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

- Landlords Try Thinking Outside the Big Box (chapter 7)
- One Size Fits Nobody: Seeking a Steady 4 or a 10 (chapter 13)
- My Pre-Pandemic Pathology of ‘Formatitis’ (chapter 5)
- Who Makes the Call at the Mall, Men or Women? (chapter 4)
- Going Mobile In-Store: First Pile Up the Complexities, Then Simplify (chapter 16)
- Home Depot Localizes with Spring-Loaded Pitch (chapters 13 and 15)
- Why Are Fitting Rooms So Awful? (chapter 17)
- Consumer Complaints Made Easy. Maybe Too Easy. (chapter 11)
- The Tastemakers (chapter 4)
- Sites That Send Shoppers What They Might Like (chapter 15)
- Wal-Mart making little plans (chapter 2 and 5)
- Stuff Piled in the Aisle? It’s There to Get You to Spend More (chapters 13 and 17)

If you are interested in the textbook 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

Short Videos Available on the Web

How to Spot a Fake Luxury Item
Portero Luxury, the online pre-owned luxury good retailer, discusses how to tell the difference between fake and real luxury handbags.
- Use with Chapter 4, “Consumer Buying Behaviors,” and Chapter 13, “Buying Merchandise.”
- 5:43 minutes

Amazon sells Lady Gaga’s New Album
Amazon sells Lady Gaga’s album as a loss leader for 99 cents.
- Use with Chapter 16, “Retail Pricing.”
- 2:21 minutes

Facebook
Facebook is adding video chat to the social network as well as other features available to its 700 million users. Google+ launched last week to compete with Facebook.
- Use with Chapter 3, “Multichannel Retailing.”
- 4:47 minutes

Apple and Microsoft’s Student Offers
Apple and Microsoft are offering less attractive incentives for students buying the products. There are no free ipods this year with the purchase of a computer!
- Use with Chapter 16, “Retail Pricing.”
- 5:17 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
Landlords Try Thinking Outside the Big Box

Kris Hudson, Wall Street Journal, April 27, 2011

Use with Chapter 7, “Retail Locations”

It’s every property manager’s nightmare: empty retail locations. Since 2008, the demise of Circuit City, Linens ‘n Things, Mervyn’s, and Gottschalks have left gaping holes in the retail landscape. These big box retailers were typically located in power centers. Now, that many of these big box retailers have closed, or are closing underperforming stores, property management firms are scrambling to fill the empty spaces.

A recent survey by Colliers International indicates that a significant majority of stores closed by big box retailers in 2008 and 2009 are still currently vacant. Of the ones that were leased to new businesses, the current rents average 17.9% lower than the previous retail tenants.

In 2010 the vacancy rate at big-box centers was 7.5%; this number recently declined to 7%, largely due to retail landlords offering lower rents. In 2008, rent per square foot in traditional power centers was $26.53. In the first quarter of 2011, rent per square foot in traditional power centers was reduced to $24.84. The Developers Diversified Realty Corp. (DDR), which manages 570 power centers globally, was significantly impacted by Circuit City and Linen ‘n Things closures. While DDR has filled over 90% of the vacant space, it has done so at discounts of 25% to 30% from the previous tenants’ rents.

While landlords are unhappy about the reduction in rent profits, this price decrease is providing some retailers with opportunities for expansion. For example, Hhgregg Inc (a seller of electronics and appliances) has opened over 20 stores in former Circuit City locations. In addition, smaller and independent retailers are able to expand their locations by taking advantage of the discounted rents. In Houston, TX, for example, a local gun store moved to a former Circuit City location and added an indoor firing range.

Discussion Questions:

Describe the retail real estate market.
With many big-box retailers closing in 2008 and 2009, retail landlords were scrambling to occupy vacant spaces, especially in power centers that were traditionally occupied by these retailers. While many of these spaces are still vacant today, some landlords have begun to fill the spaces, but are having to offer significantly discounted rents.

Who benefits and who is harmed by this type of market?
Retailers that have the capital to expand strongly, benefit from this market. For example, Hhgregg is able to continue to expand by taking advantage of the discounted rents. They are moving into spaces that were previously occupied by Circuit City. Other independent or smaller retailers are able to expand their current retail formats to previously big-box stores because of the discounted rent rates. However, the property management companies are suffering because the maintenance and upkeep costs are the same while the rent income is decreasing. Also, other retailers that are in power centers with multiple vacancies might be negatively impacted because of the decrease in customer traffic.

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One Size Fits Nobody: Seeking a Steady 4 or a 10

Stephanie Clifford, New York Times, April 24, 2011

Use with Chapter 13, “Buying Merchandise”

For many women, shopping is sometimes a chore. A woman can walk into one store, wear a size 6 pair of pants, and in another store wear a size 10. For example, a woman with a 27-inch waist would be a size 8 or a 10 in Marc Jacob’s high-end fashion line. This same woman would be a size 0 at Chico’s. For many women, this size discrepancy across retail stores can be frustrating and confusing, and this sometimes translates into lost sales or increased returns for retailers.

Several entrepreneurs and retailers are working to arm customers with more information and tackling the problem of unreliable sizing. A new company called MyBestFit is trying to help women find the best fitting apparel across multiple retailers. MyBestFit has kiosks in several malls that provide customers with a free 20-second (non-intrusive) body scan. The customer steps into the circular booth, fully dressed. A wand rotates around the customer capturing 200,000 different data points for assessing body measurements.

Next, the system translates this information and matches the customer’s information to clothes in its database. Currently, MyBestFit has about 50 different retailers in its database including retailers like Old Navy, Eddie Bauer, and Talbots. The customers receive a printout of the sizes at each store that ought to fit the customer best. Because MyBestFit is essentially recommending the retailer when it shows up in the printout, the retailers pay a fee when they appear in the results. The results are reliable because they are based soley on fit. A retailer cannot bribe MyBestFit to increase the likelihood of showing in the results given to the customer. A store manager at an Eddie Bauer indicated that the MyBestFit kiosk in his mall is very helpful to shoppers and very accurate in choosing the best options for them.

Other companies are working on developing labeling systems that are consistent across brands and retailers. The next step in this process is for all the players in the retail industry including manufacturers and retailers to work together to develop a standardized labeling process. Until then, customers can use tools like MyBestFit to determine the best options for them.

Discussion Questions:

What are the advantages and disadvantages of variable sizing in apparel?

One of the advantages of variable sizing in apparel is that brands can build brand loyalty with customers who find that their brand fits better or at a more attractive size than other brands. Another advantage is that variable sizing allows brands to appeal to different body types for women. A major disadvantage is that variable sizing is confusing for customers, and this confusion might translate into frustration or lost sales.

What are the advantages of retailers partnering with companies like MyBestFit?

An advantage of partnering with MyBestFit is that a retailer’s product is highlighted towards women who will benefit most from the product. MyBestFit might encourage customers to try a brand that they would not have tried previously.

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My Pre-Pandemic Pathology of ‘Formatitis’

Retail Wire, 04/26/2011
Excerpt from “Right Brain of Retailing” blog

Use with Chapter 5, “Retail Market Strategy”

While most current retail expansion is categorized as “small” and/or “urban,” these descriptions do not quite capture what is happening in the retail environment. The following three segments were developed to explain the changes in retailing from a more comprehensive perspective.

Proliferation- Retailers are entering new markets, both urban and rural, with smaller format stores. For example, Walmart’s Express and Target’s City Target concepts are reaching customers with a new, more streamlined footprint. These stores will not be condensed versions of their traditional superstores. Rather, these formats will offer a unique and more targeted assortment. Stores that have already capitalized on having a proliferation of smaller footprint stores, like convenience, drug stores, or limited assortment retailers like Aldi, will now have to compete with other retailers with the similar convenience.

Specialization- Retailers are capturing new niche markets with specialized merchandise. For example, J.C. Penney is developing stand-alone locations of its Foundry Big & Tall concept. These spinoffs will most likely focus on the private label brands to increase their brand awareness.

Localization- Retailers adopting a localization strategy are trying to connect their retail stores with their communities. For example, each Whole Foods store has a community advocate who works to provide an assortment of products indigenous to the local community around the store. Other retailers are working to become more involved with neighborhood events and charity programs.

Discussion questions:

How are retailers morphing into new retail formats?

Retailers are changing their current formats to adapt to changes in consumer preferences, shopping habits, and spending. Retailers are streamlining their formats to be smaller, more specialized, and to connect with their local communities.

Which of the three strategies presented in the article do you believe has the most potential?

Ask students which strategy would encourage them to choose one retailer over the other. Many students might say that localization is the most important. However, many mom and pop stores that were extremely localized did not survive due to big box and full-line discount retailers. Ask them how important specialization and smaller formats are in their selection process.
Who Makes the Call at the Mall, Men or Women?

The Numbers Guy, April 23, 2011, Wall Street Journal

Use with Chapter 4, “Customer Buying Behavior”

For years, marketers have made decisions based on the principle that women control 80% or more of their household’s spending. When this number was first introduced several decades ago, it encouraged marketers to notice women’s preferences and purchasing power, which they had historically overlooked. While today’s economists agree in the power of female purchasing power, they are beginning to question the validity of the 80% adage that has dominated retail for so long. Many economists claim that articles that tout the 80% female spending number never attribute that number to a credible source.

Several recent surveys indicate that men believe they have nearly equal say on spending. Futures Co., a London consulting firm, surveyed 4,000 Americans. 37% of female respondents indicated that they have primary responsibility for shopping decisions in their household, and 85% said that they have primary or shared responsibility for shopping decisions in their household. Men replied similarly: 31% and 84%. In 2008, Boston Consulting Group conducted a survey; 73% of women and 61% of men responded that they control or influence household spending.

These surveys indicate that both men and women claim control over purchasing decisions. Research also indicates that two or more people can influence a purchase decision. Future research should examine male and female shopping by product category, rather than overall spending where the numbers are too ambiguous.

Discussion Question:

Evaluate the statement, “Women control 80% or more of the spending in American households.”

As the article indicates, this is a difficult number to quantify. According to recent surveys, both men and women claim almost equal responsibility for household purchase decisions. The conclusion that 80% of women are responsible for purchase decisions has become more of a “rule of thumb” rather than a credible, empirically tested statement.

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Going Mobile In-Store: First Pile Up the Complexities, Then Simplify

Frank Hayes, April 11, 2011, StoreFrontBackTalk.com

Use with Chapter 16, “Managing the Store”

Many retailers have adopted mobile commerce applications for customers to use on their phones or other mobile devices outside the store. Now retailers are trying to develop creative ways to use mobile devices in the store, but the list of potential complexities are overwhelming for many retailers.

According to one IT executive, in-store mobile generates a world of possibilities and options, but retailers need to be practical in their mobile applications and cognizant of the potential problems. For example, if retailers are using in-store mobile for POS transactions, the retailer cannot forgo traditional POS terminals to account for check and cash transactions. Also, how can the consumer enter PIN information for debit card transactions? This could also lead to a loss prevention nightmare if a sales associate walked out with the mobile device with proprietary information.

The IT executive also points out that retailers can use mobile devices to tally up a customer’s purchase and then the customer could pay at a regular checkout or kiosk. However, the executive warns that this process is only faster if the associate with the mobile device can also bag the purchases, deactivate loss-prevention tags, and fold items with hangers.

These examples only scratch the surface of potential problems with in-store mobile devices. Retailers considering in-store mobile devices should plan for these problems in advance rather than try to dodge them after they implement a mobile system. Retailers should also consider starting out with smaller in-store mobile initiatives rather than trying to immediately replace all cash wraps with roaming sales associates.

Discussion Questions:

What are the advantages and disadvantages of mobile POS?

The advantages of mobile POS are that it allows for more interaction between sales associates and customers, providing a more seamless experience for the customer. In addition, removing cash wrap stands will eventually allow retailers to place more items on the sales floor. The disadvantages are that many retailers are not prepared and do not have the infrastructure necessary to fully develop a mobile POS system.

Do you think the advantages outweigh the complexities?

In-store mobile will probably continue to be a trend among retailers. While the complexities are numerous, retailers should begin adopting some in-store mobile options so that they can work on the complexities now rather than play catch up with their competitors later. As in-store mobile technology advances, the advantages should outweigh the complexities for most retailers.

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Home Depot Localizes with Spring-Loaded Pitch

Natalie Zmuda, April 04, 2011, Advertising Age

Use with Chapter 13, “Buying Merchandise,” and Chapter 15, “Retail Communication Mix”

For Home Depot, its biggest selling season is during the spring when the retailer spends over $150 million on marketing by promoting its planting equipment and outdoor products. However, with many parts of the country experiencing unseasonably cooler temperatures, the demand for these products has decreased. To accommodate seasonal differences, Home Depot has developed a unique customization strategy for its media plan.

Home Depot launched the “Lawn and Garden Outlook” campaign with the Weather Channel. This promotion offers localized lawn and garden advice via TV, online, and mobile channels. The Weather Channel hosts a segment between 8:00 a.m. and 9:00 a.m. that features a weather report, a garden specialist, and a Home Depot associate. These reports differ by location and market. In addition, the launch of Home Depot’s Spring “Black Friday” promotion varied by market based on climate and geography.

Home Depot also uses geo-targeting on its website. Customers in the South using the website view promotions on patio furniture, while Northern customers view promotions on kitchen projects. In addition, Home Depot’s social media strategy involves creating conversations about current trends online. For example, during a recent storm, Home Depot posted videos on proper chainsaw usage for handling downed trees.

Home Depot is becoming much more precise in delivering content to its customers. In addition, Home Depot is taking more proactive steps to listen to customers and create a meaningful dialogue with them.

Discussion Questions:

How is Home Depot forecasting sales and allocating merchandise to better fit localized needs?

Home Depot recognizes that it cannot have a one size fits all strategy for allocating merchandise to stores. Home Depot customers in different parts of the country have different needs. Home Depot uses multiple sources of data to determine what merchandise is going to be most relevant for each store. For example, while some stores in the South might be ready for perennials, some Northern stores might still need salt and snow shovels.

Why is localization particularly important to Home Depot?

Home Depot sells products that customers can use for their homes and gardens. Customers’ needs might vary depending on weather conditions and environmental factors intrinsic to an area. Localization is important for Home Depot to customize its promotional message as well as its product assortment to meet its customers’ needs.
Why Are Fitting Rooms So Awful?

Elizabeth Holmes and Ray A. Smith, April 6, 2011, Wall Street Journal

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

A survey by Envision Retail Ltd. of England observed 8,000 shoppers and found that customers who try on clothes in fitting rooms have a 67% conversion rate (meaning that they buy something that they try on), versus a 10% conversion rate for customers who do not try on clothes in fitting rooms. Even though the fitting room is critical in driving customers to the cash register, many retailers have fitting rooms that are less than desirable with bad lighting, broken doors, and shabby surroundings.

Many retailers allocate 20% of floor space to fitting rooms and 80% to showcasing merchandise. Until recently, retailers have made little investment in the fitting rooms. Retailers are beginning to recognize the importance of the fitting room and are investing heavily in renovating their fitting rooms. Many retailers are trying to make their fitting rooms more comfortable and inviting.

Ann Taylor, for example, is adding chandeliers and colorful accents to its fitting rooms. Old Navy is moving its fitting rooms to the center of its stores to reduce the “dungeon” effect of its current fitting rooms. Anthropologie noticed that women typically go into the fitting room together, so it made its fitting rooms large enough to accommodate more than one person. Macy’s added communal areas with couches and flat-screen televisions outside of its fitting rooms. This common area is for women shopping with children or a boyfriend or husband.

Other retailers are making capital improvements with lighting and mirrors, recognizing the impact that these features may have on the customer experience. Some stores are also adding features to provide customers faster access to sales associates. For example, Bloomingdale’s has added phones to its dressing rooms for customers to call sales associates if they need assistance.

Discussion Questions:

Why are retailers sprucing up their dressing rooms?
Retailers are recognizing how important fitting rooms are in driving customers from showing interest to actually making a purchase. Many retailers have fitting rooms that have bad atmospherics and are more of a deterrent to customer purchases than an incentive.

What are retailers doing?
Retailers are making fitting rooms more comfortable, updating lighting, and updating seating. They are improving mirrors and general atmospherics. They are also developing communal areas for families to wait while another family member is in the fitting room.

Would “nicer” dressing rooms influence your purchases? Why or why not?
Ask students to evaluate the last time they were in a fitting room. Ask them whether or not fitting rooms could influence their purchase decision.

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Consumer Complaints Made Easy. Maybe Too Easy.


Use with Chapter 11, “Customer Relationship Management”

Social media has dramatically increased the power of word-of-mouth. Now, customers are empowered to tweet, update, and blog about their service experiences with retailers. Today’s customer can share their thoughts about brands and retailers with their friends, family, and the rest of the world in mere seconds.

Gripe is a company that promotes the power of word-of-mouth and helps customers get their complaints resolved quickly. Gripe has an online presence as well as a mobile app for iPhone and Android. Customers can post a complaint simultaneously with Twitter and Facebook; in addition, Gripe will also send the message to the service department of the offending company. Gripe labels itself as the “Better Business Bureau for the Twitter age.”

Gripe does not just condone its namesake of griping; the company also promotes “cheers” to highlight companies who remedy problems and address the publicized gripe. Gipe also provides “cheers” to companies who perform exceptional customer service.

Many companies have allowed customers to post comments and complaints to their proprietary social media site. For example, Whirlpool set up Facebook pages for its appliance brands: Maytag, KitchenAid, and Whirlpool. Customers are invited to share their thoughts on these sites and negative feedback is not deleted from the site. Whirlpool believes that it should “keep the bad” in order to open up discussions and emphasize the proactive measures the company is taking to remedy service or product failures.

Discussion Questions:

How can customers easily complain about retailers through social media?

Customers can use Twitter, Facebook, blogs, and other social media outlets to updates their friends, families, and followers about their retail experiences. Gripe has developed a mobile application that allows customers to post their complaint once and it appears on all of the customer’s social media sites.

How should retailers respond to a complaint?

Word-of-mouth is a very powerful form of communication. If retailers see that complaints or negative comments are being made about them online, retailers should work to resolve the service or product failure that initiated the complaint ASAP. Some customers, though, are chronic complainers. Retailers need to discern between frivolous and legitimate complaints.

Ask students to discuss whether or not they have used social media to vent about a retail service experience. Also ask them to discuss how their friends’ and families’ complaints about a retailer might influence their purchase decisions.

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Use with Chapter 4, “Customer Buying Behavior”

For the past couple of decades, luxury brands and retailers have targeted Baby Boomers to drive sales and increase market share. In today’s market though, the Baby Boomers are the ones most likely to feel the pinch of the recession. In addition, Baby Boomers are starting to downsize their homes and place less emphasis on material goods. Luxury brands are now targeting the Millennials (or Generation Y) and have completely bypassed the smaller Generation X (those between the Baby Boomers and Gen Y in age).

Generation Y is the largest consumer group in U.S. history, making them a popular demographic for retailers. Nevertheless, luxury brands have to alter their promotion strategies to meet the needs of this unique market. Gen Y consumers are willing to spend on luxury products, but they are making thoughtful choices with their discretionary income. Millennials want brands to communicate with them “honestly” and offer less “baloney.” Millennials do not spend as much on luxury brands as their pre-recession Baby Boomer counter parts. They are willing, though, to purchase expensive items that they perceive as an investment in themselves. These customers want items that are durable and will withstand the test of time. The Millennial generation considers itself brand-conscious and is more likely to follow luxury brands on Facebook and Twitter. Gen Y purchases the majority of its luxury brands at a discount online, with only a third of the population actually buying from luxury brand websites. Retail strategists suggest that for luxury brands to communicate and build a relationship with these customers, they must make a commitment to increasing their digital and social media efforts.

While luxury appeals to Millennials, the luxury “experience” is less appealing. These customers would rather walk into a store, swipe their phone to pay for an item, and walk out of the store with their new purchase. Luxury brands, however, want customers to have a more interactive store experience that is more indicative of “luxury” shopping. Millennials are also causing an increase in the rental of luxury goods. Websites like bagborroworsteal.com and renttherunway.com allow customers access to luxury brands at significantly discounted prices.

For luxury brands to remain competitive, they must realize that one size does not fit all. In order to have continued success, these brands cannot communicate with the Millennials the same way they communicate with Baby Boomers.

Discussion Questions:

Are Millennials more or less likely to buy luxury goods than other generational cohorts like their older siblings in Generation X or their baby boomer parents? Why?

Millennials are not more or less likely to buy luxury goods than Gen X or Baby Boomers. The way that they build relationships with luxury brands is different though. Millennials are willing to invest in luxury goods that they perceive as being durable and an “investment” in themselves. Whereas Baby Boomers bought luxury goods simply because they wanted something. Millennials want brands to be more “honest” with them and they also want to build relationships with these brands using non-traditional forms of communication.

Does your general buying behavior fit with the general premise of this article?

Most college students will fit the age range of the Millennials. Ask them to discuss their shopping habits. How important is luxury to them? How do they build relationships with brands?

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Sites That Send Shoppers What They Might Like

Claire Cain Miller, May 1, 2011, New York Times

Use with Chapter 15, “Retail Communications Mix”

For many consumers, online shopping can be overwhelming because of the magnitude of options. If a woman Google searches “platform heels,” she could be sorting through results for the next week. A new set of entrepreneurs is trying to minimize the problem of search overload and take the guesswork out of shopping. Recently, an innovative set of e-commerce sites are starting to enjoy increased popularity.

JewelMint, Send the Trend, ShoeDazzle, JustFabulous, and Sole Society are all part of the new wave of online shopping that develops a tailored selection for customers based on the individual customer’s tastes and preferences. Customers that use these sites complete a brief online questionnaire about their preferences. Questions to help determine customer favorites might include what color nail polish they most frequently wear or who their celebrity fashion icon is. Retailers use software algorithms to interpret these results to determine personal style preferences. Based on these preferences the retailers present the customer with a limited selection of jewelry, shoes, clothing, and accessories.

This new form of e-commerce is a unique concept. Retailers are better able to manage their inventory because customers are urged to make a purchase each month and these retailers are able to predict what customers will buy. Additionally, these retailers are able to charge a monthly subscription. Not only is this added profit, but it also gives the retailer an excuse to send customers constant email messages and encourage them to make a shopping decision. Finally, these retailers usually design the items in-house and partner with manufacturers who ship directly to them. By selling directly to the customer, expenses are reduced.

Pandora predicts what music we like. Netflix predicts what movies we will like. Dating websites predict what people we will like. Are retailers really ready to adopt these technologies and tell us what earrings and shoes we will like?

Discussion Questions?

Why would consumers embrace sites like JewelMint and ShoeDazzle?
Consumers might embrace these sites because they reduce search clutter and provide buyers with a customized assortment. These sites tailor their inventory offerings based on personal preferences and tastes.

How do these sites work?
These sites ask customers a series of questions and use a software algorithm to determine customer tastes. These sites then send monthly (or weekly) updates to customers showcasing products that are compatible with each individual customer’s preference.

Would you use any of these sites? Why?
Ask students if these websites would be beneficial to them or if they prefer navigating through search results and multiple retail websites.

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Wal-Mart making little plans

Sandra M. Jones, May 14, 2011, Chicago Tribune

Use with Chapter 2, “Types of Retailers” and Chapter 5, “Retail Market Strategy”

Walmart is best known for its gigantic Supercenters located in suburban and rural areas. This format fueled Walmart’s rapid growth. Walmart, one of the largest retailers in the world, now faces the problem of market saturation. In addition, Walmart also faces a two-year decline in comparable-store sales for its U.S. stores. In order to reach new customers and not further saturate its suburban markets, Walmart is trying to expand into urban locations and city centers. However, for most major cities, the traditional Supercenter format will not fit.

To reach these customers Walmart has introduced the Walmart Market and Walmart Express format to accommodate smaller storefronts. These locations will primarily focus on grocery sales. The Walmart Market concept (formally called Neighborhood Market) debuted in 1998 and accounts for only 4% of Walmart’s retail formats. While the concept did not get far during its initial debut, market saturation, changes in the economy, and increased grocery sales, have caused Walmart to reevaluate this format.

The smaller Market and Express formats are small enough that Walmart can move into already built, unoccupied storefronts. This reduces some of the zoning and construction issues that typically face Walmart Supercenters. In addition, Walmart’s ability to offer low-priced groceries is appealing to areas that are suffering because of the depressed economy. Walmart will have to reevaluate its operational strategies in urban environments. For example, how will gigantic delivery trucks navigate congested urban streets?

The Market format is sleeker and less cluttered than traditional Walmarts. The produce section is bright and cheerful, vintage black-and-white photographs hang from the ceiling evoking memories of Main Street, and there are aisles of fresh baked goods, deli foods, and prepared meals. Walmart has yet to open an Express format, but plans to open its first one this summer in Arkansas. This format will be around 15,000 square feet; Walmart is still analyzing the right product assortment for these formats.

Walmart will begin testing the smaller formats around Chicago. Depending on the success of these locations, Walmart will pursue efforts to expand in other cities including New York, Washington, Los Angeles, Boston, San Francisco, and Milwaukee.

Discussion Questions:

Why is Walmart opening small food stores?

Walmart is opening smaller food stores to compete in more urban locations. City centers cannot accommodate the large, Supercenter format. In order to reach these customers, Walmart is expanding using a streamlined format that focuses primarily on groceries.

What are the advantages and disadvantages of such a strategy?

The smaller format allows Walmart to go into existing retail locations. This reduces new building and zoning costs for Walmart. It also helps fill vacant spaces. Walmart will also be able to provide discounted groceries in areas that my
have been impacted by the economy. A disadvantage for Walmart is that it is not accustomed to operating in the urban format or in smaller stores.

**What type of growth strategy is Walmart using?**

This growth strategy could be both format development or diversification. Walmart is offering a new format to reach some of its existing customers who might have shopped at suburban locations. Walmart is also hoping that this new format will reach new customers who might not typically shop at Walmart.

**Do you believe it will be successful?**

Ask students to discuss whether or not this strategy will be successful. Do they think that customers in urban areas will adopt Walmart for their grocery needs? Will Walmart’s success with Supercenters translate into this smaller retail format?
Stuff Piled in the Aisle? It’s There to Get You to Spend More

Stephanie Clifford, April 7, 2011, New York Times

Use with Chapter 13, “Buying Merchandise” and Chapter 17, “Store Layout, Design, and Visual Merchandising”

The recent economic recession forced retailers to streamline inventory and re-evaluate their assortment strategies. Thus, stores have had less variety and assortment available. Now that consumer spending is slowly increasing, retailers are returning to pre-recessionary merchandising methods by increasing the inventory available in stores. Many customers equate a “packed” store as as one that offers a good value, and some customers equate a messier store to one that offers better deals.

During the recession, Walmart remodeled its stores by reducing the number of pallets in the middle of stores, shortening shelves, and reducing the number of overall items in stores by around 9%. This remodel was conducted in an effort to retain Target customers who had transitioned to Walmart. Now Walmart is beginning a re-remodeling process by adding back inventory and stacking shelves with merchandise.

Walmart is not the only one that is adding back inventory to its shelf space. J.C. Penney is adding jewelry, accessory, and handbag displays to its empty walls and display tables. Dollar General is increasing the height of its shelves from 62 inches to around 78 inches to accommodate a growing inventory assortment without adding retail space. Best Buy has started offering Segways and bicycles to cover its vacant store space.

However, not all price-conscious retailers and customers are crazy about clutter. Retailers trying to attract new customers may opt to continue with the more streamlined assortment plan in order to offer a more pleasant and organized shopping experience.

Discussion Questions:

Why are stores adding merchandise to their assortments?
Some retailers are finding that adding merchandise encourages customers to purchase more. Adding more inventory also allows retailers to expand their assortment without adding more floor space or expanding retail locations. In addition, this also helps retailers increase their sales per square foot.

Exactly what are they doing?
Retailers are adding more merchandise to shelves. Walmart is increasing its assortment and adding pallets back into the aisles. Dollar General is raising its shelf height by over 16 inches. J.C. Penney is adding merchandise to walls that were traditionally empty or provided only decoration.

What are the disadvantages of adding merchandise to assortments?
By adding more merchandise, retailers are making a heavier investment in inventory. Added inventory can lead to a lower inventory turnover and lower GMROI. In addition, retailers run the risk of inventory obsolescence if merchandise does not sell. Additionally, some customers feel uncomfortable with excess clutter.

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