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Dear Professor:

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

- Vacation in Trader Joe’s Retail Experience
- Best Buy M-Commerce
- Layaway: Back in Vogue
- Operating Efficiently at the Register
- Changing Consumer Habits
- Making Heads & Tails of Retail Communications
- Save Energy, Save the … Money?
- Integrating Cell Phones into Marketing Devices
- Diversity at Abercrombie?
- Yelp! WOM Goes Online
- The Incredible Shrinking Macy’s
- The Many More Uses for Your Cell Phone

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ABSTRACTS OF RECENT RETAIL ARTICLES

Vacation in Trader Joe’s Retail Experience

Use with Chapter 5, Retail Market Strategy


Fifty years ago, Trader Joe’s began in a competitive grocery store market. The retailer differentiated itself by creating a better experience for customers based on product selection, the size of the store, décor, and employees.

When Trader Joe’s began in California, its intent was to be a bigger convenience store rather than a smaller grocery store. Specialty food stores, such as Dean & Deluca and Silver Palate, already were very popular, so Trader Joe’s could swipe their customers by selling specialty or niche products in a bigger store format and without exorbitant prices. By buying closeout or overstock specialty cheeses and wines, it also varied its product assortment. Considering the complicated lives and the hassle of grocery shopping for busy families, Trader Joe’s tried to provide a vacation-like experience.

People tend to try exotic flavors when they are on vacation, so Trader Joe’s stores adopt a nautical theme—fish nets, wooden planks, surfboards, and Tiki huts. This scene matches the exotic flavors Trader Joe’s offers, because merchandising represents the key to its marketing. The company does not do a lot of advertising, but it gives customers the Fearless Flyer as they enter the store, listing its promotions, product information, and tips for cooking the unique items.

Trader Joe’s also sells 2,000 private-label products, which make up 70 percent of its sales. Its private-label products are so good that many consumers trust Trader Joe’s products more than national brands, including its Italian-themed Trader Giotto, its Asian Trader Ming offerings, the Mexican products under the Trader Juan label, and so forth. In a conventional grocery store, customers see private-label products as just knock-offs of brand name products.

Trader Joe’s thus has developed loyal customers who realize the value of quality, special flavors, and price. Customers enjoy their shopping trips, during which they interact with friendly and knowledgeable staff and leave with a sense that they have taken a brief vacation.

Discussion Questions:

How has Trader Joe’s developed its brand?

Trader Joe’s focused on the in-store experience by designing interiors to be similar to a beach scene. It trains its employees to be helpful. The company has strengthened its brand by ensuring its products are high quality and reasonable in price, which increases customer trust. There is no reason to go to an overpriced specialty store, nor is there any reason to get lost in a conventional grocery store with mundane products, when Trader Joe’s is just around the corner.

Best Buy M-Commerce

Use with Chapter 16, Retail Communication Mix


To get to the forefront of social media, Best Buy does not focus on whether customers visit Bestbuy.com. Rather, the retailer encourages its customers to share Best Buy information and products in the online world at large.

Using application programming interface (API) technology, a customer can excerpt Best Buy content and put it on his or her own Web site, social networking sites, blogs, mobile applications, and so on. These widgets then become a satellite for Best Buy in the virtual world.

A blog devoted to HD televisions that shows a Best Buy widget a user has posted to cite something that she likes should prompt other customers to move easily over to the Best Buy site. Whereas many companies fear losing control over their brand if they become too open, Best Buy claims people will share virtual information anyway, so it may as well make it easier for them to spread accurate and up-to-date information.

Furthermore, as people keep increasing the amount of blogging they do, companies that offer the easiest sharing capabilities likely will get talked about more and more. The widget approach is a nonintrusive and welcoming way for users to share information. This nonintrusive feature is important, because many people visit blogs with no intention of buying and would likely reject any blog hosted by a retailer, for fear that the information was biased.

In a social media context, people must talk about brands, including consumers sharing brand-related information readily. This word of mouth is much more powerful than any traditional advertising ever will be.

**Discussion Questions:**

What types of m-commerce and social marketing initiatives are Best Buy trying?

*Best Buy is reaching out to its customers on various media, including blogs. It also has created API applications that make it easy for consumers to share information about products with others.*

What are the advantages and disadvantages of such a strategy from Best Buy’s perspective?

*Best Buy can gain a lot of word-of-mouth advertising. However, social media take control of the brand, and the retailer loses some control, which may increase the possibility of negative experiences.*

If these initiatives were currently available, would you use them? How?

Yes, I would use a Best Buy widget to talk about a product that I purchased and really wanted to recommend to others or one I hated or found really disappointing. By posting the widget on the blog, I could invite others to learn from my experiences.

**Layaway: Back in Vogue**

Use with Chapter 15, Retail Pricing

“Layaway.” It sounds like a term from the quaint past, one that many consumers have not heard in years. But in the past few months, many more retailers have been using this buzzword to attract customers.

Layaway was first introduced after the Great Depression to allow customers to set aside items that they wanted to purchase and make payments to the retailer until they could take them home. In the 1980s, credit cards became more popular and allowed customers to purchase items, even if they could not afford them at the time, and then make payments to the credit card company.

Tighter credit markets and shrinking consumer wallets make layaway an attractive option. Customers pay a percentage more than the actual product cost for the right to layaway, and the modern version of the practice includes some updates. eLayaway.com allows customers to use layaway services for up to a year at such retailers as Brookstone, The Gap, Dell, Hewlett-Packard, the Apple Store, and Bass Pro Shops for a 1.9 percent transaction charge.

Kmart’s winter ad campaign even highlights its layaway program. Customers who shop at discounters like Walmart and Target, which offer no layaway program, might be enticed to move over to Kmart. Walmart and other retailers continue to reject this option because it becomes expensive to store merchandise in their limited and valuable space while customers work to earn enough money.

During holiday seasons though, customers who live paycheck to paycheck or have their sights on merchandise that they cannot afford may flock to retailers that offer layaway. They can satisfy their holiday shopping desires without paying the higher interest rates charged by credit cards.

**Discussion Questions:**

**What is layaway, and why is it making a comeback?**

*Layaway means that customers can hold merchandise with the retailer by making payments until it is paid off. Then, the customer can take the product home. Layaway is becoming popular again because credit is not as readily accessible, and customers have less money to satisfy their desires.*

**What are its advantages and disadvantages from a retailer’s perspective?**

*Retailers can sell merchandise that customers otherwise may not have bought because they do not have the entire amount of money at one time. It also attracts more customers away from retailers that do not have a layaway program. However, the storage of the merchandise is expensive, and retailers might have to store the items for up to one year.*

**Operating Efficiently at the Register**

*Use with Chapter 17, Managing the Store*


When companies look for ways to cut costs, the easiest way is often to cut labor, especially in retail markets. In its efforts, Meijer has turned to science to ensure that the checkout process is quick and efficient.

The company has installed a timer at each register; cashiers who take too long to check out customers and thus score below 95 percent must move to a different job or leave the company.
The system appears to weed out inefficient employees and minimize labor costs, but it also suffers some worrisome repercussions.

Specifically, cashiers experience far more stress in their efforts to scan, bag, and ring up customers as quickly as possible. A cashier may do a great job, but if a customer has forgotten something he or she wants, the check out must be delayed to retrieve the item; other customers might just be slow counting out the money they need to pay for the transaction.

And yet, it is the cashier’s job at risk. In turn, the cashiers can become unfriendly, avoiding eye contact or discussion, because talking to customers just slows them down. Customers perceive a negative experience and may stop coming to the store because of its rude employees—an attitude the company itself has encouraged.

By focusing only on quantity, the company is forgetting about quality. Not only is it tossing customer service out of the window, but it implicitly encourages employees to cut corners to keep their transaction times low. For example, if they fold items together rather than individually or bag quickly and carelessly, they can move on to the next customer.

Meijer has cut its labor costs too, decreasing the number of employees from 750 per store in the late 1990s to 250–400 employees per store today. But at what cost?

**Discussion Questions:**

**What is Meijer doing to increase labor efficiency?**

*It is keeping track of the time that it takes for a cashier to scan, bag, and charge the customer in a transaction. This measure enables the company to identify the underperforming employees and get rid of them.*

**What are the advantages and disadvantages of these efforts from retailers’, employees’, and customers’ perspectives?**

*Retailers can become more efficient by employing the fastest employees and completing the most transactions. However, employees are focusing on the speed of the transaction rather than being friendly and offering a good customer experience. Employees can become more productive and measure their success with the timer; however, many factors out of their control can force their transaction speeds to be slower, which causes them to become stressed, unfriendly, and rude to the customer. Finally, the advantage for customers is that the checkout process will be quick. The disadvantage is that they may have to confront rude cashiers who simply try to rush them through their checkout process.*

**Changing Consumer Habits**

*Use with Chapter 4, Consumer Buying Behavior*


Tightened credit markets, stock market crashes, and record-high unemployment levels—it’s enough to make consumers reevaluate their shopping behavior. Shopping and spending money simply is no longer the cool thing. Saving money and caring for the environment constitute the trendy and more popular ways to flaunt “coolness.”
Consumers brag not about their new Gucci sunglasses but rather about their latest bargain. Furthermore, customers concerned with the environment once had mostly expensive options for doing the right thing—buying more expensive organic food or installing really expensive solar energy panels. Today though, more customers are eliminating bottled water and growing their own vegetables, which represent ways to save money and care for the environment at the same time.

As they take more responsibility for their actions and attempt to live within their means, Starbucks-drinking, routine-shopping consumers are realizing that some of their old habits cannot fit within their budget and frankly are unnecessary. People adopt their own individual forms of environmentalism, and the affluent are no longer excluded from this trend.

The economic crisis has made consumers behave in unique ways, unlike some of their responses to other recent economic downturns. The high amounts of uncertainty are causing customers to save money rather than spend it and, if they have to spend it, to look for merchandise that is on sale, in outlet stores, or in thrift stores.

**Discussion Questions:**

Why is the economic downturn spurring environmentally responsible actions?

The economic downturn is forcing customers to save money. In turn, many are realizing that environmentally friendly practices can be very cost efficient.

Provide examples.

Consumers are growing their own vegetables, opting for tap water instead of bottled water, and walking or using public transportation instead of their cars when they can.

**Making Heads & Tails of Retail Communications**

*Use with Chapter 16, Retail Communication Mix*


Although grocery stores, on average, carry 30,000–40,000 different items, most customers buy only about 400 of them annually. Whereas consumers buy a few items—the “big head”—on a routine basis, approximately 95 percent of the 400 products a customer purchases gets bought only occasionally to constitute the “long tail.”

Products in the big head tend to use marketing that relies on end-of-aisle displays, freestanding racks, and in-store flyers, because 25 percent of a shopping visit consists of viewing an end cap or freestanding display. For example, typical products on these displays are Ritz crackers, WheatThins, Pepsi-Cola, Tide detergent, Heinz Ketchup, or Lays Potato chips. This percentage calculation comes from marketing research that relies on an EyeCam device that simulates customers’ field of vision. It determines a score for various types of marketing media using gross rating points (GRP), or the frequency of media exposures times the reach of that medium. With few end cap displays, one can imagine that your attention would be drawn to them.

In-store flyers are also part of the big head, because 20 percent of shoppers read them, refer to them throughout the trip, and keep them in frequent view. Finally, 40 percent of shoppers’ view focuses on the rest of the promotions including display bins, freestanding ads, shelf ads, coupon dispensers, and store staff.
Thus, a shopper’s field of vision in a store aisle consists mostly of packaging, but when people scan thousands of packages on shelves, no one item gets very much attention. A product in the big head requires a different type of in-store media than a product in the long tail; This means that a product that is in the store aisle instead of an end cap can get attention with the appropriate promotion, such as a coupon dispenser. Vendors can still obtain the highest returns on their media spending if they ensure the costs match the right benefits.

Discussion Questions:

What are the big head and long tail in the context of retail communications?

*The big head consists of products that are purchased frequently, whereas the long tail includes the majority of products, which are purchased on an occasional basis.*

How should the big head and the long tail be used and managed differently?

*The big head should be used in conjunction with in-store media that gets the most exposure, like the end of the aisle or a freestanding rack. The long tail should be used with in-store media that appears on the shelf or in a display bin. The correct media associated with the right type of product will allow the vendor to earn a higher return on its investment, regardless of whether the product is in the big head or the long tail.*

Save Energy, Save the … Money?

Use with Chapter 17, Managing the Store


Retailers suddenly are seeing savings in “green” or environmentally friendly construction. Walmart, Subway, and McDonald’s and its subsidiary Chipotle are all focused on the energy savings they might enjoy from environmentally friendly stores.

Chipotle installed a wind turbine outside a Chicago store; a pizzeria store in Florida reuses its oven heat to heat water; moldings and baseboards at Walmart consist of recycled manufacturing plastic. Walmart’s efficiency efforts have earned it savings of 20–45 percent in energy costs in its green stores, and for the largest retailer in the world, this percentage means millions of dollars. Energy remains its second greatest operating expense, behind only employees.

For its efforts, McDonald’s is turning to the design of a template that can be replicated in every store. It hopes to gain Leadership in Energy and Environmental Design (LEED) certification, which indicates a commitment to human and environmental health, sustainable site development, water savings, energy efficiency, materials selection, and indoor environmental quality. The certification is expensive, so if the company can derive a single template, it would save tremendously in the future.

Some retailers also recognize the value of green building as a means to market to customers, who want to feel good about their purchases. A retailer that helps the environment can help customers feel good about spending more of their share of wallet with that store. Critics argue that McDonald’s may build environmentally friendly buildings, but it still sells junk food. And even the greenest retailer buildings still need large parking lots.

Yet retailers seem to be taking the lead in building sustainable construction. By saving energy costs, they can operate more efficiently, which means lower prices for consumers.
Discussion Questions:

What are retailers doing to be more “green”?

Retailers are building energy-efficient buildings that reuse energy or rely on recycled materials. By obtaining LEED certification, they are focusing on a comprehensive green environment, from water savings to human health.

Do you think these retailers are sincere in their efforts, or are they just trying to look good for customers?

Who cares? As long as the retailers actually improve the energy efficiency and responsibility of their building materials and stores, it almost doesn’t matter why they do it. It benefits the retailer, but it also helps the environment and the customer.

Integrating Cell Phones into Marketing Devices

Use with Chapter 16, Retail Communication Mix


As the penetration of cell phones becomes nearly universal, marketers keep looking for ways to use the useful devices for information tracking and display. The ShoppingTrip360 application, launched by Infosys, offers a potential solution: It enables retailers to track a customer’s behavior and shopping habits in the store.

A store gets equipped with heat maps, smart shelf pads, and tiny wireless sensors, all of which interact with cell phones to describe how a customer acts in the store. Customers must download the application to their phone, which means they opt in and know that the retailer will be tracking their behavior in the store. The application provides value to customers by, for example, alerting them to a product display or special sale or providing more information about a product they are considering.

To encourage more customers to opt in, the retailer also can offer special promotions and coupons. Furthermore, customers can store their preferred products on their phones, which may make shopping a more enjoyable and informative experience.

But retailers are the real beneficiaries. They can gain a wealth of information from ShoppingTrip360, including data about shopping patterns, popular displays, places where customers need more information, which coupons were redeemed, and a host of other measurable features.

Yet they must take care not to make customers feel as though their privacy has been infringed upon; the opt-in function is key for the success of this application. More and more customers recognize the benefits of cell phone applications, including the ways they make life easier. ShoppingTrip360 thus offers benefits for both retailers and customers.

Discussion Questions:

What is ShoppingTrip360?

It is a cell phone application that interacts with the customer as he or she navigates a store. The application tracks shopping behavior and habits.
What are the advantages of ShoppingTrip360 from retailers’ and consumers’ perspectives?

*Retailers can gain valuable information about the way that their customers are shopping in the store. They can see which displays are effective and which are not. Retailers can offer real-time promotions to customers as well. Customers can learn more about products in the store that they like, save shopping lists for future trips, and easily navigate areas of the store that they might not have been familiar with previously.*

Would you use ShoppingTrip360?

*Yes, I would use ShoppingTrip360—as long as it offered coupons and information that were useful and improved my shopping experience.*

Diversity at Abercrombie?

Use with Chapter 9, Human Resource Management

_Marla Matzer Rose, “A New Look for Abercrombie,” Columbus Dispatch, November 9, 2008._

The company is known for its good-looking, preppy image, attempting to symbolize “American cool,” is suffering for assuming that coolness extends only to white people. Abercrombie & Fitch has long been criticized for the lack of diversity in its workforce; employment discrimination lawsuits have cost the company $50 million the past four years.

With a new vice president of diversity to oversee hiring in stores and sponsorships of diversity events, Abercrombie is moving beyond the requirements established by the U.S. Equal Employment Opportunity Commission. It also ranks its stores according to their minority hiring practices, highlighting the top 25 and bottom 50 with the highest and lowest percentages of minority hires. As a result, 35% of 88,000 store employees represent ethnic minorities. Yet many of these employees allege they get hired only for backroom jobs, because they do not fit the “Abercrombie” image, whether because of their race or their attractiveness.

In an effort to determine what is happening inside its stores, the company commissions minority secret shoppers to compare their experiences with those of white secret shoppers. With more than 1000 stores, ensuring diversity in each and every store seems daunting, and a single store that does not operate fairly can be extremely costly.

And the problem may not be limited to stores. The company’s headquarters is much less diverse, and its black-and-white advertising photos still feature all-white models. Thus, not much of Abercrombie’s overall culture indicates diversity. Abercrombie is not about to transform its marketing completely, but it seems reasonable to expect it to be more truly American in its look.

**Discussion Questions:**

Why is Abercrombie trying to be more ethnically diverse?

_Abercrombie has experienced millions of dollars in lawsuits and is trying to change its image of hiring only white employees._

What is it doing?

_Abercrombie has a department devoted to tracking minority hires in the stores. It also uses secret shoppers to ensure that minorities are treated the same way as any other customers._
How well is it doing?

Although 35% of Abercrombie's 88,000 employees are from minority populations, other statistics and evidence suggest that the problem may be endemic to the wider corporate culture. If the entire corporate culture lacks diversity, hiring a few salesclerks of color will not resolve the issue.

Yelp! WOM Goes Online

Use with Chapter 14, Retail Communication Mix

Tom Ryan, “Yelpers Spread the Word,” Retail Wire, November 17, 2008.

Social networking is becoming increasingly important for brands and retailers that hope to gain credibility through word of mouth. Word-of-mouth marketing has been around forever, because people have always talked about their buying experiences, but social networking sites increase the spread of word of mouth exponentially and to a global audience.

For example, the Yelp.com social network focuses on restaurant reviews. The 15 million visitors to the site each month, 81 percent of whom are younger than 40 years, can browse 4 million reviews. Just like any other social networking site, each member has a profile and “friends,” and the site displays how many reviews each person has written. One “Yelper” can become a “fan” of another Yelper’s review by agreeing that its contents are true.

The Yelp Elite have written so many reviews that they receive promotions, such as Elite-only invitations to free samplings at restaurants. The Yelpers with the most credit, according to the community, even get to meet the chefs.

The site attracts both serious Yelpers who constantly write, read, and rate reviews and naïve Yelpers who just want to know whether a particular restaurant is any good. Reading one review may not provide an accurate representation, but after reading a slew of them, a Yelper is likely to gain a pretty good idea of what the restaurant offers.

Retailers are all trying to move in the social networking space because of the publicity that they receive as a result. So far, consumers like the fact that retailers are not directly involved because it makes for an authentic setting because no one has vested interests in the sales of products.

Discussion Questions:

Do you believe combination social networking and reviewing sites like Yelp.com will grow in popularity?

Yes, social networking has already become popular. Although the younger generations have grown up with it, it is proving to become addictive to everyone as long as the topic is interesting. The sites provide entertainment and information at no cost, so people can spend time on the sites and really enjoy themselves.

Do you believe that a Yelp-type site would work in industries other than restaurants? Provide an example and a rationale.

Yes, Yelp-like sites are popping up everywhere. Fabulously40.com is a social networking site for women in their 40s that provides advice about all facets of their life, including spouses, family, work, career, fitness, and socializing.
The Incredible Shrinking Macy’s

Use with Chapter 9, Human Resource Management


Early in 2008, Macy’s decreased its corporate divisions, from seven to four. That consolidation went so well, it plans to reduce its four corporate offices to two in the next year. There are advantages and disadvantages to centralized and decentralized corporate structures. Many large retailers are moving to a centralized approach especially in an attempt to consolidate costs.

By consolidating from seven to four divisions, the company eliminated Macy’s North (Minneapolis), Macy’s Midwest (St. Louis), and Macy’s Northwest (Seattle) or, in other terms, 2,550 jobs and $100 million per year. The new consolidation will eliminate Macy’s Florida (Miami) and Macy’s Central (Atlanta), leaving only Macy’s East (New York) and Macy’s West (San Francisco). Competitors such as Kohl’s, JCPenney, and Sears already have centralized offices, so the new structure will match what other large retailers are doing.

Yet Macy’s also recalls the gaffes it made after its May Company acquisition, when its stores gave up any sense of localization and became disconnected from local communities. So, as the company becomes more centralized, it is also focusing on the local markets and therefore, plans to build smaller regional offices in Chicago, Cincinnati, St. Louis, and Seattle to maintain some sense of a local environment.

Macy’s reported a $44 million loss in the third quarter of 2008, forcing the company to make a dramatic change. By undergoing further consolidation, it hopes to minimize its losses, especially because the fourth quarter does not look to be much better. The cost savings could help the company weather the recession, but the new local offices might not get Macy’s quite the level of efficiency it really wants.

Discussion Questions:

What are the pros and cons of Macy’s move toward a centralized merchandising model?

Macy’s is cutting costs by eliminating jobs and corporate offices. It should be able to adopt a more consistent business model because of the more centralized approach, but it also may move further away from the localization that it hopes to maintain.

How will this move affect localization efforts?

In an effort to focus on localization, the company is setting up smaller offices in select locations. However, centralizing decision making often makes it difficult to create a sense of the local community, which Macy’s knows only too well.

The Many More Uses for Your Cell Phone

Use with Chapter 16, Retail Communication Mix

Jon Chavez, “Retailers Gearing up to Dial for Dollars Cell-Phone Alerts Display Sales, Sites,” Blade Business, November 14, 2008.

Many consumers have the ability to receive text messages and browse the Internet with their cell phones, which has prompted some big retailers, like Walmart, Amazon.com, and Sears, to use these communication tools to alert customers about promotions and good deals. The mobile-only
Sears2go.com Web site enables consumers to browse offerings through their cell phone, make a purchase, and then choose for the item to be delivered or picked up in the store.

The T-Mobile G1 offers ShopSavvy software, a comparison shopping application customers can use to take photographs of a product’s UPC code. The software then searches the Internet and nearby brick-and-mortar retailers for the prices of the same product in these alternative locations. It also links the user to the company’s Web site, along with directions to the store, phone numbers, and even product reviews.

Another cell phone application, Slifter, enables users to type in the name of a product, then searches for nearby locations and prices. Apple’s iPhone has a similar application called TheFind. With all of these shopping capabilities and means to find the best prices, retailers have to make sure they get onto customers’ radars.

With Walmart, Amazon.com, and Sears sending out alerts to lure customers to their stores or sites, customers are bound to become inundated with messages that may turn into noise. In this situation, no messages stand out, and everything just blurs together. Communication with the customer must be important and useful to the customer; otherwise, the customer will likely opt-out of receiving text messages altogether.

**Discussion Questions:**

**What m-commerce technologies are retailers using to communicate with their customers?**

Retailers are using m-commerce technologies to communicate promotions and good deals. The easiest and most direct communication is via text message. Cell phone applications like ShopSavvy, Slifter, and TheFind all make it possible for the customer to comparison shop for the best prices in their proximity.

**In addition to creating noise, what other effects might too many messages have?**

If consumers constantly receive messages that they don’t want or didn’t request, they likely will demand more safeguards, such as those in place for spam e-mail, that will limit retailers’ ability to communicate through mobile media. Therefore, retailers should try to tailor their messages by sending them only to consumers who express a desire for them.