Newsletter for Instructors

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

- Neiman Marcus Opens Customer Doors Wide (Chapters 4 and 5)
- Walmart Tries to Recapture Mr. Sam’s Winning Formula (Chapters 5 and 14)
- Best Buy May Switch to Walmart-Style Everyday Prices (Chapter 14)
- To Stand Out, Retailers Flock to Exclusive Lines (Chapter 13)
- Mr. Porter to Test Men’s Urge to Shop Online (Chapters 3 and 5)
- New to Macy’s Spring Lineup: Custom QR Codes (Chapter 15)
- Psyched to Buy, in Groups (Chapter 15)
- Retailers Offer Financial Services to ‘Unbanked’ (Chapter 5)
- The Dirty Little Secrets of Search (Chapter 15)
- The American Mall: Back from the Dead (Chapters 7)
- Logo Overhaul: Will Customers Still Answer the Siren Call of Starbucks? (Chapter 5)
- Consumers: Plenty to Hate about Supermarkets (Chapter 2)

If you are interested in the textbook please visit www.mhhe.com/levy8e. 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

eBay Acquires GSI Commerce
eBay acquires GSI Commerce which works with 180 retailers. This move will help eBay compete better with Amazon.
- Use with Chapter 3, “Multichannel Retailing.”
- 4:15 minutes
- [http://online.wsj.com/video/digits-ebay-to-buy-gsi-commerce/EDAD494D-8293-4E0C-B796-45C82E144066.html](http://online.wsj.com/video/digits-ebay-to-buy-gsi-commerce/EDAD494D-8293-4E0C-B796-45C82E144066.html)

Bloggers have Access
The new blogging platform, Tumblr, gives fashion bloggers access to Fashion Week events.
- Use with Chapter 16, “Retail Communication Mix.”
- 3:25 minutes

Groupon
Not all of the deals offered on Groupon are really a good discount. Some deals are higher priced on Groupon than they are offered at to the public.
- Use with Chapter 3, “Multichannel Retailing,” and Chapter 15, “Retail Pricing.”
- 4:19 minutes

Google Wallet
Google wants to allow consumers to pay for products using their phone. Going along with this service Google will target consumers with targeted ads using near field communication.
- Use with Chapter 5, “Consumer Buying Behavior,” and Chapter 16, “Retail Communication Mix.”
- 3:16 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/

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
Neiman Marcus Opens Customer Doors Wide

Rachel Dodes, Wall Street Journal, February 15, 2011

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

Neiman Marcus built its brand by catering to luxury customers, focusing its efforts on the 100,000 shoppers who spend at least $12,000 annually in its stores. Jewelry cases displayed merchandise with four-digit price tags, designer labels hung from garments, and sales staff followed instructions to up sell to their receptive clientele. But the economic downturn caused all retailers, including those on the ultra-high end, to rethink their strategies.

When the recession hit, Neiman responded initially by reducing orders and staffing. But when those measures were insufficient to stop the store’s slide, the board of directors insisted on a plan to widen customer base without affecting cachet. The primary target: Young shoppers. The goal: To attract these consumers with appropriate prices and styles and to retain them as their incomes grow. When the new fashions began hitting the racks, the strategy was visible in the assortment of more contemporary brands, jewelry made from brass and wood instead of gold, and associates who suggest moderately priced merchandise when they up sell. Although these products are less expensive than traditional Neiman offerings, they are not aimed at the Walmart shopper. Stuart Weitzman pumps, for example, top out at $300, while the maximum cost for Ashley Pittman jewelry is $600. The company is also expanding discount offerings, including limited-time online sales and clearance outlets. Other efforts to attract younger shoppers include forays into social media, including a new blog, Facebook posts, and Tweets. In addition to appealing to a new customer base, these lower-cost offerings accommodate the preferences of Neiman’s core customers, many of whom are now exercising more restraint on their spending habits.

Although Neiman’s sales haven’t reached pre-recession levels, the strategy reversed the retailer’s downward spiral. January 2011 sales growth was more than twice that of competitors Saks Inc. and Nordstrom Inc.

Discussion Questions:

What new market segment is Neiman Marcus pursuing?

Neiman Marcus is modifying their market segmentation strategy to attract younger customers. Their goal is to introduce these consumers to their stores with styles and prices appropriate to young professionals, and to retain these shoppers as their incomes and spending power increase.

Do you believe this segment will embrace Neiman Marcus’ overtures? Why or why not?

I think there is a strong possibility the Neiman Marcus strategy will work. The company is balancing the cachet of their brand with the need to expand their clientele. Young professionals, many of whom are doing business on a national and international scale, need a look that communicates competence and self-assurance as well as individual style. With the proper merchandise selection over time, Neiman can meet the needs of these shoppers both in the short-term and as their buying power increases. The strategy also takes into consideration the store’s current customer base, lowering prices to address the changed habits of these shoppers and so ensuring the original market segment will remain loyal even as Neiman broadens its appeal.

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Walmart Tries to Recapture Mr. Sam’s Winning Formula

*Miguel Bustillo, WSJ.com, February 22, 2011*

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

Walmart founder “Mr. Sam” built his fortune on a market strategy of “everyday low prices.” But when the economy faltered and competitors began nibbling the retail giant’s market share, company executives tried a new tactic designed to broaden customer base. Trendy clothing, organic foods, and less cluttered stores—all measures to attract higher-end shoppers—were accompanied by a “high-low” pricing strategy that raised prices on some items while advertising discounts on others. This strategy is the polar opposite of Mr. Sam’s founding principle. The changes succeeded to a limited extent, but they alienated Walmart’s traditional working-class base, who weren’t interested in paying a premium for organic products and who found the new store layouts frustrating. Their displeasure and defection caused a two-year drop in domestic same-store sales.

Company executives recognize their error and are working to rectify it, but many of Walmart’s core customers have moved on to dollar stores, discount grocery chains, and online merchandisers. Even the retail giant’s suppliers, whose orders dropped when Walmart reduced store clutter, have formed new relationships. To try to lure back shoppers and suppliers, the retail giant is returning to its original strategy, replacing skinny jeans with sweatpants and filling aisles with discount merchandise. But returning to the company’s roots carries risk as well, including the possibility of alienating new high-end clientele and frustrating core clientele who have no desire to adjust to yet another change.

**Discussion Questions:**

Where did Walmart go wrong?

*Walmart tried to attract a new, more affluent market segment by reducing store clutter, modifying its pricing strategy, and including organic food in its product mix. While this approach did bring in some more upscale shoppers, it simultaneously alienated the store’s traditional customer base, resulting in a drop in domestic same-store sales.*

What is it doing to correct its transgressions?

*Walmart executives have acknowledged their mistake and are trying to correct it by returning to their traditional market strategy and pricing structure. This approach is not without risk because it may alienate the new customers the store has managed to attract while further frustrating Walmart’s remaining blue-collar customers.*
Best Buy May Switch to Walmart-Style Everyday Prices

Chris Burritt and Clifford Edwards, Bloomberg Business Week, February 9, 2011

Use with Chapter 14, “Retail Pricing”

The combined forces of smartphones, which allow facilitate comparison shopping, and consumer prioritization of price over other factors has convinced Best Buy to consider Walmart’s traditional everyday low pricing approach to retail pricing instead of periodic markdowns. Thoughts of a new pricing model arose as rivals Walmart, Target, and Amazon attracted an increasing number Best Buy’s customers. Best Buy was concerned, in addition, that their customers had been trained to wait for sales, which created a lag time during which rivals could snap up Best Buy shoppers. The everyday low pricing strategy is part of a larger plan to regain market share. Other efforts include cutting return fees and instituting a product buyback program, to retain shoppers as well.

Everyday low pricing is defined as a commitment to offer the best possible price negotiated with suppliers plus a profit for the retailer. The strategy requires volume, both in orders and in sales, to be effective. It’s appropriate for Walmart, which can support the volume, but may not be as successful in Best Buy, which does not have the same level of traffic. Everyday low prices may increase regular traffic, but promotions also drive traffic. With some traffic already lost to competitors, Best Buy may discover that eliminating promotions causes a further drop in traffic rather than an increase.

Discussion Questions:

What is new pricing strategy is Best Buy’s considering?

Best Buy is considering moving from a high/low pricing strategy to an everyday low prices strategy similar to the traditional Walmart strategy.

Why are they moving to this strategy?

Consideration of the new strategy comes in response to slowed growth resulting, in turn, from sales lost to competitors Walmart, Target, and Amazon. Company executives feel the high/low strategy has trained shoppers to wait for sales, and comparison shopping using smartphones creates a need for transparent, low pricing to remain competitive. By consistently offering low prices, Best Buy hopes to build traffic as well as sales.

Do you think it will work?

Because Best Buy does not support the same volume as Walmart, it most likely cannot negotiate the same pricing with vendors or, if it does, it cannot move sufficient quantities to ensure profitability. While the company needs to be competitive on price, it will also need to focus on added value, such as breadth of assortment, sales staff expertise, and quality follow-up service. A strategy that focuses on price alone will most likely fail.

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To Stand Out, Retailers Flock to Exclusive Lines


Use with Chapter 13, “Buying Merchandise”

Maintaining a competitive edge in an ever-changing sector of the economy requires retailers to modify their assortments and pricing regularly. Currently, as retailers compete for customer dollars in a sluggish economy, many have cut prices as low as they can and are turning to exclusive lines—many of them backed by designers—to build the appeal of their product offerings and attract shoppers. Department stores benefit from exclusive lines because the unique offerings help distinguish the store from competitors and give retailers greater control over markdowns and profit margins. Combined, these factors give retailers new leverage in the market. The arrangement also works for designers, whose presence in stores was threatened by reductions in product mix, and who view exclusive arrangements as an opportunity to partner with retailers throughout the lifetime of their designs. Brands that suffered from over-availability, like Liz Claiborne, have seen an upswing in sales as a result of exclusive offerings.

To keep track of what’s available where, however, consumers have to stay on their toes. Walmart carries Miley Cyrus’s clothing line; Kohl’s has Jennifer Lopez’s line as well as Marc Anthony, Lauren Conrad, Tony Hawk and Daisy Fuentes. For Selena Gomez, shop K-Mart, and for Demi Lovato, head to Target. Looking for clothing from Cindy Crawford, the Olsen twins, or Nastia Liukin? Go to Penney’s. And that’s just a few of the celebrity labels. Designer exclusives may be as specific as color or materials only being available in one retailer. The taupe Christian Louboutin ankle boot, for example, can be found at Saks. But the metal-heeled boot in beige can only be purchased at Neiman Marcus. The trend is spreading beyond apparel with Home Depot’s exclusive offering of Martha Stewart hardware, paint, and furniture.

Customer confusion isn’t the only downside. Celebrity popularity can disappear overnight, leaving retailers with product that is difficult to move, and simply adding a famous name to a clothing line doesn’t build sales unless the line fulfills a customer need. Macy’s, for example, contracted with Madonna for the fast-fashion Material Girl brand to attract preteen shoppers. In contrast, Anchor Blue faces extinction after clothing from Heidi Montag of “The Hills” got a thumbs down from the media. Sears’ line of LL Cool J clothing disappeared off the racks within a year of being introduced.

Discussion Questions:

What are some of the celebrity premium labels that retailers have adopted?

Miley Cyrus, Selena Gomez, Jennifer Lopez, Demi Lovato, Martha Stewart, Cindy Crawford, the Olsen twins, Sean Combs, Donald Trump, Nastia Liukin, Lauren Conrad, Tony Hawk, and Madonna are some of the celebrities whose names appear on retail labels.

What are the advantages and disadvantages of celebrity premium private labels from the retailers’ perspective?

Premium private celebrity labels give retailers an exclusive product that helps attract customers and distinguish them from competitors. They also give retailers more control over pricing and profits. But tracking whose label is available in which store may confuse and alienate shoppers, and a sudden drop in celebrity status or a change in image could leave retailers with product no one wants.

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Mr. Porter to Test Men’s Urge to Shop Online

Ray A. Smith and Paul Sonne, WSJ.com, February 10, 2011

Use with Chapter 3, “Multichannel Retailing” and Chapter 5, “Retail Buying Behavior”

Mr. Porter, a new e-commerce venture aimed at that rare beast, the male luxury-goods buyer who shops on line, could have found the way to a man’s heart. A kin to the Net-a-Porter site for women, which has experienced great success, Mr. Porter offers guys a quick “in-and-out” shopping trip with only a limited number of brands available on a visually uncluttered site. The approach keeps men from getting bogged down by choices, and the site is made even more masculine through the use of black-and-white photographs and absence of any products for women. The concept of fashion is replaced by emphasis on style, and celebrity models are replaced, in many instances, by profiles of real-life “men of the moment.” By contrast, the Net-a-Porter site uses color, a variety of type styles, and caters to a woman’s interest in having a wide variety of choices.

However, if a man wants an iconic look, the site can help. The Style Icon pages deconstruct some celebrity wardrobes and offer purchase suggestions. If he’s feeling more Steven McQueen than Mick Jagger, he might buy a fine-gauge crew neck cotton sweater instead of a Panama hat and a pair of two-tone brogues. But if it’s a Johnny Depp kind of day, it’s got to be the side-zip leather boots and loose collar cotton T shirt. Have a question about what collar goes with a dinner jacket or how to tell if your jacket fits right, guys? Mr. Porter has the answer to that, as well as other pressing style questions. Like Net-a-Porter, the site has a lot of editorial content, including short videos with style tips and a wardrobe manager that lists the season’s essentials. Editorials focus on subjects of interest to men: Balancing accessibility and formality in power dressing, individuality versus acceptability in business wear, or figuring out how to add color without looking like a clown.

Historically, women have left men behind when it comes to online apparel shopping. Nevertheless, company executives claim, the guy’s time has come. The launch timing of Mr. Porter, the largest-ever website aimed at the male luxury market, is well timed as the luxury market shows signs of recovery.

Discussion Questions:

How and why do men shop differently from women?

Men are less likely to review a large selection of brands and prefer a simplified shopping experience that allows them to make their purchases quickly and easily. They tend to shy away from flashy, fashion-forward options and prefer men’s only sites or stores.

What is Mr. Porter doing to address these differences?

The Mr. Porter approach takes into account these differences by limiting the number of brands offered, simplifying the design of the site, minimizing advertisements, and replacing the word fashion with more emphasis on style. Additionally, the site will only sell men’s wear, following the preference of most male shoppers.
New to Macy’s Spring Lineup: Custom QR Codes

Aaron Barr, MediaPostNews, February 24, 2011

Use with Chapter 15, “Retail Communication Mix”

New technology continues to find its way into retail, and now Macy’s is bringing the QR (Quick Response) code to its stores. Used widely in international markets, the QR code, or mobile 2D barcode, can be read by specialized barcode readers and apps downloaded to smart phones. The encoded information can be text, URL, or other data.

Macy’s is using the technology to deliver 30-second videos containing fashion advice, tips and trends from design partners and brands like Bobbi Brown, Sean Combs, Michael Kors, and Tommy Hilfiger. Since American shoppers are new to the technology, Macy’s is promoting it through television and print advertising, as well as through store signage. Store associates trained in the technology will help educate consumers about downloading the special QR scanner and accessing content. The same information will also be available through Macy’s Facebook page, YouTube channel, or by texting a message. These methods will serve shoppers who want access to the additional information, but who don’t have a smart phone or who don’t want to download the app.

Discussion Question:

What is Macy’s doing to spice up its M-commerce activities?

Macy’s is rolling out a technology popular in international markets, the QR code, to spice up its M-commerce activities. These two-dimensional barcodes decode information at high speed, delivering videos containing advice, tips, and trends from designer partners to shopper smart phones.

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Psyched to Buy, in Groups

David Pogue, New York Times, February 8, 2011

Use with Chapter 15, “Retail Communication Mix”

Internet-based Groupon seems to have found a way to make everyone — or at least its 54 million members and the businesses these shoppers visit — happy. The company, which offers a deal a day for a business in the local area, is the fastest-growing Web retailer ever, going from zero value to $1.5 billion in a year and a half.

The concept is relatively simple; the magic is in the right balance of consumer psychology and profitability. Groupon wins by pocketing half the money from the coupons. For local business owners, deep discounts attract customer attention and build traffic with no marketing effort. Discounts can go as high as 90 percent. Business owners are protected from financial ruin by a minimum number of offers that must be sold before the deal takes effect. Shoppers win with big savings, and the minimum gives them a stake in the outcome, getting them emotionally involved and possibly inspiring them to let their friends know about the deal. They also benefit from savings that aren’t tied to a particular item, as with store sales on discounted or out-dated merchandise. Coupons are tailored to local audiences, so West Coast Groupon members might receive specials for local vineyards or skateboarding gear, while residents of the Big Apple get discounts for theatre tickets and restaurants. Urban dwellers are offered spa deals; suburbanites can save on dry cleaning.

Coupons are delivered by email or via a free app for iPhone or Android phones. They expire after six months and are limited to one per person. The only real downside to Groupon, say both shoppers and the small businesses served by the company, is the danger of popularity overload. Some stores have been understaffed to cope with demand, and some customers report store shelves that looked ravaged by locusts or even businesses that closed after coupons were issued. Groupon is working to address these issues, including encouraging small businesses set an upper limit for coupon quantities and refunding money to customers faced with a vacant storefront when they try to redeem their coupon.

Discussion Questions:

Why is Groupon such a success?

Groupon appeals to shoppers’ wallets and their deeper psychological needs. Tailored to local businesses and customized to fit the buying preferences of shoppers in those areas, the deals combine attractive discounts, some freedom of choice over final product purchase, and a consumer commitment to reaching the minimum number of coupon sales to ensure the deal goes into effect. This combination can inspire members to share the deal with their friends, and the resultant feelings of pleasure in the savings brings members back for more.

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Retailers Offer Financial Services to ‘Unbanked’

Ylan Q. Mui, Washington Post, January 31, 2011

An ‘unbanked’ person is someone who doesn’t have a bank account. The majority of unbanked families earn less than $30,000, although some people who earn more avoid banks out of distrust or from more familiarity with cash-based cultures. Now big-box retailers such as K-Mart, Walmart, and Best Buy are meeting the banking needs of those families, helping them with services that include check cashing, money transfers, bill payment, and prepaid cards. Rising bank fees and falling incomes may drive even more families to this alternative form of banking.

The retailers didn’t necessarily intend to break into the banking business. K-Mart’s first foray into financial services, for example, was to offer layaway as an alternative to credit card debt at the beginning of the recession. The program was popular enough that the company added check-cashing services, money transfers, and prepaid cards in limited markets, with plans to extend nationally in 2012. Best Buy and Walmart jumped into financial services with similar services plus in-store kiosks for bill payment.

Regulation of these new quasi-banking practices is murky, and the lines are becoming more blurred. Walmart, for example, is the major customer for prepaid-card issuer Green Dot; it is also part owner of the company. Legally, the retailers must meet Consumer Financial Protection Bureau rules but, in practice, the agency may not have oversight authority over the retailers’ banking activities. The other main complaint, raised by consumer advocate groups, is that unbanked consumers are penalized by their quasi-banks with high fees and confusing disclosure statements. Now that large players like Walmart are entering the market, fees are dropping, and other issues may ultimately be resolved as well.

Discussion Questions:

Why are some retailers offering financial services to customers?

Retailers are offering financial services to their customers because many of these shoppers are ‘unbanked’ meaning that they don’t have a bank account. People may be ‘unbanked’ because they can’t afford a bank, they don’t trust banks, or they are more familiar with and comfortable with cash transactions.

What are the advantages and disadvantages of offering these services from the perspectives of the retailers and their customers?

The services are a convenience to customers who are not well served by the banking industry and help retailers build traffic and customer loyalty by fulfilling a need. They also build profits for retailers, who collect fees for the transactions. On the negative side, customers aren’t fully protected by industry oversight, which means they may be exposed to high fees and unclear disclosure statements. While there are few downsides to retailers at the moment, increased competition and oversight may change that situation.

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The Dirty Little Secrets of Search

David Segal, New York Times, February 12, 2011

Use with Chapter 15, “Retail Communication Mix”

The plot of the next blockbuster heist movie may involve search engines rather than armored trucks. The main players? Google and JC Penney, with support from an online search expert as the savvy detective and a garrulous IT security analyst as the informant. While black hats and white hats appear, the defining visual is the derelict virtual storefront, complete with “This site closed” signs in the window.

The real-life drama began when the New York Times requested an expert opinion on Penney’s months-long appearance at or near the top position for searches across a wide variety of words and phrases. Even using a brand name like “Samsonite” resulted in Penney’s topping the results list. The expert uncovered evidence that Penney’s was using “black hat” search optimization techniques. These techniques, while not illegal, are against Google’s policies and are punished harshly. By contrast, “white hat” techniques, offered by consulting firms, are acceptable ways to move companies up in search rankings.

Google distinguished between paid advertisements and “organic” search results. Organic results are generated by an algorithm that factors in a number of criteria, including links from one site to another. All other factors being equal, sites with more links rank higher. A search for sites linked to JC Penney turned up over 2,000 pages with links to Penney’s web page for dresses. Many of these pages contained no information about dresses with the exception of a relevant phrase and a link. Thus a page about snoring might contain the pasted-in words “casual dresses” and a link to Penney’s dress page. Check out a page for bathroom tiles and you might see “evening dresses” and a Penney’s link below pictures of porcelain squares. Some of the pages bore an equivalent of the “closed” sign along with one other element: the Penney’s link. In essence, the blockbuster movie’s setting was a ghost town with a Penney’s link affixed to every building.

Penney’s has claimed no awareness of the bogus links, fired its search engine consulting firm, and insisted that the optimization, which was in place during the holiday season, had only minimal effect on its revenue. But only Penney’s knows the exact figures for sure. Certainly, with increasing numbers of shoppers using the Web for shopping and Penney’s dominating search results, the retailer reaped some profits from black hat optimization. In fact, the company bragged of strong Internet sales during the holiday period, and search experts say the rewards of dominating the top slot in response to a number of search terms were likely substantial. Motivation is also strong: The company was under pressure to deliver strong holiday sales and to increase the value of its Web site, which has replaced the company’s catalog.
But determining whether cheating pays may be a little more subjective. For the security analyst “informant”, hosting links is an easy way to make money. The Penney’s link appeared on his site, courtesy of TNX.net, which pays points or cash to people with Web pages in return for hosting links. He can trade the points for links that drive traffic to his other Web sites; the money comes from people who click on ads at the sites reached via the links on his page.

For Penney’s, and for other retailers caught trying to cheat Google’s system, the repercussions are harsh. One purveyor of link selling saw his company disappear from Google searches all together after his activities were discovered. Now he operates under a different company name. Penney’s is also feeling the pain. Google took corrective action against the retailer, tweaking its algorithm to indicate a drop in trust in the links associated with the retailer. As a result, Penney’s dropped from an average position of 1.3 for 59 search terms to 52 in the first ten days of February. Perhaps the lesson is, in the wild frontiers of e-commerce, it doesn’t pay to be the guy in the black hat.

**Discussion Questions:**

**What are “black hat” and “white hat” optimization?**

*Black hat optimization refers to the use of techniques to improve site visibility in response to searches. While not illegal, these techniques are considered deceptive by Google. White hat approaches, which are considered legitimate, are offered by reputable consulting firms.*

**How did JC Penney get involved with black hat optimization?**

*Links to JC Penney’s main page for dresses showed up on thousands of sites, many of them defunct or unrelated to dresses. While the company claims no knowledge of these bogus links, link-selling specialists may have been involved. These specialists make money by posting client links on Internet sites.*

**What impact did black hat optimization have on JC Penney’s search results on Google and its sales during the holiday season?**

*While it’s hard to know exact numbers without cooperation from Penney’s, the number one spot on a broad array of Google searches during the holiday season was bound to improve online sales. Indeed, the company boasted of the strong growth of its Internet sales during the holiday period and search experts say the rewards were likely substantial.*

**What did Google do when it found out about JC Penney’s involvement with black hat optimization?**

*Google responded with a corrective action consisting of modifications to its algorithm. These changes reflected a drop in the trust Google has in the links to Penney’s site and have resulted in precipitous drops in Penney’s positioning in search results.*
The American Mall: Back from the Dead

Shelley DuBois, Fortune, February 14, 2011

Use with Chapter 7, “Retail Locations”

Changes in consumer buying habits and the social habits of young shoppers weakened department stores anchored to malls to such an extent that many of them, like Mervyn’s and Montgomery Ward, moved out. But as the exodus shows signs of slowing or even reversing, mall-bound department stores are showing new signs of life. In some respects, the reversal is simply tied to economic recovery: As consumer confidence returns and unemployment drops, purse strings are loosened. But other, more subtle factors are at play as well.

Anchor stores Macy’s and Nordstrom’s both saw revenues increase last year over 2009 totals, and the success of these retailers is felt throughout the malls where they are located. The activity attracts new retailers into the spaces left by their less successful predecessors. Filling the empty storefronts makes malls more appealing to shoppers, and the influx of new stores gives consumers more reasons to visit the mall.

Those who return find malls are no longer stuck in the 80s. Target may occupy the space once belonging to Mervyn’s, Sephora may have disappeared from its usual location to a store nested inside JC Penney, or Aeropostale may have expanded into square footage once reserved for an anchor store. A gym may sit next to Baby Gap, or a hotel lobby may open onto a central mall corridor. These changes have provided a fresher experience and more shopping options for mall-goers.

At the same time, mall developers are shifting away from the shuttered, customer-trapping layouts to layouts that allow greater access to all major retail locations and establishing a more open feeling. Making the structures more pleasant will inspire consumers to stay longer and spend more.

Discussion Questions:

Why are malls doing better than in the past?

The economy is improving and consumer confidence is returning, which is certainly contributing to the positive economic trend seen by malls. But the recession triggered other changes that have brought new life to malls. Some large department stores have left, and smaller, more successful retailers have expanded into their space. In some cases, these stores have incorporated stores inside their walls, giving customers more reasons to visit and helping distinguish their brand. New stores have moved into spaces vacated during the recession and malls have embraced tenants not previously seen in malls, such as grocery stores, movie theatres, gyms, and foreign retailers. These new businesses provide shoppers with a novel mix of stores, a new convenience, and new reasons to visit the malls. In addition, mall developers have renovated mall design, providing a more open and pleasant environment with improved accessibility to major stores. All of these improvements are helping malls improve their economic performance.

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Logo Overhaul: Will Customers Still Answer the Siren Call of Starbucks?

Knowledge@Wharton, February 2, 2011

Use with Chapter 5, “Retail Market Strategy”

Starbucks recently changed its logo, removing the marquee text that encircled the signature mermaid image but retaining the green color and the two-tailed mermaid herself. Without text, there’s nothing to connect a mythical sea creature to a cup of joe, so what’s the impetus for the change?

Brand diversification, says Starbucks founder and CEO Howard Schultz, and plans for future international expansion. Without words to be translated into a variety of languages, the logo is easily introduced in India and Asia—two countries already targeted by Starbucks for aggressive store openings in the near future—as well as other foreign markets. Playing down the direct connection to coffee allows the company to shift focus from custom espresso drinks to some of its other product offerings, which currently include music, baked goods, sandwiches, pre-packaged snacks, and such coffee- and tea-related merchandise as French presses, mugs, tea pots, tea diffusers, and espresso machines. The logo modification may signal that additional products are on the horizon.

Opening a brand up to diversification can freshen and enliven it but, as Starbucks knows all too well, it can also dilute the brand. When Schultz stepped down from daily operations in 2000, the company foundered, allowing coffee competitors like MacDonald’s and Dunkin’ Donuts to grab market share. Schultz resumed the company’s helm and insisted on a return to basics: The perfect cup of coffee served in a warm and inviting atmosphere. Starbucks’ precipitous slide was halted, and the company returned to its former glory. The take home message was clearly that Starbucks was synonymous with a reliably good cup of coffee. But now the company is pushing to expand beyond that direct correlation of brand and java, a move that could alienate the loyal customer base. For Starbucks fans, that Starbucks green can be spotted from two blocks away; merely sighting the color may convince them they smell coffee. But those fans could switch to a competitor if their caffeine oasis wanders too far from its roots, and the color is unlikely to mean much in markets new to Starbucks.

Other companies have employed rebranding with mixed results. When a new logo is launched as a conscious effort to sever the mistakes of the past from the goals of the future, consumers may respond positively, and disheartened employees may feel the energy of a fresh start. But when shoppers have a close association with a brand, changing a logo can backfire. For example, Gap’s new logo, unveiled in 2010, caused such a consumer backlash that it was summarily dumped. Only time will tell how the new Starbucks logo will affect its customers and its brand.

Discussion Questions:

Why did Starbucks change its logo?

The previous logo focused solely on coffee, which, as the company moves forward with strategic efforts to expand, was viewed as a hindrance. Plans for expansion include new product lines, so removing the word “coffee” allows the company
to expand its brand associations. Expansion plans also include entry into new global markets, specifically China and India. The logo adjustment allows seamless branding throughout China and India without a text element that would require an approximate translation of ‘Starbucks Coffee.’

**What changes did it make?**
The circular marquee including the text “Starbucks Coffee” was removed and the remaining central image of a mermaid is larger and is the standard ‘Starbucks’ green instead of black.

**Are these changes good or bad for the brand? Why?**

These changes are good for the brand. While the removal of the marquee may create a negative reaction in the domestic markets, the impact should be minor as most people identify the Starbucks logo by the distinctive green color, which has been retained. As Starbucks begins to expand into new markets, the brand will remain the same from country to country, and product to product. Diversification of its product offerings will also help the company explore new sales opportunities and keep the brand fresh.
Consumers: Plenty to Hate About Supermarkets

Sarah Mahoney, AM marketing daily, February 17, 2011

Use with Chapter 2, “Types of Retailers”

Supermarket managers, wake up. Your customers are angry about just about everything you do, and they would take their dollars elsewhere in a heartbeat if they could find an option. Many of them have found that option, and are now buying food at drug store chains like Walgreens and CVS.

Shoppers complain about service, merchandise, prices, and store layout and design. Products on the top shelves are out of reach. Bargains are hidden at ankle-height. Promotional displays clog the aisles, sale items are under-stocked, perishables cost too much, freshness isn’t reliable, and there aren’t enough cashiers. Even coupons issued at the cash registers cause ire, with their short expiration dates or additional purchase requirements.

The recession drove many people out of restaurants and back to their kitchens. It also caused savvy retailers to rethink their business models and offer new products, like more food items in drug stores. Now that the economy appears to be improving, shoppers will take their grocery dollars back to restaurants or to other food purveyors if supermarkets don’t offer more than low prices. Technology changes like smart phones will continue to change the way people shop and their expectations of what’s available to them in stores. This trend is bound to affect supermarkets.

Discussion Questions:

Why do consumers hate supermarkets?

Consumers hate just about everything to do with supermarkets. Items on top shelves are out of reach, prices are too high on many items, sale items sell out too quickly, bargains are hidden on low shelves, aisles are clogged, and perishable items aren’t always fresh. In addition, there aren’t enough cashiers, and coupons issued at checkout have short expiration dates or require purchase of another item.

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