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:

7-Eleven Serves Convenience with a Big Gulp of Technology
Apparel Suppliers, Retailers at Odds
Retail Wants You
Slimming Down Stores
The Underground Economy: Subway Retailing
Tag Team: Tracking the Patterns of Supermarket Shoppers

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

7-Eleven Serves Convenience with a Big Gulp of Technology

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


7-Eleven is becoming a trendy convenience store by offering an assortment of products to appeal to a broader demographic market, namely businesspeople and women. The retailer has included Vcom kiosks in more than 1,000 stores that allows the chain to distribute an ever-growing amount of services and digital products. The growing powerhouse of convenience stores is said to rival the technology systems of Wal-Mart.

Last year, 7-Eleven invested $93 million in technology, a vast majority of it going towards enhancing its proprietary retail information system. By doing so, the convenience store can now reorder fresh foods in the morning and restock their shelves that night. The store managers can see what's selling most at what time of day, and can monitor buying patterns, weather forecasts and neighborhood happenings. So if the weather is turning cold, the store manager can stock up on soups.

7-Eleven's Retail Information System collects data from POS terminals and transmits it in real time to an Oracle data warehouse. The data is mined at corporate headquarters for information about customer preferences, pricing and new product launches. Store managers get daily, weekly and monthly sales tallies on which they can base their orders. The growth of the services category, including pre-paid phone cards, lottery sales, ATM services and money orders has commanded the attention of industry leaders. To enhance 7-Eleven's success, as well as the added convenience by way of Vcom self-service financial kiosks, the stores offer consumers services like check-cashing, money orders, funds transfer and bill payment capabilities, as well as the ability to purchase and reload 7-Eleven's E-CASH pre-paid MasterCard.

Discussion Questions:

As a convenience store, what challenges does 7-Eleven face?

Convenience stores are facing increased competition from other formats. Convenience store sales increase during periods of rising gasoline prices, but the dependency on gasoline sales is a problem because gasoline sales have low margins. In addition, supercenter and supermarket chains are attempting to increase customer store visits by offering gasoline and tying gasoline sales into their frequent shopper programs. Drugstores and full line discount stores are setting up easily accessed areas of their stores with convenient store merchandise.

In response to these competitive pressures, convenient stores are taking steps to decrease their dependency on gasoline sales, tailoring assortments to local markets, and making their stores even more convenient to shop. To get gasoline customers to spend more on other merchandise and services, Convenience stores are offering more fresh food and healthy fast food that appeal to today’s on-the-go consumers, especially women and young adults.

What benefits does 7-Eleven provide its customers through the use of technology?

The technology enables 7-Eleven to get fresher merchandise to the customer with a higher in-stock availability. It also helps them tailor their stock selection to meet customers’ needs. The Vcom financial kiosks...
Apparel Suppliers, Retailers at Odds

Use with Chapter 14, “Buying Merchandise”


While shoppers like the discounts in their favorite department stores' racks, suppliers are fighting a battle to prevent themselves from suffering the lost profits from marked down clothes. When merchandise does not sell at its forecasted level, retailers put the merchandise on sales to get rid of the slow selling merchandise and invest their inventory dollars in better selling merchandise. The issue is: who pays for the discount – the retailer or the vendor. Many retailers insist that vendors reimburse them for these markdowns.

The Securities & Exchange Commission has begun an inquiry into Saks Inc.’s collections from its vendors, a scrutiny that other stores may suffer through as well. The investigations was prompted by a former supplier of the retailer that sued the company a year ago for taking certain charges not allowed under the terms of their sales agreement. Suppliers are getting tired of reimbursing retailers that are suffering through weak sales and price deflation. The reimbursement suppliers agreed to initially for fear of losing future business has turned into stores taking advantage to cover their own mistakes.

On the other hand, retailers are increasingly forcing suppliers to guarantee them a profit on items. When the profit does not turn out as high as they expected, they expect vendors to make up the difference. Vendors feel that a large number of chargebacks are simply unjustified. Vendors struggle to plan their business for fear of heavy chargebacks at the end of the season, while smaller suppliers struggle to just remain afloat. As the SEC’s investigation presses on, suppliers may gather the initiative to voice their complaints.

Discussion Questions:

Why do retailers overbuy and markdown merchandise?

Retailers actually plan to markdown merchandise. They typically buy more merchandise than they expect to sell on average because the losses from stocking out of hot merchandise are greater than costs of overbuying. In addition, to these planned markdowns, buyers make mistakes in judging what their customers will buy.

How will retailers assuming the burden of markdown losses affect consumer prices?

It should not have any effect on prices to consumers. Markdowns are a cost of doing business and the costs remain the same. The only issue it whether the costs are assumed by the vendors or the retailers.

Should retailers or vendors assume these markdown costs?

Of course, this is a negotiated issue when buyers go to market. Theoretically, the costs should be assumed by the organization that has the best information about the sales forecast for the merchandise and thus can make the best decision to control markdown costs. But in reality, the markdown costs are often assumed by the weaker supply chain partner.

Retail Wants You
Use with Chapter 1, “Introduction to Retailing”


Retail has been known over the years for its low starting salaries, high turnover rates, and relatively sparse benefits; often making it an unappealing second or third choice for most college graduates. But retailing is evolving into a global, high tech industry. As the complexity of running a retail business increases, retailers are beginning to realize the edge that a professional workforce of college graduates may bring to their success. Given that employee turnover can be a painful hidden expense for retailers, companies are recognizing that hiring and developing commitment among college graduates is a potentially beneficial asset.

Retail can be characterized as having two distinct career paths. One is open to entry-level workers with perhaps a high school diploma. Promotion can be rapid despite bottom level entry. The second path is for those with college degrees. Now many retailers offer salaries competitive with other fields.

As retailers attempt to develop a more competitive edge, retailers are becoming known for rapid promotion for those who stay loyal to the company, salaries that reflect the potentially rapid promotions, and a more educated workforce that is a testament to the benefits that a world in retail can bring.

Discussion Question:
Is retail a good career choice? Why or why not?

Retail managers are often given considerable responsibility early in their careers. Retail management is also financially rewarding. After completing a management trainee program in retailing, managers can double their starting salary in three to five years if they perform well. The typical buyer in a department store earns $50,000 to $60,000 per year. Store managers working for department or discount store chains often make over $100,000. However, mean hourly wages remain low for hourly workers.

Slimming Down Stores

Use with Chapter 8, “Store Design”


Stores like Best Buy that have embraced the bigger-is-better strategy are now exploring the more intimate settings that 3,500-5,000 square-feet can offer. By offering the smaller stores, retailers can tailor their assortments to hone in on specific groups like women who make the buying decisions for their households or high-tech savvy men and women.

Best Buy, in particular, is welcoming the smaller images to help attract new customer bases and expand internationally. Basically the company is just running out of room for its 50,000-square-foot big box stores.

Best Buy is using its concept stores as satellites to its traditional category killer stores. The new Studio D has warmly lit nooks like a women’s boutique and several meeting areas to draw in customers, while Best Buy’s Escape features glass-and-metal interior to feel like a nightclub. The new stores exhibit the central idea of “community-centric” retailing – neighborhood stores that are closely tied to the interests and activities of area residents. That’s why the stores can be seen out in the community as well, whether it be Studio D sending staff to schools and events to demonstrate digital cameras or Escape in a Lincoln Navigator ferrying customers to or from Wrigley Field.

While Studio D and Escape may earn less profit per square foot than Best Buy stores, the community benefits from their ability to refine their marketing in their neighborhood stores.
Fast food is facing many of the same problems as their market continues to suffer the effects of over saturation; namely fewer developable parcels of land. Companies like Burger King are developing simple turnaround strategies like building restaurants that are two-thirds the size of a traditional unit. Small changes like this may be the difference between the cost of an acre of land or a half-acre.

Discussion Questions:

Why are retailers building smaller stores?

Smaller stores allow company’s to find more available land to utilize, effectively market to specific groups of buyers, and offer a more convenient shopping experience.

What are the pros and cons of smaller stores from the customer’s perspective?

Smaller stores are less intimidating for customers but cannot offer the range of products that larger stores can. They are a place not just to find a particular product, but to spend with friends and family to utilize what the smaller stores offer over the big box stores. On the other hand, they can not offer the assortments in the larger stores.

The Underground Economy: Subway Retailing

Use with Chapter 7, “Retail Locations”


Several major subway stations in New York have recently been rehabilitated as the Metropolitan Transportation Authority tries to create a better environment for stores and bring back to life nearby neighborhoods. Coney Island station is planning on adding 75,000 square-feet of ground-level retail space that it will soon begin marketing to restaurants and other retailers. The same is true in Queens, Brooklyn and Lower Manhattan, among others.

The largest rehabilitation of all is the Fulton Street Transit Center in Lower Manhattan that boasts a $750 million station, financed by September 11th funds. The 20,000 square-feet of domed retail space is expected to become a place that people want to come to, by offering restaurants and shops, all expected to earn $150 a square-foot annually.

Fulton Street is second only to Times Square in the number of people that pass through the station daily, and holds the record for the largest concentration of street-level storefront space downtown (as well as the shabbiest). The area is expected to affect more than just the residents. An updated and attractive station will encourage tourists to use public transportation and offer a better experience for workers and residents.

The cons appear to be few, yet important. Some critics criticize the design for failing to integrate the surround historic buildings. The above-ground part of the new designs also appear unnecessary to critics who refer to the Calatrava PATH building two blocks away. Success appears to be imminent, however, despite those who may not be in favor.

Discussion Questions:

What are the advantages and disadvantages of subway locations?

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Heavy pedestrian traffic  Consumers may be hurried to stop and shop
Limited competition  Unappealing ambiance

What type of retailers would you expect to flourish in these locations?

Fast food, convenience stores, florists, newspaper stands—these are all convenience goods stores that cater to impulse purchase and people on the go.

Tag Team: Tracking the Patterns of Supermarket Shoppers

Use with Chapter 4, “Customer Buying Behavior” and Chapter 18, “Store Layout, Design, and Visual Merchandising”

Knowledge@wharton, “Tag Team: Tracking the Patterns of Supermarket Shoppers,” Knowledge@wharton, May 2005.

Radio frequency identification is now able to provide data describing the paths taken by individual shoppers in a supermarket. With this information, retailers may be able to think differently about customers and their shopping patterns. The authors of “An Exploratory Look at Supermarket Shopping Paths” have used a “multivariate clustering algorithm” to identify 14 grocery store travel paths during short, medium, and long shopping trips.

From this data, the authors find that grocery shoppers don’t weave up and down all aisles. They make short excursions into and out of an aisle and rarely make it to the other side. They prefer a counter-clockwise shopping experience, and the “racetrack” or perimeter of the store is the shopper’s home base. Based on this evidence, stores may change their layouts dramatically, product placement, end-cap displays and relationships between aisles and perimeter spaces.

The mechanism we can thank for discovering this unique set of data in called PathTracker. Its tags were placed on the bottom of every grocery cart in a supermarket in the western U.S. The tags emit a signal every five seconds that is received by receptors installed throughout the store. Grocery store shopping patterns are then received to be studied.

This type of technology will have considerable impacts in other retail markets. The future holds the ability for analyses to interpret hot and cold spots in supermarkets and other stores and predict movements and purchasing patterns that could lead to significant adjustments in store layouts and design.

Discussion Questions:

How can this information on customer tracking help retailers? Their customers?

Customers may have an improved experience at the store if they realize that the goods they need are in more accessible locations. By having a better understanding of customer movements, retailers can adjust their layouts and merchandise placements to better fit consumer shopping behavior. If customers are able to find what they are looking for more easily, they might purchase more.