Dear Professor:

This newsletter provides teaching tips and summarizes article abstracts for case discussions for the following topics:

- One-Stop Beauty Shop Specialty Stores
- Lonely Best Buy’s Next Move
- JCPenney Makes its Manhattan Debut
- Asda Asks for Customers’ Opinions
- Microsoft, Welcome to the Mall!
- The New Starbucks (or Are They?) Stores
- The Battle Over Online Taxation
- Walmart’s Sustainability Labeling
- Misleading Claims about “Local” Products
- My Macy’s Goes Nationwide
- Twittering the Latest News
- Want a Video with that Yoohoo?
- Interacting with Friends While Online Shopping

If you are interested in the text book please visit www.mhhe.com/levy7e. 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/retailcenter/research/publications.asp
Teaching Tips

Chapter 4 and 18 – How the Shopping Environment Influences Purchase Decision

An interesting book, *Inside the Mind of the Shopper: The Science of Retailing* by Herb Sorenson, has recently been published. The book outlines his research on how consumers behave in supermarkets. His research into their behavioral patterns includes inventing PathTracker, a system that tracks the motions of shopping carts and fitting test shoppers with specially designed glasses that record their field of vision every 3/25ths of a second.

You can find some PowerPoint presentations of his research at:


Chapter 18 - Designing the Pet Aisle in a Supermarket

Nestle Purina has some tips to help retailer’s design the pet aisle to increase space productivity,

**Part 1: Space Allocation Within a Category of Categories**

**Part 2: Maximizing Merchandising for Traffic Flow, 'Hot Zones' and More...**

**Part 3: Understanding the Pet Owner Mindset**

**Recessionary Tactics: The Importance of Continued Investment in Pet Care**

**Recessionary Tactics: Maintaining Pet Care Customer Loyalty**

**PowerPoint Slides**

Slides for teaching various aspects of retailing and describing retailer strategies are available at:

http://www.cba.ufl.edu/mkt/retailcenter/teachretail/instructors.asp
Additional Material for Teaching Retail Classes

We have developed a website to provide materials for retail class instructors. The site, part of the University of Florida Miller Center for Retailing Education and Research website, has:

- Nine syllabi from instructors
- Classroom exercises
- Team projects
- PowerPoint slides
- Copies of this newsletter and the previous issues
- List of retail links, cases, and videos

Go to [http://www.cba.ufl.edu/mkt/retailcenter/teachretail](http://www.cba.ufl.edu/mkt/retailcenter/teachretail)

We would appreciate any material you would be willing to share with other instructors. Please send your course syllabi, classroom exercises, projects, teaching types, etc to bart.weitz@cba.ufl.edu or mlevy@babson.edu
One-Stop Beauty Shop Specialty Stores

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


Customers have a multitude of options when it comes to buying beauty products—department stores, specialists like Sephora or Ulta, and drug stores like CVS. Many of them cross-shop, buying an $18 lip plumper from Sephora but a $7.29 Maybelline mascara tube from CVS. That is, for certain products, customers want a prestige brand; for others, they prefer a lower-end, less expensive version.

The specialty beauty store Sephora stocks prestige brands, including both those traditionally sold in department store and niche brands. But Ulta, a former discount beauty retailer, recently realized that women were visiting various stores to fulfill all their beauty needs. In changing its focus to become a one-stop shop for beauty customers, Ulta is posing some serious competition to the formerly dominant Sephora.

Ulta already carries designer fragrances, salon-style hair products, and prestige cosmetics, as well as drugstore products. However, it has a long way to go before its product mix matches Sephora’s—but it is headed in that direction.

And prestige brands are helping it along. In the past, some of these brands refused to sell to Ulta, for fear of damage to their brand equity. This fear seems to have disappeared, because the brands have come to realize that customers want to grab all their beauty items in one trip. In a seemingly similar development, Sephora’s first non-boutique stores appeared in JCPenney, a retailer without a particularly prestigious image. It seems that when it comes to beauty products, customers do not necessarily need a high-fashion setting to appreciate the glamour of the brand.

**Discussion Questions:**

**Compare Ulta’s and Sephora’s retailing strategies.**

*Ulta is a former discount beauty retailer that is adding prestige products. It carries a broad and deep assortment of beauty products, from drug store brands to high-end brands to salon-only products. Sephora is a specialty beauty store that carries only prestige products. Both stores use a self-service retail format.*
Lonely Best Buy’s Next Move

Use with Chapter 5, “Retail Market Strategy.”


Best Buy is the only national consumer electronics retailer remaining. But even if Circuit City and CompUSA have closed, it does not mean that Best Buy is devoid of competition. Instead, retailers such as Walmart, Costco, and online stores have moved into the void to try to sell electronics at very low prices.

The consumer electronics industry has never been a high margin business, but with pressure from discount retailers, warehouse club stores, and online retailers, the margins have fallen even further. Technology keeps changing too. So whereas the center aisles in Best Buy stores used to be filled with CDs and DVDs, now they feature a platform that attempts to connect people with various movies, music, pictures, and one another. This platform constitutes a service-oriented offering.

Most of Best Buy’s customers already have a flat-screen television and a laptop. What they need is not a particular product but rather more knowledge about how to facilitate their usage of the items they already own. Customers who just want the cheapest product can go to Costco or Walmart. But those who want to be walked through the buying experience and be assured that they will have the knowledge to operate the product will chose Best Buy. Best Buy offers add-on services, including product warranties, installation, and detailed system configuration. Its technical support, Geek Squad, has expanded beyond PC-oriented services, and since 2007, it has offered “Walk Out Working” service, which promises customers that employees will configure their mobile phone or laptop so it is functional even before they leave the store.

Best Buy expects that services will constitute 5 percent of the company’s revenue by the end of 2009. It also appears confident that discounters will not pursue its dominance in service.

Discussion Questions:

What are some of the initiatives Best Buy is undertaking to maintain its sustainable competitive advantage?

Best Buy’s Geek Squad already helps customers, but now it provides support for various types of technology, not just computers. Its Walk Out Working service enables customers to begin using their technology products immediately upon leaving the retail store. Best Buy also keeps changing to ensure it remains a center for technological expertise rather than just products.

What kinds of threats still exist in Best Buy’s market, even with these service offerings?

As discount and club stores expand their technology offerings, customers might place stores like Walmart first in their consideration set for purchasing such items. They also might free ride by visiting Best Buy to get advice or purchase some inexpensive support but buy more expensive items at cheaper retailers.
JCPenney Makes its Manhattan Debut

Use with Chapter 8, “Location Analysis,” and Chapter 16, “Retail Communication Strategy.”


Joining a long list of retailers—many of them with more prestigious reputations than its own—JCPenney is opening, with great fanfare, a flagship store on 33rd Street in Manhattan’s Herald Square. With a $1 million advertising campaign, it hopes to let all of New York City know that it has arrived!

The new store in Manhattan epitomizes several goals for JCPenney. First, it wants to create a “halo effect” for its brand nationwide. Customers should perceive the retailer as more fashionable because of its prominent location in the fashion and media capital of the world. Second, the retailer hopes that New York residents, who are also suffering in the poor economy, will come to appreciate its stylish, good quality, very affordable clothing. The company’s ad slogans therefore poke some fun, teasing, “Our neighbors must be shaking in their overpriced boots” and “NYC style. JCP prices.”

Such tactics are ruffling some feathers. Macy’s flagship store is also located in Herald Square, so another ad campaign provokes, “We heard Herald Square needed a good department store.” Famously, Macy’s appears on 34th Street—that was the prompt for the classic Christmas movie, Miracle on 34th Street—but a new ad promises that “The real miracle is now on 33rd Street.”

JCPenney hopes to gain a reputation as a stylish retailer with great prices. It has made considerable effort to move away from its former image—selling old-fashioned, outdated, frumpy clothing. It is proclaiming far and wide that it is now in Manhattan, and it is a great value alternative to Macy’s.

Discussion Questions:

Due to the high cost of real estate and subsequent rents, it is difficult for Manhattan stores to make money. Why did JCPenney open a Manhattan store?

JCPenney wants to create a halo effect for its brand. The rest of the United States should perceive JCPenney as more fashionable and high quality because it has a flagship store in Manhattan, the fashion capital of the world. JCPenney also thinks that New York customers want fashionable clothing for lower prices, which is exactly what it offers.

How would you assess the advantages and disadvantages of JCPenney’s ad campaign in support of its new store opening?

The ads are irreverent and funny, so they should appeal to many consumers, especially hip, young Manhattanites. They also offer a direct comparison with the store’s retail competitor, Macy’s. However, provoking a well-established retail giant might not always be a great idea; Macy’s could retaliate in ways that may harm JCPenney’s business nationwide.
Asda Asks for Customers’ Opinions

Use with Chapter 4, “Consumer Behavior,” Chapter 12, “Planning Retail Assortments,” and Chapter 14, “Buying Merchandise.”


Lots of retailers claim they listen to their customers. Asda, the brand name that Walmart uses in the United Kingdom, is following up on that claim by taking the “Pulse of the Nation”—the name it is using for its 18,000 customer focus group. These customers will dictate the products the retailer will carry.

To run its Pulse of the Nation focus group, Asda will send e-mails to each participant with product images and descriptions of potential new products. The customers respond to indicate whether they think the product should be carried in the stores; those that do so automatically enter a drawing for free prizes. Thus, not only do the panelists get to decide what items will appear on store shelves, but they also could win £250 gift cards or smaller vouchers for £40 or £10.

In return for offering such prizes, the retailer gains insight into what customers really want and what they care little about purchasing. The potential benefits for efficient stocking are notable, though Asda also must recognize that even a focus group as large as the Pulse of the Nation represents only a portion of all its customers. Furthermore, as researchers consistently note, customers have an annoying tendency of saying one thing (“I always eat fresh vegetables and fruit!”) but acting differently (purchasing ice cream to satisfy a sweet craving suffered in the store).

Although Asda therefore may need to supplement its focus group market research with some actual historical sales data, at the moment, the retailer is benefiting from the positive perception it has developed among customers who feel a sense of ownership and power over the products carried in their store.

Discussion Questions:

What do you think of Asda’s move to get customers involved in buying decisions?

It is a great way to obtain customers’ opinions on products. It also should improve customers’ perceptions of the retailer. Customers feel like they have ownership and control over the products in the store.

What opportunities do you see from online consumer panels for this and other functions?

Online consumer panels offer an inexpensive way to poll a lot of customers at once. Other retailers could use similar means to gather their customers’ opinions, and then make decisions based on their responses.
Microsoft, Welcome to the Mall!

Use with Chapter 5, “Retail Market Strategy,” and Chapter 8, “Retail Site Locations.”


In the ongoing battle between two companies known for their innovations, Apple appears to have taken a lead, though not through some new technology capabilities. Instead, Apple was first to institute a plan to enhance its loyal customer base by posting enthusiastic sales associates in easily accessible stores located in malls throughout the country, and offering a range of products for customers to try.

Microsoft is playing catch up by planning to open stores near most Apple store locations, in the hope that it can create greater cumulative attraction and bring in more customers. Furthermore, the customers can try competing products from Microsoft and Apple, a capability Microsoft plans to exploit so that it can test new products. The stores will also give an uplift to the brand, which seemingly has become lost over the years.

Although Microsoft may be mostly a software company, it offers some hardware products, especially in the entertainment field, such as Zune, its music player, and the Xbox. Yet Microsoft suffers from some confusion about its brand positioning, which it hopes the stores might mitigate. The stores will have trouble selling many PCs, because Microsoft sells no computer hardware—only the software that runs on the machines.

At this point, Microsoft has yet to disclose its store design, but it seems likely it will focus on the service component of its retail offerings. Apple may have succeeded with its retail stores because its loyal customer base loves everything Apple and already believes Apple is superior to Microsoft. But its employees also enhance this notion, offering little sales pressure, extensive information about products, assistance with customer concerns, in-store technical support, and lessons for customers who need them.

Discussion Questions:

How will an Apple store’s trade area be affected when a Microsoft store is located nearby?

Because customers will have more options available to them, the combined sales area should attract more customers to the store. Customers may visit the Microsoft store, but with the Apple store next door, they likely will go there as well. The opening of the Microsoft store also should widen the trade area, because customers may travel longer distances to access two stores.

Is this location strategy a good idea for Microsoft, or would it make more sense to put stores in locations where there are no Apple stores? Explain your rationale.

Yes, it is a good idea, because of the principle of cumulative attraction. If Microsoft located far away from Apple stores, it would attract fewer customers to its stores. Also, customers are accustomed to visiting the Apple store, but they have never been to a Microsoft store. Therefore, the stores need to appear in places where customers are likely to walk in and check out the products.
The New Starbucks (or Are They?) Stores

Use with Chapter 5, “Retail Market Strategy.”


Almost anywhere in the world, consumers can wander into a Starbucks store and recognize many of the elements—colors, scents, chalkboards. The coffee giant is testing a new store concept that uses local communities as the inspiration for the atmosphere, colors, and even furniture choices. So its latest Seattle-area store goes by the name 15th Avenue Coffee and Tea—only the fine print says, “Inspired by Starbucks.” Each additional store would take a different name, depending on its location.

Not only will the names be different, but the new stores will sell beer and wine, along with coffee, tea, and food in varieties far more extensive than what current Starbucks-goers see. Some coffee and tea offerings will be specific to a particular store because they are available only in small quantities, such as the Brasil Blend.

But don’t expect to pop in and out of the new stores quickly on your way to work: The coffee will be brewed using French presses and old-fashioned ceramic-drip systems. Baristas must set the temperature and brew time for each cup of coffee. Even espresso gets made with a manual machine—no more automatic button pushing for these baristas.

Gone from the menu are Frappuccinos; other espresso-based beverages will be more expensive. Baked goods will come from a special bakery, and the menu also features local handmade cheeses, open-faced smoked salmon sandwiches, sardines, and Starbucks ice cream.

At 15th Avenue Coffee and Tea, the ambience mimics a rustic old coffeehouse, with raw wooden tables taken from a barn and a wooden ship. The lampshades are made of rusty barbed wire. The coffee tastings occur daily at 10:00 am, and the live entertainment includes music, poetry, and line readings.

Discussion Questions:

Starbucks has spent millions of dollars developing its brand. Now it is abandoning the brand to open 15th Avenue Coffee and Tea and other similar stores. Do you agree with this strategy? Support your answer.

Starbucks has grown too large; some believe it has lost the special coffee-making experience in its efforts to automate and provide quick service. The new select stores is an experiment with what is essentially a new brand. It is not unlike Gap branching out into Banana Republic or Urban Outfitters opening Anthropologie. These are distinct brands and cater to different target markets.

If customers never see the fine print (“Inspired by Starbucks”), will perceive the new stores as separate chains or independent stores, in which case they likely will separate 15th Avenue from Starbucks in their minds. That is, the new stores cannot rely on the same kind of brand recognition that Starbucks has earned from its massive investments in its brand.
The Battle Over Online Taxation

*Use with Chapter 3, “Multichannel Retailing,” Chapter 6, “Financial Strategy.”*


The battle over sales taxes online continues to rage! On one side, the states want to tax online retailers that sell to in-state customers. On the other side sits the Supreme Court, which has ruled this practice illegal, because the online retailer lacks a physical presence in the state.

North Carolina wants to exploit a loophole by taxing the marketing affiliates that maintain a physical presence in the state. A marketing affiliate receives a commission from sales online, which the state says is the same as a sales agent with a physical presence. The approximately 200,000 marketing affiliates in the United States drive $14 billion in annual revenue, and Forrester Marketing estimates they account for 8–20 percent of online sales. The largest online retailers, such as Blue Nile, Overstock, and Amazon, are fighting back by dropping marketing affiliates in states that demand sales taxes.

Yet the cash-strapped states see no alternative but to tax sales online, just as they would if those sales occurred in stores in the state. The revenue could amount to $150–$200 million, which might make a huge difference for states struggling to fund basic services. Texas is even investigating if it can prove Amazon.com has a presence in its state, through a subsidiary that handles distribution, in which case, Amazon might have to pay taxes both currently and retroactively.

Another player in this saga is the traditional retailers, who argue that online retailers enjoy an unfair price advantage because they do not collect sales taxes. All these actors seem to have a compelling argument in support of their claims; the question that remains involves whose reasoning will hold over the long run.

**Discussion Questions:**

*Why are marketing affiliates fighting back against states’ desire to tax online retailers?*

*Marketing affiliates risk a huge loss, because without a price benefit, customers might decide that they no longer want to buy from affiliates, which also have to pay the states sales tax.*

*Why do traditional retailers agree that the state should collect sales tax revenue from online retailers?*

*Traditional retailers argue that they confront an unfair playing field, because e-tailers can charge lower prices that do not include any sales tax.*
Walmart’s Sustainability Labeling

Use with Chapter 4, “Consumer Buying Behavior,” Chapter 14, “Buying Merchandise.”


The influence of Walmart has long been acknowledged; as the world’s largest retailer, it can even drive suppliers to focus on their environmental impact. By mandating that suppliers measure the environmental footprint of each of their products, Walmart may change the way retail supply chains function.

Many companies talk a good game when it comes to sustainability, but no universal rating system exists to measure their impact or hold companies accountable for their claims. Walmart aims to create metrics that look like nutrition labels, such that consumers can compare two products side by side and determine which has more “fat.” The proposed index would balance various sustainability issues, including emissions, water conservation, and waste reduction.

To develop the metric, Walmart has sent its more than 100,000 suppliers a 15-question survey about their sustainability practices, asking, for example, “Have you set publicly available greenhouse gas reduction targets? If yes, what are those targets?” These efforts should influence not only Walmart’s vendors, products suppliers, and customers but also the rest of the retailing industry, if history is any indicator. Ever wonder why detergents all seem to be concentrated? Walmart decided to sell only concentrated detergents, because they use less packaging and require less water per load. The trend exploded thereafter, essentially due to Walmart’s decision.

Younger customers already claim that they make purchase decisions based on the amount of harm the product causes to the environment. Walmart is working to plan ahead to keep this generation satisfied with its products’ prices, quality, and consideration for the environment.

Discussion Questions:

Why is Walmart planning to require suppliers to attach labels that document the environmental impact of their products?
Walmart wants a universal rating system that will enable consumers to make comparisons about products’ impact on the environment. Many companies say they are sustainable, but each of them measures sustainability in a different way.

How might such labels affect your purchasing behavior?
I would be interested in the environmental impact of the products I am purchasing. If I find a product that seems unreasonably unsustainable, I would not purchase the product. The labels would certainly make it easier for me to consider what kind of effects my purchases are having on society as a whole.

Can you identify any negative potential effects of this effort?
When Walmart issues a demand to its suppliers, they have little choice but to comply. However, some smaller suppliers might have trouble finding the resources to calculate the impact of each of their products, because that effort is relatively labor intensive. Therefore, smaller producers that have regarded Walmart as an excellent means to expand their reach may not be able to do so.
Misleading Claims about “Local” Products

Use with Chapter 10, “Information Systems and Supply Chain Management,” Chapter 16, “Retail Communications Strategy.”


A locavore eats only foods produced within that consumer’s locale or region, in an attempt to support local farmers and minimize the energy consumed to transport products far distances to their final destinations. Not everyone commits fully to such a lifestyle, but many national chains recognize that consumers may prefer some local items, so they make promises about food sources that may turn out to be downright misleading.

According to the federal government, products may be labeled as local if they come from within a 400-mile radius—equal to the distance from Boston to Baltimore. Through marketing the “local” term, it has taken on a wide array of meanings. Variations on the term, such as “Home Grown,” are not subject to any regulations, so these products do not need to meet even the 400-mile radius threshold.

The signs touting products as local do not necessarily mean what a consumer seems likely to interpret them to suggest. For example, Wegmans’s farm trucks display a farm mural and the words “Home Grown”—as if the truck came in straight from the farm down the road to reach the store. But the produce in the truck may actually come from the Netherlands and Canada. The products were “home grown”—just in different countries.

To try to clarify what local means, Whole Foods provides the name of the farm and the number of miles from the particular store. Thus, the sign for basil lists “Sun Agua Farms in Dalton, PA (207 miles from here!).” If the location is too distant to claim local status, Whole Foods just indicates the country, such as pineapples from Costa Rica.

National chains have a hard time finding all local products, which would require incredibly complicated logistics systems. Small local farms likely cannot provide the entire range of products that grocers need to stock, so instead of using one large farm, they would need to contract with many small farms producing the same product. If they cannot find enough of the local version of the product, or find it year-round, the chain would need to search farther and farther away from its location. Instead, your local peach in New York may just come from Boston. Don’t tell Yankee fans.

Discussion Questions:

Why do retailers advertise “local” products?

Local products are more environmentally friendly and may be fresher. Products produced locally also support local communities and create the perception that they were “farmed with care.” Therefore, retailers advertise local products because local products appeal to consumers.

Are consumers really able to “buy local”?

Consumers need to read the fine print or investigate further than a sign that claims the product is local to determine if the claim is accurate and believable. However, with some work, many consumers could find sources of local items (e.g., farmers’ markets). It just may require more effort than they are willing to expend.

What are the ethical issues related to advertising “local” products when the merchandise isn’t really very local?

It is misleading to tell customers that the product is produced locally when it actually is produced halfway across the country or even across an ocean. It also may harm local growers, whose reputations for fresh items might be damaged if consumers believe the older produce they consume comes from those local farms. Finally, it is bad for society as a whole, because we generally accept a norm that demands honesty in communication and advertising.
My Macy’s Goes Nationwide


In 2005, Macy’s acquired the May Co. department stores and transformed its many different brands into one Macy’s nationwide. The idea was that this step would cut costs and ensure a consistent brand. But in the process, consumers lost their favorite local department stores, and they were not happy with a plain old Macy’s as a substitute.

And now the company has come full circle, acknowledging the distinct advantages of staying in touch with local communities. The latest reorganization provides for tailored store designs and assortments. To implement this reconfiguration, the company cut approximately 700 New York–area jobs and reassigned 1,600 merchants. Teams of 20 merchants and planners oversee each of Macy’s 69 U.S. markets, with responsibility for 10 stores each. This decentralization should help the retailer gain better access to local customer information while still maintaining consistency in each market.

Twenty markets also have experienced the My Macy’s pilot store concept. The results of these tests showed that My Macy’s 2008 fourth quarter sales were 1.5 percent higher than those of other stores. Therefore, the My Macy’s local strategy is coming to all its markets and their more than 800 stores.

Together with this organizational restructuring, Macy’s is altering store designs according to the local markets. Although a prototype store offers the framework, it can change to match the building design. For example, the new store in Fairview, Texas, just north of Dallas, hosts bigger sportswear, accessories, and cosmetics departments but no fine china department or bridal registry. A Starbucks inside the store provides free Wi-Fi and computers that customers can use to shop on Macys.com. The dressing rooms are also more luxurious and larger.

Macy’s is not planning to reintroduce the local names—Marshall Field’s in Chicago, Rich’s in Atlanta, Burdine’s in Florida, Foley’s in Houston, Meier & Frank in Portland—but it is hoping to infuse some local atmosphere back into its stores.

Discussion Questions:

What are the advantages of a localized approach for Macy’s?
Customers should sense a closer relationship with a store that offers appropriate merchandise and a design conducive to the local environment. Shoppers prefer to shop at places that seem to care about their local market, rather than just the national brand.

What kinds of organizational structure have Macy’s displayed during the past several years?
When Macy’s initially centralized the operations of all its stores, it seemed to be adopting a cost orientation, in that it wanted to reduce its operating costs by bringing all decision making within a central location. However, it was forced by consumer complaints to become more customer-oriented, that is, to pay attention to what customers want in their local department stores.
Twittering the Latest News


It isn’t only your college roommate sending out those 140-character updates. Small and large companies alike find valuable applications for social networking sites. Social networking may target a smaller group of customers, but virtually all of the members of the group are interested in the company in some way.

Small companies with limited marketing budgets love the response they can induce by using Twitter or Facebook. For example, a small bakery sends its daily announcement: “Two new scones: Lemon Blueberry and Chorizo Cheddar! Also, Rainbow cake!” Customers flood to the store, then post their reviews of the new flavors. The resulting buzz includes not just local customers but any of their followers who might be interested in baked goods. The bakery thus has gained 600 Facebook fans and 400 Twitter followers—a huge captive audience for a local entity.

Large companies may have enough funds to mass market through national campaigns, but they still like social networking as a way to stay in personal touch with their customers. Whole Foods, Comcast, JetBlue, American Apparel, and Dell are among the big corporations that actively participate in social networks. They use Twitter, for example, to send quick messages or respond promptly to customer complaints.

Large or small, companies can develop their brand through social networks that depict the company in a certain way, adding a human element that otherwise might not exist. For example, Comcast offers cable and Whole Foods sells healthy food, but their Facebook friends now also realize that Comcast and Whole Foods employ friendly people with whom they might develop a relationship.

Not all social networking communication has positive results though. Social networking eliminates boundaries, which often exposes companies to customers’ true (and sometimes mean) thoughts and behaviors. Furthermore, a poor Tweet could elicit no response or even a negative response from customers. Even mega-companies can feel neglected if no one reads their Twitter posts.

Discussion Questions:

How are retailers using Twitter and Facebook to communicate to their customers?

Retailers use Twitter and Facebook to send out announcements, as well as respond to customer inquiries and problems.

Why aren’t these social network tools reaching all potential customers?

Social networks only reach the audience that has opted in to engage with the brand. Many customers do not follow brands on Twitter or are not that interested in communicating with the retailer on Facebook. To reach these customers, the companies must adopt different communication and marketing tools.
Want a Video with that Yoohoo?


The benefits of Netflix over Blockbuster seem clear: Customers can choose their DVDs online, receive them in their mailboxes, and keep them as long as they want. But how do the benefits of Redbox compare to Netflix?

Redbox is a vending machine rental kiosk, located in McDonald’s locations, grocery stores, and convenience stores. Thus, to obtain the DVDs, customers still have to visit a retail location, but those locations are places the customers probably already visit, which makes the process easier than visiting a separate Blockbuster store. The rental fee is just $1 per day.

The 15,600 Redbox kiosks in the United States rent approximately 7.5 million movies weekly; Netflix rents 10 million. Redbox also offers a different selection of movies in an attempt to appeal to a different audience, namely, lower-income households with larger families. These consumers have no time to search thousands of movie titles that hold no interest for them, so Redbox makes the most popular titles easily accessible—usually physical comedies. Few of these titles show up in Netflix’s top 100 list.

Each Redbox contains 600 disc slots and usually carries 200 titles, with multiple copies of the most popular movies. In contrast, Netflix boasts 100,000 titles. But the kiosks have to ensure that they provide exactly the movie that a customer wants at exactly the moment that customer arrives at the kiosk. To improve stocking policies, Redbox allows customers to check a particular kiosk’s inventory on its Web site and reserve a copy.

Discussion Questions:

Who will be most successful in the DVD rental market: Blockbuster, Redbox, or Netflix? Why?

Netflix seems like it will be the most successful, because of its online convenience, door-to-door service, and the tremendous selection of DVDs. Redbox may succeed as well, because it offers low prices and relative convenience. It looks like Blockbuster may be the loser in this market.

How might Netflix and Redbox use STP to enhance their sales and profits?

Although the customer segmentation for these two competitors seems pretty clear, both companies need to continue to define their key segments; they appear to be large, lower-income families for Redbox and Internet users for Netflix. Accordingly, their targeting strategies should differ. For example, Redbox might put ads on grocery bags or on the liners on McDonald’s trays, whereas Netflix should advertise more online. Their positioning should reflect similar approaches, though both rental companies should take care that they do not position themselves so exclusively that an Internet user never visits a Redbox kiosk or a mother of five never sets up her queue on Netflix.
Interacting with Friends While Online Shopping

*Use with Chapter 3, “Multichannel Retailing,“ Chapter 4, “Consumer Behavior,” and Chapter 16, “Retail Communications Mix.”*


Vans, the brand appearing on the feet of generations of surfers and skateboarders, may not be the first to allow users to interact and talk about products on its Web site, but it may be the best in terms of creating a seamless blend of shopping and friendly interactions.

On Vans.com, users can design their own shoes, including the shoe type, size, and design (from approximately 20 different choices), as well as the laces, collar lining, and the foxing (i.e., the strip that connects Vans’ signature sole to the rest of the shoe). After designing their dream shoe, users can share their vision with their friends online by inviting them to chat or e-mailing them an image. If a user really likes the design, he or she can even post it to a Facebook profile.

Because Facebook is embedded within the Vans’ site, comments made on Facebook transfer directly to the product site. Thus, when the would-be shoe designer visits his or her Vans product page, all his or her friends’ comments appear. No one needs to search through hundreds of unstructured Facebook postings to find relevant comments. Vans thus captures relevant data for the user’s purchase decision and keeps it organized in one place.

Vans’ target market of 12–24-year olds is extremely influenced by their friends, and online capabilities are key in the company’s efforts to lower social risk. Their friends may not like the product that they created, or they might offer enough positive comments that the users feel ready to take the plunge and purchase their personalized shoes.

To measure the success of this interactive platform, shoe sales cannot be the primary focus. Rather, the platform seems likely to help build brand equity and thereby have an effect on other Vans products as well.

**Discussion Questions:**

*How does the Vans.com e-commerce site work?*

*Vans.com allows users to design their own shoes and then ask their friends for their opinions. Users can post the image to their Facebook profiles, using the Facebook application, and then review their friends’ comments in the summary provided on the vans.com products page.*

*Would you purchase on Vans.com?*

*Yes, I would enjoy designing a customized pair of shoes. I would solicit a few opinions from close friends and family, which would help me decide whether their feedback—positive or negative—was encouraging me to design a new pair or purchase the current design.*