This newsletter provides teaching tips and summarizes article abstracts for case discussions for the following topics:

- Retailers Start to Suffer Super-Couponer Fatigue (Chapters 14 and 15)
- Retailers May Push Consumers’ Limits This Back-to-School Season (Chapter 12)
- Note to Macy’s-You Are the Company You Keep (Chapter 7)
- Devilish Packaging, Tamed (Chapters 12 and 13)
- American Retailers Try Again in Europe (Chapters 5 and 6)
- Macy’s “Retail M.B.A.” Helps Small Vendors (Chapters 13)
- Will Consumers Dump Banks for Retailers? (Chapters 2 and 18)
- Zero Waste Grocery Store Readies for Debut (Chapters 4 and 5)
- Stores Demand Mannequins with Personality (Heads Optional) (Chapters 17)
- Come Meet the Author, but Open Your Wallet (Chapters 5 and 15)
- ‘His’ and ‘Her’ Grocery Aisles (Chapters 4 and 17)
- More foreign brands use China’s Taobao for e-commerce (Chapters 3 and 5)

If you are interested in the text book please visit www.mhhe.com/levy8e. Simple registration is required to gain access to the newsletters and other instructor materials. If you would like to see this newsletter and the previous editions, go to: http://www.warrington.ufl.edu/mkt/retailcenter/research/publications.asp
Teaching Tips

Short Videos Available on the Web

Shopping on the Tablet
Consumers prefer shopping on their tablet than on their desktop computer.
- Use with Chapter 4, “Consumer Buying Behavior.”
- 3:06 minutes

Interview with Foursquare CEO
Dennis Crowley discusses Foursquare’s partnerships with retailers as well as their customer’s usage of the application.
- Use with Chapter 4, “Consumer Buying Behavior,” Chapter 14, “Retail Pricing.”
- 16:15 minutes

Fake Apple Store
A retail store in China created a store that looks just like an Apple store, but is not actually an authorized retailer.
- Use with Chapter 3, “Multichannel Retailing,” and Chapter 13, “Buying Merchandise.”
- 1:13 minutes

Airbnb
The Airbnb CEO discusses the company’s growth as it surpasses the number of rooms of big chains like that the Hilton hotels.
- 5:17 minutes
- http://www.businessweek.com/video/#video=V3MmpuMjqi7crrpS5x2__4DBPe-nNL9t
Additional Material for Teaching Retail Classes

A new website, part of the University of Florida Miller Center for Retailing Education and Research, provides materials for retail class instructors including:

- Nine syllabi from instructors
- Classroom exercises
- Team projects
- PowerPoint slides
- Copies of this newsletter and previous issues
- List of retail links, cases and videos

The website is available at [http://warrington.ufl.edu/mkt/retailcenter/teachretail/](http://warrington.ufl.edu/mkt/retailcenter/teachretail/)

Please consider sharing your materials with other instructors through this website by sending your course syllabi, classroom exercises, projects, teaching types, etc. to bart.weitz@cbu.ufl.edu or mlevy@babson.edu
Retailers Start to Suffer Super-Couponer Fatigue

EJ Schultz, Advertising Age, July 11, 2011

Use with Chapter 14, “Retail Pricing” and Chapter 15, “Retail Communication Mix”

Couponing enthusiasts, defined as consumers who buy over 188 items a year with coupons, are causing headaches for many retailers. Extreme couponers can create bottlenecks in check-out lines, cause stock-outs, and create inventory and supply chain problems for many retailers, especially grocers. While coupon redemption is relatively flat (3.3 billion redemptions in 2010 according to a recent Nielsen report), heavy couponing is on the rise. In addition to increases in coupon enthusiasts, retailers are also noticing an increase in fraudulent coupons and coupon misuse.

Retailers are now responding to the increase in coupon usage by updating their current coupon policies. Target is restating its policy so that customers do not combine two buy-one-get-one-free coupons to get both items for free. Rite-Aid is putting restrictions on the number of coupons customers can use for a specific item. Walgreens updated its current coupon policy to give management the right to limit the number of coupons consumers can use.

Coupons are a valuable part of many retailers’ customer service package and communications strategies. Many retailers are trying to find the right balance of discouraging coupon abusers without alienating valuable, yet price-conscious, customers.

Discussion Questions:

What are retailers doing to discourage extreme couponing?

Many retailers, especially grocers, are rewriting their coupon policies to discourage heavy coupon usage and coupon fraud. Other retailers are trying to educate customers about appropriate coupon usage and how coupons can add value for customers.

What are some potential problems that retailers face with extreme coupons? What potential problems can retailers face by discouraging coupons?

Extreme couponing can cause problems within the supply chain, stock-outs in inventory, and long lines at the check-out counter. Retailers that discourage coupons or put heavy restrictions on coupon use run the risk of alienating customers who use coupons responsibly to save money for their family.
Retailers May Push Consumers’ Limits This Back-to-School Season

Karen Talley, Dow Jones Newswires, July 15, 2011

Use with Chapter 12, “Managing the Merchandise Planning Process”

The back-to-school shopping season runs from July through Labor Day and is the second-biggest buying season of the year for most retailers. According to the National Retail Federation, consumers spent $55.1 billion in 2010 on everything from school supplies to pants and sweaters. For most retailers, the back-to-school season has a significant impact on third-quarter earnings and margins. Many retailers invest heavily in promotions during this critical buying season. However, this year, retailers are facing a dilemma due to increased prices in cotton and other raw materials.

The cost of cotton began rising last year, around the same time that many retailers were booking their 2011 back-to-school orders. Many retailers are struggling with the most appropriate way to pass on the price increases to customers who are used to promotions and price discounts.

To reduce merchandise costs, some retailers and manufacturers are testing the use of synthetic fabrics and thinner linings to minimize the use of cottons. Others are testing the addition of embellishments to cut down on cotton usage.

Retailers like The Gap, Abercrombie and Fitch, Macy’s, and Target have begun to display their back-to-school merchandise at full price to see how customers will absorb the price increases. Early tests indicate that customers are willing to absorb some of the higher prices on clothing, but retailers are facing resistance to price increases in home furnishings for dorm rooms.

Discussion Questions:

What are the retail implications of the rising costs of raw materials?

The price of cotton and other raw materials has gone up significantly over the past year. To compensate for this increase suppliers and manufacturers throughout the supply chain have had to raise their prices. This, in turn, has caused the retailer to pay more for inventory. In order to maintain margins, retailers are considering raising the prices of merchandise. The increase in the price of cotton impacts many of the items sold during back-to-school. Retailers are worried that customers have become extremely price-sensitive and conditioned to promotions, and will not accept the price increase.

What are some retailers doing to reduce the impact of the price increase?

Many retailers and manufacturers are redesigning their products to use less cotton by adding more embellishments and using synthetic fabrics. Other retailers are attempting to gauge customer price sensitivity on back-to-school products by rolling out some products early to assess demand.
Note to Macy’s-You Are the Company You Keep

Doug Stephens, Retail Wire, June 8, 2011

Use with Chapter 7, “Retail Locations”

In late spring, Macy announced plans to open a new store outside of Chicago. On the surface, this announcement seems relatively mundane. What is unique about this announcement is that this location will be located in a discount/ outlet mall. While Macy’s, like most department store chains, is oriented towards heavy sales promotion, Macy’s has typically positioned itself as a non-discount department store.

The new location plans to sell the full-line of Macy’s goods at non-outlet prices. Representatives for Macy’s claim that the location choice was driven by a need and demand for Macy’s in the surrounding marketplace. Representatives claim that this location was not chosen to test the waters for the introduction of a Macy’s discount/outlet store.

Critics of this decision worry that this location choice might diminish the brand equity of Macy’s. The proximity of Macy’s to other discount retailers might cause Macy’s consumers to perceive the store as a discount brand. Retail analysts wonder if the potential damage to the Macy’s brand is worth the potential revenue of one store.

Discussion Questions:

Does Macy’s risk damaging its image by opening stores in outlet centers or has the status of outlet centers changed?

Macy’s does run the risk of damaging its reputation, or at least changing its image as a traditional department store to a discount department store. Even though Macy’s will continue to offer its full-line of regularly priced merchandise, the proximity to other discount retailers might cause consumers to begin considering Macy’s a discount retailer.

What do you think of the strategy of opening a standard format department store in a discount center?

Ask students their thoughts on Macy’s decision. Do they think that this will be a new standard for department stores? Ask students whether or not they think this move will hurt Macy’s brand image.

Back
Packaging is an important part of any product; it conveys a message to the consumer about the contents of the product, keeps the product safe, and reduces theft and liability. Some packaging, though, can cause customers headaches because they can’t open them to get to the products. The impenetrable and infuriating packaging is also known as clamshell packaging, is primarily composed of plastic. In today’s economy, packaging is now causing retailers to have headaches because of the increasing costs of plastic that is used in many packaging products. Plastic prices increase as the cost of oil increases. Much to the relief of consumers who suffer trying to open the clamshell, many retailers and manufacturers are looking for alternatives to the clamshell as a way to reduce costs and hopefully become more environmentally friendly.

For example, Walmart has encouraged suppliers to concentrate laundry detergent into smaller containers. Walmart has also put hydrogen peroxide in square containers to reduce the amount of packaging. Home Depot is transitioning many products from plastic packaging to cardboard packaging. Amazon.com introduced “frustration free packaging” in 2008 to reduce packaging waste and be more eco-friendly.

Manufacturers are working to develop new packaging as well. MeadWestvaco has introduced a product called Natralock that is a tamper-evident cardboard sheet with a clear laminate to prevent tearing. MeadWestvaco says that this product reduces the amount of plastic used by 60% versus the clamshell. In addition to cost savings, this packaging option is appealing to retailers and manufacturers because of its recyclability and because graphics can be printed on the packaging. In addition, because these new packs are smaller than clamshells and less cumbersome, retailers can fit more products on shelves.

Discussion Questions:

How does product packaging impact retailers?

Packaging can be an added expense for retailers in purchasing products. With the cost of plastics increasing, many manufacturers have increased the prices of their products to compensate for the packaging costs. Packaging also helps convey information to the customer about the product. Packaging also reduces theft and reduces the amount of broken or damaged items.
American Retailers Try Again in Europe


Use with Chapter 5, “Retail Market Strategy” and Chapter 6, “Retail Location”

In the mid-1990’s many American retailers like The Gap and Talbot’s tried to expand their market presence by opening retail outlets in Europe. Many of these ventures failed because of low demand, high rent, and strict country regulations. With the increase of globalization, many American retailers are trying to attract the European customer again, and this time, they are targeting teenagers and young adults.

American retailers are noticing that the fierce loyalty to European brands no longer exists, especially with younger consumers. Many consumers are foregoing Chanel jackets for frayed sweatpants and jeans favored by American teenagers. In addition, the Internet is helping to break down some language barriers and expand retailer and brand presence on a more global scale.

Abercrombie and Fitch just opened its first store in Paris, and has enjoyed long lines and screaming customers every day. Abercrombie understands that most of its clothing can be ordered online and in order to ensure the success of the brick and mortar store, Abercrombie has turned its Paris store into “retail theater.” Customers enter the store through iron gates and a walkway flanked with male models. Inside the building, a four-story staircase winds customers through rows of jeans, t-shirts, and hyper-attractive employees. Each employee is instructed to greet customers the same way, with a “Hey, how’s it going?” in a heavy French accent.

While other American retailers are not going to the extremes that Abercrombie is, many are pursuing the European market. Banana Republic has plans to open in France later this year. Gap recently opened in Milan and is opening a store in Rome later this year. In addition, Tommy Hilfiger, Tory Burch, and Michael Kors are opening flagship stores in Europe. Even Victoria’s Secret, who has no stores outside of North America, is pursuing the European market. While some European customers are committed to safeguarding their culture and traditions, many are embracing the American retailer with open arms...especially when they come with models.

Discussion Questions:

Why are some retailers pursuing European markets when it was unsuccessful in the past?

The Internet has helped make more customers aware of American retailers and brands. This helps reduce language barriers. In addition, previous generations tried to continue with European apparel traditions, while younger consumers are attracted to American products.
Macy’s “Retail M.B.A.” Helps Small Vendors

Anne Field, NewYorkBusiness.com, June 26, 2011

Use with Chapter 13, “Buying Merchandise”

Many apparel and fashion entrepreneurs dream of the day when they will land a big department store account like Macy’s. Well, to help these entrepreneurs achieve their goals, Macy’s developed a four-day, comprehensive boot camp, known as “The Workshop.” The Workshop is like a mini-retail M.B.A. that covers all that entrepreneurs need to know about getting their merchandise on Macy’s shelves. The Workshop also covered costs in each stage of the production process, buyer and inventory management systems, and planning processes.

Macy’s developed The Workshop as a vendor-development program for women- and minority-owned businesses. According to Gary Lampley, president of Black Retail Action Group, The Workshop is “one of the most innovative vendor-development programs” in existence.

The Workshop helped entrepreneurs like Monif Clarke who has a plus-sized line of clothing. She now understands the questions that Macy’s asks and how she can better position her products to meet the needs of the Macy’s customer.

Discussion Questions:

Many entrepreneurs try to land a big account like Macy’s. This vendor education program helps these entrepreneurs understand what Macy’s is looking for. The program also develops minority- and women-owned businesses. It will help Macy’s build long-term relationships with these vendors. In addition, it will help Macy’s become aware of innovative items. Finally, this program helps educate vendors about the Macy’s culture.
Will Consumers Dump Banks for Retailers?

George Anderson, Retail Wire, June 17, 2011

Use with Chapter 2, “Types of Retailers” and Chapter 18, “Customer Service”

Retailers are seizing opportunities to capitalize on consumers’ increasing distrust of traditional financial banking institutions. A government report in 2009 found that nearly 1 in 5 Americans do not have a bank account. To meet the needs of this large population, companies like Walmart are offering non-traditional banking services like pre-paid credit cards.

In 2008, the amount of money customers put on prepaid credit cards was around $330 million. Analysts predict that next year, the amount of money customers put on prepaid credit cards will exceed $552 billion. These prepaid cards work the same way as checks and debit cards, only without the necessity of a traditional bank.

Walmart, with its global presence, has the capacity to move a lot of money through prepaid transactions and grab some of the increasing market share in prepaid credit cards. Many banks are “shaking in their boots” at the thought.

Discussion Questions:

Do retailers pose a competitive threat to banks in the area of financial services?

Many of the customers that are adopting the prepaid credit card are not traditional bank customers. 1 in 5 Americans does not have a bank account, and these are the customers that are most likely to adopt the prepaid card. However, many consumers that do have bank accounts may opt to invest more in prepaid cards through retailers or other non-bank outlets. This poses a competitive threat to banks as they lose control over some of the services that they previously dominated.

Ask students to discuss the benefits and drawbacks of retailers adopting financial services as part of their overall service offering. Consider the benefits and drawbacks for both the retailer and the consumer.

Back
Christian Lane is on a mission to make the grocery buying experience more community based and less harmful to the environment. He is the co-founder of the unique grocery chain in.gredients. in.gredients will open later this year in East Austin, TX and will be the first package-free and zero waste grocery store in the United States.

in.gredients will be a micro-grocery store, less than 2,000 square feet. The smaller size will help the store manage inventory and keep costs down. The store will not sell processed food products. Customers will bring their own containers and purchase what they need from bulk products. Lane believes that this concept will save customers money in the long run because bulk products are typically 30% less expensive than traditional packaged products.

This model meets the needs of many changing trends in consumption, including: sustainability, eating locally produced foods, and organic eating. Lane wants to encourage healthy eating and believes that customers can purchase most of their goods at in.gredients even though it is a smaller store. He is attempting to educate customers about healthy eating and making meals from scratch rather than purchasing processed food. He is also encouraging customers to walk or bike to the store to build more of a sense of a community store.

Discussion Questions:

Are United States consumers ready for “zero waste” concepts like in.gredients?

While in.gredients appeals to many changing customer trends like eating locally produced foods and sustainability, many American consumers might not be able to adopt this model. Some consumers are time starved and gravitate towards prepared meals and food options. In addition, many consumers are uninformed or uninterested in cooking and healthy food options.
Stores Demand Mannequins with Personality (Heads Optional)

Stephanie Clifford, June 15, 2011, New York Times

Use with Chapter 17, “Store Layout, Design, and Visual Merchandising”

In the 1990s and 2000s many retailers treated dressing mannequins as something obligatory and inconsequential. Most mannequins were white, hairless, skinny, and their clothes were not changed that often. With the onset of the recession, mannequins received even less attention and were thought of as an expense that could easily be cut.

With today’s persnickety consumer, however, retailers are realizing that mannequins are a powerful form of communication persuasion. Retailers are now treating mannequins as an advertising tool like retailers did in the early 20th century. Retailers now understand that mannequins help personify the brand and can act as a major catalyst for getting the customer into the store. Consumers shop from the mannequin, picturing how an item on a mannequin would look on them.

With this new found appreciation of mannequins, retailers are taking the concept of window dressing up a notch. The Disney Store has added figurines that fly from the ceiling or curtsy. A Ralph Lauren store designed mannequins with the face of the model Yasmin Le Bon. Athleta, a sportswear company owned by Gap Inc, used track-and-field star Danielle Halverson as a foundation for their mannequins. Danielle was scanned in stationary and action sequences. These images were used to develop clay renderings of the athlete that are used as the foundation for Athleta’s mannequins.

Discussion Questions:

How can mannequins influence sales for retailers?

Mannequins are often used in window displays. These window displays can draw passing customers into a retail store. In addition, mannequins are also used in the stores to showcase new merchandise to customer. Mannequins can encourage customers to try a product that they see displayed on the mannequin.

How can retailers use mannequins to communicate with customers?

Mannequins can be an integral part of a retailer’s visual merchandising strategy. Mannequins represent and personify the brand for the retailer. By having trendier mannequin displays, retailers can communicate with their customers that their brand is cutting edge. More whimsical mannequins, like the ones at The Disney Store, can attract the attention of young children and also maintain the carefree image of Disney.

When shopping, how important are mannequins in your purchase decision?

Ask students to consider their last shopping experience. Ask them to discuss how relevant mannequin displays were to their purchase decision.
Come Meet the Author, But Open Your Wallet


Use with Chapter 5, “Retail Market Strategy” and Chapter 15, “Retail Communication Mix”

Purchases of ebooks have skyrocketed over the past several years, reducing the costs to manufacture and distribute books and making books more accessible. However, bookstores have been hit hard by the proliferation of ebooks and ereaders. Bookstores, especially independent bookstores, have an advantage over electronic books because they provide personalized service and many special events, including book signings. However, independent bookstores have begun to notice that customers will come into the store, shop around, ask for advice, and then buy the book online, often using their smart phone right in the store. They have also noticed that consumers are buying books online and then bringing them in when there is a book signing.

To combat this, many bookstores are now charging customers a fee to attend special events, or they are requiring that the customer purchase the book in the store in order to attend a book signing. The Boulder Book Store in Colorado has begun charging $5.00 per person to attend store events. Kepler’s Books in California charges customers a $10.00 gift card which lets two people attend special events. Bookstore retailers don’t want to host events where people can’t come for free, but they also don’t want to bear the cost of an event without earning any profit from it. The owner of R.J. Julia in Connecticut said that they now earn about 10% of their revenue from their 200 annual events.

Publishers are annoyed with this new practice because they pay for the author to travel and come to the bookstore, and they are losing some customers who don’t want to pay for the book signing. Publishers are also discouraged that they do not make any money off of this new practice.

Discussion Questions:

Why are bookstores charging for special events?

Bookstores are charging for special events because they are losing money to online book purchases and ereaders. Customers are visiting bookstores and then purchasing books online. This costs the independent bookstores money. The bookstores are using this as a way to make up for lost revenue.

Would you pay extra to attend a book signing or a special event at a bookstore?

Ask students what they think of this new practice. Is it worth it to attend these special events or do they think that some bookstores will lose customers because of this practice?
‘His’ and ‘Her’ Grocery Aisles

Tom Ryan, June 6, 2011, Retail Wire

Use with Chapter 4, “Customer Buying Behavior” and Chapter 17, “Store Layout, Design, and Visual Merchandising”

A recent study in Australia suggests that men would purchase more at grocery stores if there were more gender specific aisles. Men are increasingly becoming more responsible for grocery shopping and household purchases. This study found that there are a group of male shoppers who have a fear of walking down aisles that have women’s health and beauty products. This study also found that men shop differently, valuing efficiency over customer service and will likely refuse to ask for assistance from store personnel.

Research also suggests that a gender specific aisle for men would encourage men to try new products and give them a sense of privacy and comfort while shopping. This was concluded from observations that indicate that men made more health related purchases of products that were placed separately from women’s health and beauty related products.

Most retailers are resisting the notion that men need a man-cave in the grocery store. A spokesperson for Woolworth’s, the largest grocery chain in Australia, noted that 65% of men’s toiletries are bought by women and that separating them would be a major inconvenience for the retailer and the female shopper.

Discussion Question:

Why would grocery stores have gender specific aisles for health and beauty products?

Researchers in Australia conducted a study and found that men were uncomfortable going down aisles with feminine health and beauty products. This study also found that men were more likely to purchase new items when they were placed around traditional male products.

Do you think that having two separate aisles for health and beauty products would make a difference to consumer?

Ask students if they think that this would be profitable or a waste of valuable retail shelf space.

Back
More Foreign Brands Use China’s Taobao for E-Commerce

Michael Kan, IDG News Services, April 06, 2011

Use with Chapter 3, “Multichannel Retailing” and Chapter 5, “Retail Market Strategy”

Taobao was started in 2003 as a customer-to-customer website. The company has quickly grown into one of China’s top retailers with over 370 million users and is now heavily involved in business-to-consumer transactions (B2C). Many Western brands like Levi’s, Samsung, Uniqlo, Gap and adidas have used Taobao as a conduit for selling to Chinese consumers. Many of these Western companies are trying to reach consumers beyond Beijing and Shanghai, and half of all Taobao transactions come from areas outside of China’s major cities.

Retailers can partner with Taobao by creating an online store on Taobao Mall. The benefit of launching these online stores is that it helps companies reach the Chinese consumer in a very direct way. Retailers are realizing that while brick and mortar stores are popular in China, many Chinese consumers are turning to the Internet for their shopping needs and to learn about new brands.

One of the major drawbacks of Taobao is that many merchants on the site sell counterfeit merchandise. For some brands, the catalyst for developing an online store in Taobao was to reduce the amount of their counterfeit merchandise sold on the site through unlicensed vendors. Many retailers value Taobao for the exposure that it gives them to a broad audience of Chinese consumers, but they are frustrated with the magnitude of counterfeit merchandise sold. Retailers and manufacturer brands believe that Taobao is “notorious” for selling counterfeit merchandise and has done little to reduce the practice. Taobao however claims that it is stepping up its efforts to reduce the sale of counterfeit merchandise and hopes to continue to build a presence with global brands.

Discussion Questions:

What is Taobao? Is it more like a mall or like Amazon.com?

Taobao is an online mall where retailers and brands can set up online shops. Taobao reaches 370 million Chinese consumers annually. Taobao is a like a combination of Amazon.com and a mall. Taobao sells merchandise from multiple vendors like Amazon.com. However, it is categorized in the format of an online mall, whereas Amazon.com is organized by product category.

What are the advantages and disadvantages for U.S. based retailers for opening an online store on Taobao?

A major advantage of opening a store on Taobao is that it will help U.S. based retailers reach a broader audience of Chinese consumers. A major disadvantage is that Taobao might sell counterfeit goods of a U.S. retailer. In addition, U.S. retailers run the risk of cannibalizing sales from their proprietary e-commerce sites.