Dear Professor:

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

- **A Fashion Identity Crisis at Walmart** (Chapters 4 and 5)
- **Tug-of-War in Apparel World** (Chapters 10 and 14)
- **Curves Loses Stamina, Closing Fitness Clubs** (Chapter 5)
- **Fashion Nation: What Retailers Know About Us** (Chapter 4)
- **Facebook Touts Selling Power of Friendship** (Chapter 16)
- **GPS for Goodies** (Chapter 16)
- **J.C. Penney is Throwing Away Merchandise that Doesn’t Sell** (Chapter 14)
- **Launching Gilt Groupe, a Fashionable Enterprise** (Chapters 2 and 5)
- **Living at Wegmans** (Chapter 11)
- **Surviving Silly Bandz: Prolonging the Shelf Life of Fads** (Chapter 14)
- **REI: Taking Designs to New Heights** (Chapter 18)
- **Walmart Radio Tags to Track Clothing** (Chapter 10)
- **Walmart India Growth Faces Supply Chain Hurdle** (Chapter 10)

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

Here are some videos that you might use in your class

*Use with Chapter 4 Shopping Behavior*
Mystic of Abercrombie from foreign shopper

*Use with chapter 5 – Growth opportunities*
Retailing in India – obstacles to direct foreign investment
http://video.ft.com/v/73486869001/Jan-19-India-s-retail-hurdles

*Use with chapter 5 – Growth opportunities*
Retailing in Russia

*Use with Chapter 9 human resource management*
Zappos culture survives after Amazon acquisition

*Use with chapter 18 store design or chapter18 customer service*
EZFace – virtual makeover in stores to build sales

*Use with chapter 18 store design or chapter18 customer service*
Store window examining outfits.
http://www.youtube.com/watch?v=HTd83AWaHvc
http://www.youtube.com/watch?v=adZpEy5ML98&feature=related

*Use with chapter 18 store design or chapter18 customer service*
Prada store in New York City uses technology
http://www.youtube.com/watch?v=3pXNYcIHCIC

Short Videos Available on the Web

**Apple & Amazon**
The Wall Street Journal discusses the competitive aspects of the online TV market.
- 4:00 minutes

**Rent the Runway**
This online business rents luxury fashion for 10 percent of the retail price.
- 2:25 minutes
Starwood Hotels
Starwood hotels have a large worldwide footprint and continues to grow in the recession.
- 2:32 minutes

Apple
The trends in the new Apple devices are discussed.
- 2:26 minutes

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/](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
A Fashion Identity Crisis at Wal-Mart


Use with Chapter 4, “Customer Buying Behavior” and Chapter 5, “Retail Market Strategy”

For the past ten years, Walmart has had a hard time finding the right clothing fit for its customers. The store has tried trendy, basic, rhinestones and tube socks; they’ve launched an exclusive line bearing the names of pop star Miley Cyrus and popular designer Max Azria. But, so far, the retail giant hasn’t found the formula that builds either traffic or sales.

The problem, analysts say, is that Walmart needs “fashion for the masses” – fashionable every-day clothing that is priced right for a recessionary economy. Additionally, to compete with rival Target, Walmart should devote more space to apparel so that stores can comfortably stock fashionable items attractive as an impulse buy as well as basics like socks, T-shirts and underwear.

Walmart executives believe they are on the right track now with new leadership in apparel and a renewed commitment to listening to customers and suppliers. However they have also disclosed they intend to focus on basics, which will do little to attract the growing number of shoppers affected by the economy who are looking for better value for their clothing dollar.

Discussion Questions:

Why can’t Walmart get fashion right?

Walmart seems unable to find the right mix of fashionable and basic apparel to make this sector of their business successful. Part of the problem seems to stem from leadership in their apparel line, but the company has also not devoted sufficient space to accommodate both fashion and necessity in the clothing category.

What should Walmart do to compete for the fashion customer?

Walmart has already taken some important steps: Soliciting input from customers and key vendors and instigating a change in leadership. To be effectively competitive with rival Target, Walmart will also need to devote more shelf space to apparel so that both basic items and fashion items can be easily stocked. New leadership will also need to work with Miley Cyrus and Max Azria and/or another team to create an exclusive line of clothing that sells well in a wide variety of markets.

Do you or would you buy your clothes at Walmart? Why or why not?

I would buy basic clothing items at Walmart if I was already in the store shopping for other items and needed wardrobe basics. I wouldn’t think of heading there for fashion items because the store doesn’t have a reputation for stocking fashionable clothing. However I would shop at Walmart if they begin offering nice designer jeans and tops for a reasonable price.
**Tug-of-War in Apparel World**

*Elizabeth Holmes, Wall Street Journal, June 17, 2010*

The economic recession has led to a change in the traditional apparel retailers’ buying strategies. Rather than committing to purchases many months in advance, retailers are now seeking to make smaller purchases with shorter lead times. This change of strategy is a direct result of being overstocked and having to take deep markdowns to move through their inventory when customer spending declined. Retailers can better control their inventory cost in response to the market with this approach.

While this strategy is clearly beneficial to retailers, the manufacturers are put in a difficult position by such demands. Traditionally they could ramp up production at their factories during key times, knowing that the retailers had committed to purchasing certain quantities of goods. With less certainty in the retailers’ buying patterns, factories are concerned about absorbing lost costs from retailers shrinking or cancelling orders, leaving the factory underutilized.

With rising wage and material costs, factories can ill afford to sit idle. Therefore they have begun pushing back on retailers, setting minimum order quantities and lead times in an attempt to stabilize their production. In some cases this has even led to factories turning down purchases from long-standing retail partners.

Retailers and factories both have to balance the depth of inventory produced during the season. The strategies they are employing are based on limiting risk while still maintaining the working relationship. However, as some retailers find out, it can be a delicate balance. There are times when they sell out of a certain style and have only limited ability to reorder. Thus buyers must continue to balance their projected needs with the inventory risk they are accepting.

**Discussion Questions:**

**Why are retailers ordering less merchandise more often?**

*Retailers are unwilling to suffer the deep markdowns that occur from being overstocked. By ordering less merchandise more often, they have more control over their inventory levels. This approach also gives them greater flexibility to test new patterns and styles.*

**What are the risks associated with such a strategy from the retailer’s perspective?**

*The main risk to retailers is running out of inventory on a hot style. Without long lead times, factories are limited in terms of what they are willing and able to produce. Retailers will often find themselves chasing sales on styles that exceed expectations.*

**Why do vendors sometimes have problems meeting retailers’ demands for shorter lead times?**

*Vendors have to book factories well in advance of production. A short lead time places pressure on vendors and factories alike to schedule production and workers. The vendor may not be willing to do so unless the order is a sizable one.*
Curves Loses Stamina, Closing Fitness Clubs

Richard Gibson, Wall Street Journal, July 6, 2010

Use with Chapter 5, “Retail Marketing Strategy”

A few years ago, the Curves franchised fitness centers business was looking pretty buff, with membership a half million ahead of Gold’s and over 7700 sites nationwide. But the business has since lost its physique, and about a third of the locations have closed their doors. The company claims the closings were planned, but industry experts believe the franchise is losing ground because its business model no longer meets the needs of exercise-conscious women, particularly in a flaccid economy.

Curves offers memberships exclusively to women and features a 30-minute strengthening and cardiovascular workout on a series of machines. Because of its low initial investment costs, reasonable overhead, opportunities for profit with as few as 100 members, and no-frills facilities, the franchise opportunity attracted women owner-operators as well as a female clientele.

But fitness trends change, as do the needs of female exercise buffs: Working women need more flexible hours than Curves offers (gyms are closed during lunch hour), and many women need or want gyms with showers, dressing rooms, tanning booths, saunas, babysitting, or classes. In addition, some women view the Curves workout as insufficiently intense for their needs. These factors, combined with the recession, motivated hundreds of women to drop their Curves memberships.

Franchisees point their fingers at the company, saying that their pleas for more flexible formatting and longer hours have been ignored or denied. A company spokesman counters these charges, saying franchisees can ask to modify their format and mentioning the company’s new high-tech exercise equipment as a sign of innovation.

Discussion Questions:

What is Curves’ retail format?

Curves offers an intense 30-minute workout on a series of exercise machines. The gyms are “bare bones,” without the showers, classes, child care, or changing rooms available in other gyms. They are relatively inexpensive to join, and are generally located in relatively inexpensive locations.

Why has Curves’ growth curve curved down?

Experts attribute the downward curve to the fact that women need more flexible hours, more amenities, and more workout variety than offered by the Curves retail format. In addition, the recession has motivated many consumers to cancel gym memberships, which are discretionary spending, or to find less expensive gyms.

How can they reverse the downward spiral?

Curves faces a challenge in that reversing the spiral demands investment – a difficult choice during a recession and in the face of a membership decline. However, the company must concede to franchisee pressure for a more flexible format, including longer hours and some classes. One possibility would be to create “elite” Curves gyms that offer longer hours and more exercise opportunities for higher franchisee investment and membership fees. If these pilot elite gyms are successful, the format could be rolled out more broadly.
Fashion Nation: What Retailers Know About Us

Christina Binkley, Wall Street Journal, July 28, 2010

Use with Chapter 4, “Customer Buying Behavior”

The era of data mining has led to unprecedented levels of insight into true buying patterns of consumers. Companies as diverse as banking institutions and online retailers now have a vast amount of data at their disposal. Every website hit, each page and item viewed, can be tracked to determine customer activity. The data can then be analyzed to both tailor assortments to customers and also to manage inventory better at a regional level. Many long-held views, particularly in the apparel field, can now be tested regarding consumer fashion tastes: Data mining proved that the average woman in Dallas, a town associated with big spending, spends less on fashion than a woman in Washington, D.C., a location known for its frumpy fashions.

For example, companies can now track the success of various colors by city and geographical region. What is popular in Los Angeles might not necessarily have the same impact on shoppers in the Midwest. The same holds true for patterns, clothing styles, and even sizes. Southerners, for example, gravitate to white, green and pink. Women on the East and West coasts wear smaller sizes than their middle-American counterparts. This wealth of information is invaluable for retail forecasting and planning and helps national retailers to still carry regionally-relevant assortments.

Discussion Questions:

What are some key differences in buying behavior by region?

Each region has its own tastes and preferences. For example, southerners prefer bright colors to black, which is a best seller elsewhere, and women in the Midwest dress more conservatively than women on either coast.

How do retailers get this information?

Retailers can gain information in several ways. In stores they can track register transactions. Companies such as American Express sell their data to clients. However, the most directly relevant information comes from e-commerce websites, where each user click can be tracked.

What can they do with the information?

The greatest value to retailers is the ability to manage their inventories. Data on consumer buying patterns is immensely helpful in making sure to have the correct amount of merchandise available, while not tying up valuable assets in overstock. The information can also be used to tailor assortments by geographic region.
Facebook Touts Selling Power of Friendship

Emily Steel and Geoffrey A. Fowler, Wall Street Journal, July 7, 2010

Use with Chapter 16, “Retail Communication Mix”

Like many web-based businesses, Facebook needs to create revenue through selling advertisements. While their unique visitor numbers are skyrocketing, the social media giant has yet to reach the profit levels of older, more established Internet companies. Facebook is expected to make $1 billion in profit this year, as compared with the $6.5 billion made by Yahoo in 2009. This gap exists despite Facebook delivering more banner ads to users than any other website in the first quarter. With this financial variance in mind, Facebook has introduced a new strategy for selling ads. Company executives feel the new approach will better resonate with site users and allow them to raise prices for corporate clients.

Social-context ads show users which of their friends liked or were interested in specific products or companies. These banner ads appear prominently on the user’s homepage. The idea behind the strategy is that it integrates the ad within the personal communication context of the website and personalizes the ad with the user’s own friends. Research has repeatedly shown that the most effective messages come from people the subject knows personally. While previous attempts at this strategy came under fire from privacy advocates, Facebook is confident that the new approach will be acceptable to users since all information is self-reported by users.

While large companies have traditionally been measured in their social media ad buys, Facebook is finding a positive response in the market to this new way of advertising. Many companies already use Facebook to generate content about themselves and their products. Fears of advertised content being associated with user-generated content seem to be diminishing among corporations. This growing familiarity and comfort level with the medium is resulting in Facebook having increased success in selling their ads. Major deals with companies such as Nike and Ford seem to suggest profit increases are on their way. With a new strategy in place, Facebook has set its sights firmly on increased profitability.

Discussion Questions:

How can retailers use Facebook to attract customers?

Retailers would be wise to take advantage of Facebook’s access to millions of potential customers. At the very least, each retailer should have its own fan page as a direct means of communicating with target consumers. Beyond that basic step, retailers should analyze the potential impact of banner ads and decide whether they make financial sense. Youth-oriented companies in particular could see strong results.

Is this a good use of their marketing communications budget?

Traditional marketing such as direct mailers and run-of-press ads are reaching fewer and fewer people. Internet advertising is much more cost-effective and has great potential to reach large numbers of consumers. Additionally, Internet advertising allows a company to target specific demographics with much greater precision. Facebook’s approach is a strong opportunity for a retailer to sell their brand.
GPS for Goodies

Fred Minnick, Stores, July 2010

Use with Chapter 16, “Retail Communications Mix”

Foursquare is an application that combines the attraction of gaming, the fun of social networking, and the location-finding capabilities of smart phones to provide a new marketing opportunity for retailers. Users enjoy the app because it allows them to notify friends of their whereabouts and favorite stores. Storeowners use the application to create different kinds of specials to attract new or return customers. For example, “Mayor Specials” are available the customer who has checked in most frequently during the last month; “Frequency Specials” are given to customers every five check ins. The GPS system confirms the customer is actually at the store. The incentives, which can include a free drink or discount, and the competitive nature of the offers turns occasional customers into loyal friends. Because the app is tied to the phone’s GPS system, stores can deliver messages to passersby, turning foot traffic into customers.

Since Foursquare can instantly link to Twitter, Facebook and personal address books, retailers can effectively and inexpensively reach potential customers by offering extra rewards to those people willing to connect their loyalty account to their social network. Users can provide inside information on a store to their friends or find out how their friends view a product, store, or menu item. Multiple check ins at a particular store can also act as a virtual recommendation, convincing new customers to visit a store frequented by their friend.

Currently Foursquare looks highly successful: Over a million users are active on the site, with over three quarters of them checking in 30 times a month. The company has attracted a following of small businesses as well as some giants like Pepsi, and Yahoo! has reportedly made an offer to purchase the company for $80 million. However new competitors are entering the market, and Foursquare will have to work hard to retain its niche.

Discussion Questions:

What is Foursquare?

_Foursquare is a location-based social networking application that combines the GPS capability of smart phones, social networking sites Twitter and Facebook, and the incentives and rewards of gaming to provide retailers with a novel marketing opportunity. The app also provides users with a way to notify their friends where they are and an opportunity to discover new stores and restaurants frequented by their friends._

How can retailers use it?

_Retailers can use Foursquare to attract new customers and repeat business by offering specials and incentives for repeated check ins, including rewards for customer loyalty._
J.C. Penney is Throwing Away Merchandise that Doesn’t Sell

Karen Talley, Wall Street Journal, July 12, 2010

Use with Chapter 14, “Buying Merchandise”

When J.C. Penney rolled out its American Living line, designed by Polo Ralph Lauren Corp., the company agreed to a novel policy for unsold merchandise: It had to be destroyed. The policy applies to clothing, bedding, home décor, dishes and glassware, and anything bearing a logo or label that cannot be removed without harming the product. The ordinary route for merchandise that doesn’t sell at full or sale price is that it is sold to an off-price retailer such as TJ Maxx/Marshalls or Big Lots Inc. But Polo Ralph Lauren, perhaps hoping to avoid tarnishing its image by having its merchandise in bargain bins, insisted on destruction. J.C. Penney, which anticipated as much as $1 billion from the American Living line, agreed because of the economic potential involved in sealing the deal.

J.C. Penney insists the destruction of merchandise is unrelated to how the line is selling. A spokesperson from Polo Ralph Lauren said that American Living is reviewing alternatives to the policy of destroying unsold merchandise.

Discussion Questions:

What do retailers typically do with merchandise that isn’t selling?

*If retailers are unable to sell merchandise in the store, even at a deep discount, they typically sell it to off-price retailers such as TJX Cos. or Big Lots Inc. In some instances, merchandise is bought back by the manufacturer or the manufacturer may compensate a retailer for lost margins due to heavy discounts. However, these deals are not generally offered for private-label or exclusive brands.*

What is J.C. Penney doing with American Living merchandise that isn’t selling?

*J.C. Penney is destroying American Living merchandise that isn’t selling if the logo or label cannot be removed without harming the merchandise.*

Why did J.C. Penney agree to such a plan?

*J.C. Penney agreed to the plan because it wanted to sign the deal with Polo Ralph Lauren since the relationship provided such an important growth opportunity. It’s possible that J.C. Penney assumed the merchandise would sell without having to be destroyed.*

Do you agree with it?

*I do not agree with the plan. It adds unnecessarily to landfills and is a waste of labor and materials. Making this merchandise available through off-price retailers or to foreign markets is more environmentally friendly and gives those with less spending power the opportunity to have needed clothing and furnishings.*
Launching Gilt Groupe, A Fashionable Enterprise

Colleen DeBaise, Wall Street Journal, July 24, 2010


In 2007, two Harvard Business School graduates launched an online company that, two years later boasts annual revenue of $170 million, a valuation of $400 million, nearly three million members and 450 employees. The women, Alexis Maybank and Alexandra Wilkis Wilson, got their idea from the designer sample sales they had attended during lunch hours in Manhattan. After viewing (and perhaps participating in) buying frenzies at those sales, the partners realized that, if buyers were willing to sneak out of offices and fight tooth-and-claw for designer merchandise, there was probably a substantial audience willing to purchase similar items from in front of their computer screens. The retail format is simple: Just before noon Eastern time, members receive an email announcing the available designer clothing, travel destinations, spa treatments, restaurant reservations and exercise classes. Sales last for 36 hours, and merchandise is sold on a first-come, first-served basis. Discounts for luxury apparel and services reach 70 percent.

While the company has enjoyed resounding success, the Gilt Groupe founders have faced challenges ranging from convincing upscale fashion labels that the company itself was viable and that Internet sales were a worthwhile sales opportunity to quickly attracting and hiring hundreds of employees with the skills required to select the right merchandise. So far, Maybank and Wilson have been more than equal to these challenges. Their business school education has helped, as has Maybank’s experience as a founding member of eBay and Wilson’s fashion contacts, garnered through her employment at Bulgari and Louis Vuitton. Already the two have brought the sample sale from New York to the entire United States and Japan. Next they plan to add more international markets to their portfolio, as well as new categories and local services.

Discussion Questions:

What is the Gilt Groupe’s retailing format?

Gilt Groupe operates an online business that sells deeply discounted designer clothing, travel opportunities, spa treatments, restaurants and exercise classes to members. Sales are by invitation only and begin at noon Eastern time. Over the next 36 hours, merchandise is sold on a first-come, first-served basis.

What have been the firm’s most difficult hurdles to overcome and how have they overcome them?

The company has had to convince fashion designers and other upscale businesses that Gilt Groupe was a viable business and that the Internet is an important sales channel for their merchandise and services. In addition, rapid growth has presented difficulties in quickly hiring a sufficient number of skilled, knowledgeable employees.

What, if any, are Gilt Groupe’s sustainable competitive advantages?

The founders of Gilt Groupe have experience and contacts in the fashion industry and experience launching a highly successful online company, including raising venture capital. In addition, their business school education helps them understand and prepare for both growth and competition. Their initial success gives them a first-mover advantage. However, none of these advantages may be sustainable in the long run. If, for instance, T.J. Maxx or another off-price retailer decides to launch a similar Internet site, their expertise, brand recognition, and long-term good vendor relations will allow them to be as good or better than Gilt.
Living at Wegmans

Bill Hanifin, Retail Wire, July 14, 2010

Use with Chapter 11, “Customer Relationship Management”

For the regional grocery store chain Wegmans, customer loyalty isn’t about a punch card or rewards program. Nor is it about catering to customers at the expense of staff. Rather it’s about fulfilling the needs of employees and customers through a continuous improvement policy that infuses every action taken within each of its 76 stores. The stores, located in Maryland, New Jersey, New York, Pennsylvania and Virginia, are well-organized and offer reasonable prices, an appealing array of prepared foods, cheese shop, pastry shop, gourmet cooking classes and a coffee shop and dining loft where customers have access to free wireless Internet. The company’s website features menu ideas and recipes appropriate for special diets, entertaining, or breakfast for the family as well as opportunities to refill prescriptions online or prepare a shopping list that organizes food items by aisle.

Wegmans began phasing out its punch-card style coffee club in 2007, and the company has de-emphasized its Shoppers Club since making the move to consistent lower prices instead of short-terms sales and special offers. The new approach has been successful, at least as far as employees are concerned: Every year since 1998, Wegmans has been on the list of “Best Companies to Work For.” And, by many measures, the company has proven that its approach works for customers as well: The chain has withstood competition from the likes of Trader Joe’s and Whole Foods as well as giants like Walmart.

Discussion Questions:

What do you think of Wegmans’ efforts to create customer loyalty through an enterprise approach that values its customers and employees but downplays an explicit rewards offer?

I prefer Wegmans’ customer loyalty approach to the explicit rewards program offered by other businesses. Offering an attractive store layout, a fresh and appealing array of grocery items and prepared foods, and consistently reasonable prices is a better fit for my shopping personality than a format that requires remembering a membership or punch card or shopping for specials at different locations.

What’s the cost of missing any customer data coming from a more aggressive rewards program?

A more aggressive rewards program would allow the company to contact its customers directly to offer discounts for loyal customers or incentives for infrequent shoppers to get them back in the store. Data mined from this type of program might also help the store tailor its mix to more exactly fit with its most lucrative clientele.
Surviving Silly Bandz: Prolonging the Shelf Life of Fads

Knowledge@Wharton, July 21, 2010

Use with Chapter 14, “Buying Merchandise”

Have you ever noticed how many fad items sweep through the market each year? Beanie Babies, Rubik’s Cubes, and Crocs are all examples of fad items. Each product experienced an immediate upsurge in customer popularity shortly after coming out, only to be relegated to memory or the dark recesses of a closet shelf a short time later. Fads aren’t confined to toys and clothing. Names, hair styles, and even management strategies (think Six Sigma) can enjoy resounding, but transient, popularity.

Silly Bandz, a colorful line of rubber bracelets, is one of the newest fads. Shaped like dinosaurs, animals, and letters of the alphabet, Silly Bandz goes for $5 for a bag of 24, and the manufacturer, BCP Imports, claims to have banked more than $100 million within the space of a year. But now sales are in sharp decline, and the company is faced with the same dilemma as its fad predecessors: Come up with new ideas to reinvent interest in their products or else drastically reduce the scale of their business.

Marketing experts have long sought to explain why a particular product unleashes consumer frenzy and then, just as quickly becomes “so yesterday.” Popularity seems tied communication of identity or style; in essence, fads can indicate that an individual is a member of a particular tribe or pack. But this same motivation can cause the demise of a fad if the item becomes associated with a different group. In a study performed at Stanford University, for example, researchers sold Livestrong bracelets, popularized by biking legend Lance Armstrong, to students in a Stanford dorm. A week later, researchers sold the same bracelets in another, more “academic,” dorm that had a reputation for being geeky. A week after the bracelets began appearing on the wrists of the geeks, the number of students from the first dorm who wore the bracelets had dropped by 32 percent.

These findings run counter to the belief that the more people who adopt a fad, the better for the merchant. In fact, longevity seems tied to slow growth rather than rapid popularity. One study examining the recurrence of children’s names over the past 100 years found that trendy names tended to become unpopular rather quickly after peak use. Another study, which followed the Billboard 200 album chart over a period of 14 years, found that artists who debuted near the top of the list tended to have shorter careers and sell fewer records overall than those who had debuted lower and had steadily worked their way up.

Despite the research, fads remain unpredictable. Some products reemerge from the closet recesses to enjoy a second wave of success, and others are revived before their initial popularity fades entirely. Revivals are triggered by consumers who purchased the product initially because of its fad quality or on its own merits, but who returned because they liked the product regardless of its “in” status. Other products or services enjoy a more sustained lifecycle because astute product developers and marketers continue modifying styles or colors to remain current with consumer tastes. Crocs, for example, are now available in sneaker, sandal and office styles and in a variety of materials, prints and colors in addition to the original strap-backed model. Apple has also managed to keeps its products fresh, following the colorful iMac with the iBook and the iPhone. Savvy marketers have created a buzz around each release. Likewise, Facebook, once dubbed a fad, has managed to stick around by progressively improving the functionality of their website and expanding the array of services offered to consumers.
Discussion Questions:

What is a fad?

A fad is a product or service that generates a lot of sales, but only for a very brief period of time—often less than a season. A product that is a fad is purchased because it’s “in” as well as because of its actual usefulness.

Why is it different from a fashion or a staple?

A staple is a product, like socks or underwear that consumers will need and want despite trends or changing preferences. Changes in consumer lifestyle or technology can trigger a decline in sales for staples, but, unlike fads, staple sales tend to remain consistent over long periods of time.

A fashion is a product or way of behaving that is temporarily adopted by a large number of consumers because the product, service, or behavior is considered socially appropriate for the time and place. The fundamental difference between fads, fashions and staples is the length of time the product is in high demand: For fads, the time period is quite brief. Fashions generally last several seasons (although colors and styles may change).

What can retailers do to prolong the sales life of a fad and manage its ultimate decline?

Retailers hoping to maximize profits in the early stages of a fad need to recognize the fad early and make sure to have sufficient inventory in stock before competitors. However, they must also be careful not to overstock the fad item.

Retailers who wish to prolong the sales life of a fad and manage its unavoidable decline must find ways to reinvent and renew interest in the product or product lines. They can rely on fad items from manufacturers with a history of modifying fad products to make them more useful or those with experience expanding their product line to retain consumer interest. Savvy retailers can also prolong the sales life of a fad by focusing on a niche market, such as consumers who purchase the product because they like it and want it because it meets their needs or on collectors who appreciate the nostalgia value of fads.
From its inception, outdoor cooperative retailer REI sought to distinguish itself by offering customers expert information about recreational opportunities in addition to the clothing and gear required by sports from rock climbing to car camping. The store catered to sportsmen, sportswomen and sportschildren looking for an authentic experience, and complemented its merchandise and staff expertise with unique store designs. In the co-op’s flagship Seattle store, customers can experience the thrill summiting the Pinnacle, an indoor climbing wall where REI staff members offer a reliable belay.

But rock walls are now common in other venues, and REI is looking for ways to make its store ambiance special for customers. When the redesign process began five years ago, company officials identified integrating stores into the community and inspiring customers to try new forms of recreation or push themselves further in their current choices as integral to success. That thought led to the creation of a 41,000 square-foot store in Boulder, Colorado, that features a 1,000 square-foot community room right in the middle of the store. Community rooms, where lectures or clinics are held, are a fairly common part of REI stores, but they have previously been out of sight in basement areas. Moving the community room to a more visible location, store designers believe, will attract more customers to the store’s educational events.

While the Boulder store earned a Leadership in Energy and Environmental Design (LEED) gold award from the U.S. Green Building Council, the location of the community center was off: Elevated four feet about the rest of the store and approachable by staircase, the room is frequently mistaken for an employee area. In REI’s second prototype store, located in Round Rock, Texas, the community center is more optimally located. Situated on a mezzanine between two floors of retail space, it attracts the attention of shoppers as they travel up or down stairs.

**Discussion Question:**

**What does REI do that makes its store ambiance so special?**

REI makes its store ambiance special by designing stores to incorporate the experience of outdoor recreation as well as the equipment. In the past, this has meant including a climbing wall but, as climbing walls have become more common, the store has begun prototyping large community rooms that are centrally located. These community rooms are the site of lectures and clinics that help outdoor recreationists learn about safety, new locations, and equipment use.
Walmart Radio Tags to Track Clothing

*Miguel Bustillo, Wall Street Journal, July 23, 2010*

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

Radio-frequency identification (RFID) tags, or smart tags, contain unique identifiers that can be scanned from a distance. Currently the technology is being tested for a wide variety of applications and is in use in retail operations to track pallets of merchandise throughout the supply chain. The technology has been test marketed on an individual garment basis in American Apparel where, makers of RFID equipment claim, the stores with RFID technology saw a sales increase of over 14 percent compared to stores without RFID.

Now Walmart is rolling out RFID tags on individual pairs of jeans and apparel basics like socks and underwear. These items will be tagged by the product manufacturer and shipped to Walmart ready for the sales floor. The technology will allow Walmart staff to quickly scan shelves and back room storage to determine stocking and inventory needs and, if successful, will be introduced on other products at all 3750 Walmart stores in the United States. The retail giant also predicts that the technology will reduce employee theft by helping keep track of inventory in the back room. If Walmart rolls out the technology on a large scale, many other retailers will likely follow suit.

Fans of RFID predict a more efficient shopping experience resulting from the technology, including the ability to check inventory for other sizes and colors from a dressing room and contactless checkout lanes. But critics paint a more somber future in which the tags are tracked to customers’ homes, where purchased merchandise can then be stolen. The concern isn’t limited to the RFID tags alone. The hand-held chip readers, worry privacy advocates, can be used to scan other cards with RFID chips while customers are in stores. These chips are already in some drivers licenses, student identification cards, building access cards, and credit cards. Using information scanned from these tags, disreputable marketers could learn far more information about shoppers than the shoppers would be willing to share.

Experts dismiss these concerns, pointing out that the tags don’t differ substantially from bar codes in the information they contain. In addition, the tags are easily removed by the consumer along with any other product codes attached to the product. To help allay consumer fears, Walmart is insisting that its suppliers ensure the tags are added to removable labels and is also posting information signs about the tags.

Another concern is the cost of the technology which, although the price of tags has dropped recently, requires investment by suppliers. Nevertheless, RFID appears to be catching on: J.C. Penney and Bloomingdale’s are also experimenting with the tags, and many European retailers are currently using the technology.

**Discussion Questions:**

**What is Walmart doing with RFID?**

Walmart has been using RFID technology to track pallets of merchandise as they move through the supply chain. More recently, the company has instructed suppliers to attach RFID tags to individual jeans and underwear.
What are the advantages and disadvantages of this move?

Individual item RFID tags simplify stocking and inventory updating, allowing stores to more carefully control the availability of merchandise colors and sizes. The technology may also reduce employee theft by making it easier to keep track of merchandise in back rooms and, eventually, may lead to conveniences like contactless check outs and the ability to look for additional colors or styles from inside dressing rooms. In some tests, RFID technology has been shown to increase sales over stores that lack the technology.

On the minus side, some consumers and privacy advocates fear RFID readers could be used to scan information stored on other customer cards having RFID chips or that criminals could trace discarded tags to customer garbage and use information about current purchases to target houses for burglary. The technology also requires investment by suppliers. This investment may be passed along to consumers in the form of higher prices.
Walmart India Growth Faces Supply Chain Hurdle

*Economic Times*, July 28, 2010

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India represents an enormous growth opportunity in retail, but several logistical issues need to be addressed before major retail expansion can happen. Chief among these are government policies which restrict foreign retail operations to wholesale outlet stores. However, recently the government has begun investigating the effects of loosening their laws.

Walmart has already opened two stores in India and would be a major force for expansion if the country’s policies were relaxed. While the retailer sees the high ceiling India’s booming economy has to offer, this opportunity is offset by the considerable investment required in supply chain infrastructure in order to see profits. Currently the country has a shortage of proper storage and transportation equipment, leading to major quality concerns, especially in produce. In addition most perishable goods are still sourced locally, and the farming community is not organized to the scale required for a large-scale retail chain to operate. While the retail community sees the opportunity in India’s economy, these concerns must be addressed before any meaningful nationalized chains can operate.

**Discussion Questions:**

**Why is it so difficult for retailers to set up operations in India?**

*Currently India has legal restrictions in place which limit foreign retailers to wholesale operations. In addition to these legal restrictions, the country lacks the supply chain infrastructure to properly function at a large scale.*

**Is it worth it?**

*Clearly the Indian market has a substantial financial upside, and companies that get a foothold early could reap immense profits. While companies seeking to expand in India will indubitably experience growing pains, they also have the opportunity to take major market share in a previously untapped economy.*