

Retail Redlining: Definition, Theory, Typology, and Measurement

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Retail redlining is a spatially discriminatory practice among retailers, of not serving certain areas, based on their ethnic-minority composition, rather than on economic criteria, such as the potential profitability of operating in those areas. Consequently, consumers in these areas often find themselves "vulnerable" because no other retailers will serve them, or they are exploited by other, often smaller, retailers who charge them higher prices and/or offer them inferior goods. What makes retail redlining worthy of scrutiny is that whereas redlining is illegal in the financial industry, retail redlining is still legal in the retailing industry. There are, however, lawsuits and lobbying efforts under way that seek to make this practice illegal. In this article, the authors define retail redlining, identify eight different commonly seen variations of it, look at both sides of the argument on this practice, and finally suggest a methodology for empirically verifying this practice.

Keywords: measurement methodology; redlining; retail redlining; spatial discrimination; typology

Redlining is a widely known practice that used to be employed by banks and insurance companies in the United States in the past. Firms in these industries, when they employed this practice, would decide that they were not going to serve certain neighborhoods, if they were composed primarily of ethnic-minority households, regardless of their credit-worthiness or insurability. Consequently, they would, for example, take a map of the area in question and, using a red pencil, place a red line around the areas they were not going to serve and use such a marked-up map (often prominently displayed in offices in firms that employed this practice) as a visual aid to guide their responses to all future requests for loans and insurance policies from the area in question. Hence the term *Red Lining* (Black and Nolan 1990).

This practice was outlawed by the federal government through the Fair Housing Act of 1968. Consequently, it is now not as common a practice as it used to be, although it still figures from time to time in sporadic lawsuits and settlements (Grow and Gogoi 2002). In the academic business literature,

this practice has been widely documented and studied (e.g., Zenou and Boccard 2000) and hence will not be discussed further in this article.

A similar, albeit legal (for now) practice is currently employed in the world of retailing and goes by a similar-sounding name, *retail redlining*. Like its counterpart in the world of finance, it is equally discriminatory, in that customers of certain, often large, retailers that have been accused of employing this practice (e.g., Wu 2002; Jelisavcic 1996; Smith-Amos 1996) allege that they are not being served by these retailers simply because they live in largely minority neighborhoods rather than on their ability to pay for the goods and services. Consequently, such retail-redlined customers often find themselves vulnerable to exploitation because their market areas are "abandoned" by the larger chain stores, leaving them to the mercy of smaller retailers who then move in, charge them higher prices, and/or offer them limited product selections and inferior goods (Bell and Burlin 1993). There are many variations of this practice, as reported in the popular press, and we discuss each of them in detail in a later section.

But, for now, it must be remembered that in all its variations, retail redlining is not as blatantly practiced as its financial-services counterpart used to be in yesteryears. Whenever a retailer is accused of employing this practice, the

We thank the three anonymous reviewers for their excellent suggestions for improving this article. We believe this article has greatly benefited from these reviewer comments. We especially thank one of the three reviewers for bringing to our attention the Harris and Carman (1983) article. It has resulted in a new Theoretical Conceptualization section in this final version of this article.

Note: The present authors have no direct evidence to investigate the merits of each case of alleged retail redlining cited in this article. On the contrary, the present authors had to rely on allegations from both sides of each case of alleged retail redlining, as they were reported in the popular press, to build the theoretical framework and method proposed in this article. Consequently, the purpose of this article is to (1) take a position that is as neutral as possible and (2) propose from that neutral position a reliable, unbiased method by which every case of alleged retail redlining might be empirically tested and judged by interested parties who read this article.

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following have typically been found to be true of the retailer's response to the accusation: (1) the basis on which the retailer is accused of employing this practice (i.e., the largely minority status of an area) is typically denied by the retailer, and (2) other reasons (e.g., crime rates) are offered by the retailer for the lack of its presence and/or service in that area. We shall examine the more frequent accusations and their denials in more detail in subsequent sections.

It must be pointed out that retail redlining has not as yet been found to be illegal by the various federal, state, and local courts in the United States, nor has it been legislated against in the various federal, state, and local legislatures in the United States. On the other hand, opponents of this alleged practice are striving to make it an illegal practice (e.g., Smith-Amos 1996) but to our knowledge have (1) not yet, as of this date, won a single case in any court in the United States on the basis that retail redlining is a (racially or otherwise) discriminatory practice and (2) have not yet convinced a single legislative body in the United States as of date to outlaw this practice. This issue is important because should retail redlining be found to be discriminatory and therefore illegal in the future, it would invite regulatory intervention by the government in the retailing industry, the way the finance and insurance industries currently are (e.g., Grow and Gogoi 2002; Jelisavcic 1996).

DEFINITION

As with our earlier definitions of retail redlining (D'Rozario and Williams 2003a, 2003b), to develop the current (and most accurate) definition of this practice in this article, we once again draw on the arguments of both, the opponents and proponents of this practice.

On the basis of these arguments, which we examine in detail in the Typology Development section, we define retail redlining here as a spatially discriminatory practice among retailers, especially chain stores, of either not serving certain areas or targeting stores operating in those areas for unfavorable treatment, based on the racial-/ethnic-minority composition of either the customers that those stores serve and/or the owners/operators of those stores, rather than on economic criteria (such as the potential profitability of operating in those areas).

Some clarifications to this definition must be made before we proceed any further. First, we do not restrict our definition only to certain racial/ethnic groups, such as African Americans. There is no doubt that in most of the literature we cite, African American litigants and neighborhoods are involved in the cases of alleged retail redlining. However, retail redlining can be practiced with any disadvantaged racial-/ethnic-minority group that tends to be concentrated more in some geographic areas than others.

Second, for the sake of consistency with the redlining variant as defined in the economics, finance, insurance, and real

estate literatures (e.g., Holmes 2000), we shall restrict our definition only to racial- and ethnic-minority groups for now (e.g., African Americans and Hispanic Americans). However, we leave it up to future research to broaden this definition to include other disadvantaged groups as well (e.g., based on religion and sexual orientation), if there is empirical evidence to warrant a broader definition.

BACKGROUND

Bell and Burlin's (1993) study serves as a good background for the present article because it shows us what happens to a spatially segregated ethnic-minority population when big, chain grocery stores give it less attention in comparison with the adjacent majority population. Bell and Burlin (1993) based their findings on their reanalysis of one (i.e., food) of five data sets from an earlier, unpublished study (Troutt 1992) that compared the experiences of individuals who shopped at supermarkets in low- and middle-income neighborhoods in Oakland, California.

Some of the salient findings from the Bell and Burlin (1993) study include the following:

- Poor, often minority consumers in urban areas who cannot travel (because they often lack independent means of transportation) to better stores (most often in the suburbs) often find themselves forced to shop at overcrowded, shabby stores, which most often offer limited selections of merchandise and sometimes even bad-quality goods, all of this at much higher prices than what their counterparts in middle-income neighborhoods, in the suburbs, pay.
- The presence of a chain grocery store (even better, a large chain grocery store) in a low-income neighborhood typically has dramatic effects on the prices and quality of goods and services offered at other grocery stores in these neighborhoods.
- Although stores in the low-income neighborhoods were reported to experience some costs that were higher (e.g., their inability to take advantage of lower prices that come with larger orders, because of their limited storage capacities caused by their inner-city store sizes) than what their middle-income neighborhood counterparts experienced, they appeared to be much more profitable to operate than their middle-income neighborhood counterparts. As in the case of the Vons supermarket chain, many of them openly acknowledge this (Bell and Burlin 1993).
- Yet many low-income areas cited in the Bell and Burlin (1993) study and elsewhere (see e.g., White 1993) continue to lack the presence of even a single chain store supermarket, whereas their middle-income neighborhood counterparts wallow in them.

In other words, this is retail redlining, even though Bell and Burlin (1993) did not use this term, because it is practiced on inner-city (hence spatially segregated from the suburbs) consumers who are mostly from ethnic-minority groups (especially African American). Furthermore, because a greater percentage of these consumers compared with the

general population are also very likely to be less educated, to have lower incomes, and to lack adequate transportation, this greater percentage of consumers in inner-city areas could also be considered at the very least “vulnerable” to exploitation and at worst actually exploited by retailers who charge them higher prices for shoddy merchandise. The logic for this is as follows: (1) by being less educated, many of these individuals would typically have less access to the type of information readily available to other consumers to make better shopping decisions; (2) by having lower incomes, they are less likely to be able to afford higher prices; and (3) by being less mobile, they are less likely to be able to avoid higher-priced retailers, by shopping elsewhere.

While the work of Bell and Burlin (1993) is indeed a contribution to the marketing literature insofar as it showed what the effects of spatial discrimination are on ethnic-minority consumers, it did not specifically identify or define the underlying practice by these grocery store chains as being retail redlining. We do both of these tasks (i.e., identification and definition) as well as three others (i.e., theoretical conceptualization, typology development, and methodology for the measurement of retail redlining) in this article, which we believe are its contributions.

THEORETICAL CONCEPTUALIZATION

Based on what we now know from the previous section, chain stores willingly cede profitable, inner-city locations to independents, while they saturate suburban, less-profitable locations with their stores. This cannot be explained by any economic theory that we are aware of, which is why we now turn to noneconomic reasons, to explain this chain store behavior.

A search of the literature for a theoretical explanation (even using noneconomic reasons) for the practice of retail redlining yielded very little success. The lone article that came the closest to providing a theoretical conceptualization for the present article was one that examined the reasons why markets failed (Harris and Carman 1983). However, this article, comprehensive though it was in its analysis of many other market failures, failed to address the particular reasons why retail redlining is practiced. However, we saw this as precisely the reason why there is a need for the present article, namely, to close a clear gap in the literature by showing why an extension and update of one missing aspect of the Harris and Carman (1983) study is needed.

Under the category of “Income Maldistribution” market failures, Harris and Carman (1983) discussed employee discrimination as one cause of factor market failures. They also discussed discrimination as the cause of failure in a particular type of consumer market, namely, labor-related consumer markets. Unfortunately, nowhere else in their article do these authors address discrimination as a reason for any other type of market failure, which is where the present article seeks to make its contribution. In other words, the present article is

about the effect of discrimination in any consumer market, not just labor-related consumer markets.

That distinction having been made, we would first like to restate what Harris and Carman (1983) had to say about discrimination in factor markets:

One particular factor market failure is discrimination, which violates the normative standard that subjects are economically rationale [*sic*] (i.e., personal attributes of subjects should have no effect on the terms of exchange). When discrimination occurs, individuals may be unable to sell their labor services, or may have to sell them at a less than fair price. Discrimination also occurs in labor-related consumer markets, such as schools and universities. When the sellers of educational services discriminate against potential consumers on non-economic grounds there is a misallocation of educational resources and the possibility of losses in income-earning potential by those discriminated against. (Harris and Carman 1983, 57)

The key points that we now wish to make, on the basis of this explanation, are as follows:

1. Discrimination is a cause for markets (i.e., both factor and consumer) to fail.
2. When discrimination takes place, individuals are not being economically rational.
3. Consequently, buyers and sellers may not be able to buy and sell their products.
4. There is a misallocation of the seller’s resources.
5. There is a loss of (some type of) potential by those discriminated against.

For all of these reasons, discrimination in consumer markets is a lose-lose (i.e., both buyers and sellers) proposition and consequently should be remedied wherever possible, by intervention, by the legislature or the judicial system, as we discuss in a subsequent section.

In conclusion, if Harris and Carman (1983) could have addressed discrimination in all consumer markets, their original explanation might have had to be rephrased to read as follows:

One particular consumer market failure is discrimination, which violates the normative standard that firms are economically rational (i.e., personal attributes of consumers should have no effect on the terms of exchange). When discrimination occurs in consumer markets, individuals may be unable to buy their goods and services or may have to buy them at a higher-than-fair price. When the sellers of products and services in these markets discriminate against potential consumers on noneconomic grounds, there is (1) a misallocation of the seller’s and (2) the consumer’s resources, (3) foregone profit to the seller, and (4) loss to the consumer welfare of those discriminated against.

In the next section, we discuss different types of spatial discrimination in consumer markets.

TYOLOGY DEVELOPMENT

To establish the premises for testing the methodology that we propose in the next section, we set up the discussion of each type of retail redlining below as follows. In discussing each type of retail redlining, we first briefly define/describe the distinguishing characteristics that make that type of alleged retail redlining unique, followed by a brief enumeration of the arguments of the defenders of the practice in question, followed in turn by the counterarguments of those who allege that the practice is, in fact, some form of overt/covert retail redlining. The reason why we list these arguments and counterarguments separately is because they lead directly to the individual hypotheses (as listed in Tables 2, 3, and 4) that should be factored into and individually tested (for possible refutation) in any empirical model that attempts to verify the existence of this practice in an area, as objectively as possible. In the interest of brevity, we also briefly list (i.e., without much discussion) what we believe are the major parties harmed and benefited by each type of retail redlining. Finally, we summarize all of these types of retail redlining, along with their distinguishing characteristics, in Table 1, so that the reader can see why each type of retail redlining is unique and how it is different from the other types of retail redlining. However, we leave open the possibility (as pointed out by two of the reviewers) that one or more types of retail redlining (e.g., types A and B) might be manifested together, in certain situations, although we have no evidence of this from the literature we surveyed for this article. The eight types we discuss in this article are merely what we are currently aware of (not all the different types that can possibly exist), from surveying the current popular press literature. Consequently, we leave open the possibility for future research to uncover even more types of retail redlining than what we have shown in this article, if future published evidence warrants it.

Types of Retail Redlining

A. Higher Fees Charged to Franchisees Operating in Particular Retail Areas

This type of retail redlining is the alleged practice by some franchise chains of charging their franchisees that operate in certain areas (often minority-dominant neighborhoods) higher fees and cutting back on various types of support (including marketing) to these minority-area franchisees, which they otherwise offer to their franchisees in non-minority locations.

Proponent arguments. The franchiser usually cites reasons such as a stagnant or declining population base (i.e., reverse of Alternative Hypothesis [AH] 2), high crime rates (AH 21), and high insurance rates (AH 23)—implying that

the franchise could be a risky proposition—that are all responsible for the higher fees charged and lower support levels offered in the disputed area.

Opponent counterarguments. Opponents of the franchiser's practice usually cite the fact that the only reason for the alleged practice is the fact that, in comparison with surrounding areas, the disputed area has a much higher proportion of minorities (null hypothesis) in it. This null hypothesis (NH) will always be a counterargument in all cases of retail redlining (by definition) and hence will not be repeated for the other cases (cases B through H) to be discussed.

Parties harmed. These are minority franchisees (through higher operating costs), the franchisees' customers (e.g., through higher prices passed on to them, as a result of the higher fees), other potential minority franchisees (e.g., who might be scared away), and the opportunity cost of that minority franchisee's capital (i.e., which could have been invested in other ventures).

Parties benefited. These are the franchiser's economic (e.g., through higher profits) and noneconomic (e.g., scaring away undesirable future franchisee applicants) goals.

Example. The alleged practices of Burger King and the lawsuit filed by several minority franchisees (Jelisavcic 1996) fits the profile we described earlier of this type of retail redlining.

B. Restricting Minority Franchisees Only to Minority-Dominant Retail Areas

This type of retail redlining is the alleged practice by some franchise chains of restricting their minority franchisees to locating only in predominantly minority neighborhoods. Although this is a type of retail redlining, it also shares some characteristics with *steering* (e.g., restricting customers to real estate purchases only in certain, often less-desirable, neighborhoods), another unethical retailing practice.

Proponent arguments. The franchiser usually cites reasons such as the lack of availability of alternate franchise locations at the time the minority franchisees were awarded (i.e., reverse of AH 9) and greater franchisee familiarity with the assigned neighborhood (i.e., reverse of AH 12) as the reasons for these restrictions. The latter claim is usually not empirically verifiable, except in a court of law. We will return to this issue in the next section.

Opponent counterarguments. Opponents of the franchiser's practice usually cite the fact that the disputed area is mostly minority (NH), also often poorer (i.e., reverse of AH 4), and is therefore a potentially much less profitable franchise (AH 35) than alternate (often nonminority) locations that were deliberately withheld from these minority franchisees.

Parties harmed. These are minority franchisees (through lack of access to more profitable franchise locations), those

**TABLE 1
SYNOPSIS OF THE VARIOUS TYPES OF RETAIL REDLINING**

		<i>Type of Retail Redlining</i>							
<i>Distinguishing Characteristics of Each Type of Retail Redlining</i>		A	B	C	D	E	F	G	H
Nature of each type of retail redlining	Higher fees charged to minority franchisees	Minority franchisees	Restricting minority franchisees to minority areas	Refusal of service to all customers in certain areas	Removal of a successful store from an area by a chain	Lack of a discount chain store's presence in an area	Lack of an upscale chain store's presence in an area	Lack of a sizable mall in a promising retail area	Denigration of the retail potential of a geographic area
Primary parties harmed	Minority franchisees	Minority franchisees	Minority franchisees	Potential customers of that store in the area in question	Former customers of the store in the area in question	Price-sensitive potential customers in the area in question	Quality-sensitive potential customers in the area in question	Customers of a wide range of products in the area in question	All customers in the area in question
Secondary parties harmed	Franchisee's customers	Majority customers	Similar customers in nearby areas	Similar customers in nearby areas	Similar customers in nearby areas	Similar customers in nearby areas	Similar customers in nearby areas	Similar customers in nearby areas	Similar customers in nearby areas
Tertiary parties harmed	Potential minority franchisees	Potential minority franchisees	Chain store's owners/shareholders	Chain store's owners/shareholders	Chain store's owners/shareholders	Chain store's owners/shareholders	Chain store's owners/shareholders	Potential investors	Potential investors
Other parties/causes harmed	Opportunity cost of minority capital	Franchiser's shareholders	Franchiser's noneconomic goals	Sales-tax base	Sales-tax base	Sales-tax base	Sales-tax base	Sales-tax base	Commercial property value
Primary parties/goals benefited	Franchiser's economic and noneconomic goals	Franchiser's noneconomic goals	Chain store's noneconomic goals (CSNEG) + chain's stores in surrounding areas (CSSA)	CSNEG + CSSA	CSNEG + CSSA	CSNEG + CSSA	CSNEG + CSSA	Mall owners in surrounding areas	Store/mall owners in surrounding areas
Typical proponent arguments ^a	(-2), 21, 23	(-9), (-12)	21, 22	13, 34, 35	(-2), 21, 23, and (-NH)	(-4), (-7), (-8), 11	(-1), (-4), 24, 27, 28, 29, 30, 33	(-3), 25, 26, 29, 30, 31	
Typical opponent arguments ^a	NH	4, 35, and NH	15, (-22), and NH	13, 16, 17, 18, 19, 20, (-35), and NH	4, 5, (-7), and NH	4, 5, (-7), and NH	1, 5, 6, 10, (-28, -29, -30) and NH	32 and NH	

NOTE: NH = null hypothesis.
a. These proponent and opponent arguments are represented here as numbered alternate hypotheses (AHs), as discussed in the Typology Development section and also summarized in Tables 2, 3, and 4.

minority franchisees' potential majority customers (e.g., who may not be able to partake of the services of the best possible franchisee candidates for the denied locations), and other potential minority franchisees (e.g., who may see lack of access to more profitable franchise locations as a barrier to their entry into the business).

Parties benefited. Similar noneconomic goals here, as for type A.

Example. Same as for type A, discussed earlier.

C. Refusal by a Service Provider to Serve Customers in a Promising Retail Area

This type of retail redlining is the alleged practice by some chain store service providers of not serving customers who request a service to be provided in a given area (often mostly minority neighborhoods), but of serving all other customers in other, nonminority neighborhoods. Of the eight types of retail redlining we discuss in this article, this type is perhaps the most "micro" in its character, in that service is denied to (minority) customers one at a time (as and when they demand the service), rather than it being denied *carte blanche* to an entire area (i.e., "macro") by not opening a store there, as for example, in type E. Of course, it is also possible that the store's denial of requests for service could result from a prior policy by the store to not serve customers from an entire area, but this may not be public knowledge.

Proponent arguments. In addition to the same reason cited for type A (i.e., AH 21), the chain store's headquarters usually cites other reasons such as credit and delinquency risks of customers (AH 22) in the disputed areas for not serving them.

Opponent counterarguments. However, opponents of the store's selective-service policy would usually cite the fact that the percentage of customers who were denied service from the minority community in question is higher in comparison with customers from other communities who were denied such service (AH 15), and these minority customers who were denied service almost always had good credit ratings (i.e., the reverse of AH 22) and were able to pay for the service demanded, just like their majority community counterparts who were provided such services.

Parties harmed. These are potential customers of the chain store in the area in question (through lack of access to the product in question), customers of that same chain's stores in nearby areas (e.g., who may now have to compete for service with customers from the area in question that is denied service and who consequently now shop in their areas), the chain store's owners/shareholders (e.g., who forgo profits on customers not served in the area in question), and sales tax foregone by local governments on sales that are not being made in their area.

Parties benefited. The noneconomic goals of the chain store owner in question (e.g., not having to operate in the area

with undesirable customers/residents), plus the economic goals of the same chain's other stores in nearby areas (e.g., who benefit from increased sales from customers from the area in question that is denied service, now shopping in these stores).

Example. The allegations against Domino's Pizza, and its alleged refusal to deliver pizza to customers who ordered this product from the mostly minority (i.e., 95 percent African American) neighborhood of American Beach in Florida (*Robinson v. Power Pizza Inc.* 1998), fit quite well the profile we described earlier of this type of retail redlining case.

D. Removal of a Successful Store from an Area by a Chain

This type of retail redlining is the alleged practice by some chain stores of closing successful stores only in certain (often minority neighborhoods) areas, while continuing to operate other, often less-successful stores in nonminority neighborhoods.

Proponent initial arguments. In addition to a similar reason (i.e., AH 35) cited for type B, the chain store's headquarters usually cites reasons such as management and other problems (AH 34) at the store in question, as being among other reasons for closing down the store in question.

Opponent counterarguments. However, opponents of the store's closing usually would cite reasons such as the facts that the closed store was (1) minority owned/operated (AH 16), (2) operated in an area that has a higher proportion of minorities in it in comparison with the chain store's management/ownership (AH 17), and (3) actually is more profitable than other stores that were not closed down (i.e., the reverse of AH 35), as the prime reasons for its closing.

Proponent follow-up argument. Usually the chain store will then respond that it has opened or is about to open another store that is also minority owned/operated in the same area as the closed store (AH 13).

Opponent follow-up counterarguments. Opponents of the store's closing would then say that argument AH 13 misses the point that round-robin disruption of successful minority-owned businesses (AH 18) is intended to hurt the minority community (AH 19) and the area (AH 14) in which these businesses are located and never hurts the parent firm (AH 20).

Parties harmed. Similar to those for type C, except that the primary party harmed is not potential customers but former customers of the chain's store.

Parties benefited. Other stores in the chain that continue operating nearby.

Example. The allegations against Cadillac and its alleged closure of a successful minority-owned dealership in a mostly minority neighborhood in the Bronx (Jelisavcic 1996)

fits quite well the profile we described earlier of this type of retail redlining case.

E. Lack of a Discount Chain Store's Presence in an Area

This type of retail redlining is the alleged practice by some chain stores (especially large discounters) of opening stores in locations around a given area but not in that area itself.

Proponent initial arguments. Similar to those for type A.

Opponent counterarguments. Similar to those for type A.

Proponent follow-up argument. Usually the chain store will then respond with examples of other areas where its stores are located, with similar, if not higher proportions of minorities in their population bases (i.e., reverse of NH).

Opponent follow-up counterarguments. In addition to a counterargument similar to that for type D (i.e., reverse of AH 35), opponents of this practice will then counter that the absence of a needed store in the minority area in question is ironic given that the number of prime locations available for situating a store in the minority area in question (AH 9) is much higher than it is in other areas (both minority-dominant and majority-dominant) where the chain has already located its stores.

Parties harmed. Similar to those for types C and D, except that the primary party harmed here is price-sensitive, potential customers of the chain store in the area in question.

Parties benefited. Other stores in the discount chain operating in nearby areas.

Example. The alleged practices of Wal-Mart in its alleged decision not to open a store in Pine Lawn, Missouri, and the lawsuit filed by three plaintiffs, including a real estate developer on whose proposed shopping center Wal-Mart was refusing to locate its store, and two nonprofit community/civic/civil rights groups (Smith-Amos 1996) fit quite well the profile we described earlier of this type of retail redlining case.

F. Lack of an Upscale Chain Store's Presence in an Area

This type of retail redlining is the alleged practice by some upscale store chains of operating stores in various locations around a given area but not in that area itself. It is different from type E, because even when low- to midscale stores do not favor one area over another area, upscale stores might have reasons for doing so, such as AH 7, discussed next.

Proponent arguments. The chain store's headquarters usually cite reasons such as the number of upscale retailers in the disputed area (AH 11) in general being lower than that for the surrounding areas, because of insufficient household income (reverse of AH 4), mostly downscale tastes and preferences (reverse of AH 7), and the lack of a critical mass of upscale

customers (reverse of AH 8) in the disputed area compared with that for the surrounding areas.

Opponent counterarguments. However, opponents of the chain store's decision would state that actually the average household income (AH 4), market size in dollar terms (AH 5), and percentage of upscale customers (AH 7) in the disputed area is as good, if not higher, than what it is for surrounding areas where the chain has stores operating.

Parties harmed. Similar to those for types C, D, and E except that the primary party harmed is quality-sensitive, potential customers of the chain store in the area in question.

Parties benefited. Other stores in the upscale chain operating in nearby areas.

Example. The alleged case of Macy's and other upscale stores not locating in Prince George's (P.G.) County in Maryland but instead locating stores in neighboring Montgomery and Charles Counties in Maryland and in Fairfax and Prince William Counties in Virginia (Pyatt 1993) fits quite well the profile we described earlier of this type of retail redlining.

G. Lack of Presence of a Sizable Mall in a Promising Retail Area

This type of retail redlining is the alleged practice by the retailing industry in general and key mall operators and retail real estate developers in particular of not opening a sizable mall in a given area, but instead operating gigantic malls in locations that are in close proximity to the neglected area, so as to siphon off its retail business to these neighboring area malls.

Proponent arguments. The responses that these mall developers/operators usually cite as reasons for not locating sufficiently sized malls in the disputed areas would include a lack of a critical mass of customers (reverse of AH 1), insufficient household income (reverse of AH 4), distance of proposed mall sites from major population centers (AH 24) and interstate highways (AH 27), inadequate infrastructure such as access roads (AH 28), inadequate financial incentives (AH 29 and AH 30) offered by local governments to locate in the area and insufficiently aggressive marketing, as illustrated by the size of the marketing budget allocated (AH 33) to attract retailers to locate in these proposed malls.

Opponent counterarguments. However, promoters of large malls in these disputed areas usually cite the fact that population size (AH 1), aggregate spending power (AH 5), growth in aggregate spending power (AH 6), infrastructure (reverse of AH 28), and financial incentives (reverse of AH 29 and AH 30) offered to these developers and retailers to locate in the disputed area are as good, if not higher, than what they are for surrounding areas where sizable malls operate.

Parties harmed. Similar to those for types C, D, E, and F, except that the tertiary party harmed here is potential investors in the proposed mall.

Parties benefited. Current operators of sizable malls in the surrounding areas.

Example The case of Potomac Mills mall locating in Prince William County and the lack of a comparably sized mall in neighboring P.G. County in Maryland, even though P.G. County has been trying to attract such a mall to its area even before Potomac Mills Mall was built (Pyatt 1993), fit quite well the profile we described earlier of this type of retail redlining.

H. Denigration of the Retailing Potential of a Promising Geographic Area

This type of retail redlining is the alleged practice by the retailing industry in general and local and state government officials in particular of downplaying the retail potential of a given area, but instead championing the cause of surrounding areas as attractive retail locations.

Proponent arguments. The responses that these parties usually cite as reasons for their lack of confidence in the retailing potential of the disputed area would include many of the same defenses cited earlier for type G, but in addition, it would include the following: a dispersed population base (reverse of AH 3), poor planning by local government/planning boards (AH 25), mismanagement by local governments (AH 26), and business-unfriendly policies of local governments in the disputed area (AH 29, AH 30, and AH 31).

Opponent counterarguments. However, promoters of these areas in addition to citing the same responses that they would for type G would state that local and state government politics and policies have traditionally favored mostly non-minority areas in the passage of laws that make these areas more business-friendly (e.g., by offering local and state-sponsored subsidies and tax breaks for businesses) than minority areas (AH 32).

Parties harmed. Similar to those for types C, D, E, F, and G, except that one of the “Other” parties harmed here would be owners of commercial property, who would see the value of this drop over time.

Parties benefited. Current operators of all stores and malls in the surrounding areas.

Example. The alleged case of Prince George’s County in Maryland and the consistently losing battle it has allegedly fought over the years with neighboring Charles and Montgomery Counties in Maryland and Fairfax and Prince William Counties in Virginia in attracting upscale retailers, outlet malls, discount malls, and regional malls to its soil (Wu 2002; Pyatt 1993) fits quite well the profile we described earlier of this type of retail redlining. Another such example is the alleged case of the city of Pine-Lawn, Missouri (Smith-Amos 1996).

PROPOSED METHOD

In this section, we outline a method that could be used to sort out the merits of the arguments on both sides of any type of retail redlining case. To make this methodology clear, we shall illustrate its proposed use with the real-life, ongoing charge of retail redlining (see Pyatt 1993) that P.G. County in Maryland has consistently alleged against the retailing industry in general, when it compares its retailing portfolio with that of its neighboring counties and cities in the Washington primary metropolitan statistical area (PMSA).

Step 1. We first need to determine what type of retail redlining case is involved. In our example, among other charges, the most strident one being made by P.G. County is that given its population size and the aggregate spending of its households, among other factors, it does not have as much retail space (per capita) as some of its neighboring counties. Thus, it appears that retail redlining type H is being alleged by P.G. County.

Step 2. We next need to determine, for the type of retail redlining case that is alleged, what the appropriate dependent variable (see column 2, below) ought to be that best operationalizes the particular retail redlining charge being leveled at the party(ies) involved. In the P.G. County case, since type H is being alleged, the dependent variable would have to be “Retail space (in ft²) per capita currently available in each area” of the Washington PMSA.

<i>Dependent Variable (Y1)</i>	<i>Type of Retail Redlining Case</i>
1. Fee paid by each franchisee in a chain	A
2. Percentage of minority franchises in each area	B
3. Number of nonservice complaints emanating against a service provider from each area	C
4. Sales/ft ² (of retail space) for each store in a chain in each area	D
5. Sales/ft ² (of retail space) for each store in a discount chain in each area	E
6. Sales/ft ² (of retail space) for each store in an upscale chain in each area	F
7. Size of biggest mall (in ft ² of retail space) currently available in each area	G
8. Retail space (in ft ²) per capita currently available in each area	H

Step 3. A relevant set of independent variables must next be chosen that measures (and thereby controls for, in the model) as many of the charges and countercharges that proponents and opponents make, in the particular retail redlining case being considered. This independent variable set could be the specific “Arguments” we list in Table 1 for each type of retail redlining (these same arguments are also listed as “Factors” or “Alternate Hypotheses,” in Tables 2, 3, and 4). How-

TABLE 2
DEMOGRAPHIC AND LOCATION FACTORS OFTEN CITED AS EVIDENCE THAT
RETAIL REDLINING IS BEING PRACTICED

Factor Number	Factor ^a In Comparing the Area in Question with the Other Areas, Its	Retail Redlining Might . . .	
		Be an Issue When . . .	Not Be an Issue When . . .
AH 1	Population size is found to be . . .	Larger	
AH 2	Population growth rate is found to be . . .	Higher	
AH 3	Population distribution is . . .	More concentrated	
AH 4	Per capita income is found to be . . .	Higher (for all types except B)	Higher (for type B)
AH 5	Aggregate spending power is found to be . . .	Larger	
AH 6	Growth in aggregate spending power is found to be . . .	Higher	
AH 7	The percentage of upscale consumers is . . .	Higher	
AH 8	The number of upscale consumers is . . .	Higher	
AH 9	The number of possible prime, retail location sites is found to be . . .	Higher	
AH 10	Retail space (ft ²) per capita is found to be . . .	Lower	
AH 11	The number of upscale retailers is found to be . . .		Lower
AH 12	Potential franchisee familiarity with the assigned location is . . .	Lower	
AH 13	The number of minority-owned stores/franchises recently opened is . . .	Higher	
AH 14	After store/franchise closure, product prices in the area were . . .	Higher	
AH 15	The percentage of consumers who were denied service is . . .	Higher	

a. As explained earlier in the Proposed Methodology section, step 10, all other factors must first be ruled out as alternate hypotheses (AHs) before we can definitively say that we fail to refute the null hypothesis (NH) that minority composition per se is a cause in its own right for precipitating retail redlining.

TABLE 3
STORE-RELATED FACTORS OFTEN CITED AS EVIDENCE THAT RETAIL REDLINING IS BEING PRACTICED

Factor Number	Factors ^a	Retail Redlining Might . . .	
		Be an Issue When . . .	Not Be an Issue When . . .
AH 16	In comparing the closed store/franchise with those not closed in the chain, the percentage of the closed store/franchise's management/ownership that is minority is . . .	Higher	
AH 17	In comparison with the percentage of the store/franchise's customer base that is minority, the percentage of the store/franchise's management/ownership that is minority is . . .	Lower	
AH 18	In comparison with the percentage of the chain's non-minority-owned stores/franchises that were closed, the percentage of the chain's minority-owned stores/franchises that were closed is . . .	Higher	
AH 19	In comparing the periods before and after the store in question is closed, product prices in the area were . . .	Higher	
AH 20	Headquarters profits were not substantially . . .	Lower	

a. As explained earlier in the Proposed Methodology section, step 10, all other factors must first be ruled out as alternate hypotheses (AHs) before we can definitively say that we fail to refute the null hypothesis (NH) that minority composition per se is a cause in its own right for precipitating retail redlining.

ever, it must be pointed out that this set of Arguments/Factors/Alternate Hypotheses that we list was not intended by us to be exhaustive and might have to be supplemented by the specific factors mentioned and/or arising from a particular retail redlining case.

Of course, care has to be taken to include only the factors that are relevant to a particular retail redlining case. This parsimony in choosing only the relevant set of independent variables is important for at least two reasons. First, many possible independent variable candidates (including the ones we

suggest in Tables 1-4) could suffer from the collinearity problem. For example, it is possible that AH 4 and AH 7 have much shared variance and could cause multicollinearity if both are used as independent variables in the same regression model.

Second, we could also very easily run into a degrees-of-freedom problem, given that the sample size (i.e., the number of areas being compared) could very easily be exceeded by the number of possible independent variable candidates. Furthermore, the sample size is affected by the scope of the com-

TABLE 4
DEMOGRAPHIC-, LOCATION-, AND STORE-RELATED FACTORS OFTEN CITED AS EVIDENCE THAT
RETAIL REDLINING IS NOT BEING PRACTICED

Factor Number	Factor ^a <i>In Comparing the Area/Store in Question with the Other Areas, Its</i>	Retail Redlining Might . . .	
		<i>Be an Issue When . . .</i>	<i>Not Be an Issue When . . .</i>
AH 21	Crime rates are . . .		Higher
AH 22	Average credit ratings of customers in the store's service area are . . .		Lower
AH 23	Business-insurance rates are . . .		Higher
AH 24	Distance of major population centers from proposed sites are . . .		Larger
AH 25	Planning by local government officials is . . .		Not thorough
AH 26	Civic and related management by local government is more . . .		Inept
AH 27	Access to major highways is . . .		More difficult
AH 28	Supporting infrastructure is . . .		Inferior
AH 29	Tax breaks offered by local governments to potential retailers are . . .		Lower
AH 30	Other financial incentives offered by local governments to potential retailers are . . .		Not as attractive
AH 31	Incidence of other business-unfriendly policies of local governments is . . .		Higher
AH 32	The percentage of state laws passed giving tax breaks and so on to nonminority areas is . . .	Higher	
AH 33	Marketing budgets of local governments to attract retailers are . . .		Lower
AH 34	Management, labor, and other problems of the store in question are . . .		More prevalent
AH 35	The actual/potential profitability of a store in this location is . . .	Lower (for type B only)	Lower (for all types except B)
NH	The percentage of the population that is minority is . . .	<i>Higher!</i>	

a. As explained earlier in the Proposed Methodology section, step 10, all other factors must first be ruled out as alternate hypotheses (AHs) before we can definitively say that we fail to refute the null hypothesis (NH) that minority composition per se is a cause in its own right for precipitating retail redlining.

parison (i.e., the number of areas to be compared) and the degree of aggregation of each unit of analysis (i.e., the average size of the areas to be compared—micro vs. macro). First, as we increase the scope of comparison, for example, by using the Baltimore-Washington consolidated metropolitan statistical area (CMSA) instead of the Washington PMSA, the number of areas we have to compare increases from twenty-five for the PMSA (see step 4) to 32 for the CMSA, thus giving us a larger sample size to work with, thus alleviating the degrees-of-freedom problem. Second, as we decrease the degree of aggregation, by decreasing the average size of the areas being compared (i.e., the more micro we get), the more areas we have to compare, therefore increasing sample size, in turn alleviating the degrees-of-freedom problem. Of course, the aggregation issue would be dictated by the type of retail redlining case we are investigating and consequently either unwittingly constrain or free up degrees of freedom. For example, type H cases would generally be more macro, and type A cases would be more micro in focus.

Of course, it must be further said that the scope of comparison and degree of aggregation issues could be related or unrelated to each other, depending on how the problem to be studied is defined. If, for example, a geographic area to be studied is of fixed size, then the scope and aggregation issues would be inversely related. That is, as the fixed geographic area is broken up into larger and larger subunits (aggregation), the number of units we have to compare with one an-

other (the scope) would decrease. On the other hand, if the geographic area to be studied is not fixed (i.e., if the researchers involved have some leeway in expanding the total size of the area to be examined), then scope of comparison and degree of aggregation issues do not have to be related. For example, the researcher could (i.e., if he or she had some leeway in defining the area to be studied) simply add more areas (i.e., provided these additional areas are comparable/contiguous to the original area) to the original geographic areas and thereby increase the sample size (i.e., number of areas to be compared) for our analysis.

Step 4. Once we have chosen the appropriate dependent variable from step 2, and as exhaustive a set of independent variables as we can reliably operationalize, from step 3, we are ready to assess the size of the sample that we have for the test of our particular type of retail redlining. In our P.G. County example, if as per our discussion in step 3 we decided to use the Washington PMSA (rather than the Baltimore-Washington CMSA) for the rest of our analyses, we would realize that we have a sample size of twenty-five, because there are only twenty-four other cities and counties in the Washington PMSA other than P.G. County (Hall and Gaquin 1997). It must be pointed out, however, that the unit of analysis may not always be areas within politically defined boundaries. The unit of analysis would always be dictated by the type of retail redlining case being tested. For type B, for example, the unit of analysis could be city blocks.

Step 5. Next, we would need to check if we ideally have values for all the independent (and the one dependent) variables we chose in step 3, for all the twenty-five areas (from step 4) that we are to compare with one another in our P.G. County example. To the extent that we have values for some variables, for some areas, but not others, we would have to address this problem by choosing the pairwise treatment of missing-values option in the statistical technique we use.

Step 6. We next propose that a simple, univariate, linear regression model be used, although any other appropriate statistical technique (e.g., LOGIT) might as well be used, depending on the type of retail redlining case being tested and the type of data we have (e.g., discrete vs. continuous). The model must then be run (i.e., calibrated) on twenty-four of the twenty-five areas (i.e., holding out P.G. County's data) in our sample. We also propose that when a regression model is chosen, both unstandardized and standardized beta coefficients be outputted from such a model. The former are required so that they can be used in step 7, explained next. The latter are required so that we can assess the relative importance of each of the normally eclectic set (with differing scales and metrics) of independent variables that will be used in any test of retail redlining. In other words, we need to know in a relative sense which independent variables contribute more and which less to the dependent variable (i.e., retail redlining charge) being investigated.

Step 7. We then propose that the dependent variable be estimated for the holdout area (i.e., P.G. County, in our example) using the unstandardized values that we have for it on each of the independent variables in our model.

Step 8. Finally, we compare the estimated value of the dependent variable for our holdout area (P.G. County) with the actual value we must have for it from our prior data-gathering exercise (see step 5). If, for example, our model predicts that P.G. County should have 300 ft² of retail space per capita and we find that it currently has only 200 ft² per capita, we can then attach an estimate of the probability that this actual data value occurred purely by chance and assess whether this probability exceeds or falls within the usual probability of rejection of the NH criteria (e.g., $p < .01$). If the NH (of retail redlining) is not rejected based on this p value, it can then be assumed that (1) one or more of the independent variables (see step 9) in our model was the cause of this low (i.e., 200 ft²) value for the dependent variable, (2) they consequently caused the apparent impression that retail redlining is being practiced, and (3) this apparent impression cannot be either dismissed or affirmed, until the more stringent test of retail redlining, in step 10, is carried out.

Step 9. We might then want to look at the significance levels associated with each of the beta coefficients in our regression model to see which independent variable(s) were significant predictors of the dependent variable. This will inform us as to what really are the key factors that influence the depen-

dent variable. Furthermore, by looking at the signs associated with the unstandardized beta coefficients, we will be able to understand how (i.e., do they cause increases or decreases) these factors work in influencing the dependent variable.

Step 10. Finally, by looking at the significance level of the NH factor (see Table 4), we will be able to ascertain if the pure effect of the racial- and/or ethnic-minority composition of an area had an effect on the dependent variable, since the effect of all the other AH-related factors would have been factored into the dependent variable by their entry into the model. In other words, we would be able to conduct the most stringent test of the definition of retail redlining, which is that the racial- and/or ethnic-minority composition of an area per se has caused retail redlining to take place in that area. This is the most important test to conduct, because this is what is consistent with the definition of retail redlining. There have been several instances in the prior literature where this factor alone has been suggested for causing retail redlining types of problems. For example, Graddy and Robertson (1999) stated, "Results indicate that franchisees are significantly more likely than company-owned outlets to charge higher prices based on the proportion of blacks in a neighborhood. These price differences do not appear to be explained away by cost or competition factors. Our findings do not establish an intent to discriminate; nevertheless, we discuss the fairness of the pricing structure found" (p. 1). It is hoped that the method we propose above will allow us to more carefully examine cases such as those studied by Graddy and Robertson (1999) and consequently be more certain about whether retail redlining is being practiced in a given area and perhaps possibly also be even more certain than Graddy and Robertson (1999) about whether there was an intention to discriminate based on race and/or ethnic-minority status.

FUTURE DIRECTIONS

The first and most obvious future direction for us to take is to test the method we propose in this article on an actual case of alleged retail redlining. The case of P.G. County in Maryland, which we referred to earlier, is the most obvious case for testing our proposed method. This indeed is the next step being currently undertaken by the present authors. However, we anticipate that this step, although interesting, is the most time-consuming, because of the following reason. A lot of the secondary data needed for this test has to come from various local planning bodies and governments and very often are not easy to obtain.

In the meantime, researchers with other cases of alleged retail redlining to test are encouraged to undertake their own tests with the method we propose in this article. Future refinements of the definition, theory, typology, and method we propose in this article could result from such empirical work. Such work and its subsequent publication can only help to

make the more vulnerable (i.e., those that are retail redlined) among us become less so.

Finally, given the rate at which technology is improving and its abuse by unscrupulous marketers is also improving, another issue that ought to be tackled empirically as well is that of *Weblining* (Stepanek et al. 2000). This practice is related to retail redlining but is only more difficult to prove because it takes place in cyberspace, not physical space. It is hoped that this article might give future readers some insights into how this practice also can be stopped (by good methodology and good intent on the part of well-meaning marketing researchers) before it also preys on consumers who might be vulnerable in cyberspace and other spaces.

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