September 2005

Dear Professor:

This newsletter has a summary of a survey identifying the retailers that provide the best customer service and is followed by abstracts of articles for class discussion:

Ten Trends That Will Impact/Shape New Products and Services
Best Retailers to Work For
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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
Ten Trends That Will Impact/Shape New Products and Services

The ten trends that Datamonitor believes will impact/shape new products and services to come are:

**Convenience**
Time saving products and 'quick fixes' are important to 82 per cent of European and U.S. consumers.

**Health**
An overwhelming majority (90 per cent) of European and US consumers feel that improving health is important. Researchers claim that in 2003-04, 64 percent of Europeans and U.S. consumers actually took "steps" to improve their health. The health 'mega-trend' also continues to be a major driver towards preferences for all things natural and organic.

**Age complexity**
While parents indulge their own childishness, younger consumers are constantly acquiring greater autonomous spending power and developing brand awareness and loyalty at a younger age. Thus companies should offer age defying products that are aligned with the aspirational age of consumers - a desire to be older or younger.

**Gender complexity**
Gender roles are less defined than ever before. Male dieting and actively seeking out healthier food and drinks characterizes how males are defying traditional macho consumption. Men are on a par with women in terms of both the level of importance they placed on improving their health through diet, and the extent to which they had actually made behavioral changes.

**Life stage complexity**
The notion that the nuclear family stays together through life is still the norm in most countries, but it is changing significantly. Three core trends influencing the life stage complexity trend include extended time as singletons, extended time spent as older consumers and the phenomenon of boomeranging children.

**Income complexity**
Reflection opportunities in premium food products, lower income and mid-market consumers are increasingly seeking luxury on a budget, and increasingly influenced by the 'democratization of luxury'. In recent years, the trend for 'accessible premium' brands has emerged, reducing the high entry barrier that the industry once maintained for premium products.

**Individualism**
The large increase in the number of 'singles' in western societies is reflected in the trend for "looking after me" which centers on self-orientated gratification, reflected in their spending patterns. Individualism is reflected in consumption by the fact that over half of European and U.S. consumers feel 'brands that match their attitudes and outlook on life' are important. An overwhelming majority (86 per cent) also felt that "products and services designed for specific needs" were important and 66 per cent bought more such products in 2003-04. Consumers today are seeking out more intense experiences from products and are more willing to experiment with new products.

**Comfort**
Consumers, apparently, are increasingly on the hunt for 'comfort food', with 55 per cent of European and U.S. consumers in 2003-04 admitting to enjoying 'small indulgences to escape the pressures of everyday life'.

Connectivity
On a more ethereal note, this mega-trend, in part, is due to the growth in ethical consumption to “connectivity needs”; such consumption is about community belonging and demonstrating shared values and attitudes.

Best Retailers to Work For
Retailers on Fortune’s 100 Beat Companies to work for List:

01 Wegmans Food Markets
11 Starbucks
14 CDW Corporation
15 Container Store
19 QuikTrip
23 Valero Energy
25 JM Family Enterprises
29 Stew Leonard’s
30 Whole Foods Market
38 Timberland
45 Recreational Equipment, Inc. (REI)
55 Hot Topic
62 IKEA North America
85 Men’s Wearhouse
87 CarMax
88 Nordstrom
94 Publix Super Markets

ABSTRACTS OF RECENT RETAIL ARTICLES
Extinction Long Seen, Video Stores Hang On

Use with Chapter 5, “Retail Strategy”


For twenty years now, critics have foreseen the inevitable extinction of traditional video rental stores. The concept of the video store was seen as a terrible business opportunity ever since Blockbuster and Movie Gallery opened their first stores 20 years ago. This month, the two stores announced their second-quarter results which proved that the video stores we know and love may be facing the beginning of the end. In their second-quarter results, the two stores posted losses and disappointed Wall Street with missed estimates, poor same-store sales and refusals to offer guidance for the coming months.

If we’re confused as to why the seemingly popular video stores are struggling financially, we can find the answers in complaints about the lack of selection, annoying late fees and new threats like convenient online subscription services like Netflix and DVD sales at discount stores like Wal-Mart.

However, the stores are not beyond help. Analysts argue that with smarter management, judicious cost-cutting and further forays into sales of new and used DVD’s and video games they may still have a future.
The fact remains that movie renting is the most popular form of movie watching, hands down. Netflix and DVD sales may sound ominous, but Hollywood studios are unwilling to sacrifice the cash cow of home video sales. Studios get about 60% of the list price of new DVD’s, about $17 a pop. It’s a measly $2 for movies ordered by remote control. If video on demand can’t give its customers the newest and hottest movies, the ones most popular with video renters, then they aren’t such a mean threat after all.

Both companies are dealing with their shortcomings differently. Blockbuster is focusing on the sale of used videos, knowing that it would be futile to compete with Wal-Mart’s prices, as well as reviewing video game operations. Blockbuster is also offering its customers a one-week grace period on top of its usual rental period.

Movie Gallery refuses to abolish late fees and is instead aggressively rolling out its video game operation, Game Crazy.

**Discussion Questions**

**What are the threats facing video rental stores?**

Stores are suffering from complaints about the lack of selection, late fees, online subscriptions services like Netflix, video on demand provided by cable operators, and low DVD prices at discounters like Wal-Mart. In addition, copying and sharing files of music like digital music files might become more common.

**Will they become extinct?**

Hollywood studios make almost 9 times as much per DVD they sell than when a customer orders a movie through the TV. It behooves them to refuse to give online subscribers the newest movies and therefore give video stores the upper hand.

**What can chains like Blockbuster do to maintain viability?**

Blockbuster can focus on finding a comfortable medium for late fee time periods and prices, they can focus on the sale of used DVDs and video games, and focus on its video game operation. They also can offer services like Netflix and become integrated multi-channel retailers. Finally, they can evolve into entertain destinations offering an experience plus services.

**Transactions in the ‘Blink’ of an Eye**

*Use with Chapter 3, “Multichannel Retailing”*


“Blink” technology, known to most consumers as ExxonMobil Speedpass, is hitting the U.S. retail landscape quickly. The technology consists of a computer chip with a high-security level of encrypted data embedded in a credit card, debit card or key fob. This new computer chip is ideal for small-format retailer environments such as convenience or drug stores.

American Express followed MasterCard and Visa last June by issuing payment cards embedded with RFID chips. 7-Eleven and CVS are among the participating off-premise retailers.

In Colorado and Georgia, Chase Bank’s “blink” credit cards didn’t even require being swiped to be read; all the users had to do was wave their cards near an RFID reader at checkout. No signature required.
We may begin seeing “blink” technology implemented in the fast food arena. Already it has been implemented at an Arby’s in Denver. The typical time saved with blink transactions versus traditional transactions is ten seconds. Customers at Denver’s Arby’s may be able to get out of the drive-through line in 60 seconds or less.

Blink technologists next feat is to make sure that customers feel secure with their fabulous new blink cards. Customers will be happy to know that the embedded chips in the transaction cards are readable from only one or two feet away, virtually eliminating concern for hijacked data from rogue wireless devices.

Already Jacksonville Suns fans are able to use RFID chip-embedded wristbands at the games for fast, cashless payments at the concession stands. Sales are up, and so are the blink technologists hopes. Blink technology has the potential to be great news for high-volume, small-transaction businesses.

Discussion Questions

What is “blink” technology?

A computer chip with a high-security level of encrypted data embedded in a credit card, debit card or key fob that requires no signature and no swip. Its intention is to save time and money for both the customer and the business offering the technology.

How does it benefit retailers? Customers?

Retailers like Arby’s are able to save an average of ten seconds per customer with blink technology by eliminating the wait time of swiping the card and receiving a customer signature. Elimination of swiping and signatures proves mutually beneficial as the customer is able to finish their shopping quicker.

Why is it particularly appealing to convenience stores?

Convenience stores and other small-format retailers are able to serve more customers quickly, increasing convenience. Blink technology, is particularly useful for convenience stores since they typically sell only a few, small items at a time.

Retailers Hope shoppers buy blogs as the place to go

Use with Chapter 2, “Multichannel Retailing” and Chapter 16, “Retail Communication Mix”

Lorrie Grant, “Retailers hope shoppers buy blogs as the place to go,” USA Today, August 24th, 2005

Web logs, endearingly referred to as “blogs,” by those in the know are the increasingly popular way to promote brand awareness and sales. Bluefly.com, which sells designer apparel online, updates their customers on fashion news through their blog, Flypaper. Customers are encouraged to visit often to check postings on styles, designers and fashion faux pas without having to rely on fashion magazines such as Vogue. Statistics show that shoppers who visit blogs spend roughly 6% more than the average online shopper.

Blogging arose from the proverbial ashes of viral marketing strategies that were the retail industry’s first major step into online marketing way back in the late 1990s, when Internet shopping took a major stand in the world of retail. Whereas viral marketing seeks to increase brand awareness by getting Internet users to spread the message to other users, blogs offer retailers more control of the message, as well as a more personal exchange. A blog allows retailers to be a part of the conversation amongst consumers and learn what customers really want. Additionally, blogs show customers who are uncomfortable buying from an unknown retailer other consumers’ experiences buying from the retailer, and thus they can get a glimpse of the retailers’ practices and level of customer satisfaction.
Discussion Questions

Why are retailers starting to use blogs on their websites?

*Blogs give the retailer more control of the message that they hope to send, they promote brand awareness and sales and they can ease customers’ fears. Blogs also enable retailers to learn from their customers.*

Simon has many options to fill malls

*Use with Chapter 7, “Locations”*

*Madhusmita Bora, “Simon has many options to fill malls,” Indianapolis Star, July 30th, 2005.*

In 2006, duplicate locations at Castleton Square and Greenwood Park malls will be consolidated by Federated Department Stores. It’s up to mall owner Simon Property Group to decide what to do with its stores. According to a study by the International Council of Shopping Centers, malls are becoming less dependent on department stores to fill vacant anchor spaces. Conversely, big-box retailers such as Target, Dick’s Sporting Goods and Barnes & Noble are becoming all the rage.

Federated decided to close duplicate stores and end the rivalry of coexisting when they bought St. Louis-based May Department Stores for the bargain price of $11 billion. Macy’s in Greenwood will be moved into the space now occupied by May’s L.S. Ayres store, and the Ayres store at Castleton Square. Eight retail names formerly owned by May’s, including Ayres, will be converted to the Macy’s brand.

Typically, when an anchor leaves a mall, the space is either filled by a discount store or divided to accommodate specialty retailers like Linens n’ Things. Mall owners are in a tight spot as they begin the uphill climb of replacing the trail of empty anchors.

Despite the obvious challenges, the Castleton and Greenwood sites are still referred to as premier real estate, meaning that the problems that average malls face are probably irrelevant to these two sites. For malls with great visibility and location, finding tenants is not a problem.

Discussion Questions

What threats are facing malls?

*Malls have been slowly losing appeal since the rise of big box retailers and the increasing trend of retailers using stand alone, neighborhood locations. They have an additional challenge recently to fill the spaces left in the wake of the Federated’s acquisition of May. As malls continue to depend less on department stores, they must make fast and smart decisions as to how to effectively utilize the space the anchor store leaves behind.*

How are the mall operators dealing with these threats?

*Mall operators are using the space that department stores are leaving behind to put in big box retailers that have proven so successful outside of the malls.*

Girls Just Want to Belong
Club Libby Lu is a business which offers 5- to 13-year-old girls the chance to live out one of several girlish fantasies by giving them an hour-and-a-half-long party in a shopping mall. Founded by Mary Drolet and two partners, Club Libby Lu is an “experience” retailer, meaning that it sells an experience rather than just a product. Meant specifically for malls, Club Libby Lu has 77 locations, with 8 on the way.

Girls are drawn in by the in-store party, built around the fantasy makeover. For $20 per child, a birthday girl and a dozen of her closest friends can get the accessories to complete the look of Sparkle Princess, Drama Queen, Rising Star, Trend Setter or She Rocks!, as well as five items from a wide range of girlish items that cram the store’s shelves. In the two hour bonanza, there is hairstyling, glittery cosmetics administered by “club counselors,” games, line dancing and singing.

Drolet’s plans of Club Libby Lu, drawn up in 1999, saw the massive amount of brands chasing the teen market, but recognized the retail opportunity represented by the younger demographic. The pre-teen age revolves around social behavior where friends, clubs, and general belonging are essential to “survival.” Thus the “club” format and habit of calling customers “very important princesses” was born. Let’s admit it; older girls aren’t the only ones that want to be glamorous.

**Discussion Questions**

**What is Club Libby Lu’s retail strategy?**

*The retailer offers what is known as “experiential” retailing, where customers pay for not just a product that the retailer can offer, but an experience.*

**How does it differentiate itself from other specialty apparel retailers targeting tweens?**

*Instead of forcing another brand onto the pre-teen demographic, Club Libby Lu appeals to the social behavior of 5- to 13-year-old girls by bringing in friends, clubs and belonging; an intangible, yet vital, way of appealing to the pre-teen market.*

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**This Sceptered Aisle**

Tesco, one of the top grocery retailers in Britain, was once scorned for being cheap. More recently, however, it was chosen second to J. Sainsbury and Waitrose (two other U.K. based grocery retailers) by upper-middle-class mothers who preferred the prestige that came with shopping at the higher-end stores. Tesco now stocks expensive beef fillets in elaborately concocted sauces, among other delectable items that help it to sell a third of Britain’s groceries.

Tesco is the biggest retailer in Britain, employing more than 250,000, and is the third-largest retailer in the world after Wal-Mart and Carrefour (France). It is taking over Britain, but is also expanding abroad, with stores opening in Poland, Thailand, South Korea, Ireland and Hungary. By utilizing technology, Tesco has been able to appeal to its expanding middle-class by offering them what they most demand.
Most of Tesco’s information comes from their Tesco Clubcard, a customer-loyalty scheme that allows Tesco to record what people are buying. With about 12 million Clubcards in use regularly, the store is able to explore links between purchases of different items and market them in the store accordingly.

With the knowledge that the Clubcard brings to Tesco, cardholding customers are able to benefit in a number of ways. Cardholders receive a letter at the end of each quarter with vouchers worth 1% of what they have spent as well as coupons entitling them to discounts on products that Tesco’s database suggests they might like. The card data also helps Tesco to adjust its shelves to suit the profile of the local area, or even the time of day. For instance, the Tesco in Brixton, an area in south London composed primarily of immigrants from the Caribbean, offers plantains in market stalls outside. The Clubcard has given Tesco the ability to receive and interpret information in a database that suppliers can pay to access, where before the largest panels that suppliers could use was based on about 20,000 people.

The success and sheer size of Tesco is causing fear for local shops and for Tesco itself, as popular pressure encouraged the Office of Fair Trading, a government agency, to explore Tesco’s size as well as its supplier relations. The OFT concluded that the grocery market is working. Yet, the difficulty of obtaining planning permission for its big stores, as well as the resentment that big stores suffer, have led Tesco to focus on small convenience stores. To appease some of its critics, however, Tesco may have to lend a hand in its community.

**Discussion Questions**

Why has Tesco’s loyalty card been so successful?

*Tesco has utilized their Clubcard system to understand what items customers are buying together, what customers demand, and how they respond to coupons and store layout. Suppliers benefit from the database of customers’ information to help them design new products.*

**Many Unhappy Returns for Retailers**

*Use with Chapter 17, “Store Management.”*


Fraud is becoming an increasingly severe problem in the retail industry as scams have developed in superiority over time. Most accessible to scammers is drug, food and mass-merchant stores which are largely unpolicing. As handy as the Web is, it is unfortunately a safe haven for retail thieves who find solace in its anonymity and networking capabilities.

On the net is a plethora of ‘how to’s’ in reference to scamming particular retailers, as well as Web sites that sell “live” or unexpired receipts and store cards.

“Shoplisting” is a new tactic favored by thieves who first buy a $10 unexpired receipt covering $500 of goods, shoplift the goods and then return them for a refund or gift card. These gift cards are often sold online for profit on websites like eBay. Concocting dummy receipts with printers and scanners that counterfeit them is another popular way of getting dollar-for-dollar value out of shoplifted items.

RILA, Retail Industry Leaders Assn., has helped eBay to change its policy on gift cards after suspecting that a few sellers were offering gift cards that were obtained through retail fraud. RILA next began testing InfoShare, a national Web-portal/database that tracks thefts and alerts member stores. The National Retail Federations is working on an online database to provide cops with incident reports and bar-code information on stolen items.
Not all scam artists use sophisticated tricks to make money at the retailers’ expense. Some more elementary scams include “renting” clothing, where an item is purchased, worn, and returned as if new; receipt fraud, where items are purchased, then returned using forged receipts; and price arbitrage, where two similar items are purchased, bar codes are switched and the cheaper item is returned as the more expensive item. The Return Exchange, a software company that provides fraud- and abuse-detection products to retailers, said that they have seen bricks in DVD boxes successfully returned.

**Discussion Questions**

**What are the new approaches that thieves are using to scam retailers?**

*Thieves are scanning and printing receipts that allow them to return stolen goods, unexpired receipts are sold on the Internet, goods are stolen and returned with an unexpired receipt for a gift card. The gift cards are then sold online.*

**How are retailers reacting to this threat?**

*RILA is helping retailers band together by helping online sites like eBay change its policy on gift cards as well as testing a database that tracks thefts and alerts member stores.*

**Knockoff Originals**

*Use with Chapter 14, “Buying Merchandise”*


For years retailers have allowed customer loyalty to be the cushion they fell on when times got tough. Generic brands, store brands and private-label products, which all make up the cheaper alternative products on the shelf, have increased in popularity, suggesting consumer loyalty to ‘real’ brands is decreasing. However, there are goods that retailers create not just as knockoffs, but as original inventions.

For instance, the East Coast supermarket chain Wegmans sells around 8,000 products with “Wegmans” on the label. There are the traditional private-label paper towels, but there are also products like Wegmans Basting Oil which contains grape-seed oil, garlic oil extract and freeze-dried parsley and thyme. This amazingly popular product is, as the store understands it, the only one of its kind.

Wegmans is not trying to undercut an established national brand; rather, the store is hoping to give itself an identity through brand extension. This strategy can be found in other stores like Whole Foods and Trader Joe’s.

The basting oil, among other products, stemmed from one of Wegmans’ primary strategies of having “meal-coach stations,” which are in-store demonstrations that market and instruct. As Wegmans began instructing consumers to chop and dice their way to their delicious basting oil, they decided to pre-package it to be more consumer-friendly. They have extended this idea to other offerings, such as pre-cut vegetables. For the inexperienced consumer or the dazzling chef, Wegmans pre-cut or whole fresh foods are one way the store is able to meet a variety of demands. Wegmans has proven that product rivalry is not necessarily a euphemism for copying.

**Discussion Questions**

**Why do retailers offer private labels?**
Private-label merchandise helps stores like Wegmans define themselves through brand extension, offer exclusive merchandise, and provide a higher profit margin than national brands.

How does Wegmans stimulate the sales of its private brands?

Wegmans offers in-store cooking demonstrations called meal-coach stations that both market and instruct. Consumers that attend have the choice of learning the fresh way of creating a product like basting oil, or Wegmans offers them the convenience of having the product prepackaged.

Europe Zips Lips; U.S. Sells ZIPs

Use with Chapter 11, “Customer Relationship Management.”


The United States has what some may see as a veritable mess of state and federal laws and agencies responsible for data protection. Countries like Britain, Germany and France have a comprehensive set of national privacy laws and an office of data protection to promote its citizens’ strong legal rights.

It can be generally stated that Americans are far more comfortable than Europeans with businesses handling their information, and far more skeptical of putting it into governmental hands. Therefore, allowing government records like tax records and mortgage information to be available to the public is a chiefly American act. As such, the U.S. has many more laws that restrict the government from collecting and using information than they have laws which restrict corporate use of collection and information.

European nations, with ideals quite the opposite of U.S.’s, believe that data protection is a human right. European companies are restricted from activities that collect and sell information without individuals’ consent. Likewise, data-mining interest groups never became entrenched in Europe. Data privacy laws in Europe emerged in the early 1970s, a time when World War II and Nazi and fascist abuse of personal information against their enemies was still a recent memory. European’s privacy protection restricts retailers to collecting only the personal data directly linked to a sale: ZIP codes and phone numbers cannot be requested during a cash sale, and billing information can be kept only as long as there is a purpose. American companies store customer information and even sell it at times to make money.

A further difference between American and European companies involves the ability to enforce public privacy laws and the ensuing punishment for those who do neglect to keep consumer data hush-hush. Although European laws and public sentiment are more rigorous than in the U.S., European corporations, in general, rarely see class-action lawsuits and corporate fines.

What the two cultures do have in common is their inability to control what is and isn’t kept private in today’s world.

Discussion Questions

What are the differences between privacy laws and concerns in the U.S. and in Europe?

Europe’s laws protecting consumer privacy are much more stringent than in the U.S., and their consumers are much more hesitant to give out personal information. American businesses are essentially given a free rein to collect and sell information while European companies are severely restricted.

How do these differences affect retailers?
Data-mining interest groups never became entrenched in Europe. European consumers generally refuse to give out information like telephone numbers and zip codes, and some countries even require their workers to sign legal documents when working with personal credit information.

The Art and Science of Retail Displays

Use with Chapter 18, “Store Design.”


Today’s consumers don’t just want the best items, they want them displayed in a way that is appealing and draws them in. More stress than ever is being put on businesses like restaurants to reach out to their customers with things like color photographs of their specialties displayed around their dining rooms to make their store the most distinctive…and the most memorable.

Imagination is the key ingredient to planning eye-catching and appealing displays. A theme is usually the best way to go to show compatibility within the products and help them to blend in with each other. The right lighting can make or break a retailers’ display as they struggle to create the right ambiance to fit their customers and products.

For a retailer to find his or her own taste in a store, they need not simply look inside their own imagination. Copying and modifying a trade show vendor or seeking professional help to give a shop the right decorating scheme are both ways that a retailer can spruce up their display.

In specific retail environments like gift, decorating and furniture, movable fixtures help the store from becoming boring. Permanent display racks are more appropriate in hardware, paint, or garden tool arenas.

Allowing displays to become stagnant may be the Kiss of Death among retailers. Customers want to look at new items as much as the employees that work in the store. Updating and changing displays to keep everyone interested is a key to success. Regular visitors will especially appreciate the new items that are on display.

The floor plan of a store is almost as critical as what it sells. To allow for a smooth—flowing traffic pattern, retailers are encouraged to set up their stores in a way that displays something in the center along with things against the outer walls. Using window displays to pique customers’ interest, but not show them everything that is available inside, is best.

Retail displays may seem like an insignificant part of retailers’ success; but in fact, they are essential in drawing in customers, helping them to peruse the store comfortably, and keeping their interest piqued.

Discussion Questions
Why is merchandise display important to retailers?

The right display lighting, color, creativity and fixtures can help a retailer to draw in more customers on impulse and keep regular customers coming back.

What can retailers do to increase impulse purchases?

A retailer must either use their own decorative talent, the talent of a friend or family member, or hire decorative help to assist in creating a store that reflects the product and the personality of the customer that the retailer is trying to market to. Eye-catching and appealing displays make a more distinctive store, and encourage customers to come back.