Dear Professor:

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

- **Brands Friending Social Gaming Amid New Web Craze** (Chapter 16)
- **Carrefour Tries a Booster for Tiring Hypermarkets** (Chapters 2 and 5)
- **Staying True to Form: Fresh & Easy Builds Sustainability into its Basic Business Model** (Chapter 5)
- **Inside the Knockoff-Tennis-Shoe Factory** (Chapter 13)
- **Inside the Secret World of Trader Joe’s** (Chapter 5)
- **Targeting Younger Buyers, Liz Claiborne Hits a Snag** (Chapter 13)
- **Nordstrom Links Online Inventory to Real World** (Chapter 19)
- **Penney Weaves New Fast-Fashion Line** (Chapter 14)
- **Aisle by Aisle, an App That Pushes Bargains** (Chapter 16)
- **The Time is Now to Take Shopper Marketing Beyond the Store** (Chapter 16)
- **Something new in Tiffany Blue** (Chapters 5 and 14)
- **How to Reinvigorate Old Brands** (Chapter 5)

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)
Teaching Tips

Short Videos Available on the Web

Shopping in the future – use with chapter 1
  •  http://www.youtube.com/watch?v=PQJycPtAUgo&feature=related

Supermarket shopping in the future – use with Chapter 1
Get a glimpse of the supermarket of the future at the Future Retail Center in Regensdorf, Switzerland.
SAP
  •  Http://www.sap‐tv.com/future-retail-center/2924

Smart Dressing Room – use with chapter 4
Animation of apparel shopping in the future
  •  http://www.youtube.com/watch?v=0VII‐xdg5Ak

Tesco – use with chapter 5 Retail Strategy
The CFO of Tesco discusses the future growth in Asia, as well as how its serving its customers in the recession.
  •  3:43 minutes
  •  http://www.bloomberg.com/video/63482598/

Online Retailers – use with Chapter 16 Retail Communications
The online retailers are focusing on bringing in traffic from social networking sites rather than through search engines or online ads.
  •  1:57 minutes

JetBlue’s Communication – use with Chapter 16 Retail Communications
JetBlue discusses why marketing online is an effective way to communicate with its customers.
  •  2:25 minutes
  •  http://video.forbes.com/fvn/cmo/jetblue-st-george

Customer service at Ace Hardware – use with chapter 19
  •  http://feedroom.businessweek.com/index.jsp?fr_story=FRdamp250708

ThisNext
Thisnext.com tracks the product searches everyone around the world is making in real-time.
  •  2:26 minutes
  •  http://video.forbes.com/fvn/tech/real-time-retail
Review Session Game

1. Put multiple choice questions on PowerPoint’s slide – one per slide
2. Offer students an opportunity to play “How to be a retail guru” for extra credit – for example 5 points.
3. Each student has one lifeline and has an opportunity to answer 5 questions earning 5 points.
4. The lifeline is a vote of the class.
5. After answering one question correctly earning one point, the student can take the point and stop or answer 4 more questions and get five points.
6. If the student misses one of the four additional points, he or she gets no points.

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
Brands Friending Social Gaming Amid New Web Craze

Suzanne Vranica, Wall Street Journal, August 9, 2010

Use with Chapter 16, “Retail Communications Mix”

Companies are constantly seeking innovative ways to reach their core demographic targets. One of the newest advertising trends is to place ads within social media gaming applications. Social media websites now account for a quarter of all Internet traffic. With gaming as the second-most active internet activity, the combination of social networking and gaming represents a large and growing niche. This behavior also represents a previously untapped resource for advertising. As one example of how companies are pursuing this opportunity, McDonald’s has signed an advertising deal with Zynga Game Network, the makers of the popular Facebook game Farmville. Microsoft has also partnered with Farmville in the past, offering free in-game rewards in exchange for signing up to their Bing Facebook fan page.

Honda has already taken gaming advertising a step further by partnering with Cie Games to place ads within Car Town, a Facebook game for car enthusiasts. Honda will have billboards embedded within the game, as well as a custom virtual showroom complete with Honda commercials playing in the background.

These companies hope that people will have a greater response to products within the interactive, social context of the games than to a simple fan page or traditional ad campaign. However, advertisers and gaming companies alike must be careful not to overload games with ads, thus alienating audiences. Consumer backlash against social media platform promotions has occurred in the past, so companies must also be cognizant of the need to avoid deceptive marketing practices.

With the popularity of social media platform games on the rise, ad spending in this category is also set to increase substantially. While the market is not set in this new area of advertising, social media ads clearly have the ability to reach large, targeted sections of the population, and major growth.

Discussion Questions:

What is social gaming, and how prevalent is its use on the Internet?

Social gaming refers to games that are played on social networking sites such as Facebook. Social networks, and gaming within them, have become extremely large and growing portions of internet activity today.

How is Honda using social gaming to promote its products?

Honda has partnered with the makers of Car Town to put Honda cars into the game. In addition, Honda billboards and a virtual showroom with commercials will be inserted into the game.

Choose a retailer that you believe would benefit from the use of social gaming and explain how it might use the technique.

Fashion-oriented retailers like Nordstrom or Bloomingdales could easily borrow from the Honda model to create virtual stores and showrooms for apparel products. The concept could even go as far as a virtual mall environment, with multiple retailers taking part.
Carrefour Tries a Booster for Tiring Hypermarkets


Use with Chapter 2, “Types of Retailers,” and Chapter 5, “Retail Market Strategy”

Carrefour invented the hypermarket concept, combining grocery stores with department stores. This innovation helped them become the world’s second largest retailer, tailing Walmart. However, the hypermarket store profile is losing profitability in the face of the European economic crisis. Specialty apparel and electronics chains are grabbing market share, as are local food chains which require less driving than most Carrefour locations. In addition, European demographics are changing, including an aging population, smaller families, and an ever-increasing percentage of women in the workforce. These changes have led to a decrease in the number of major, regular shopping trips that are the special attraction of hypermarkets.

One way Carrefour, as well as chief competitor Groupe Casino SA, has adapted is to expand its operations into emerging markets such as Brazil and China. These developing nations more closely fit the economic and family profiles needed for the hypermarkets and household appliances and electronics are needed in addition to groceries to fill the growth in new apartments and homes.

In addition, Carrefour has closed several under-performing stores in Western Europe. However, with fifty percent of the company’s sales coming from this region, the remaining stores will need updating to provide more value to the new European consumer base. After surveying their consumer target extensively, Carrefour created test stores to try new concepts. These stores feature changes like a new ambience, decoration and music in clothing areas, and separate food and non-food sections with difference entrances.

Discussion Questions:

Why is Carrefour having problems?

Carrefour built oversize hypermarkets that sold one-stop shopping to large families. The model fit the traditional nuclear family model of generations past, complete with regular weekly shopping trips. When Western European demographics began to shift, Carrefour’s business model became less relevant. Consumers became more price conscious, and smaller specialty chains began to take away market share. This emphasis on price was exacerbated by the economic crisis.

What are Carrefour and other stores with similar formats like Walmart Superstores doing to help solve the problems?

Carrefour and competitor Groupe Casino SA are moving into emerging markets such as Brazil and China, where consumers are still purchasing in the hypermarket context. Walmart has begun adjusting its inventories, placing more focus on grocery, rather than its declining non-food categories.
Staying True to Form: Fresh & Easy Builds Sustainability into its Basic Business Model

Fiona Soltes, Stores, August, 2010

Use with Chapter 5, “Retail Marketing Strategy”

The green movement is often talked about in the retail industry, but few companies have done more than bring some environmentally friendly items into their assortments. While the attention this addition brings is positive, the end result has very little environmental effect. Retailers are always looking out for their bottom line and use that rationale to avoid any serious changes in the way they do business. But one company has taken a different approach to sustainability, and they save themselves money as well. Other retailers would be wise to take notice of Fresh and Easy, the American grocery subsidiary of Tesco.

Fresh and Easy embraces green concepts in all aspects of their business model. Beginning with their parking lots, where hybrid cars park for free, Fresh and Easy has systematically built sustainability measures into their stores, operations and distribution center. The distribution center gains a third of its power from solar panels lining the roof. Within the stores, concrete flooring offers an inexpensive and easy-to-maintain base, while large windows and skylights bring in natural light and reduce energy costs. The advanced in-store LED lighting system will automatically adjust to the amount of natural light to maintain an optimal level. Prismatic windows and extra insulation help the store regulate use of heat and air conditioning, as secondary loop systems re-use the air. The store custodial crews use green cleaning products, and farm-to-store crates reduce packaging materials. The net effect of these innovations is that Fresh and Easy stores are rated 30 percent more energy efficient than other grocers.

Many of the energy-saving initiatives in the Fresh and Easy stores result from a partnership with Verisae, a sustainability solutions company. Verisae helps analyze and identify areas of opportunity and assists with implementing and monitoring the results. This partnership has led to more energy efficient stores and cost savings.

Discussion Question:

How is Fresh & Easy working on being a socially responsible retailer?

Fresh and Easy has adopted a number of measures designed to reduce its energy consumption and carbon footprint. It has utilized Verisae to analyze and implement measures through all levels of the company, from the use of solar energy in the distribution center to low-cost, low-maintenance store flooring, automatically adjustable LED lighting, and farm-to-store crates to reduce packaging materials.
Inside the Knockoff-Tennis-Shoe Factory

Nicholas Schmidle, New York Times, August 19, 2010

Use with Chapter 13, “Buying Merchandise”

Lost in all the talk about China’s production capacity, the counterfeit shoe business thrives. The international nature of this business means huge sales for the factories and distributors, with significantly fewer legal penalties than the international drug trade. It is a logical choice for illegal business expansion. Forty percent of all U.S. customs counterfeit seizures in the past year were sneakers, making them the focal point of Chinese illegal goods manufacturing.

The illegal shoe business has advanced over time. In the 1990s, knockoff companies bribed or stole blueprints and prototypes directly from licensed shoe factories. These counterfeiters could then manufacture the fake branded shoes to true specifications. However, legitimate companies became wise to this practice and instituted extra security measures in their factories. Knockoff manufacturers had to adapt and change their strategies.

With significant manufacturing skill and an ever-improving illegal trade market, knockoff companies now simply purchase the real shoes and re-design them. Their impressive industrial capacity means they can have their counterfeits produced and on the international market in a month.

Putian is the well-known center of the counterfeit shoe production industry in China. While the Chinese government does raid the illegal factories at times, production mostly continues unchecked. Since the post 9/11 US customs workforce is focused elsewhere, illegal imports are not well policed on either side of the Pacific.

Still, both the U.S. and China have announced goals for this illegal activity. The U.S. government is placing a greater focus now on protecting intellectual property rights and establishing more coordination among government agencies to address the illegal imports. The hope for China is that knockoff factories will continue to increase their skill to the point where they can create legitimate domestic businesses and brands of their own. Nevertheless, the knockoff shoe industry will always exist in developing industrial countries, with counterfeiters in Vietnam, Cambodia and Southeast Asian countries to be the next major players.

Discussion Questions:

How big is the market for counterfeit sneakers?

Government agencies and shoe companies alike have been asked to quantify the market for knockoff sneakers. While exact numbers do not exist, 40 percent of the $260 million goods seized by the U.S. government last year were sneakers. Anecdotal reports have one knockoff sneaker on the market for every two legitimate ones.

Why is it such a prevalent practice? Provide perspectives of the manufacturer, distributor, retailer, and consumer.

Knockoff shoe companies proliferate because the ratio of sales volume to potential legal ramifications is so heavily skewed in favor of counterfeiting. For the manufacturer, the practice supports production of high-quality goods with regular and growing retailer support. At this level, producing knockoffs is no different than producing legitimate goods. Manufacturers improve their skill and can collect handsome profits for their wares. Distributors take most of the legal risk in the venture; however, they are skilled at circumventing authorities. They stand to make the most profit out of the industry. Retailers win by obtaining better pricing on products. The products can then be sold to consumers at full market value, resulting in higher margins for the retailer. Alternatively, the sneakers can be sold at a perceived discount while the retailer maintains margins. These retailers can set the price they want to pay by establishing quality standards with the manufacturer that produces the knockoffs. However, should the knockoffs be exposed, the retailer will suffer in the public view. Consumers can potentially get similar quality products with the brand they want for less money. However, the reverse is also true: They may end up paying full market value for an inferior, imitation product.
Inside the World of Trader Joe’s

Beth Kowitt, Fortune, August 23, 2010

Use with Chapter 5, “Retail Market Strategy”

Forty-three years ago, Trader Joe’s was a single shop in Pasadena, California, catering to consumers with palates that were more evolved than their finances. With its odd mix of convenience-store groceries and alcoholic beverages, the original store was so popular that founder Joe Coulombe opened more than 20 additional locations over the next decade. Today, despite its relatively small store size and limited stock-keeping units (SKUs), Trader Joe’s is neck-and-neck with Whole Foods for sales – roughly $8 billion in 2009 – and a sought-after presence in strip malls across the country.

Although the company has grown and the product mix become more sophisticated, the target market remains the same: Shoppers looking for tasty, interesting food that doesn’t cost an arm and a leg. The approach rules out some consumers: Those looking for diapers or who have no interest in a choice of hummus flavors or white cheese popcorn will shop elsewhere. Nevertheless, the store’s appeal is wide, attracting film stars, Supreme Court justices, senior citizens, college students, and professionals.

Trader Joe’s retail format also retains some of the flavor of its roots. Employees dress in Hawaiian shirts and have nautical titles such as first mate or commander. Stocking less than ten percent of the SKUs offered at a typical grocery store, the store still manages to find the right combination of vegan, vegetarian, organic, kosher, fat-free or gluten-free staples and special treats like vanilla cookies layered with peanut butter and dipped in milk chocolate. About 80 percent of the offerings in any Trader Joe’s are the store’s private label brand. Stock is placed based on customer need and not profitability. Checkout lanes don’t have conveyor belts, and each lane is manned by a helpful staff member rather than by a UPC scanner. Checkout lanes also lack scales, since produce is sold by unit and not by weight. This pricing expedites checkout.

Is this approach successful? Per square foot, Trader’s Joe’s sells more than twice as much as Whole Foods. Rather than offering an aisle-long selection of a product, Trader Joe’s stocks only “wow” items – the olives, peanut butter, olive oil or maple syrup that are the best for the price. Buyers travel around the world to find these products, keeping an interesting mix of new offerings alongside the store’s basics. This globe-trotting helps Trader Joe’s stay ahead of both competitors and the intrepid tastes of their customers.

While the company is clearly enjoying success, it is notoriously secretive about many of its processes, perhaps because image and reality don’t always match. Trader Joe’s pita chips, for example, aren’t made by a mom ’n’ pop bakery with a family recipe; they’re made by Frito-Lay. And somehow the company manages to sell organic produce at a price that appeals to even those on a fixed income, despite the modest scale. Furthermore current success is no guarantee of future profitability, and the company’s leadership needs to decide whether Trader Joe’s will expand and become a nation-wide chain of specialty grocery store or remain at its current size and hope that its fan base remains loyal.

Discussion Questions:

Who is Trader Joe’s target market?

Trader Joe’s target market is anyone who wants good, interesting food at a decent price. A typical shopper would be a college student or professional who cares about issues like humane treatment of animals and organic meats, dairy and produce and who purchases gourmet treats as well as staples.
What is their retail format?

Their retail format involves a smaller space than typical grocery store and less than a tenth of the SKUs stocked by most groceries. While they offer fewer choices of a product than typical grocery stores, the ones they do stock have been carefully selected to provide their customers with reliably delicious food at competitive prices. Inventory is stocked for customer convenience and ease rather than for store profitability, and all open checkout lanes are manned by employees.

What, if any, are their bases for sustainable competitive advantage?

Trader Joe’s sustainable competitive advantage rests in their neighborhood ambiance, happy and helpful employees, relaxed store atmosphere, reasonable prices, and interesting, appealing product mix. The most important of these advantages appears to be their product mix, which is the result of intensive globe-trotting by buyers capable of anticipating taste trends and finding the right product and cost to meet those trends. Although Trader Joe’s currently enjoys a unique niche, sustaining their competitive advantage rests in its ability to fend off competition at its current size or to grow without losing their quirky appeal.
Targeting Younger Buyers, Liz Claiborne Hits a Snag

Rachel Dodes, Wall Street Journal, August 15, 2010

Use with Chapter 13, “Buying Merchandise”

In its heyday, Liz Claiborne was the go-to brand for working women, racking up $2 billion in sales each year. But as this target market aged and began to retire, and specialty retailers such as Ann Taylor and Banana Republic attracted some of Liz’s base, the brand’s value sank.

In an effort to reverse the trend, the company honed its fashions, hoping to attract the lucrative 25-to-34 year-old female shopper. But the new designs launched in the midst of the recession and lacked appeal for either the traditional Liz Claiborne shopper or her younger counterpart. Macy’s drastically reduced its coverage of the brand while Liz’s management negotiated with other retailers to strike a deal that would save the brand from extinction.

The deal was struck with JC Penney, which now effectively controls the Liz Claiborne brand. Under the agreement, Penney’s becomes the exclusive retailer for the Liz Claiborne label, including all clothing, home goods and accessories. Penney’s also assumes control of all manufacturing and marketing for the Claiborne line.

In return, Claiborne receives a percentage of sales and royalty fees. In five years, Penney has the option to purchase U.S. rights to the brand’s name.

The deal is considered a coup for JC Penney’s, which anticipates that the brand will lure market share from competitors. For Liz Claiborne, however, the future is less certain. CEO William L. McComb sees the new relationship as a way to turn the company around, helping the bottom line which is currently kept afloat by the company’s less expensive Liz & Co. line. However Liz Claiborne will need to find a new identity and niche to survive the sale of its brand name.

Discussion Questions:

What is the new relationship between JC Penney and Liz Claiborne?

JC Penney has purchased exclusive rights to the manufacturing, marketing, and sales of the Liz Claiborne line. Penney’s also has the option to purchase the Liz Claiborne name in five years. This new relationship effectively gives JC Penney’s complete control over the iconic 34-year old brand.

What is Liz’s future?

Liz’s future is uncertain at best. While the brand may flourish as a JC Penney label, the company itself seems headed for extinction.
Nordstrom Links Online Inventory to Real World

Stephanie Clifford, New York Times, August 23, 2010

Use with Chapter 10, “Information Systems and Supply Chain Management,” and Chapter 19, “Customer Service”

While other retailers struggle to find a way to stimulate shopping in a post-recession economy, Nordstrom found a simple key to success: Making inventory at all 115 stores and its warehouse available to customers via the Web. The solution seems like a no brainer but, for a traditional retailer, stepping outside the ordinary ways of conducting business was a breakthrough that has given the Seattle-based company a competitive advantage in a challenging time.

The innovation came in response to call center requests to see an item in a store that a potential customer had viewed online. The company responded by allowing customers to purchase online and pick up their purchase in the store. It also recognized the value of these multichannel shoppers, who are likely to spend four times more money as a one-source shopper. To build a relationship with these shoppers, Nordstrom made store inventory and Web warehouse inventory available on its Web site, allowing a customer to find the particular item she wants even if only one remains and that solitary item is in a store on the other side of the country.

The results are positive. Inventory is moving faster, and the likelihood of markdowns is decreasing as products languishing in a store find owners through the Website. Nordstrom has one of the greatest improvements in same-store sales over last year, and the percentage of customers who purchased an item after first viewing it online doubled immediately. Negatives are minimal. Nordstrom has had to hire additional shipping staff—a cost that was offset by increased sales. Their only other challenge has been maintaining an accurate inventory for customers.

Nordstrom has improved its site in other ways to appeal to customers and build sales. Fashion blogs, photos of customers in Nordstrom fashions, editorial features, and product reviews help shoppers learn more about fashion and Nordstrom’s products, while advanced search functions allow customers to narrow their searches by multiple parameters such as size, color, price, and style.

Discussion Questions:

What is Nordstrom doing to improve customer service?

Nordstrom is working to maximize use of its Website to improve customer service. Improvements include making both store and Web warehouse inventory available for purchase through the site, allowing customers to purchase online for pickup in a store, and Website enhancements such as blogging, customer photographs, product reviews, editorial features, and searches based on multiple criteria.

Do you think this new service provides it with a basis for a sustainable competitive advantage?

The new service has clearly given Nordstrom a competitive advantage in a challenging retail climate. The sustainability of this advantage will be challenged by employee ability to satisfy customers by keeping an accurate online inventory, a challenge that I think will be relatively minimal. However there is little impediment to other department stores imitating Nordstrom’s approach, so I don’t think this advantage is sustainable.
Penney Weaves New Fast-Fashion Line

Rachel Dodes, Wall Street Journal, August 11, 2010 and “Penney on Fast Track with New Fashion Line,” George Anderson, Retail Wire, August 11, 2010

Use with Chapter 14, “Buying Merchandise”

JCPenny Co., the 108-year old department store giant, is moving into fast fashion. In a new partnership with Mango MNG Holding SL, Penney plans to deliver a fresh collection of “vogue” looks to stores every two weeks through an exclusive Mango line, MNG by Mango. The Barcelona-based Mango is internationally renowned for the speed at which they work, delivering new designs at a breakneck pace.

The partnership is an unusual one for Penney. Fast fashion relies on getting new clothing designs from studio to sales floor as quickly as possible, the goal being to have the most current look available for the lucrative 20 something crowd and to increase store visits by these trend-conscious women. This fast-fashion model is a stark contrast to Penney’s traditional approach to business, which has involved sourcing merchandise a year in advance—a model that saves production and shipping costs, but often at the expense of timing fashion trends.

The new venture carries risk. MNG by Mango and attendant redecorating in Penney stores to create a modern atmosphere for the new line may help overcome the store’s image of having unfashionable clothing and may attract a new market segment, but the changes may alienate existing clientele and fail to attract new customers. Mango is highly popular in Europe. However the brand lacks the name recognition in this country of comparable chains Zara and H&M. Price tags on the new line will be relatively high for Penney’s, possibly creating a disconnect between the Penney brand and its assortment.

Discussion Questions:

Why is Penney’s new partnership with Mango a departure from its traditional vendor relationship?

Penney’s has traditionally sourced its products from distant vendors with lead times, as long as a year. The partnership with Mango involves receiving new fashions every two weeks.

Will this new partnership enable Penney to compete more efficiently with H&M and Zara? In other words, will it be successful?

The new partnership is clearly designed to help Penney compete more successfully with H&M and Zara by giving them access to the same sort of fast-fashion sourcing. Penney is challenged, however, by the fact that H&M and Zara are more familiar names in the United States, while Mango is a newcomer on this side of the Atlantic. All three retailers face the same hurdles: Accurately anticipating consumer demand, getting product into stores while it is still “hot” and keeping prices affordable despite the dizzying speed of design, production and delivery. I think it’s a very risky gamble.
Aisle by Aisle, an App That Pushes Bargains

Stephanie Clifford, New York Times, August 17, 2010

Use with Chapter 16, “Retail Communication Mix”

A new smartphone app, delivers store-specific points, promotions, and special offers to customers as they shop. The app works through an inaudible communication between the shopper’s phone and an audio transmitter within participating stores. Activated the moment the shopper enters the store, Shopkick rewards customers with “kickbucks” for store visits and purchases. This automatic activation and reward system differs from other apps that require customer check in to receive rewards. The app then tracks the phone’s movement around the sales floor, offering specials based on customer location.

Customers visiting dressing rooms can scan barcodes on the dressing room walls into their smartphone to earn additional points. Kickbucks can be redeemed for gift cards at participating retailers. Already, large-scale chains such as Macy’s, Best Buy, Sports Authority, American Eagle Outfitters, and mall giant Simon Property Group have pledged to give the app a try.

Shopkick advantages, from a retailer’s perspective, are many. It helps direct shoppers to stores by displaying mall or shopping center maps on a participant’s phone, complete with indication of merchants participating in Shopkick and the number of reward points available for entering the store. This feature builds foot traffic, while other aspects, such as rewards for trying on clothing, boost the likelihood of a sale. Daily limits on the number of store visits prevent customers from simply going in and out of a store or dressing room to accumulate points. Retailers foresee Shopkick evolving so that special offers can be tailored to a shopper’s gender, age, shopping and purchasing habits, or even neighborhood as well as where the customer is within the store. By tying the app to rewards cards, retailers can direct offers to a particular customer.

But while retailers are enthusiastic about Shopkick’s potential, privacy advocates are concerned about privacy violations. In response, Shopkick execs insist that consumers must turn the app on, in effect agreeing to being tracked.

Discussion Questions:

What is Shopkick, and how does it work?

Shopkick is an app that can be downloaded to a smartphone. The app identifies an ultra high pitch sound wave when a Shopkick participant enters a participating store. This inaudible connection allows the app to track the customer’s movement around the sales floor and offer location-specific specials. Shoppers can also accumulate “Kickbucks” for certain desired actions, such as entering the store or visiting a dressing room. “Kickbucks” can be redeemed for gift cards at participating stores.

What are the advantages and disadvantages of using Shopkick from a consumer’s perspective? A retailer’s perspective?

The main advantage of Shopkick to the consumer is that, by delivering location-sensitive discounts and rewards points redeemable for gift cards at other retailer, the app potentially saves customers money in a variety of locations. The disadvantage to the consumer is that the app may violate their privacy. Retailers may take advantage of shoppers by using the app to identify their weaknesses and spending excesses. From a retailer’s perspective, Shopkick provides unprecedented access to information about customer preferences and behavior. Moreover, the app engages customers in performing desired behaviors while in stores, potentially leading to more purchases.
The Time is Now to Take Shopper Marketing Beyond the Store

Jim Lucas, Advertising Age, August 17, 2010

Use with Chapter 16, “Retail Communication Mix”

When thoughtfully used, marketing through social media has the power to help retailers weather the recession as well as to establish an efficient ongoing conversation with customers. Clearly, consumer acceptance of this form of marketing is growing: Thirty percent of shoppers indicated they would rely on their mobile phones to help with purchasing decisions during the 2010 back-to-school shopping timeframe. But what do marketers need to know to use social marketing properly?

Provide trustworthy information, say experts. Do not simply deliver marketing messages. The most dependable advice comes from friends, so savvy marketers are finding ways to weave purchasing decision making into social networks. For example, some successful social shopping sites provide a forum for sharing product reviews. Others help shoppers find unique products, solicit friends’ feedback on potential or recent purchases, check their friends’ likes and dislikes, or even browse and shop together in cyberspace. One site, launched by apparel and accessory retailer Wet Seal, allows shoppers to browse, put together outfits, and then rate the final look. Another, Vans.com, allows friends to customize sneakers together from different sides of the country.

Walmart, Best Buy and other retailers use blogs to keep shoppers informed. Through Walmart’s blog, mothers share parenting tips, recipes, product giveaways, and other information useful to women at any stage of parenting. Best Buy’s Twelpforce connects consumers to Best Buy employees who can answer technical questions. The blog exposes current and potential customers to Best Buy’s customer support and helps them make informed decisions.

Discussion Questions:

What are retailers doing to communicate with customers using social media?

Retailers are using social media to communicate with customers and are finding ways to connect products and people in cyberspace. This includes apps that allow friends to solicit feedback on potential or recent purchases, check for likes and dislikes among their social group, review or participate in blogs that interest them, or even to virtually shop together, including putting together outfits and customizing sneakers.

Which applications do you believe are the most effective?

All of the applications mentioned above seem viable, although they may appeal to different personality types or age groups. Any application that provides relevant, reliable information about brands or individual products would likely be effective.
Something New in Tiffany Blue

Elizabeth Holmes, Wall Street Journal, August 26, 2010

Use with Chapter 5, “Retail Market Strategy,” and Chapter 14, “Buying Merchandise”

In an effort to recoup some of the damage done to luxury retailers by the sluggish economy, jewelry chain Tiffany & Co. has launched a new collection of handbags. Each style, from clutch to satchel, sports a bit of Tiffany’s signature blue — a subtle way to represent a strong brand. Designed by Richard Lambertson and John Truex—respected leather designers in the luxury market—the bags range in price from about $400 to over $17,000. Prices for other leather goods, such as gloves, wallets, and card cases, start much lower. In the past, Tiffany offered a small selection of handbags, although this extensive collection is a new direction for the jewelry giant. The Lambertson Truex line will be the retailer’s first full assortment.

Handbags are seen as a more practical purchase than jewelry, which may help spark sales. In addition, handbags have been a popular purchase among women in a range of age groups and income levels. Furthermore a handbag offers a comfortable alternative for men looking for a nice gift for a woman but wanting to avoid the symbolism of a little jewelry box.

However Tiffany’s is far from alone in the luxury handbag market. Handbag designs become dated more quickly than jewelry designs, a scenario that ordinarily leads to price cutting. Tiffany’s tries to avoid discounts in an effort to maintain its brand. The retailer must find the proper balance between accessibly priced goods and upscale image, even as it removes traditional offerings such as china, silver, and crystal from its stores. These challenges are compounded by the continuing slump in luxury sales and by a society that is becoming increasingly casual in its style of entertainment and dress.

Discussion Questions:

Is Tiffany expanding its variety or assortment by adding handbags?
Variety refers to the number of different merchandise categories within a store or department, while assortment refers to the number of stock keeping units (SKUs) within a merchandise category. Since Tiffany has never before offered a full assortment of handbags and was not carrying handbags at the time of the launch, the addition of the Lambertson Truex bags represents an expansion in variety.

What type of a growth strategy is this?
This is a market penetration growth opportunity since it is designed to bring members of its current target market into stores despite the recession. Arguably it is also a market expansion growth opportunity since many of the handbags are priced lower than Tiffany’s traditional assortment, thus attracting shoppers in more moderate spending categories.

What are the pros and cons of such a strategy?
On the positive side, this strategy may improve flagging sales by offering a more practical item than jewelry, yet one that still carries the cachet of Tiffany. It also offers a solution for a man looking for a gift for a woman, yet reluctant to buy jewelry. On the negative side, Tiffany faces stiff competition in the luxury handbag market, and the more rapidly changing style trends in handbags may force the retailer into markdowns that could compromise the retailer’s exclusive and upscale brand. With both the potential markdowns and the presence of more moderately priced goods on its shelves, Tiffany may be vulnerable to eroding its uptown image.

Do you believe it will be a success?
I don’t believe Tiffany’s handbag launch will be a success. The brand is heavily associated with jewelry, and consumers have a plethora of choices when it comes to high-end handbags. Personally, I don’t like the Tiffany blue. It’s a strong color and, even when used sparingly, is a style element that may not stand the test of time in an accessory. Tiffany doesn’t use the blue on all its jewelry, for example. Nor does it use it in every silk scarf or every china pattern carried in the store. There’s no reason for it to be on every handbag.
How to Reinvigorate Old Brands

Matt Rubel, Forbes, August 9, 2010

Use with Chapter 5, “Retail Market Strategy”

An existing brand can have both a history of success and a nostalgic emotional appeal. But if the brand hasn’t been refreshed, it can also carry the sense that it is “so yesterday.” Revitalizing a brand, as Collective Brands discovered when it breathed new life into Keds, Sperry Top-Sider, and Stride Rite, can reinvigorate sales, even in a challenging economic climate.

For decades, Keds was synonymous with sneakers, Top-Siders were the first choice for boaters, and Stride Rite was the go-to brand for developing feet. But, with the passage of time, these brands joined the ranks of rotary telephones and black and white televisions as symbols of prior generations. Then, in 2007, Payless ShoeSource purchased the brands, created Collective Brands, and set out to make yesterday’s shoes into today’s news.

The strategy involved developing a clear understanding of both the brands’ current status and of the “to be” or hoped-for status. To do this, marketers drafted a new mission statement that was clear, concise, understandable, and applicable to each employee’s area of expertise. Next, the company researched both current and desired customers to get a sense of both rational and emotional motivations for their purchases. This ongoing effort probes how customers want to live—their goals and aspirations—and how they actually live and questions how these factors can be utilized to build the brand. Next, Collective Brands created their roadmap—the actual tactics that would be employed to transform the brand from its existing character to its new identity. Finally, the new brand was given life through advertising and marketing efforts that demonstrate, in words and pictures, how today’s consumers are enjoying Keds, Top-Siders and Stride Rite shoes.

For example, the Top-Sider brand was heavily associated with boat shoes and primarily purchased by men. To widen the brand’s appeal, Collective Brands expanded the association to include a variety of water-related activities under the positioning statement a “Passion for the Sea.” Sperry-brand shoes are now available in department stores, marine stores, and sporting good chains, and the brand is experiencing strong growth both in the United States and internationally.

The company reinvigorated Keds by promoting the familiar plain canvas and lace-up style as a blank canvas. Designers from New York City to Los Angeles were invited to let loose their artistic talent on this unique canvas. The results are available for purchase at kedscollective.com, where shoppers can also design their own shoes by selecting style, text, colors, and patterns. This effort is also proving successful.

Discussion Question:

How did Collective Brands reinvigorate Keds and Sperry Top-siders?

Collective Brands reinvigorated Keds and Sperry Top-siders by finding a way to capitalize on the brands’ legacy while making it relevant in today’s society. In both instances, the company researched the characteristics of current customers and brand identity and studied the wants and needs of the desired customer. Marketers then developed a roadmap delineating the tasks required to get the brand from its current status to the desired status. Both the new brand identity and the steps along the roadmap had to be associated with the company’s updated mission statement. Finally, Collective Brands developed the tactics, or tools, necessary for telling the brand story to consumers. For Keds, this included a website presenting the traditional Ked style as a canvas on which designers or customers could express their individual creativity. For Sperry Top-Siders, the story revolves around water-based activities for men, women and children. Marketing for both brands includes a mix of media from direct mail and traditional advertising to social media as well as retail and online stores.