Dear Professor:

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

- **Size Matters! Supermarkets’ Dilemma**
- **Mirror Mirror on the Wall**
- **Chipotle—Fast Casual versus Fast Food**
- **The Greener Side of Wal-Mart**
- **What does the Ritz Carleton and the New Jersey Net have in Common?**
- **Sephora’s Marketing Strategies**
- **Digg It, Rate It, Review It, Love It, Hate It**
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- **Effective Advertising Moving to the Web**
- **Renting Cars and Buying Carbon Offsets**
- **Zara’s Rivals Gain Speed**
- **12 Service Values**

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
Size Matters! Supermarkets’ Dilemma

Use with Chapter 2, Types of Retailers, and Chapter 4, Consumer Behavior


Typical supermarkets are large stores that can carry virtually every food product available. The rise of Wal-Mart and its introduction of supercenters pushed supermarkets to grow even larger than ever before. However, recent research by SIRS indicates customers are growing sick of these large formats and instead want more prepared foods, fresher produce, and a more enjoyable shopping experience.

On one end, Wal-Mart is losing customer trust because it tends to offer poor quality perishable goods and limited specialty departments. Although the massive retailer continues to hold onto its customers with low prices—13–18 percent lower than traditional supermarkets—it also has begun to introduce new concepts to cater to shoppers who demand a smaller store feeling. Hence, Wal-Mart appends Neighborhood Markets to many of its supercenters.

On the other end of the spectrum, Publix and Wegman’s score well on SIRS ratings because of their retailing innovations. Publix’s GreenWise markets sell natural and organic foods, whereas its Sabor stores target Hispanic shoppers; it also offers in-store health clinics and curbside delivery service for deli items. Wegman’s continues to rely on its reputation for excellent prepared foods and specialty offerings.

Some supermarkets also are building cafés within stores to make the environment more intimate. Tesco introduced its Fresh and Easy concept in the United States this year in an attempt to cater to changing consumer preferences. The 10,000 square foot convenience stores will offer moderately priced items and high quality. As a food retailing leader, Tesco appears to have a firm grasp on the use of different concepts, depending on the market.

Whole Foods also has taken a leading role by offering great shopping experiences, specialty goods, and organic foods. Existing food retailers have trouble introducing such new concepts and stepping up to the plate to offer the amenities that customers expect. In addition, these new concepts are difficult to roll out because of their demands for capital investment and their high level of risk.

Discussion Questions:

Why are supermarkets getting smaller?

Supermarkets are becoming smaller to make customers feel more comfortable in a neighborhood-like setting. Customers want to enjoy the shopping experience and be able to buy high-quality and specialty products in an easy-to-shop atmosphere.

Do you think this is a good idea?

Going smaller is a good idea, especially as a means to distinguish themselves from large retailers such as Wal-Mart, which have taken the customer out of the picture and focused on low prices. Low prices drive down the quality of the goods, and not all consumers want to compromise on quality to obtain a lower price.
Mirror Mirror on the Wall

Use with Chapter 16, Retail Communications Mix


Multichannel retailing is moving on to the next level. Retailers already offer a wealth of different platforms, including stores, catalogs, online sites, and cell phone connections, but the common element to all these platforms is that the customer determines which channel is most convenient to use. With new technology though, retailers are taking the lead to push customers from one platform to another.

With the boomerang strategy, for example, retailers bounce their customers from an in-store environment to the online site and then back for the store, forcing the customer to consider the entire extent of channels that the retailer offers. Customers might opt-in for text messages from a retailer and then receive a notification that a sale at the in-store location will last only for the next hour, essentially forcing these customers into the store.

Another strategy, as exploited by Bloomingdale’s in New York City, uses a “magic mirror” that enables customers to save images of themselves in outfits they try on. The images in the mirror are broadcast live on the retailer’s Web site, where the customer’s friends, or even strangers also on the site, can give their feedback about the outfit via instant messaging.

Despite the creative ways retailers have engineered to prompt interactions across channels, they still face difficulties moving information across those channels. Communication from a cell phone to a call center can occur easily, but finding a way to communicate the customer’s Web activity or questions asked of customer service in the past to an in-store sales associate remains tough.

Some sales associates use handheld mobile devices to communicate with the backroom about which items they need on the floor. For example, 25–30 percent of customers leave a shoe department when the sales associate goes into the back to look for the correct size. If associates instead can keep the customer engaged while runners bring a shoe from inventory to the sales floor, the retailer likely can salvage these lost sales.

From magic mirrors to online technologies, retailers use technological advances to make their in-store operations more efficient and to offer better customer service. Retailers can gain a larger share of customers’ wallets by encouraging those customers to use multiple retail channels.

Discussion Questions:

What in-store technologies are retailers adopting to help promote their products and services?

Handheld devices allow employees to interact with other employees in the backroom and throughout the store. Bloomingdale’s uses a “magic” mirror that broadcasts images live onto the Web, allowing onlookers to provide an instant assessment of whether the outfit works for that customer.

What is the boomerang effect?

The boomerang effect occurs when a customer shops in one channel, such as in the store, and is pushed to another channel, such as the online store, because of special offerings, promotions, or additional information. Next, the online platform would give the customer a strong reason to return...
to the store—like a boomerang. This effect benefits the retailer because the customer is taking advantage of its multichannel status.

**Chipotle—Fast Casual versus Fast Food**

*Use with Chapter 5, Retail Market Strategy*


Chipotle Mexican Grill, opened in 1993 by an entrepreneur that grew the company to 13 stores, has become a nationwide chain with 670 locations after investments of $360 million by McDonald’s. Despite the investment by perhaps the most famous fast-food brand, Chipotle is characterized as a fast-casual restaurant, with value pricing and quick service of a gourmet product, similar to Panera Bread Company. The fast-casual category contains restaurants with slightly higher-priced offerings and more attractive interiors that enable customers to enjoy the experience more than they might fast-food restaurants.

Chipotle’s narrow menu consists of variations of burritos, custom made to order. However, similar to the fast-food chain Taco Bell, Chipotle’s Mexican-inspired food is made in advance, and the goal is quick service.

Yet Chipotle also concentrates on the quality of its ingredients. Restaurants marinate steak for 12 hours, and the rice has freshly chopped cilantro. Furthermore, the chain prioritizes working with suppliers that grow and farm in humane and natural ways. One-quarter of Chipotle’s beans are organic; peppers, onions, and cilantro for the restaurants are locally grown; and its dairy products are raised from free-range cows.

The volume that Chipotle requires to serve its 670 locations, as well as its mandate to stay affordable, makes it challenging to keep quality suppliers. When ingredients become more expensive, its costs rise too, and the chain has difficulty sustains its $6 burrito.

In comparison with McDonald’s, with its 32,000 U.S. locations, and Taco Bell, with its 5,600 U.S. locations, Chipotle remains a small chain. According to the company, quality takes priority over growing aggressively to become as large as the major fast-food chains. Yet in its fast-casual restaurant sector, it is leading the way with a distinct competitive advantage.

**Discussion Questions:**

**Compare and contrast Chipotle with McDonald's on each aspect of their retailing strategies. Which is winning?**

*Chipotle is a fast-casual restaurant, whereas McDonald’s is a fast-food restaurant. McDonald’s tries to enter every area in which a fast-food chain exists and serve its food fast and efficiently. Chipotle allows a higher price point and serves upscale burritos, though still in a quick service environment. The restaurants have more attractive interiors than those of McDonald’s outlets. Chipotle also concentrates on serving food with integrity, meaning that it buys certain ingredients locally, only buys meat that has been farmed in humane and natural ways, and wants its products to be organic. This strategy matches the green trend and the drive toward caring for suppliers, customers, and the environment. McDonald’s and Chipotle are not necessarily direct competitors. In a sense, McDonald’s is winning because it maintains more than 30,000 locations and a strong international presence. From another perspective, Chipotle is winning because it already has a strong image in parts of the United States and continues to build its brand image for quality*
products as it grows. Finally, it might be that both are winning, especially because McDonald’s investment in Chipotle seems to be paying off well.

**The Greener Side of Wal-Mart**

*Use with Chapter 14, Buying Merchandise, Chapter 17, Managing the Store*


Wal-Mart is making strides to improve its image as environmentally proactive. Its sustainability report, released at the end of 2007, describes efforts to improve health care plans for employees, increase charitable giving, encourage diversity, ensure fair promotion policies, and reduce its carbon footprint. In the face of these announcements though, some observers suggest Wal-Mart is trying to look as though it is making a difference—even if it is not in reality.

The sustainability report describes energy savings from compact fluorescent bulbs, as well as energy efficiency increases of 15 percent in its building and trucks since 2005. Wal-Mart also documents its plan to use solar energy at 22 of its sites and conserve an acre of wildlife habitat for every acre that it occupies. The retailer even talks about the number of miles its employees have walked, run, or swum as part of the Personal Sustainability Project, an initiative to promote employee well-being.

Beyond its own confines, Wal-Mart is concentrating on the impact its suppliers have on the environment by ranking its 60,000 suppliers according to how environmentally friendly their packaging is and how much they conserve resources. Not only will this ranking help Wal-Mart determine which suppliers are not going green, it will also encourage suppliers to improve their supply chain to gain a better ranking.

This year, Wal-Mart launches the Sustainability 360 program to extend sustainability initiatives to products, suppliers, associates, communities, and customers. As a key part of its work, Wal-Mart plans to reduce packaging by 5 percent by 2013, which will save the company $3.4 billion. The reduction in packaging means less waste, as well as increased savings on transportation, manufacturing, shipping, and storage. This ripple effect, even if just with respect to packaging, can have a significant impact on the environment.

**Discussion Questions:**

*What is Wal-Mart doing to become more green?*

*Wal-Mart is taking what it calls a 360 approach to go green on all frontiers, including products, suppliers, associates, communities, and customers. For example, it is reducing its energy use with compact fluorescent bulbs and relying on solar energy at 22 sites. Wal-Mart is also encouraging its suppliers to conserve their packaging and energy use by instituting an environmental ranking system.*

Could/should other retailers implement these activities?

*Other retailers should implement programs such as reducing energy and packaging to become more environmentally friendly. However, Wal-Mart is large enough that it holds unique power over*
its suppliers and can dictate how suppliers should operate. Smaller retailers may not be able to do so as easily.

What does the Ritz Carleton and the New Jersey Net have in Common?

Use with Chapter 19, Customer Service


In an effort to improve their customer satisfaction, organizers of sports events are taking a cue from the Ritz Carleton, Marriot hotels, and Disney company—all customer service standard bearers. Sports team management companies focus not on increasing the bar for their front-row courtside spectators but rather on pleasing season ticket holders who maintain just mediocre seats. These customers may not have the best seats, but they remain dedicated fans who purchase tickets for the season in advance, which can cost $440 to $77,000 per ticket per season—not including drinks, food, and parking for each of the games.

For those teams that are not particularly popular or have not had recent winning seasons (e.g., the New Jersey Nets), tickets are always readily available on an individual game basis, so there is no reason for fans to purchase the tickets in advance. In addition, these consumers have access to a wealth of other entertainment options, which means teams can no longer take season ticket holders for granted. Sports management therefore has instituted special concierge programs offering extra services inspired by the guest services provided by other firms; for example, employees of the Orlando Magic receive training from the Ritz-Carlton, which also runs a high-end club in the team’s arena.

When the Houston Astros’ new vice president of guest experiences ran a three-hour focus group with 20 season ticket holders, the results showed that consumers were not actually complaining about the high price of the tickets, but they wanted more services, amenities, and value for their tickets. Houston now tracks customer preferences and stores additional information, including birthdays, in its computer databases.

Putting a winning team on the field is always a way to please sports consumers, but team managers also are learning what hospitality means and how they can better serve those customers that keep coming back. Sometimes the services that mean the most are those that go outside the ordinary. For example, an operations manager at an indoor sports facility who held season tickets received the chance to watch the arena floor transform from an ice rink to a basketball court. For frustrated fans, the chance to talk about their irritations with upper management offers significant value; for those who remain awed by their favorite players, a tour of the locker room can make all the difference.

Discussion Questions:

Why are sports teams borrowing service hints from the five-star hotels?

Sports teams want to offer more services for their loyal customers. Because hotels have been successful in providing customers with a valuable experience, the sports teams can learn from them. According to market research, customers want more value for their tickets as opposed to lower ticket prices.

How loyal are sports fans?
Season ticket holders are loyal sports fans. They purchase tickets for the season in advance and pay prices from $400 to $77,000 per ticket. However, there are many entertainment options available to consumers, so if the sports teams cannot provide the best entertainment for the customer, the customer will go elsewhere. If a sports team is a winning team, it is likely to keep fans loyal, however, if a team does not have such a winning streak, the entertainment value may diminish if other services are not offered.

Sephora’s Marketing Strategies

Use with Chapter 16, Retail Communication Mix


Last year’s “Are You an In Girl” viral marketing campaign was so successful for Sephora that the cosmetics retailer decided to launch a new campaign this year to enjoy the higher response rate it got compared with other e-marketing campaigns.

The initial viral campaign asked customers to nominate their friends as “in girls.” After forwarding the survey and invitation to their friends, customers responded to a few questions about makeup. Each customer had her own Web page that ranked how many “in girl” nominations she had received. The winners then provided their opinions about certain products in exchange for promotional gifts from Sephora.

The remarkable response rate outpaced the company’s online banner marketing efforts by threefold. In addition, 5 percent of the women who participated in the contest were responsible for recruiting 40 percent of the traffic. The company therefore hopes to figure out how it can product similarly fantastic results for the 95 percent of women who did not participate.

Through such viral marketing campaigns, Sephora is learning a lot about its marketing. It can test different campaigns through its e-viral marketing; the most successful get duplicate throughout catalog and other channels. Sephora also employs social media for its “Red Carpet Blog,” which summarizes product use by Hollywood stars, as well as recent trends and news.

Sephora’s upbeat, trendy target market seems to be driving the company’s social marketing. For customers, Sephora offers a plethora of all of the cosmetic products they could ever want to try. Between the Red Carpet Blog and opinions from their friends, customers are trying and buying more products that enable them to feel “in.”

Discussion Questions:

What is the “in girl” viral marketing program introduced by Sephora?

The “in girl” viral marketing program invited customers to nominate their friends as “in girls.” Each customer had her own personalized Web page that tracked the number of nominations. People with the most nominations won special gifts; they also received a request to offer their opinions of some of Sephora’s products.

Do you believe this type of campaign is more or less effective than traditional promotional efforts for reaching Sephora’s target market?

The viral marketing campaign has a response rate three times as great as other online marketing efforts. This campaign clearly is more effective than traditional promotional efforts, largely because the customers could spread the campaign to their friends who also would be interested in Sephora’s products.
Digg It, Rate It, Review It, Love It, Hate It

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


Through social media, Internet consumers grow to feel empowered and in control of their Web experiences and purchases. Specifically, the term refers to people coming together in a community, whether online or in actual life.

This powerful tool has helped drive Internet business to provide consumers with more information, which makes them feel more secure about making a purchase. In customer reviews, they write at will about their experiences with a product or service. These unedited and authentic reviews have great value for other consumers.

BazaarVoice specializes in giving companies a means to offer customer reviews. The reviews appear not only on the subscriber’s own Web site but also on BazaarVoice’s site. According to their ratings and reviews, retailers get ranked, which increases their marketing clout. Various companies offer similar services, including the Digg icon that customers can add to articles they like (i.e., that they “dig”), which moves it up in the site’s rankings.

Customer reviews are effective in another way as well. When products require greater interaction, or at least more information than the manufacturer gives, customer reviews offer valuable aid. For example, high-end electronics products feature specifications that few laypeople can decipher, but by reading reviews by other laypeople, customers can determine if they really want a product. In other context, they can consider style opinions; for example, ShopStyle.com allows customers to review fashionable (or not so fashionable) items.

In contrast, social media is not as effective, in retailers’ view, for highly branded products. Negative customer reviews devalue the brand, and products with strong brands have spent considerable time and effort to build the marketing and merchandising for that product. A Diane Von Furstenberg dress may retail for $415, but if a customer posts a review stating that Target has a similar version of this dress for $20, the company loses. Such interactions are not what a company like Diane Von Furstenberg wants with its customers.

Discussion Questions:

What is social media?

Social media refers to a community of people who interact with one another. On the Web, social media usually takes the form of customer reviews and ratings that help other consumers evaluate a product or service.

How can customers engage in social media?

Customers can actively provide their opinions about products and also use others’ opinions about products to make their decisions.

For what types of merchandise does social media best work?
Social media works best for merchandise that takes more evaluation on the part of the consumer. For example, high-end electronics are difficult to evaluate on the basis of the information given by the manufacturer, but when another customer gives a practical review, like the item is great for portability because of its small size, other customers can relate to such invaluable and clear information.

Hotels Personalize their Brands

Use with Chapter 14, Buying Merchandise, Chapter 18, Store Layout, Design, and Visual Merchandising


When you stay at a W hotel, the experience is unique, making your stay much more than just a few overnights. Starwood Hotels, which owns both W hotels and Le Meridien, hopes to ensure you continue to feel this way as it emulates the characteristics of the lifestyle brands it has created for other hotel chains.

Le Meridien, a European version of W hotel, caters to guests who are well-informed, individualistic, techno-savvy, and creative. The brand aims to attain a chic, cultured, discovery-oriented image. Each hotel embraces a different theme, making each an art form rather than just a duplication of the hotel operations process. The unique fragrances in the lobby, elevator, and rooms and the different music playing mark W hotels as just a little different and perhaps trendy.

In the LM 100 branding initiative, Le Meridien will consult with 100 design experts, including a French art expert that the chain has hired as its Cultural Curator to curate a contemporary art exhibition in Paris called Palais de Tokyo. His job responsibilities include integrating the work of artists, photographers, filmmakers, and chefs to create a solid, continuous brand.

The overall focus centers on making guests’ experiences different than those they would have in any other hotel. Instead of chocolates, guests find bedtime books of fairy tales on pillows, which are scented with the hotel’s own signature fragrance. Keycards feature artwork that encourages guests to collect them. Taste and style and culture are all integrated into a brand that is accessible to every guest. The object thus is to make guests feel that they have grown from the experience.

Discussion Questions:

What is Le Meridien doing to build its brand?

Le Meridien is integrating art and culture into the guest experience. In some ways, it is mimicking its sister chain, W hotels, and hiring the best curators and art and design experts to combine décor with food and ambience into a cohesive package.

Choose a retailer and apply the branding principles described in this article to build a new brand image.

Taco Bell might use these branding principles if it wanted to make a new brand image. Because it is a Mexican-inspired fast-food restaurant, it could update its interior décor by focusing on the culture of and famous sites in Mexico. For example, by changing its color palette to earthy tones rather than vibrant colors, it could help customers experience a Mexican atmosphere.
Effective Advertising Moving to the Web

Use with Chapter 16, Retail Communication Mix


In 2008, consumers should expect to see a lot more advertising on the Web. Online marketing thus far has been limited to 5–10% of most companies’ marketing budgets, but with a slowing economy, more companies are taking advantage of the comparatively lower cost of advertising on the Web.

In turn, this shift to online advertising is changing the way media companies build campaigns. Most advertising companies assign people to create ads for television and print media, then give a separate group of people the task of designing Web ads, while yet another group conducts research on consumer behavior. Because consumer behavior drives any successful advertising campaign, collaboration among these groups becomes crucial.

At the same time, media companies are developing innovative ways to gain consumers’ attention, including outdoor television screens at gas pumps, in grocery store aisles, throughout department stores, and in elevators, showing ads or popular ESPN and CBS programming.

These innovations represent great new ways to access customers’ attention, but some companies are going one step further to learn about their customers. JCPenney sends employees to observe female customers cleaning their houses, cooking dinner, shopping, and so forth. These observations provide much more meaningful information than interviews or focus groups, because “If you want to understand how a lion hunts, you don’t go to the zoo—you go to the jungle.”

Online ads still lead digital advertising investments, distantly followed by search engine ads and still far beyond mobile, social network, and online video ads. Companies appear skeptical until they see proof of the real effectiveness of social networks; can 5,000 online “friends” really be a marketing advantage?

Discussion Questions:

Why are companies turning to alternative forms of advertising?

It has become more difficult for advertisers to capture a select audience, so they are turning to ads on outdoor gas pumps or in elevators, situations in which they have a relatively captive audience. The soft economy is also forcing companies to consider the less expensive advertising options offered on the Web.

Observations provide a rich source of consumer information, but what are the ethical considerations of such research?

Companies that want to observe their customers must make sure they receive permission to do so; secret observations could be considered a violation of people’s privacy rights. In addition, for both ethical reasons and to ensure they gain a representative sample, companies need to ensure the participation of a diverse group of customers.
Renting Cars and Buying Carbon Offsets

Use with Chapter 7, Retail Locations, Chapter 9, Human Resource Management, Chapter 19, Customer Service


J.D. Power rates customer satisfaction on the basis of the pick-up process, rental car quality, shuttle bus/van service, return process, and costs/fees. For the eighth time in nine years, J.D. Power & Associates ranked Enterprise Rent-A-Car highest in terms of customer service, yet the rental car company refuses just to rest on its laurels. For example, the rental company known for its neighborhood locations is expanding into airport locations. Enterprise believes its employees, with their strong customer service drive, can do a better job helping customers flying in from out of town as they attempt to find their way to their destination and grapple with their luggage by providing clear directions and perhaps something to drink, as well as making the rental process easier overall.

Enterprise is constantly extending its efforts to improving customer service. Customers can opt in to pay an extra $1.25 per rental to purchase a carbon offset; these funds go to efforts to remove CO₂ from the atmosphere, and the company will match each customer’s contribution (up to $1 million). Therefore, if 100,000 customers participate, more than 30 million pounds of CO₂ would be removed from the atmosphere. Many customers have chosen to participate, apparently because they recognize the extra value Enterprise is offering; that is, customers like to do business with companies that are concerned about the environment.

Because its customer service relies heavily on front-line employees, Enterprise works hard to build a strong team, including its successful efforts to encourage existing employees to recruit others they know who would make suitable employees. If an existing Enterprise employee recommends someone who gets hired, he or she receives a financial reward, and the new employee enjoys a built-in mentor program, who feels like part of the team from the very start.

Discussion Questions:

How is Enterprise making use of nontraditional locations.

Enterprise is locating itself in places that are helpful to its consumers. The company realizes that traveling is difficult, so it not only wants to help the customer rent a car in an airport location, but also help them with their luggage making traveling easier.

What is the benefit for Enterprise in empowering the employees to recruit customers as potential employees?

Enterprise employees are always looking for great people that would fit into the Enterprise employee environment. This way, Enterprise is constantly focusing on the hiring of great employees. By having an existing employee recommend a potential employee, the new employee already feels part of the team, and the built-in mentor program further creates a strong environment.
Zara’s Rivals Gain Speed

Use with Chapter 10, Information Systems and Supply Chain Management


Zara, the fashionable clothing store, owned by Inditex, pioneered “fast fashion.” The international retailer is now the second largest clothing retailer next to The Gap. Its processes and quick response supply chain has been duplicated by other companies like H&M, Benetton, and Forever 21 to even the luxury fashion brands like Gucci, Burberry and Louis Vuitton that have increased their store shipments.

Zara began its excellent supply chain system by using the desired final price of an item and working backwards to create the most efficient production. The factories are all located in Spain, Portugal, Morocco, and Turkey which are close to its European stores, making it possible to ship the clothes directly from the factory to the stores. Although the company incurs higher labor costs, it also incurs shorter transportation costs as a result of the shortened transportation distances.

Until recently, Zara’s costs have been growing faster than its sales. In order to keep costs low, individual store computers hire staff based on peak periods, and alarm tags are attached at the factories rather than in the store. Previously alarm tags required 10 people over the course of 12 hours per week to do this. Shipments that come in the morning are rushed onto the floor with their plastic shipping hangers as not to lose any selling time. The garments are later switched to the light wood hangers.

Store managers have hand-held computers that show which garments are best-sellers, they can then instantly order more and they will arrive two days later. Another key to Zara’s strategy is that the clothing collections are always small to insure that they sell out and avoid being stale on the shelf, which results in markdowns.

Zara’s supply chain competitive advantage has been difficult to sustain because its factories are not all over the world, but only close to its European store. It plans to build a logistics center in Asia, but will not do so until 2013. Right now to make up for the higher costs in other countries, it has increased its prices. In the U.S. its prices are 40% more than they are in Spain.

Discussion Questions:

What is Zara doing to further cut costs?

Zara is only hiring employees during peak retail sales periods. It is reserving garment manipulation like adding alarm tags to the factories to save retail salespeople’s important time with the customer. It is also empowering employees to order best-sellers instantly through a hand-held computer.

Will Zara be able to sustain its competitive advantage or will other companies catch up beating it at price, speed, and fashion?

Zara will be able to sustain its competitive advantage because it has strong brand awareness around the world. It also is mindful of its costs and is concentrating on keeping them down. Even as the economy takes a downturn, it will still be able to deliver the same product.
On the contrary, although Zara was the first to show that logistics could be more efficient, its factories are no longer close to the majority of its stores and as it further grows globally, this will become more of a problem.

12 Service Values

Use with Chapter 17, Managing the Store, Chapter 19, Customer Service

Suzanne Marta, “As Ritz Opening Nears, Every Detail Counts,” Knight Ridder Tribune Business News, August 6, 2007;


As a high-end luxury hotel, the Ritz recognizes that customers who engage actively with Ritz-Carlton’s brand spend 23 percent more money than other customers. Therefore, a 4 percent increase in customer engagement would be worth approximately $40 million in sales to the company! Employees must understand how to engage their customers, realizing, for example, that a rock star and a retired corporate executive probably should be treated differently. Employees must alter their style depending on the situation, because their interactions should differ when greeted by a guest who says, "Good evening, young man; how are you?" versus another who nods, "Hey dude, how’s it going?"

Scenography refers the emotional aspect of service and was implemented in 2006. For example, the Ritz found that a harpist playing in the lobby of its hotel on South Beach in Miami was not appropriate; the trendy, young guests there wanted Madonna, whereas the harpist would work better at the Central Park Ritz in New York. Each Ritz location therefore is responsible for creating its own “scene” that must be unique to its area. Scenography suggests that everything about the property is relevant and must be consistent, from the lighting to the employees’ uniforms to the buildings’ features. For example, the Half Moon Bay property in California’s wine country features fire pits on guest room balconies and throughout the hotel’s grounds; then the meals attempt to make use of the fire pits. This “scene” builds an experience for the customer that is appropriate for both the region and the theme of the hotel.

Ritz-Carlton service is so legendary that the hotel chain has branched out into offering training classes that cost $1,700 per person. Banks, hospitals, law firms, and car dealerships—often criticized for providing poor service—send their employees to training programs to improve their own level of service. Even Lexus dealerships, Macy’s, and Starbucks have been attendees at Ritz training programs.

Students in these training programs learn about how the hotel chain provides the best service to its customers and how they might borrow some of its techniques in their own industry. The people who wash laundry, maintain the landscaping, park guests’ cars, and open the doors at the Ritz are all involved in training employees from other companies that turn to the Ritz for help, offering advice on how to help guests and perform tasks outside of their job description, even during busy periods, to ensure superb customer service all the time.

Discussion Questions:

How does the Ritz Carlton empower its employees to deliver great service?
The Ritz-Carlton has ongoing training for the employees always training them how to interact with different types of customers. Its Scenography program allows for the property manager to determine the them of the hotel and its specific character. This help to provide a unique experience for customers while still maintaining the consistent level of high service.

How can other industries learn from the hotel business?

The Ritz’s training program has been very successful in training people in other industries about the nuances of customer service. In most industries, employees have to interact with people and customers. Therefore, frontline employees have a lot of training that can be transferred such as doing work that is outside of your job description in order to make the customer happy, and maintain a strong company team.