Dear Professor:

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

- Strategy Diva’s Annual Top Ten Consumer Trends For 2007 Are Here
- Retailers Gain Customer Loyalty with Credit Cards
- Retailers Want to Sell One-of-A-Kind items
- The Low and the High Price of Fast Fashion
- Fragrances Lure Customers More than Music and Fancy Displays
- Fraudulent Returns to Retailers Have Caused Retailers to Look Closer
- If You Like the Bed that is in the Hotel, Then Buy It!
- Luxury Retailers Focus on Customer Service
- Online Reviews in the Apparel Industry
- Organic Food or Fairly Traded Food?
- The Best Online Retailers
- Unhappy Customers Tell All To Their Friends
- Walgreens adds New Product Categories

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
ABSTRACTS OF RECENT RETAIL ARTICLES

Strategy Diva’s Annual Top Ten Consumer Trends For 2007 Are Here


1. Green is Good - we are way past the tipping point on this subject, the objections have TOPPLED and green products and practices are everywhere. So color consumers green this year with their interest in non-toxic, energy efficient, sustainable wood, low environmental impact, alternative energy, recycled and organic.

2. Hip, Stylish Baby Clothes and Accessories - thank Shiloh, the little beauty showed cutesy is out and stylish new designer baby duds are in when she displayed the logo of a new young designer on her shirt. Her famous parents, Angelina and Brad, were logo less in that famous cover picture. Even uber designer Starck is on to the trend and has designed a baby carriage for this year’s additions to the Speeders generation.

3. Personal Content Generation - everyone is in this generation! Consumers of all ages are creating content (words, pictures, videos) everywhere, all the time and sharing it. Not just limited to technology content, long hand journal writing is also back. Just don’t pull a Lindsay and let your deep thoughts get published before you edit!

4. Live/Work Real Estate - Gen Y's and Boomers converge here, whether a young aspiring artist or newly retired/self employed practitioner, they are renting/buying (which means outfitting with specialized furniture and products) their live/work spaces.

5. Locally Produced Produce - for variety and safety (Popeye, are you careful about the spinach you are eating?!) Taste is in, fad diets are out and folks are doing what Mom told them…eating their locally produced veggies. Lucky Floridians are eating those ugly tomatoes with real taste that can’t be shipped out of state.

6. Healthy Technology - now we are going to use technology for more than just the music when we work out. Tracking and controlling health conditions are on the front burner of interest. Do you have your chip with medical info implanted yet?

7. Engineered Pets - “give me one that has a nice gentle nature, won’t make me sneeze and gets along well with others”. Behavior is the new pedigree and little Peanut is bred to the families’ specifications. She will be the best behaved dog at this year’s pet parties.

8. Experiential Gifting - retailers watch out!!!! More people are getting original with gifting; restaurant gift certificates, cooking classes, spa days, wine assortments for a tasting party and other experiential things. This means traditional consumer products are losing share in the giftables pie.

9. Comfort Food Cooking - cakes go retro as we celebrate the 60th anniversary of the Bundt pan and Rachel Ray is inspiring us to try stews. Beef Stroganoff is on the comeback trail and the food channel is showing everyone how to cook it. Real men cook, real women drink Manhattans! (The cherry in the drink compliments the red dress she bought in December.)

10. Innovative Travel - no matter what the conveyance, air or donkey, everyone is traveling somewhere and looking for comfort, convenient and innovative travel products. The 3ozs. of gels are now packed in brightly colored luggage or well designed functional travel totes along with a plethora of specialized travel
oriented products. Eco travel packages also get a boost this year and I am planning my trip to Dubai…for the shopping of course.

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**Retailers Gain Customer Loyalty with Credit Cards**

*Use with Chapter 11, “Customer Relationship Management,” and Chapter 16, “Retail Communication Mix.”*


Retailers are attracting loyal customers through offering rewards to them via its credit card. Many retailers offer its customers its own credit cards so that the customer will receive loyalty rewards.

There are many benefits to the retailer for gaining customers that hold its personal credit card. Customers that have for example a Saks Fifth Avenue credit card encourages the customer to shop more often and they spend five to ten times as much as a customer without the Saks credit card. Retailers are also able to track a customer’s spending habits.

There are many perks that the retailer offers a customer for spending through its credit card. Macys sends its credit card holders coupons in the mail for additional savings in the store. It also offers better customer service to these customers by being lenient on returned merchandise without a receipt and high spending customers receive free gift wrap and alternations as well as a priority customer service phone number. The rewards got on to include discount on luxury cruises and free airline tickets.

Although some shoppers are swayed into all of the incentives and perks, others think that it is a scam and not interested in opening yet another credit card. These customers prefer to shop the retailer’s normal sales, getting a better bargain anyways. However, retailers are able to gain more loyal customers as a result of the credit cards and target them specifically knowing their spending habits and which promotions made them spend the most money.

**Discussion Questions:**

1. What are some retailers doing to attract and maintain loyal customers?
Retailers offer store credit cards to customers that allow the customer to receive more promotions and benefits. These companies can target these customers making them more loyal based upon their spending history.

2. How has this change impacted their Communication strategy?

Retailers can communicate with its customer better because it know what the customer likes and dislikes and can send them appropriate perks, coupons and special offers. Retailers can communicate better than ever with a customer that uses a store credit card.

Retailers Want to Sell One-of-A-Kind items

Use with Chapter 12, “Managing Merchandise Assortments,” and Chapter 14, “Buying Merchandise.”


Middle market or middle priced stores such as Toys "R" Us and KB Toys are now selling exclusive items that can only be found in its stores. Traditionally, exclusive products were a popular strategy among luxury retailers. However, middle market retailers have been hurt by Wal-Mart since it engages in price wars to insure that it has the lowest priced product. As a reaction to Wal-Mart's strategy, exclusive products or limited edition ones have been successful in increasing consumer traffic and allowing retailers to differentiate from the competition without lowering its prices.

A way that retailers have gained exclusive products is by hiring well-know designers to make products exclusively for its stores. This way, it is not only creating a one-of-a-kind product, but also a product that has brand recognition behind it. For example, Kohl’s Corp. hired Vera Wang, Macy’s hired Vivienne Westwood, H&M hired Karl Lagerfeld, Target hired Isaac Mizrahi, and J.C. Penney hired Nicole Miller. Now, even private label retailers are using the same strategy. The Gap, for example, has just made five dresses to be sold exclusively in its stores that were designed by the French designer, Roland Mouret.

Exclusive products are a great way for retailers to offer popular products that can draw consumer traffic based on new and limited edition items and differentiate it from its competition. But since exclusive merchandise can be expensive to design, manage, and produce, retailers must insure that there is enough consumer demand to warrant the trouble.

Discussion Questions:

1. What are some middle priced stores doing with their assortments?

Middle priced stores are avoiding price wars with its competitors that sell the same products by creating exclusive, one-of-a-kind products. These products can only be bought from that particular retailer. A popular strategy for retailers in making exclusive products has been for a well-known designer to create a limited edition line only for one retailer.

2. What are the advantages and disadvantages of such a strategy?

Advantages: It is beneficial for retailers to sell exclusive products because it is able to offer a unique product that consumers can only get from shopping at the particular store. Hopefully these products will drive customers to the store and make them loyal buyers. Retailers are also able to sell these products without engaging in a price war with another retailer.
Disadvantages: Exclusive products can be a burden if there isn’t consumer demand for them.

The Low and the High Price of Fast Fashion

Use with Chapter 14, “Buying Merchandise.”


Low-priced clothing for one-time use, commonly known as fast fashion, has become very popular among consumers. While the consumer pays a low price for such clothing, high prices are being paid in other ways. For clothing to be so inexpensively priced involves low-priced labor in sweatshops and an increase in the production and energy used to make clothing.

Clothing production actually uses 10 times more energy than the production of glass. While many consumers recycle glass, only one eighth of clothes are recycled. The production of clothing is detrimental to the immediate environment for the factory workers and the general environment because of the large release of greenhouse gases and chemicals. When a garment goes through such an intense process to reach the consumer, it is disheartening that many consumers may only wear it a few times before throwing it away.

The negative impact of the clothing industry goes beyond just the production of the garments. Laundering clothing uses even more energy than it takes to produce the garment. It is more environmentally friendly to hang dry clothing rather than use a tumble dryer.

Retailers are making a large profit on these low-priced, fast fashion items. The retailers encourage consumers to shop more often, and they respond by continuing to buy more clothing, while throwing away previous purchases after they have been worn only a miniscule amount of times.

It is difficult to have the perfect balance between being a successful retailer and being ethical and responsible to the environment and its factory workers. The increase in popularity of fast fashion has raised an ethical concern about the amount of energy being released from clothing production. From an ethical perspective, is it better for retailers to provide higher quality, higher priced garments that consumers will care for and wear for a longer life span?

Discussion Questions:

1. What is the relative environmental impact of fast fashion?

Fast fashion impacts the environment because of the large release of greenhouse gases and chemicals. This not only effects the environment, but creates poor working conditions in the factory as well.

2. What could retailers do to lessen the negative impact of fast fashion?

Retailers could encourage consumers to recycle their clothes instead of throwing them away when they buy new clothing to replace previous ones. Retailers are unlikely to raise prices to discourage shoppers from shopping as often. Unfortunately, the nature of fast fashion is to shop often.

3. What could you do to lessen the negative impact of fast fashion?

As a consumer, it is ethically responsible to invest in better quality clothing and not have to shop as often for low-priced, highly fashionable clothing. Recycling clothing after one is through with it is also helpful to
Lastly, although it is necessary to launder clothing, it is less of a drain on the environment to hang dry rather than to tumble dry.

4. What, if anything, are you actually willing to do to lessen the negative impact of fast fashion?

(Sample Answer) I am willing to dry my clothing on the line rather than in the dryer to save energy. I am also willing to pay more for better quality clothing that will last longer as opposed to shopping for fast fashion. When I have used a garment for the extent of its lifetime, I will recycle it by donating it to a charity to extend its life span.

Fragrances Lure Customers More than Music and Fancy Displays

Use with Chapter 18, “Store Layout, Design, and Visual Merchandise.”


Most all large retailers use fragrances to get customers in the mood to shop. Because a Customer’s ears and eyes are constantly bombarded with music and visual displays, scent technology has become very popular as an alternative to help create a retail atmosphere. A person’s sense of smell is more directly associated with their emotions and memories than any other sense.

ScentAir’s fragrances are given off from a small can-shaped container known as the ScentWave. A costlier system is the AromaSys which puts the fragrance into the air-conditioning system. Whichever way retailers decide to release the scents, a great deal of thought goes into choosing the perfect aroma. Sony Style, for instance, uses a mandarin orange and vanilla fragrance to soften the fact that it sells electronics, making it friendlier to a non-technical customer. Thomas Pink, the upscale men’s clothing retailer, disperses the scent of line-dried linen throughout each store. KB Toys alternates scents of Creamsicle, cotton candy and Play-Doh.

The cells in one’s nose are actually similar to brain cells because pleasant odors can increase electrical and metabolic activity. With scents being so important, every retailer is customizing its signature smells. The aroma in the air could be quite subtle, but it evokes either a positive or negative reaction from the customer. Some retailers choose to have chocolate cookie smells bringing memories of indulging treats, while others use calming fragrances to soothe what otherwise maybe an intimidating atmosphere.

Discussion Questions:

1. What are stores doing with scents in their stores?

Stores are using fragrances as an important atmospheric tool for engaging customers to be in the mood to shop. Scent technology companies customize scents for stores and sell devices that retailers use to give off a particular scent.

2. Why are they doing it?

Scents are the quickest and most effective way to connect with someone emotionally. Whether the customer realizes it or not, the fragrance in a store evokes certain feelings which are stronger than those evoked from the eyes and ears.

Fraudulent Returns to Retailers Have Caused Retailers to Look Closer
Use with Chapter 17, “Managing the Store.”


Retailers are tightening its return policies as a result of the increase in fraudulent returns. These changes are affecting not only the fraudulent consumer, but also the innocent consumer who wants to make a legitimate return. Return fraud costs the industry $9.6 billion per year.

Fraudulent returns often occur when organized groups steal merchandise from the store and then return it back to the store for a credit. Another way that consumers take advantage of the system is by “borrowing” items, especially apparel, and then returning it after it has been opened, used or even damaged. At this point it is difficult for the merchant to resell the product unless it is greatly discounted.

Consumers must now take extra precautions since retailers are being more vigilant about returns. It is important that the item has not been unwrapped or that the tags have not been removed. A receipt to accompany the product also helps to verify the original purchase.

While most consumers have legitimate reasons to return merchandise, some returned items have been used or stolen. Retailers must be careful to honor their return policies. If a consumer feels that the retailer has cheated them by not executing the return properly, local consumer protection agencies will step in to protect the customer.

Discussion Questions:

1. What fraudulent activities are consumers engaging in to cause retailers to crack down on returns?

Organized groups are stealing from retailers and then returning these items to the same store as a return. Other consumers are using or opening items as if to “borrow” them and then returning them after the tags have been removed, and or the item is damaged.

2. What are retailers doing to crack down on returns?

Retailers are aware of the sharp increase in fraudulent returns. They want to make sure that items are unused, still in the original wrapping, tags attached and accompanied by a receipt. Retailers are not just returning all items that consumers want to return for the risk that it is a fraudulent return.

If You Like the Bed that is in the Hotel, Then Buy It!


Hotels are no longer just selling an overnight stay in a room. Almost everything found in the hotel room can be bought by the consumer, from the bed to the soaps in the bathroom. This creative retailing strategy was pioneered by the Westin hotels that offered its “Heavenly Bed” for sale.

Retailers offering its products for sale in hotels provide an excellent experience for the customer because they are testing all of the products on their own time without even knowing it. If the customer has a good night’s sleep in the “Heavenly Bed,” for example, then they might be more inclined to buy it. When trying to shop for a bed in a regular retail store, one cannot take it home and test it for a night.

It is also great marketing for the hotel to offer products for sale. When a customer buys something, it is like a souvenir of their stay. For example, if a customer chooses to buy the “Mammoth Minty Scrub Soap” from Bliss from the SoHo Grand Hotel in Manhattan, they will remember their experience at the hotel every time they use the soap in their own home.
Customers are now accustomed to being able to buy whatever appeals to them that they can see, especially in a hotel setting. If someone sees something they like, it is not uncommon for them to bid on an item that would otherwise not be for sale. Hotels have even been asked for the paint color on the walls.

Hotels provide an ideal environment for the retailing of home goods and urgency shopping items. When one is traveling, there is always a need for something that was either forgotten or an unexpected event came up causing the customer to have to make an unforeseen purchase. The other type of products that are ideal for this environment are ones that you would like to try on your own time and see whether it is worth the investment.

**Discussion Questions:**

1. **What have retailers done to bolster their retail offerings?**

   *Retailers are offering items for sale in hotel environments. Hotels draw a lot of traffic and allow customers to test products during their stay. For example, if the customer likes the bed that they slept on, or the soap that they used, all of these products are for sale.*

2. **Why have hotels bolstered their retail offerings?**

   *When a customer stays at the hotel, the experience lasts at least 10 hours. In this time, it is likely that the customer has liked some of the products or items that they have come across. Not only can the hotel make sales from these offerings, but it also acts as a souvenir for the customer to remember after they have returned home, which bolsters customer loyalty.*

3. **What types of merchandise would you or have you purchased in hotels?**

   *(Sample Answer) I would purchase a bed that provided me with a good night’s sleep. For example, the Westin’s “Heavenly Bed” is more wonderful than it sounds. After testing the bed for the night, I am much more likely to make the investment than lying on it in a store for a few minutes.*

4. **Do you think that merchandise sold in hotels are a good value?**

   *(Sample Answer) Yes, the products sold in hotels are a good value because the customer can test anything before they buy it, ensuring that it is a valuable purchase. These products enhance the customer’s experience, thus there is great value in duplicating that experience at home as well.*

**Luxury Retailers Focus on Customer Service**


Luxury retailers are changing its former strategy of snobby attitudes towards its brands and now focusing on customer service. These boutiques are no longer trying to keep a “mystery factor” in its brands, but have a ‘Ritz Carlton’ mentality of servicing every customer. In order to sustain customer loyalty, it is essential that retailers show every client that they are valuable.

Henri Bendel of New York City and Colette in Paris sell designer clothing such as Missoni and Valentino, but are interested in helping every customer and educating them on the brands and merchandise. Henri Bendel offers free client services to help a customer find a new outfit, and even an anniversary gift. The
staff at these luxury retailers is very accessible and want to be able to help any customer find the perfect clothes for their needs.

Small boutiques such as Christian Louboutin and Salvatore Ferragamo that only have a few locations in the world are following suit in customer service. Even if the particular store does not have the perfect shoe, the staff will search all of its locations to help that customer find exactly what they would like. At Ferragamo, all of the employees have to go through a mandatory customer service training program to empower the employees in the new retail luxury industry.

Last minute shopping by the customer is okay and now accepted even in the luxury retail industry. For example, if one is expecting guests at the last minute, the culinary retailer, Dean and Deluca, of New York and Napa Valley, will deliver a catered meal by 6pm the same day as long as it is ordered by noon.

Retailers want loyal customers and providing the ultimate service to go along with a great product is the best way to retain its customers. Personal shopping services are free and part of the value that one gets by shopping with the particular retailer. The luxury merchandise has to be complemented with a high standard of service and customers will come back for more.

**Discussion Questions:**

1. What are some of the top retailers in the world doing to attract and maintain loyal customers?

   *Henri Bendel of New York City and Colette of Paris are interested in educating and helping every customer that is in the store and not just its top clients. Henri Bendel offers free consultation services for everything from finding a new outfit to the perfect gift. Small boutiques such as Christian Louboutin and Ferragamo are also using its entire store network to help find the perfect shoe for a customer. Ferragamo made it mandatory that all employees have customer service training. Dean and Deluca, the culinary retailer, can prepare and deliver meals for a customer even when it is ordered within 12 hours.*

**Online Reviews in the Apparel Industry**

*Use with Chapter 3, “Multichannel Retailing,” and Chapter 5, “Retail Market Strategy.”*


E-commerce websites, such as Amazon.com, selling books or electronics, post online reviews on its website so that customers can compare and contrast merchandise, taking the opinions of other consumers into account. Online reviews posted on retailer websites are less common in the apparel industry. Macys.com and Sears.com currently post customers’ reviews that are monitored by Bazaarvoice.com. Bazaarvoice.com charges retailers a monthly subscription fee to maintain the customers’ reviews portion of the website.

The benefit to retailers of having customer reviews on its website is the positive and the negative comments act as the perfect tool for market research. Sometimes, these reviews can be even more helpful than focus groups because of the honesty that customers display. These reviews are also helpful for other customers because keywords that were used in reviews will help other customers search for certain items on the retailer’s website. Online reviews may even give retailers more credibility because they are willing to take the risk of getting a negative review. While some customers may find the reviews helpful, others will find little credibility in the opinions of people they don’t know.

Retailers like The Gap that sell a particular item for a season or less may not find value in online reviews because older reviews become obsolete so quickly. Online reviews may work better for retailers like Macys.com since it sells many different brands that can be compared.
Certain retailers do not have any plans to add online reviews to its website because it does not see any benefits. Luxury retailers such as Saks Fifth Avenue, Bloomingdales and Nordstrom are hesitant to add customer reviews because of the risk that customers will compare items to knock-off and lower priced versions. Style.com only allows commentary from fashion editors and not from the general public.

**Discussion Questions:**

1. What are the relative merits and problems associated with online clothes reviews from the retailers’ perspective? From the customers’ perspective?

**Benefits:** From the retailer’s perspective, it is able to obtain valuable market research from the honest customer reviews. The increasing number of keywords from the customer reviews increases the traffic to the website for potential customers.

**Problems:** Customer critiques may be confusing to customers because of a difference in opinions. Online reviews may only be valuable for sites that sell a wide variety of brands such as Macy’s.com, because other retailers, such as the Gap, intend to sell through clothing lines within a season. Luxury retailers are also reluctant to add customer reviews because negative feedback could either hinder its valuable brand names or they could be compared to lower-priced alternatives, which would also be detrimental.

**Benefits:** From the customers’ perspective, there is more information available to them, including what existing customers thought of the product. This may give the retailer more credibility.

**Problems:** From the customers’ perspective online reviews may reflect a difference in opinion on a certain product that may confuse the customer and therefore cause them to abandon the product completely.

**Organic Food or Fairly Traded Food?**

**Use with Chapter 5, “Retail Market Strategy.”**


There are constantly new ways to farm, but there is still no clear solution to producing healthy food while also saving energy, land, and the environment. Organic foods have become very popular with consumers and the latest craze is with fair-trade foods. There are advantages and disadvantages to both fair-trade and organic foods.

Fair-trade addresses the low prices that farmers are paid for their products. Consumers that support fair-trade want the working conditions to be safe and the laborers to be compensated appropriately. However, the premium that is paid to farmers that follow fair-trade gives them an unfair price advantage. The premium paid to fair-trade farmers encourages new entrants into the market, causing overproduction. Since fair-trade farmers automatically receive a premium for its crops, it lessens the need to keep the quality of the products high.

Organic food is produced with limited use of synthetic pesticides, fertilizers, and without genetically modified organisms. Some consumers believe that organic food is more healthy than conventional food and better for the environment. However, the problem with organic farming is that it produces lower yields on the same land that could otherwise be used for conventional farming. This also means that organic farming requires more land, which takes away from the natural environment and forests.

These innovative attempts to have a healthier environment do have its drawbacks. While fair-trade helps certain farmers, it also causes an imbalance in the market, because conventional farmers could receive a
premium if they were producing in alternative manners. Organic farming requires more natural land, but at the same time emits less pollutants into the environment. As these farming techniques evolve, the terms, “organic” and “fair-trade” may be helpful in a marketing sense, but not as helpful to the environment and to struggling economies as we have been led to believe.

**Discussion Questions:**

1. Why do consumers purchase organic foods?

Consumers purchase organic foods because there is a limited amount of pesticides used in its production, making it healthier. Also, some believe that organic food is produced with more care and concern for the environment than conventional foods.

2. Are organic foods better for the environment than conventional foods? Defend your answer.

(Sample Answer) Not necessarily, because although organic farming emits less pollutants into the environment, in the process, more land is required to produce the same amount of food produced with conventional farming. The energy used in farming a greater area of land should not be overlooked.

3. What does fair-trade mean? Do you think it is a good idea? Why or Why not?

Fair-trade means that the farmers producing the food were compensated appropriately, and that the labor conditions met certain standards. Fair-trade prevents low wages and unfair working conditions.

(Sample Answer) I do not think that fair-trade is a good idea because it artificially compensates farmers based on labor standards. This encourages more farmers to enter this industry, thus causing not only a product overproduction, but takes away the incentive to keep the quality of the products high.

**The Best Online Retailers**

Use with Chapter 3, “Multichannel Retailing,” and Chapter 5, “Retail Market Strategy.”

“Mass Merchants/Department Stores,” Internet Retailer, December 2006.

The best online retailers are continuing to use innovation as a key driver for staying ahead of its competition. E-retailers are adding features to its websites, while others are integrating its brick and mortar stores with its online presence. These retailers are delivering the best customer experience to gain the loyalty of its customers.

Amazon.com has become a department store to the world with its expansion into more and more categories. It started off selling books, music and videos and has now moved into groceries, jewelry and its newest category is services. One can now find a financial advisor from Fidelity Investments or a travel agent from Sidestep.com on its website. The e-retailer has also improved its product reviews feature by connecting customers with Plogs, or blogs written by the original author’s themselves.

Costco.com has successfully integrated it website with its brick and mortar store. The website offers great complements for the products found in the store. If a customer buys a piece of furniture in the store, then there may be other items to go with it that could be bought online. Its website is higher-end than the store, but is using it as a tool to enhance its brand. Costco.com allows the retailer to offer a wider range of products.

J.C. Penney Co.’s website has been a high focus for the company as department stores have suffered and specialty stores have taken market share. The cutting edge, JCP.com has interactive videos that
allow customers to mix and match different garment combinations. It has also done well with integrating its brick and mortar store. When customers checkout in the store, they are shown additional items that would be of interest to them on its website.

SmartBargains.com has successfully created an atmosphere of having great deals. The company is devoted to providing the customer with the best deal, not because it is inexpensively priced, but because it is in limited quantity or brand new. Its bargains range from clothing and shoes, to 18K diamond bracelets for 64% off of the $85,000 retail price. The company says, “we want to exceed customer expectations every time”.

These superior online retailers are leading the way by constantly innovating to provide the customer with an excellent experience. While these companies are partially multichannel and partially web only, they are using the capabilities of the web to support their brand and develop lifelong customers.

Discussion Questions:

1. Which retailers were rated the best Internet Retailers of the Web in 2006?

Amazon.com, Costco.com, JCP.com, and SmartBargains.com

2. Why were they chosen “best”?

Amazon.com offers almost every category possible. While they started with books and media, they now offer groceries, and investment services from companies like Fidelity Investments. It has also continued to improve on its product reviews so that customers can actually view Plogs. For example, a book by Stephen King has a link to his Plog that was written by him.

Costco.com has used its website to offer a greater range of products. Customers visit the site, because there is merchandise only offered online that would complement their in-store purchase. The merchandise offered online is also higher-end so that it can continue to offer its customers the brand and merchandise that it expects.

JCP.com has used interactive videos to help the customer make purchasing decisions. It is also integrating it website with the department stores by showing customers that there are items that they can purchase online to compliment their current purchase.

SmartBargains.com is also devoted to providing each customer with easy ways to search for what they are looking for and offering them the best deals that they would not be able to find alternatively.

3. What do these retailers have in common besides being Internet retailers?

These retailers are concentrating on its brand promise to its customers. Whether it is interactive videos, or a greater depth of products being offered on the web, the ultimate goal is providing the customer with an excellent experience.

Unhappy Customers Tell All To Their Friends

Use with Chapter 19, “Customer Service”.

“Beware of Dissatisfied Consumers: They Like to Blab,” Knowledge@Wharton, March 08, 2006.

Retailers should be concerned with not only making customers happy, but more importantly, not making them unhappy. Unhappy customers like to share their negative experiences with their friends and family.
This only results in many more unhappy potential customers before the retailer has had a chance to serve them.

In a survey, only 6% of shoppers that had a problem with a retailer actually contacted the company about it. However, 31% of shoppers with a problem told their friends and family about what happened. The problem that the original customer had with the retailer grows exponentially when stories are told because as each person continues to tell the story, it becomes more and more embellished for the entertainment value. What is more surprising is that 48% of people avoided a store because of someone else’s experience versus only 33% who avoided a store based upon their own negative experience.

Customers are not satisfied with their in-store experience for a variety of reasons. Parking lots that are overcrowded cause customers to be in a bad mood before they even enter the store. When a customer has to wait to be serviced, or wait in a long checkout line, they are more likely to report their bad experiences to their friends.

Retailers are trying to figure out ways to prevent negative word-of-mouth. For instance, some stores allow customers to check a box on their credit card slip if they had a problem in the store. Then someone contacts them to capture the complaint. This makes the customer feel like the store cares about them and may alleviate some of the complaining to their friends and family. Another strategy is to pay more attention to customers on problems for which there are not easy solutions. For example, the retailer can hire a person to show people where to park in a busy parking lot. Even though there may still be a parking problem, at least customers will feel that the store is trying to help.

**Discussion Questions:**

1. **Why should retailers be careful not to have dissatisfied customers?**

   Dissatisfied customers can be very detrimental to a retailer because these customer like to share their negative experiences with their friends and family, resulting in an exponentially negative outlook on the company. Dissatisfied customers not only dislike the retailer, but they have a strong influence on their friends’ likeliness to shop at the retailer in the future.

2. **What are some reasons that customers become dissatisfied?**

   Customers do not like to spend a long time trying to find a parking spot. This immediately put these customers in a bad mood before they have even entered the store. Also, long checkout lines and waiting for an employee to help irritates customers.

3. **What specific actions can retailers take to curb customer dissatisfaction?**

   It can have a box on the credit card slip that customers can check if they had a problem in the store. This way, retailers can take control of the situation by contacting the customer to find out why they were not satisfied. Not only will this allow a way for the customer to complain, but it will also allow the retailer a chance to rectify the situation for now and in the future. Retailers should also add more salespeople so that customers do not need to experience longer waiting times.

**Walgreens adds New Product Categories**


Walgreens is introducing new merchandise into its stores for its fashion and price savvy customers. While the retailer has been a destination for health and beauty products, second only to Wal-Mart, it now wants to expand its convenience to female shoppers by adding apparel, jewelry, and accessories. Its customers are short on time and like to shop at one convenient store. It feels that it can offer its customers fashionable items that can be bought quickly.

The new merchandise at Walgreens will help it meet the lifestyle needs of its shoppers. This move will also differentiate it from other pharmacy competitors such as Rite Aid, Brooks-Eckerd and CVS as well as offer an alternative to Target.

Its new merchandise includes underwear, sleepwear, hosiery, beaded fashion tops, knit sweaters, skirts, jacket, cotton dresses and much more. The merchandise will be priced below $50 with the majority of the apparel priced at less than $15. The retailer has also introduced a jewelry collection called “Pure Allure,” priced between $5.99 to 14.99 and $14.99-39.99 for seasonal pieces.

Walgreens’ move into fast-fashion apparel and jewelry will differentiate it from its other drug store competitors because it will be more than just another one-stop shopping convenience stores. Customers will be surprised to see that Walgreens is expanding it assortments and may find that it is the quickest place to buy a pair of socks or a trendy shirt for the night.

Discussion Questions:

1. What is Walgreens doing to its merchandise assortment?
   
   It is expanding its merchandise assortment to meet the lifestyle needs of its customers. It is now offering a wide range of apparel, jewelry, lingerie, and jewelry.

2. Why is Walgreens making this adjustment?
   
   Walgreens not only wants to meet the lifestyle needs of its customers, but also offer the best assortment for the convenience of one-stop-shopping. Walgreens also wants to differentiate itself from its pharmacy competitors including, Rite-Aid, Brooks-Eckerd, and CVS.

3. Do you think it is a good idea?

   (Sample Answer) I think that it is a good idea to expand the merchandise assortments to include fashion-conscious impulsive items. Certain apparel items need to be tried on to see if it will fit, which requires more time than someone may have when going into a convenience store. Jewelry is very easy to buy impulsively if the style appears to be attractive. While apparel basics such as socks could sell very well, it will be interesting to see if knit sweaters sell as well.