September 2006

Dear Professor:

This newsletter summarizes article abstracts for case discussions for the following topics:

- The Gray market: NOT Counterfeit and NOT the Black Market
- Whole Foods is Redefining the Definition of “Locally Grown”
- Wal-Mart no longer has a zero-tolerance shoplifting rule
- Wal-Mart Is NOT the Big Man on Campus in China, at Least Not Yet!
- Staples is Growing their Private Label Products Through Public Innovation
- Retailers Want Retired Employees to Identify Better with Their Customer
- Japanese enters Apparel Market in U.S. with Old Navy, H&M, & Zara
- Retailers and Customers Like to have Credit Cards
- How are Luxury Department Stores Attracting the Younger Generation?
- Apple’s Ipod Inspires the Store Layout
- Now You can buy your Groceries Online
- Dry Cleaning is as Easy as Going to an ATM machine!

The articles in this and past newsletters are sorted by chapters in Retailing Management, sixth edition. If you are interested in the text book please visit www.mhhe.com/levy6e. 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

We have found some video links that may be of interest to your students:
News from Wal-Mart - http://walmart.feedroom.com/
ABSTRACTS OF RECENT RETAIL ARTICLES

THE GRAY MARKET: NOT COUNTERFEIT AND NOT THE BLACK MARKET

Use with chapter 14, “Buying Merchandise”.


The gray market in furniture has caused an upheaval among retailers and e-tailers. Europe by Net sells Italian furniture for 20-40% less than the amount charged for the same item in a retail store. Retailers that sell the same brands of furniture that are offered on this Europe by Net website have accused them of selling counterfeit furniture, which is not true. These same retailers have also threatened publications such as Elle magazine that they would discontinue their advertising if they published advertising from non-authorized retailers.

Europe by Net is investigating to find out if these Italian furniture manufacturers are involved in slander and price fixing to prevent the e-tailer from advertising. These manufacturers namely, Minotti, Cassina, Poltrona Frau, and B&B Italia, prefer for their products to be sold by authorized dealers to control the brand and service associated with them.

The gray market has become a threat to many manufacturers and retailers because they are more easily accessible to consumers, especially on the Internet. Although authorized retailers may say that gray market retailers are operating illegally or selling counterfeit merchandise, this is not the case. However, the authorized dealers are offering a different product mix in that they provide customer service and warranties that are generally unavailable from gray market retailers.

Today, consumers have more options to buy merchandise, and in the gray market, they can get much cheaper prices.

Discussion Questions:

Explain why Europe by Net is participating in the gray market, and not counterfeit, or black market merchandise?

They are participating in the gray market because the products they are selling are made by a “real” branded manufacturer. They are not selling counterfeit products, which are goods made without the permission of the owner of a trademark or copyright. Europe by Net is able to obtain the merchandise from alternative sources and thus able to sell it for less.

How does gray market merchandise affect consumers and retailers?

The gray market is great for consumers that know what they want to purchase and are looking for the best price. Authorized retailers are hurt when business is lost because the consumer can buy the same product for much less from an unauthorized gray market retailer. Customers could potentially be hurt because these gray market retailers often do not offer the same customer services and warranties that one would expect when purchasing furniture.
WHOLE FOODS IS REDEFINING THE DEFINITION OF “LOCALLY GROWN”

Use with chapter 12, “Managing Merchandise Assortments”.


Whole Foods has been known for the “locally grown” and organic products that they offer. As they have grown to 184 stores, it has been a challenge to operate in the same way that they always have. As a result, they built regional product centers to gain efficiency instead of having to buy from individual farmers. Meanwhile, from the retail perspective the merchandising has not changed and customers still believe that these products are grown locally and organically. Whole Foods defines “local” as within a 7-hour truck ride. If consumers knew this, they would also agree that Whole Foods is deceiving their customers.

Recently they have been criticized for operating unethically. Since giant retailers such as Wal-Mart and Safeway are now moving into the organic market, Whole Foods will be forced to raise the bar and have the highest standards. It is difficult to maintain the local relationships with farmers because it is less efficient than a centralized model. These farms often cannot support a large number of stores or even guarantee a reliable supply.

Whole Foods is now requiring that each store buy from at least four farmers “out of the back-door”, meaning from truly local farmers. They are giving $10 million per year in low interest loans to provide support to small local farmers of humanely raised animals. Going along with this, they will be raising their standards by working with the farmers to monitor the care for the animals. Whole Foods will have Sunday farmers’ markets in the parking lots as well.

Discussion Questions:

What is Whole Foods doing to facilitate purchases from small vendors?

They are requiring that each store buy “out the back-door” from at least four farmers. Whole Foods is giving $10 million per year in low-interest loans to aid small farmers as well as work with them on its standards for humane animal care.

What are the advantages and disadvantages of purchasing from small vendors?

The advantage of purchasing from small local farmers is that it is easier to monitor the quality of the products. When small local vendors are used, it reduces the fuel and pollution emitted because the products are not shipped around the world. The disadvantage to purchasing from small vendors is that it is not as efficient, because there is not a centralized system. These small vendors also do not have a reliable supply of products and can only support a small number of stores.

WAL-MART NO LONGER HAS A ZERO-TOLERANCE SHOPLIFTING RULE

Use with chapter 17, “Managing the Store”.


Wal-Mart, the largest retailer in the world has been known to have a zero-tolerance shoplifting policy up until recently. Police departments have complained that they have had to increase their workforce and
spend a lot of time dealing with the crime that occurs at Wal-Mart everyday. For example, there could be six arrests per day at a given store.

Sam Walton was a supporter of the zero-tolerance policy because, “Stolen merchandise is one of the biggest enemies of profitability in the retail business”. Retailers make up for lost shrinkage with higher prices. By not allowing someone even to steal a candy bar, it helps keep prices low.

Wal-Mart’s executive team is arguing that they will be able to focus on professional thieves. Unless the thief is between 18 and 65 years old and stealing merchandise worth $25 or more, they will only receive a one-time warning. Wal-Mart originally stood out from all retailers because they would prosecute for even a $1 amount. Most retailers cannot afford the legal costs associated with prosecuting small theft cases.

**Discussion Questions:**

Why is Wal-Mart lowering its threshold for prosecuting shoplifters?

The local police departments are upset with the burden that it is placing on their workforce. With their former zero-tolerance shoplifting policy, the employees would call on them for anyone that tried to steal any merchandise. They have also changed their shoplifting policy to focus on professional thieves.

**WAL-MART IS NOT THE BIG MAN ON CAMPUS IN CHINA, AT LEAST NOT YET!**

Use with chapter 5, “Retail Market Strategy,” and chapter 10 “Information Systems and Supply Chain Management.”


International expansion comes with challenges that can make or break even the largest most successful companies in the world. The French retailer, Carrefour, and American retailer, Wal-Mart, are actively expanding in China. Wal-Mart’s sales were $285 billion last year compared to Carrefour’s sales coming in at one third of their competitor. However, in China, Carrefour’s sales are leading with $2.2 billion compared with $1.2 billion for Wal-Mart.

Carrefour has had a lot of experience with the Chinese market starting with the hypermarkets it has operated in Taiwan for the past 18 years. This giant retailer has been so successful because it has grown with the country, and is constantly changing and sculpting its practices. For example, Carrefour learned early on that the merchandising of fish is different for each local market. In San Francisco, fish is dead and filleted, in France, the fish is dead, but whole on ice with the head still intact. In China, the fish is sold live. However, in the middle and western parts of China, there is more confidence in frozen fish because it is so far from the ocean.

In China, it is important to partner locally for the best product preferences and to understand the market. For example, Carrefour has local suppliers of Chinese baked goods that sell its products inside of the stores. It is in tune with local preferences and Islamic dietary law.

There is not a strong logistics network in China, making transportation slower and inefficient. Wal-Mart has been largely successful throughout the world because of its logistics system that supports their business model. Carrefour has had a flexible supply chain and better localization within the country.

Wal-Mart is thriving because they deliver the lowest prices. It is much more difficult in China to provide the
lowest prices because of the inefficient supply chain and the traditional Chinese mom-and-pop shops already provide prices that are very low. Wal-Mart’s prices are not a new concept to the Chinese consumer.

Wal-Mart’s plan to open new stores in the coming year is more aggressive than Carrefour’s plan. Having more stores will help Wal-Mart gain scale and achieve the efficiency necessary to drive prices lower and improve their supply chain efficiencies.

**Discussion Questions**

**Why is the world’s second largest retailer, Carrefour, beating the world’s largest retailer, Wal-Mart, in China?**

Wal-Mart must realize that although China offers a huge opportunity, they will have to become localized in each individual market. They must be more strategic in negotiating with the local governments for site locations and partnering with local suppliers for known brands and great products. Local vendors provide lower transportation costs because of their proximity to the hypermarket. Although Wal-Mart has done well throughout the world with a centralized business model, China is a localized market. Carrefour has done a better job at adapting to the local market partially because they have more international experience than Wal-Mart. Having been in Taiwan for 18 years has given Carrefour an advantage in understanding this market and delivering products and services appropriately. Carrefour has also done a better job of integrating its operations and way of doing business with the Chinese people by building valuable relationships with local officials and knowing their target market.

**STAPLES IS GROWING THEIR PRIVATE LABEL PRODUCTS THROUGH PUBLIC INNOVATION**

**Use with chapter 14, “Buying Merchandise”**


Staples has decided to concentrate on their private label products. Their intent for their private label is to have exclusive and unique products to compete with national brands. They have created contests called InventionQuest to encourage the public to create office supply inventions. The winners of the contests will receive royalties as well as have their product featured under the Staples name and sold in their stores. To date, they have received 22,000 ideas from inventors.

This strategic move for Staples is boosting their brand because their privately branded products have been very successful. Their products gain brand awareness easier because the name, Staples, is already recognized as a retailer and they have an advertising budget that is larger than office product manufacturers such as Bic Corp and Post-it.

They have been successful at selling their private label products, but are threatening their office product suppliers because of the influx of so many new and innovative Staples products. Because the large retailing giant now has access to the best innovation in the world, they can negotiate with the winning inventors for their advantage. Although Staples has the power to squeeze their suppliers, they need to realize the importance of the innovation that these individuals are giving to Staples. For example, a computer software engineer received enough royalties to cover the $35,000 that he spent on patenting the product, but now Staples is threatening to end the deal unless the individual will accept Staples’ terms. He says, “Now that it’s successful they want to negotiate a new deal”.

Shopping for office supplies is now more fun than ever. Products like Rubber Bandits (extra long rubber bands with a write-on label) or TackDots (small rubber disc with adhesive on the back) are all products
that can be found under the Staples brand and of which the inventor received $25,000 and up to an eight percent royalty.

**Discussion Questions:**

**Why do retailers like Staples develop private-label merchandise?**

Retailers develop private label products because their profit margin is much higher than the national branded products that they sell. Although gross margins may be higher with private-labels, there are other hidden expenses which can decrease profitability. The design of the merchandise, managing manufacturers and developing customer loyalty for the private label takes a lot of time and money. If the merchandise does not sell, then there are not any options to resell to an off-price retailer or to send it back to the manufacturer.

**What is Staples doing in their private-label program that fosters strong new products?**

Staples created a contest that is open to the public to present their office supply inventions. The rewards for winning the contest are large, thus they have access to the best innovation of office supply products.

**RETAILERS WANT RETIRED EMPLOYEES TO IDENTIFY BETTER WITH THEIR CUSTOMER**

Use with chapter 17, “Managing the Store”.


The typically high-turnover retail industry is taking a different look at hiring their employees. Companies such as Home Depot and CVS are looking for elderly, retired employees over the age of 50. This sector of the population is attractive because they are reliable, motivated, and has the most experience. Merrill Lynch says, of the group that plans to work during their retirement, 60% will do so to be mentally alive and 47% for money.

Borders Books’ target customer is over 45 years old. Customers are more likely to have a higher quality experience when the sales people are of the same age. CVS also says that the customer will checkout with the sales clerk that is most similar to them in age. Since these retailers’ target customer is older, they want to hire older workers and are willing to work with their schedules and preferences. For example, a pharmacist at CVS works one day per week for half of the year in Florida and one day per week for the other half of the year in Massachusetts.

Many companies, among them Border Books, looking to hire the older generation are partnering with AARP to help retirees find jobs. The downside to hiring older workers is that their health expenses are higher. However, since they are part-time, they are not included in the company’s health plan.

**Discussion Questions:**

**Why are older workers attractive to retailers?**

Older workers are reliable, motivated, and have experience. Some retailers also want to hire employees that are close to their target customer in age. They actually fill a necessary need for part-time positions. Also attractive to retailers is that since they are only part-time, they do not take part in company health plan benefits.
How are some retailers making special accommodations to retain older workers?

*They realize that the older workers want flexibility, thus the retailers allow them to work flexible hours and flexible locations.*

**JAPANESE ENTERS APPAREL MARKET IN U.S. WITH OLD NAVY, H&M, & ZARA**

*Use with chapter 5, “Retail Market Strategy”*


Many Japanese companies are entering the ‘cheap-and-chic’ apparel and home décor market in the U.S. They see the U.S. as an opportunity even amongst the strong competition as the population in Japan declines, making it difficult to expand in their own country.

Uniqlo is the largest casual apparel chain in Japan and has been successful in the U.S. in large metropolitan areas. Their main competitors are H&M, Old Navy, and Zara which have strong brand awareness in the U.S. They are going above and beyond in this trendy section of the market by using unique designs from students at Parsons School of Design in New York and slightly undercutting their competitors’ prices.

While they do not have the following that their counterparts do, the international flair and Japanese culture infusion has created a ‘different’ and appealing atmosphere for customers. There is an increasing demand for Japanese culture in the U.S. as highlighted by a new song by Gwen Stefani to McDonald’s restaurants selling an Asian salad. Since Americans are not accustomed to the Japanese influence but are looking for unique and low-priced products, this instantly gives stores like Uniqlo an advantage over other cheap-and-chic competitors.

In other product categories such as electronics and automobiles, the Japanese have been very successful in the international market. Their competitors, H&M and Zara, are thriving because they are very efficient with the production process of the clothing and can make fashion faster than anyone else in the industry. Even though the Japanese are new to the clothing industry, their track record predicts that they can be strong in this market as well.

**Discussion Questions:**

**What is Uniqlo doing to compete with Old Navy, H&M, and Zara?**

*They are introducing the Japanese culture which is new and different to Americans. Their international flair is experienced by the customer through the retailing. For example, each product is priced using dollars and yen and they use hi-tech Japanese materials for a wrinkle-free effect. Uniqlo is creating unique designs from artists at Parsons School of Design in New York and their prices are just below their competitors to lure them in.*

**Do you believe they will be successful as they roll out new stores across the U.S.?**

*(Sample Answer) In the short-term, the new and different atmosphere of the avant garde Japanese fashion will be appealing to customers especially in the disposable fashion sector. They are making the necessary adjustments in moving into an international market by lengthening the sleeves of shirts and taking into account that Americans like to touch clothing before buying it. In the long-term, their success in the U.S. will be dependent on whether they can build brand awareness and continue to keep their*
competitive advantage against their already successful competitors.

RETAILERS AND CUSTOMERS LIKE TO HAVE CREDIT CARDS

Use with chapter 6, “Financial Strategy”.


Many retailers are now offering customers incentives for opening a credit card with their store. Examples of popular incentives include, “No interest or payments for a year!”, “25% off purchase”, or “free gift cards”. The consumer is just as excited as the retailer to take on the credit card.

The credit cards can be co-branded retail cards which are issued by Visa or MasterCard and others are store credit cards. For the consumer, having a store credit card or too many credit cards actually brings down one’s credit score. While the consumer can take advantage of the discount now, the interest rates on these cards are often higher than bank credit cards.

Retailers’ Visa or MasterCard charges of 2%, will equal $26 billion this year. By offering their own credit cards they are able to save these fees. These credit cards also build customer loyalty and encourage future spending with the retailer. Some retailers such as Neiman Marcus will only accept their own credit card and Amex, but not Visa or MasterCard. They also provide rewards to the customer. If the customer charges $40,000 on his/her Neiman’s card, the customer will receive a Sony flat screen TV.

Retailers need to be careful that their earnings are not based upon risky credit that they have granted as a result of their credit cards. For Target Corp, 15% of their earnings gain was from their credit card business. Analysts believe that the high yield credit cards are attracting the riskiest borrowers which means there will be increasing delinquencies and defaults for lenders.

Discussion Questions:

What are the advantages and disadvantages to retailers of using store credit cards versus national credit cards like Visa/MasterCard?

The advantage to retailers for using co-branded credit cards is that they are able to save fees. However if the retailers have their own credit cards, they eliminate the fees completely. They are also able to build customer loyalty and encourage future spending by their consumers. Retailers are not as selective and are lending to risky borrowers which can lead to delinquencies and defaults.

What are the advantages and disadvantages to consumers of using store credit cards versus national credit cards like Visa/MasterCard?

Consumers are able to take advantage of discounts and special offers with store credit cards. The disadvantage is that having too many store credit cards actually decreases one’s credit score.

HOW ARE LUXURY DEPARTMENT STORES ATTRACTING THE YOUNGER GENERATION?

Use with chapter 5, “Retail Market Strategy,” and chapter 12 “Planning Retail Assortments.”
Luxury Department store chains are introducing unique retailing and merchandise mixes to attract the younger generation shoppers. As the baby boomers are growing older, the Gen-Xers (30’s) and echo-boomers (teen-20’s) are becoming an important part of their market.

The younger generation is motivated differently than traditional baby boomers. As wealth is changing hands, this younger group has large spending power and splurges over luxury designers. They are actually more likely to spend out of their budget than the baby boomers. For example, Bergdorf Goodman’s new fifth floor has a Panini bar, a lounge music deejay with an eclectic assortment of clothing geared towards the younger generations. Neiman Marcus introduced a new concept, called Cusp geared toward the Gen-X, selling high-end designer goods, like Chloe handbags beside less expensive trendy items, like J Brand jeans. Barneys is aggressively expanding its Co-op stores which are also catering to the younger generation.

The Gen-Xers and the echo-boomers prefer trendy style over brand loyalty. This is forcing luxury retailers to be more creative and not just purchase the traditional lines that they have used for years. These department stores must operate as specialty stores in order for them to attract the younger generation. This means trendy, new, fashionable, designer, and unique.

These retailers have to be careful not to loose their most important customer which are still the baby boomers. While some luxury items are popular among both the younger and older generations, like Louis Vuitton bags, St. John clothing is completely unappealing to the younger customer. Saks Fifth Avenue is moving back to the basics by reintroducing lines that were popular among their original older customer.

Quality and excellent service still remain the most important aspects to the customers of these luxury stores.

**Discussion Questions**

**How are well to do younger shoppers different than their parents?**

*Younger shoppers are driven by style and mixing high and low-priced designers. Their parents are more brand loyal and likely to wear head to toe from one designer. The younger shoppers want edgier labels compared to their parents. These younger shoppers prefer specialty stores where they can get instant style.*

**How have luxury department stores been trying to attract these customers?**

*Retailers are rolling out new concepts as well as adapting their existing stores with non-traditional retailing techniques. The traditionally elegant Bergdorf Goodman has adorned the fifth floor with a Panini bar, a deejay and new and fun designer clothing. Nordstrom has five-person dressing rooms and is bringing in virtual designer boutiques, while Saks 5th Ave has a denim bar with denim doctors to help customers find the ultimate fit. Neiman Marcus just opened the new Cusp store which will sell a high end eclectic mix to this new consumer.*

**APPLE’S IPOD INSPIRES THE STORE LAYOUT**

*Use with chapter 18, “Store Layout, Design, and Visual Merchandising”.*

*Linda Matchan, “The sleek, smooth design of Apple’s iPod is not mirrored in the architecture of some of the company’s high-profile stores,” Boston Globe, June 29, 2006.*
Apple has successfully changed nerdy computer products into a slick product that is desirable to everyone. Every product that they make is driven by its design. Apple is becoming an iconic symbol for the U.S. In Manhattan at the Apple Store Fifth Avenue, they have taken the design of the iPod and transformed the architecture of the retail space. The store is a giant glass cube that is underground. Even for non-computer buffs, this store is inviting and intriguing.

Inside the store, it is simple to navigate and a friendly place. The architecture is like what you might find in a fashion or luxury store, but this incredible retailing has been taken to another level by Apple. The signage is circular, inspired by the thumbwheel on the iPod. In the New York store, there is the ‘Genius bar’ and the iPod bar offering 24-hour technical support for iPods and Macs. The entire image is conducive for a non-computer inclined person to feel very comfortable with a purchase.

Apple is planning to open its 9th high-profile store in the world in Boston, Massachusetts. Being a much more conservative city than New York City, the Architectural Commission will not allow retailers to ruin the historic appeal of the city. They are now using a glass façade with horizontal and vertical structures to co-exist better with the brownstone house-style buildings.

**Discussion Questions:**

Evaluate Apple’s new New York store using the questions in the “Get Out and Do It!” number 1 exercise on page 515 of Retailing Management, 6e.

*Store Ambiance:* The Apple Store Fifth Avenue’s architecture mimics the sleek design of the products that it sells. Apple’s iconic image is represented through their glass transparent cube store. For Apple, every business decision is driven by the design. The emphasis on design makes a nerdy computer product very trendy, cool and attractive to the customer.

*Store Layout & Visual Merchandising:* The interior retailing is all inspired by iPod with circular signage similar to the thumbwheel. The simplicity of the store also shows customers that everyone can use the products easily. The ‘Genius Bar’ and the ‘iPod bar’ helps deliver excellent customer service to support the products with 24-hour walk- in technical support. This unexpected design of a computer and electronics store is refreshing and creates a unique retail experience.

**NOW YOU CAN BUY YOUR GROCERIES ONLINE**

Use with chapter 5, “Retail Market Strategy,” and Chapter 12, “Developing Merchandise Assortments”.


The online grocery market is now a growing category on the web. During the Dot-Com boom, online grocery firms such as Webvan experienced infamous failures. Grocery store chains and now Amazon.com are rebuilding this market. Different retailers have different strategies for attracting customers.

The strategy for grocery chains is to maintain customer loyalty by having the online option. Their customers are busy working parents, parents with small children, disabled, elderly, and others who prefer to avoid the grocery store experience.
Amazon is taking a different segment of the market by selling bulk nonperishable items such as what one would find at Costco. They are experts in selling online, shipping and have a huge customer base. For these reasons, food and consumer products are just another category that they can add to their strategy. Since they are only doing bulk or large orders, this may be more popular for businesses than for consumers.

Peapod.com, FreshDirect.com, and Meijer all have different advantages and options that may not be available in the grocery store. For nutrition fact buffs, Pedpod.com allows the user to sort items by calories, fat etc. FreshDirect.com gives advice such as, “grape tomatoes are better in kabobs than in sandwiches”. Albertsons allows one to make specific requests such as, requesting your bananas, “half yellow and half green”.

Amazon and Meijer online are able to offer a much broader range of products than traditional grocery chains. For example, high-end or regional brands of granola or gluten-free spaghetti are products that could easily be accessed online. Depending on your preferences, there will be an online grocery for you.

Grocery margins are already low, so these online retailers provide delivery, shipping, preferences, and product variety to gain customer loyalty.

**Discussion Questions:**

**Do you think Amazon.com can profitably sell food?**

*(Sample Answer)* Amazon may be able to profitably sell food because they are selling nonperishable goods. Amazon.com currently sells 34 categories of products on their website and has a huge customer base. Since they are experts in selling online and shipping to their customers, the introduction of food to the website will only be more attractive to their customers. On the other hand, food has very low margins and it may be only marginally profitable for them to bother with.

**Which online grocery do you believe has the best chance of long-term success? Why?**

*(Sample Answer)* The online groceries that will have long-term success will be the ones that are able to provide the extra service and convenience that one cannot get by shopping at the retail store, while at the same time earn a profit in an extremely low margin business. Although Amazon selling non-perishables will provide timely shipping and a great service, it is not a substitute for shopping a real retail store. With conventional grocery stores going online, like Meijer and Albertsons, their product knowledge and merchandise variety will provide an advantage to the customer. Like other multi-channel retailers, these stores must realize that shipping to one person is a very different supply chain than shipping from distribution centers to stores. To be successful, they will have to dedicate separate distribution systems to the two channels. This is obviously an expensive undertaking that may or not prove to be profitable in the long run.

**DRY CLEANING IS AS EASY AS GOING TO AN ATM MACHINE!**

*Use with chapter 19, “Customer Service”.*


The $66 million dry-cleaning company, Zoots, is setting a standard for customer service in this industry. After a rough start for the company in 1998, spending 6% of revenue on damages or lost items, they are now concentrating on their customer service. They have built a $15 million stellar technology system with an annual budget of $1 million to support optimal customer convenience and as a result now have less
than 1% in loss claims.

Zoots gives each garment a permanent identification tag that attaches to the inside with a heat seal and will not fall off. This tag contains all of the information on the garment including the customer information and the dry cleaning specifications. Once the information on the garment is given by the customer, it is permanently entered like a social security number. For example, one may say, “no starch” and “hold the pleats”. Not only does this speed up the check-in process, but if garments are lost, they can be tracked down. When the garment has finished the dry cleaning process, an e-mail notification is sent automatically to the customer.

Zoots has made dry-cleaning a quick, easy and reliable process. They are now introducing lockers so that the customer can pickup their dry cleaning around the clock. By offering 24-hour service and home delivery, their customer base has grown and they will continue to make dry cleaning as easy as going to the ATM machine.

Discussion Questions:

How has technology improved customer service at Zoots?

*Their technology system allows them to offer the ultimate convenience for the customer. The permanent identification tag is a heat seal that it attached to the inside of the garment and holds all of the information necessary. It allows customer preferences to be recorded once. When the garment is ready to be picked up, the customer is automatically notified. This technology will allow the company to better evaluate how they can serve their customer. For example,*