Announcing the publication of **LEVY WEITZ Retailing Management, 8e**

Enhanced, revised, and updated throughout, this powerful revision addresses exciting new trends in the industry to prepare your students for the realities of retailing in the 21st century. No other text gives you such a strong mix of conceptual, descriptive, and how-to coverage, and no other text is accompanied by such a wide range of teaching and learning resources, including **Connect™ Marketing**, the leading online assignment and assessment solution for business courses, available for the first time with Levy/Weitz.

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

- Someday, Store Coupons May Tap You on the Shoulder (Chapter 16)
- More Consumer Manufacturers Selling Online, Competing with Retailers (Chapter 13)
- High Court Splits Evenly in Costco Case (Chapter 13)
- How 2010 Tech Changed Retail Forever (Chapter 15)
- Luxury-goods Sellers Tailoring Business to Airport Shoppers (Chapter 7)
- Online Bazaar Builds on its Base with Sense of Community (Chapters 3 and 5)
- Retailers Loosen Up on Returns (Chapter 18)
- A Tough Sell at Sears (Chapter 5)
- Target Gets Personal with Associates (Chapter 16)
- Wall Street Analyst Hits the Stores (Chapters 5, 13 and 14)
- In These Lean Days, Even Stores Shrink” and Target Keeps Smaller Formats in Spotlight (Chapter 17)
- Can Department Stores Knock Off Fast-Fashion Strategy? (Chapter 12)

If you are interested in the text book please visit [www.mhhe.com/levy8e](http://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](http://www.warrington.ufl.edu/mkt/retailcenter/research/publications.asp)
Teaching Tips

Class Discussion

Retailers to Work for Fortune Magazine, February 7, 2011

Have students review the comments about the best retailers to work for and prepare to discuss why these retailers have earned this recognition. Use with chapters 5, 9, and 16 in the seventh edition.


Fortune magazine annual list of the 100 Best Companies to Work For has a number of retailers. The top retailer on the list is Wegmans at #3; Wegmans shows it cares about the well-being of its workers as much as its customers. In 2010, it covered the costs for 11,000 employees who took part in a challenge to eat five cups of fruit and vegetables a day and walk up to 10,000 steps a day for eight weeks. Another 8,000 took advantage of health screenings that included a flu shot and H1N1 vaccine.

The second highest ranked retailer was Zappos, coming in at #6. The magazine said its "quirky, happy culture remains" despite its sale to Amazon.com. Free lunches and vending machines and a company commitment to "create fun and a little weirdness" are among Zappos' guiding principles.

Coming in third among retailers was REI. Employees receive 50 to 75 percent discounts on full-price REI branded merchandise, free skis and kayaks rentals, and an annual gift of REI gear. After 15 years with the company, employees are entitled to a four-week paid sabbatical, other retailers landing on the list included:

**Nugent Market (8)** Rallies are an everyday event at this nine-store Northern California supermarket chain, where management uses a big flat screen computer monitor in each store to deliver important information about products, messages from the leadership team, employee awards, and pump up the troops. Employees who watch diligently can be rewarded with bonuses that range from $20 to $1,500. Universal perk: everyone receives a 10% discount on store purchases.

**JM Family Enterprises (16).** The Toyota distributor reinstated benefits that had been cut to cope with the financial crisis (and the Toyota recall). The company also has seven health centers with doctors, nurses, and physical therapists -- and an on-site pharmacy.
Stew Leonard's (18): This family-owned supermarket doesn't give special treatment to relatives. The "13 third-generation members" who work at Stew's had to find employment with other companies after college before returning to the family business. Their first job? Working the register.

Container Store (21): The focus here is on training. First-year, full-time employees need to log a minimum of 263 training hours. The chain is also credited for its comparatively high pay with full-time sales clerk salaries averaging $44,000.

Whole Foods Market (24): Company employees get behind the chain's goal of promoting healthier lifestyles. New hires get a 20 percent discount off all items in the store and those meeting the goals of the company's healthy-living challenge get up to 30 percent.

Build-A-Bear Workshop (48): Part-timers get health, dental, and vision benefits, while HQ staff enjoy on-site yoga and Zumba workout classes.

Publix Supermarket (67): One of 13 companies to land a spot on this list every year, the supermarket chain is the largest employee-owned company in the nation.

Nordstrom (74): The upscale department store, according to Fortune, "continues to live by its one-sentence doctrine: 'Use good judgment in all situations.'"

Mens Warehouse (87) End-of-year parties are a tradition at the chain of 1,213 men's clothing stores and leading tuxedo-rental service. (Naturally, they're black tie.)

Aéropostale (94): With four out of five employees at the teen apparel chain under 25, Fortune

Short Videos Available on the Web

Whole Foods and Container Store CEO talk about employment strategies


Privacy on the Web

New companies show consumers the information that is being tracked about them online. Consumers can also change the information that is listed about you.

• Use with Chapter 3, “Multichannel Retailing.”
• 5:18 minutes
• http://online.wsj.com/video/more-clear-cut-privacy-options-for-web-users/6EE0FFE0-A1FE-45F5-9244-CFD0E821D3C0.html

Google Ads

Retailers using Google Ads should strategize before using Google Adwords.
• Use with Chapter 3, “Multichannel Retailing,” and Chapter 16, “Retail Communication Mix.”
• 2:17 minutes
• http://video.forbes.com/fvn/cmo/add-paris-hilton-to-your-keywords

Direct Sales in Brazil

L’Oreal is successful in Brazil from direct selling.
• Use with Chapter 2, “Types of Retailers,” and Chapter 19, “Customer Service.”
• 3:52 minutes

Free Shipping

Many online retailers are offering free shipping without minimum purchase values.
• Use with Chapter 3, “Multichannel Retailing,” and Chapter 15, “Retail Pricing.”
• 3:51 minutes

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/

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@cba.ufl.edu or mlevy@babson.edu
Someday, Store Coupons May Tap You on the Shoulder


Use with Chapter 16, “Retail Communications Strategy”

Technology innovations from the Internet to new smartphones applications are transforming coupon clipping to coupon clicking. But, while the goal is for coupon availability to keep pace with changing consumer habits for receiving information, manufacturers have to balance convenience with bottom lines and consumer preferences. If discounts are too accessible, customers willing to pay full price will take advantage of reductions, and retailers will see their margins shrink. If delivery mechanisms are too annoying, even the committed bargain shopper will shun deals.

While the vast majority of redeemed coupons are still snipped from Sunday newspaper supplements, the use of coupons distributed online is growing. Consumers can search for, download, and print deals at any time. But this approach still requires paper, scissors, and the slight hassle of remembering to take the coupon to the store. Newer alternatives include downloading coupons to a retailer’s loyalty card or accessing coupons via smartphone. The second option allows consumers to select and save coupons themselves or, with applications like GroceryiQ, Grocery Gadget and Grocery Pal, to automatically receive coupons on their phone’s grocery list app.

The new deal distribution techniques are changing the demographics of coupon redemption, bringing in younger shoppers and more men. But manufacturers are looking for additional enhancements that will capture new customers without offering reductions to shoppers willing to pay full price. The next step appears to be coupons delivered to hand-held devices based on a consumer’s geographic location in a store. Thus a woman passing the dairy aisle might receive a coupon good on a gallon of milk, while another shopper in canned goods receives a special price on creamed corn. Previous purchasing information stored in a database could ensure shoppers don’t receive coupons for products they were likely to buy anyway. Software developers are working on technologies to make these scenarios a reality.

Delivering a special offer directly to a shopper’s hands when she is steps from the product is a powerful motivator for product selection. But the offers must be worthwhile and relevant to the individual. Simply bombarding shoppers with dozens of deals every time they set foot in a retail establishment is likely to convince consumers to shut off their phones before leaving the house.

Discussion Questions:

How are retailers targeting coupon promotions more accurately to customers than in the past?

In the past, coupons were distributed in newspaper supplements using a “one size fits all” approach. Today retailers are using wireless technology to make coupons available online and via smartphone. Both of these coupon clicking approaches still require consumers to go looking for deals, but evolutions in technology will make it possible to deliver special offers based on the customer’s precise geographic location. Deals will be for products that are literally within arm’s reach and can be tailored based on the shopper’s previous purchase history.
What are the advantages and disadvantages of these new technologies from the customers’ perspective?

If done properly, the new technologies provide customers with special deals that they might not have had the time or inclination to track down on their own. They alleviate the hassle of printing or clipping coupons and the need to remember to bring coupon or loyalty cards to the store. Poorly aimed offers or an over-abundance of coupons can irritate customers, causing them to shut off their cell phones or become irritated with the manufacturer or retailer. Another disadvantage is that customers might not be comfortable with the idea of carrying a device that can so precisely pinpoint their location.
More Consumer Manufacturers Selling Online, Competing with Retailers

Barry Shlachter, Ft. Worth Telegram, December 28, 2010

Use with Chapter 13, “Buying Merchandise”

In the traditional retail model, manufacturers created goods and retailers sold them from brick-and-mortar stores. Consumers knew which stores were most likely to carry the brands and products they wanted and shopped accordingly. Stores carrying similar merchandise vied for customers through advertising and marketing, protecting their margins by balancing consumer discounts and supplier pricing. They also retained customers by entering into exclusive relationships with manufacturers, so that certain sought-after brands could only be purchased in certain stores. Then shifts in the accessibility of information, a weakened economy, and shifts in shopper preferences left old-school retailers in the dust.

Today manufacturers sell directly to customers online and through full-price and discount retail outlets. They bypass retail chains, viewing them now as superfluous – and costly – middlemen. This direct selling without including the middleman is known as disintermediation. An obvious advantage is that it increases profits for manufacturing companies at a time when consumer spending is sluggish. It also capitalizes on the power of the Web, giving manufacturers the possibility of an international market and increased sales with far less financial outlay than operating physical stores. Additionally online selling gives vendors the ability to reach customers through social media and held-held mobile devices.

Retailers can do little more than protest. An increasing number are boosting inventory of private-label goods to help offset sales lost to their one-time partners. But the practice backfires: Brand name manufacturers claim they are losing sales because their products no longer have sufficient prominence on the shelf. In retaliation, they open their own stores or create their own Web sites. Some adherents to disintermediation, such as Nike, managed to expand into e-commerce and vendor-owned stores without losing presence in existing retail outlets.

While the practice of disintermediation is growing, it’s not the right approach for all manufacturers. Brand recognition is a prerequisite, as sellers must have sufficient presence in the public’s awareness to draw people to their sites. Other manufacturers, such as the makers of the Panhandle Slim Western wear brand, believe separating retailing and manufacturing allow the experts in each area to focus on their strengths.

Discussion Questions:

What is disintermediation?

Disintermediation is the practice of removing the middleman from business transactions and selling directly to customers.

Is the practice of disintermediation growing or contracting?

The practice is growing as manufacturers look for economic growth in a sluggish economy.
What are the advantages and disadvantages of disintermediation from the perspective of both the retailer and the vendor?

Disintermediation is primarily a disadvantage for retailers, who lose control over a brand, lose shoppers, and lose “slotting fees” paid by vendors in return for preferential stocking or display. On the advantage side, they can use new space on their shelves for private-label brand goods, which tend to provide better margins than brand-name goods and, by focusing on their operations and allowing manufacturers to focus on theirs, they ensure that talents are not diluted.

Vendors tend to benefit from disintermediation, particularly if they have strong brand recognition or searchable presence. Those with an online presence can expand their market reach and sales without the heavy investment of constructing brick-and-mortar stores. They can also expand their ability to interact directly with their customers through social media sites and smartphone applications. They can eliminate the costs associated with retailers that are not part of their company and retain control of their brand. Vendors potentially risk losing presence in department stores and specialty shops and could possibly suffer by trying to focus on too many areas of expertise at once. In particular, vendors do not typically have a supply chain that is amenable to selling very few items to lots of customers.
High Court Splits Evenly in Costco Case

Brent Kendall, Wall Street Journal, December 14, 2010

Use with Chapter 13, “Buying Merchandise”

Omega SA, a Swiss luxury watch maker, tagged new Seamaster watches with a suggested retail price of just under two thousand dollars. By the time the watches showed up for sale at Costco, the price was reduced by seven hundred dollars. Omega, part of the Swatch Group, Ltd, filed a lawsuit, claiming violation of U.S. copyright law.

The suit, which dragged on for six years, ended with a split decision by the U.S. Supreme Court. Had Costco purchased the watches directly from Omega SA, the outcome might have been different. But Costco obtained the merchandise from a third-party source that had already imported it into the U.S. The discounter argued that Omega gave up its rights to controlling the cost of the watches once the sale with the third party was completed. Other discounters, including Amazon, Target, Google, and eBay, eagerly awaited the court’s decision as it affected their ongoing ability to purchase new products from legal wholesalers and then set their own prices. The decision also impacts resale of other goods, including CDs and software.

Although the Supreme Court did not reach a definitive decision, Omega was the winner. In a split, the 2008 federal appeals court ruling remains in place. That court determined that Costco had violated Omega’s copyright. However, the case does not set legal precedent, so it cannot be cited in future suits of a similar nature.

Discussion Questions:

Is the situation described in the article about counterfeit, gray market, or black market merchandise?

The article describes a gray market situation, which is the flow of merchandise through legal distribution channels other than those authorized or intended by the manufacturer. Because this situation describes distribution across international boundaries, it concerns gray market merchandise and not diverted merchandise.

Based on the decision of the lower court, is selling merchandise that is copyrighted in the U.S. at below manufacturers’ suggested retail price (MSRP) legal? Why or why not?

Selling merchandise that is copyrighted in the U.S. at below MSRP is not legal. A federal appeals court sided with Omega in 2008, saying the watchmaker retained rights to products that it made and sold and that were later imported into the U.S. Since the Supreme Court decision does not establish legal precedence, the lower court decision reflects the law.

What are the advantages and disadvantages of these types of transactions from the perspective of the manufacturer, the retailer, and the customers?

Customers tend to be pleased by these types of transactions since they are able to purchase goods at reduced prices. Likewise retailers can benefit from the ability to undercut competitors’ costs and attract shoppers. Manufacturers, however, are at a disadvantage because gray market transactions that make the product available at lower prices than through their “regular” retail outlets, reduce the brand image and compromise service normally associated with the brand. To protect themselves, vendors require retail and wholesale customers to sign an agreement that they will not engage in gray marketing. Retailers who violate this agreement risk losing their relationship with the vendor.
How 2010 Tech Changed Retail Forever

JP Mangalindan, fortune.com, December 20, 2010

Use with Chapter 15, “Retail Communications Mix”

Last year, more shoppers relied on technology for information and purchases than ever before. E-commerce accounted for 34 percent of sales on Black Friday, and consumers increased their online spending by 12 percent over 2009 totals. Shoppers, armed with iPads and smartphones, found coupons and special offers through daily deal sites and mobile apps. New apps from online retailers, such as Amazon’s Price Check, made it easier for shoppers to compare prices. Using this app, a customer standing in a brick-and-mortar store can scan a CD, DVD, book or video game, enter some additional information, and order the item from Amazon with a few additional clicks if it’s cheaper online. 2010 statistics also show that smartphone shopping is clearly gaining in popularity: About 45 percent of customers with smartphones use them to hunt for the lowest prices.

Even without the apps, online shoppers have a near endless variety of product options at the tips of their fingers. No brick-and-mortar store could carry a fraction of the inventory available on the Web. Nor would it make economic sense for them to offer in-house prices, a third-party vendor prices, and a used price for the same item.

While many stores are folding as a result of e-commerce, those that remain in business are seeing some beneficial effects of technology. Customers entering a store these days are more likely to be there to purchase than to browse. These shoppers have done their research online and only head out for a shopping trip because they have learned where to buy what they want at the price they want. They may even have visited a site like Groupon, LivingSocial, or Walmart’s new daily deal site Crowd Saver to grab some special offers. Online shoppers, on the other hand, can click through dozens of sites without making a purchase because to do so requires very little effort. Location-based apps like ShopKick also help motivate sales once the customer is in the store. ShopKick rewards consumers with “Kick Bucks” simply for visiting a store. Kick Bucks are redeemable for merchandise or gift cards.

Still, brick-and-mortar stores are struggling to stay afloat while tech companies post impressive figures like LivingSocial’s $1 million in daily sales and Groupon’s $2 billion in annual revenue. Another winner is the consumer, who finds better value for their money and a more efficient and informed way of shopping.

Discussion Question:

How has technology changed the way we shop?

Technological advancements such as the Internet and smartphone apps save both time and money for consumers while making it easier for shoppers to be better informed. Customers used to trek from store to store to find the best price for the items they sought. Now they can find that information online or via their smartphone. Both technologies allow consumers to purchase with a few clicks, and both make deals available without the hassle of cutting coupons from the newspaper. With smartphones, these deals can even be location-based, tempting shoppers to visit nearby retailers or even make a purchase from a retailer while they are in another retailer’s store.
Luxury-goods Sellers Tailoring Business to Airport Shoppers

Andrew Roberts and Lauren Coleman-Lochner, Washington Post, December 25, 2010

Use with Chapter 7, “Retail Locations”

The new mall might well be the airport. While upscale suburban malls are seeing a drop in store visits, airport terminals in international hubs are filled with business travelers and middle-class globe-trotters from emerging markets in Asia and Latin America. These travelers tag a trip to the duty-free shop on to their journeys, stocking up on cosmetics and fragrances while taking advantage of discount prices and the availability of merchandise not sold in their home country.

Luxury goods retailers have leapt on the opportunity, modifying staffing and assortments in airport-based stores to attract these shoppers. Estee Lauder has increased its sales staff in airports by 13 percent, focusing on new hires fluent in Mandarin, Portuguese and Russian. Staff is trained to understand cultural differences and purchasing preferences, and marketing practices include rotating stock on display based on the origin of incoming flights. Thus when a flight from San Paola lands, Brazilians on their way to baggage claim see their favorite fragrances at the front of Estee Lauder’s store. Estee Lauder also develops products like Super Flight Cream exclusively for airport and duty-free shops. The company is negotiating with travel sites to make available coupons so travelers can print deals along with their boarding pass.

Luxury retailers like Salvatore Ferragamo Italia, Burberry’s and Coty’s Prestige division compete for airport sales in their own ways. Coty’s is opening locations in airports in China’s smaller cities and introducing products designed to appeal to Chinese. Burberry’s launched a cosmetics line last year, and Ferragamo opened a highly successful shoe store in the Beijing Airport. But there’s no reason for sales to end once the travelers board the plane. According to Ferragamo’s CEO, Asians are more receptive to sales on board than Americans. Travelers, he feels, are potential customers just as airports are potential malls.

Discussion Questions:

What luxury retailers are locating stores in airports?
Estee Lauder, Salvatore Ferragamo Italia, Burberry’s and Coty’s Prestige division are all locating stores in airports. Other luxury-goods retailers may soon follow suit.

Why are airports good locations for luxury goods retailers?
Airports are good locations for luxury goods retailers because they have a captive and dense population of middle-class travelers from emerging markets like China, Brazil, and Russia. These travelers are more attuned to airport shopping than their American counterparts and take advantage of the airport location to find discounted cosmetics, fragrances, and other high-end goods that may not be as easily available at other locations.

How are retailers in airports getting customers to go to and buy in their stores?
Airport retailers are employing a number of approaches to attract customers to their stores. These include hiring staff fluent in the languages of target customers, training the staff on how to interact appropriately with people from different backgrounds, and tailoring displays to appeal to travelers who have recently landed and so are most likely to be walking past the store.
Online Bazaar Builds on its Base with Sense of Community

Jenna Wortham, New York Times, December 26, 2010

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

Thriving e-commerce site Etsy.com markets handmade products and vintage goods, tailoring its assortment to consumers looking to support local and responsibly run manufacturers. Their market niche seems like a goldmine: The Brooklyn, New York, based startup doubled its number of registered users in one year and predicts up to $50 million in revenue in 2011. While eBay dwarfs Etsy’s sales, the smaller e-commerce site’s eclectic products draw a younger and more tech-savvy audience. Many of these shoppers have come to view eBay as an online Walmart, and many of eBay’s smaller sellers feel the same way.

Etsy’s unique offerings include lemon pound cake cakeballs, shawls knit from handspun wool and recycled sari silk, handmade hickory dining sets, and everything in between. Trolling the site is like browsing the perfect hybrid between a crafts fair and a flea market. Etsy adds service and a sense of community to its site by offering treasure galleries curated by Etsy members, personalized gift suggestions based on the likes and dislikes of friends’ Facebook pages, and profiles of its vendors. The site connects teams of similarly minded artisans or craftsman for in-person and online events and networking, virtual labs where sellers can receive feedback on their shops, and symposia to help their sellers make the most of their business. Merchants design their own virtual storefronts, creating the electronic equivalent of a village filled with friendly people and folksy shops. Etsy’s profits come from a minimal listing fees and processing fees for transactions. They collect additional income from sellers who pay additional fees for prominent positioning. The business model has attracted more than 400,000 sellers.

But while the site is luring both buyers and sellers from eBay, its future success is not guaranteed. As the site expands, company executives will have to protect against a scenario in which “artsy” and “homespun” become chaotic and overwhelming. Additionally Etsy will likely continue to stand in eBay’s shadow for the foreseeable future, even while site imitators begin gnawing at its business.

Discussion Question:

Perform a SWOT analysis for Etsy.com

Etsy’s strengths lie in the way it has brought together unique items, new customer values and interests, and social media to create an e-commerce site that is appealing to shoppers and that fulfills a need unmet by eBay.

Opportunities for the startup include continued inroads against eBay’s sellers and buyers and a growing market of hip, tech-savvy shoppers interested in buying from local or small, independent businesses. Building a strong community of buyers and sellers who share values, interests, and comfort with technology provides Etsy with a strong foundation for growth and profitability in a changing marketplace.

Its weaknesses are those of any startup. The company must carefully manage growth while continuously adapting its marketing strategies to accommodate competitors and trends. Etsy may need to find ways to manage the quality of listings and/or storefronts, ensure the site doesn’t degenerate into a jumble sale, increase its marketing efforts to maintain visibility, and integrate with other smartphone apps and social networking sites. Most importantly, company executives need to balance profitability and community in a way that appeals to both buyers and sellers—a balance that eBay lost as it struggled with the recession.
Threats include the global economy, new and existing competitors, breakdowns or struggles among the company’s principles, and a fickle buying public.
Retailers Loosen Up on Returns

Miguel Bustillo, Wall Street Journal, December 27 2010

Use with Chapter 18, “Customer Service”

Retailers have faced a returns conundrum: Easy return policies appear to lead to consumer fraud, including merchandise use prior to seeking a refund. But stricter policies can alienate good customers, who find restocking fees and short return windows sufficient reason to shop elsewhere. While the trend has been toward tighter return policies, this past holiday season saw many retailers backing off their earlier policies. Best Buy Co. eliminated its 15 percent restocking fee. Macy’s Inc., Toys “R” Us Inc. and OfficeMax Inc. also relaxed their policies, including eliminating bans on returning digital cameras and extending return periods.

Stricter policies arose to stop the practice of “wardrobing”, a form of customer fraud that entails wearing garments before returning them. A parallel practice exists in consumer electronics, where some shoppers buy a product like a television, watch a playoff game, and then return the television. Another form of abuse involves constant purchases and returns as the customer has no disincentive to impulse buying. Best Buy’s more permissive policies arose in response to complaints over return restrictions posted on the Internet. Other companies have changed their guidelines to remain competitive against online retailers like Zappos, whose liberal returns policies erase consumer resistance to purchasing clothing and accessories without trying them on.

Easing up on returns may increase return rates, but it doesn’t solve the problem of abuse, which is why more than 80 percent of retailers have not yet changed their policies. However, less restrictive policies lead to better sales, increased profits, and positive word-of-mouth advertising, tempting stores to find a balance between liberal policies and fraudulent returns. Some chains are adopting technology that tracks return histories and identifies customers who abuse privileges. While consumer activists oppose this approach, many retailers see the opportunity to curtail abuse, maximize customer service, minimize the perceived risk in purchasing, and protect their reputations with existing and potential customers.

Discussion Questions:

Why have retailers recently relaxed their return policies?

Some retailers have relaxed their return policies in response to Web-based criticism about strict policies or to remain competitive against online sites that have liberal policies. Other chains have noted that strict return policies can hurt sales and store reputations. They have modified their guidelines to maximize profits in a weak economy.

What can retailers do about customers who abuse liberal return policies?

Retailers can use new technology that tracks return histories and identifies customers who abuse liberal return policies through impulse shopping, wardrobing, or purchasing electronics for one-shot or short-term use. These customers would have more restricted returns rights than customers who return for legitimate reasons.
A Tough Sell at Sears

Stephanie Clifford, New York Times, December 21, 2010

Use with Chapter 5, “Retail Market Strategy”

Sears Holdings seems to be sending one very clear message to consumers: Save me! The company, which owns Sears and Kmart, has launched a variety of efforts to stop its downhill slide. But competition, aging infrastructure, and a muddled strategy for the future bog down these efforts.

In 2005, combining Sears and Kmart into one organization held the possibility of harnessing the strength of both chains. Yet despite the positives, the stores were compromised by a significant number of haggard stores in undesirable locations. Capital spending to improve these facilities lags far behind competitors Target, Walmart, and J.C. Penney. While selling more attractive locations remains a possibility for Sears Holdings, doing so leaves the company without attractive real estate. Even an analysis of the company’s real estate holdings points to a disadvantage: Sears and Kmart are store-based retailers. Sears Holdings has little e-commerce presence.

The company’s command of the appropriate product assortment is also a challenge. Sears tools and appliances used to draw shoppers to its stores. Now the chain’s dominance in appliance sales is threatened by Home Depot and Lowes, and its exclusive brands, such as Craftsman tools, are available in other stores. Never known for high-fashion apparel, Sears and Kmart are trying to hope on the fast-fashion bandwagon by subleasing space to brands attractive to young shoppers. The stores have also introduced exclusive brands.

Sears Holding is also improving its use of the Internet, including AdYourWay, which provides shoppers with recommendations and price alerts for preselected items and facilitates online ordering of groceries, tools and gifts for same-day pickup. A third-party sellers site, mobile applications, and a single login and profile for all Sears Holding sites round out the company’s current Internet efforts.

Finally, the retailer is trying to pump up sales with promotions like no-interest offers on the Sears credit card, rewards programs, Black Friday prices on weekends throughout the last quarter of 2010, and extended layaway programs. These efforts, plus Sears’s history and consumer loyalty, bring in sales, and company executives believe that ongoing attempts to improve store layouts, fixtures, assortments and service will revive Sears Holdings. Others, including industry analysts and shoppers, are not so sure.

Discussion Questions:

Perform a SWOT analysis of Sears Holding

Sears Holding’s primary strengths are in the reputation and consumer loyalty of its stores, Sears and Kmart, and in the few buildings it owns in desirable locations. Some of its products, including tools and appliances, remain strong sellers.

Among its weaknesses are shabby stores in undesirable locations, delayed use of new communications technologies, a product assortment too weak to bring shoppers into the store, and loss of exclusivity over some of its more desirable brands. The company also seems to be suffering from lack of a clear strategy for long-term growth. The seriousness of these threats is demonstrated by a continual slide in sales and market share and the rising strength of competitors Target, Walmart, and J.C. Penney.

Despite the bleak outlook, Sears Holding has brand strength and customer loyalty that could, with the proper leadership, provide the basis for a more profitable future. This resurrection will require a plan for strategic growth that
includes both short-term and long-term tactics and that takes into consideration customer needs and preferences, market trends, capital expenditures vs. growth, and technology advancements. The company will likely have to make strategic decisions about real estate sales and may need a leadership team better equipped to handle the challenges it faces.

Would you invest in this company? Would you want to work for Sears Holding after you graduate?

I would not invest in this company as it stands now. If I could see a clear strategic plan that indicates how Sears Holdings intends to address its challenges and weaknesses and that includes strong resumes for management positions and deadlines for accomplishing specific milestones, I would consider investing. I wouldn’t want to work for this company unless it had taken some significant steps toward improving its position in the marketplace. Honestly, it doesn’t even sound as though it will be around after I graduate.
Target Gets Personal with Associates

George Anderson, Retail Wire, December 14, 2010

Use with Chapter 16, “Managing the Store”

Managers in any business situation face the challenges of employees whose performance is affected by personal problems. Staff members may be late, miss work, or spend large portions of the day talking about their personal issues on the phone, with other employees, or with store managers. Usually these problems are transient and impact only a small portion of the workforce. But for retail managers in some downscale urban areas, domestic violence, teenage pregnancy and homelessness threaten a higher percentage of employees. These issues interfere with productivity. They also concern managers, who hear the needs of their staff and feel a very human desire to help them.

One Target store hired workplace counselors to help connect troubled employees to the assistance they needed. These professionals, for example, help women afraid of former boyfriends get into women’s shelters and into store locations whether the boyfriends are less likely to find them. Target’s introduction of social workers into urban locations has been so successful that the chain now has social workers in 69 stores. Locations with available professional support boast a 17 percent improvement in employee attendance, and Target executives see lessons learned from working with staff in impoverished urban communities as being important to their expansion plans.

While helping employees with their personal problems has improved Target’s image and staff attendance, other retailers hesitate to follow suit. Because Target is sponsoring the social workers, the chain may face liability issues. History shows that locating businesses in difficult areas brings human resources nightmares, investor uncertainty, safety concerns for customers and managers, and, in many cases, stores closings. Target’s competitors must weigh this history against Target’s current approach. Nevertheless, other chains are certain to notice that Target is moving to take advantage of the opportunities presented by these food deserts and by the population migration back to urban areas. These competitors will also take note that Target is publically applauded for its humanitarian efforts.

Discussion Questions:

What is Target doing to help its associates with personal problems?
Target is contracting with social workers to come into stores in urban neighborhoods to help associates with personal problems.

Would this approach be useful for other retailers?
I think this approach would be useful for other retailers since it improves communities and workforce productivity, demonstrates concern and compassion, generates positive media and customer attitudes toward the retailer, and helps retailers expand in food deserts and other urban locations. These reasons can directly improve bottom lines and also fit with changing consumer values.

Is it worth the cost?
Arguably stores could fire employees with decreased productivity and replace them with new workers. While stores could compare hard costs of hiring social workers with investor response, improvements in productivity and attendance, and/or recruitment and training, these figures don’t determine the full worth of the program. The concept of worth must include less tangible aspects, including the public image of the chain and contributions to individuals and communities. In my opinion, the program is worth the cost when all of these factors are considered.
Wall Street Analyst Hits the Stores

Elizabeth Holmes, Wall Street Journal, December 23, 2010


Does a mess on the display table mean stores have cut too deeply into payroll hours or that employees are so busy at the cash registers they don’t have time for the floor? Do discounts mean a retailer is trying to unload unpopular items and excess inventory or that prices have been set to communicate a strong value message to customers while maintaining margins? Part industry professional, part Sherlock Holmes, Wall Street analysts browse stores with these questions in mind, tracking clues to the health of the apparel sector and individual competitors.

Data gathering begins with display windows, the choice location for full-price merchandise that will attract customer interest and entice shoppers into the store. Stale or heavily discounted apparel can send a message that the store isn’t paying sufficient attention to marketing and may communicate to customers that inside apparel is no more interesting than the outdated offerings in the window.

More information awaits inside the door. One analyst surmised store-wide markdowns at the Gap were the result of a strategically planned sale because of professional-quality signage. His theory was supported by statements that Gap reallocated advertising dollars to in-store marketing campaigns and that Gap planned to make a value statement to customers. But the chaotic displays spoke of staffing shortages at the Gap while messy displays at Victoria’s Secret conveyed a different message: Most employees were needed at the registers, where customers waited by the dozen to make a purchase, despite lingerie being primarily a discretionary purchase and despite Victoria’s Secret offering few promotions than other retailer. The activity at Victoria’s Secret also tells analysts that consumer confidence is building again. Meanwhile, a survey of display tables in Abercrombie & Fitch and Hollister, including a comparison of display items to the merchandise plan hidden beneath the merchandise, indicated that both brands were making headway against projected excess inventory.

Analysts also check garment tags, looking for apparel that isn’t moving despite discounts, missing sizes, or an excess of a certain style. This information helps them assess the ability of buyers to select popular styles and the skill of managers for inventory control. Some analysts even lurk near the stockroom door, hoping for a glimpse of the backroom that will provide even more insight than stock levels on the floor. Ideally the stockroom should contain the minimum amount of styles and sizes to satisfy customers before style preferences or seasons change.

Discussion Question:

What can be learned about how a retailer is doing by walking through the stores?

Careful observation of displays, signage, lines at the register, and inventory can communicate whether an individual store is appropriately staffed and managed, whether promotional efforts are part of a strategic plan or a response to poor planning, whether reductions to operations budgets have jeopardized customer service and the shopping experience, and even whether consumer confidence is increasing or decreasing. Comparisons between stores yield information about which products and brands are gaining popularity and which chains are gaining or losing market share.
In These Lean Days, Even Stores Shrink

Stephanie Clifford, New York Times, November 9, 2010 and “Target Keeps Smaller Formats in Spotlight”
Sarah Mahoney, PM Marketing Daily, October 18, 2010

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

Bigger was better for years in retail, with big box and department stores seeking ever-expanding footprints so they could offer their customers expansive assortments, comfortable dressing rooms and waiting areas, and even entertainment space in one convenient location. But then the economy stalled, and retailers found themselves with massive inventories, expensive real estate, and a serious shortage of sales. The situation caused an about-face in attitude toward megastores. Now the big news is keep it small.

The switch to more modest space reduces rents, saves money on inventory since less is needed, streamlines operations and results in smaller payrolls since fewer employees are needed. For some stores, shrinking is relatively easy. Anchor Blue, for example, cut its floor space by erecting a temporary wall that cordoned off square footage. They weeded out unpopular sizes and styles so that only the most sought-after merchandise remained. The result has been a boost in foot traffic and sales and an increase in profitability. As current leases expire, Anchor Blue plans to move into locations that are half the size of its pre-recession stores.

Department stores like Bloomingdale’s require a little more imagination to operate in a small space. The Bloomingdale’s in Santa Monica, California, for example, chose to confine operations to two floors rather than three. To save space, the store uses dressing rooms that retract into the ceiling and a mobile rack on the second floor ceiling that moves clothing in a manner reminiscent of the dry cleaner’s.

In this new, honed shopping experience, wider selection, comfort, and entertainment have been labeled distractions and temptations, and stores are focusing on stocking to meet specific needs of customers and marketplace. While economy is certainly an important part of the decisions, retail executives also cite customer experience as a motivation for streamlining. A Nike representative says the driving force behind abandoning the 50,000 square foot Niketown store in favor of a 22,000 “brand experience” store is to make shopping simple for customers. No more hunter-gatherer shopping; it’s all about honing in on the target and capturing it.

Even Walmart is intrigued, planning launch of as many as 40 smaller stores in fiscal 2012 along with the opening of more than 150 large stores. The foray into more minimalist space coincides with Walmart’s more aggressive entry into groceries, including fresh produce, fresh meat, and baked goods. According to at least one retail consultant, combining groceries with smaller store size will help Walmart and other mass merchandisers bring customers in more frequently without the overhead of a supercenter.

Discussion Question:

When it comes to store size, why is less sometimes more?

Less floor space means more profitability due to reduced costs for rent, utilities, staffing, and inventory. It also means more efficient operations and forces store owners to reduce inventory, focusing only on the most popular styles and sizes. Smaller stores can also create a more pleasurable experience for customers, who seek a simpler shopper experience now that their spending is more closely tied to need and less to pleasure or impulse buying. For mass merchandisers like Walmart, smaller stores that offer virtually the same categories but with less selection than the brand’s supercenters will bring back customers more frequently.
Can Department Stores Knock Off Fast-Fashion Strategy?

Barbara Thau, CNBC.com, October 18, 2010

Use with Chapter 12, “Managing Merchandise Assortments”

Fast-fashion chains, which specialize in translating European and global fashion trends into affordable, constantly updated apparel in American stores, have been thriving while department stores shrivel. Now JC Penney, Macy’s, Sears and other department stores are incorporating fast fashions into their assortments in an attempt to lure the lucrative 18-35 year old shopper back from stores like H&M, Forever 21 and Zara. The transformation won’t be easy: Department stores have not previously focused on meeting the fickle preferences of fashionistas. Adopting fast fashion will require changes in vendor relations, supply chains, and store operations in addition to changes in assortments. But to ignore fast fashion could relegate department stores to the fate of the brontosaurus.

Penney’s has partnered with Barcelona-based Mango to create a line of career and casual sportswear labeled “MNG by Mango.” The department store will receive new MNG by Mango shipments every ten days—about three times more often than shipments from other retailers. The Mango garments will be featured in dedicated in-store shops; Penney’s plans to have 600 of these stores open by fall of this year.

Macy’s tapped Madonna and her teenage daughter Lourdes for their foray into fast fashion. The “Material Girl” label will appear on apparel, footwear, handbags, jewelry and, in 2012, on beauty products. Priced more in keeping with fast-fashion merchants, Material Girl merchandise will be replenished daily. Other Macy’s merchandise is replenished weekly.

The struggling Sears chain debuted its own fast-fashion destination for juniors and young men, Now + Here, in time for back-to-school shopping last year. Touted as the place to buy “today’s hottest trends” at amazing values, Here + Now offers exclusive and new brands for juniors. Sears has also rented in-store space in its Costa Mesa, California location to Forever 21 and is contemplating partnering with other fast-fashion stores.

Even the chains aimed specifically at teens are feeling the pinch from fast-fashion. In an effort to hold on to customers, American Eagle and Abercrombie & Fitch are incorporating some fast-fashion principles into their business strategies.

Discussion Questions:

What is “fast-fashion”?

Fast fashion is the term used to describe styles that move from runway to store racks in the fastest possible time to take advantage of market trends.

What retailers are known for fast-fashion?

Zara, Forever 21, Topshop and H&M are among the best known fast-fashion retailers.
What other retailers are trying to play the “fast-fashion” game?

Department stores Sears, JC Penney and Macy’s are entering into fast fashion in an effort to lure shoppers between the ages of 18 and 35. This market segment is considered highly desirable.

Do you think they will be successful? Why or why not?

I don’t think this effort will succeed. The department stores attempting fast fashion have traditional images more associated with mom and dad than with fashion-conscious juniors. Even though Madonna has teamed up with her daughter for their fast-fashion line, “Material Girl” is a 25-year old song and not likely to send the right message to a back-to-school shopper. Renting dedicated space to popular fast-fashion merchants doesn’t address the question of why a young shopper would choose to enter Sears and wind around power saws and washing machines to shop Forever 21 rather than simply going to Forever 21. The approach taken by JC Penney holds the most promise, since Mango has less of a U.S. presence than Forever 21. Still, Penney’s will be competing with freestanding Mango stores.

On top of these issues, department stores will need to make changes throughout operations to accommodate more frequent deliveries and replenishment. The change required to switch from tradition department store to fast-fashion outlet will require planning and investment, but planning can show the rapid flow required of trendy fashions, and investment is challenging when the economy is sluggish and competition is fierce.