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This newsletter has a summary of Fortune’s top retailers to work for and article abstracts for case discussions for the following topics:

- **2006 Fortune’s 100 Best Companies to Work For: The Retailers**
- **Liz Claiborne’s CEO Charron’s Tips for Reforming the Fashion Industry**
- **Wal-Mart Captures the Chinese Market**
- **As Macy’s Converts another Local Department Store, They Hone their Competitive Skills**
- **Giant’s Supermarkets Uses Technology and Service to Compete with “Super-Sized” Market**
- **European and Asian Malls are Teaching Americans a Thing or Two**
- **Brands Create Loyalty through Exclusive Parties that Pamper**
- **India Eases Foreign Retail Restrictions**
- **Food Consumers Not Only Value Time, but Nutrition and Home Goodness**
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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 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)
2006 Fortune’s 100 Best Companies to Work For: The Retailers


Retailers have made their mark on Fortune’s “100 Best Companies to Work For” and occupy slots from number two through 96.

02 Wegman’s Food Markets
03 Valero Energy
06 Container Store
09 Recreational Equipment, Inc (REI)
15 Whole Foods Markets
21 QuickTrip
29 Starbucks
33 Nugget Markets
34 CDW Corporation
40 JM Family Enterprises
41 Timberland
46 Nordstrom
53 Hot Topic
56 Publix Super Markets
58 Stew Leonards
61 Sherwin-Williams
92 Men’s Wearhouse
93 CarMax
96 Ikea United States

ABSTRACTS OF RECENT RETAIL ARTICLES

Liz Claiborne’s CEO Charron’s Tips for Reforming the Fashion Industry


Paul R. Charron, chairman and chief executive officer of Liz Claiborne, retires this year having revitalized the company and influenced the industry. His appointment in 1995 surprised many people because he came from an atypical career path. The former naval officer, Mr. Charron is a Harvard M.B.A graduate and was a brand manager at Proctor & Gamble. During his reign at Liz Claiborne he has acquired new brands so that they relied less on their flagship brand, Liz Claiborne. The company now has 45 brands including Lucky Jeans, Juicy Couture and DKNY Jeans and 625 retail stores world-wide.

Mr. Charron’s used his nontraditional experience to Claiborne’s advantage. He brought in formal management training, brand management and applied market research. Since 1995 revenue has increased 58% to $3.6 billion dollars last year. As an outsider, Mr. Charron’s has perspective of the fashion industry that he believes is dated. He believes companies and designers have a preoccupation with the product and that creativity breeds demand. He also sees ‘markdown money’, which is the rebate an apparel company pays to the retailer
at the end of a season as an unnecessary evil. Markdown money compensates the retailer for the risk in marketing a fashion; however, in reality it adds another cost layer. Another problem in the fashion industry is the lack of transparency in companies. Divisions work independently instead of as an integrated unit and managers grow stale.

Mr. Charron has worked for the last 11 years to fix these problems in his own company. Below are 5 tips from Paul Charron to reform the fashion industry.

Tip 1: Increase collaboration between retailers and vendors, making practices like markdowns more transparent.

Tip 2: Demystify fashion to take the risk out of marketing a trendy products by analyzing fashion merchandise with the same rigor as a consumer-products company would analyze dish detergent.

Tip 3: Emphasize more interaction between divisions; even designers should understand business goals.

Tip 4: Commit to training and grooming managers, and moving them around so they always have a fresh perspective.

Tip 5: Evaluate your company against world-class business outside of the fashion industry.

Wal-Mart Captures the Chinese Market

Use with Chapter 5, “Retail Market Strategy”


The 1.3 billion people that populate China is the largest consumer market in the world, and Wal-Mart has been working for 10 years to break into it. By the end of 2006, Wal-Mart will have 40,000 employees. Unlike their American counterparts, 20% of Wal-Mart’s employees have college educations and turnover is 16% compared to 40% in the U.S. Those with the most potential are sent to the Walton Institute in the U.S., however many do not speak English well enough to understand the classes. In response, Wal-Mart decided to open a training facility in China equipped with computer-based training and a Master of Business Administration program.

Most of the items sold in Wal-Mart’s 43 Supercenters in China are local brands. The Chinese market has a localized structure where villages were designed to be self-sufficient. Fresh produce, meat, live seafood and pre-packaged foods are important to their product mix. They had to adjust to the Chinese culture because the Chinese like to choose their seafood while living. In many growing cities such as Shenzhen with a population of 10 million, many people do not have a permanent residence, but share a room with 4 or 5 other people. As a result, breakfast, lunch and dinner prepared lunchboxes are popular items that sell for about $.70.

For other items such as cosmetics, Wal-Mart learned that in order for people to buy them, they had to know how to use them. Stores set up demonstration in the aisles to teach consumers how to use the different products. This strategy has worked so well that they are able to move high-end brands that cost the equivalent of $100 in the U.S.

Competitors, such as UK’s Tesco, are entering the market, but Wal-Mart appears unfazed. The market is so large and Wal-Mart’s ability to reinvent itself and adapt will keep it in the forefront of the Chinese retail market.

Discussion Questions

What has Wal-Mart done to make it a success in China?
Wal-Mart has paid attention to the needs and culture of the Chinese. Since not enough Chinese employees spoke English, but there were so many workers, they opened a Chinese speaking school. They adapted to the localized mentality of China and carry mostly local brands. In addition, when something wasn’t selling well, such as their cosmetics, they investigated why. They learned who their customers were and provided what they need. For example, many customers lived in dormitory housing so they sell pre-packaged meals at a low cost to the consumer.

As Macy’s Converts another Local Department Store, They Hone their Competitive Skills

Use with Chapter 2, “Types of Retailers”


Robinsons-May’s is well known in Southern California for its low prices and constant sales. Its customers are worried what will happen when it is converted to a Macy’s after Federated Department Stores acquired Mays Department Stores last August for $11 billion.

Macy’s intends on bringing higher end goods and upscale items to their display floors, but they insist they too will have low prices. Macy’s will have 800 stores which gives it bargaining power with its suppliers. Federated declares that it will be cost efficient and the savings will be passed along to the customer.

The large national chain will also be able to advertise nationally. This is important because research has indicated that if department stores want to attract the younger customers, they need to do it through television ads. Recruiting and keeping new customers is important as category specific stores, such as Crate and Barrel, and discount stores, such as Target, are stealing the department stores customers away. Ten years ago department stores owned 24% of the retail market; today it is just 17%.

In Southern California and other parts of the country Macy’s largest competitor is Nordstrom. To compete, Macy’s intends to impress their customer with service. They have increased their spending to staff stores and plan to spend more as the conversions from local department stores to a national Macy’s continues.

Discussion Questions

What changes have occurred recently at Federated Department Stores Inc?

They are changing the image of Macy’s by carrying more upscale items. Also, since the merger between Federated and May’s has created more than 800 Macy’s stores, they have greater bargaining power with their suppliers and Macy’s insists that prices will be low. In addition they are adding more staff in increase customer service. Finally, because of the sheer number of stores, Macy’s will advertise nationally.

Do you believe Federated will be more or less successful in the future? Why or why not?

Macys will be able to maintain its share of the retail market and maybe increase it because it simply has more stores and has eliminated so many of its department store competition through its merger with May’s. While it must watch out for competition from category specialists, it can carry many of the same items. The deciding factor in Macy’s success will be in redefining what a department store means to the consumer and what it can do for them. Service and convenience will be key differentiating factors.
Giant’s Supermarkets Uses Technology and Service to Compete with ‘Super-Sized’ Market

Use with Chapter 2, “Types of Retailers”


Giant Super Foods has over 43,000 sku’s and carries both convenience and bulk items. However, this store is different from the typical grocery store and warehouse club. Technology and customer wants drives Giant’s decisions. The customer wants convenience and service, so Giant Super Foods finds a way.

Giant Super Foods has teamed up with many well-known names to create the ultimate one stop shop. In its newest Camp Hill, PA 91,200 square foot store, The Marketplace resembles a mall food court with The Cheese Shoppe, Panda Express and Bucks Coffee Shop, except that it has Wi-Fi. Stables operates a satellite store that stocks over 800 items. Other departments such as a florist, organic section, bank and pharmacy are also available.

Technology plays a vital role providing service and convenience to the customers who want it. There are 13 Shopping Solutions self-service kiosks that allow customers to access all departments from refilling a prescription to placing a deli order. In the produce department customers can weigh their produce using a touch screen and print out a bar code for faster and easier checkouts at either the self-checkout lane or with a cashier. Also available are hand-held scanners that a customer can bring with them while shopping. As the customer places each item in the cart he or she will scan it and see if any price promotions apply. When they are finished they can pay in the designated EasyShop lanes quickly and efficiently.

Giant Super Foods has used technology to service its customers and provide them with a shopping experience that they want. It has used technology that can be found in part in other chains, but it has been able to integrate it to incorporate all their departments in an apparent seamless structure.

Discussion Questions
What has Giant Foods done to better compete with food giants like Wal-Mart and Costco. Giant Foods has used technology to provide service to its customers. In addition to providing the bulk products that Costco has and other items that Wal-Mart has, Giant Foods has created the ultimate one stop shop. It has incorporated trusted names in its store to run departments and used self-scanning technology and kiosks to help customers help themselves.

European and Asian Malls are Teaching Americans a Thing

Use with Chapter 7, “Retail Locations” and Chapter 18, “Store Layout, Design, and Visual Merchandise”


According to the “Global Powers of Retailing” study by Deloitte and Touch Tohmatsu, US retailers are no longer as dominant world-wide as they were in 2003. Developers and retailers are afraid to take risks in fear of consumer rebellion, but in Europe and Asia where retail shopping is thriving. Retail designs and environments are going bolder and the social life around shopping is more vibrant.

American retail centers typically do not have public lounging spaces because owners fear lawsuits and also because it can increase the cost of maintenance. However, Europeans view shopping as a social event that
includes enjoying each other’s company and leisurely meals. As a top consumer trend, good food will start to infiltrate American shopping centers. Restaurants that have a pleasant atmosphere and diverse food offerings will keep customers in the shopping area longer.

Just as people care about the atmosphere and experience in a restaurant, they care about these same items in a store. Stores that offer more than products such as demonstrations, lessons and other entertaining features will become more popular. The décor and layout of the store will become more welcoming and fashionable no matter what the product. Consumer electronics is an example that caters to men because of the in your face selling and displays. Women who enjoy electronics just as much tend to buy their electronics elsewhere to avoid these stores.

Long story short, expect U.S. retailers to follow European and Asian trends. They will take more risks and go bolder in their buildings. They will create comfortable and inviting atmospheres encouraging customer to linger and they will develop programs within their stores to entertain their customers.

Discussion Questions
What are mall developers and retailers doing to improve their environments and attract more customers?
They are making the appearance of the building more attractive and using more intriguing architecture. They are redesigning layouts and interior décor to create an inviting atmosphere and are installing public spaces that will encourage people to relax and linger. Also, restaurants and not fast food joints will be found in shopping complexes because people want to enjoy their food and the experience.

Brands Create Loyalty through Exclusive Parties that Pamper

Use with Chapter 3, “Multichannel Retailing- A view into the Future,”


People are chatting, drinking cocktails, listening to a live jazz band and doing what they love to do best: shop. These people were chosen among thousands of Gap customers as the “best” based on several factors including their frequency of visits, dollars spent and brands bought and then they invited their friends. They were invited to an exclusive party in a swank Boston hotel and received a free pair of jeans just for showing up. Other brands including Giorgio Armani and Toys R Us are also going the exclusive party route to build brand loyalty.

Even smaller stores are getting in on the action. Smaller boutiques are throwing parties too and inviting reputable and influential people from around town. A fashion boutique in Boston says that one party produces 85% more sales than a typical three day sales period.

Toys R Us who sells less glitzy products began holding private events for local colleges and companies and offered a selected group exclusive access during the holidays; a real bonus for anyone who has been to a store during the holiday rush. Retail analysts agree that stores and brands must be cautious to create a real value for those invited and to make them feel special so customers don’t feel they are part of a gimmick. Done right, these exclusive events can create staunch loyalty.

Discussion Question
What are retailers doing to strengthen customer loyalty?
Retailers are identifying their best customers based on a number of criteria. Some of these criteria are the amount of money they spend and the type of items they purchase. They then invite them and their friends to exclusive parties where they are pampered and encouraged to purchase more items. Retailers are hoping that the friends of their best customers will become good customers in addition to strengthening their current customer/brand bond.

India Eases Foreign Retail Restrictions

Use with Chapter 5, “Retail Market Strategy”


With 1 billion people, India can be a powerful force with a lot of buying power. As the economy grows so does its once weak middle class. By 2011 it is estimated that the Indian middle class will double to 140 million. This is important to the Indian retail sector which is currently worth $250 billion a year. However, despite its massive size, it is still under developed. 95% of businesses are family owned with little or no technology. The infrastructure in the country is so weak that 50% of India’s produce rots before it makes it to market. Last month, the future of Indian retail began. The Indian government now allows foreign investors to own 51% of an outlet, provided they sell only a single brand good. This is good news for companies such as McDonald’s and Ikea who have relied solely on franchising in the past. Other retailers such as Wal-Mart are still restricted from opening stores in India. The Indian government believes allowing these multi-brand stores into their country would cut into Indian owned businesses too far. While they have eased their protectionist laws, they have not completely let go of them. They are conducting an analysis to determine the affect that stores such as Tesco and Wal-Mart will have on the retail sector. They do realize that companies such as these will help improve their country’s infrastructure, such as warehousing and distribution.

A German store group, Metro, has worked within the laws and opened shop as a wholesaler that sells mostly local produce and goods. This business move will give them a head start in India if laws change in their favor in the future.

Reliance Industries is creating a chain of hypermarkets that will require new stores, facilities, food processing facilities, and contract farmers. To help farmers it has installed internet kiosks in rural communities to assist farmers in determining what foods are in demand and pinpointing weather conditions.

As big name, well organized retail companies move in they will begin to improve an Indian infrastructure that is weak and inefficient. The Indian government has taken the first step in allowing foreign investment, but it is still keeping an eye out for their domestic businesses.

Discussion Question

Is India a good place for global retailers to set up shop? Why or Why not?

Yes it is a good place to set up shop. If they can work with the laws, the way Metro has done, then they can create a recognizable brand. This, along with experience doing business in this culture, will create an advantage in the future if India changes its laws again to the benefit of global retailers. In the meantime, the middle class is growing which also means there is money to be spent. Why not capture this growing market?

Food Consumers Not Only Value Time, but Nutrition and Home Goodness
Heather Mcpherson, "Hit the road to make a 'home-cooked' meal," Orlando Sentinel, February 1, 2006.

For a while, quick 'home-cooked' meal ideas came from the back of cans that guided the cook to mix it with another canned good and then to throw in a few fresh ingredients. This type of cooking is ideal for the time crunched consumer. 92% of consumers have some variety of 'ready-to-eat' food in their kitchen and it doesn’t appear as if consumers will be gaining any extra time for cooking. This year the idea of healthy, fast and home cooked meals has sprung a new business idea around the U.S.

Businesses such as Let’s Eat! in Orlando, publish monthly menus that rotate. Customers then schedule a time to come in where they assemble the pre-washed, pre-cooked, pre- sorted ingredients together following a basic recipe to cook their own dishes. These dishes can then be frozen at home and heated when ever they want. Really busy people can purchase pre-made dinners and have them delivered. This method of cooking allows family heads the satisfaction of knowing that they are serving healthy hearty food that they cooked, but without the hassle of planning, preparing and cleaning. On average it comes to $3 per serving.

Grocery stores are getting in the action too. Many stores display items together along with recipe cards so everything a shopper needs to prepare a dish is there in the cold case. Some stores, such as Publix, have cooking demonstrations where people can learn new techniques and discover a way to use that fish they have never bought, but have been wanting to try. At Publix it is called “Simple Meals” and it is supported online through their "Aprons" program that provides other recipes. Good food fast is what consumers want.

Discussion Question

What consumer behavior trends are working in concert to make food preparation companies successful?

Consumers want more healthy food. This means preservative filled canned foods are no longer as popular. Also, time is valuable. This means that consumers don’t have time to make complicated healthful meals for themselves. These two consumer behavior trends support new businesses such as Let’s Eat! in Orlando, a successful food preparation company. It uses fresh ingredients and takes care of all the ‘excess’ work which only add to the cooking time, but the customers can still claim the cooked the meal.

Will programs such as “Simple Meals” help traditional retailers compete with Costco and Wal-Mart?

These programs can help traditional grocery stores compete because creates a distinctive advantage for a consumer to go to a grocery store instead of Costco. However, this strategy could be duplicated, but it would be difficult to do so in warehouse clubs where everything they sell is in bulk so a consumer can not buy all the ingredients they need for only one meal. Also, these strategies add costs, which is anathema to a strong low-cost strategy.


The difference between 60 year olds a generation ago and 60 year olds today is that today, people won’t admit that 60 is older. Retailers who want to tap the $1.7 trillion Baby Boomer market must realize that these people
may need products designed for arthritis and an aging population, but they sure better not betold that is what it is for.

Whirlpool Corp. has designed a taller standing front-loading washing machine so users do not have to bend down as far and, therefore, do not have to strain their back. This product is made to make the life of an older person easier, but these products are just as popular with the younger crowd because they look cool and are not associated with the aging population.

Fila has begun advertising to reach all demographics, including the older ones. They show a skier that has a covered face so no matter the age of the viewer; they can picture themselves bombing down the slopes of a ski mountain. This is a strategic move because many Baby Boomers are still avid sportsmen and don't have plans to slow down in the future.

Discussion Question

What are retailers doing to market to the aging Baby Boomer market?

Retailers are designing products to help the ailments and concerns of the Baby Boomer generation. For example, there are products to assist with arthritis and back pain. Athletic companies are refocusing energies on the older population because they still have a need for their products as they continue to work out and play recreational sports. However, retailers are NOT telling them that these products will make their lives easier because they are getting older and need them. They just make them that way and use design to create an intriguing look that all consumers would want.