June 2005

Dear Professor:

This newsletter offers an opportunity to publish a case you might have written in the next edition of Retailing Management and the following abstracts of articles for class discussion:

Ten Opportunities for Retail Innovation Revealed in New Retail Forward Report
Customers in Dark About Retail Pricing
Some Discount Stores and Grocers Let Nurse Practitioners Move in to Treat Minor Illnesses
In the Escalating Battle Between FreshDirect, Fairway, and Whole Foods, Who Will be the First to get Squashed?
Apparel Makers Go It Alone
China, New Land of Shoppers, Builds Malls on Gigantic Scale
That’s Entertainment
Blaze Net at McDonald’s

The articles in this and past newsletters are sorted by chapters in Retailing Management, fifth edition. If you are interested in the text book please visit www.mhhe.com/levy04. 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.cba.ufl.edu/mkt/crer/research/publications.asp

PUBLISH YOUR CASE IN OUR TEXTBOOK
We are beginning to prepare the Sixth Edition of Retailing Management. The textbook contains about 20 short (3 to 5 pages) cases. We would be very interested in considering cases you have written for publication in the Sixth Edition. We are particularly interested in cases that deal with location, store design, branding, merchandise management, store management, global retailing, information systems, CRM, customer service, and supply chain management. If we select your case for publication, your name will be prominently displayed as the case author. Please email your cases to bart.weitz@cba.ufl.edu

ABSTRACTS OF RECENT RETAIL ARTICLES

TEN OPPORTUNITIES FOR RETAIL INNOVATION REVEALED IN NEW RETAIL FORWARD FORWARD REPORT

This report by Retail Forward identifies ten ways retailers can innovate to improve their customers' experiences and strengthen their competitive and financial position.

1. Catch a Wave. The needs of an aging population, ethnic consumers and the pursuit of a healthy lifestyle provide fertile ground for innovative solutions.

2. Solve My Problem. A consumer-centric approach creates opportunities to add value to the shopping experience by adding services, information and support to the product mix to provide a complete solution for task-oriented shoppers.

3. Do It for Me. Demographic shifts and lifestyle changes are driving former DIY (do-it-yourself) consumers into the do-it-for-me (DIFM) market. Retailers can respond to consumers' increasing demands with innovative services and conveniences. Installation services from home improvement and consumer electronics retailers and home meal replacement options are fast-growing examples of do-it-for-me innovations.

4. Help Me Choose. Information overload, too many choices, more complex products and a lack of knowledgeable sales assistance create opportunities for retailers to develop innovative solutions for consumers. Allow shoppers to sample the merchandise before buying, utilizing on-demand information kiosks, partnering with celebrities to provide a seal of approval and creating online communities provide consumers the help they need.

5. Come to Me. New distribution models are allowing retailers to connect with consumers wherever they are— at home, at work or in the car. Mobile retailing and target marketing are gaining in popularity as time-pressed consumers seek greater convenience.

6. Enhance the Experience. Retailers increasingly will differentiate themselves by using experiences to sell the dream—as well as the product—and bring the brand to life. By making stores "super-immersive" and integrating branding into entertainment and other customer experiences, retailers are exploring ways to create memorable brand interactions that resonate with their target consumer.

7. Make It Easy. Innovative process, service and design solutions that are simple, intuitive and in tune with shoppers' needs—along with new technology tools—can save consumers time and effort.

8. Do It My Way. As shopping becomes increasingly individualistic, innovative retailers will seek ways to provide more unexpected gratification to shoppers and allow them to express themselves in unique ways. In addition to mass customization and personalization, retailers are offering opportunities for customers to
participate in the development of new products and services.

9. Help Me Connect. Social networking fosters community among consumers who share a common interest. Retailers are forging stronger relationships with consumers and earning their patronage by helping them to connect in ways that are important to them and by responding to their emotional and physical needs.

10. Speed It Up. Consumers want it fast; they want it now; and, they want it first. The need for speed in the shopping process will continue to drive changes in store concepts, design, location, merchandising, transaction processing and payment.

Customers in Dark About Retail Pricing

Use with Chapter 15, “Pricing”


Some new studies have suggested that most American consumers don't realize retailers often charge different prices to different customers for the same product. Although many Internet users believe this “price customization” to be illegal, they are unfortunately wrong. The only thing illegal about price customization is when it discriminates against a consumer’s race or gender, or violates antitrust or price-fixing laws. The Robinson-Patman act only applies to vendors selling merchandise to retailers, not to retailer selling to consumers.

Tracking customers shopping patterns by analyzing Internet click stream data allows its merchants to quietly collect detailed information about customers and to set prices based on this information. Retailers do not like “bottom feeders” that check many sites for the same product at the lowest price with little to no brand or merchant loyalty. On the flip side, customers who stick with the same store do not avail themselves to the discounts offered to customers who shop around.

Public policy advocates are urging the government to require retailers to disclose exactly what information they are allowed and do collect, and how they use the data. Internet shopping is still a little hazy.

Discussion Questions:

What are the pros and cons of differential pricing from a consumers’ perspective?

People strongly feel the practice of online retailers charging people different prices for the same products is unfair. They also object to the collection of data about themselves without their knowledge. They feel such data collection is an invasion of their privacy. On the positive side, however, customers who take the trouble to search for the lowest prices on the Internet will find some bargains.

From a retailers’ perspective?

This form of price discrimination maximizes the retailer’s profit because they can charge what the consumer is willing to pay. On the other hand, there could be consumer backlash. Further, customers who “shop around” for the lowest price are not loyal customers.

Some Discount Stores and Grocers Let Nurse Practitioners Move in to Treat Minor Illnesses


The American Medical Association (AMA) is worried about the new health offerings at some popular stores like Target, CVS or Cub Foods store. These stores are using nurse practitioners, not doctors, to perform screenings, give vaccinations, and treat illnesses. The new clinics in stores are cheaper than regular clinics, walk-ins are welcome, and waiting time is drastically reduced.

Large retailers in Minnesota and Maryland are some of the first to offer MinuteClinic, but it is expected that the services will be offered in other states. The growing number of health clinics in stores concerns the American Medical Association, the American Hospital Association and traditional medical doctors alike. They fear that nurse practitioners alone may not be able to offer the knowledge and care that some clients may require. Doctors feel that a physician, not a physician's assistant, should be the primary provider of medical care to patients.

Retail clinics and nurse practitioners, however, should not be discredited. The nurse practitioners achieve two-year master’s degrees on top of their four-year nursing education. They work with physicians who help develop medical-care guidelines, and other protocols for treatment. They often have physicians who are available to them around the clock should they need them. Finally, they are fully licensed.

Discussion Questions:

What new services are retailers offering?

Retailers are slowly beginning to offer minor healthcare provided by nurse practitioners in grocery and discount stores. These services appeal to customers because of lower waiting times and prices than regular clinics as well as greater convenience.

Why are they offering these services?

Retail clinics are particular popular among insurers and employers struggling to manage health-care costs that are rising 10% or more a year. They build store traffic, particularly for consumers interested in one-stop shopping.

In the Escalating Battle Between FreshDirect, Fairway, and Whole Foods, Who Will be the First to get Squashed?

Use with Chapter 2, “Types of Retailers.”

Chris Smith, “In the escalating battle between FreshDirect, Fairway, and Whole Foods, who will be the first to get squashed?” New York Magazine, May 24, 2005

New York has been called the market city; a city where you can get the best of anything. That's where the fierce competition between FreshDirect and Fairway Markets is taking place.

New York City’s food shopping history has three distinct eras. The Local Chain Period (ca. 1960-1975) was known for heavy linoleum, fluorescent lighting and was dominated by stores like Key Food, Pioneer, Red
Apple, Sloan’s and Gristede’s. The Korean Market Era (ca. 1981-1992) was known for its abundance of fresh produce round the clock. This era saw the birth of stores like Zabar’s, Citarella and Fairway.

Tastes have matured through the nineties, as vegetarianism became the “in” thing, and supermarkets felt the strain. But it seems they’re making a comeback. Welcome to the Age of the High-End Supermarket Chain. Regular grocery stores are still suffering from little to no growth, and gourmet stores are notorious for their excessively high prices. FreshDirect and Fairway just might be what the doctor ordered.

As always, critics look at Fairway and FreshDirect’s concept and do what they do best: criticize. Profits don’t seem to match up costs, especially with the massive start-up fee that FreshDirect took on. But Fairway and FreshDirect aren’t the only happening stores in the big city. Whole Foods has embraced the organic and au natural food craze and has recently moved its ever-expanding business into the Big Apple. Critics may criticize, but Whole Foods is simply laughing in their faces as their popularity booms. As the battle of supermarket chains grows fiercer, we all wonder just who will win the big showdown of grocery stores in New York?

**Discussion Questions:**

**How has food retailing shopping changed in New York City?**

*The last 50 years of grocery retailing in New York has been divided into three distinct parts: the local chain, the Korean market and the High-End Supermarket. New Yorkers tastes and preferences have changed to include organic, whole foods, and supermarkets have reacted. Deliveries and wider aisles are in, despite the belief that New Yorkers want the crowded experience.*

**Apparel Makers Go It Alone**

*Use with Chapter 2, “Types of Retailers”*


National brand apparel vendors are getting fed up with the treatment their clothes are receiving in giant chains such as Macy’s. In response, they are beginning to strike out on their own to seize control over their brand image and future. Stores like Macy’s and JCPenney are getting better at pushing their own private labels, cutting down on space for other brand names. The percentage of specialty-apparel brands at department stores has dropped dramatically over the last year. To accommodate the decrease, vendors are quickly expanding their own specialty apparel stores.

Retailers are more focused on making room for their own private labels, which provide higher profits than branded merchandise. Surveys have shown that younger shoppers consider department stores about as relevant as network news. Studies suggest that 42% of 16- to 19- year olds prefer shopping at specialty stores, compared with 12% of people ages 20 to 55, regardless of gender.

If a vendor’s brand is in high demand, it can set the terms for where their products can be offered and what amount of exposure they can demand within department stores. Coach, the trendy bag that has become a favorite purse for women of all ages, has done just that. Their high demand has enabled them to limit its exposure to the department store industry and to protect their brand image by demanding only to be offered in department stores with high traffic that can offer a full range of Coach products. Coach appears to be the icon for other specialty retailers to strive to become.

**Discussion Questions:**
What are the pros and cons for vendors who open their own stores?

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<tr>
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<tr>
<td>• Control over how your merchandise is retailed—how it is priced,</td>
<td>• Don’t get the traffic generated by the broad assortment offered in</td>
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<tr>
<td>promoted, presented</td>
<td>department stores</td>
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<tr>
<td>• Offer complete line of merchandise</td>
<td></td>
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<tr>
<td>• Offer a more intimate shopping environment with better customer</td>
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<td>service</td>
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Why don’t all manufacturers sell directly to consumers through their own stores?

*Because vendors are experienced at developing and promoting branded merchandise, not at running retail stores. Also, many vendors are not large enough to warrant opening their own stores.*

What types of retailers can successfully vertically integrate forward and own their own stores?

*Relatively large manufacturers with a strong brand name that have the resources to create destination stores.*

**China, New Land of Shoppers, Builds Malls on Gigantic Scale**

Use with Chapter 7, Retail Locations


China is putting on the finishing touches to the world’s largest shopping mall, The South China Mall. Not quite a theme park, and not quite Hollywood, the new mall is a consequence of the quarter-century economic boom in China. By 2010, China may be home to at least 7 of the world’s 10 largest malls.

The malls of China are embracing the multi-level look rather than the sprawling two-level style common in the U.S. China’s biggest mall, the Golden Resources Mall in Beijing, is a whopping six-million-square-feet. Not only does a mall this size draw the attention of consumers, it draws the attention of critics who see the aggressive economic activity as a possible sign of an overheated economy with a big fall in the future. For now, China presses on building the greatest malls the world has ever seen with their rising incomes. Although shoppers are giving more money to the gargantuan centers, state-controlled banks are not. They have been ordered by central government to tighten lending to the massive mall projects, but that hasn’t stopped developers.

Although developers may feel fully confident that their enormous shopping centers are what the consumer is demanding, others feel that the survival of shopping centers is based upon repeat customers. A mall the size of a small state may not bring customers back if they feel confused, frustrated or congested. However, this information goes in one ear and out the other as the title for biggest shopping mall is fought over.
Discussion Questions:

Why are large malls being built in China now?

*China has increased its average income over the years, allowing Chinese consumers to have more disposable income to spend on personal goods. Additionally, rival malls have encouraged the Chinese to build bigger and better malls.*

From the consumers’ perspective, what are the pros and cons of large malls?

*Large malls offer a large assortment of merchandise and shopping experience that draws in families, friends and people of all ages. Unfortunately they can appear to be a labyrinth of shops with a congested atmosphere and inconvenient parking.*

From the retailers’ perspective?

*Based on the principle of cumulative attraction, a large shopping mall attracts a lot of potential customers. Building a mall that is too big or poorly laid out, however, may turn consumers’ away and prove devastating.*

That’s Entertainment

Use with Chapter 18, “Store Layout, Design, and Visual Merchandising”

Janet Groeber, “That’s entertainment,” DDI, May 1, 2005

Boston-based Jordan’s Furniture offers all types of furniture and home accessories at good prices, and is incredibly successful at what it does. The brother-owners decided that to be really successful, they needed to figure out a way to draw in customers whether they needed furniture or not. That’s when president Eliot Tatelman decided to focus on their largest store in Reading, Massachusetts and use it to test out some ideas.

The unit boasts a 500-seat IMAX theatre, indoor fireworks, giant sculptures made of jelly beans and a trapeze school where for $10, and you can fly through the air with the greatest of ease. Jordan’s is intent on making a trip to their store an experience of family fun, not just a place to sell furniture.

Tatelman was determined to bring Boston, the “Beantown,” and fun into his store, and integrated the two by bringing in 280,000 pounds of Jelly Belly jelly beans. The jellies were fashioned into giant versions of architectural and cultural icons, from the city’s most famous landmarks to the Red Sox mascot shown devouring a New York Yankee player. The trapeze school, which is coupled with a symphonic sound system, is located in an area made to accommodate thousands of onlookers. A retro sit-down diner, Johnny’s Outpost, was Tateman’s idea of allowing the customer to enjoy a meal while contemplating the purchase of big-ticket items. The IMAX theater is strategically located at the back of the store so that patrons are able to view the bedding, dining rooms and living rooms, as well as upholstery on their way to and from the show.

In a way, the company set up the new store so that the customers may get a little lost. A movie may have been their original goal, but a new dining room table may be the outcome.

Discussion Questions:

What does Jordan’s do to create an enticing store environment?
Jordan’s offers a trapeze school set to music, an IMAX theater, a trendy diner and elaborate Jelly Bean sculptures celebrating architectural and cultural icons around Boston amidst their bedding, living room and dining room sets.

What are the pros and cons of creating this highly entertaining store atmosphere?

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<tr>
<td>Draws customers in</td>
<td>Distracts customers from purchasing</td>
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<tr>
<td>Creates an environment that motivates customers to stay in store longer</td>
<td>Leads to operating businesses like a restaurant for which a furniture retailer might not have requisite skills</td>
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Blaze Net at McDonald’s

Use with Chapter 2, “Types of Retailers” and Chapter 12, “Planning Merchandise Assortments”

*Chicago Tribune, May 25, 2005*

A new ATM-like device called the Blaze Net that allows customers to buy music and ring tones, print photos and surf the Web, may soon be available at your nearest McDonalds! So far the new tech-savvy look has been struck in a few stores, but customer feedback appears to be positive. The uniqueness that McDonald’s is attempting to bring into their stores might be a peek into their future. The test of the Blaze Net media centers is expected to be expanded once the initial 60-90 day period is completed, and will most likely first be seen sprouting up around the Southeast in states like West Virginia and Florida.

The new MickeyDee’s will be ideal for laptop, iPod and PDA users and even customers with little or no Web experience. McDonald’s isn’t just adding new technology in their stores, either; they’re also offering new menu items for their McCafe. The new stores also boast a flashy two-lane drive-through with advertising boards that change as you drive through. Inside there are flat-screen TVs.

Along with their old boring menus and technology-less stores, McDonald’s is kissing goodbye its endearing gold letter M and classic red roof. But dry your eyes, because McDonald’s has built a natural stone and terracotta-colored brick building, with a neatly curving yellow roof to match the higher profile they intend to create for themselves.

**Discussion Questions:**

**What services is McDonalds beginning to offer?**

*McDonalds is changing their stores to attract young and tech-savvy customers by offering, among other things, a Starbucks-like McCafe with an ATM-style device that allows customers to buy music and ring tones, print photos and surf the web.*

**From the retailers’ perspective, what are the pros and cons of offering these services?**

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<thead>
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<td>Draws in younger customers</td>
<td>Might create an environment in which people stick around but don’t buy anything</td>
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<td>----------------------------</td>
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<tr>
<td>Increases sales from new service</td>
<td>Need to have service capability to keep the technologies running.</td>
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