Dear Professor:

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

- With SKU Reductions Underway, Which Will Survive? (Chapter 12 and 14)
- Sizing Up Property, Mall Stores Try to Shrink (Chapter 18)
- With Student Help, L.L. Bean Tries Younger Look (Chapter 5 and 12)
- C-Stores Go Fresh (Chapter 2)
- Aspirin, Q-Tips and a New You (Chapter 2)
- Inside Costco: Secrets of America’s Favorite Stores (Chapter 5 and 15)
- Expanding the Reach of Personalization (Chapter 3)
- Tesco Goes Where Big Retailers Fear to Tread: Inner City LA (Chapter 7)
- Return of the Barista-in-Chief (Chapter 5 and 9)
- Wal-Mart to Expand Its Financial Services (Chapter 5 and 19)
- Web Coupons Know a Lot About You, and They Tell (Chapter 15 and 16)

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.warrington.ufl.edu/mkt/retailcenter/research/publications.asp
Teaching Tips

Short Videos Available on the Web

Social Responsibility (Chapter 1)

Social consciousness
http://ebags.liveclicker.com/v/539/ebags-at-race-for-the-cure/

Anita Roddick, founder of the Body Shop, on corporate social responsibility

Retailing in China (Chapters 1 and 5)

Mary Kay in China video

Interview with CEO, Wal-Mart China, about Wal-Mart and retailing in China

Starbucks in china
http://online.wsj.com/video/starbucks-ceo-on-china-as-market/EF548771-D2E7-4151-A0C8-7BEAE5976681.html

Types of Retailers (Chapter 2)

Small business examples on CNN/Fortune
http://money.cnn.com/magazines/fsb/fsbmakeover/

Consumer Behavior/ Store Design (Chapter 4 an18)

Interactive store window
http://www.youtube.com/watch?v=7uixUmxH-Z0

iPhone apps for fashion
http://online.wsj.com/video/want-fashion-there-an-app-for-that/5B8DFD89-0BB9-4640-A4B4-1465E40E1831.html
Making shopping fun
http://online.wsj.com/article/SB10001424052748704342604575221543926318
602.html#articleTabs%3Dvideo

Returnaholics
http://cbs2.com/video/?id=133962@kcbs.dayport.com

Retail Strategy (Chapter 5)

ebags company overview
http://ebags.liveclicker.com/v/575/ebags-company-video/

ebags 10 millionth bag delivered

Secrets to Costco’s success
http://abcnews.go.com/GMA/YourMoney/costco-succeeds-discounts-selection-secrets-americas-
favorite-stores/story?id=10212150

Secrets of Container Store Success
http://abcnews.go.com/GMA/YourMoney/container-store-sells-focusing-employees-
customers/story?id=10231743

Financial Strategy (Chapter 6)

Cost savings at Costco
http://feedroom.businessweek.com/?fr_story=5d7681157aafa9ed796cb26519a17eaa07311398

Location (Chapter 7 and 8)

Video on shopping centers, trade area analysis, GIS analysis for site location, impact of weather on
retails, evolution to green shopping center, trade area identification
http://www.icsc.org/srch/rsrch/research_on_demand.php

Trade area identification

Human Resource Management (Chapters 9 and 17)

CEO of Harrahs talks about rewarding employees for good service
http://online.wsj.com/video/harrah-ceo-on-how-to-reward-employees/284567F8-2B61-4998-987B-
932EE3049103.html?mod=djem_jiewr_HR_domainid

Information Systems and Supply Management (Chapter 10)

Kiva system for automated warehouse
http://www.kivasystems.com/video.htm

American Apparel RFID replenishment
Branding (Chapter 16)

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,

Store brand vs. national brand quality
http://abcnews.go.com/GMA/brand-names-off-brand-wins/story?id=8483239

Customer Service (Chapter 19)

Future of dressing rooms
http://www.youtube.com/watch?v=0VII-xdg5Ak

Netflix recommendation engine

In addition, the following videos are available for use with Levy and Weitz’s Retailing Management, seventh edition:

The History of Wal-Mart
Retail Revolution in India
Staples’ Retail Mix
Westpoint Market – a Unique Grocery Retailer
Rainforest Café; A Themed Restaurant Chain
Build-A-Bear; Experimental Retailing
Dominos Pizza in Mexico
Behind the Scenes at Costco
Yum! Brands - Growth Strategies
Rubios Expands through Franchising
CEO Jim McCann of 1-800 Flowers
How to Buy Diamonds
ebay and the World of Online Auctions
Shopping for Bargains: Comparison Sites
Segmenting Retail Markets
McDonald’s: A Global Retailer
Copy Services – A Growth Opportunity for Staples
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:

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

The website is available at http://warrington.ufl.edu/mkt/retailcenter/teachretail/

Please consider sharing your materials with other instructors through this website by sending your course syllabi, classroom exercises, projects, teaching types, etc. to bart.weitz@cba.ufl.edu or mlevy@babson.edu
With SKU Reductions Underway, Which Will Survive?

Susan Reda, America’s Favorite Brands, March, 2010

Use with Chapter 12, “Managing Merchandise Assortments” and Chapter 14, “Buying Merchandise”

Breakfast cereals go from All-Bran to Wheaties with nearly an endless array of choices between. Toothpaste ranges from Aim to Ultra Brite, and each brand comes in a dizzying number of formulas designed to whiten, freshen, strengthen, and clean. By the time you add in dishwashing detergents, paper towels, dairy products, and plastic bags, you have shelves crammed with choices that can overwhelm consumers, raise labor costs for retailers, and increase the likelihood of out-of-stocks.

Taking advantage of new data collection and analysis techniques and in response to a down economy, retailers are optimizing their assortments. Optimization involves reducing the number of SKUs on the shelves, retaining the products that have the most customer appeal. Figuring out which brands or products to keep isn’t a straight-forward process. Retailers must consider the best assortments for their local clientele and keep in mind that consumers like new products as well as familiar stand-bys. Nor can retailers assume cost is the only consideration, since consumer perception of value also includes brand loyalty, trust, fulfillment of a previously unrecognized need, and the sense that the product will make life easier. Consumer behavior is also notoriously unpredictable, a challenge to successful optimization.

Optimization efforts have caused the disappearance of familiar names from some stores. CVS Caremark, for example, is pulling Energizer batteries, and Kroger eliminated 30 percent of the SKUs in its breakfast cereal aisles. Wal-Mart eliminated Glad and Hefty brands.

Reducing choices focuses attention on remaining brands, including less expensive private labels. At Costco, limiting selection in some categories to a couple of leading brands and the store label helps build sales for the company’s Kirkland products. Wal-Mart’s assortment simplification draws attention to its Great Value brand, and Trader Joe’s decision to favor its own brand over household names has contributed to its success. But spot-lighting a store brand may have its down side as well: As the economy improves, more customers may seek out the brand names they trust, and new brands that are truly innovative will always create customer demand.

Discussion Questions:

Why are some retailers reducing the number of SKUs?

Some retailers are reducing the number of SKUs because too many choices can overwhelm customers and make it difficult for stores to keep all products in stock. Additionally stocking and shelving numerous SKUs increases labor and inventory carrying costs and dilutes attention paid to store brands.

How will private label merchandise fair with a SKU reduction strategy?

Reducing SKUs will help build sales for private label merchandise by increasing shelf space and visibility for these products and by reducing the competition.

How will this strategy impact consumers and suppliers?

Assortment optimization will make choices easier for consumers but may result in the disappearance of familiar or desired brands from the shopper’s store of choice. To keep their products on shelves, suppliers will need to ensure their products are the ones that end up in market baskets. This will involve a continual process of innovation that focuses on meeting a need shoppers didn’t know they had or making life easier.
Retailers hoping to boost sales increased the size of their stores throughout the 90s, but the approach was less successful than anticipated and, once the economy turned sour, it spelled trouble. In the face of a growth in square footage of 62 percent, The Gap saw a loss of 40 percent in its average sales per square foot over the period from 1999 to 2009. Over a 20-year span, Ann Taylor’s square footage grew 135 percent over the past two decades, but the increased space yielded a 33 percent drop in sales per square foot over the past decade. When sales fell in response to the recession, retailers holding big-box style spaces scrambled to make changes.

Although larger stores meant more room for more merchandise and more sales, these larger stores create a less intimate shopping experience and are more costly to staff and maintain. For The Gap, filling space that, in some locations, reached 18,000 square feet, also meant diluting the brand image with products for a wider age range. Today The Gap plans to reduce its largest outlets to an optimum size of 8,000 to 12,000 square feet and to consolidate its GapKids, Gap Body and Gap brands in one store. The reduced size will force The Gap and retailers undergoing similar downsizing to select assortments carefully to retain target audiences and to keep product moving since they will have smaller inventory space.

Reducing square footage also entails renegotiating leases with mall owners. The Gap can make these radical changes because it remains an attraction in a mall for customers and other tenants. Other mall tenants sign leases containing a contingency for a Gap located in the same mall, so malls losing a Gap presence run the risk of losing other tenants or losing income as these other retailers demand lower rents. Losing The Gap altogether also means vacant store fronts and lost revenue, both negatives in the mind of mall owners.

While some stores are cutting their square footage to increase earnings, others are expanding their floor space in response to strong sales. Aeropostale, with its smaller stores, has enjoyed great success, even during the recession. Some stores earn up to $800 in sales per square foot, twice The Gap’s average and significantly higher than Ann Taylor’s $337 sales per square foot.

Discussion Questions

Why might retailers downsize their store space?

Retailers realize that the added square footage is not gaining them extra sales but rather costing them a lot of rent and decreasing their productivity on a sales-per-square-foot basis. These large stores can also dilute the retailer’s brand.

What are the logistics associated with downsizing retail space?

A small retail space means that the inventory storage space in the back is smaller. Retailers therefore must be more efficient about their use of space, as well as plan more frequent deliveries from their suppliers. Downsizing may also involve renegotiating a lease, which could be a problem for retailers who don’t have a lot of clout.
With Student Help, L.L. Bean Tries Younger Look

Jenn Abelson, Boston Globe, March 15, 2010

Use with Chapter 5, “Retail Market Strategy” and Chapter 12, “Managing Merchandise Assortments”

Talk about an offer that can’t be refused. L.L. Bean needed a way to communicate that it was expanding beyond its outdoorsy image, so when a college student volunteered to promote the company’s new Signature collection at a local coffee shop, the company jumped at the chance. The success of the promotion encouraged the student and L.L. Bean to recruit others who would continue to host impromptu events on other college campuses.

The original volunteer freely admitted that his offer began as a way to get free clothes. But he also appreciated L.L. Bean’s move to design apparel of more interest to younger clients. The Signature collection competes directly with popular, preppy retailers such as J. Crew and Ralph Lauren, but is also a shift away from the company’s primary market of buyers 50 and over. The move comes with risks: Often when retailers try to shift their images, such as trying to attract a younger or more fashionable audience, they fail. The last time L.L. Bean tried a change, their new product line was a dismal failure.

This time, however, the Maine-based retailer had a unique opportunity to recruit college students who already liked their clothing. These brand ambassadors now have input on design and Web site decisions. In exchange for free clothes (which cost the company almost nothing), they talk up the new collection to college students throughout the northeast United States while creating additional promotional networks on campuses in the same area. The ambassadors also use Facebook and word of mouth to generate crowds at their gatherings, where they showcase samples from the collection and raffle L.L. Bean gift cards and clothes.

Discussion Questions:

How can L.L. Bean take this grassroots promotion to a larger audience?

The idea of brand ambassadors should be a starting point for the company. Using the Internet and Web site, L.L. Bean could contact college students throughout the country and offer them the same deal: If they host brand events to hype the collection, they can earn free clothing.

Do you think L.L. Bean will be able to buck the trend of failure when retailers try to change their image?

Although L.L. Bean still faces a significant challenge because its image is so well established, recent marketing efforts seem to have put it in a relatively good position to appeal to a broader audience and perhaps make its Signature line a success.
C-Stores Go Fresh

Renee M. Covino, Convenience Store News, March 22, 2010

Use with Chapter 2, “Types of Retailers”

As consumer tastes gravitate toward healthy food choices, convenience stores stand to gain market share for fresh foods, but only if they understand the challenges. Currently grocery stores control a large percentage of the market for prepared or easy-to-assemble meals suitable for individuals or families. These meals may be headed for the breakfast, lunch or dinner table, or they may be consumed in the car or at a desk. But no matter where they are headed, customers want fresh, nutritious, and fast. Convenience stores are well positioned to offer fast, but meeting the first two needs involves new processes for both suppliers and stores. Fresh, in particular, is challenging because most convenience store distributors are unfamiliar with handling techniques for perishable products, and because they ordinarily deliver once a week—a difficult schedule for items with short shelf lives.

To help convenience stores stock fresh foods, suppliers are changing packaging and strengthening partnerships with stores. Chiquita, for example, developed a new packaging technology that extends shelf life for bananas and is providing merchandising and training for convenience store staff. Other suppliers have created fresh fruit packaging designed to fit in car cup holders or to be eaten without a utensil and they have introduced full meal options that are both healthy and convenient. Successful suppliers have also ensured perishables are appropriately refrigerated across the entire distribution channel, adjusted for product shrinkage at the store level, and increased delivery to twice weekly to help minimize shrink. To help c-stores succeed, suppliers are training staff to keep fresh foods looking fresh, offering rewards for improved sales, and providing merchandising that draws attention to the fresh foods available for breakfast, lunch, and snacks.

Discussion Questions:

Why are convenience stores stocking more fresh food?

Convenience stores are stocking more fresh food in response to consumer demand for healthy food choices. Since grocery stores currently control this market, but c-stores can save time for busy consumers, expansion in this area represents an opportunity for these retailers to brand themselves as a destination for busy, health-conscious customers.

Why is it more difficult for convenience stores to keep fresh food fresh than it is for grocery stores?

The convenience store supply chain has not traditionally been structured to accommodate fresh foods. As a result, fresh foods have had very limited shelf lives by the time they reached store shelves.

What are convenience stores doing to solve the fresh food dilemma?

Stores are monitoring the appearance and sell-by dates of their fresh foods to ensure these products are appealing to customers, adding or increasing their refrigeration capacity, and using merchandising to draw attention to healthy choices. Suppliers of perishables are partnering with the convenience stores to improve their sales and handling of fresh foods. Other changes are occurring throughout the supply chain, including new packaging that prolongs shelf life and is designed for on-the-go eating, proper refrigeration in warehouses and trucks, and accommodation for product shrink at the store level.
Aspirin, Q-Tips and a New You


Walgreens Plans Makeover in More Stores

Sandra M. Jones, Chicago Tribune, March 24, 2010

Use with Chapter 2, “Types of Retailers”

Pick up your prescription. Grab a new toothbrush. Get a makeover from a trained beauty advisor, and maybe treat yourself to a massage. It’s a part of a trip to your local CVS or Walmart, or will be once these drugstore chains have completed the facelift for their makeup sections.

Department stores control the market for upscale cosmetics, attracting customers with beauty experts who analyze skin type, suggest blush, foundation and lipstick colors, and pluck the right lipstick shade from a wide assortment of colors and formulas. In contrast, deciding between Maybelline’s Ultimate Length Waterproof mascara and Revlon’s Lash Fantasy Total Definition in the crowded displays at drugstores has been the customer’s problem, and women have had to select colors with no opportunity to try them on. With these store makeovers, drugstores are adding shelf lighting, improving displays, training skincare and cosmetic advisors, and adding independent brands that are trendier and more expensive than their mass-market counterparts.

In some CVS stores, makeup aisles are being upgraded to boutiques that exist outside of, but adjacent to, the main drugstore. The move is a response, in part, to the current economy, which has motivated women to consider less expensive alternatives to their tried-and-true shopping patterns. Eliminating a trip to the department store makeup counter also saves time for busy women. Store managers have good reason to believe the new makeup aisles will be successful: similar approaches have succeeded in Canada and the U.K., and multibrand beauty stores like Sephora have demonstrated that luxury makeup sells outside of department stores.

While some prestige cosmetics companies remain certain that the appearance of their products in drugstore chains will undermine their brands, others see opportunity in the makeovers. Laura Geller makeup, for example, is a prestige brand. While initially reluctant to place her products in CVS, the company’s founder was swayed when she saw market research indicating women’s interest in purchasing high-end makeup in more convenient locations and at better prices than department stores offered. Understanding improvements to cosmetics displays also helped change her mind.

Discussion Questions

Why are some drugstores upgrading their in-store beauty centers?

Some drugstores are upgrading their in-store beauty centers because research shows women want the convenience and savings of purchasing upscale beauty products outside of department stores. To attract these women, stores are upgrading their displays, adding opportunities to try on makeup, training personnel to provide beauty advice, and incorporating more independent and luxury brands into their product assortment.

Do you believe the traditional department/specialty store customer will buy her cosmetics in a drug store? Why or why not?

Price and convenience will make the option to buy cosmetics in a Drugstore attractive to some women. However others may have brand loyalty combined with a strong perception that the luxury products in department stores are better for their skin. Drugstores will need to work hard to overcome customer bias about mass-market brands, and even women who switch to purchasing their cosmetics at Walgreens or CVS may revert to department store shopping when the economy improves. To me, the more important question is will the investment made by drugstores to attract these customers prove profitable over time. I’m not convinced that it will unless stores are able to attract a significant number of luxury brands to their shelves.
Costco leads the pack for wholesale buying clubs and topped both Target and Home Depot for annual revenue. The key to their success is simple: low prices. From the concrete floors to the conspicuous lack of interior signage, every detail is designed to keep prices at a minimum. That missing signage is a second reason for success. Customers must wander the store to find the items they need, and roaming tends to lead to fuller carts. They must also travel the length of the store to get to popular fresh food items, and that journey helps fill the cart with best-sellers, clothing, seasonal items, and other products that can’t be left behind because the price is just too good.

The retailer is also highly selective about assortments, carrying one-tenth the number of unique products offered at most supermarkets and a thirtieth of what’s available at a typical Walmart store. The items are hand-chosen by Costco’s buyers; brands change constantly because the company shops for overproduction from name brands to deliver the best prices to customers. Despite the more limited assortment, Costco carries a full range of its house brand products, high-end merchandise. Their buyers ensure the store has something for everyone.

The company employs the same lowest-cost business model internationally, but modifies a portion of its assortment and some of its products to appeal to local tastes. Mixed in with the Campbell’s soup and Dial soap in Taiwan, for example, are mahjong sets and sea cucumber. The food court features Peking duck pizza as well as pepperoni and cheese, and the house brand beef steak is sliced thin for use in hot-pot dishes. The American brands, which account for two fifths of product offerings, hold their own appeal for Taiwanese shoppers, some of whom have lived in the U.S. The store’s best-selling bakery item is bagels, for example, which is made from dough imported from New York. Retaining these American products help distinguish Costco from local and foreign competitors.

In some countries, adapting to local cultures entails educating customers as well as providing familiar foods. Taiwanese shoppers were hesitant to pay Costco’s annual membership fees, but they were likewise unfamiliar with return policies. By making returns hassle-free, the store was able to create happy customers who spread the word about the discounter’s value, thus overcoming resistance to membership fees.

Costco can also attribute some of its success in its international operations to the fact that it outnumbers competitors. Sam’s Club places second, while BJ’s Whole Club Inc. has yet to expand overseas. The company has also trained its local suppliers to use Costco’s pallets and forklifts to reduce labor costs and to use Costco-sized packaging.

**Discussion Questions**

**How does Costco keep its prices so low?**

Costco keeps prices low by using bare-bones facilities, maintaining a relatively small selection of products, and buying overproduced name brands rather than attempting to always stock the same brands. It also reduces costs with mega-sized packaging and by using pallets and forklifts within the store.
What other aspects of its marketing strategy make it so successful?

Costco’s success comes from offering low prices, having something for everyone, and from forcing customers to wander the store to find the products they need. This wandering exposes customers to the store’s offering and triggers impulse buying.

Why is Costco successful in international markets?

Costco is successful in international markets because it retains its commitment to low prices and value while tailoring its assortment to appeal to local cultures and tastes. It is also successful because it has more stores than competitors.

Which aspects of their strategy provide them with a sustainable competitive advantage?

Costco has a larger presence internationally than its primary competitors, which should provide them with a sustainable competitive advantage. While other wholesale buying clubs could imitate their strategy, Costco’s store design, purchasing strategy, more limited selection, and custom-tailoring for local markets all provide them with a strong advantage over competitors.
Expanding the Reach of Personalization

Internet Retailer, March 2010

Use with Chapter 3, “Multichannel Retailing”

Imagine walking into a clothing store and having a sales associate present you with a sweater that matches slacks you bought online two days earlier without you having mentioned you were shopping for a sweater. Or imagine receiving an email letting you know about a sale on a model of Canon camera that has the features of the Nikon you rejected because of cost. These scenarios represent the art of personalized shopping.

Successful personalization involves accumulating and synthesizing information about what a consumer has viewed or purchased online and in a retailer’s store and using that information to create the opportunity for a new purchase that is of interest to the customer. The value of this approach goes beyond a single sale, since customers will return to retailers who know their taste and can help them with their purchases.

Social media and blogs represent valuable ways to gather information about shoppers and to present them with relevant purchase suggestions. For example, many companies have Facebook pages where customers can look for deals or product information. These pages can include mini-stores that promote the company’s products and, as individual shoppers click or purchase through that site, information on their behavior is used to personalize the selection to that shopper. The same approach can be used for blogs.

Using similar technology to track online browsing, retailers can customize the ads that display when a customer travels to a regularly visited site, such as a news site. Clicking on one of these ads could take the shopper directly to a personalized landing page containing products they have recently viewed. Tracking can also increase the relevance of e-mail promotions. For example, if a shopper has viewed a particular model of camera several times without buying it, an e-mail alerting him to a drop in the model’s price might help close the sale.

Retailers can use online technology to personalize shopping for first-time customers as well. Keywords entered in a search engine provide clues about what the shopper is looking for; the shopper’s computer IP address provides geographic information that can be compared to information about other customers in that area who have purchased the same item. Using these data to surmise what’s popular narrows search results to products with proven appeal to that geographic region. Retailers can also track information on which products, pages and price points a shopper has viewed and use that information to offer suggestions.

Armed with information about an online shopper’s preferences, sales associates are more likely to make in-store recommendations that are appealing. All that’s needed is a customer loyalty card, e-mail address, or phone number. Using this information, the sales associate connects to a customer profile containing a history of items viewed online. This information can be used to direct shoppers to in-store sales for any of those items. In-store purchase information can also inform online recommendations.

As smartphones become increasingly sophisticated, retailers are searching for ways to use this technology to build sales. To take full advantage of this technology, retailers need to modify their Web sites to be more useful on the mobile phone’s smaller viewing area. An important part of this modification will be reducing the need for extensive browsing and presenting only the products the customer is most interested in purchasing.

Discussion Question

How can retailers create a more personal shopping experience with their customers?
Retailers can take advantage of the data collection and analysis capabilities of online technology to understand more about their customer’s preferences and needs. Some ways of doing this include sending a follow-up email after a purchase is made to alert customers to accessories or to notify the customer that a product they previously viewed has gone on sale; creating a Facebook page and building in a mini-store that tailors displayed products based on the customer’s online behaviors; personalizing banner advertising on frequently visited Web sites; making recommendations based on search keywords and computer IP address; and tying online and in-store shopping behaviors together to create a comprehensive customer profile that can be used to make relevant purchase recommendations in both channels.
Tesco Goes Where Big Retailers Fear to Tread: Inner City LA

Mike Duff, Retail Analysis, March 5, 2010

Use with Chapter 7, “Retail Locations”

Many supermarkets shy away from inner city environments because of issues like urban decay, street crime, gang warfare and poverty. If that’s not enough to convince them to locate in less urban areas, there are still complications with delivery due to congestion, high employee turnover, insurance difficulties, shrink, and local government challenges to face. But these reasons weren’t sufficient to scare off Tesco, which has elected to open its Fresh & Easy stores in South Los Angeles and Compton.

The locations provide several advantages for Tesco. For one thing, major supermarket chains have no presence in these neighborhoods, reducing Tesco’s competition. The grocery stores that are available don’t have Tesco’s buying power, and so can’t match their low prices. For another, Fresh & Easy has been using customer feedback to meet the expectations of its customers. This approach results in products needed and wanted by the greatest number of people appearing on the shelves, which means urban shoppers are more likely to find what they are looking for. The only difference in the assortment available in a suburban store versus an inner-city one is one of quantity: products appealing to the Spanish-speaking urban neighborhoods are more heavily stocked.

The store hopes to offset the difficulties of its inner city location with multiple employees working the aisles, smaller on-site inventory, and smaller footprint to improve security. These measures also help overcome insurance challenges.

Discussion Questions

Why is Tesco going into the inner city of Los Angeles while other food retailers stay away?

Tesco is opening its Fresh & Easy stores in the inner city of Los Angeles, where other food retailers fear to tread, because they will have no competition from other large supermarkets and because they can offer better prices than the ones shoppers in the neighborhoods are used to paying. Other food retailers are avoiding these locations because of crime, urban decay, security problems, and issues with insurance.

Do you believe Tesco will be successful? Why or why not?

I think Tesco will be successful because they are offering good prices in economically disadvantaged neighborhoods and because they are making appropriate modifications to their product offerings to appeal to their customer base. I also hope they will be successful because their presence indicates an interest in serving this market and because the neighborhoods appreciate both the service and the vote of confidence in their neighborhood.
Return of the Barista-in-Chief

Greg Farrell, Financial Times, March 21, 2010

Use with Chapter 5, “Retail Market Strategy” and Chapter 9, “Human Resource Management”

Throughout the 1990s, Starbucks was synonymous with premium coffee, and it was hard to travel more than a few blocks without seeing the familiar green-and-white logo. Begun as a four-store coffee bean chain in Seattle in 1982, the company rose to glory under the leadership of Howard Schultz, who got the idea of offering a European-style café experience in American coffee shops after watching Italian baristas at work. In 2000, Schultz left his position as chief executive and purchased a professional basketball team, although he stayed involved with Starbucks as chairman. The company foundered, suffering from over expansion, competition from mass-market coffee vendors like McDonald’s and Dunkin’ Donuts that improved their coffee offerings, and attacks by other high-end coffee shops like Peet’s. Schultz, meanwhile, realized owning a basketball team was not his cup of tea.

Watching the brand he had built disintegrating was more than Schultz could bear. Using his clout as company chair, he criticized the “commoditization” of the Starbucks experience and returned to his position as chief executive. The reason for his return, he says, is that he loves the company and feels responsible to its employees and its shareholders.

Once back in active duty, Schultz acknowledged the company’s mistakes and his own responsibility for the chain’s difficulty. He launched a campaign to improve productivity and customer service and presented a compelling vision of Starbucks’ future. His frequent memos, directed at the entire workforce, detailed that vision in inspirational prose and promised, with the help of all employees, to lead the company back to its former greatness. Words were backed with action. To reduce costs, the company closed hundreds of its worst performing stores and trimmed its workforce by 12,000 people. But, more importantly, Schultz revitalized the Starbucks experience, reminding staff and customers alike that the brand incorporates a sense of community, community involvement, and customer satisfaction along with top-quality coffee drinks.

**Discussion Questions:**

**What has Howard Schultz done to revive Starbucks?**

To revive Starbucks, Howard Schultz has closed under-performing stores, improved customer service, and re-committed the company to the Starbucks experience.

**What leadership skills and characteristics does Mr. Schultz have?**

Mr. Schultz has the capacity to align employees and management behind a common vision of the company’s future. He has the self-confidence to acknowledge mistakes, the passion to motivate others, and the ability to inspire. He seems to be an inspirational communicator who can reach both baristas and boardroom members with his passion and vision, and he also has the resolve to make difficult decisions and take decisive action to move the company toward that vision.
Walmart to Expand Its Financial Services


Walmart to Expand Financial Services

Sarah Mahoney, Marketing Daily, March 19, 2010

Use with Chapter 5, “Retail Marketing Strategy” and Chapter 19, “Customer Service”

After trying multiple times to obtain a bank charter, Walmart is now increasing its “Money Centers,” service centers within Walmart stores that cash checks, provide prepaid Visa debit cards, and help customers with money transfers and bill payments. The increase will make money centers available in about 40 percent of the retail giant’s U.S. stores, providing a presence that is unmatched by most banks.

These money centers provide services to Walmart’s lower-income customers, many of whom don’t have a bank account or who rely on non-bank check-cashing services, payday loans, rent-to-own agreements or pawnshops for some of their financial needs. Recent crack-downs on issuing credit cards to people with poor credit have made it difficult for these people to get credit cards, and fees associated with checking accounts may put some bank accounts out of reach. With the pre-paid debit cards, these people have the convenience of a debit card without having to be concerned about overdraft fees. The cards can be reloaded at Walmart’s money centers. They can also cash their work and government checks. Happily, these checks are cashed at a place where these customers shop, saving them time.

While money centers offer convenience to a population underserved by the banking industry, they are also a wise business decision on Walmart’s part. The centers process between three million and five million transactions a week and collect service fees that range from 88 cents for bill payment to between $3 and $6 for check cashing. The service is considered “very profitable” by Walmart’s president of Financial Services; the company claims that it is simultaneously saving its customers hundreds of millions of dollars in bank fees. The money centers provide the added advantage of drawing people into the store.

Discussion Questions:

What services do Walmart’s “Money Centers” provide customers?

Walmart’s “Money Centers” will cash work and government checks, provide money transfers and bill payment services, and provide pre-paid debit cards that can be used anywhere Visa cards are accepted.

Why would Walmart’s customers choose its “Money Centers” over a bank?

Walmart customers choose a money center over a bank because they don’t have a bank account or because they don’t have all the services offered in traditional banks, such as a checking account. They might also use a money center because they are working illegally in this country and don’t want banks to know. There is also a convenience associated with using a Walmart money center for customers who would be visiting Walmart anyway.

Do Walmart’s “Money Centers” fit with the rest of its product/service offering? Why or why not?

I think the money centers fit with Walmart’s product/service offerings because this retailer serves the needs of millions of lower-income customers. The money centers are not full-service banks; they are intended to build traffic and sales in the store and to provide a service to a portion of the population that is currently under-served by banks.
Web Coupons Know Lots About You, and They Tell


Use with Chapter 15, “Retail Pricing” and Chapter 16, “Retail Communication Mix”

When you present a coupon printed from the Internet to a retailer, you could be handing them a behind-the-scenes look at your life. The coupon’s barcode might contain your name, your Internet address, Facebook page information about you, and the search terms you used to find the coupon. Information about whether you searched for discounts or by designer label tells the retailer a lot about what kind of shopper you are—data that can be used to tailor future offers. But is this tracking appreciated by consumers, or viewed as an invasion of privacy?

Reliance on computers and the ease of Internet searches bumped redemption of online coupons from sites like FatWallet, Ebates or individual retailers to about 50 million coupons in 2009. This surge created a gold mine for retailers, since coupon companies collect and analyze customer data via the coupon’s bar code and make it available to their clients. Most information is attached to a client identification number, but retailers can breach the privacy measures to find out a customer’s name, search history, the time and date the coupon was printed, and when it was redeemed. Retailers offering coupons through Facebook can access even more information, since joining a retailer’s fan club reveals the fan’s Facebook ID.

In some cases, information is precise enough that retailers can send a new offer or thank you note following a purchase. It also helps advertising agencies track the success or failure of an ad and adjust campaigns based on response. Once coupon companies hone in on what data they need and the best ways to analyze it, customers may receive ads tailored specifically to their preferences. Even if retailers don’t know actual names, they will have information about coupon use at particular IP addresses so, for example, they could direct discount apparel promotions to a computer where someone is routinely printing these types of coupons.

But just because something can be done, does that mean it should be done? Coupon companies track Internet behavior without informing consumers or asking for consent. No rules guide what information is gathered or, for the most part, how it is used. As a result, companies could offer two customers the same product at different prices or offer some customers less appealing products than others.

Discussion Questions:

How are retailers increasing the information they receive from customers using coupons?

When a customer uses an Internet coupon, the coupon’s bar code may contain information about the customer such as name, Internet address, Facebook page information, and the search terms the customer used to locate the coupon. When the customer presents a coupon for redemption, the retailer can also determine how much time has passed since the coupon was printed. This information provides insights into the shopper’s behavior and into the motivational power of the promotion.

From a consumer’s perspective, do you believe this new-found information from coupons is a benefit to you, or an invasion of your privacy?

I think this is a terrible invasion of privacy. Since other shoppers may find the services generated by retailers as a result of the information tracked on coupons beneficial, I think consumers should be given a straight-forward way to opt in to this tracking if they are interested.