January 2008

Dear Professor:

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

- So You're a Gold Member … Now What?
- “Fresh and Easy”: Products or Service?
- New Underwear Store for the Over-18 Set
- 24/7 Oprah
- Oops! Apple Did It Again
- Beware of WiFi: Criminals Are on the Loose
- Hiring Mr. Clean to Clean Your Car
- Add Services to Maintain Customer Loyalty
- Starbucks Changes Course and McDonald’s Picks Up Speed
- Is Your Vegas Showing?
- Fast Food & Fast Checkout
- Retailing Via Facebook

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

So You're a Gold Member … Now What?

Use with Chapter 11, Customer Relationship Management, Chapter 19, Customer Service

Rick Ferguson, "Will No Level of Poor Service Trump the Upgrade," Colloquy 15, no. 3 (Fall 2007).

In Legally Blonde 2, Reese Witherspoon’s character did not get as far as she hoped at the Versace offices with her double-platinum VIP membership, available only to those who had shopped on at least five continents. Other non-blonde, nonfictional consumers are having a similar problem. What exactly does it mean to become a gold or platinum member?

The airline industry pioneered loyalty programs with their frequent flyer miles. The more customers flew or the more money they spent on their co-branded credit cards, the more points they would earn, which they could eventually trade in for discounted or free flights. However, the service for even a really frequent customer was no different than that for a first timer.

In one example, a gold member, his wife, and their four-month-old daughter got through security and reached the gate, where the airline prevented them from boarding the plane because the infant needed a passport—even though the airline’s Web site indicated she did not. The airline’s rule requiring infants to have passports changed without any concomitant change to the Web site, causing this breakdown in communication. The airline failed to make any special provisions for this frequent customer but instead rerouted the family to a different airport that had largely closed, making it very difficult for them to rent a car to continue on to their ultimate destination.

The incident suggests something that various observers have noted. Once customers have reached a certain level of points with an airline, the airline seems confident that they will not switch to a different carrier. The perks of special lounges or free drinks are nice for frequent travelers, who must have flown frequently to be able to reap this benefit. But the industry that invented loyalty programs cannot continue such poor customer service forever.

Discussion Questions:

What do airlines do for loyal customers?

Airlines offer free or discounted flights, upgrades, and special lounges for frequent fliers. However, they do not help customers in other crucial tasks, such as airline schedules. The airlines do not offer better customer service to loyal customers because they know that these customers will have to give up all the rewards they have accumulated if they switch to a new carrier.

What could the airline employee at the gate have done when confronted with the passport-less infant?

To a certain extent, the employee might not have been able to do much if the airline had ruled that infants needed passports. If the airlines empowered employees sufficiently, he or she could have allowed the family to board, with a warning that they needed to get a passport for the next time they flew. Alternatively, an empowered employee might have offered the family a refund on their tickets or vouchers good for a future flight once they obtained the baby’s passport.
“Fresh and Easy”: Products or Service?

Use with Chapter 2, Types of Retailers, Chapter 18, Store Layout, Design, and Visual Merchandising, Chapter 19, Customer Service.


The supermarket wars may never really end, but it appears that some new developments are ensuring they will stay heated and competitive in coming months.

Tesco’s début in the western United States has been long awaited. Its Fresh & Easy Neighborhood Markets feature more than 50 percent private-label products and offer a tightly edited selection. From this point of view, the shops are easy, because they offer only one size and type of rice, for example, rather than a lot of SKUs for essentially the same product. Tesco also offers plenty of ready-to-heat meals, fulfilling the “fresh” portion of its title.

In response, other grocery stores are taking a different stance toward fresh and easy products. Hannaford offers “Cooking School to Go” meals, with precut, premeasured ingredients for everything needed in a recipe—$12 to serve two people and $20 for a four-person serving. The small, numbered containers make cooking easy, even for those who avoid the kitchen. Every ingredient in the recipe appears in the package, from the quarter teaspoon of cumin to the teaspoon of canola oil.

Hannaford also has rearranged its merchandise, putting logical pairs together, such as creamer and half-and-half next to the coffee and packaged granola next to the bulk granola. At the exits, stores have streamlined the checkout process by organizing checkout queues into a single line, similar to a bank. Customers get helped in order at the next available register. If they want to avoid the line altogether, customers with more than 25 items can choose “Go Cart Curb Service,” leaving their cart with store employees, who scan their groceries while the customer goes to get the car. The customer can then use a wireless unit to pay for the groceries he or she has selected.

Hannaford and Tesco thus are providing different services for grocery customers. A customer short on time may appreciate the small convenience store format, as long as he or she accepts private labels. Another time-crunch customer feels confident about remembering everything, because the creamer appears right next to the coffee. Yet another customer may simply forget to hurry in the excitement created by being able to drive the car into a covered bay, pay for the groceries from the car, and have them loaded right into the trunk.

Discussion Questions:

How is Hannaford offering excellent customer service?

Hannaford predicts that a customer buying coffee will also need to by cream, so it places them together. The grocery store chain is also shorting wait times and offering an innovative option of scanning groceries and meeting the customer at his or her car to complete the transaction and load up the groceries.

These grocery examples appear to be competing mostly by offering convenience to customers. Could other industries gain a similar advantage by increasing convenience?

Although in today’s time-pressed society, anything that saves customers time may seem like an advantage, these efforts would not be effective in some industries. For example, customers in luxury stores might want to linger and look at merchandise. However, some ideas might apply
across the board; helping customers to their cars can be a significant appeal for any retailer that sells larger or bulky items.

New Underwear Store for the Over-18 Set

Use with Chapter 5, Retail Market Strategy, Chapter 18, Store Layout, Design, and Visual Merchandising.


“Are you old enough? Our site shows a lot of skin. Therefore, you must be at least 18 years old to enter this site. Please enter the information below to see what we’re wearing under our clothes.”

Gilly Hicks, Abercrombie & Fitch’s new women’s underwear store, hasn’t even opened yet, but the introduction to its Web site, www.gillyhicks.com, leads to a video of people bearing it all.

The Web site opens with a request for the user’s birth date to provide that the visitor is at least 18 years of age. After confirming, the site moves immediately into a video featuring a nude male and topless females. The content borders on soft porn, and few viewers watching the videos have any recollection of seeing the designs of the underwear to be sold in the store. The key to the site is simply to shock by presenting matter-of-fact nudity.

In 2003, Abercrombie & Fitch stopped publishing its A&F Quarterly catalog in response to class action suits complaining that the retailer was marketing sex to children. Its provocative print pictures seem like child’s play compared with the video being used to market Gilly Hicks.

The Web site, www.gillyhicks.com, is designed to cause a stir among consumers who will keep talking about how lewd the company is. Will stores also ask for ID at the door before consumers can enter? So far, Gilly Hicks isn’t leaving much to the imagination, but it also isn’t revealing what will be in the stores, available to buy, once they open.

Discussion Questions:

What is Gilly Hicks accomplishing with its pre-opening marketing?

It is creating a lot of shock among consumers, which often turns into buzz, making consumers want to rush into the stores and see what it is about. Although parents might be enraged, the kids will just want to see it more. After all, parents are not the target market. If Gilly Hicks had its way, it probably would ID consumers at the door to make sure they fell within the right target market: over 18 but under 30.

Does the Gilly Hicks brand seem to fit with the rest of Abercrombie & Fitch’s brands?

Absolutely. Abercrombie & Fitch has always tried to run at the cutting edge of fashion for young adults, and a provocative underwear line seems right up its alley. Also, A&F does not seem worried about cannibalization; it already has opened several brands under the umbrella to appeal to segments of its markets.

24/7 Oprah

Use with Chapter 3, Multichannel Retailing, Chapter 5, Retail Market Strategy.
Oprah Winfrey has become an iconic American brand, with her own television show, magazine, and Web site. In all these forums, she tends to discuss regular issues that most people can relate to, like weight gain and loss, relationship issues, and health. To extend her reach even further, she has just partnered with Discovery Communications to create the Oprah Winfrey Network (OWN), which will feature programming that Winfrey chooses.

The Oprah Winfrey Show already is the top-rated talk show on television; her new network will enable the popular host to penetrate the market even further, especially among women and families, her target market. But starting a television network is difficult, no matter how big the name is behind it, and OWN will face stiff competition from Oxygen, NBC’s network for women, as well as from video-on-demand and Web video services, not to mention the many cable channels available.

Television enables Winfrey to promote her beliefs and values to her viewers. Even though her shows often center on particular subjects that pertain to select groups of people, the variety of topics they cover ensures that her programming appeals to the mass market. Furthermore, her various media platforms consistently deliver what customers are looking for from their favorite daytime star.

The Discovery network has only 123,000 viewers for all its shows, compared with Oprah Winfrey’s 7.3 million viewers of her show alone. The new network plans to revamp its content and image and go public in the second quarter of this year. Discovery will then launch another new channel, Planet Green, to focus on an eco-friendly lifestyle, and cancel some underperforming shows. For Oprah-anatics, their greatest wishes seem to be coming true!

**Discussion Questions:**

**How is the Discovery network planning to increase its viewers?**

The Discovery network partnered with the well-known talk show host to create the Oprah Winfrey Network, with programming directed by Winfrey. It is eliminating underperforming channels and creating Planet Green to promote an eco-friendly lifestyle.

**Why doesn’t the new network use the Discovery brand, instead of Oprah Winfrey’s name?**

For the viewers that the new network hopes to draw, “Oprah” is much more appealing than “Discovery.” For most television consumers, the latter brand evokes nature shows and science programming, whereas the OWN network probably will not focus on such topics. Thus, the best brand identity for the new network to borrow is Oprah Winfrey’s.

**Oops! Apple Did It Again**

Use with Chapter 3, Multichannel Retailing, Chapter 4, Customer Buying Behavior, Chapter 15, Retail Pricing.


Apple launched its Internet movie-rental service this month, selling for $3.99 and $2.99 for new releases and library titles, respectively. The company has been selling movies through its iTunes
store, but they remain an underperforming SKU; whereas iTunes has sold 4 billion songs and 125 million television shows, it has sold only 7 million movies.

The rental product is much cheaper than purchasing movies through iTunes, which cost $9.99–$14.99. The rental lasts for 24 hours after the user starts the movie and can be downloaded onto computers, iPods, or iPhones. Apple has already signed on News Corp’s 20th Century Fox, Walt Disney, Time Warner’s Warner Bros, Viacom’s Paramount, and Sony Pictures to offer their libraries of movies through iTunes.

Simultaneously, Apple has launched Apple TV but not sold as many sets as it expected. To play a movie on Apple TV, viewers must purchase and download the movie onto their PC, then transfer it to Apple TV. However, starting in 2008, Apple TV will be able to download movies directly, and the prices of the sets will fall from $299 to $229 in an attempt to spur sales.

What else is new at Apple? In addition to the Internet movie-rental service and the compatible Apple TV, the company just introduced the world’s thinnest laptop, the MacBook Air, which measures just .76 inches at its thickest spot and retails for $1799.

Despite all these new products, the company’s shares fell 5.5 percent. Apple, known for its standout innovations such as the iPod and the iPhone, is less than impressed with the performance of its newest innovations.

**Discussion Questions:**

**Why aren’t Apple’s new products living up to its innovation expectations?**

The company may have priced Apple TV and its rental services too high. Third, consumers appear less interested in these products, which offer a different way to rent and watch movies. Apple may have assumed that consumers would apply the same level of interest across media products.

**What can Apple do to counteract the less-than-stellar performance of these latest innovations?**

First, Apple may need to rethink some of its innovation procedures to ensure it keeps its edge. Second, the company already is lowering prices to make its new products more appealing. Third, perhaps Apple needs to engage in further market research to discover what consumers really may want.

**Beware of WiFi: Criminals Are on the Loose**

Use with Chapter 3, Multichannel Retailing.


Many wireless providers are offering WiFi services in select places, including hotel lobbies, airports, and cafes. Other popular retailers such as McDonald’s, Barnes & Noble, and Coffee Bean & Tea Leaf are also known for offering this service. Yet these supposed service offerings do not always guarantee safe connections to the Internet and actually can open the door for hackers to steal personal information or log in to password-protected accounts.

Some hackers go so far as to offer a WiFi service of their own. When connecting to the WiFi service, a user gets forwarded to a site that appears to be legitimate and asks for a credit card
number to pay for the WiFi service use. The user has no idea that his or her accounts are being compromised.

The United States boasts 66,921 hot spots, an increase of 56 percent in the past year. The growth has occurred because WiFi represents a unique service retailers and wireless carriers can offer to customers. It becomes even more of an added value when the WiFi is free of charge.

To counteract illegitimate connections, T-Mobile offers a free download called HotSpot Connection Manager that tells users whether they are connected to a reliable source. However, trading stocks online, banking, and the types of transactions that require vulnerable information should be done only at home or when plugged into a high-speed connection.

Furthermore, consumers are advised to mitigate the risks of using the Internet by keeping firewalls and antivirus protections updated and connecting to the Internet only in safe conditions.

**Discussion Questions:**

**How can consumers avoid hackers?**

*Consumers should use services such as HotSpot Connection Manager, which tells them when they have a safe connection. Avoiding hackers can also mean taking precautions like only banking from home.*

**Do you think retailers and other providers will stop offering WiFi if the problem with hackers becomes too great?**

*At this point, the added value of this service has become something that many consumers expect from hotels, restaurants, and airports. Therefore, retailers probably cannot just take away the service without angering their customers. However, they have to invest in offering more secure connections, which would represent additional value for consumers concerned about their privacy.*

**Hiring Mr. Clean to Clean Your Car**

*Use with Chapter 2, Types of Retailers, Chapter 5, Retail Market Strategy, Chapter 18, Store Layout, Design and Visual Merchandising.*


For 50 years, Mr. Clean has come into consumers’ homes to clean surfaces and floors. Now he’s showing up in car washes and car wash products, promising to make vehicles sparkle.

The Mr. Clean Performance Car Wash, being tested in a few market before it goes nationwide, targets women predominantly. Procter & Gamble, the maker of Mr. Clean, found that many women felt uncomfortable at car washes. Therefore, the new retail concept features not only a high-quality car wash but also a 2,100 square foot convenience store outfitted with snacks and drinks, a separate lounge section with televisions, and a play area for children. From the inside, customers can view their cars’ progress through the wash tunnel, and children can control the nozzles to spray cars with colored suds or water hoses.

The bright green and blue colors of the interior spaces, complemented with white curving walls, help highlight the Mr. Clean logos repeated throughout the outlets. This national car wash concept is new in an industry dominated by mom-and-pop facilities, but the Mr. Clean brand, with
its strong brand image of sparkling clean, may make it easy for customers to extend the image to
their cars, which they also want clean.

By making a car wash a fun activity and encouraging more customers to keep their cars clean,
Mr. Clean should be able to gain significant market share. Especially for women with children, car
washes were too much of a hassle because of the time required; if Mr. Clean can keep the
children occupied, it will go a long way toward making the experience much more convenient.

Discussion Questions:

Do you think the Mr. Clean brand will be successful in extending its brand to car washes?

Yes, I think the Mr. Clean brand will be successful in extending its brand to car washes. The Mr.
Clean brand is 50 years old and has a strong image in customers' minds. The new concept is
fresh and offers entertainment to complement the quality car wash, and it also matches the
existing brand image associated with cleanliness.

Why do the Mr. Clean car washes attempt to appeal to children who are not old enough to
drive or own cars?

In many cases, companies can appeal to parents by appealing to their children. If children find
the car washes entertaining and fun, they will not mind going with parents to get the car washed
and may even ask to go to the specific site if the stores are entertaining enough.

Add Services to Maintain Customer Loyalty

Use with Chapter 2, Types of Retailers, Chapter 4, Customer Buying Behavior


Sophisticated retailers, such as casinos, have long known that their customers will not naturally
stay loyal to one casino but instead jump around, especially when they are staying in a gaming
city such as Las Vegas. Other retailers, such as supermarkets, also are beginning to realize that
they too have to fight to keep their customers.

In a survey, Food Lion found that 3 percent of shoppers had not visited a supermarket in the
previous year but instead chose to patronize supercenters, warehouse clubs, or dollar stores. To
convince such consumers to choose its stores instead, the supermarket created in-store sections
called Bottom Dollar to appeal to price-sensitive customers.

With the greater amount of information available to customers through online research and
product reviews, they can make better choices. In such an environment, retailers that can
maintain stable relationships with customers before, during, and after the sale gain an advantage
when it comes to share of the customers' wallet.

In another industry, Best Buy offers various products and services to supplement its electronics
products, including store-within-a-store Magnolia Audio Video sections that focus just on flat-
screen TVs, a home entertainment installation service, and the Geek Squad to repair and install
electronics products. By reaching out to the various needs of its customers, Best Buy hopes to
ensure they do not have to go anywhere else to meet their needs and thus become returning
rather than one-time customers.

Customers have so many choices available to them that it appears the smartest retailers are best
positioned to win their business. Whether a casino offers meal vouchers to gourmet dining
customers or grocery stores provide segment-specific sections in their stores, retailers are targeting customers in different ways to convince them to return for more.

**Discussion Questions:**

What are retailers doing to keep loyal customers?

Retailers are differentiating their product offerings and targeting specific customers with promotions applicable to them. Other retailers are introducing new services that help customers in some way related to their main product offering.

Why do retailers consider customer loyalty so important?

Loyal customers dedicate the greatest share of their wallets to the retailer to which they are loyal, which means that the retailer earns more share and, usually, profits from them. In addition, it remains less expensive for a retailer to keep a customer than to convince a new one to start patronizing it, so its costs are lower for loyal customers.

**Starbucks Changes Course and McDonald’s Picks Up Speed**

*Use with Chapter 1, Introduction to the World of Retailing, Chapter 5, Retail Market Strategy.*


Happy New Year to Starbucks! The famous coffee company has ousted its CEO and replaced him with a long-time Starbucks stakeholder and chairperson. In the past year, Starbucks suffered an almost a 50% decline in its stock price even as it experienced ever greater competition.

Starbucks changed the coffee-related routines of many Americans and people around the world by creating an inviting and relaxing atmosphere. Since then, the company’s aggressive strategy has been to keep opening new stores worldwide; Starbucks now has more than 15,000 company-owned stores around the world. But this focus may have contributed to a core concept that seems to be faltering.

Howard Schultz, the new CEO, has been with Starbucks since 1982, when it had only four locations in Seattle, Washington. He helped grow the company to its current size and presided over the company’s 1992 initial public offering. Schultz plans to improve the experience that made the stores so popular. In a recent letter to employees, he noted plans to launch new products that will be as prominent as Frappuccino drinks and the Starbucks Card.

Although Starbucks’s global expansion has been successful in opening new stores, the quality of its product and experience have declined. For the first time, the company has suffered a decrease in the number of its transactions in a quarter. Competition from McDonald’s, which is opening espresso bars in most locations this year, will force Starbucks to differentiate itself further as the quality retailer that it once was.

**Discussion Questions:**

Why has Starbucks’s performance suffered recently?

Starbucks’s performance has struggled largely because the company opened too many stores too fast and forgot to focus on its core appeal, that is, the in-store personal experience.
What does Starbucks plan to do to turn the company around?

Starbucks plans to introduce new products that will be blockbusters like the Frappuccino and the Starbucks Card. While focusing on improving the in-store experience for its customers, it is also going to slow its new store openings and close some struggling stores.

Is Your Vegas Showing?

Use with Chapter 5, Retail Market Strategy, Chapter 7, Retail Locations, Chapter 11, Customer Relationship Management.


A 2003 marketing campaign using the slogan, “What Happens Here Stays Here,” attracted 39 million people to Las Vegas by 2006, representing an increase of 4 million. Las Vegas continues to grow rapidly, and a new marketing campaign hopes to support and continue such growth by creating the same kind of buzz.

The new marketing campaign, entitled “Your Vegas Is Showing,” attempts to convey the rather naughty image of the city while also emphasizing other features, such as the availability of high fashion, the extravagant shows, and the gourmet dining.

Running in prints ads and on an interactive Web site, the ads suggest show that the decadent lifestyle in Las Vegas remains apparent even after a visitor returns home. For example, a man sports albino crocodile loafers at a lawn party, and neighbors look at him suspiciously, asking, “Who really knows what a guy with an outfit like that is capable of?”

As Las Vegas undergoes $35 billion in new construction that will result in 30,000 new hotel rooms in the next five years, its new campaign targets nongambling activities to potential visitors. Current occupancy rates are 90%, but to maintain this level, Las Vegas needs 200,000 more people for every 1,000 new rooms. Thus, the new campaign tries to emphasize that patrons can integrate a Las Vegas–style lifestyle into their day-to-day activities by “bringing Vegas home with you.”

Discussion Questions:

What target market is this marketing campaign pursuing?

This marketing campaign targets both gambling and nongambling markets. By reminding them that a Las Vegas lifestyle could extend to their everyday life, because it will be apparent they have visited Sin City, it encourages customers to visit Las Vegas and bring more back home with them.

The “What Happens in Vegas Stays in Vegas” campaign sparked some controversy; will the “Your Vegas Is Showing” campaign have the same effect? Should Las Vegas hope that it does or not?

The controversy about the previous campaign largely centered on the risqué implications in the ads. The new campaign could induce similar controversy, depending on what sort of things the people in the ads bring home. Although such controversies can be damaging for some products, Las Vegas is known for its naughty image, so an ad campaign that pushes the boundaries
probably fits well with its overall branding and should be something the convention bureau wants to create.

**Fast Food & Fast Checkout**

**Use with Chapter 10, Information Systems and Supply Chain Management, Chapter 19, Customer Service.**


Kuai Dumplings & Soups, a quick-serve restaurant (QSR) in Dallas determined to serve customers in record time, is implementing a remarkable range of techniques to speed up ordering and checkout processes.

Working people know the drill: They get an hour for lunch but spend most of that time waiting in line to get their food. Lunch breaks become the busiest periods for restaurants that cannot serve customers fast enough, resulting in bottlenecks and long lines and forcing customers to wolf down their food before rushing back to the office.

Kuai Dumplings & Soups specializes in lunch and stays open only from 11:00 AM to 3:00 PM on the weekdays. To speed up the checkout process, all items are priced in 50-cent increments, tax-inclusive. If customers pay in cash, providing change is thus very quick. Yet 60–70% of the company’s transactions involve credit cards. Therefore, it installed contactless, radio frequency identification (RFID)—enabled credit-card payment readers. At the moment, only about 10% of customers have RFID-enabled credit cards, but by offering tap-and-go capability, the restaurant is encouraging customers to switch to these technologically advanced cards.

Banks similarly are encouraging customers and retailers to exploit contactless readers and even providing cash-back incentives to customers who use contactless RFID credit cards. Retailers are excited at the prospect of speeding up transactions, which will result in shorter lines, faster service, and a better overall customer experience.

**Discussion Questions:**

**How are RFID contactless credit cards speeding up the transaction process?**

The RFID reader communicates with the credit card, eliminating the traditional swiping, approval, and signing steps. Thus, the process is significantly faster.

**Are customers likely to largely switch to contactless credit cards instead of their traditional credit cards?**

Yes, customers should be likely to switch to contactless credit cards, because it is much faster. As long as the credit cards prove to be secure and prevent identity theft and credit card fraud, customers should jump on the contactless bandwagon. However, some customers who worry about security or prefer to obtain receipts for their purchases may be slower to switch.
Retailing Via Facebook

Use with Chapter 3, Multichannel Retailing, Chapter 4, Customer Buying Behavior, Chapter 16, Retail Communication Mix.


How many friends do you have? How many friends do you have online? Social networks are so popular right now that marketers are searching for ways to capitalize quickly on the markets associated with them. Newspapers, television spots, and other traditional advertising media are losing ground as consumers spend more time on blogs and online to find out what their friends are doing.

Facebook’s new advertising programs enable companies to target specific groups of people. For example, online friends may have an interest in ski equipment, and other group really wants to know about Burton snowboards. Marketers can target both groups on the basis of these interests, or else customers can get alerts when their friends have made a purchase that matches their interests. As a result, consumers can attract other friends that might be interested in the same offer, spurring purchases along the way. This viral marketing aspect is a dream for companies.

From a market research point of view, companies can learn much more about their customers from their interests, their past purchases, and their movement through the social network. Customers appear keen to submit their opinions about their friends’ purchases, interests, polls, and blogs. Reviews or votes about Botox treatments, asics running sneakers, or the play of the Chargers in the AFC playoffs all constitute new ways that customers communicate with one another—and with marketers who are paying attention.

Because modern customers spend a significant amount of time reading reviews and looking at alternative products before actually making a purchase, reviews by other customers have significant impact. People also are more likely to trust other users rather than an advertising message.

Marketers thus are learning a lot about their customers—everything from how to communicate with them to their likes, dislikes, and preferences. The social atmosphere on the Web should continue to grow, providing an ever-increasing pool of information.

Discussion Questions:

How are marketers researching their customers?

With the rise of social networks that link one customer to thousands of friends, product likes, and interests, marketers realized that they could spread the word about their products through this platform. By simply looking at customers’ interests, the marketer can distinguish whether it wants to target them. It also may find that their customers liked something that their friend had recently bought. Thus, marketers can reach a broader market and target specific segments.

Are there any companies or marketers that cannot profit from such forms of marketing?

Firms whose target markets are probably not online, or at least not to the same extent as traditional Facebook users, might not find such advances particularly helpful. For example, a company that sells dietary aids for senior citizens probably cannot learn much more about its customers from online sources.