Dear Professor:

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

- **10 Things Outlet Malls Won’t Tell You** (Chapters 1 and 7)
- **In a Tough Economy, Old Stigmas Fall Away** (Chapter 4)
- **Just What They Wanted** (Chapter 16)
- **Small Changes, Big Moves** (Chapter 12)
- **How Homeshoring Dresses Up Profits** (Chapter 14)
- **Luxury Brands Tailoring Approach to the Web** (Chapter 3)
- **Ready (Finally) for Item-Level Deployment** (Chapter 10)
- **Nudging Grocery Shoppers Toward Healthy Food** (Chapters 5 and 18)
- **Can QVC Translate Its Pitch Online and The Golden Age of TV Shopping** (Chapters 2 and 3)
- **Walgreen’s Tackles ‘Food Deserts** (Chapter 12)
- **Wet Seal of Approval** (Chapter 16)

If you are interested in the textbook 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)
Retailing in China Study Tour for students and retail instructors

The Chinese retail market is one of the most vibrant and robust global economies, and the Miller Center is offering an opportunity to study that market first-hand. The study tour will visit retailers, government officials, and vendors in Beijing, Yingkou, Chengdu, Shanghai, Shenzhen, & Hong Kong give instructors and students opportunities to learn and experience China business practices and the global constraints within which businesses must operate. You will learn about the Chinese consumer markets, the dynamics of retailing, manufacturing and supply chains and the buying habits of its 1.4 billion consumers. For more information go to: http://warrington.ufl.edu/mkt/retailcenter/students/china.asp

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
10 Things Outlet Malls Won’t Tell You

*Jami Makan, SmartMoney Magazine, November 2, 2010*

**Use with Chapter 1, “Types of Retailers” and Chapter 7, “Retail Locations”**

Outlet malls are a popular shopping destination for bargain hunters, luring cost-conscious consumers with the promise of high-quality merchandise at bargain-basement prices. But the bottom line, while often positive for retailers, doesn’t always reflect true value for shoppers.

Outlet stores have weathered the recession by promising value. Indeed, price tags advertise savings. But few consumers factor in the cost of driving to remote locations to reach malls; nor do they consider how much more they are likely to spend at the mall once they have undertaken the journey to get there. In fact, these shoppers tend to spend nearly 80 percent more in a visit to an outlet mall than during a trip to a regular mall.

Prices are lower, but “cheaper” can—and does—refer to quality as well as price. Clothing may be made of less expensive fabrics and lack finishing details that help prolong garment life. Major appliances, which are often deeply discounted at an outlet mall because they are pre-owned, dented or scratched, may be defective enough to cause headaches or additional investment for repairs. In addition, the “suggested manufacturer’s price” may be pure fiction since these reference prices aren’t generally controlled by law and many products sold in outlets were never intended to hit the racks in higher-end stores. Nor is the definition of what constitutes an outlet mall defined by law. By industry agreement, at least half the stores at outlet mall are outlets, and lease agreements generally require that the vast majority of merchandise in an outlet store be discounted by 30 percent. But for the rest: Buyer beware.

Outlet malls are employing strategies to lure shoppers, including rewarding tour planners and bus drivers with gift cards for including the mall on itineraries and offering coupon books that provide free gifts and discounts. But the math doesn’t always work in the customer’s favor for these special deals either. Shoppers may need to purchase the coupon books, and not all stores participate. In addition a minimum purchase may be required to use the coupon and the gift has little value.

For shoppers for whom distant travel is no problem, outlet malls abroad tend to offer real savings. Goods available truly were manufactured for sale at higher prices, and some countries prohibit two prices on one price tag, thus eliminating the possibility of an inflated suggested price.

Finally not all brands are represented at outlet malls. Some are working to expand their presence but others, particularly very high-end ones, avoid these locations because of the possibility of cheapening their brand.

**Discussion Question:**

What are ten things you should know about outlet malls?

1. They tend to be recession proof.
2. Locations are inconvenient on purpose; having traveled, shoppers are likely to spend more.
3. “Cheaper” can refer to quality as well as cost.
4. Suggested manufacturer price bears may have no relationship to what the item has sold for or whether it was ever intended for a non-outlet store.
5. Not all stores in an outlet mall are actually outlet stores. Nor is all merchandise within an outlet store necessarily discounted.
6. Deeply discounted merchandise, particularly major appliances, may require additional investment of time and money to work properly. Or the merchandise may be flawed in ways that cause ongoing problems for the buyer.
7. Travelers using tour services have been targeted by outlet malls and may find shopping on their itinerary because their bus driver or tour planner has been given incentives to include a stop at an outlet mall.
8. Sometimes you have to spend more, such as by purchasing a coupon book, in order to save more.
9. Overseas outlet malls offer some of the best deals.
10. Not all brands are available at outlet malls.
In a Tough Economy, Old Stigmas Fall Away

Anne D’Innocenzio and Rachel Beck, ABC News, November 8, 2010

Use with Chapter 4, “Customer Buying Behavior”

Financial experts tell us the Great Recession ended more than 18 months ago. So why haven’t consumer spending habits returned to pre-recession patterns? The answer appears to be a combination of shoppers—even well-heeled ones—discovering that saving money feels good and that patronizing stores once scorned actually offers a pleasant shopping experience.

Behavior changes are everywhere: A recently opened Goodwill store in upscale Paramus, New Jersey, attracts steady business. Among the shoppers are people who are also Goodwill donors. Thrift and consignment stores are springing up everywhere, including in upscale malls and high-end retail stores. Women and men who once gravitated to high-end designers are finding they can purchase quality clothing for lower prices by abandoning the big names, sacrificing a bit of customer service, or rummaging through the racks at the local consignment store for castoff designer merchandise. Supermarkets offering private-label products are thriving as people who once bought name-brands only realize they don’t miss the higher prices and commercial brands. People from all economic strata are using layaway for expensive purchases, and even diners capable of a five-star dining experience are visiting fast-food restaurants more than they did before the economy nosedived.

Perhaps it’s too early to tell if this change in buying behavior is permanent, but may retailers feel shoppers will continue their frugal habits. Saving money is the new sign of a good shopping experience, replacing values like new fashion and brand names, and the stigma of second-hand and layaway is the new badge of the savvy shopper.

Discussion Questions:

How have consumers changed their buying behavior as a result of the Great Recession?

Consumers have accepted stores, brands, restaurants and payment plans that carried the stigma of low-income or economic duress before the recession. Now even affluent shoppers purchase from second-hand and consignment stores, dine at fast-food restaurants, and use layaway for expensive purchases. Many have switched from commercial brands for products like cereal and detergent to private-label brands and, despite the country’s economic growth, don’t seem inclined to switch back to commercial brands.

Do you believe these changes are temporary or long-term? Explain your response.

While it’s reasonable to think shoppers would have reverted to pre-recession shopping patterns 18 months after the Great Recession has been declared over, most people seem uncertain about the economy of this country and, to some extent, of the world. Young shoppers who had only experienced growth and prosperity discovered a new reality when the stock market tumbled, reminding them that neither their investments nor their jobs were secure. However, I think many of the shoppers who persist in their recession spending habits are in a “wait and see” mode and have not made long-lasting changes. If the economy grows and unemployment shrinks, these shoppers and the upcoming generation of consumers will open their wallets once again.
Just What They Wanted

_M.V. Greene, Stores Magazine, November, 2010_

Use with Chapter 16, “Retail Communication Strategy”

Technology improvement, communication trends, and the quest to maximize profits during the holiday season have spurred new ways for e-retailers to serve customers. One approach is brief online video clips, used to supplement product photographs, spec sheets, customer reviews, and written descriptions. E-discounter Overstock.com, which embraced the approach early in 2010, has seen increases in traffic on their site and in search engine rankings. Other online retailers have seen improvements in conversion of site visits to sales and reductions in the number of abandoned shopping carts. As these retailers build their libraries of product videos and others rush to add videos to their sites, video vendors improve the required technology. One company has built a platform that can combine multimedia elements with existing product information and automatically update price or ratings information. This feature helps keep product information current without daunting use of resources.

Online retailers and software developers are also finding innovative ways to make the most of customer behavior feedback. The field emerging at this intersection of computing and retailing, known as feedback analytics, collects and analyzes the behavior of customers during a visit to an e-commerce site. The idea is to determine why customers behave the way they do, not simply to chronicle what they do, and then to address the situation to maximize sales. A customer who abandons a shopping cart, for example, could be sent a discount as an incentive to return and complete the purchase.

These approaches are showing signs of success. Of the 50 top e-retailers, 34 are now using videos, a substantial leap from the nine using video content on their site a year earlier. Overstock’s initial pilot, a launch of video in two product categories, was so successful the company launched an additional eight categories after a month. Feedback analytics is appealing enough to Internet retailers wanting improved customer connections that the technology was used by more than 40,000 companies in the first two years of the product’s introduction.

**Discussion Questions:**

**What new techniques are e-retailers doing to promote their products?**

*Online retailers are posting video content of their merchandise on their sites and using feedback analytics to determine why shoppers behave as they do during site visits. This analysis is intended to help retailers correct prices or policies that detract from the buying experience and lower the company’s profits.*

**Are these techniques working?**

*The techniques are certainly appealing to e-retailers. Forty thousand companies used the feedback analytics program pioneered by one vendor within a two-year period, and 34 of the top 50 Internet retailers are using video content on their sites. Video, at least, appears effective as online retailers see increases in search engine ranking, traffic to the site, and conversion of visits to sales. These retailers are also seeing a reduction in shopping cart abandonment. There appears to be less evidence that feedback analytics is improving consumer engagement.*
Small Changes, Big Moves

Sandy Smith, Stores Magazine, November, 2010

Use with Chapter 12, “Managing Merchandise Assortments”

After three years of reassessing its approach to merchandising, training and business intelligence, Family Dollar is primed for serious expansion over the next year. This growth is rooted in a new approach to offering the right quantity of the right merchandise for its customers, and doing it in the right location and at the right time.

Formerly merchandise decisions were made primarily at the class or category level, and planning was done in month-long increments. Under the new system, informed by intense analysis of shopper data, merchandise will be planned in smaller increments, including 24-hour periods when this timeframe is consistent with customer trends. Product assortments are also more closely tailored to customer profiles for particular stores. Urban stores, for example, will have more cat products than their rural counterparts because cats tend to be the pet of choice for city dwellers while people in less populated locations have the space for a dog.

The challenge in this type of individualized assortment is the pressure on space in distribution centers. To overcome this problem, Family Dollar merchandise managers created guidelines for the number of stores in which the product must be stocked before it can be warehoused in a distribution center.

The new management approach is connected both to the company’s strategic goals and to the greater market. As a result, Family Dollar has changed its performance metrics from self-referential to overall growth. In the past, for example, an increase over prior year’s sales in a particular category was considered a win. But that win wasn’t reflective of the health of the chain in the marketplace if it didn’t keep pace with gains in category overall. Now Family Dollar tracks the number of shopping trips a customer makes and the amount of money spent per trip.

This combined attention to market trends and shopper behavior has motivated Family Dollar to expand their food offering. The goal, says Family Dollar’s president and chief operating officer, is to become the destination for families needing to replenish their groceries in the middle of the week. The stores will also expand their non-prescription drug offerings. Both changes reflect management’s understanding that aging baby boomers are an important part of their target audience. Not coincidentally, the changes also position the stores to meet the needs of post-recession customers who increasingly value savings and convenience.

Discussion Question:

What changes have Family Dollar made to its merchandise management system?

Family Dollar has made a significant change in its approach to planning, taking it from what was primarily at the month level to the weekly or even daily level. This helps meet the timing of shopper’s needs, while more individually tailored assortments within the stores are designed to provide the right quantities of the right merchandise to the shoppers in that market. A more external market focus and shopper analytics has caused category managers to rethink both their performance metrics and the size of existing categories. Family Dollar stores now track shopper visits and purchase totals per visit and are expanding both food and over-the-counter medications offerings.
How Homeshoring Dresses Up Profits

Joanne Cleaver, BNET, November 29, 2010

Use with Chapter 14, “Buying Merchandise”

Clothing designer Meg Kinney grew a dream into four “Megshops” stores in Manhattan, creating and selling classic, affordable clothing. As her business grew, she had plenty of manufacturing options available in New York’s garment district. When it grew some more, she figured it was time to move her manufacturing overseas. The results surprised her: Offshore manufacturing in India was impersonal; the quality was disappointing; and cost of shipping, an agent, and other middlemen on top of fabric and sewing cut into her profits. So she brought her manufacturing back home to New York.

Homeshoring has been more rewarding, despite the fact that New York’s manufacturing base has shrunk substantially since Kinney first relied on it in the 1990s. In contrast to the impersonal nature of overseas manufacturing, local manufacturers seem committed to Kinney’s success. Trunk show hosts and customers seem to appreciate that her business is small, it’s personal, and that the laws of this country ensure the clothing wasn’t made using unfair labor practices.

Discussion Questions:

Describe Megshops’ supply chain.

Megshops’ owner Meg Kinney has an informal supply chain that involves working directly with manufacturers in her hometown of New York City and personal contact with individuals who host trunk shows.

How has it changed over the years?

When Kinney first opened her business, her supply chain was similarly informal. But at one point, as she saw demand for her clothing increase, she moved manufacturing to India. Her supply chain then involved working with an agent who oversaw the process. This approach drove up prices because it included fees for the agent as well as shipping costs. As a result, Kinney returned to her less formal but more direct approach. She finds this more satisfying for herself and her customers, despite the fact that Manhattan’s manufacturing base is shrinking.

Is there added value to “made in the U.S.A.”?

For some shoppers, “made in the U.S.A” adds value because it means fair labor practices are enforced. It also works well for nationalists and environmentally conscious shoppers looking for more local product production and, in many instances, the phrase can imply better quality. In Kinney’s case, “made in the U.S.A” also implies a more quaint business.
Luxury Brands Tailoring Approach to the Web

Eric Pfanner, New York Times, November 21, 2010

Use with Chapter 3, “Multichannel Retailing”

The Internet was once viewed as outlet for deeply discounted or imitation goods. Luxury retailers shunned the idea of selling their goods on online sites, believing the medium too downscale for their brands. But changes in technology, shopping habits, and the global economy have caused independent and big brand luxury retailers to give the Internet a second look. Likewise, these changes have inspired entrepreneurs and Internet-savvy business people to develop technologies to attract luxury retailers to the Web.

One reason for the new interest in online marketing by luxury brands is the introduction of techniques that allow vendors to develop a feeling of exclusivity for their customers. These approaches may include online video or interactive chats with jewelry, clothing, or handbag designers. The Internet also allows both new and established vendors to move directly into an international market, allowing retailers to both broaden their reach and display their wares to countries with still-vibrant economic growth.

While some individual brands have launched their own online sites, other brands and independent designers are signing up with luxury good Web sites that offer a range of products to shoppers looking to purchase exclusive items. Some sites market the goods themselves; others like Google’s Boutiques.com provide opportunities for shoppers to view current designer, retailer or celebrity styles, create their own online boutique based on their dress, top, bottom, shoe, dress and designer preferences, and get personal recommendations. The site also allows shoppers to sort shoes, clothing, handbags and accessories by style, such as side-zip boots or hobo bag, provides them with suggestions on ways to wear the item, and directs them to sites where the item can be purchased. Although site creators keep a percentage of sales, the commission is substantially lower than that taken by brick-and-mortar store owners.

The sale of luxury goods is relatively new to the Web, but competition is fierce. Individual brands compete to establish a niche, such as Blue Nile’s attempt to specialize in design-your-own engagement rings. But bottom line, this approach to sales is effective: Online sales of luxury goods are projected to perform at twice the rate of the overall market.

Discussion Question:

How are luxury goods manufacturers achieving an online retail presence?

Luxury goods manufacturers are taking a variety of approaches to achieve an online retail presence that helps them maximize this selling channel. For independent designers, presence on a site that specializes in artisanal products gives them access to an international audience of affluent customers at a smaller commission than that demanded by brick-and-mortar stores. Large brands can establish a presence online by launching their own Web site and by participating in cooperative sites that allow high-end customers put together looks and then purchase the items required to achieve that look.
Ready (Finally) for Item-Level Deployment

Susan Reda, Stores Magazine, November, 2010

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

Radiofrequency identification, or RFID, is a growing technology already in use in Easy Pass lanes, secure access building cards, and scanners at the exits of some stores. Now, RFID appears ready for use on individual retail items. Already some national brands have committed to expanding their RFID use; among these are Macy’s Bloomingdale’s, Dillard’s, and American Apparel. J.C. Penney, Walmart, some Gap divisions, Zara’s parent company, H&M, J.Crew, and Sax Fifth Avenue are also rumored to be increasing their use of the tags at the individual item level.

The technology offers significant benefits to retailers because of its ability to improve inventory accuracy, maintain assortment consistency, and save time. Accurate inventory allows retailers to analyze sales trends and replenishment needs, keep stock available, and improve both sales and profits by minimizing markdowns. Fans of the technology find evidence of other gains as well, including happier sales associates, improved customer service, and, as consumers become more accustomed to the power of wireless communication, meeting the needs of a new generation of shoppers.

But individual-item RFID use hasn’t overcome all obstacles. Front-end investment is significant, and suppliers and retailers have not yet agreed on who should be responsible for purchasing and attaching the tags. Ideally the tags should be applied as far up the supply chain as possible, yet manufacturers have balked at the task, citing lack of industry-wide standards. Macy’s currently applies the tags in their distribution centers; they are participating in industry cooperative efforts that they hope will lead to more consistent use of RFID tags in retail and an agreement on responsibility for purchasing and applying tags. But even these efforts are impeded by other retailers who don’t want to share results of their RFID pilots, fearing that to do so will jeopardize their competitive advantage. The cost of the tags themselves is becoming less of an issue as they have become inexpensive enough for Walmart to use them on inexpensive items like socks and underwear.

But perhaps the greatest challenge is fear of change, including concerns about risks from investment in an expensive emergent technology, business disruptions, and changes to established supply chains.

Discussion Question:

Which retailers have adopted item-level RFID?

Many large retailers, including Macy’s, Bloomingdales, Dillards, Walmart, and American Apparel have launched pilot studies of RFID tags on individual items in all or some of their inventory, and other retailers, such as Zara, H&M, J.Crew, Gap and Sax Fifth Avenue are rumored to be implementing or expanding pilot projects.

What are the benefits of item-level RFID?

Item-level RFID gives retailers the ability to track their inventory with near perfect accuracy. Armed with this information, stores can replenish supplies of “hot” items without delay, control the consistency of their assortments, and avoid over-stocking unpopular merchandise that will need to be deeply discounted. These factors mean greater profits for retailers. Since the tags provide information about how long an item has been on the sales floor, they also help managers time markdowns. The technology allows for visibility as well as accuracy, and seems to improve the mood of store associates and the customer service they offer. In time, item-level RFID tags will help shoppers with hand-held devices determine the price and availability of a desired item in a particular store. Stores that don’t offer this option may be left in the dust.
If it’s so good, why don’t more retailers use it?

A variety of important challenges are stopping some retailers from using this technology. These obstacles include the upfront cost of purchasing and employing the technology, change management concerns such as disruption of business operations and supply chain operation, and the ability of the technology to grow to meet future needs. The industry as a whole must also cooperate on decisions such as who purchases the tags and attaches them. Ideally the tags would be applied by the manufacturer; however, the retailer benefits more from the technology than the manufacturer. Efforts to standardize the practice are impeded by an unwillingness of retailers using RFID technology to share the results, fearing that to do so would cause them to lose their competitive advantage.
Nudging Grocery Shoppers Toward Healthy Food

April Fulton, NPR Morning Edition, November 8, 2010


The United States Department of Agriculture (USDA) recommends that we eat between five and ten servings of fruits and vegetables a day. Grocery stores would like to see that happen, and not just because they are concerned about our health. Produce spoils more quickly than most other items stocked on grocery store shelves: Selling more means less waste.

To boost sales and accommodate the desire of many customers to eat better, grocery stores like Wegmans are employing new marketing strategies. Changes include moving produce closer to the store entrance; using soft, focused lighting; and placing a trained vegetable advisor in the produce section. This individual can answer questions about preparing vegetables unfamiliar to customers and provide recipes. Another strategy is signage that makes the food sound tempting. Food servers know this technique, describing the ingredients, tastes and textures of menu items to help direct diner choices. Frozen vegetables and healthy breads are also given priority positions, often located at eye level or next to less healthy choices rather than being relegated to bottom shelves or back corners. Finally grocery stores can offer a special price for a set number of items. Three-for-a dollar chocolate bars, for example, may motivate a shopper to toss the candy into the cart; the same strategy could be employed for artichokes or escarole.

But no one wants a guilt trip in their grocery store, so food retailers have to make sure their “eat better” messaging is appealing, not dictatorial. Attractive lighting, prominent produce displays, preparation suggestions, and price incentives should be designed to make shoppers enthusiastic about purchasing fruits and vegetables.

Smaller groceries and convenience stores can employ some of the same techniques to increase produce sales and reduce waste. While hiring a vegetable advisor may be out of the question, moving produce out of the dark inner recesses helps shoppers remember their interest in eating better. With luck, they’ll take home a bunch of bananas instead of a bag of cookies.

Discussion Questions:

Why do grocery stores want their customers to eat more healthy food?

Grocery store managers want customers to eat more healthy food because these foods spoil more quickly than foods that are processed or canned. If shoppers are purchasing and eating more fruits and vegetables, grocery store owners are turning over their inventory before it has a chance to rot.

What are grocery stores like Wegman’s doing to encourage healthy choices?

Large grocery stores like Wegmans are changing their store layouts, design and visual merchandising to encourage shoppers to buy more fruits and vegetables. In addition to moving produce closer to the store entrance, they are using soft, focused lighting to make the produce look appealing and placing trained vegetable advisors in produce sections to provide advice and recipes. Other product placement tactics that encourage healthy choices include putting good nutrition choices at eye level or next to less healthy options. Grocery stores are also using special pricing and signage designed to make produce sound appealing to help increase sales. Smaller stores are focusing on moving produce to the front of stores to encourage healthy choices.
Can QVC Translate Its Pitch Online

Stephanie Clifford, Wall Street Journal, November 20, 2010 and “The Golden Age of TV Shopping
Elizabeth Holmes, Wall Street Journal, November 11, 2010

Use with Chapter 2, “Types of Retailers,” and Chapter 3, “Multichannel Retailing”

High-end designers are thrilled to sell 12 units of an expensive evening dress; if they can get that same dress promoted on QVC or HSN, the giants of TV shopping, they can sell as many as 12,000 dresses. Other vendors, used to selling thousands of units of a particular pot or pan in a season have learned they can top those sales in a matter of minutes on a TV shopping channel. Clearly the cross between talk show and sales pitch works for shoppers, but will its strength continue as customers rely more heavily on online shopping and hand-held devices?

Many people—including, initially, QVC’s chief executive officer—have predicted online shopping would put an end to television shopping shows. But TV shopping shares advantages, such as direct customer feedback, instant information on sales, and limited-time offers, with e-retailing. It takes advantage of a new customer willingness to purchase without first seeing and touching the actual product—a willingness born from online shopping and supported by easy returns. Television shopping also has qualities the Internet lacks, including the ability to show product designers or sellers chatting with the show’s hosts with an ease intended to make viewers feel they are part of a conversation among friends. These conversations are part information, part recommendation and help motivate sales.

The casual banter, however, isn’t as casual as it looks. Hosts and guests have earpieces, through which the show’s producer is prompting them on ways to boost sales. The prompts are based on minute-by-minute analysis of new orders, tracked in increments of six seconds. Producers can figure out what statement or action caused orders to increase and coach the performers to repeat it. Hosts might also be prompted to announce that quantities are running low or, if sales are lagging, told that the segment will end early.

The format works for consumers, many of whom are already watching television anyway. During commercials, they switch to HSN or QVC. Since the shows air 24/7, even night owls may find themselves making a purchase.

Impressive sales have also attracted the attention of celebrity and exclusive apparel designers who have been searching for ways to rebuild sales channels lost during the economic downturn. These upscale products have given the shopping channels a new, trendier image than the days of miraculous thigh reducers and ever-sharp knives, even though lower-cost items are still the mainstay of home shopping business.

Even in a weak economy, both QVC and HSN have experienced sales growth over the last year. Meanwhile traditional retailers have struggled to woo customers lured by the benefits of online shopping. Still, both shopping channels must work continuously to attract and keep Internet-savvy customers. QVC contends by maintaining its own site, QVC.com, which is frequently hyped during shows. HSN’s niche strategy is to make its fashion merchandise exclusive to the network and use a softer sell designed to appeal to a high-end clientele.

Discussion Question:

Why are TV shopping retailers HSN and QVC doing so well compared with other retail formats?

With their 24/7 shopping format, available at the click of a remote control button, TV shopping retailers offer a comfort and convenience that cannot be matched by brick-and-mortar stores. They also offer an opportunity to listen in on designers and celebrities chatting about their products, an informative intimacy not available in stores or on the Internet. They take advantage of consumer willingness to purchase clothing, accessories or other products without having seen them first, behavior that is reinforced by online shopping. Perhaps most importantly, they have an instant feedback mechanism that connects sales data to dialogue and actions on the show. Producers tracking orders in the control room can communicate with guests and hosts in real time, suggesting they promote a popular color, emphasize a particular feature, create a sense of urgency by suggesting that supplies are running low, or cut short a segment on a product that isn’t selling well to make time for more popular merchandise.
Walgreens Tackles ‘Food Deserts’

Rob Walker, New York Times, November 12, 2010

Use with Chapter 12, “Managing Merchandise Assortments”

In 2006, Mari Gallagher Research and Consulting reported that many of Chicago’s citizens were without access to fresh produce. Put off by the challenges of operating in inner-city and often low-income neighborhoods, large grocery store chains opted for tonier zip codes for their stores, leaving city dwellers to be served by fast-food restaurants and convenience stores stocked with snack foods and canned goods. These neighborhoods were dubbed “food deserts” because of the lack of healthy food options. An unlikely candidate stepped in to turn these deserts to oases: Drug store chain Walgreens.

Last summer, Walgreens began stocking 10 of its inner-city Chicago stores with hundreds of new food choices, including fresh fruits and vegetables. From the pharmacy giant’s point of view, the move has appeal beyond improving customer health: An opportunity to increase profits. Stores already existed in many of the locations identified as food deserts in the Gallagher study, and competition was sparse. While Walgreen’s has been reluctant to discuss the success of their experiments, their move has spawned imitation by competitors CVS and Duane Reade.

But despite the positives, the move into this market niche has challenges. The stores needed retrofitting to accommodate new products, managers had to find new suppliers, and both customers and staff had to adjust to the change. Furthermore, the shelf life of a Bandaid is a lot longer than that of a banana; stores will need to find the correct balance of supply and demand to avoid profit loss through product spoilage.

Discussion Questions:

What is a food desert?

A food desert is a low-income, urban neighborhood in which there are no grocery stores selling fresh fruits and vegetables. Shoppers must rely on unhealthy food choices available at fast-food restaurants and convenience store shelves.

What is Walgreens doing to solve the food desert problem in Chicago?

Walgreens has introduced hundreds of new food items to its product assortment in 10 Chicago food deserts. The new items include fresh fruits and vegetables.

What are the challenges and benefits derived in solving this problem?

The company benefits by making a positive contribution to the health of its neighbors. From a business perspective, it benefits by entering into a market niche where no competition exists, and doing so without needing to invest in new real estate. However, Walgreens has had to retrofit stores to make room for the new products and find new suppliers. The chain has also introduced a new risk into its business model, that of profit loss through spoilage.
Wet Seal of Approval

Barbara Thau, Stores Magazine, October, 2010

Use with Chapter 16, “Retail Communications Mix”

Social shopping site Wet Seal attracts customers by allowing shoppers to design virtual outfits using apparel available on the site and then share them to get a friend’s opinion or to get rated by other site users. Since 2008, users have generated more than a half million outfits, boosting Wet Seal’s promotional efforts by making these outfits visible on Facebook as well as on the company’s Web site. Now Wet Seal is taking its e-shopping approach further by incorporating this user-generated content approach into a new mobile application and a Facebook game.

The Wet Seal site recreates many of the features of brick-and-mortar shopping and then adds the convenience of advanced technology. Customers can choose tops, bottoms, shoes, jackets, accessories or other clothing items and add them to their closet. Using the “create an outfit” feature, they can pair garments to build a complete look. Clicking “shop with friends” connects to Facebook, where shoppers can invite online friends to shop with them or comment on their outfit. Outfits can be purchased or left in a virtual closet for later purchase.

Expanding on the appeal of these features, Wet Seal created a smartphone application through which shoppers can view suggestions for completed outfits or scan a barcode from an individual item into their mobile device to see outfits using that item. All that virtual shopping advice translates into profits for Wet Seal: Shoppers who look at full outfits tend to order more items and spend more money than those who don’t, and a Wet Seal senior executive predicts shoppers using the mobile application in stores will spend more than their counterparts who shop without iPhones. The company is developing apps for iPads and Androids.

Many teen shoppers — Wet Seal’s target audience — don’t have the most important item needed for an online or smartphone purchase: A credit card. The company is now working toward “teen tendering,” which allows shoppers to use their parents’ credit card up to a limit set by the parent. Parents receive an email every time their teen makes a purchase.

In more recent innovation, Wet Seal launched a Facebook game, Chic Boutique, which allows shoppers to stock a virtual Wet Seal store, put together outfits, and clothe avatars in the individually designed outfits. As with the retailer’s site, new outfits can be shared with friends. The game provides valuable replenishment information for Wet Seal buyers, who can track the popularity of manufacturing samples in the virtual stores and tailor their decisions accordingly.

Discussion Question:

How is Wet Seal using social media to appeal to its target market?

Wet Seal is combining e-commerce, social networking, user-generated content and brick-and-mortar sales to appeal to its target market of teenage girls. The innovations began with Wet Seal creating opportunities for shoppers to put together virtual outfits using apparel and accessories available on the website. The next step was to tie the site to Facebook so shoppers could solicit the opinion of their friends on full outfits or individual items they were thinking of purchasing. Then Wet Seal developed a smartphone application so that shoppers could view outfits when they were out and about, including while they were in a Wet Seal store. By scanning in the barcode of a particular item in the store, shoppers could find ideas for full outfits, put together by other shoppers in their demographic. More recently, Wet Seal launched a game that allows players to stock a virtual Wet Seal store, Chic Boutique, create outfits, and dress avatars in the outfits.