Dear Professor:

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

**Why Tech Bows to Best Buy** (Chapter 14)
**Spendthrift to Penny Pincher: A Vision of the New Consumer** (Chapter 1, 4)
**Price Check: Finding Deals With a Phone** (Chapter 16)
**Nice Gift, but Ask if You Can Return It** (Chapter 19)
**On Asian Airlines, Service Stays High Despite Downturn** (Chapter 19)
**Target’s Eye on the World** (Chapter 10)
**Toys ‘R’ Us Trims Losses by Making a Hamster Hot** (Chapter 5)
**Visual Equity: Being Front and Centre Increases Sales Knowledge** (Chapter 18)
**Wal-Mart Shifts Strategy** (Chapter 5)
**My Initiation at Store 5476** (Chapter 9, 17)
**Blockbuster Tries to Recast Itself as More than DVD-Rental Chain** (Chapter 5)
**Hotel Chains Try New Ways to Earn Loyalty** (Chapter 11)

If you are interested in the text book please visit [www.mhhe.com/levy7e](http://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.warrington.ufl.edu/mkt/retailcenter/research/publications.asp](http://www.warrington.ufl.edu/mkt/retailcenter/research/publications.asp)
The entire list is at: http://money.cnn.com/magazines/fortune/bestcompanies/2010/

Three videos of retailers on the list are at:

REI  
Build a Bear  
http://money.cnn.com/video/fortune/2010/01/20/f_bctwf_build_a_bear.fortune/  
Stew Leonard’s  

The retailers on the most recent list and the reason for their selections are:

3. Wegmans www.wegmans.com - Rated one of the best groceries in the nation and a former No. 1 on this list (in 2005), Wegmans has never had a layoff in its 94-year history. More than 4,000 employees, eleven percent of the workforce, have been with the store more than 15 years.

5. Nugget Market www.nuggetmarket.com - The tough economy prompted the supermarket chain to help associates by giving them cards good for 10 percent discounts on $500 of groceries every month. At one employee-appreciation event, the executive team surprised everyone by washing the cars of all associates.

14. Recreational Equipment www.REI.com - This consumer co-op has grown from 10 stores in 1985 to 110 today. CEO Sally Jewell identifies its chief competitor as an "increasingly sedentary lifestyle that leaves adults and children with little time for outdoor recreation."

15. Zappos.com www.zappos.com - Now an Amazon.com subsidiary, this online retailer has vowed to maintain its zany culture. CEO Tony Hsieh and COO Alfred Lin held an all-hands meeting after the Amazon deal was announced, telling employees they would each receive a Kindle and a retention bonus equal to 40 percent of their annual salary, with 20 percent paid this past December and 20 percent next December.

18. Whole Foods Market www.wholefoodsmarket.com - Attacked from the right (too elitist, too New Age) and the left (too pricey, too anti-union), this grocery chain added 14 new stores in 2009, attracting a workforce that is young and idealistic.

36. Container Store www.containerstore.com - Women play key roles at this storage and organizer retailer: Females constitute 63 of 111 store managers, 12 of 14 vice presidents, and 30 of the 52 directors.

38. Scooter Store www.thescooterstore.com - From quarterly pep rallies to daily birthday parties, celebrations are a way of life at this returnee to the Top 100 list. Forty percent of employees are salespeople who earn commissions based on their performance.
41. QuikTrip [www.quiktrip.com] - New employees at this Midwest chain of convenience stores are taken under the wing of mentors, who work with them for two weeks.

53. Nordstrom [www.nordstrom.com] – This retailer survived the recession with zero layoffs. Employee entrances carry signs with messages like ‘through these doors pass the world’s most courteous people.’

56. CarMax [www.carmax.com] - An honest used-car seller? Through its policy of no haggling and straight-talking, CarMax has become the nation’s largest seller of pre-owned cars.

58. Four Seasons Hotels [www.fourseasons.com] - Now owned by Isadore Sharp, Bill Gates, and Prince Alwaleed bin Talal, this hotel chain offers employee benefits unusual in the field: automatic 401(k) contributions, 78 percent coverage of health insurance premium, and free dental.

64. Stew Leonard's [www.stewleonards.com] - Senior managers froze their salaries so that other employees could get raises (4 percent for hourly folks, 3 percent for salaried) and the company could maintain its no-layoff policy.

68. Men's Wearhouse [www.menswearhouse.com] - Avoiding layoffs, CEO George Zimmer took a 20 percent pay cut in 2009. Senior vice presidents took a 5 percent cut; and members of the board of directors accepted a 10 percent salary decrease.

80. Build-A-Bear Workshop [www.buildabear.com] - Average age of customers: 10. Two-thirds of employees are under age 25, 80 percent work part-time, and those averaging 20-plus hours can get health insurance.


93. Starbucks Coffee: [www.starbucks.com] - Baristas love working at Starbucks because of the camaraderie, and part timers, who make up nearly 90 percent of the workforce, are grateful for the health insurance benefits

**Videos on the Internet for Class Discussion**


MSI videos on:
- Chapter 4 - Understanding brand communities
- Chapter 5 - Innovation at Royal Caribbean
- Chapter 5 - Hitting the brand sweet spot
- Chapter 18 - In-store decision making

Chapter 1 - Anita Roddick, founder of the Body Shop, on corporate social responsibility
Additional Material for Teaching Retail Classes

A new website, part of the University of Florida Miller Center for Retailing Education and Research, provides materials for retail class instructors including:

- Syllabi from instructors at a variety of institutions
- 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
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
Why Tech Bows to Best Buy

Cliff Edwards, Business Week, December 10, 2009

Use with Chapter 14, “Buying Merchandise”

After the liquidation of Circuit City, Best Buy became the last major consumer electronics retailer in the country. However the company continues to face considerable competition from retailers operating different formats, including Wal-Mart’s supercenters and Costco’s warehouse clubs. To distinguish itself, Best Buy hopes to transcend the usual big-box retailer profile of simply selling commodity products and become a significant voice in the design, development, and marketing of new consumer electronics. For example, the company is pushing suppliers to use standardized software and digital services so consumers can access their music and movies on any device.

Partnerships between Best Buy and its vendor’s design engineers are aimed at developing new technologies such as green vehicles, digital health products, and home monitoring systems. By working with vendors like HP, Sony, and Toshiba, Best Buy plans to market exclusive products that will differentiate its brand from remaining competitors. In addition, the company launched a venture capital fund to subsidize startups from Silicon Valley to Asia. Products currently available in Best Buy stores that reflect this strategy are the thinnest laptop on the market, a motorcycle that runs solely on electricity, and a wrist monitor that tracks daily activity and sleep patterns. As a reflection of its key interest in health and wellness, Best Buy launched new fitness zones in 40 stores. Merchandise in these zones include Bluetooth-enabled scales that send weight to a home computer and a toothbrush that wirelessly reports the number of a child’s brushstrokes to a PC. While some vendors are embracing these partnerships, others worry about Best Buy’s growing influence and their own ability to place products on the retailer’s shelves. They are also concerned that Best Buy will preferentially promote exclusive products. Their concerns are not without merit: A year ago, Best Buy acquired the online music service Napster and purchased a stake in CinemaNow, a movie-streaming service. The chain is now promoting computers loaded with Napster and CinemaNow. Computer vendors will no longer be able to get paid by Netflix or Rhapsody service providers to their load software.

Discussion Questions:

Why is Best Buy working with vendors to develop exclusive offerings? Is this a novel approach?

*Best Buy wants to develop exclusive products that consumers can only purchase in their stores or on their website because these special offerings will differentiate the Best Buy brand, create customer loyalty, and increase margins by limiting price competition. Developing and offering “private labels” is nothing new in retailing, but it is new in consumer electronic retailing because retailers typically lack the technology to develop these innovative products.*

What impact does this change have on Best Buy’s vendors?

*This new paradigm shifts the power from the vendor to the retailer. Best Buy no longer has to rely on the vendor’s products. It now has the alternative of selling its own exclusive products. Although there has been a power shift in Best Buy’s favor, those vendors that have developed strong partnerships with Best Buy stand to gain.*
Spendthrift to Penny Pincher: A Vision of the New Consumer

Lisa Bannon and Bob Davis, Wall Street Journal, December 17, 2009

Use with Chapter 1 “Introduction to the World of Retailing” and Chapter 4 “Shopping Behavior”

Although the economy shows signs of recovery, American consumers are not expected to return to pre-recession levels of spending. Analysts speculate that the consumer mind-set has changed and that consumers who bought expensive, branded products as status symbols will shop with more caution, putting funds into savings accounts rather than possessions.

Neurobiologists suggest that the recession has left a permanent "memory trace" – an emotional feeling that persists after a traumatic event. Since the drop of the stock market a year ago, people have learned to be risk averse. They want to feel secure when buying things. Thus neurobiologist say that consumers will need to be reconditioned to take risks again.

Based on the results of a survey of 1,800 affluent Americans, Jim Taylor, vice chairman of the Harrison Group, feels, "We seem to be at a cultural inflection point that we haven't seen since World War II. People are getting used to being careful, and I don't know how you undo that." Almost half of the survey respondents think they could suffer major financial losses in the future.

Retailers hoping to attract these price-conscious consumers are altering their marketing approaches to emphasize product value and social and environmental responsibility. Luxury brands demonstrate this trend with a move away from extravagance and indulgence and toward experience and relaxation. For example, the iconic image of Ritz-Carlton’s prestigious and exclusive service was of a service provider holding a silver tray. However a focus group revealed that some customers felt guilty about lavish spending even though they still wanted a vacation that included a stay at a Ritz Carleton. Mark Miller, executive director of strategic planning for the Ritz Carleton’s ad agency, concluded that, “The customer is saying, 'Show me empathy for all the customers who have less money than before. They are looking for permission to spend again.'” The insight is reflected in Ritz Carleton’s new ads, which feature photos of children swimming in a lake and the message, "You may be rethinking your vacation this year. Coincidentally, so are we."

Discussion Questions:

Will the shopping patterns of consumers change fundamentally after this economic slump passes?

This important question will only be answered over time. The Great Depression lasted a much longer time and probably resulted in a deeper memory trace. Some research on the effects of economic downturns finds that consumers buy more private label merchandise during the downturn but shift back to national brands when the economy recovers.

If shopping patterns do change fundamentally, how will this affect retailers?

Retailers will need to focus more on reducing their costs and providing merchandise at lower costs and with fewer services. They may also attempt to reposition their brand by stressing environmental and social responsibility, as well as more practical products and services.
Price Check: Finding Deals With a Phone

Geoffrey A. Fowler and Yukari Iwatani Kane, Wall Street Journal December 16, 2009 and

Mobile Phones Become Essential Tool for Holiday Shopping, Claire Cain Miller, New York Times, December 18, 2009
Use with Chapter 16, “Retail Communications”

Instead of sitting at a computer and researching the Internet for products and prices before heading to the mall, consumers can now use their mobile phone applications for shopping any time, any place — even while inside a store. Online retailers are creating mobile versions of their Internet sites so consumers can make price-conscious purchases even while on the go.

One in five shoppers said they intended to use their cell phones to shop during the 2009 holiday season according to an annual survey by Deloitte. Of those, 45 percent said they would use their phone to research prices, 32 percent said they would use it to find coupons or read reviews, and 25 percent said they would make purchases from their phones.

Customers use applications like ShopSavvy and Where to Shop to find the closest store with the lowest price for the item they want to purchase. These apps, which are downloadable to smart phones, allow users to share information about product, price and location with friends. Some apps allow consumers to scan product barcodes to obtain additional information such as nutritional value.

For example, while browsing at a Best Buy store, 33-year-old Erik Olson picked up a Blu-ray version of the movie "Heat" and used the camera on his Droid smart phone to scan the DVD's barcode label. Using the ShopSavvy application, his phone checked prices for the movie at other stores. Best Buy charged $26, but the app told him Wal-Mart.com had the movie for $19.

Mobile apps from RedLaser, TheFind, ShopStyle and PriceGrabber.com let customers compare prices for an item across a set of retailers. An electronics review site called Retrevo allows users to send a text or a Twitter message with the name of the product they want to learn more about it. Customers get an immediate response.

Despite their benefits, these apps have flaws, including not having updated information so shoppers can arrive at a store only to discover the product is out of stock or its price has changed.

Although some retailers try to withhold product and price information from these third-party shopping sites, competition forces retailers to disclose it. In fact, Best Buy now allows app developers to tap directly into its live database of products, prices and availability.

Discussion Questions:

What new mobile technology applications are making shopping easier?

Smart phone applications allow consumers to capture barcode information for products, search the prices of products in conveniently located stores, and get more detailed information about products.

Are you using these applications? Why or Why not?

This question can be useful to stimulate classroom discussion.
Nice Gift, but Ask if You Can Return It


Use with Chapter 19, “Customer Service”

About 17 percent of retailers tightened their holiday return policies in 2009 in response to industry estimates that returns cost retailers about $10 billion a year. These costs result from processing returned merchandise and fraudulent returns such as returning stolen merchandise with fake receipts or taking advantage of lenient return policies to get cash back on stolen merchandise without a receipt.

Despite the trend to tightened return policies, Nordstrom and Lands’ End are still renowned for their liberal return policies. To illustrate its policy, Lands’ End uses a story about the old-fashioned London taxi featured on its 1984 catalog cover. The taxi sold for $19,000 in 1984. More than two decades later, the customer asked for a refund, and Lands’ End returned the entire $19,000. Conversely, most consumer electronics retailers allow only a couple of weeks to return items like flat-screen HD TVs and computers and may charge a 15 percent restocking fee. These return policies are used to discourage consumers from “renting” HD TV for the Super Bowl Weekend.

Some issues related to returns that consumers should consider are:

- **Be careful with online purchases.** Just because the company has a physical location doesn’t mean they accept returns of online purchases.
- **Do your homework.** Always check the return policies on the retailer’s website or ask the retailer about their return policy at the store. Retailers may have different return policies for different product categories.
- **Know the restrictions.** Whether you are buying a gift or something for yourself, always make sure to know what restriction the company has in case you want to return the item. For instance, it’s often impossible to get cash back, especially if you’re returning a gift. Many retailers will provide refunds only to the person who originally made the purchase.
- **Check your card’s policy.** Several credit cards offer little-known but highly useful benefits that allow you to secure a refund when a retailer will not grant one.
- **Keep receipts.** This is a great form of security. In case you or the gift recipient is dissatisfied with the product you always have the receipt to apply for a refund.

**Discussion Questions:**

**Why are some retailers tightening their return policies?**

*When merchandise is returned, the retailer’s cost increases and these increases in cost eventually lead to higher prices and lower sales. The increases in cost are not just due to the cost of processing the returned merchandise – checking it out for damages, repackaging it, etc. A lot of returns are fraudulent. For instance, a person involved in the return may never have paid for the merchandise but get money back by “returning” stolen merchandise.*

**What do you think is a fair return policy?**

*Some issues for discussion might be the length of time after the product is purchased, whether a receipt is needed, the form of the payment – credit or cash – and whether the merchandise is used, in original packaging, etc. Retailers might also consider asking chronic returners to shop elsewhere. It is important for retailers to distinguish between a chronic returner and a good customer that happens to have a problem with an item. They don’t want to alienate good customers.*

**What should consumers do to protect themselves against being disappointed while attempting to make a return?**

*Know the store or electronic vendor’s return policy and restrictions before making a purchase and save receipts.*
On Asian Airlines, Service Stays High Despite Downturn


Use with Chapter 19, “Customer Service”

The world’s airline industry will lose a combined $11 billion this year and $5.6 billion next year, according to the International Air Transport Association. In response to this grim prediction, Asian airlines are diverging from the approach used by U.S. carriers and offering more pampering — especially for business and first-class customers — rather than extra charges for food and baggage.

Asian airlines have a tradition of perks, and passengers expect top service all the time. This tradition is due in part to the region’s culture; the percentage of fliers who are price-insensitive business customers; and lack of no-frills, budget competitors. Some examples of the extra services offered by Asian airlines are:

- Korean Airlines is spending $200 million to equip its aircraft with high-end seats and to upgrade its entertainment offerings in all cabins. Meals include organic food and beef and chicken raised organically at the airline’s own ranch on Jeju Island.
- Cathay Pacific’s improved services include new cabins on long-haul flights; a new first- and business-class lounge in Kuala Lumpur; and a home wine delivery service. Passengers have their choice of 21 different movies. Qantas halved check-in times on domestic flights by allowing members of its frequent flier program to check in with a membership card fitted with a special chip.

The service quality of Asian airlines is illustrated by the Skytrax quality rankings. Five of the six airlines in Skytrax’s five-star category are based in the Asia-Pacific region, as are nearly half of the 27 carriers that hold four stars. By contrast, only a few of the four-star carriers are in North America and fewer than 10 are European.

Budget airlines like AirAsia, Tiger Airways and Jetstar are a relatively recent phenomenon in Asia, but they have not captured much of the market. These low-cost, low-service Asian carriers have expanded the market rather than reduced the number of full-service passengers. The low fares draw passengers who cannot afford to fly with traditional “full service” carriers.

Discussion Questions:

What are some Asian airlines doing to retain loyal customers?

They are improving the services offered to customers – better food and wine, Internet access, more entertainment, more legroom, and faster check in.

Do you think a similar strategy would work with U.S. based airlines? Why or why not?

Probably not because the percent of non-business, more price-sensitive passengers is greater in the U.S. than Asia. In addition, Asian businesses might be more willing to pamper their executives than U.S. businesses that have more pressure from their stockholders to control costs.
Target's Eye on the World

Jackie Crosby, Minneapolis Star Tribune, December 2, 2009

Use with Chapter 10, “Information Systems and Supply Chain Management”

In Target’s C3, the Corporate Command Center, technicians are able to study maps, satellite data and government reports as well as check in on everything from weather and road construction to political unrest and the global spread of the H1N1 flu virus. Control room technicians can check 75,000 store security cameras in Target’s 1,700 stores and distribution centers at any time from their work stations. They keep an eye on anything that could interrupt Target’s operations.

Target’s Corporate Command Center was established in a 12-by-17 foot office after the 9/11 terrorist strikes. After Hurricane Katrina, Target invested in infrastructure and moved the operation to its current space, which is nine times bigger and has large meeting areas. "Katrina was a wake-up call," said Mike Rackley, the senior manager for global security. "No one in the country was ready for the level of devastation. We had to look at that. We learned we needed a stronger decision-support system. We needed the ability to make decisions faster throughout the whole company so we could move more quickly."

Now when the Command Center identifies a natural or man-made threat, a team representing every division gathers around the conference room table within an hour. If the threat is a blizzard, a merchandising manager will make sure shovels, batteries and bottled water, are in stock, while a human resources manager might see if employees need help getting to their stores. People in logistics may need to reroute store deliveries. Once a plan is established, the team works through its network of 13 regional centers to implement it.

Technological capabilities like this enables retailers such as Target, Wal-Mart, and Home Depot to play an important role working with government agencies during emergencies. With their sophisticated distribution networks and information systems, retailers can efficiently deliver goods across the country. For instance, Wal-Mart led a relief effort after Hurricane Katrina and was able to have 45 truckloads of goods in the Gulf Coast area before the hurricane even hit land and long before government agencies were able to respond.

Discussion Questions:

What does Target’s C3 do?

It monitors the environment in which its stores operate and mobilizes the necessary resources to deal with problems. In case of an emergency or natural disaster, the C3 can help stores react quickly to provide necessary help.
Toys ‘R’ Us Trims Losses by Making a Hamster Hot

Stephanie Rosenbloom, New York Times, December 19, 2009

Use with Chapter 5, “Retail Market Strategy”

When Toys ‘R’ Us was sold, in 2005 for $6.6 billion to two private equity firms and a real estate developer, its future was grim. Wal-Mart had overtaken Toys ‘R’ Us a decade earlier as the largest toy retailer in the country. To stay competitive, Toys ‘R’ Us focused on service and selection rather than price. To implement this strategy, the retailer searched for the trendiest toy and locked the manufacturer into exclusive arrangements, placing a high-risk bet by purchasing the entire inventory of the product.

For example, buyers at Toys ‘R’ Us saw fake hamsters, known as Zhu Zhu Pets, at the Hong Kong Toys and Games Fair almost a year ago. The buyers thought children would adore the hamsters, and mothers would appreciate a pet that required no care. Toys ‘R’ Us partnered with Cepia, the small company that created the hamsters, for a test run in a few stores in Arizona. Sales were off the charts. Toy’s ‘R’ Us spent the summer working with Cepia to increase production of the hamsters and to develop exclusive variations for Toys ‘R’ Us. The retailer planned to have more than a million Zhu Zhu Pets and accessories available for the holiday season —vastly more Zhu Zhu inventory than any other store.

As part of the new strategy, Toys ‘R’ Us has bought out nearly every well-known specialty toy chain and Web site. The company opened more than 80 pop-up locations for the holiday season and is opening supercenters that will merge Toys ‘R’ Us and Babies ‘R’ Us stores.

Despite the hot hamsters, Toys ‘R’ Us has felt the recession. Sales declined relative to the prior year’s levels. However, this toy retailer remains the last big specialty store in this category. Retailing professionals believe that Toys ‘R’ Us, which has 849 Toys ‘R’ Us and Babies ‘R’ Us stores in the United States and more than 700 international stores, will probably file for a public stock offering in the next year or so.

Discussion Questions:

What has Toys ‘R’ Us done to turn itself around and compete better with the largest toy retailer, Wal-Mart?

Toys ‘R’ us has improved its merchandise quality and assortment. To set itself apart from its competitors, especially Wal-Mart, it is working closely with vendors to develop exclusive products. It has also improved customer convenience through increased store locations. It has acquired store-based and non-store specialty retailers with strong brand names.
The placement of products on supermarket shelves influences buying decisions, perhaps even more strongly than print or electronic marketing. The value of product visibility on a store shelf, defined as visual equity, is important because of the competition for attention among a plethora of products. If products are buried or hidden from customers’ view, then the brand equity build through advertising and other forms of marketing communications do not convert to sales. Visual equity is especially important for online retailing since many sites offer upward of 100,000 products. Alarmingly for retailers, a recent study found that about two-thirds of products available in stores are never seen by customers.

The objective of a recent study was to determine the importance of display factors related to visual equity. The research showed that locating a product on the top shelf increased the percentage of people who see by about 20 percent; the likelihood of the product being chosen increased by the same amount. Doubling product facings increased by 28 percent the number of customers seeing the product and raised the chances of the product being purchased by 10 percent. Low market share brands are impacted even more dramatically by shelf visibility. Shelf placement can also impact customer perception of products: This research found that products placed on the top shelf were perceived as having higher quality.

**Discussion Question:**

With regard to shelf placement, what is the difference between the brand manufacturer’s and the retailer’s perspective?

*Retailers are interested in maximizing the profits that can be generated from the shelf space, while brand manufacturers are interesting maximizing sales of their own products. Brand manufacturers want their products on the top shelf with a high number of facings, while retailers want these positions and facings for products, such as their private label brands, that generate the most gross margin dollars. Doubling the facings only increases sales by 10 percent, so retailers might generate more profit through facings by adding another brand to the assortment rather than doubling space for a brand already represented.*
Wal-Mart Shifts Strategy

Jackie Crosby, Minneapolis Star Tribune, December 9, 2009

Use with Chapter 5, “Retail Market Strategy”

Wal-Mart’s new strategy places more emphasis on the quality of the in-store shopping experience and life in general than on low prices. While this retail giant continues to offer low prices for items like milk and toothpaste that shoppers scrutinize for comparative pricing, the cost for a typical market basket of products at Wal-Mart is not that much lower than at Target.

To improve the shopping environment, Wal-Mart is removing pallets of merchandise from aisles, replacing dark blue signs with soft blue signage, and lowering shelf height to make merchandise easily accessible to customers. About a third of Wal-Mart’s 4,600 U.S. stores have undergone the top-to-bottom redo, called Project Impact.

The result is that Wal-Mart is starting to look a lot more like its competitor, Target. The floors are now shinier, the lighting is brighter, and the main walkway around the store perimeter is wider. Altered signs are simpler with fewer words and prices rounded to dollars, and Wal-Mart employees wear navy shirts and khaki pants to make them easily recognizable to customers. These changes are reflected in the change Wal-Mart has made in its tagline from “Always Low Prices. Always” to “Save Money, Live Better.”

Discussion Questions:

What has Wal-Mart done to change its strategy?

*Wal-Mart is placing more emphasis on creating a pleasant ambiance in its stores than on offering low prices.*

What are the strengths and weaknesses of this shift in strategy?

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<td>• Increase customer base by creating a stronger image of offering quality merchandise</td>
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My Initiation at Store 5476

Stephanie Rosenbloom, New York Times, December 20, 2009

Use with Chapter 9 “Human Resource Management” and Chapter 17, “Managing the Store”

Just after 9 am on a rainy December morning, the employees of Wal-Mart Store 5476 gathered in the electronics department and arranged themselves in a circle. Suddenly, the soft electric hum of the store was pierced by the sound of 40 workers shouting in unison: “Good morning, Vickie!”

Their eyes were on the assistant manager, Vickie Smith, as they clapped their hands twice, stomped their feet twice, pumped their fists twice, and topped it all off with a “Whoo-hoo!” So began a 10-minute meeting that takes place three times a day, at the beginning of every shift, not only here at the Wal-Mart on Cooper Street in Deptford, but at every other Wal-Mart in the nation. With 4,200 stores, that means 12,600 meetings a day.

During a typical meeting, Ms. Smith and her co-workers review the store’s key categories, like electronics and food, and discuss products they want to push. Then a few employees offer “an appreciation not to a deity, but to one another, for small miracles like shelving more than 5,000 cases of merchandise overnight.” Participants cannot zone out in meetings like these. These are Wal-Mart meetings — two parts militaristic, one part Kumbaya. Bill Riff, the store’s manager and a former air traffic controller in the Air Force, steps into the circle, holding high a pump of hand sanitizer. “Swine it up!” he bellows. Each employee simultaneously extends an arm, palm up, as Mr. Riff squirts a dollop of goop into one hand after another to help stave off the H1N1, or swine flu, virus. To some, Wal-Mart’s rituals may seem like corporate Kool-Aid — spirited at best, cultist at worst — yet they enable the company to organize hundreds of workers around a common goal: efficiently operating a store that is more than three times the size of the White House.

Store 5476 in Deptford, a blue-collar town south of Philadelphia, employs 425 people and has more than 203,000 square feet of space. Like all Wal-Mart stores, the data from the point-of-sale system is used to automatically reorder basic products, but employees must continually add orders for seasonal goods and hot sellers. To order more, supervisors and managers use a hand-held machine called a Telxon. The Telxon can also tell employees how many G.I. Joe Ninja action figures sold that day or week, where exactly in the store a Britney Spears perfume set is located, and how many sets are left. That last point is significant, especially during high-volume times when customers come in asking for particular items and workers need to find them fast.

Trucks pull in three to seven times a day to deliver everything from air freshener to zinc lozenges. Of course, as soon as these products are on the shelves, they begin to disappear into shopping carts, so trucks need to be unloaded quickly. Merchandise arrives on trucks in two ways: shrink-wrapped onto pallets, or in boxes that fill every empty space in the trailer. Forklifts unload trucks with pallets. To unload trucks without pallets, an employee climbs inside and tosses out the boxes, one by one, to a crew of up to seven workers. Removing boxes from trucks, however, is the first step in a journey to the store’s shelves. In the backroom, employees recycle shrink wrap, slice open boxes and sort products into holding areas until they are taken to the store floor. Employees move merchandise to the shelves during the night shift, which at Store 5476 is 10 p.m. to 7 a.m. Holes on shelves are plugged throughout the day. Typically, there are over 5,200 cases of merchandise shelved each day. To make sure restocking moves quickly, employees communicate requests for assistance through walkie-talkie earpieces.
Discussion Questions:

Describe Wal-Mart’s corporate culture.

A critical norm in Wal-Mart’s corporate culture is to work together as a team to achieve the corporate goal of providing customers with the lowest cost market basket.

In what types of stores do you think this approach would work? Where would it fail?

Working as a team is important in any organization. Not all retailers, however, have a fundamental corporate goal of providing customers with low cost merchandise. Nordstrom’s, for instance, has a very strong corporate culture of working together, and wants to provide its customers with good value merchandise and high service, but providing the lowest cost isn’t necessarily fundamental to its culture.

Would you like to be a Wal-Mart store manager? Why or why not?

One reason to work at Wal-Mart is that it is a good paying job with benefits. Store managers like Mr. Riiff typically earn six-figure salaries and are under 30 years old. Like many store manager jobs, being a Wal-Mart manager can be very rewarding because one can see the results of one’s labors on a daily basis. Their efforts translate directly into sales. It is also exciting and rewarding to work with associates and have a positive impact on the community.
Blockbuster Tries to Recast Itself as More than DVD-Rental Chain

Sarah McBride, Wall Street Journal, December 17, 2009

Use with Chapter 5, “Retail Strategy”

In an effort to get customers to think of Blockbuster as more than just a pit stop for DVDs, this struggling video rental chain is now offering a broad array of entertainment options and adding new channels. Despite these efforts, however, the company struggled to turn a profit in three out of the last four quarters.

Although Blockbuster is altering its offering, consumer electronic manufacturers are designing TVs and DVD players that let consumers download movies and videos from the Internet wirelessly. To compete with these new products, Blockbuster partnered with Samsung Electronics to allow viewers to download videos from Blockbuster’s library using Samsung’s DVDs and TVs. Samsung’s products will have a "Blockbuster" button built into its DVDs and displayed on the home screens of Samsung TVs with Internet access. Blockbuster has a similar partnership with Tivo’s digital recorders that allows customers to rent or buy movies from Blockbuster.com at a click of a button.

To stay competitive, Blockbuster is also building a multichannel capability. Customers wanting a movie that isn't available at a local Blockbuster store can rent the movie by mail and pay the in-store rental price even without a by-mail subscription plan. This service differentiates Blockbuster from Netflix by giving the store chain the ability to deliver across all channels.

Blockbuster will also soon have an iPhone application that allows customers to check in-store availability and manage online movie queues. But the video rental chain’s expansion plan doesn’t end there. The company will sell concert tickets and sell and rent video games, DVD players and other electronic products with the Blockbuster logo and services.

Discussion Questions:

What is Blockbuster’s new strategy?

Blockbuster’s new strategy is to exploit the opportunity to be a multichannel retailer and to offer additional services to build store traffic.

Do you think this strategy will save Blockbuster?

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<th>Pros</th>
<th>Cons</th>
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<td>• Multi-channel offer cannot easily be duplicated by Netflix.</td>
<td>• Ticket services will also go electronic, decreasing the value of Blockbuster’s plans to sell concert tickets</td>
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<td>• Provides benefits to consumers desiring immediate access to DVDs</td>
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Hotel Chains Try New Ways to Earn Loyalty

Elizabeth Olson, New York Times, December 1, 2009

Use with Chapter 11, “Customer Relationship Management”

Like other industries, hotels have been hard hit by the decrease in business travel. Thus, hotels are working hard to make their loyalty programs more salient and personal for their customers. For example, when Greg McHale checks into his Kimpton hotel room, he finds complimentary Snickers bars, Diet Pepsi and, sometimes, a compact disc of his favorite electronic dance music. For Kimpton Hotels, it is a small price to pay for the loyalty of a business traveler who spends 50 or 60 nights a year on the road. For Mr. McHale, “The level of personal attention really blows me away. So if there’s a Kimpton in town, that’s where I’ll stay.” Kimpton offers specially prepared dinners for its most frequent guests. About 90 percent of points earned from business travel across the industry is redeemed for personal use, a fact that is causing hotels to alter loyalty programs. Hotels are now offering members special access to leisure-time events such as concerts and sports competitions. For example, the Holiday Inn has a program allowing frequent customers to use their loyalty points to bid on World Series and All-Star game packages that provide accommodation, meals, and transportation and the opportunity to mingle with players.

Other amenities that hotels are offering are free nights, upgrades, free breakfasts, no-fee Internet connections, late checkouts, free parking, reduced fees for mini-bar use, subsidized meals and even free in-room spa services or free dry cleaning.

Discussion Questions:

What are hotel chains doing to garner loyal customers?

They are trying to make their loyalty programs more salient for their customers. Sometimes the “rewards” aren’t too expensive, such as having candy bars in the rooms. Other “rewards” are more complex, such as offering points to bid on trips to special sports attractions.

Do you think these tactics will help keep these customers in the long term?

The answer depends on what competition is doing, and how attractive the awards are to the customers. If we use the airlines as an analogous situation, we could argue that if the competition is offering the same awards, and customers are just luke warm on them, then there will be no long term impact on loyalty.