January 2007

Dear Professor:

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

- Best Buy Caters to Women and Men
- Customer Service Strategies from Retail Leaders
- Gray Market and Counterfeit Merchandise
- Is Green Tea Going to be as Popular as Coffee in the U.S.?
- Grocery Packaging Markets only the Benefits of the Products
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- Online Retailers Track Your Online Search Preferences and Habits

The articles in this and past newsletters are sorted by chapters in Retailing Management, sixth edition. If you are interested in the textbook 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

BEST BUY CATERS TO WOMEN AND MEN

Use with Chapter 4, “Customer Buying Behavior,” and Chapter 19, “Customer Service”.


Best Buy is trying to broaden its image to appeal to women and not just men. In the past, this store has not been the retailer of choice for women because of the extremely loud audio department, the cluttered aisles, and the crowded checkout lanes.

Best Buy has experimented in several stores with retailing and customer service that is appealing to women. The stores have lowered its audio volume, made the aisles wider, added play areas for children and most importantly trained its sales people to communicate better with women. Some stores even have full-time personal shopping assistants to help female shoppers navigate the store. Other women who do not have any interest in electronics can recline in a massage chair while a personal shopper gets the merchandise for them.

Although Best Buy wants to attract female shoppers, it does not want to alienate its existing male customer. There needs to be a balance so that the men and women are both serviced in the appropriate manner. Shopping assistants should know that women want assistance on the phone to help them set up the electronic equipment. For men, they would be quite offended if a Best Buy shopper called their house to help them with the installation.

Best Buy is doing the necessary research and training to appeal to men and women. It is not new that men and women have different preferences and shop in different ways. For example, women are twice as likely as men to be concerned with how the electronic television or speakers will fit in with the room’s décor. The challenge here is to provide a retail environment and customer service for men and for women.

Discussion Questions:

1. What is Best Buy doing to appeal to female shoppers while at the same time retain their male customer base?

Best Buy is training its sales people how to offer assistance to women. The retailer has full-time personal shoppers to guide women throughout the store. Other shopping assistants will actually do all of the shopping in the store for a female customer, while she relaxes in a recliner. The retailer is making changes to attract the female shopper, but is trying to maintain a balance to ensure that it does not lose its male customer.

CUSTOMER SERVICE STRATEGIES FROM RETAIL LEADERS

Use with Chapter 19, “Customer Service.”


Customer Service is a vital aspect of successful retailing. Many companies have different strategies and
ways to define the best way to treat its customers. Customer service retail leaders create strategies that are executed via its sales people. Customers that receive good customer service can be an important marketing tool for retailers because they spread their positive opinion about the retailers to friends, family, and even strangers over the Internet.

JetBlue Airways does not have a customer service department, not because it does not believe in servicing its customers, but because every employee is in customer service and ready to help any customer. This company views itself as a customer-service company that flies planes. One innovative strategy that this company uses is to survey at least six customers from every flight to get their opinions about their experience. This type of information helps the company stay in-tune with what the customer is thinking on a day-to-day basis and can track changes in customer preferences. For example, they learned that customers like pilots to address passengers at the beginning of the flight, especially when there is a delayed departure.

Pulte Homes, of Michigan, has also taken customer service to another level. This company not only surveys its customers after the purchase of their first home, but continues to survey them throughout their ownership in that home. Its customer relations department values its customer and invests in a life-long relationship with them. As a result, Pulte has seen a large increase in the growth of its repeat and referral business in the last five years.

Similarly, Dell Inc., the personal computer maker, is concerned with their customers’ experience over the duration of ownership. The company focuses on the customer experience, which includes the ordering process, the set up process, usability of the product, and reliability over time. All of these aspects are important to the customer and thus, Dell has invested $150 million in 2006 to improving customers’ experience.

Costco Wholesale Corp. the warehouse-style retail stores with bulk items at discount prices, defines customer service differently than other service retailers. Customers value the self-service aspects of their stores and the ability to find good values. Its customers like to shop in the store without being bothered by sales people.

Since customer service starts with management, it is important for salespeople to effectively communicate what they have learned from customers everyday. Since salespeople are the ones that make buying decisions with customers, it is important that the company treats the employees as they would like the employees to in turn treat its customers.

**Discussion Questions:**

1. **What are some retailers and service providers doing to improve customer service?**

   JetBlue views itself as a customer service company. Therefore, every employee is in customer service and concerned with its customers’ experience. The retailer surveys at least six of its customers on each flight to ask them about their experience. This way, the company can track customer preferences on a real time basis.

   Pulte Homes takes a lifetime value perspective of their customers. It not only surveys its customers after the purchase of their first home, but throughout the time they own their home. Its repeat and referral business has improved greatly as a result.

   Dell Inc. has invested a substantial budget towards the improvement of its customers’ experience of owning a personal computer. This retailer wants the buying process, the set up process, and the long term reliability of the computer to be to its customer’s service standard. By anticipating all of the obstacles in buying and owning a computer, Dell is providing excellent customer service.

   Costco Wholesale Corp views customer service a little differently by providing the ultimate “self-service”. Its customers are satisfied when they are able to find products for great value without being bothered by
unwanted salespeople.

GRAY MARKET AND COUNTERFEIT MERCHANDISE

Use with chapter 14, “Buying Merchandise”.


Luxury designer goods are being sold by retailers other than department stores and manufacturer’s company-owned stores. Since the consolidation in the retail industry, manufacturers have had a hard time keeping its products in stores that it wants to be associated with its brand. Off-price stores such as TJ Maxx, Marshalls, Loehmann’s and Filene’s Basement; and clearance centers such as Saks’ Off Fifth, Neiman Marcus’ Last Call, and Nordstrom Rack, are all retailers that are ending up with designer products.

Although luxury manufacturers do not plan on having its merchandise sold in off-price stores, sometimes these off-price retailers save the luxury retailers a lot of money. Old products, products that failed, or products that were unable to be returned to the manufacturer will be sold to off-price stores to recoup some of the money that was invested. For example, Coach, the luxury leather goods maker, sells less than 1% of its bags to off-price stores because of broken assortments that will not provide enough of a selection in its own factory outlet stores. This merchandise is gray market, and not counterfeit.

The sale of counterfeit goods is illegal. Luxury manufacturers are taking steps to insure that national retailers will not partake in the sale of counterfeit merchandise. Coach recently sued Target for selling counterfeit Coach bags in its stores. Similarly, the luxury conglomerate, LVMH, sued Wal-Mart Stores for selling fake Fendi bags in its stores. In both of these cases, the manufacturers cannot afford the damage that will be done to its brand image by being sold in a discount store. Although it is not confirmed as to whether these products were authentic or not, the publicity surrounding these lawsuits raise the question in consumers’ minds as to whether luxury brands sold in discount stores such as Wal-Mart and Target are real.

Luxury designer products are ending up being sold in channels that no one had planned on because retailers are selling products to off-price retailers or in their own outlet stores. Manufacturers hope that their products don’t end up in off-price outlets, but they will definitely fight to make sure that their products are not sold in a discount store. While it is still relatively harmless for a designer product to end up in an off-price store, it is quite harmful to the luxury brands when a Fendi bag is sold in a Wal-Mart store, particularly if it is counterfeit.

Discussion Questions:

1. If you were to find a luxury name brand item in a TJ Maxx or a Target store, would you expect it to be gray market or counterfeit?

   *It is impossible to know for sure. Most national retailers stay away from selling counterfeit merchandise because it is illegal to do so. Retailers like TJ Maxx and other off-price retailers, on the other hand, are wholeheartedly engaged in the purchase and sale of gray market merchandise.*

2. Is buying and selling gray market and counterfeit legal?

   *Gray market merchandise is legal, but counterfeit is not.*

IS GREEN TEA GOING TO BE AS POPULAR AS COFFEE IN THE U.S.?
Koots Green Tea is a Tokyo based tea chain that is now being introduced in the U.S. This chain has a similar concept to Starbucks, with the look and feel of a specialty coffee shop, only it sells tea. The founder, Kouta Matsuda, is confident that this concept will eventually be successful in the U.S., just like coffee.

There are many health benefits to drinking tea as opposed to coffee. With increasing numbers of Americans being concerned with their health, Matsuda thinks that it will be as popular a product as coffee. Tea is also low in caffeine high in antioxidants. People might therefore be enticed to drink a healthier drink than coffee and be attracted to the novelty of tea.

Years ago, Sushi was as uncommon as tea shops are today. Now, Sushi has been adopted everywhere in the U.S. and is a very normal food choice. Whether tea takes off in the U.S. will depend on the social factors that influence customer buying decisions.

People have many reasons for wanting to buy a Starbucks coffee whether it be because they like hot drinks, caffeine, sugar, mocha, the added self-esteem, the relaxed atmosphere, etc. Koots Green Tea might be able to attract customers in the U.S. for many of the reasons that customers now go to Starbucks.

**Discussion Questions:**

1. **What social factors will influence the buying process for Koots?**

   *Buying decisions are made based on the customer’s family. It would be helpful for the retailer to make the store friendly for children so that families feel comfortable in such an environment. Drinks for children should also be provided. Reference groups are another factor that influences a customer’s decision to purchase a product. When a customer buys a cup of tea, they should feel comfortable that this purchase is increasing their self-image because of information or pictures that they have gathered or seen from people or groups that are important to them. Lastly, culture is an important social factor that influences buying decisions. There are a number of characteristics including, individualism, freedom, self-improvement, health etc that induce customers to have a certain shopping behavior. Koots Green Tea should be socially acceptable and add some known value. For example, the tea is high in antioxidants which improves health and prevents against cancer.*

2. **Do you think Koots will be successful in the U.S.? Why or Why not?**

   *(Sample Answer) I do not think Koots will be successful in the U.S. in the short-term. It will take years to transform a coffee drinking culture into a tea drinking culture. Although the tea has health benefits and a similar atmosphere to Starbucks Coffee, customers are not very proactive when it comes to actually making a change to affect their health.*

**GROCERY PACKAGING MARKETS ONLY THE BENEFITS OF THE PRODUCTS**

*Use with Chapter 6, “Retail Market Strategy,” and Chapter 12, “Planning Merchandise Assortments”.*
The grocery chain, Hannaford Brothers, has investigated the actual nutrition in all of the 27,000 products in its store. To do this, it developed a star rating system from zero to three, whereby vitamins, minerals, dietary fiber and whole grains receive points, but points are deducted for trans fat, saturated fat, cholesterol, added salt and added sugar. 77 percent of its products did no receive any stars.

Many health food labels such as V8, Healthy Choice, Campbell’s Healthy Request soup, Lean Cuisine, and whole milk were some surprising products that did not receive any stars. Some products read, “high in fiber”, or “low in fat”, but this simply means exactly what it says. The company fails to tell the customer all of the other ingredients in the product that are not healthy for you. Marketers have won customers over by making them believe that food is healthy when really it is not. For example, V8 has essential vitamins, but a lot of salt.

The system that the retailer developed breaks the grocery store down to the truly healthy products in the store. A three star lunch would be grilled chicken on a bed of spinach with a multigrain roll and an apple. Hannaford has made the products in the store transparent so that consumers are educated on everything that they are buying.

As long as manufacturers do not become angered by the fact that some “healthy” products are not given any stars, then this system will increase sales for the retailer. The retailer is taking the ambiguity out of nutrition so that every product is measured on the same level. Whether customers will actually change their eating behavior to ensure that they eat three star foods the majority of the time is a different story. For those customers that are interested in the true nutrition behind each product, this retailer is offering great value.

**Discussion Questions:**

1. Describe Hannaford Brothers’ new system of rating products. Do you think this system will help or hurt their sales? Why?

**Hannaford Brothers is rating each of the products in its store from zero to three. Products receive points for vitamins, minerals, dietary fiber and whole grains, but points are deducted for trans fat, saturated fat, cholesterol, added salt and added sugar. This system is designed to rate the nutritional value of all products on an equal level. As long as food manufacturers continue to allow its products to be sold in Hannaford Brothers even though it may not receive any stars, the sales will increase for the retailer. The retailer is adding more value for its customer because of the available knowledge that the customer has in making each purchase. Even though customers may not change their shopping/eating behavior, the option for them to know the nutritional value in each product that they are buying is available.**

**THE NEW AGE IN SHOPPING – LIFESTYLE CENTERS**

Use with Chapter 7, “Retail Locations.”

**Jenifer Goodwin, “Chula Vista ‘lifestyle center’ Trumps Mall,” San Diego Union-Tribune, October 27, 2006.**

Shopping has always been a center for social gatherings in a community. The shopping experience has evolved from downtown areas to malls in the suburbs to lifestyle centers. Lifestyle centers are designed to have a downtown atmosphere and include many well known shops, restaurants and movie theatres.

Historically, communities have gathered in central locations that included small stores, churches, public parks and city streets. As Americans moved from the cities to the suburbs, malls became a more practical
social hub for the community. This abandonment to the downtown areas caused the decline of the city streets, because it was no longer a practical arena for people.

The social gatherings in a mall atmosphere do not have the same energy as the city streets once did. Developers are trying to emulate and create this vibe through architecture and busy streets, with limited parking outside of the stores. The retailers consist of popular restaurant chains and stores such as Pottery Barn and Abercrombie & Fitch. These lifestyle center environments are controlled by security that ensures that the area is safe and functions as intended.

Lifestyle centers are the new age in shopping and social environments for Americans. Americans can now spend the day at such a place enjoying shopping, dining, and even having places for children to be entertained as well. This is a popular gathering place because of the energy that it produces from the city-like atmosphere, the architecture and the many pedestrians.

Discussion Question:

1. How is a lifestyle center different than a shopping mall and a central business district?

A shopping mall is an enclosed building with many shops and usually anchored by a department store. A lifestyle center is an urban city-inspired center, where the streets are lined with the same types of chain stores found in a mall, but intertwined with restaurants and movie theatres. Although lifestyle centers are designed to mimic the energy in a central business district, these centers are new development projects and are patrolled by security. While these gathering places are not only safe, they contain all of the elements for a central social community.

SOCIALLY RESPONSIBLE TREND FOR RETAILERS

Use with chapter 5, “Retail Market Strategy”.


Retailers are changing their business models to include philanthropic giving as part of its strategy. Instead of donating to charities separately from its retail business, retailers are now marketing its products for the purpose of giving to a charity. In 2005 retailers gave away 1.7% of its profits compared to 0.9% from companies in other industries.

This new trend started in 2004 when Livestrong bracelets were sold for $1 to support the Lance Armstrong Foundation. Consumers proudly wore these bracelets to show others of their support for charity. Previously, retailers did not want to associate themselves with a charity for fear of injuring its reputation of supporting a charity that consumers did not approve of. The CEO of Bloomingdale’s said that philanthropy is a “priceless investment in their reputation”. Now consumers can proudly wear clothing, shoes and makeup products that show their devotion to charity.

Now retailers are actually producing products with set portions of the sales that will be donated. The Gap, Apple Computer, Motorola, and many more retailers have created limited edition red-colored products whereby generous proceeds of its sales will go to benefit the AIDS charity RED. For example, the Gap give 50% of the profits, Apple gives $10 for each iPod Nano, and Motorola gives $17 for each phone sold.

Retailers are realizing that being socially responsible is giving them a competitive advantage and a lifelong positive reputation in the eyes of consumers. The philanthropic aspect tied in with the retail purchase, and makes the retail experience much more uplifting because the consumer thinks that they are making a difference. These products are very successful, which makes it a win-win situation for both the retailer and the consumer.
Discussion Questions:

1. What are retailers doing to be more socially responsible?

Retailers are making philanthropic giving a part of its business plan. Many retail companies are designing products specifically for donating a portion of the proceeds to a charity. For example, many retailers have developed limited edition red-colored products. A percentage of the proceeds on each product sold is given to a charity to benefit the AIDS charity RED.

2. What are the advantages and disadvantages of these programs?

Advantages: Retailers that have these programs have a competitive advantage because consumers that buy its products are getting more value. The consumer is giving to a charity at the same time that he/she is making a purchase.

Disadvantages: Historically, retailers did not want to combine philanthropy and retailing for fear of being associated with a charity that would give consumers a wrong impression about the company. Although retailers must pick their charities wisely, it is generally believed that these programs benefit its reputation.

RESTAURANTS MOTIVATE EMPLOYEES TO PROVIDE GOOD SERVICE

Use with Chapter 17, “Managing the Store” and Chapter 19, “Customer Service”


Restaurants are leaders in providing customer service mainly because its employee income is based on tips. There are many tactics that go into empowering the employees to give the customer the best experience. The customer service strategies in the restaurant industry can be used in other realms as well.

Morton’s Restaurant Group ensures that the work environment is positive by motivating the employees to be their best. Before every shift, the employees have mandatory meetings to talk about good service that they had provided on previous shifts. They will also discuss the VIP guests that they are expecting for the night. Part of the process of taking a reservation is to obtain as much information as possible from the guest about the purpose of the dinner, and any preparations that could be done before the guest arrives.

Morton’s breaks down complicated procedures into bite size pieces for its employees. For example, instead of having an employee manual, it has small note cards, each with a tip on it. One card may read, “Refill water glass when 2/3 full”. The most important part of giving the employees the ground rules for the evening are so that they are empowered to use their own judgment when it comes to the customer. An employee should be able to please a customer without a manager getting involved. For example, they need to know when a complementary dessert will pacify a disgruntled guest.

Managers challenge the employees to reach certain goals, rather than threatening punishment for non-performance. Many top restaurants and hotels such as Wynn Las Vegas and MGM/Mirage have contests for servers for selling a certain item. The top seller will be rewarded a lunch with the owner, and the top seller must then have a meeting with the weakest employees to give them tips for success. At Morton’s, a long-term commitment to the company is rewarded with a cash bonus and a free trip to Chicago to the Ritz-Carlton hotel.

The strategies that top restaurants use such as Morton’s Restaurant Group and Wynn Las Vegas can be used as models for many other companies and industries. Employees love to be rewarded for being a top
performer and customers love companies that exceed service expectations.

**Discussion Questions:**

1. Use the tips in the article for providing great service to customers to design a customer service program for an apparel chain like J. Crew.

*(Sample Answer)* J. Crew should have motivational staff meetings with its employees before every shift to discuss good customer service that they provided on former occasions. These meetings can also prepare the employees to have a successful day of sales. The managers can do daily contests. For example, the salesperson with the most shoes sold for the day can be rewarded as the top selling employee and receive a free pair of shoes. Managers can also provide employees with tips for great selling and service. Since J. Crew is a casual clothing store, its employees are young and probably working in part-time or temporary positions. The company is not going to have employees for long-term periods of time, compared with other industries, but can empower them to be successful each day.

**INNOVATIVE RETAIL STOREFRONTS**

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


Some retailers are changing their retail storefronts from the traditional transparent glass to opaque entrances. It is not always clear to the consumer from the exterior as to what is actually sold inside the store, because the entrance does not give it away. For example, the exterior of the new chain from Abercrombie & Fitch, Ruehl No. 925, is a brick townhouse like those found on the streets of New York City. There are different opinions as to whether this strategy brings in more or less customers. For some people, these unique and innovative entrances create a mystery for the shopper so that they want to go inside and see what is going on—similar to the velvet robe outside of a nightclub. By not giving away the whole picture of what is inside, customers want to find out for themselves. Retailers using these new storefront designs are standing out in mall environments because most other storefronts are primarily glass, making it obvious what the store is selling inside. If the customer relates to the New York City townhouse experience, then they may like what they find inside. The chain from Abercrombie & Fitch, Hollister Co, has a similar theme of an opaque entrance with the beach shack and windows covered with shutters.

Some customers, however, might walk by a store that is confusing looking from the outside. One 50 year old conservative man entered Ruehl No. 925 to find extremely loud music, teenagers that were barely dressed, and t-shirts that read “Friday is casual sex day”. This customer immediately realized that this was not an appropriate store for him and walked out.

Since there are so many stores that sell apparel, retailers that can differentiate themselves in meaningful ways, such as innovative storefronts, have the potential of catching new customers. Although some customers might become confused by a non-traditional store entrance, they probably were not the customer that the retailer was appealing to in the first place.

**Discussion Questions:**

1. What are the advantages and disadvantages of the new trend in storefronts of concealing the store’s identity?
Advantages: Retailers that conceal its identity with storefronts that do not display any clothing from the outside create a mystery for customers unfamiliar with the store. Just as the velvet robe outside of a nightclub lures customers to wonder what is inside, these storefronts do the same. In a mall setting, these unique store entrances stand out in the customer’s mind from all of the other transparent glass windows.

Disadvantages: Some customers are too confused by storefronts that do not reveal what is inside. They simply will continue to walk until they see something that is familiar.

STARBUCKS IS DESIGNING ITS NEW STORES BASED ON THE LOCAL PREFERENCES

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


Starbucks is changing its approach to the interior design of its new stores. Many customers and real estate owners have complained that Starbucks takes away from local communities because of its common branding, making all places look the same. For Starbucks’ next period of growth, it is designing stores that are blending into the local surroundings.

Starbucks has hired a design team to integrate the store into each existing community. The retailer is not trying to bombard geographic locations with its brand. It originally had four motifs from which it based its new store development, but have recently added three more that are sophisticated and decorative platforms. The company wants to preserve the look and feel of the existing environment. If Starbucks locates in an older building, it will not gut the space to place its own cookie-cutter retail store inside, but instead will integrate the architecture that already exists.

Its customized approach in each location has caused the company to do the necessary market research in each region. For example, in Portland, Starbucks found that there were a lot of families with dogs. As a result, it created a counter outside of the store so that customers could get their coffee without worrying that they had a dog with them.

Starbucks is not only responding to its customer’s concerns of preserving local communities, but also creating a growth model for the continued aura to go along with the experience of having a cup of coffee. The challenge for Starbucks is how successful it will actually be in maintaining the local influence in each new store that it builds.

Discussion Questions:

1. Describe Starbucks’ strategy for designing its new stores.

   Starbucks is capturing the look and feel of the local atmosphere in designing new stores. It is studying local preferences of its customers as well as the architecture and character of each neighborhood environment. The retailer does not want to stand out as the branded national chain among other boutiques, but instead blend in with the area.

2. Do you think this strategy will be effective in meeting its objective?

   If Starbucks is able to implement the local atmosphere in each of its new stores, then it will meet its goal. As Starbucks enters its next period of growth, this strategy is necessary for the company to maintain its competitive advantage.
RETAILERS ARE STOCKING BEST SELLERS IN STORES AND THE REST ON THE INTERNET

Use with Chapter 13, “Merchandise Planning Systems”.


Retailers are changing its strategy, making its floor space more efficient by only carrying items that produce high-volume sales. For the low-volume items, retailers want to redirect customers to the Internet. From an inventory carrying cost perspective, it is much more cost efficient for items that have a low sales volume to be stored in a large warehouse rather than at a retail store.

Although retailers would like to offer more variety by having more products available on the Internet, it could be a huge change for the customer. If a consumer enters a store and the sales person says to the customer that they will have to go on the Internet to find their size, this customer has not had a satisfying retail experience. The buying process is changed when customers are redirected from the sales channel of choice to an alternative one. The tangible experience makes retail shopping impulsive. When a customer is redirected, the potential impulse purchase turns into a rational buy because the customer questions whether they really want or need the item.

Many retailers have had successful business models by keeping inventories limited, thus always having fresh items available. The Spanish retailer, Zara, updates its fashions quickly to ensure that the items sellout. It sends the message to consumers that the item will not be there in the future, thus encouraging the immediate purchase. This makes sense that a customer will not be able to find the same item the next time that they go into the store. However, if a customer can never find anything in the store, because it only sells best sellers or items that are safe and will sell, the retail experience is no longer a positive one.

The strategy of limiting the low-volume items to the Internet works in certain industries, but not in others. Apparel and impulse-driven products need to be readily available in the store. For high-involvement items such as electronics, appliances and cosmetics that have standard brands, customers are more likely to purchase on the Internet without changing their buying process. Although, this strategy can save retailers costs, there has to be a balance between the benefits of buying in a retail environment and its lower cost model associated with carrying more merchandise on the Internet.

Discussion Questions:

1. Why do some retailers put slower demand item on the Internet rather than in stores?

Retailers save inventory handling costs and retail floor space when it sells only high-volume products in the store. It is more cost-efficient for the low-volume products to be stored in a warehouse and sent directly to the customer when it is sold.

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

Advantages: Retailers are able to save money by offering items in the store that are easy to sell and preventing lost sales from low-volume products that take up room on the floor.

Disadvantages: Retail stores will start to look more similar if only the high-volume products are available. Customers like the tangible retail experience because they can go into a store and make a purchase. Impulse buying turns into rational buying because customers have to go from the retail store to the Internet in order to get what they want. This time lapse gives the customer time to realize whether they really want the particular product.
WAL-MART REPLACES DEPARTMENT STORE ANCHOR LOCATIONS

Use with Chapter 7, “Retail Locations”.


Wal-Mart and Target stores are becoming popular replacements for traditional department store anchors in malls. With the consolidation in the department store industry, mall owners have suffered from large vacancies. Contrary to the department store industry, Wal-Mart stores see mall locations as the next opportunity for its growth.

Wal-Mart has usually located its stores in rural and semi-rural markets. The retailer is now located within 5 miles of 62.2% of the U.S. population and within 15 miles of 93.6% of the U.S. population. Malls are a great opportunity for it because it can penetrate urban and suburban markets, and as mall owners are desperate to fill the retail spaces.

Some mall owners were reluctant to lease to Wal-Mart for fear that it would kill the sales of its other important tenants. However, in those malls that have a Wal-Mart sales have increased throughout the mall as a result of the high traffic that Wal-Mart has attracted. Customers like to get their everyday items in Wal-Mart and other products in specialty stores. Not only have mall sales increased, but malls that were more than 20% vacant are now about 2% vacant.

While Wal-Mart has been a positive influence for many malls across the U.S., there have also been some reservations about the retailer. Malls prefer that all deliveries be made before 9:30am, while Wal-Mart is accustomed to having deliveries all day. Mall owners also realize that it is not a positive aspect to have a Wal-Mart in a mall that has a Nordstrom, Saks Fifth Avenue, and a Neiman Marcus because of the existing high brand perception of the mall.

There are many malls throughout the country that have suffered from the large vacancies caused by the departure of department stores. Wal-Mart is welcomed to these centers because of the large amount of traffic that it attracts. In the long-term, it is questionable how Wal-Mart will function as an anchor in the mall setting, but for now, retail sales have increased for everyone!

Discussion Questions:

1. Are Wal-Mart and Target good anchors for malls?

(Sample Answer)Wal-Mart and Target are good anchors for mall locations that were previously anchored by Macy’s, Ames, Montgomery Wards, or other such department stores. These large retailers attract a lot of traffic to these malls that also benefit the smaller retailers in the mall. These large retailers are also benefiting the mall owners that have suffered from large vacancies from the departure of their mall anchors. Wal-Mart and Target are not good anchors for upscale malls that are already anchored by Nordstrom, Saks Fifth Ave, or a Neiman Marcus because the branding of such a mall is important for the retail mix.

ONLINE RETAILERS TRACK YOUR ONLINE SEARCH PREFERENCES AND HABITS

Use with Chapter 3, “Multi-Channel Retailing,” and Chapter 15, “Pricing.”

Online retailers or E-retailers are customizing the shopping experience for each customer depending on their search preferences and habits. Formerly retailers like Amazon.com would give customers product recommendations that matched the purchases of other shoppers.

Overstock.com designs its promotions that it offers at the point of sale for each customer, depending on 40 attributes collected during the shopping session. The retailer tracks the time of day, the time zone, and the customer’s gender, to name a few. Based on these attributes, it decides whether to offer free shipping or discounted merchandise, etc. E-retailers like Overstock.com have gotten very sophisticated with customizing the promotions to each customer.

Online retailers are using all possible pieces of information to track its customer. For example, some retailers will change the offerings to a customer depending on how they accessed the website. If a customer used the keyword, “discount” in the Google search to find the site, for example, this customer would be flagged as price sensitive, and offered a better promotion than a customer that accessed the site directly via the web address.

The amount that retailers are watching its customers’ habits online is being questioned by many critics. They believe customers should be notified about the extent to which their actions on the Internet are being monitored. To prevent these privacy issues, some retailers are not going as far as to track each customer, but are tracking peak traffic times and customers as an aggregate group.

Although some retailers are gaining more customers by offering customized discounts and promotions to customers, it is neglecting its repeat customers by not rewarding them for their continued business. As a result, customers will be encouraged to compare prices among retailers rather than becoming loyal to one. While retailers are gaining more information than ever from its online customers, it may lose some customers forever when they find out how these sites have manipulated their online habits.

**Discussion Questions:**

1. **How are Internet retailers identifying the price sensitivity of their customers?**

   Online retailers are identifying price sensitive customers based on their search habits. For example, if a customer accessed a retailer’s website via Google and typed in the search word, “discount”, it would be offered a better deal than other customers who had accessed the site in an alternative manner.

2. **What are they doing with this information?**

   Retailers are customizing the promotional offers to its customers. Based upon many attributes that it gathers from the clicks that a customer makes, it will then offer appropriate discounts, shipping discounts etc.

3. **Do you think this is an ethical or legal practice?**

   *Sample Answer* It is unethical for retailers to collect this information without the public being aware. Many consumers would feel that their privacy was violated to find out that retailers were watching them so closely. I also believe that it is unethical to offer different prices to different customers simply based on how they access the site.