facilities. However, hypermarkets carry a larger proportion of food items than do supercenters and have a greater emphasis on perishables.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
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26) Which of the following differentiates a hypermarket from a supercenter?
A) Hypermarkets do not offer self-service facilities, whereas supercenters offer self-service facilities to their customers.
B) Hypermarkets carry a larger proportion of food items, whereas supercenters carry a larger portion of nonfood items.
C) Hypermarkets have a greater emphasis on dry groceries, whereas supercenters have a greater emphasis on perishables.
D) Hypermarkets are very common in the United States, whereas supercenters are not common in the United States.
E) Hypermarkets provide large parking facilities to its customers, whereas supercenters do not provide parking facilities to their customers.

Answer: B
Explanation: Hypermarkets carry a larger proportion of food items than do supercenters. Supercenters have a larger percentage of nonfood items.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
Bloom's: Understand
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27) What type of retail store is Costco considered to be?
A) A supercenter
B) A hypermarket
C) A category specialist
D) A warehouse club
E) A department store

Answer: D
Explanation: Costco is considered to be a warehouse club. Warehouse clubs are retailers that offer a limited and irregular assortment of food and general merchandise with little service at low prices for ultimate consumers and small businesses.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
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28) Which of these is *not* a relevant challenge for big-box stores while developing locations in Europe, Japan, and the United States?
A) Limited and expensive land
B) Increased operating costs
C) Restricted building size in some counties
D) Opposing sentiments from local residents
E) Lack of employable workforce

Answer: E
Explanation: Supermarket and large format stores have a difficult time finding land in the European, Japanese, and American 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.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
Bloom's: Understand
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29) Which of the following statements best defines a warehouse club?
A) They are stores that provide a large variety and assortment of merchandise at a convenient location with speedy checkout.
B) They are large, self-service retail food stores offering about 30,000 SKUs with high inventory holding costs.
C) They are retailers that carry a broad variety and deep assortment, offer customer services, and organize their stores into distinct departments for displaying merchandise.
D) They are retailers that offer a limited and irregular assortment of food and general merchandise with little service at low prices.
E) They are large stores that combine a supermarket with a full-line discount store.

Answer: D
Explanation: Warehouse clubs are retailers that offer a limited and irregular assortment of food and general merchandise with little service at low prices for ultimate consumers and small businesses.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
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30) Convenience stores _____ than supermarkets.
A) make customers wait in a long checkout line
B) avoid selling lower profit products
C) offer a broad variety and deep assortment of merchandise
D) offer self-service to its customers
E) charge higher prices for similar products sold

Answer: E
Explanation: Convenience stores generally charge higher prices for similar products like milk, eggs, and bread. Convenience stores provide a limited variety and assortment of merchandise at a convenient location in 3,000- to 5,000-square-foot stores with speedy checkout.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
Bloom's: Remember
AACSB: Reflective Thinking; Communication
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31) Which of the following statements is true about warehouse clubs?
A) Warehouse clubs carry a broad variety and deep assortment of merchandise.
B) Warehouse clubs are small and typically located in high-rent districts.
C) Warehouse clubs typically have low inventory holding costs.
D) Warehouse clubs offer extensive customer service.
E) Warehouse clubs offer its fast-selling items at high prices.

Answer: C
Explanation: Warehouse clubs keep inventory holding costs low by carrying a limited assortment of fast-selling items.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
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32) Which of the following statements is true of department stores?
A) They are usually located in local neighborhoods rather than large regional malls.
B) They often resemble a collection of specialty shops.
C) They can be categorized into two tiers.
D) They focus almost exclusively on hard goods.
E) They offer a limited variety and shallow assortment of merchandise.

Answer: B
Explanation: The department store often resembles a collection of specialty shops. Each department within the store has a specific selling space allocated to it, as well as sales people to assist customers.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

33) A retailer that carries a broad variety and deep assortment, offers customer services, and is organized into distinct sections for displaying merchandise is called a(n)
A) off-price retailer.
B) department store.
C) discount retailer.
D) convenience store.
E) specialty retailer.

Answer: B
Explanation: A retailer that carries a broad variety and deep assortment, offers customer services, and is organized into distinct sections for displaying merchandise is called a department store. The largest department store chains in the United States include Sears, Macy's, Kohl's, JCPenney, and Nordstrom.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
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34) What type of retailer is Kohl's considered to be?
A) Off-price retailer
B) Department store
C) Full-line discount store
D) Extreme value retailer
E) Specialty retailer

Answer: B
Explanation: Kohl's is one of the largest department store chains in the United States. Department stores are retailers that carry a broad variety and deep assortment, offer customer services, and organize their stores into distinct departments for displaying merchandise.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
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35) Which of the following is a first-tier department store?
A) Macy's
B) Nordstrom
C) Sears
D) Kohl's
E) JCPenney

Answer: B
Explanation: First-tier department stores include upscale, high-fashion chains with exclusive designer merchandise and excellent customer service. Nordstrom, Neiman Marcus, Bloomingdale's, and Saks Fifth Avenue are first-tier department stores.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
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36) Which of the following is a second-tier department store?
A) Macy's
B) Neiman Marcus
C) TJ Maxx
D) Nordstrom
E) Saks Fifth Avenue

Answer: A
Explanation: Second-tier department stores are retailers who sell more modestly priced merchandise with less customer service than first-tier stores. Dillards is an example of a second-tier department store.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

37) Which of the following is a third-tier department store?
A) Macy's
B) Neiman Marcus
C) TJ Maxx
D) Nordstrom
E) JCPenney

Answer: E
Explanation: Third-tier department stores focus on value and price-conscious customers. Retailers in this category are Sears, JCPenney, and Kohl's.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
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38) What can department stores do to differentiate their merchandise offering and strengthen their image?
A) Increase their pricing
B) Decrease the variety and assortment of merchandise within the store
C) Seek exclusive arrangements with nationally recognized brands
D) Merge with faltering retailers to gain their market share
E) Sell only hard goods

Answer: C
Explanation: To differentiate their merchandise offerings and strengthen their image, department stores are aggressively seeking exclusive brands in which national brand vendors sell them merchandise that is not available elsewhere.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

39) Attempting to combat losing market share, department stores are doing all of the following *except*
A) becoming active participants in omnichannel retailing.
B) adding exclusive merchandise to their assortments.
C) developing stronger marketing campaigns to enhance their store image.
D) placing more emphasis on developing their own private-label brands.
E) increasing their prices to gain more net sales.

Answer: E
Explanation: Department stores are trying hard to not lose market share. Therefore, they are expanding omnichannel retailing, adding exclusive merchandise, developing stronger marketing campaigns, and placing more emphasis on developing their own private-label brands.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
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40) Private-label brands are also called
A) closeouts.
B) category killers.
C) irregulars.
D) inclusive brands.
E) store brands.

Answer: E
Explanation: Private-label brands are also called store brands. These items are developed and marketed by the retailer, available only in its stores.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking; Communication
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41) Alfani (women's fashion), Hotel Collection (luxury fabrics), and Tools of the Trade (housewares) are examples of Macy's
A) national brands.
B) store brands.
C) irregulars.
D) inclusive brands.
E) closeouts.

Answer: B
Explanation: Alfani (women's fashion), Hotel Collection (luxury fabrics), and Tools of the Trade (housewares) are examples of Macy's store brands. These items are developed and marketed by the retailer, available only in Macy's.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
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42) What type of retailer is Target considered to be?
A) Off-price retailer
B) Department store
C) Full-line discount store
D) Extreme value retailer
E) Specialty retailer

Answer: C
Explanation: Target is one of the largest full-line discount store chains. Full-line discount stores are retailers that offer a broad variety of merchandise, limited service, and low prices.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

43) To respond to a competitive environment, one thing that Walmart is doing is
A) converting its discount stores into supercenters.
B) leasing retail space in its stores to independent merchants.
C) focusing on high customer service.
D) converting the discount stores into convenience stores.
E) expanding into rural locations.

Answer: A
Explanation: Walmart is converting many of its discount stores into supercenters. Supercenters are more efficient than traditional discount stores because of the economies of scale that result from the high traffic generated by the food offering.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
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44) Which of the following statements about full-line discount stores is true?
A) They carry only 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) They confront intense competition from category specialists.

Answer: E
Explanation: Full-line discount stores confront intense competition from category specialists that focus on a single category of merchandise.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
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45) Why are category specialists sometimes called category killers?
A) They are often located close to full-line discount stores and discount stores that offer a deep assortment of merchandise.
B) They are located at stand-alone sites.
C) They have a broad merchandise mix and shallow assortment.
D) They can dominate a category of merchandise making it difficult for other retailers to compete.
E) They carry mainly technologically obsolete merchandise.

Answer: D
Explanation: By offering a complete assortment in a category, category specialists can "kill" a category of merchandise for other retailers and thus are frequently called category killers.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
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46) Best Buy is a category specialist for the electronics industry. This means the stores
A) offer their customers narrow breadth and depth of merchandise.
B) sell only their own private-label brands.
C) have excellent after-sales customer service.
D) avoid a self-service approach.
E) offer a narrow but deep assortment of merchandise.

Answer: E
Explanation: Category specialists are big-box stores that offer a narrow but deep assortment of merchandise. Most category specialists predominantly use a self-service approach, but they offer assistance to customers in some areas of the stores.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

47) What type of retail store is Victoria's Secret considered to be?
A) Department store
B) Convenient store
C) Full-line discount store
D) Specialty store
E) Supermarket

Answer: D
Explanation: Victoria's Secret is the leading specialty retailer of lingerie and beauty products in the United States. Specialty stores concentrate on a limited number of complementary merchandise categories and provide a high level of service.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
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48) Which of the following statements is true about specialty stores?
A) They tailor their retail strategy toward very specific market segments.
B) They group products by brand instead of product category like in department stores.
C) They offer very shallow and narrow assortments.
D) They completely avoid including their own private-label brands in the store.
E) They discourage sampling.

Answer: A
Explanation: Specialty stores tailor their retail strategy toward very specific market segments by offering deep but narrow assortments and sales associate expertise. Specialty stores concentrate on a limited number of complementary merchandise categories and provide a high level of service.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
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49) A special type of resale store where merchandise is donated and proceeds go to charity is called a(n)
A) extreme-value retailer.
B) thrift store.
C) consignment shop.
D) dollar store.
E) supercenter.

Answer: B
Explanation: A special type of resale store where merchandise is donated and proceeds go to charity is called a thrift store. Resale stores are retailers that sell secondhand or used merchandise.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
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50) A type of resale store that accepts used merchandise from people and pays them after it is sold is called a(n)
A) dollar store.
B) consignment shop.
C) supercenter.
D) thrift store.
E) extreme-value retailer.

Answer: B
Explanation: A type of resale store that accepts used merchandise from people and pays them after it is sold is called a consignment shop. Resale stores are retailers that sell secondhand or used merchandise.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

51) Which of the following types of general merchandise retailers is also sometimes referred to as dollar stores?
A) Extreme-value retailers
B) Department stores
C) Full-line discount stores
D) Category specialists
E) Specialty stores

Answer: A
Explanation: Extreme-value retailers are also called dollar stores. They are small discount stores that offer a broad variety but shallow assortment of household goods, health and beauty care (HBC) products, and groceries.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
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52) What type of a retail store is Walgreens considered to be?
A) Full-line discount store
B) Drugstore
C) Department store
D) Convenience store
E) Supercenter

Answer: B
Explanation: Walgreens is one of the largest drugstores in the United States. Drugstores are specialty stores that concentrate on health and beauty care (HBC) products.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

53) What type of retail 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

Answer: D
Explanation: Dollar General is one of the largest extreme-value retailers. Extreme-value retailers, also called dollar stores, are small discount stores that offer a broad variety but shallow assortment of household goods, health and beauty care (HBC) products, and groceries.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

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54) 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.
E) the wide assortment of merchandise they sell

Answer: B
Explanation: Customers drawn to the "one-stop" shopping idea may prefer getting their groceries, paper products, and prescriptions to be filled all in one stop at a discount store.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

55) _____ offer an inconsistent assortment of brand-name merchandise at a significant discount off the manufacturers' suggested retail price.
A) Off-price retailers
B) Department stores
C) Discount retailers
D) Convenience stores
E) Specialty retailers

Answer: A
Explanation: Off-price retailers offer an inconsistent assortment of brand-name merchandise at a significant discount off the manufacturers' suggested retail price (MSRP). America's largest off-price retail chains are TJX Companies (which operates TJ Maxx, Marshalls, Winners [Canada], HomeGoods, HomeSense [Canada], Ross Stores, Burlington Coat Factory, Big Lots, and Overstock.com.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

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56) What type of store is TJ Maxx considered to be?
A) Off-price retailer
B) Department store
C) Full-line discount store
D) Extreme-value retailer
E) Specialty retailer

Answer: A
Explanation: TJ Maxx is one of America's largest off-price retail chains. Off-price retailers offer an inconsistent assortment of brand-name merchandise at a significant discount off the manufacturers' suggested retail price (MSRP).
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

57) Which of the following is true of off-price retailers?
A) They offer a consistent assortment of soft goods at low prices.
B) They sell brand-name merchandise at reduced prices.
C) They offer gift registries.
D) They require suppliers to give them a variety of advertising allowances and markdown discounts.
E) They sell designer-label merchandise at 20 to 60 percent higher than the manufacturer's suggested retail price.

Answer: B
Explanation: Off-price retailers offer an inconsistent assortment of brand-name merchandise at a significant discount off the manufacturers' suggested retail price (MSRP). Off-price retailers are able to sell brand-name and even designer-label merchandise at 20 to 60 percent lower than the manufacturer's suggested retail price.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
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58) Off-price retailers will often sell merchandise for 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.
E) the merchandise sold by them are always closeouts.

Answer: B
Explanation: MSRP is an acronym for manufacturer's suggested retail price.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

59) _____ are products that have minor blemishes to the fabric or errors in the construction.
A) Closeouts
B) Irregulars
C) Category killers
D) Soft goods
E) Hard goods

Answer: B
Explanation: Irregulars are merchandise with minor mistakes in construction.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
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60) _____ are end-of-season merchandise that will not be in the manufacturer's offerings going forward.
A) Closeouts
B) Irregulars
C) Endcaps
D) Category killers
E) Soft goods

Answer: A
Explanation: Closeouts are end-of-season merchandise that will not be used in following seasons.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

61) _____ are off-price retailers owned by manufacturers or retailers.
A) Dollar stores
B) Closeouts
C) Thrift stores
D) Outlet stores
E) Supercenters

Answer: D
Explanation: A special type of off-price retailer is the outlet store. Outlet stores are off-price retailers owned by manufacturers or retailers.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking; Communication
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62) With respect to off-price retailing, in a _____ sale, each day at the same time, members receive an e-mail that announces the deals available.
A) closeout
B) clearance
C) enterprise
D) consultative
E) flash

Answer: E
Explanation: With respect to off-price retailing, in a flash sale, each day at the same time, members receive an e-mail that announces the deals available. An online twist to off-price retailing comes from flash sale sites such as Gilt, Rue La La, and HauteLook.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

63) A special type of off-price retailer owned by manufacturers is called a
A) consignment shop.
B) thrift store.
C) dollar store.
D) warehouse club.
E) factory outlet.

Answer: E
Explanation: A special type of off-price retailer owned by manufacturers is called a factory outlet. Outlet stores are off-price retailers owned by manufacturers or retailers.
Difficulty: 1 Easy
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking
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64) Merrill Lynch, Marriott, and Century 21 are examples of
A) dollar stores.
B) off-price retailers.
C) service retailers.
D) specialty stores.
E) full-line discount stores.

Answer: C
Explanation: Merrill Lynch, Marriott, and Century 21 are examples of service retailers. Service retailers are firms that primarily sell services rather than merchandise.
Difficulty: 2 Medium
Topic: Differences Between Service and Merchandise Retailers
Learning Objective: 02-04 Explain the differences between service and merchandise retailers.
Bloom's: Remember
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

65) Services are difficult to be evaluated before customers buy or even after they buy and consume them. Which of the following characteristics of service causes this challenge for service retailers?
A) Intangibility
B) Perishability
C) Inconsistency
D) Consumability
E) Compatibility

Answer: A
Explanation: 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.
Difficulty: 3 Hard
Topic: Differences Between Service and Merchandise Retailers
Learning Objective: 02-04 Explain the differences between service and merchandise retailers.
Bloom's: Apply
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66) 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.

Answer: D
Explanation: Services retailers often solicit customer evaluations and scrutinize complaints to cope with the problems associated with the intangibility of service. Services are less tangible than products—customers cannot see, touch, or feel them. They are performances or actions rather than objects.
Difficulty: 2 Medium
Topic: Differences Between Service and Merchandise Retailers
Learning Objective: 02-04 Explain the differences between service and merchandise retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

67) A 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 of the following service characteristics is the doctor trying to handle with her office décor?
A) Intangibility
B) Perishability
C) Inconsistency
D) Consumability
E) Compatibility

Answer: A
Explanation: 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. 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 are a subtle way of exuding success and accomplishments, giving the customers additional confidence in the services they are about to purchase.
Difficulty: 2 Medium
Topic: Differences Between Service and Merchandise Retailers
Learning Objective: 02-04 Explain the differences between service and merchandise retailers.
Bloom's: Apply
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68) A therapeutic massage service requires its therapists to keep a database on each customer and include in that database what was done on each visit for the customer's aches and pains. Which of the following service characteristics is the massage service trying to cope with?
A) Intangibility
B) Perishability
C) Inconsistency
D) Consumability
E) Compatibility

Answer: C
Explanation: 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.
Difficulty: 2 Medium
Topic: Differences Between Service and Merchandise Retailers
Learning Objective: 02-04 Explain the differences between service and merchandise retailers.
Bloom's: Apply
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

69) Due to the _____ of services, service retailers like Six Flags, Delta, and Applebee's restaurants, sometimes find it difficult to match supply and demand.
A) intangibility
B) perishability
C) inconsistency
D) consumability
E) compatibility

Answer: B
Explanation: Due to the perishability of services, service retailers like Six Flags, Delta, and Applebee's restaurants, sometimes find it difficult to match supply and demand. Services are perishable. They cannot be saved, stored, or resold.
Difficulty: 2 Medium
Topic: Differences Between Service and Merchandise Retailers
Learning Objective: 02-04 Explain the differences between service and merchandise retailers.
Bloom's: Understand
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70) 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

Answer: A
Explanation: Services retailers use a variety of programs to match demand and supply. Movie theaters set lower prices when they have excess capacity.
Difficulty: 2 Medium
Topic: Differences Between Service and Merchandise Retailers
Learning Objective: 02-04 Explain the differences between service and merchandise retailers.
Bloom's: Apply
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

71) 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) Avoid simultaneity of production and consumption of service.
D) Train and motivate service providers.
E) Increase staffing at peak demand times.

Answer: D
Explanation: A service retailer can best cope with the problem associated with the inconsistency of service by training and motivating the service providers. Because services are performances produced by people (employees and customers), no two services will be identical.
Difficulty: 2 Medium
Topic: Differences Between Service and Merchandise Retailers
Learning Objective: 02-04 Explain the differences between service and merchandise retailers.
Bloom's: Apply
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72) Which of the following is true of single-store retailers?
A) They do not have direct contact with their customers.
B) They are not bound by the bureaucracies inherent in large retail organizations.
C) They are totally independent of their owner-managers' capabilities to make any retail decision.
D) They must join a wholesale-sponsored voluntary competitive group to compete against corporate chains.
E) They are very rigid and lack quick adaptability to market changes and customer needs.

Answer: B
Explanation: Single-store retailers are not bound by the bureaucracies inherent in large retail organizations. Many retail start-ups are owner-managed, which means management has direct contact with customers and can respond quickly to their needs.
Difficulty: 2 Medium
Topic: Types of Ownership for Retail Firms
Learning Objective: 02-05 Explain the types of ownership for retail firms.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

73) Which of the following is a drawback of the franchise ownership?
A) The franchisee lacks any kind of off- or onsite training from the franchisor.
B) The franchisor lacks any benefit from the success of his or her franchisee.
C) The franchisee must adhere to the franchisor's rules and operating guidelines.
D) The franchisee must join a single-store retailer to become independent of the franchisor.
E) The franchisor must incur the capital costs like purchase and modification of the retail space.

Answer: C
Explanation: There are also several drawbacks to franchise ownership. In addition to incurring the capital costs, the franchisee must adhere to the franchisor's rules and operating guidelines.
Difficulty: 2 Medium
Topic: Types of Ownership for Retail Firms
Learning Objective: 02-05 Explain the types of ownership for retail firms.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

74) Differentiate between variety and assortment of merchandise offered by a retailer.

Answer: Variety is the number of merchandise categories a retailer offers. Assortment is the number of different items offered in a merchandise category. Variety is often referred to as the breadth of merchandise, and assortment is referred to as the depth of merchandise.
Difficulty: 2 Medium
Topic: Characteristics of Retailers
Learning Objective: 02-01 List the different characteristics that define retailers.
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75) Explain the strategies that limited-assortment supermarkets (extreme-value food retailers) use in order to provide customers with high-quality merchandise at low prices to compete against other food retailing formats.

Answer: Limited-assortment supermarkets only stock about 1,500 SKUs, but conventional supermarkets carry about 30,000 SKUs. Limited-assortment supermarkets offer one or two brands and sizes, one of which is a store brand. Stores are designed to maximize efficiency and reduce costs. For example, merchandise is shipped in cartons on crates that can serve as displays so that no unloading is needed. Some costly services that consumers take for granted, such as free bags and paying with credit cards, are not provided. Stores are typically located in second- or third-tier shopping centers with low rents. By trimming costs, limited-assortment supermarkets can offer merchandise at prices 40 percent lower than those at conventional supermarkets. These features have supported the substantial growth of such retailers, which appeal strongly to customers who are not loyal to national brands and more willing to try a store brand, especially if it means they pay lower prices.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-02 Categorize the various types of food retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

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

Answer: 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 Bloomingdale's. Macy's and Dillards are in the second tier of traditional department stores, in which retailers sell more modestly priced merchandise with less customer service. The third is the value-oriented tier, Sears, JCPenney, and Kohl's, which caters to more price-conscious consumers.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
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77) Discuss the reasons that department stores are losing their market share to discount stores, and list the steps taken by department stores to deal with their eroding market share.

Answer: Many consumers view department stores as 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 in the second- and third-tier stores because of the retailers' desire to increase profits by reducing labor costs. To deal with their eroding market share, department stores are (1) increasing the amount of exclusive merchandise they sell, (2) increasing their use of private-label merchandise, and (3) expanding their omnichannel presence.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

78) Describe what category specialist retailers are while providing specific examples of category specialist retailers and how they differentiate themselves from their competitors.

Answer: Category specialists are big-box stores that offer a narrow but deep assortment of merchandise. Most category specialists predominantly use a self-service approach, but they offer assistance to customers in some areas of the stores. For example, Staples stores have a warehouse atmosphere, with cartons of copy paper stacked on pallets, plus equipment in boxes on shelves. But in some departments, such as computers and other high-tech products, it provides salespeople in the display area to answer questions and make suggestions. By offering a complete assortment in a category, category specialists can "kill" a category of merchandise for other retailers and thus are frequently called category killers. Using their category dominance and buying power, they buy products at low prices and are ensured of supply when items are scarce. Department stores and full-line discount stores located near category specialists often have to reduce their offerings in the category because consumers are drawn to the deep assortment and competitive prices at the category killer.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication; Diversity
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79) Explain what drugstores do to remain competitive in the marketplace.

Answer: Drugstores face competition from pharmacies in discount stores and from pressure to reduce health care costs. In response, the major drugstore chains are offering a wider assortment of merchandise, including more frequently purchased food items, as well as new services, such as the convenience of drive-through windows for picking up prescriptions, in-store medical clinics, and even makeovers and spa treatments.
Difficulty: 3 Hard
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
AACSB: Reflective Thinking; Communication
Accessibility: Keyboard Navigation

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

Answer: Off-price retailers are able to sell brand-name and even designer-label merchandise at 20 to 60 percent lower than the manufacturer's suggested retail price because of their unique buying and merchandising practices. Much of the merchandise is bought opportunistically from manufacturers that have overruns, canceled orders, forecasting mistakes causing excess inventory, closeouts, and irregulars. They also buy excess inventory from other retailers. Closeouts are end-of-season merchandise that will not be used in following seasons. Irregulars are merchandise with minor mistakes in construction. Off-price retailers can buy at low prices because they do not ask suppliers for advertising allowances, return privileges, markdown adjustments, or delayed payments.
Difficulty: 2 Medium
Topic: Categories of Food and General Merchandise Retailers
Learning Objective: 02-03 Identify the various types of general merchandise retailers.
Bloom's: Understand
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81) Describe the four important differences in the nature of the offerings provided by services and merchandise retailers.

Answer: 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
Services are less tangible than products—customers cannot see or touch them. They are performances or actions rather than objects. For example, health care services cannot be seen or touched by a patient. Intangibility introduces several challenges for services retailers. Because customers cannot touch and feel services, it is difficult for them to evaluate services before they buy them or even after they buy and consume them.
(2) Simultaneous production and consumption
Products are typically made in a factory, stored and sold by a retailer, and then used by consumers in their homes. Service providers, however, create and deliver the service as the customer is consuming it. For example, when you eat at a restaurant, the meal is prepared and consumed almost at the same time.
(3) Perishability
Services are perishable. They cannot be saved, stored, or resold. Once an airplane takes off with an empty seat, the sale is lost forever. In contrast, merchandise can be held in inventory until a customer is ready to buy it. Due to the perishability of services, services retailing must match supply and demand.
(4) Inconsistency of the offering to customers
Products can be produced by machines with very tight quality control, so customers are reasonably assured that all boxes of Cheerios will be identical. But because services are performances produced by people (employees and customers), no two services will be identical.
Difficulty: 3 Hard
Topic: Differences Between Service and Merchandise Retailers
Learning Objective: 02-04 Explain the differences between service and merchandise retailers.
Bloom's: Apply
AACSB: Reflective Thinking; Communication
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82) What is franchising? What does a franchisor offer its franchisees to get the franchisees off to a good start?

Answer: Franchising is a contractual agreement in which the franchisor (the company) sells the rights to use its business trademark, service mark, or trade name, or another commercial symbol of the company, to the franchisee for a one-time franchise fee and an ongoing royalty fee, typically expressed as a percentage of gross monthly sales. To get franchisees off to a good start, most franchisors provide off- and onsite training, location analysis assistance, advertising, and sometimes a protected territory (i.e., no other franchise may open a store within a certain radius of the first store). Some franchisors even provide financing or offer third-party financing opportunities.
Difficulty: 2 Medium
Topic: Types of Ownership for Retail Firms
Learning Objective: 02-05 Explain the types of ownership for retail firms.
Bloom's: Understand
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