Dear Professor:

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

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ABSTRACTS OF RECENT RETAIL ARTICLES

An Ice Cream in Winter: Fighting Seasonality

Use with Chapter 4, Customer Buying Behavior, Chapter 12, Managing Merchandise Assortments


As the weather grows colder, consumers’ appetites tend to change. Trips to ice cream parlors turn into visits to coffee shops for mugs of hot chocolate. Instead of a chilled salad for lunch, patrons ask for a cup of steaming chowder.

When you own two of the country’s ice cream parlor chains, Maggie Moo’s and Marble Slab Creamery, such seasonality can be a problem. Therefore, NexCen is trying to broaden its product lines to protect against seasonal fluctuations by purchasing the Pretzel Time and Pretzelmaker chains, as well as several companies that offer drinks, cookies, doughnuts, and coffee. Eventually, it intends to integrate all these products into its existing ice cream stores.

During colder months, customers may still eat ice cream, but most do so in their own homes. Therefore, NexCen also is focusing on marketing its take-home products, which not only may help it prevent seasonal fluctuations but also involve higher profit margins. An ice cream pie or cake costs the consumer $40; two ice cream cones are just $8, though the labor costs for scooping those cones in the store are much higher.

In support of its plan, NexCen notes that in Canada, the chains successfully have produced high revenues even in the colder climate. The take-home ice cream business in Canada has reached 25 percent of sales; in the United States, it remains at less than 12 percent.

Discussion Questions:

How are these ice cream chains preventing the weather from negatively affecting their sales?

Ice cream chains are offering a wider range of products and working to increase their take-home business. The wider variety of products gives customers more reasons to visit the ice cream store, even in the middle of winter.

Could other companies affected by seasonal variations, such as swimming pool retailers, adopt a similar strategy?

Using the example in the question, swimming pool stores might similarly extend their product lines to hot tubs (as many already have) to ensure they appeal to consumers in both winter and summer months. In addition, they could focus more on pool care products during the winter, encouraging consumers to keep up the maintenance of their pools even if they aren’t swimming in them.

Concert Tickets Are More and More Difficult to Purchase at Face Value

Use with Chapter 3, Multichannel Retailing, Chapter 15, Retail Pricing
In an odd development, Ticketmaster is suing its best customer, RMG Technologies. The technology company sells software to scalpers that enables them to purchase a lot of tickets at one time, which in turn keeps Ticketmaster's individual customers from getting tickets for themselves.

Ticketmaster no longer can keep control of the tickets it sells with companies like RMG around. Such companies buy as much as 80 percent of the available tickets and then sell them for a lot more money on sites such as eBay's StubHub or Craigslist. Ticketmaster's software, designed to prevent brokers, has been bypassed and no longer keeps the scalpers away.

As a result, concert ticket prices have skyrocketed. Tickets to children's favorite Hannah Montana lead the highest price race, higher even than Bruce Springsteen, Van Halen, The Police, Beyonce, or Justin Timberlake. The highest face value for a Hannah Montana ticket from Ticketmaster is $63; the average selling price on StubHub is $237.

Ticketmaster argues that companies like RMG are tarnishing its image and reputation. Furthermore, it claims RMG violates its terms of service by limiting legitimate customers' access to tickets. The company has tried to stop the scalpers, using software with a “Captcha” feature that displays squiggly letters only legible to a human and preventing IP addresses from purchasing a large amount of tickets. But RMG owns software that can encode Captcha code and make Ticketmaster think that different IP addresses are buying the tickets.

Currently, the battle is at a standstill. Does Ticketmaster eliminate Internet ticket purchases and ask people to wait physically wait in line again? This archaic solution seems unfeasible, which means Ticketmaster will have to continue improving its software technology. In the meantime, brokers achieve almost a monopoly on tickets, which enables them to wield almost absolute control over prices.

Discussion Questions:

Why are ticket brokers able to increase ticket prices?

*Ticket brokers have already purchased the tickets from a retailer, so they are reselling the tickets on the gray market. Supply is low and demand is high; the tickets thus naturally fetch a higher price.*

Why is this practice a problem?

*The problem occurs when the majority of tickets are being bought immediately from the retailer and then automatically resold at higher prices. This situation makes it difficult for customers to purchase tickets because of the extreme price increase.*

Vera Wang Extends Her Brand to More Women

Use with Chapter 5, Retail Market Strategy


Vera Wang has become a well-known designer largely on the basis of her luxury bridal gowns. She initially extended her brand to include a collection high-end runway line, but now she has
moved on to designing a line for Kohl’s and licensing the brand to lines of eyewear, stationary, Serta mattresses, and perfume.

The high-end runway line features items such as $1700 jackets and $2800 gowns. Her mid-range line, Lavender Lavel, includes $350 skirts to $900 dresses. But the newest line, appearing only at Kohl’s, will have dresses priced at $68 and handbags for $49. Thus, Vera Wang is targeting vastly different segments.

Fashion is a crucial part of American consumerism, and most women care about fashion. Now, no matter which segment of the market the customer falls into, she can have Vera Wang. Taking a page from her former employer Ralph Lauren, Wang offers product lines that appeal to different markets. The luxury, high-end line provides the highest quality, but the mid-range and Kohl’s lines also are fashionably designed.

Wang argues that her brand becomes stronger as she extends it to products to which she can relate. In addition, the competitive fashion industry demands consumer recognition in different markets—as long as it makes sense. She cites the example of Vera Wang chocolate as appropriate, because it appears at weddings and as gifts, in contrast with going into the car business, an option she clearly rejects.

Simply Vera, Wang’s line for Kohl’s, has not launched yet, so experts still cannot know whether it ultimately will be a successful brand extension. But the new product line already has excited consumers, especially those who cannot imagine spending thousands of dollars on a single piece of clothing.

**Discussion Questions:**

Do you think Simply Vera, Vera Wang’s line for Kohl’s, is a suitable brand extension?

Yes. Wang is known as a fashion designer, so this extension is simply about her designing fashionable clothes at a lower price. Price is really the only difference from her existing brand, which makes this extension both logical and likely profitable.

No. Much of Wang’s appeal comes from the image of luxury her clothing exudes. Kohl’s is not a place for luxury, and by putting her name in more value-oriented stores, Wang risks losing her high-end customers, who will no longer want items that just anyone can buy.

**Virtual Store Design Tests**

*Use with Chapter 18, Store Layout, Design, and Visual Merchandising*


In the past, product testing typically has taken eight months to two years to complete. This expensive and timely process also requires reacting to consumer responses in the store to determine how to change a product. But now, virtual testing of products is cutting this cumbersome process in half!

Kimberly-Clark, for example, now uses a virtual store aisle that mimics a real-life shopping experience. A retina-tracking device records the movement of a test customer who shops the virtual aisle of a store. The virtual aisle, a U-shaped, floor-to-ceiling screen, creates a realistic picture of the interior of the store. It thus offers an effective way to test products in a closed environment without running the risk that competitors will discover what products are in the making.
In the competitive consumer goods market, companies launched more than 40,000 goods last year, fighting for shelf space and trying desperately to catch the eye of consumers in the store. Today, retailers can make the choice of which products to feature in their stores by studying results from consumer companies that can prove their new products succeed in virtual environments.

Kimberly-Clark also works with retailers to solve merchandising problems. Safeway, the grocery chain, needed to increase traffic in its center aisle, so Kimberly-Clark created three-dimensional models of a store display that looked like a nursery and asked consumers to virtually shop through the store. Pleased with the virtual results, Safeway implemented the design and saw sales increase in these sections.

Although some design elements are too costly or unfeasible to test in a real-world environment, many problems and strategic decisions can be changed and tested over and over again in a virtual environment. This strategy allows manufacturers like Kimberly-Clark to improve relationships with its retailers while still increasing sales in stores.

**Discussion Questions:**

**Why is the virtual testing environment effective?**

*Virtual testing allows for design flaws, packaging flaws, and shelf placement to be perfected in early development stages. This way, when the new product goes to market, it is more likely to be successful. Competitors also cannot find out about new product launches until they are truly ready to hit the market, giving a competitive advantage to the company that conducts the virtual testing.*

**How might virtual testing influence the channel as a whole?**

*Overall, virtual testing should make the retail channel more efficient. The manufacturer can reduce its new product development costs; the retailer can better determine what products to stock; and the consumer faces fewer unappealing choices in the store.*

**Costco’s Excellent Business Model Continues to Lead**

**Use with Chapter 5, Retail Market Strategy, Chapter 14, Buying Merchandise, Chapter 15, Retail Pricing**


Costco, the largest wholesale club in the world, retains its leadership by providing value to its customers through a unique retailing approach: the “treasure hunt.” The retailer always intends for some special products to run out, which creates urgency for consumers who must purchase immediately, because the product may not be available the next time they shop.

Costco charges its customers an annual fee of $50–100 and buys opportunistically to provide the best deals. Product pricing runs 15 percent above the store’s wholesale costs. Even if Costco gets a great deal on merchandise, it still sticks to this pricing rule so that customers know that they can trust the retailer to offer a fair price.

Recent Wall Street pressures are pushing the retailer to increase its profits to ensure that it continues to grow with the same strength and speed that it has in the past. But because Costco
wants to guarantee that its customers continue to trust the value they will receive when they shop there, the retailer is not raising prices. Instead, Costco is experimenting with co-branding gourmet foods with Martha Stewart and continuing to focus on value in the form of great merchandise available at excellent prices.

To find these great deals, Costco employs skilled buyers who can buy thousands or millions of units in bulk at the best prices. Many times, consumers will find the same products sold at the same time in department stores for much more than what they are offered at Costco. From Calvin Klein jeans to Coach bags to diamond rings, Costco offers something for everyone.

**Discussion Questions:**

**How are Costco products priced?**

*Costco prices its products no more than 15 percent above its wholesale costs.*

**What makes Costco’s customer base so loyal and its retailing platform so successful?**

*Costco’s “treasure hunt” approach means that it buys new products in small quantities that will run out quickly. It also maintains its trusting relationship with its customers by refusing to break its 15 percent pricing rule, regardless of its costs.*

### Black Friday—or Black Market?

**Use with Chapter 3, Multichannel Retailing, Chapter 5, Retail Market Strategy**


Just a few years ago, you might have read about Bfads.net or Gottadeal.com as the subjects of lawsuits by retailers that were angered by these sites’ leaks of information about their special sales. But this year, some retailers banked on the traffic that the sites produced for them on Black Friday, the largest shopping day of the year, and throughout the holiday season.

When Bfads.net and Gottadeal.com started publishing secret information about special sales by retailers, retailers worried that their competitors would find out about their promotions and match them, taking away their competitive advantage. However, in a retail season predicted to be the weakest in five years, many retailers are not only happy to see the information posted but are even announcing it to the Web sites in advance. In a retail environment marked by rising fuel prices and a depreciated U.S. dollar, “free advertising” by these sites, which consumers perceive as “insider” information, may result in a more positive start to the holiday season.

Home Depot, Pacific Sunwear, CompUSA, and OshKosh B’Gosh have all supplied promotional announcements to these sites. Other smaller retailers, such as H.H. Gregg, see the sites as a potential advantage as well, because consumers looking for a deal may learn about and start to recognize their lesser known brand in the process.

The traffic created from this sort of advertising can be enormous. Next year, more and more retailers may take the same route and “leak” their sales information before officially making the announcement themselves.

**Discussion Questions:**
Will Bfads.com and Gottadeal.com help jump start sales for retailers advertised on them?

Yes. The more brand awareness and knowledge of promotional information that exists, the more consumers are likely to take advantage of a “deal.” Consumers who believe they have more information than others, because they heard about the special promotion before those others, are likely to rush in.

What information would make you more likely to shop: information from retailers or from third-party Web sites?

I am more likely to shop based on information from third party Web sites. Although they may not be 100 percent accurate, the source is someone other than the retailer, which gives the information a certain authenticity. I generally take advertisements from retailers with a grain of salt, because we are constantly bombarded with many such messages, and it is difficult to distinguish truth and non-truth in them.

PayPal Versus Google: The Checkout Wars

Use with Chapter 11, Customer Relationship Management, Chapter 18, Store Layout, Design, and Visual Merchandising, 19, Customer Service


Google is trying to take the wind out of PayPal’s sails with its new checkout capacity. Merchants that use Google’s checkout rather than PayPal’s receive incentives. Even though Google is really in the advertising business, and PayPal is the original online payment processing company, when it comes to checking out, the two companies clearly overlap.

The online giant Google has taken an aggressive approach to winning customers to its service, including an offer of $10 of free processing for every $1 that merchants spend with Google Adwords, Google’s advertising service. For some merchants, the offer could even mean free processing, as long as they advertise with Google.

In addition, Google benefits small retailers that consumers often are not sure whether they can trust. For some retailers, the Google Checkout icon signals their reliability. For example, Intermix, a trendy apparel retailer, has enjoyed increased traffic and an ever-improving Google “quality score” since it adopted Google Checkout. The improved quality score moves the retailer up the list of search results on Google’s site, which in turn means the retailer does not have to pay as much to increase its visibility. By simply adding Google Checkout, retailers often can save money in their efforts to attract new customers.

Yet some retailers remain opposed to Google Checkout because the service keeps all of the customer’s information private, so retailer cannot gain any information about its own customers. Once the Google Checkout process begins, the customer enters a Google page, and the retailer cannot contact the customer in the future.

Currently, eBay does not allow Google Checkout; 80 percent of PayPal’s revenues come from eBay customers. But PayPal also offers more than just checkout service, including its ability to maintain account balances for customers. On average, members keep $2.5 billion in PayPal accounts, and this money turns over every two weeks. PayPal remains the most popular way to pay for merchandise online—some 23 percent of PayPal users most prefer to pay this way, whereas 1 percent of Google users prefer to pay using Google Checkout. PayPal also does not control the customer, meaning that it only requires the customer to sign in on its site but keeps the customer on the merchant’s site.
**Discussion Questions:**

**Why is Google Checkout advantageous to retailers? To customers?**

Google is advantageous to retailers because they can gain advertising visibility. Processing fees also can be reduced if the retailer advertises with Google. Google Checkout signals confidence to consumers, because the retailer takes a secure payment service. Google is advantageous to customers because their personal information remains private.

**Why is PayPal advantageous to retailers? To customers?**

PayPal benefits retailers by offering them information about their customers, such as e-mail addresses so that they can contact them in the future. For customers, PayPal enables them to use the money in their PayPal accounts instantaneously and seamlessly.

**Always Shopping, Even at Home**

*Use with Chapter 4, Customer Buying Behavior, Chapter 5, Retail Market Strategy*


Many consumers never actually have the luxury of shopping in a mall. “Alpha moms”—tech-savvy, family-centric, working mothers—make most of the purchasing decisions for their households, but with everything else they have to do, they simply cannot make time to visit store after store.

So how do these Alpha moms shop? Savvy retailers are starting to find unconventional ways to help them. For example, Alpha moms average 87 minutes online every day. By monitoring the data analytics of a consumer’s browsing or shopping behavior online, retailers can target these customers with appropriate and timely promotions and discounts.

Consider Hallmark.com, which reminds busy customers about important dates, events, and birthdays through e-mail alerts. The Gap gives its card holders 10 percent off on one Tuesday of every month if they join its credit card program, then reminds customers of this special offer via phone or e-mail. These simple interactions with customers, especially busy, working Alpha moms, can be the difference between making a sale or not.

Some 80 percent of consumer spending decisions are made by women, but for many women, mall channels may have become an unreasonable way to shop. By noting the online shopping habits of their customers, retailers can attract not only Alpha moms but also the night owls and Web junkies who stay up late with little to do expect shop online.

**Discussion Questions:**

**Why are malls not a suitable channel for Alpha moms?**

Alpha moms are busy tending to their children, working their jobs, and running their households. They just do not have the time to go to a mall to look for products to purchase.

**How are retailers targeting Alpha moms?**

Retailers are targeting Alpha moms by making them offers that they can redeem online. They are also using data analytics to get a better idea of their preferences. By reminding consumers of
promotions, retailers ensure that busy Alpha moms will be more likely to take advantage of the opportunity.

Reality Clips as Online Reviews

Use with Chapter 3, Multichannel Retailing, Chapter 16, Retail Communication Mix

Samantha Murphy, “Tales From the Slopes,” Chain Store Age, December 2007.

Since Thomas Sporthaus, a skiing-goods retailer, started using video media clips instead of written descriptions in its online reviews, its sales have shot up 156 percent from the previous year.

The retailer took 18 employees and a bunch of new sports equipment to Blyme Mountain in northern Michigan. As the skiers reached the bottom of the mountain, a videographer captured a 30-second, unedited, unscripted review of their thoughts about the equipment. The retailer posted the videos, still unedited, on its Web site to serve as product reviews.

Online reviews in general give consumers a chance to hear a reliable opinion from someone who has actually used the product. For expensive equipment, such as skis, this information can make consumers much more confident in their purchase. By using honest, unedited videos as product reviews, Thomas Sporthaus increased consumer confidence—as well as its reputation as an honest evaluator of its own products—and therefore has enjoyed both a huge increase in sales and a 15–20 percent increase in the number of visitors per week.

Customers appreciate receiving real opinions about the products. Because they can watch a user, noting his or her thoughts immediately after using the equipment, consumers easily perceive the authenticity of the review, brought to them clearly through the magic of video media.

Discussion Questions:

How are online video reviews increasing sales for Thomas Sporthaus?

The online video reviews are increasing sales because they feature authentic opinions, which consumers can take into consideration when evaluating which skis they want to purchase. Because skis represent an expensive purchase, this tool provides excellent value for consumers by making them more confident in what they are buying, as well as more likely to make a purchase.

Why haven’t more retailers turned to such media on their review Web sites?

In posting unedited, unscripted reviews, retailers run the risk that the reviewers will actually hate the products they sell—and say so. Before using videos or other forms of immediate reviews, retailers would need to be very confident in the quality of the products they sell.

“Made in …” Labels May Be Deceiving

Use with Chapter 14, Buying Merchandise, Chapter 16, Retail Communication Mix


What makes your Gucci bag better? Luxury goods such as Prada and Gucci have developed their strong brand images on the basis of their long history of producing products by hand in Italy.
In the 1980s, many such companies were bought up and turned into global brands. Today, the brands produce millions of goods, and customers are still led to believe that they are made in Italy. Yet the truth is that many products are manufactured in China, though companies find ways to keep putting a “Made in Italy” stamp on the product. For example, even if 90 percent of the product is made in China, if the finals bits like the buttons or the handle are sewn on in Italy, the product merits an Italian label.

Few companies actually produce products in the countries noted on the labels. Hermes and Louis Vuitton represent exceptions, as they still produce in France, Spain, and Southern California. Other manufacturers go to great lengths to ensure that the “Made in…” label fits their brand image. For example, large populations of illegal Chinese laborers in Italy and France receive two Euros per hour to put together luxury brands.

The margins that retailers and manufacturers can reap as a result of this cheap labor do not pass on to the customer, which would harm the luxury image. Instead, the company purposefully sells a handbag produced in China at a cost of $120 for $1,200 in a department store. The consumer only knows the $1,200 retail price and thus believe the product he or she is buying is really a luxury product.

**Discussion Questions:**

**How has the manufacturing of luxury branded products changed?**

*Luxury products are being produced in such volume that the majority of companies are producing them in China or exploiting cheap labor by illegal immigrants.*

**What are the risks associated with this new strategy?**

*If consumers found out that their “Made in Italy” bags were, for all logical purposes, made in China, they likely would react with great anger. As more people learn about these shady actions by luxury brands, the brands may suffer in both short-term sales and long-term reputation. In addition, though the strategy may be officially legal, it seems unethical, a choice that consumers generally find reprehensible.*

**Blind People Cannot Read Target’s Web Site**

*Use with Chapter 3, Multichannel Retailing, Chapter 18, Store Layout, Design, and Merchandising*

*Samantha Murphy, “Clearer Vision,” Chain Store Age, December 2007.*

*“Think Your Company Web Site is Accessible? Think Again,” www.marketwire.com, November 13, 2007.*

A blind student from the University of California-Berkeley and a member of the National Federation of the Blind sued Target for having a non-friendly Web site. The site violates federal and California state laws by making it impossible for blind shoppers to hear audio descriptions of the items displayed on a page.

The plaintiffs claim that Target is discriminating against the 1.3 million blind people in the United States. In response, many retailers moving to ensure that their Web sites comply with blind-reader applications and the American with Disabilities Act (ADA).
Just as the ADA requires restaurants, businesses, and stores to be accessible to mentally and physically handicapped persons, the Web, and especially company-sponsored Web sites, must be compatible with blind-reader applications. Currently, these applications work better on certain Web sites. For example, if an image is not tagged with its description, the blind-reader application cannot “read” the image to the blind consumer.

This lawsuit has been a wakeup call for businesses that do not intend to discriminate against certain parts of the population but have done so anyway. Avoiding such discrimination benefits not only the people with disabilities by providing them fair access but also the firms that can extend their market reach to disabled consumers.

**Discussion Questions:**

**How has Target’s Web site gotten it into trouble?**

_The NFB claims that Target’s Web site is not friendly to blind-reader applications. Because these applications cannot run properly alongside Target’s Web site, it discriminates against a segment of the population._

**How do laws like the ADA harm retailers? How do they help them?**

_For many retailers, especially smaller stores, complying with the regulations of the ADA can be very expensive and challenging. A single-store retailer that just spent most of its advertising budget to create a Web site likely would find it cost prohibitive to go back and recreate the site to make it accessible to blind-reader applications. However, the ADA also ensures that consumers can access all aspects of a company’s offering. That same retailer might find that by making its site more accessible to people with various disabilities, it extends its geographic and demographic reach considerably._

**Virgin Mega Drifts Apart from Amazon**

**Use with Chapter 3, Multichannel Retailing, Chapter 5, Retail Market Strategy**

_“All Dressed Up and Ready to Go, Virgin Launches a New E-Commerce Site,” Internet Retailer, November 20, 2007._

This month, Virgin Entertainment Group debuts its very own site, VirginMega.com, to replace its Amazon-based e-commerce site, which lacked that distinctive Virgin-esque feeling.

As it expands to its own site, Virgin also is moving away from limiting itself to being just a music destination and toward an image as an entertainment and lifestyle retailer. To live up to this image, VirginMega.com customizes the options available to consumers and expands on the limited options that had been available through Amazon.com.

In addition to apparel, electronics, books, movies, and music, the new site will feature news feeds, a link to its social media site VirginMegaMashup.com, a blog, and streaming video. By offering the same look and feel as Virgin’s brick-and-mortar stores, the site aims to strengthen Virgin’s brand awareness and brand image among online consumers.

As Virgin moves into a Web 2.0 format and positions itself as a preeminent multichannel retailer, it hopes consumers respond positively to the electronic presence of a company known for its cutting-edge brands and products.

**Discussion Questions:**
Why did Virgin need to break away from using an Amazon platform?

On the Amazon platform, Virgin was not able to offer all the capabilities it wanted to provide to its customers as a multichannel retailer. The Amazon platform is limiting, whereas there are more innovative solutions using e-commerce and Web 2.0.

What images should VirginMega.com use to ensure it coordinates with Virgin’s offline image?

Virgin is known for being cutting edge and promotes a sense of rebelliousness, fun, and danger in its image. Therefore, the Web site should try to embrace similar concepts, perhaps by using shocking graphics or contests to win adventurous vacations, like those that Virgin’s founder, Richard Branson, is known to take