March 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:

**Online Travel Firms Try Real People**  
**Supermarkets in Vietnam Offer New Shopping Scene**  
**Wolves in Shops’ Clothing: “Lifestyle Centers” Make Big-Box Retailers Look and Feel Like Small-Town Shops!**  
**Destination Supermarket: The Growing Attraction of Dining In, With the Eggplant Close By**  
**Competition Is Forever**  
**Life in the Fast Lane**  
**In Japan, Low Prices Aren’t Selling for Wal-Mart**

The articles in this and past newsletters are sorted by chapters in Retailing Management, fifth edition. If you are interested in the textbook please visit [www.mhhe.com/levy04](http://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](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

Online Travel Firms Try Real People

Use with Chapter 3, “Multichannel Retailing.”


It seems that it isn't just the typical downtown Main Street shops that are putting up web pages, the opposite is happening too. Online-only brands Expedia and Travelocity.com will begin selling vacation activities by opening kiosks and small retail shops in major tourist areas this month. The companies hope to strengthen bonds with hotels where many of the kiosks can be found. Additionally, they can lure in customers with more exciting packages like helicopter tours, luau outings and show tickets while pulling in a more lucrative share of the travel business. These unique recreational experience require a personal touch to sell them.

Travel agencies have begun to suffer as airlines have cut the commissions they pay to travel agencies to market their own sites, forcing travel sites to fight more to maintain their profit margins. Hotels are in on the act with airline agencies too.

Expedia hopes to pull in new customers that may not be as up-to-speed with the Internet by pulling them into the kiosks, and hopefully bring them into their online world as well.

About 55 kiosks have opened in hotel lobby under various brand names, but will begin to carry the “Expedia!Fun!” brand. Last spring Expedia bought Activity World, a seller of luau outings, bike tours and other activities on behalf of vendors in Hawaii. Since then, Expedia's retail kiosk idea has taken off, and plans on even greater destinations like Mexico, New York, London and Paris.

The kiosks are simple, really. They are staffed by two employees at hotel lobby desks and are not full-service store-front travel agencies. The website still is the most profitable segment of Expedia.

Travelocity's kiosk beginnings were similar to that of Expedia. The 2004 purchase of Allstate Ticketing, which sells Las Vegas show tickets, Grand Canyon and Hoover Dam tours and other activities in more than 20 kiosks in the Las Vegas area, helped spawn the idea to improve relationships with hotels by selling tickets to shows that they host. Both make a profit.

Blending together the mindset of retailer with the expectations of the consumer is crucial to become a successful retailer. If companies can do that successfully, then they can expect to become a company that others aspire to.

Discussion Questions

Why are Travelocity and Expedia opening store fronts?
Kiosks can pull in consumers unfamiliar with the previously online-only brands, can strengthen relationships with hotels by offering a percentage of revenue that leave both companies happy, and can more effectively sell “complex” travel services.

Supermarkets in Vietnam Offer New Shopping Scene

*Use with Chapter 5, “Retail Strategy.”*


Supermarkets of the West are replacing the noisy bazaars that have for so long played a part in defining the Vietnamese lifestyle. The western-style supermarkets and cavernous wholesale markets similar to Costco or Sam’s Club are clean and efficient, a drastic change to a world of noise, chaos and pungent odors that go hand-in-hand with a traditional outdoor market approach that the Vietnamese adopted so long ago. Tradition and the need for cheap prices may continue to draw in a large customer base, but even some street sellers recognize the benefits of air conditioning while shopping. The outdoor markets are known for keeping their meat in ice-free coolers on the sidewalk. Many customers feel that although the food may cost a little more in the supermarkets, not getting sick off of it is worth the extra little bit.

Unfortunately for the poor, small farmers and traditional intermediaries unfamiliar with the modern system, the new markets could eventually change the food-supply system and have a dramatic negative effect. Some Vietnamese that hold together the base of the economic pyramid still earn wages that may not surpass $1 per day, and are adamant about opposing the western-style supermarkets. However, many vendors recognize that the supermarkets are the coming trend.

The Asian Development Bank is looking for ways to help small farmers and intermediaries who have served traditional Vietnamese markets to sell their crops to modern supermarket chains for fear that they could eventually be left behind. Considering that a whopping 75% of Vietnam’s workforce earns a living in agriculture means that efforts will have to be made to help small farmers participate in the supermarket phenomenon, should it continue to flourish.

**Discussion Questions**

*Why do company’s like Metro, a super center retailer headquartered in Germany, open outlets in Vietnam?*

*Competition in Western markets is very keen and the retail environment is mature and saturated. Vietnam offers an opportunity to grow sales in an emerging market,.*

*How will these western super centers affect local food retailers?*

*Many sellers are unconcerned about the new competition of western supermarkets, recognizing that the average wage does not allow many people to shop in supermarkets. They are considered a center for the rich. Many others agree that Vietnam will always have a traditional sector and a modern sector. However, small farmers and intermediaries may be left behind.*

Wolves in Shops’ Clothing: “Lifestyle Centers” Make Big-Box Retailers Look and Feel Like Small-Town Shops!

*Use with Chapter 7, “Retail Locations.”*
A new generation of outdoor malls, dubbed “Lifestyle Centers,” is opening up their trendy downtown shopping districts without traffic, grit or the petty crime or a real downtown shopping district. They are popping up all over. The US currently has about 120 Lifestyle Centers and 1130 traditional malls. However, the trend makes way as statistics show that last year 20 centers were built with a similar number this year, while only nine malls broke ground. Lifestyle centers generate about $150 more per square foot in annual sales than traditional malls.

Lifestyle centers are outdoor development typically with specialty retailers, restaurants, and movie theatres. A new lifestyle center called Crocker Park in a Cleveland suburb was built at a cost of about $480 million, comprising more than half a million square feet of retail space, 4700 free parking spaces, condo units, a restaurant row, a village green, an outdoor skating rink, a community fire pit, and a heated garden area with marble chess tables. Good luck to all the independent businesses hoping to open up around that area anytime soon.

Ironically, that’s exactly what is missing in the new lifestyle center. Crocker Park’s first stage of construction brings to attention that all but two of its 55 stores are national chains. Unfortunately, with the cost of building a lifestyle center, it’s national tenants that can afford the rent. Many small businesses that make it in won’t be able to make the rank.

This just might be the biggest complaint of customers in the area. For the price, time and commitment that the lifestyle center developments demand, many residents demand a unique and independent area to shop, not just another block of Ann Taylors and Gaps.

Some independent retailers that have made it into the new and trendy lifestyle centers are doing more to enhance the personal experience by offering wish lists, birthday registries and unique items from local artisans and other small suppliers in the region. That kind of personalization may help bring in the hesitant customers.

**Discussion Questions**

**What are Lifestyle Centers?**

*Lifestyle Centers are outdoor malls that mimic trendy downtown shopping districts but keep out the traffic, unwelcome noise, grit and petty crime. The idea is to become a Main Street for any street.*

**Why are they becoming more popular locations for retailers?**

*The architecture of the lifestyle centers remind consumers of shopping in a quaint old neighborhood, a draw for customers that stay away from the traditional mall because of reasons like parking inconvenience or the impersonal atmosphere. The lifestyle centers so far collect on average $150 more per square foot in annual sales than traditional malls, as well, which can appeals to retailers of all shapes and size.*

**Destination Supermarket: The Growing Attraction of Dining In, With the Eggplant Close By**

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

Wegmans. A typical supermarket? Hardly. At a whopping four times the size of the average supermarket, the new super-grocery concept for this chain based in upstate New York has specialty departments for housewares, wine and cheese and the separate prepared food, self-service café. The increasingly popular dining and shopping experience was honed in on by Wegmans grocery store, cajoling them to offer Korean Korner International Market to Whole Foods, Safeway and Global Food, a selection that encourages all lifestyles to stop and enjoy the experience. Wegman customers can eat overlooking the European-style Market Café, or take away their meal.

Offering a dining experience coupled with shopping is a tricky business, with many different areas to consider. One is the lighting that Wegmans uses in its stores to maximize intimacy. The lighting is lowered far below that of a traditional supermarket, and seating is offered by way of café chair to stools to love seats.

Dining in a supermarket is nothing new. Wegmans just added a touch of flavor to make it their own. The family–owned company opened its first store in Rochester in 1916 and operated a 300-seat cafeteria in that store in the 1930s. The first Market Café store was opened at a Corning, NY store in 1992.

The supermarkets in the area have in-store dining sections as well. A Super H Mart has a half-dozen food concessions that sell Chinese, Japanese, and Korean prepared foods that share a counter and a seating area for 30. Global Food has a 30-seat dining area that sells rotisserie chicken along with the traditional Asian food concessions to give a little more variety. Both Whole Foods and Wegmans share the café-style dining area, and incorporate the dining experience with the store, with the desire to join the two experiences, rather than pull them apart.

Not every grocery store is willing to compete with the fast food arena that is taking over the busy lifestyles of today. Many stores are taking a step towards that direction by coupling their stores with fast food restaurants. Wal-Mart, for instance, offers McDonald’s. Target often offers a Taco Bell or Pizza Hut.

While people demand more meals out, consumers are screaming for attention from grocery stores to offer more options to make their lives easier. Wegmans just hopped on the train at the right time. It's not just a grocery store, it's a destination.

Discussion Questions

Why are traditional supermarkets like Wegmans expanding their offering to prepared food and making their store environment more attractive?

*The busier Americans get, the more they require more convenient and enjoyable options to eat out. Wegmans recognized the demand for fast food restaurants and entered the market to offer customers a dining experience while they shop. The café style and large selection of foods to meet many different lifestyles draw in more customers.*

What are the pros and cons from the retailer’s perspective of making the store environment more attractive?

*It adds to the shopping experience to see people enjoying food. The concept may not be new, but it has not been adapted by all grocery stores, making the stores that do offer it innovative and exciting, drawing in more customers. Sales increase for the store, but costs also increase.*

Competition Is Forever

*Use with Chapter 1, “World of Retailing.”*
Better stones for lower prices are what consumers are demanding these days, and it isn’t just the Internet that is offering more of what the consumer seeks. Department stores and giant chains like Wal-Mart are squeezing out smaller jewelers by upgrading their jewelry counters. Critics may have foreseen a fall in diamond sales, but the continual boom in the industry proves those critics may need sharper glasses.

Eight-three percent of American brides want an age-old diamond engagement ring, while last year grooms spent $4.3 billion to appease their sweethearts. The number of stones sold is increasing, but some serious changes are going with it. Wholesalers in the diamond district, on 47th Street between Fifth Avenue and the Avenue of the Americas in New York City, are firing dozens of stone-cutters, commissioning the work in India and China and using the former factory space as showrooms for jewelry they never sold before. Middlemen distributors are seen as extraneous.

Prices are in two categories. The low end discount chains are offering prices that are about 20% lower than in their own shops. At the other end, prices for the bigger, rarer stone have gone through the roof as supplies become limited.

For 100 years, the diamond business was closed to outsiders, those that knew the trade handed it down from generation to generation. DeBeers had a lock on the market by supplying about 80% of the world’s diamonds. Unfortunately, DeBeers has had to share its power with the growing diamond market. It now controls less than 50% and has a slippery grip on prices. New and independent mines have begun producing diamonds in Australia and Canada, but have proven unpredictable.

Online sales of jewelry rose substantially over the Christmas season, as buyers utilized the Internet to avoid face-to-face contact with more knowledgeable salespeople. It may seem risky to buy jewelry sight unseen, but customers seem perfectly satisfied, the most complaints coming from eBay diamond purchasers.

The threat of Internet Diamond Supersellers is creeping into the nightmares of many traditional retailers. Branded stones are the newest weapon to combat the competition from Internet and discount chains. Some diamond dealers are trying many different brand levels to target different market segment.

Discussion Questions

What changes are occurring in the diamond industry?

Wholesalers in the diamond district are laying off dozens of stone-cutters and using the factory space as showrooms for jewelry they never sold before. The competitive edge that the industry has acquired makes it easier for new retailers to enter the market and offer their own angle.

How are these changes affecting jewelry retailers?

More competitive prices make cutting out the middleman and his salary essential. More retailers are entering the business that was once seen as “hard but predictable.” Where once a single corporation had a lock on the market, more retailers are getting a say in what goes in diamond retailing.

How has the Internet affected jewelry retailing?

Today’s grooms and other diamond purchasers can research diamonds on the Internet, and even purchase, without the embarrassment of a more knowledgeable sales-associate making them feel ignorant. The convenience of online sites such as Blue Nile to purchase engagement rings, even at twice the price of the national average for engagement rings, helps the customer feel more at ease. Traditional retailers are feeling the threat.
Life in the Fast Lane

Use with Chapter 19, “Customer Service.”


Life for today’s movin’ and groovin’ consumer involves do-it-yourself activities like ATMs and pay-at-the-pump gas. Self-serve scanning transactions are expected to reach $330 billion by 2007, numbers that suggest self-scan machines aren’t just a fad, and are even beginning to be expected by today’s busy consumer.

Places you may not expect to be able to offer self-serve services are recognizing the growing trend and keeping up to date. Hyatt hotels will let guests check themselves in, Krogers in Cincinnati are experimenting with self-order deli stations, ATMs may offer bill-paying options, and international travelers flying through JFK airport soon will test high-tech eye scans that will let them skip long customs lines.

Booted out the door with cashiers is the age old idea of human interaction. Post officers in Atlanta operate 59 Automated Postal Centers that allow patrons to weigh parcels up to a certain standard, an activity that has dropped wait time to just under 2 minutes.

The fact of the matter is speed sells. For the last five years, the number one source of consumer dissatisfaction was the amount of time spent waiting in line. The interesting thing about self-checkout is the NCR (an industry leader in self-checkout) research that suggests that new self-checkout customers take longer than if they had used a cashier. But because they’re participating instead of watching the transaction, it feels like a shorter time. Retailers say, so what? If the customer doesn’t notice that it takes longer and leaves satisfied, who are we to take it away?

Self-checkout is hardly the beginning of a Utopian society. Mistakes happen, especially with a machine finicky with light objects. A problem-causing machine may require an associate’s help, which may require the manager’s help, which may end up costing the customer’s valuable time.

The future of self-checkout comes in the form of so-called radio frequency identification tags. The labels, which broadcast radio signals, help stores automatically track pallet-size shipments from suppliers. Wal-Mart and Target are leading the foray.

The self-service society of tomorrow has in fact turned into today.

Discussion Questions

Why are retailers placing more emphasis on self-service?

Today’s society is a society of self-service. Retailers recognize this fact and offer what the customer demands. Customers’ main source of dissatisfaction in stores was the amount of time spent waiting in line. By offering self-service, retailers can help alleviate this problem, or at least keep the customer entertained while they check themselves out. Despite the added cost of the self-service stations, retailers also can factor in the loss of labor wages, an added bonus.

What are the implications of this trend for consumers and retailers?

Not every consumer is a fan of the do-it-yourself mentality and enjoy the human interaction that comes with shopping. The machines are not glitch-free either, so more hassle may become a dark cloud over happier customers. The machines expense make it difficult for all retailers to offer the convenience, but the future in self-checkout seems just over the horizon. Retailers are smart to begin preparing.
In Japan, Low Prices Aren’t Selling for Wal-Mart

*Use with Chapter 5*


A new trend has knocked the socks off of Wal-Mart Stores opening in Japan: low-priced products don’t always attract customers. Unfortunately for Wal-Mart, they realized it a day late and a dollar short, as the retailer expects to report big losses in Japan for last year.

The main reason that Wal-Mart’s Japanese affiliate, Seiyu Ltd., expects losses around the $118.9 million dollar mark is their focus on super-low-priced goods. Wal-Mart can’t always keep their focuses the same cross-culturally; low prices don’t always attract Japanese consumers. Wal-Mart’s stab at correcting its mistake means introducing more high-end items with higher prices. Wal-Mart isn’t ready to abandon its competitive prices strategy just yet; however, so competitive prices will accompany the higher-end items.

Wal-Mart is hoping their new strategy will help enhance their image among Japanese shoppers who are used to low prices meaning low quality. Wal-Mart must fight against the stereotype that low-priced stores have acquired in Japan.

Wal-Mart has gradually been remodeling their Japanese chain’s stores to make them look and feel more like their US counterparts. A major problem so far is the notoriously complex and inefficient distribution system of Japan. Additionally, major competition from local retailers like Aeon Co. that imitate the U.S. company’s efficiency measures have affected price competition on food items and ultimately 2004 sales.

Many problems that have worked against Wal-Mart sales are beyond their control. For instance, December brought unseasonably warm weather followed by an onslaught of snow affecting seasonal goods and the keeping consumers inside.

Wal-Mart and Seiyu are still in the process of finding out what sells in the local Japanese culture. From attractive inserts in newspapers’ to cherry blossom viewing, there are lots of opportunities for Wal-Mart to improve their selling angle and find out what non-U.S. consumers are wanting. There’s always room for more experimentation and research.

**Discussion Questions**

**Why has Wal-Mart not been as successful in Japan as it has been in the U.S.?**

*The local culture is different than the American culture that Wal-Mart is so accustomed to. Japanese customers are okay with paying top dollar to ensure top quality, and see low prices as a sign of low quality. Advertising campaigns must be different than American advertising as well considering the culture feels differently towards holidays and other occasions than Wal-Mart is used to.*